

MINUTES OF THE MEETING  
TAXATION COMMITTEE  
MONTANA STATE SENATE

April 2, 1979

The sixty-fourth meeting of the Taxation 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 the members present. Witnesses contributing testimony, oral and written, are listed on the enclosed Register.

CONSIDERATION OF HOUSE BILL 213: Representative Williams was present to explain this bill and said he was Chairman of the sub-committee that designed the bill. He gave some background on property tax classification systems and how such division came about. He explained the way the bill would revise existing system, by reducing number of classes from 20 to 10; would create whole number taxable percentages; and exempt certain veterans' residences from taxation. He said there would be very small fiscal impact; the bill would be easier to interpret; the bill would also be simpler for the Department of Revenue to administrate.

Following his presentation the Chairman asked for further proponents and Mr. Tippy responded as a proponent, favoring the amendments adopted in the House, including dental equipment, for which group he was lobbying. Mr. Mockler also spoke as a proponent and presented an amendment of the Statement of Intent, see Exh. #1, attached. Mr. Williams, representing the Anaconda Company, presented his testimony and recommended amendments, also attached, see Exh. #2. He stated his agreement with much of the testimony, and wanted to include coal and ore haulers into Class 9, changed from Class 10. Mr. Phillips stated his concurrence with remarks of other witnesses with respect to the classification of coal and ore haulers. The new classification would result in approximately a 50% increase of taxes to be paid. He also said he would prefer using the wholesale prices as opposed to the retail prices in valuing this equipment. Mr. Nelson also testified that he appreciated the efforts made by the sub-committee to reduce the number of property tax classifications. He said land and land improvements are not at 8.55% to produce taxable value and he said he would hope that some effort would be made to continue the schedule as was done in HB70.

Senator Severson was also a proponent of the bill and said he too had worked on the sub-committee which put the bill together. He had amendments to propose, see Exh. #3. He recommended also moving live-stock and business inventories into the same class. Classification #7, he stated, would do what the mining interests have asked for. He also said his amendments would address a problem he long had felt was in need of attention, that of assessments being made on motor vehicles. He included his recommendations, see #7 of the proffered amendments in Exh. #3.

Mr. Zinnecker stated his support for the bill as it passed the House. He said he favored only 4 or 5 classes although he realized this would cause increases to some people, decreases to others. A

proponent of the bill, Rosemary Strope, Montana Chamber of Commerce, also spoke and said she endorsed Mr. Nelson's testimony favoring moving business inventories back to Class 5.

Chairman Turnage then called for other proponents, or opponents and Mr. Dowling of the Railroad Association said he would like to have railroad properties as presented in HB524.

Rep. Williams then made his closing statement and said he appreciated the remarks by Mr. Zinnecker regarding the smaller number of classes. He said the bill was not designed to lower or raise taxes, but rather an attempt to fix classifications. He did not feel agriculture needed any additional tax breaks, as he said the cattlemen were given a reduction of 40% in 1977. He said SB184 and HB365 were attempts to deal with vehicle taxes which he agreed, was a complex problem. He said the sub-committee had attempted to put like property in like classes and had spent many hours on the bill.

Following his closing statement the committee asked a number of questions, and following, hearing on HB213 was closed.

CONSIDERATION OF HOUSE BILL 398: Representative Huennekins said this bill would revise the qualifications for the class 15 property by basing income on adjusted gross income from federal returns, and also would create a sliding scale for tax rate on a.g.i., and put the market value in excess of \$35,000 of a qualified person's dwelling, in class 11. He said people with modest incomes needed consideration as there is still a continuing inequity. There were no other proponents of the bill and after the Chairman called for other witnesses, Representative Fabrega also spoke concerning the bill, of which he was co-sponsor. He said class 15 would now be taxed at 8.55% and went on to further explain the use of the multipliers in the schedule.

Following Rep. Huennekins' closing the committee asked a number of questions. He said there would be some impact on local governments and a break for those below \$6,000 income and an increase for those above, thus the sliding scale. It was pointed out the scale was to be based on the millage in the district where the property was located. This concluded the hearing on HB398.

CONSIDERATION OF HOUSE BILL 400: This also was Rep. Huennekins' bill and would limit the taxable value of a residence to 5% of its true market value, with 'true market value' defined as the current year's value. He said the bill puts a ceiling on taxes of residential property and deals with true market value of the current year, and what relationship there is between taxable value to the current true value of the individual's home. He said it would also give a taxpayer a basis for an appeal. Rep. Fabrega testified briefly for the bill also.

The Chairman asked for additional witnesses, pro and against, and there being none, opened the meeting for questions. Senator Watt questioned the sponsor regarding the difference in HB400 and SE145. Rep. Huennekins replied he did not believe residential property should be grouped with other property for taxation purposes. Within the law it is not used for any other purpose, therefore it has the sole purpose of habitation and should be taxed therefore, accordingly, he continued.

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CONSIDERATION OF HOUSE BILL 643: Representative Fabrega presented the bill which he said was introduced by the Department of Revenue, and was an attempt to create single property tax rate for centrally assessed utilities. Such utilities are first locally assessed and then the Department assesses the value of the entire operation. He said such system involves a lot of paperwork for everyone. The property would be taxed at 12 or 15%. Presently centrally assessed property is taxed at 15% and locally assessed property owned by such centrally assed companies are taxed at rates from 8 to 13.3%. Mr. Burr of the Department further explained the bill, illustrating the proposed method. He said the bill attempts to eliminate the central assessment. He said if we eliminate local assessments the big problem would be in coming up with local assessed value. He said there would be a slight loss to some companies and a raise to others.

The Chairman called for other witnesses to the bill and first to speak was Mr. Gannon of Montana Power who introduced amendments, see Exh. #5, and said he was not necessarily opposing the bill, that the 12% tax rate would be very close but represented about \$240,000 tax increase. He said this increase was not their prime concern; rather they were concerned with the allocation back to the counties. He asked if the Department could reduce the taxable valuation and switch it back to the tax-poor counties.

Mr. Loble said he had no objection to centrally assessing the utilities but had problems with the bill. He said M.D.U., which firm he represents, had pipelines going through the state into Wyoming and into North Dakota, thus presenting some assessment problems. He thought such method of assessing would increase taxable valuation of the company as well. Mr. Dowling of the Railroad Association testified also and said he too was concerned with the possible impact on Burlington Northern, which he said would be considerable. Mr. Allen of the Montana Petroleum Assoc., also spoke saying he favored the amendments of Mr. Gannon. He referred to pipelines going through the state and said in many cases costly meters would have to be installed to determine the major flows. Also, he said any additional taxes would be passed on to the consumers, and he felt there should be a way to reclassify such utilities without increasing the taxes. Mr. Phillips said he supported the bill in its present form as it would be very close to what his company (companies) are now paying.

The Chairman asked for further proponents to speak, and there being none, called for opposition testimony.

Mr. McAfee, county commissioner, opposed the bill because of the proportion of revenues that would go back to the counties, referring to the Department's plan of distribution on miles of line. Representative Fabrega stated he thought the Montana Power amendments would take care of the objections of Mr. McAfee. He said in the case of the railroad there would be a decrease and he did not feel such a reduction was warranted. He asked the committee to take a good look at the bill.

There followed a discussion on the market value of the pipe lines, related equipment, and Mr. Gannon said some of the operational equipment has been in use for some time and the cost would be difficult to

ascertain. The market value, however, would be readily available, he said. Mr. Burr said the section the bill addresses would merely be how the revenues would be allocated in the state. Discussion continued on the different values placed on operational property as distinguished from company holdings. This concluded the hearing on HB643.

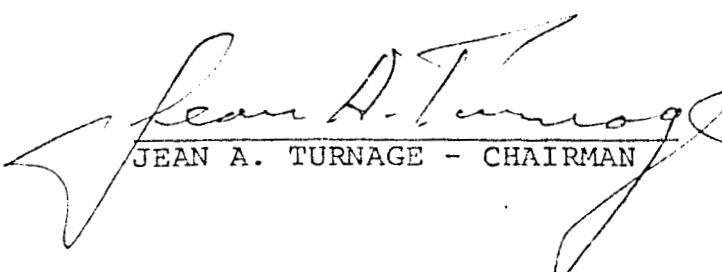
CONSIDERATION OF HOUSE BILL 534: Representative McBride presented his bill which he said would include passive-solar energy systems in the recognized forms of energy generation for corporate license tax credits or deductions. He said estimates range from 150 to 600 homes that might apply for such credits. He said several other states have such credits, however they do not give the full amount. He suggested further that the committee should consider the Statement of Intent that should be accompanying the bill.

Other proponents of the bill included Mr. Pogue who had slides to illustrate various methods of sun-heating homes. Mr. Knudsen of the Department of Natural Resources also gave his support of the legislation as did Ken Curtis and John Kreiger.

Chairman Turnage called for other proponents of the bill, and following, the opponents; there were none and the hearing on HB534 closed.

CONSIDERATION OF HOUSE BILL 821: Representative McBride said his bill would establish a special property tax classification for the property of new small businesses established in economically depressed areas for a period of 5 years. He said it was an attempt to attract new investment and get new moneys from outside the area, and to attract new jobs. He felt it would also give competition to existing businesses. Darrell Lee and Frank Manley also appeared in support of the bill.

The Chairman called for other proponents and there being none, called for opponents to the measure. The committee then discussed the impact of such legislation and it was pointed out if the bill were passed it should not apply to existing businesses. Researcher Terry Cohea was asked to draw up an amendment to so limit the bill. The meeting was then adjourned.



JEAN A. TURNAGE - CHAIRMAN

Date Apr. 2, 1979

ROLL CALL

SENATE TAXATION COMMITTEE

46th LEGISLATIVE SESSION - 1979

Each Day Attach to Minutes.

1.B  
213, COMMITTEE ON TAXATION

DATE APR. 2-1979

398,400,613,534,821 VISITORS' REGISTER

NAME	REPRESENTING	BILL #	Check One Support
Ronald Pogue	Alternative Energy Resources Organization	AB534	X
Ed Nelson	Mont Taxpayers Assoc	AB 213	X
Ed Nelson	" " "	HF 400	X
GERHARD KNUSEN	DEBT NATURAL RESOURCES	HB 534	X
Steve Williams	ANACONDA CO.	HB 218 (w amendments)	X
Ed McRae	Rosebud Co	HB 643	X
Jim Mockler	Mont Coal Council	HB 213	✓
Les Lobe	M D C	HB 643	amend
Gene Phillips	Pacific Power & Light Northwestern Telephone	HB 643	✓
Gene Phillips	ASACO	HB 213	amend
Tom Doakovic	Decker Coal I. NERCO Mont R.R. Corp	HB 213	amend
Tom Doakovic	"	HB 643	

*Macphail*  
*Land*  
*#1*

It is the intent of this Legislature that when the term market value is used within Title 15 of the Montana Code the following shall apply:

- a. When a generally accepted valuation guide is available the wholesale value list therein shall be used to establish the market value for all taxpayers.
- b. In the event a generally accepted valuation tax guide is not available valuation of personal property shall reflect depreciation based upon the useful life and salvage value of the property. Salvage value shall be defined as the amount a taxpayer can reasonably expect to realize in a year or in disposition of the asset when it has reached the end of its useful life to the taxpayer.

NAME Ronald Pogue BILL NO. HB 534

ADDRESS 226 Power Block DATE 4-2-79

WHOM DO YOU REPRESENT Alternative Energy Resources Organization

SUPPORT XX OPPOSE \_\_\_\_\_ AMEND \_\_\_\_\_

PLEASE LEAVE PREPARED STATEMENT WITH SECRETARY.

Comments:

NAME Les Loble II BILL NO. HB 643

ADDRESS 716 Power DATE 8-2-79

WHOM DO YOU REPRESENT Montana Dakota Utilities Co

SUPPORT X OPPOSE (X) AMEND X

PLEASE LEAVE PREPARED STATEMENT WITH SECRETARY.

Comments:

~~per line 22 Following "on"~~  
~~insert: "a customer or meter basis in~~  
~~the case of distribution property and in the~~  
~~case of all other property"~~

~~04, line 23 Following "on"~~  
~~add: "a mileage basis"~~

~~Add: "and in the case of distribution~~  
~~property at the option of the utility~~  
~~on a meter or customer basis"~~

Amendments  
Adopted

	<u>Taxable Rate</u>		<u>Taxable Value Change</u>
Railroads	15%	Decrease	\$ 713,935
Telephone	15%	Increase	46,680
Pipelines	15%	Increase	122,998
Airlines	15%	Decrease	61,115
Power & Gas	12%	Increase	4,254,491

✓ HB 643

filed 4-2-68

HOUSE BILL 643 Third Reading Copy

1. Amend page 4, line 21.

Following: "under"

Insert: "15-23-101,"

H 5

2. Amend page 4, line 23.

Following: "THE"

Strike: "ORIGINAL INSTALLED COST"

Insert: "current market value"

3. Amend page 4, line 25 and Page 5 lines 1 through 5.

Following: "COUNTIES."

Strike: the rest of line 25 on page 4 and all of lines 1 to 5 on page 5

4. Amend page 7, line 2.

Following: "assessed"

Insert: "electric"

Following: "and"

Insert: "natural"

January 1974  
Mont Peau  
H. 2nd

State of Montana  
Office of The Governor  
Helena 59601

THOMAS L. JUDGE  
GOVERNOR

March 20, 1979

To: Representative Kathleen McBride

From: Tom Kiely, Administrative Officer *T.K.*  
Office of Commerce and Small Business Development

Re: House Bill 821 and its Competitive Effect on Existing Business.

Using two hypothetical examples comparing an existing business with a new business which utilizes the proposed property tax, we found no significant competitive disadvantages to the existing business. The tax savings of \$1,464.00 and \$5,428.00 respectively would represent a small percentage of one's gross income.

On the otherhand, however, a newly formed business might just find this tax savings is the incremental difference between success and failure.

Hypothetical situation comparing an existing business with a new business (same market values on land, building, inventories, and furniture and fixtures) utilizing the proposed property tax class in an economically depressed area.

Example 1: Retail Hardware Store in Butte

	Market Value	Tax Rate	Existing Bus. Taxable Value	Tax Rate	Proposed Law Taxable Value
Land	\$ 20,630	8.55%	\$ 1,760	2.8	\$ 578.00
Building	43,790	8.55	3,744	2.8	1,226.00
Inventories	77,110	4.2	3,239	2.8	2,159.00
Furniture & Fixtures	510	13.2	68	2.8	14.00
Taxable Value	X	Mill Levy	=	Property Tax Revenue	
\$ 8,815	X	.30268	=	\$ 2,668	
3,977	X	.30268	=	1,204	



BUTTE  
CHAMBER  
of COMMERCE

*Capital*

March 2, 1979

*J-2*

*# 6  
(b)*

TO: TAXATION COMMITTEE  
FROM: BUTTE-SILVER BOW CHAMBER OF COMMERCE  
RE: HB 821 Establish a Special Property Tax Class For New Small Business

Our State Legislative Committee has investigated the above Bill and feels the Bill could be very important to our Butte economy. Our unemployment for 1978 was just under 9.6% and as a result anything that can improve this situation would be beneficial to our economy.

We endorse HB 821 and encourage the Tax Committee to do the same. We appreciate your help.

Dennis W. Bien, President  
P.J. Kenney, Executive Vice President