

MINUTES OF THE MEETING
TAXATION COMMITTEE
MONTANA STATE SENATE

April 3, 1979

The sixty-fifth meeting of the Taxation Committee was called to order on the above date in Room 415 of the State Capitol Building, Chairman Turnage presiding.

ROLL CALL: Roll call found all the members present. Witnesses giving testimony during the meeting are listed on attached Registers.

CONSIDERATION OF HOUSE BILL 633: Representative Manning introduced his bill which he said was an act to provide for local option excise tax on gasoline in order to exceed 2¢ a gallon tax, if approved by the affirmative vote of the people of the county. Mr. Zinnecker testified as well, and said they support the bill for the reason that it does take a vote of the people. He said they favored it over SB358, also a local option gas tax, as this bill handled the distribution better.

Chairman Turnage called for further witnesses and following are the listed opponents: Mr. Manion said he had supported the bill in the House, but because of HB63 he did not believe both bills were needed. He would prefer local option method of gas tax, and asked the committee to withhold action on HB633 until HB63 is voted upon. Mr. Nelson agreed with Mr. Manion's testimony. Mr. Teigan stated his agreement with previous testimony and too, asked the committee to take both bills under consideration before acting on either.

Rep. Manning then made his closing statements and following were questions from the committee. The hearing on HB633 was then closed.

CONSIDERATION OF HOUSE BILL 884: Representative Fagg presented his bill which dealt with energy conservation and provided tax incentives for renewable energy systems and energy conservation practices. He said there were property tax adjustments to encourage people to install alternate systems but few claims were made. He distributed a letter which gave information on solar systems installed in the state, see Exh. #1, attached, showing fiscal impact for solar systems, and wood stoves as well. He said this was a modest property tax reduction to help people pay for their systems, and in the long run there would be a substantial increase in property and income tax, after the improvements.

Mr. Pogue was a proponent of the bill and had proposed amendments to submit. Mr. Winsor also wished to amend it, and also had some reservations on the bill since he did not feel there was incentive enough to install such systems, considering their expense. Sana Porte also testified as a proponent as did Jim Kembel, who said additional funds are needed to encourage such systems as the present incentives aren't sufficient.

The Chairman called for other proponents or opponents, and there being none, permitted closing remarks by Rep. Fagg. The hearing on HB884 was then closed.

CONSIDERATION OF HOUSE BILL 299: Representative Kemmis introduced this bill which addresses the question of non-fossil energy generation. He said people who installed systems or energy conservation materials were reluctant to have the assessor come into their homes to see the work that was done. He said that several cases people had planned to install such systems but when they found how this would increase their property taxes, they changed their minds, thus the incentive for use of such conservation systems was lost. Mr. Pogue rose to support the testimony of Rep. Kemmis, as did Sanna Porte and Mr. Windsor.

The Chairman called for further witnesses, proponents and opponents, and there being none, called for questions from the committee and the hearing on HB299 was closed.

CONSIDERATION OF HOUSE BILL 568: Representative Scully presented his bill and said the increase in fees on new ownership of an auto and transfer of registrations would help fund the Law Enforcement Academy Bureau, LETS (Law Enforcement Teletype System) and the division of forensic science. Mr. McGraff spoke as a proponent also, and distributed copies of mv fee collections and expenditures at present and as proposed by HB568. See Exh. #2, attached. Mr. Graveley appeared also as a proponent, stressing the need for the bill and the improvements the law enforcement bodies in the state would have should they receive the additional funds. He mentioned the LETS and the forensic science laboratory in particular. Mr. Keyser of the Montana Police Service Association testified also as a proponent of the bill, echoing the comments of the previous witnesses. Testifying also for the bill were Hockland, Kuckenbrod and Senator Lockrem.

Mr. Zinnecker said he was concerned that the cuts would be felt by the local governments and that the fees would be taken from property taxes. He did feel, however, if local governments would not be affected, that such means of financing law enforcement improvements, were a good idea. Other proponents included Dale Dye, Glen Frame, Bill Romine, Mark Roscoe, Tom Hansel, Chuck Reilly, Don Pratt. All the witnesses were connected with police enforcement in the state and stressed the need for additional funds to improve the work being done by the police forces of Montana.

The Chairman asked for further proponents or opponents and Mr. Manion spoke against the bill, saying he had no problems with the programs, but not the manner in which they were to be funded. He said the motorists in Montana are tired of paying for programs. He continued, saying HB63 would and could fund such programs and thought it better to let that program fund the improvements referred to in this bill. Mr. Teigen, representing the Montana Highway Users agreed with Mr. Manion and his testimony, and said he felt the General Fund is the logical place for funding such programs. Mr. Nelson also stated his support of the program, but he said Montana has the highest tax on motor vehicles in any of the Western states and since they pay higher rates than any other class of property, he felt such an additional tax would be excessive and inequitable.

The Chairman asked for other witnesses and there being none, permitted a closing by Rep. Scully. He countered some of the opposition's comments by saying such fees had not been raised since 1969 and responded to the good that having a forensic lab in the state would do, mentioning in particular the moneys that could be saved, as well as the time, improved law enforcement.

During the questions that followed, the forensic science program as it now exists in the state was briefly discussed. Researcher Terry Cohea was asked to obtain a fiscal analysis of the bill for the committee's further consideration. The hearing on HB568 was then closed.

CONSIDERATION OF HOUSE BILL 848: Representative Quilici presented his bill which provided for a fee in lieu of property taxes for recreational vehicles. He said most often these owners are not wealthy and he felt the present tax was excessive. Rep. Menahan also appeared as a proponent of the bill as did Jerry McAuley and Lloyd Anderson of the Good Sam Club. He presented testimony as well, see Exh #3, attached. Other proponents included Jerry Roenig of the Montana Automobile Association, Ed Sheehy, Mr. Nelson and Mr. Zinnecker.

Chairman Turnage called for other testimony and as there was none, permitted Rep. Quilici to close. The committee then asked several questions of the bill's sponsor. The hearing on HB848 was then closed.

CONSIDERATION OF HOUSE BILL 385: Representative Fabrega said his bill changes the method of assessing and taxing autos and light trucks. They would be taken from the class 9 classification and taxed on the basis of trade value and a statewide tax rate would be used. Mr. Nelson supported the concept of the bill as he said he would like to see some program started in the state that would lower the tax impact on motor vehicles. Other proponents of the bill included Mr. Roenig and Mr. Zinnecker who said he supported it over SB184 as this bill would retain valuation for the school districts. He opposed the 4% figure, however, as it would take a rate of 5.4%, according to figures of the Department of Revenue, in order that local governments would not have a revenue loss. He would recommend raising the rate to at least 5%.

Rep. Fabrega said he had not had the fullest cooperation from that Department and found it difficult to obtain accurate fiscal impact of his bill. There followed additional discussion on the bill by the committee. Mr. Zinnecker said the Department's figures showed a loss of \$622,000 to local governments under SB184. There are three bills all relating to this subject which the committee has been considering; they are HB213, 385 and 848. The bills were discussed and compared, and following, the meeting was adjourned.


JEAN A. TURNAGE - CHAIRMAN

Date APR. 3, 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.

H.B. 385
299, 568, 633, 848, 884

COMMITTEE ON

TAXATION

DATE APR 3, 1979

VISITORS' REGISTER

NAME	REPRESENTING	BILL #	Check One	
			Support	Opp
Jerry R. McCarty	Jerry's Riv. Canton	848	X	
Charles A. Graveley	L.C. County Attorney	568	X	
Larry Huss	Montana Auto. Dps. Assoc.	385	X	
Greg Kizer	Montana Police Chief	568	X	
MIKE McGRATH	ATTY GEN	568	X	
LONN HOKLIN	ATTORNEY GENERAL	568	X	
BOB KUCHENBROD		568	X	
JIM MANION	MT. AUTO ASSN	633 568		X
Bob Durbin	VEW	385	X	
Mons Teigen	Mont. Hwy Users Federation	633 568		X
Ed Nelson	Mont. Taxpayers Assoc.	385	X	
"	"	568 633		X
Dean Zinnick	Mont. Assoc. of Counties	633 385	X	
Ray E. Stumpf	Mont. Sheriffs & Peace Officers Assn.	568 884	X	
Don Lane Skeliff	Mont. Sheriffs & Peace Off. Assn.	H.B. 568	X	
Ronald Pogue	Alternative Energy Resources Organization	HB 299 884	X	
Bill Romine	Mont. Sheriffs & Peace Officers	HB 568	X	
MARC RASCO (Rosco)	Mont. County Attorneys	HB 568	X	
Tom Howell	County Attorneys	HB 568	X	
Chuck O'Reilly	Sheriff - LVC Co.	HB 568	X	
F.H. BOLES	MONT. CHAMBER OF COMMERCE	568		X
Tom Wiscar	Montana Weathering	299 299		X
W. James Kembel	DEPT of Admin.	884		X
Raymond Anderson	Lead Miner	HB 318	X	



STATE OF MONTANA

DEPARTMENT OF REVENUE

MITCHELL BUILDING
HELENA, MONTANA 59601

Handwritten notes and initials in the top right corner.

MARCH 22, 1979

MEMORANDUM

TO: Representative Harrison G. Fagg
FROM: Alan Davis, Economist
Department of Revenue
SUBJECT: Fiscal impact of amended HB 884.

AD

In 1978 there were between 75 and 100 solar systems installed in residences. The majority of these systems were strictly to heat water, not the entire house. For purposes of the fiscal impact it is assumed that there will be 100 systems each in FY 80 and FY 81. There will be 60 systems to heat hot water only at \$1,500 each, 30 systems at \$5,000 each and 10 systems at \$10,000. It is assumed that only \$1,000 of credit for the \$1,500 systems will be available, only \$1,500 credit for the \$5,000 systems and \$3,000 for the \$10,000 systems. Finally, it is assumed that there will be 10 \$15,000 commercial systems each year with only \$3,500 credit available.

The above assumptions put the fiscal impact of amended HB 884 to \$170,000 each fiscal year. However, when wood stoves are included the impact increases dramatically.

It is assumed there will be 3,000 wood stoves in FY 80 and 4,000 in FY 81 with an average cost of \$800, this cost includes stovepipe. 200 each year will be in commercial establishments. It is assumed that a \$500 credit will be available in each year. The above assumptions put the fiscal impact of wood stoves at \$1,488,000 M in FY 80 and \$1,988,000 in FY 81.

The fiscal impact of HB 884 would be \$170,000 in FY 80 without wood stoves and \$1,658,000 with wood stoves. In FY 81 the impact would be \$170,000 without wood stoves and \$2,158,000 with wood stoves. In addition, buildings that install these systems will eventually be reappraised. This should result in increased valuations for local property taxes. It should be noted that I did not have an actual copy of the amendments, but strictly the information you furnished me over the phone.

Handwritten calculations on the right side of the page: 2,158,000, 1,658,000, 1,488,000, 1,988,000.

AD:kma

Copy to [unclear] [unclear]

The chart below shows motor vehicle fee collections and expenditures of these fees for the present biennium and as originally proposed for the 1981 biennium by H.B. 568.

	<u>Fiscal 1978</u>	<u>Fiscal 1979</u>	<u>Fiscal 1980</u>	<u>Fiscal 1981</u>
Beginning Fund Balance	\$ 590,328	\$ 743,097	\$ 764,455	\$1,976,164
Revenue With Fee Increase	1,860,705	2,028,168	4,386,287	4,649,460
Expenditures:				
Motor Vehicle Regis. (House Recom.)			1,459,033	1,490,317
*LETS (House Recom.)			241,242	241,400
*Academy (House Recom.)			330,432	344,890
**Forensic Science (Requested) <i>not funded</i>			219,506	251,637
Motor Vehicle Admin. (House Recom.)			39,908	39,264
License Plate Factory (House Recom.)			398,454	398,454
*Crime Lab (House Recom.)			144,374	142,423
Approx. 6% Pay Increases			75,501	155,535
Central Services			266,128	267,614
Total	\$1,707,936	\$2,006,810	\$3,174,578	\$3,331,541
Ending Fund Balance	\$743,097	\$764,455	<u>\$1,976,164</u>	<u>\$3,294,087</u>

*Indicates programs which under the attorney general's budget proposal will be funded with motor vehicle fees. Previously these programs were, for the most part, funded with general fund.

**Forensic science is a new program being proposed.

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Refer to Committee should be 1.2

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4.3

I am a resident of East Helena, and I represent all of Montana
Good Sams and recreational vehicles owners in Montana.

We are supporting ^{HB 848} ~~SB 122~~ for the following reasons:

1. Montana is the highest state in the western region for taxation and licensing of cars, trucks, and recreational vehicles.
2. Our present system of obtaining licenses is both time consuming and costly for the owner and the county and state.
3. Many times the owner must travel quite a distance and take time off from work, just to get his license. This ~~SB 122~~ would make it much easier.
4. In many instance the recreational vehicle owner is paying a much higher tax on his rig, than he is paying on the house that he is living in.
5. A large number of retired people, who travel extensively are licensing their recreational vehicle and other vehicles out of the state, and establishing their residence in another state also, just to avoid this system of registration and the high cost.
6. There should not be a G.V.W. tax on any type of recreational vehicle, as it is not a commercial outfit.

For the above stated reasons, I personally, and other R.V
owners respectfully request that you recommend passage of

^{HB 848}
~~SB 122~~

Lloyd Anderson