

MINUTES OF THE HOUSE TAXATION COMMITTEE MEETING
January 15, 1981

Vice Chairman Bob Sivertsen called the meeting of the Taxation Committee to order at 8:00 a.m. on January 15, 1981 in Room 102 of the State Capitol. The roll was taken and all members were present. HOUSE BILLS 86, 113, 119 and 129 were heard. Chairman Nordtvedt was excused for the first part of the meeting, but returned for the Executive Session.

HOUSE BILL 86, sponsored by Rep. Yardley, was the first bill to be heard. The bill would set up a fee system for light trucks, motorcycles, and automobiles, which are currently being taxed as personal property. The residents of cities and towns are currently paying for the upkeep of streets which are also used by persons from outside the city limits and therefore do not contribute to the tax revenue which fund street maintenance. He added that much of the time of County Assessors and Treasurers is being spent figuring out how much to tax vehicles. He presented the Committee with six copies of November, 1978 Legislative Council Report entitled, "Motor Vehicle Fee System." He said that HB 86 is nearly identical to the one which Sen. Mather introduced in the last Legislative session. Travel trailers, campers, snowmobiles, and mobile homes all have a uniform fee system now. Since 10% of the property tax base consists of motor vehicles, this bill would affect the bonding capacities of counties, cities and school districts. He pointed out that the tax base was also used for figuring the salaries of officials. He then went through the bill section by section, pointing out that many of the sections were housekeeping measures. Section 20 removes the sales tax on light trucks and automobiles, however, he doesn't think this section is necessary as far as the uniform fee system goes. Right now in Anaconda, a \$4,000 car would cost \$176 in taxes and in Melstone, it would cost \$46. Passage of HB 86 would help even out this kind of inequity. If an area has a high mill levy, it will lose money, but areas with low mill levies will be better off.

Larry Huss, representing the Montana Contractors' Association, then spoke up in favor of HB's 86, 113 and 119. He thinks HB 86 has a drafting oversight. The Contractors' Gross Receipts tax is under the license system. Current law provides for a credit on the tax for all personal property paid. If HB 86 is passed, this provision will have to be included in the credit provision in the Gross Receipts Acts. He pointed out that this had been done in HB 113. He then presented an amendment which would take care of the change in this bill; see Exhibit "A." He urged passage of one of the two bills.

Larry Tobiason from the Montana Automobile Association then rose in support of HB 86. A poll of their membership indicated that 65% felt that some tax relief was needed. Taxes in this state are some of the heaviest ones west of the Mississippi. In addition

to being in support of this bill, he expressed his support of Governor Schwinden's suggested \$65 maximum tax.

Gerry Raunig, from the Montana Automobile Dealer's Association, then spoke, stating that their organization has supported the concept of a uniform fee system for years. Regarding the removal of the new vehicle sales tax, they have always felt that the Highway funds should be protected. The Automobile Dealers have a problem with the language on Page 4, line 4, 5 and 6. They do not feel these lines are necessary because "D" plates are being discussed and the Motor Vehicle Code covers this subject. Motor vehicle tax relief is needed badly and the fee system would streamline the registration system. At present, many people pay illegally in counties other than where they reside because the tax is less, and this bill would help to ensure that counties would collect the revenue they rightfully deserved.

F. H. Boles, Montana Chamber of Commerce President, then rose in support of HB 86. He stated that this matter was of very high interest among the members of his association, and they were in support of all of the fee system proposals before this Legislature.

Mike Stephen, Executive Director of the Montana Association of Counties then spoke. He stated that he was not rising in opposition to the bill, but he did have a problem with the possibility that revenue might be lost in some counties. In June 1980, the Association went on record to oppose a fee system that would be detrimental to the Counties. If the county-to-county discrepancies could be cleared up, they would then be in favor of a fee system. He pointed out that HB 86 was very similar to a bill introduced in the 1979 Legislature which failed to realize exactly the effect on each county. He pointed out that figures supplied by any county would be biased depending on whether or not the county was in favor of this measure. Losses in revenue to the counties could be made up in other tax measures, and he wants this to be gone into more thoroughly. A sample was taken in Billings and about \$2,500 would have been lost in revenue from 100 vehicles. Mr. Stephen volunteered to help the Committee work on solving the monetary problems associated with the fee system. In addition he didn't believe that fees would keep up with inflation.

Rep. Sivertsen stated that all bills pertaining to the fee system were to be put in subcommittee of the Taxation Committee for consideration, and the witnesses would have another opportunity to

speak on the bills.

Jim Beck, Legal Division, Department of Highways, then spoke neither as a proponent nor an opponent to HB 86. He expressed concern over stripping the new car sales tax.

Don Larson, Jefferson Couty Assessor, then spoke on behalf of the Assessors' Association, expressing their opposition to a fee system. Taxes paid on cars primarily go to schools. As for people going to neighboring counties to pay lower taxes, he stated that this was up to Enforcement Agencies to take care of. He then submitted two letters, one to Governor Schwinden and one to the Editor of the Helena Independent Record, which he had written in opposition to a fee system; see Exhibit "B."

Dennis Taylor, Budget Director for the City of Helena, then reiterated that there was a potential for loss of revenue to local governments under the proposed system who are already experiencing a revenue crunch. The vehicle tax system has been one of only a few sources of revenue that has been somewhat sensitive to changes in the economy. He offered to work with the subcommittee on the subject.

Les Simkins from the Office of Budget and Planning then spoke. He stated that if Section 20 of the bill which strips the new vehicle tax were deleted, his office would not be in opposition to HB 86. Because a gas tax increase is not being sought at this time, they would like to see Highway funding left alone.

Dan Mizner, MT. League of Cities, stated that he was concerned about the possible loss in revenue to some 68 cities and towns which have already lost taxable value over the past several years. He asked that the Committee give some consideration to other sources of revenue to make up for the losses a fee system would cause. He would like to see an accurate identification of the dollars involved, and what, exactly, a fee system would do to local governments.

John Clark from the Department of Revenue then spoke. He said that the Fiscal Note for HB 86 was still being worked on by his department. He did offer that HB 86 would raise about \$1.7 million more than the current tax system, however, the money would not be distributed back evenly. In the seven larger counties the fee system wouldn't raise as much revenue. His major problem with the bill, however, is with the striking of the new car tax provision. This would mean more than \$4 million less in revenue to the Highway fund. Statewide, automobiles and trucks comprise about 7.5% of the taxable value, but in municipalities almost 20-25% of the tax base comes from this source. He expressed the belief that the six mill levy will raise more money than the Advalorem tax system.

Rep. Yardley then closed stressing that even though some counties would collect less under the fee system, passage of this bill would help to curb the practice of paying neighboring counties with lower taxes. He has no objections to deleting the Section concerning the new car tax removal. In his opinion not all County Assessors are opposed to the fee system. He recommended that the Committee postpone further discussion of the bill until a Fiscal note could be provided.

Questions were then asked.

Rep. Vinger wanted to know if the fee collections would be deposited in a central hub and redistributed. Slim Slattery, formerly with the Department of Revenue Assessment System, stated that he believed the money stayed in the county.

Rep. Underdal wanted to know if an inflation factor shouldn't be included in the bill. Rep. Yardley replied that some changes could be made in the fees, but right now the fees would generate more money than taxes are; he submitted that possibly the Committee would even want to lower the fees. The fee schedule could be adjusted whenever the Legislature met. Rep. Bertelsen suggested using a floating inflation factor similar to that in the indexing bill.

Rep. Sivertsen asked Mr. Clark if the essence of the reason for an increase in revenue wasn't because the fees on older automobiles were being raised and those on new ones being lowered, and Mr. Clark responded that in the high mill levy counties this system would lower the costs although in other counties this wouldn't be the case. Another proponent added that the flat fee system would raise the minimum amount due.

Rep. Vinger wanted to know if the fee would be collectible in cases where a tax wasn't, for example, on the Reservations. This would probably not be the case.

It was pointed out that the fee system wouldn't provide any type of reward system for counties that had lower mill levy rates due to good management practices.

In reponse to a question from Rep. Roth about the effect this bill would have on Counties' bonding capacities, it was stated that for counties approaching their mill levy limits, the reduced valuation would have an effect. The hearing was then closed.

HOUSE BILL 113 was then heard. Rep. Norm Wallin, the sponsor, stated that he would like to see some of the burden that has been put on the motor vehicle owners alleviated. Since the new system of assessing came into effect, many people have had to pay more

than they previously had to. In addition, this bill addresses the inequities between rural and urban assessments. Whichever fee bill is adopted, Rep. Wallin expressed the hope that the revenue generated would stay in the counties, wouldn't affect the pay of officials, and wouldn't affect the counties' bonding capacities. He expressed the belief that more money should be obtained from the lower end of the scales rather than the higher end.

Ken Hoovestol, representing the Montana Snowmobile Association and the Marine Trade Association, then spoke up in support of HB 113 and in support of the use fee concept.

Dan Mizner from the Montana League of Cities and Towns then rose as neither a proponent nor an opponent to HB 113. The majority of his people want a fee system for automobiles, but an accurate and just distribution of funds is needed, to equalize the effect within all of the counties of the state.

Gerry Raunig, representing the Montana Automobile Dealers Association wished to go on record in support of HB 113.

Mike Stephen, Executive Director of the Montana Association of Counties, then rose in OPPOSITION to HB 113, but stated that he was not necessarily against the fee system. He pointed out that taxes from county to county were not equal and this was due to the fact that each school district had a different mill rate--a built-in inequity.

Rep. Wallin then closed. Questions were asked.

Dan Mizner said that passage of this bill would affect the value of permissive levies, in response to a question from Rep. Dozier. Since the taxable value would be reduced by some 25-28% in Yellowstone County with the removal of motor vehicles, the number of mills would have to be increased in order to raise the same amount of money. However, the bill tries to retain motor vehicles in the tax base.

Rep. Zabrocki speculated that an expected decrease in revenue in some counties under a fee system might be offset by the fact that the residents would no longer be motivated to pay in other counties.

Rep. Burnett asked Rep. Wallin if this bill wouldn't be transmitting taxation from metropolitan to rural areas. Rep. Wallin replied that it should be worth it to rural people to pay \$25 to have services such as snowplowing provided.

Rep. Asay questioned John Clark from the Department of Revenue about how much of a saving in man-hours would be effected under this system. Mr. Clark estimated that there might be a savings of up to \$250,000 per year, and statewide the change would have an impact of \$8.8 million. Revenue would increase in only four counties.

Rep. Williams commented that if a fee system were established, in no way could it be used as basic property evaluation for bonding, and if the bill tried to do this it would be illegal. The bill does not otherwise address the issue of how to meet bonding revenue deficiencies.

HOUSE BILL 119, sponsored by Rep. Harrington was then heard. This bill takes automobiles and small trucks out of Class nine property and puts them in Class eight. This provides for a basic tax reduction of about 15-22%. Rep. Harrington asked that the Taxation Committee retain this bill and in the event that the fee system bills do not gain passage HB 119 will be available as an alternative. He added that he was in favor of a fee system. He pointed out that under this bill the reduction in tax revenue wouldn't be that great because there will be a growth in the new cars coming into the tax system. He pointed out that Class nine cars, if sold, are not valued at the price that is used when taxes are assessed. This bill would give relief in this area.

Jim Jensen, representing the Low Income Senior Citizens Advocacy, then rose as a PROPONENT of HB 119.

Ken Hoovestol (Montana Snowmobile Association and the Montana Marine Trade Association) then spoke up in support of HB 119.

Mike Stephen, Exec. Director of the Association of Counties, then said their only problem concerned whether or not a reduction is merited, and this was up to the Taxation Committee to decide.

Dan Mizner (Mont. League of Cities and Towns) commented that it was in the Legislature's power to replace any lost revenue and added that changing the percentage of the taxable values on motor vehicles rather than the Class rating might be an alternative to accomplish what this bill hoped to do.

Rep. Harrington then closed, stressing that the Legislature needed to provide the public with some form of tax relief on automobile licensing.

Questions were then asked. Rep. Williams questioned Mr. Raunig about why a more realistic figure couldn't be arrived at for

assessing the value of vehicles. Mr. Raunig explained that valuation figures come from the NADA Used Car Guidebook and are from exact sales figures. "Market value" is the average retail column, and contain the prices that dealers sell for. However, that average retail price is the high average trade-in price a person might be able to get. This bill would make things more equitable. Rep. Williams then wanted to know what the percentage difference between average retail price and trade-in value was, and was informed it was 20%.

Rep. Harp expressed a desire to have Assessors keep Blue Books on a quarterly basis rather than yearly.

John Clark then explained that the reason the Dept. of Revenue used the high book value on a vehicle for assessment purposes was because, when the Legislature changed tax classification percentages, a misinterpretation was made and 13.3% was set, and the Dept. of Revenue had to use the retail column as a result; otherwise, automobile taxes would have gone down. The Dept. would welcome the opportunity to go to wholesale value. Mr. Clark added that the Taxation Committee was not to blame for the misinterpretation.

Mr. Raunig stated that how an auto was equipped was taken into consideration when it was assessed, but this did not occur on the County level.

Rep. Harrington said that he might recommend an amendment to include cars more than 3,000 pounds in the bill.

Rep. Williams brought up the possibility of changing the method of assessing the value on a vehicle rather than changing its tax classification. Rep. Harrington was amenable to using the actual vehicle value as the assessed value. Rep. Underdal questioned whether this bill could be amended to incorporate such a change. Rep. Sivertsen stated that another bill could be drawn up if the bill couldn't be amended. Mr. Raunig urged that the Committee use the language, "average retail" and "average trade-in or wholesale" if such a change was implemented. John Clark said that the Dept. of Revenue would welcome guidance in setting market values.

The hearing was then closed on HB 119. HOUSE BILL 129, also sponsored by Rep. Harrington, was then heard.

Rep. Harrington said that HB 129 addresses the problem of re-licensing vehicles after they have been out of service for several years. At present, back taxes have to be paid. He submitted that

value is contingent upon use, and if the vehicle isn't being used it has no value. Driving a vehicle upon which taxes are owed is an enforcement problem, and this bill would require that an affidavit be signed attesting to the fact that the vehicle had not been driven since its license expired. He added that what HB 129 proposes used to be in the lawbooks, but disappeared after State recodification.

Ken Hoovestol then spoke up in favor of HB 129, stating that the Montana Snowmobile Association and the Montana Marine Trade Association supported the use fee concept, and this bill was a step in the right direction.

There were no opponents to HB 129. Rep. Harrington then closed.

Questions followed.

Rep. Williams stated that he had a problem with Section 2 in that no reference was made to city and town street use. Rep. Harrington responded that the bill hadn't intentionally excluded any roads and that he was agreeable to amending more explicit language into the bill.

Rep. Switzer pointed out that part of the fee on an automobile was a property tax, and had nothing to do with whether or not the property had been used. Rep. Harrington said that if property hadn't been used, however, it wouldn't have any value. He added that to have to pay back taxes on vehicles was a "nuisance tax." He said that perhaps an amendment could be added to the bill to provide for a fine for violation. He added that the bill probably would only apply to non-commercial vehicles, other than travel trailers and mobile homes.

Rep. Underdal remarked that the mill levy for every year a back tax was due had to be figured and this took up a lot of time and paperwork.

The hearing on HB 129 was then closed. The Committee took a short recess.

Chairman Nordtvedt called the meeting back to order and announced that there were at least three more vehicle tax bills before the Committee and no executive action would be taken on any of them until they were all heard. A Subcommittee would be appointed to do a detailed investigation of the bills.

The Chairman also said that he wished to take executive action on HB 219 immediately after the hearing on January 16. Passage

of this bill through the Legislature and on to the Governor will enable the Department of Revenue to immediately circulate news releases notifying the public of the increase in minimum income level required for filing income taxes.

Rep. Vinger announced that information was on the way concerning the bill Sen. Melcher would be introducing on the Windfall Profits Tax and its effect on the small owner, and agreed to update the Committee when the information arrived.

The meeting was adjourned at 10:00 a.m.

A handwritten signature in cursive script, appearing to read "Ken Nordtvedt", written over a horizontal line.

REP. KEN NORDTVEDT, Chairman

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TAXATION COMMITTEE MINUTES
January 15, 1981

"MOTOR VEHICLE FEE SYSTEM"

This booklet is contained in the "Bulky
Testimony" file of the House Taxation Committee
47th Legislature

VISITORS' REGISTER

HOUSE TAXATION

COMMITTEE

H/3 86

Date 1/15/21

Gardley

[illegible]

IF YOU CARE TO WRITE COMMENTS, ASK SECRETARY FOR LONGER FORM.

PLEASE LEAVE PREPARED STATEMENT WITH SECRETARY.

NAME LARRY HARRIS Bill No. HB 31

ADDRESS Box 5111 Harrison DATE 4/15/51

WHOM DO YOU REPRESENT West Coast Business Assoc.

SUPPORT _____ OPPOSE _____ AMEND /

PLEASE LEAVE PREPARED STATEMENT WITH SECRETARY.

Comments:

2600-10000
11-7-11
11-11-11

AMENDMENTS TO UNIFORM FEES SYSTEM

Section . Section 15-50-207, MCA, is amended to read:

15-50-207. Credit against other taxes — credit for personal property taxes and fees in lieu of taxes

- (1) The additional license fees withheld or otherwise paid as provided herein may be used as a credit on the contractor's corporation license tax provided for in chapter 31 of this title or on the contractor's income tax provided for in chapter 30, depending upon the type of tax the contractor is required to pay under the laws of the state.
- (2) Personal property taxes and fees in lieu of taxes

paid in Montana on any personal property of the contractor which is used in the business of the contractor and is located within this state may be credited against the license fees required under this chapter. However, in computing the tax credit allowed by this section against the contractor's corporation license tax or income tax, the personal property tax credit against the license fees herein required shall not be considered as license fees paid for the purpose of such income tax or corporation license tax credit.

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Office of the
JEFFERSON COUNTY
ASSESSOR
DON LARSON
Boulder, Mt. 59632

Jan. 13, 1981

Gov. Ted Schwinden
Capitol Building
Helena, Montana 59601

Dear Governor:

After reading the report of your speech to the legislature, I would like to give you a different opinion on the fee system for motor vehicles. Enclosed is a copy of my letter that was in the Sunday, Jan. 4th, issue of the Independent Record. I can not believe that this is a fair system. If it is like the fee system for campers, motor homes, camp trailers and snow mobiles, it will lower the taxes (fees) for the new units and raise them on the old ones. If you do not believe in the ad valorem tax, why are we using it? Some people argued that motor homes, campers, etc. were only used for three or four weeks, so why should they pay for a full year. What about farmers combines or ranchers haying equipment?

I also take exception to the statement that the loss of taxes would be made up from the state monies. I do not believe that the good fairy brings the "State Monies", and therefore I should have some say in how they are spent.

This is not as bad as the "Homestead Tax Relief" but it is still politics under the guise of fairness.



Donald L. Larson
Jeff. Co. Assessor

The Independent Record
317 Allen St.
Helena, Mt. 59601

Dear Editor:

After reading Steve Shirley's front page article on auto fees, I would like to ask a few questions. Why do you make such a big thing about the "unfair, exorbitant and inequitable" taxes on motor vehicles? What about the unfair, exorbitant and inequitable taxes on machinery, equipment, inventories, livestock and all other property?

If you want to compare with other states, take the example of a rancher in Jefferson county that pays \$ 12.05 taxes on each cow and ranchers in some states that pay no taxes on their cows. If you want to compare within the state, take a rancher near Anaconda that might pay three times as much taxes on his livestock as a rancher near Colstrip. These ranchers all have to compete in a common market. What about a fee system for livestock? This is only one example, but the same inequities apply to all taxable property.

All property taxes vary, not only from county to county, but from taxing jurisdiction to taxing jurisdiction. Why shouldn't a motor vehicle owner pay on voted mill levies, bonds and all other taxes the same as other taxpayers, when they have the same voting privileges?

I would like to see the assessor's office eliminated from the process of assessing motor vehicles and stop the frustration of having to stand in line, but wasn't the anniversary system and the multi-million dollar computerized preassessment supposed to do this?

I disagree with the suppositions, opinions and reasoning behind the fee system proposal. I especially disagree with the "state official" who was quoted as saying "No one's ever been opposed to the idea."

Why should motor vehicle owners not support their local schools, cities, fire districts, etc., in a like manner to other taxpayers?

Donald L. Larson
Jefferson County Assessor
Boulder, Mt. 59632

VISITORS' REGISTER

HOUSE TAXATION

COMMITTEE

FILE HB ~~CONFIDENTIAL~~ 1/3

Date 4/15/81

SPONSOR _____

NAME	RESIDENCE	REPRESENTING	SUPPORT	OPPOS
F. H. BOLES	HELENA	MONT. CHAMBER	X	
W. H. Wagner	Helena	Mont. League of Women		
Charles F. Koenig	Helena	Mont. Auto. Assoc.	✓	
Henry Hoss	"	Mont. Bond Assoc.	✓	
John Clark	HELENA	DEPT OF REVENUE		
DENNIS M. TAYLOR	HELENA	CITY OF HELENA		
Harry Tobiasson	"	Mont. Auto Assoc.	✓	
Harold E. Schaefer	Lees Ferry	Dept. of Justice	Mont.	

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PLEASE LEAVE PREPARED STATEMENT WITH SECRETARY.

VISITORS' REGISTER

HOUSE TAXATION

COMMITTEE

HB 119

Date 1/15/81

Harvington

[illegible]

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VISITORS' REGISTER

HOUSE TAXATION COMMITTEE

COMMITTEE

Date 1/15/81

Date 1/13/81

Harrington

[illegible]

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STANDING COMMITTEE REPORT

January 31

19 51

MR. **SPEAKER:**

We, your committee on **TAXATION**

having had under consideration **House** Bill No. **129**

A BILL FOR AN ACT ENTITLED: "AN ACT TO PROHIBIT IMPOSITION OF BACK TAXES ON A VEHICLE FOR A PERIOD IN WHICH IT IS NOT OPERATED ON THE HIGHWAYS OF THE STATE; AMENDING SECTION 15-8-202, MCA."

Respectfully report as follows: That **House** Bill No. **129**

DO NOT PASS

DO PASS