

MINUTES OF THE MEETING
TAXATION COMMITTEE
MONTANA STATE SENATE

March 28, 1979

The sixtieth meeting of the Taxation 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 members present. Witnesses presenting testimony are listed on attached Register.

CONSIDERATION OF HOUSE BILL 669: Representative Ramirez said the bill was introduced at the request of the cities who have tax increments. An explanation of the changes the bill would accomplish is attached, as prepared by Researcher Terry Cohea. He went through the bill and gave the committee a brief explanation of the changes. The bill attempts to adjust the base when you adjust or increase the tax base and the difference, the increment, would go to help pay off the bonds purchased to finance the improvement. Appearing to testify in support of the bill also, was Roy Clark of Billings, who said the present law makes it difficult to make such adjustment.

Senator Norman asked for more detailed explanation and following some discussion, Rep. Ramirez said if the bank tax bill goes through (the Legislature) there would be a definite need for this legislation. Rep. Ramirez said Great Falls was having a problem with reclassification where he said there was a court ruling that the URP could only be created by resolution. Following several other questions by the committee the hearing on HB669 was closed.

CONSIDERATION OF HOUSE BILL 402: He said the bill was designed to promote gasohol by setting a sliding scale of tax savings from 2 to 6¢ per gallon over the next 8 years. He said the bill not only could help the state in creating a market for more of its grain, but also would be using the ethanol on a 1 to 10 ratio, thus saving one gallon out of 10 of gasoline consumed in the state. Another advantage, he stated, was that the bi-products from wheat and other grain used, gluten and protein, are sorely needed and gluten is at present imported (50% of the amount consumed).

Another proponent of the bill was Sharon Peterson who spoke for WIFE, and gave the committee a brief summary of the present distribution of gasohol in the state. Jack Gunderson, Department of Agriculture, also spoke as a proponent as did Steve Dougherty of the Northern Plains Council who said he would like to see the products of the state consumed in the state when possible.

The Chairman then called for other proponents or opponents and following, for questions from the committee. Senator McCallum asked about the present tax on gasohol. Norris Nichols of the Motor Fuels Department of the Dept. of Revenue responded and explained the Department's present method of taxing the ethanol that is shipped into the state. He defined the term 'distributor' as it would apply to the bill. The committee was advised on the mixture of regular gaso-

line with ethanol, on a 10 to 1 ratio, for cars and for diesel burning vehicles the mixture can be 20 to 30% ethanol to 80 to 70% gasoline. The cost was also discussed; the ethanol cost was \$1.50 per gallon and consequently gaschol sold 2¢ over the cost of gasoline.

The committee then discussed the matter of policing the distributors, to assure the mixture is indeed 10 to 1, and also the matter of the distributors paying the state licensing tax. Following their discussion, the committee agreed with the predicted shortage of gas, there is a need for the stretching of fuel and agreed to pass the bill:

Senator Towe Moved HB 402 Be Concurred In. Motion was carried.

House Bill 63 was then discussed by the committee and he distributed a chart showing the various revenues received by the State Highway Department and the percentages of increase as well as the estimated balances at the end of 1981 in the accounts. He proposed to increase the amount to go to cities and counts to \$4 million from proposed \$2 million.

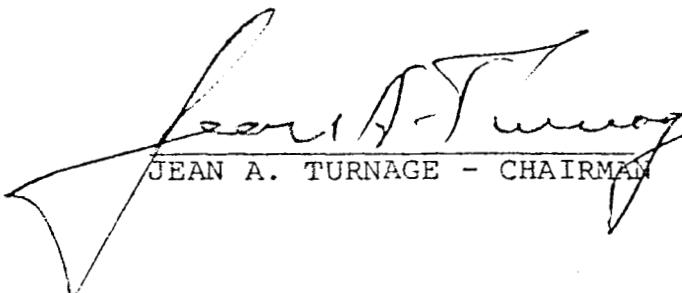
Senator Towe Moved to Adopt above amendment. A roll call vote was taken and the amendment failed by a 5-7 vote.

Senator Watt then Moved HB63 As Amended, Be Concurred In. A roll call vote was taken which resulted in a 6-6 tie. Thus, without objection, the bill is to go out of committee Without Recommendation.

House Bill 125 was then brought up for further discussion and after the members discussed it they agreed it should be moved from this committee:

Senator Roskie Moved HB125 Be Re-referred to Finance Claims Committee. His motion carried unanimously.

The meeting then adjourned.



JEAN A. TURNAGE - CHAIRMAN

SENATE COMMITTEE TAXATION

Date 3-28-79 11 Bill No. 63 Time 9:30

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

Nita Fjeseth
Secretary

5 7
Jean A. Turnage
Chairman

Motion: 1. Amend Item 1 #1
Decrease the portion of the Chamber
to \$100 per hour thru 2pm

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

SENATE COMMITTEE TAXATION

(2)

Date 3-28-79 7 Bill No. 63 Time 9:30

NAME	YES	NO
SEN. GOODOVER (Vice Chairman)		X
SEN. BROWN	X	
SEN. HAGER	X	
SEN. MANLEY		X
SEN. MANNING		X
SEN. MCCOLLUM	X	2
SEN. NORMAN	X	
SEN. ROSKIE		X
SEN. SEVERSON		X
SEN. TOWE	X	
SEN. WATT	X	
CHAIRMAN TURNAGE	X	

1 \$ 85

Nita Fjeseth
SecretaryJean A. Turnage
ChairmanMotion: As Amended 3-27th 1

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

This bill would amend the Urban Renewal Law to:

Repealed by Senate Bill 1

- 1) allow urban renewal plans to be approved by resolution and validating those already approved by resolution. [Section 7-15-4218 requires that urban renewal plans must be approved by the voters if the financing of the plan involves general obligation bonds.]
- 2) allow urban renewal project plans to be modified by resolution after hearing and notice; [page 3, line 15 has an unclear conjunction.]
- 3) change all references in the tax increment financing sections from "original taxable value" to "base taxable value" (p. 4);
- 4) allow the base taxable value to be adjusted by the department of revenue at the request of the governing body to reflect statutory changes; [For example, if the "base taxable value" of a district had been calculated including bank shares and moneyed capital and the legislature subsequently exempted these items from taxation, the governing body could ask the department of revenue to recalculate the base taxable value without the taxable value of the bank shares and moneyed capital. This would allow the incremental taxable value (or the difference between the pre-urban renewal and post-urban renewal taxable values) to remain constant, as security for the urban renewal bonds.]
- 5) specify that a portion of the tax increment may be used in determining the area's mill levies if the bonds for which it has been pledged as security are repaid;
- 6) allowing the taxes raised from the difference between the actual taxable value and the base taxable value to be pledged for the payment of revenue bonds, general obligation bonds, or special assessments;
- 7) allow taxes collected to pay for services provided by an urban renewal project to be pledged as security for urban renewal bonds; and
- 8) allow urban renewal bonds to be secured by a mortgage on all or part of an urban renewal project.

The bill has an immediate effective date.

FISCAL NOTE: NO

RULE-MAKING AUTHORITY: NO

1972

1973

1974

1975

26,951,747 (6.6%) 28,608,727 (6.1%) 28,208,155 (-1.4%) 29,155,

6,122,205 (12.5%) 6,545,948 (6.9%) 6,634,991 (1.3%) 6,702,831,

326,471 (29.3%) 395,535 (21.2%) 431,433 (9.1%) 443,503

8,265,429 (14.6%) 9,452,071 (14.4%) 10,275,755 (8.7%) 10,572,841

1,278,127 (-4.0%) 1,322,523 (3.4%) 1,473,475 (11.4%) 2,384,922

660,315 (-18.0%) 786,943 (19.2%) 717,850 (-8.8%) 1,133,792

42,604,294 (17.1%) 111,241,769 (17.1%) 112,741,659 (17.1%) 113,241,594 (17.1%)

STANDING COMMITTEE REPORT

.....March 20.....1972.....

MR. President.....

We, your committee on.....**Taxation**.....

having had under consideration.....**Statement of Intent,**.....**House Bill No. 63.**.....

Respectfully report as follows: That.....**Statement of Intent,**.....**House Bill No. 63,**.....
be amended as follows:

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.

Strike: lines 8 through 19 in their entirety

3. Page 1, line 23.

Following: "funds"

Insert: "and for constructing and reconstructing county and city streets"

And, as so amended,

BE ADOPTED

55755X 7
1/2

March 27 1979

6. continued

wise 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 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."

And, as so amended,

BE CONCURRED IN

JL

March 27

19 79

4. Page 3, line 6.

Following: "GAS"

Strike: remainder of line 6 through "OBLIGATED" on line 13

5. Page 3, line 14.

Following: "1983"

Strike: "remainder of line 14 through line 16

Insert: "."

6. Page 3.

Following: line 16

Insert: "Section 3. Section 15-7-101, MCA, IS AMENDED TO READ:

" 15-7-101. 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) ~~\$6,750,000~~ \$3,500,000 of the funds collected under this chapter shall be allocated each fiscal year on a monthly basis to the counties 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) ~~\$27,950,000~~ \$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) ~~\$37,550,000~~ \$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, 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 other-

(continued)

Chairman

STANDING COMMITTEE REPORT

March 27

1979

MR. President

We, your committee on **Taxation**

having had under consideration **House** Bill No. **63**

Respectfully report as follows: That **House** Bill No. **63**,
third reading bill, be amended as follows:

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 through "OBLIGATED" on line 3

3. Page 2, line 9.

Following: "1983"

Strike: remainder of line 9 through line 11

Insert: ".."

DISPASSE

(continued)

Date Mar. 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.