

MINUTES OF THE HOUSE TAXATION COMMITTEE MEETING  
January 16, 1981

Chairman Rep. Ken Nordtvedt called the meeting of the Taxation Committee to order at 8:00 a.m. on January 16, 1981 in Room 102 of the State Capitol. The roll was called and all members were present except Rep. Roth, who was excused. HOUSE BILLS 155 and 219 and HOUSE JOINT RESOLUTIONS 5 and 7 were heard and EXECUTIVE ACTION WAS TAKEN on HOUSE BILL 219 and HJR 5.

HJR 5, sponsored by Rep. Fabrega, was heard. He stated that several tax cases under appeal or in litigation are the result of the recent reevaluation of tax rates. Commercial property owners claim that commercial property is getting a 34% higher valuation than residential property; the matter is under litigation and this Resolution is an attempt to find a solution to the problem.

Sen. Bill Norman then testified in favor of the Resolution, stating that there has been trouble with property tax appraisal for a long time.

Dave Goss, Billings Chamber of Commerce, expressed their support of HJR 5. 450-500 pieces of commercial property in Billings now pay their taxes under protest. Jack Gribble, Administrator of the Property Tax Division for the Department of Revenue, said that the Director of the Department has a plan to address the situation and the assistance of the Committee would be welcomed.

Rep. Harrison Fagg then testified in support of the Resolution. He said that Billings voted for a tax increment district in the downtown area, but since the taxes are frozen, having been paid under protest, many problems have been created.

Helen Peterson, Chairman of the State Tax Appeal Board, then spoke. She expressed concern over the financial problems Counties would have if the problem wasn't resolved.

There were no OPPONENTS to HJR 5. Questions were then asked. Rep. Fabrega expressed the desire that an adjustment can be passed on to the valuations and then all the cases that are under protest will probably be resolved. If a solution is not forthcoming, the problem could go back and forth through the courts for years. He added that if the Resolution passed, the Committee would be formed and would start meeting immediately so as to offer a solution by the 50th Legislative day. The hearing was then closed.

Vice Chairman Rep. Sivertsen then took the meeting over so that Chairman Nordtvedt could testify on HB's 155 and 219 and HJR 7 all of which he sponsored.

HB 155 was the first of Rep. Nordtvedt's bills to be heard. He explained that it readjusts three of the sources of funding that go into the State Equalization Program. It reduces from 40 mills to 30 mills the amount of statewide property tax revenue going into the Equalization Program, and increases from 25% to 32% the Income and Corporate Licenses taxes that go in; see Exhibit "A." He suggested that P. 2, line 7 be amended from "Sixty" to "Sixty-eight" and on line 14, "40" should be "32," and on page 11, lines 13 and 15, "40" should be "32." The bill calls for reducing from 11% to 8% the part of the corporate income taxes that goes into the Long Range Sinking Fund. A paper summarizing the fiscal impact of these changes was distributed. It has been said that the Coal Trust earnings and income taxes are growing faster than the taxable value of the property of the state. In the future, the impact in the School Equalization fund will be more positive. Rep. Nordtvedt submitted that HB 155 could be amended to accomplish many purposes during the rest of the Legislative session. Many groups would like the earnings from the Coal Trust Fund, which are appropriable by the Legislature, to be earmarked. If the Legislature chooses to go this route, they should be earmarked in such a way so as to serve the entire state. In addition, reducing the State property tax from 40 mills down to 30 mills would be one of the best ways to provide tax relief.

Janelle Dunham, representing the Montana Chamber of Commerce, was unable to attend the hearing but left word that the Chamber was in favor of HB 155.

Charles Yarger, for the Northern Plains Resource Council, then rose in OPPOSITION to HB 155; see written testimony Exhibit "B."

Rep. Nordtvedt then closed, stating that he understood the concerns of the opponents. However, we have a Local Impact Fund from the Severance tax and it has been more than adequate to cover all the impacts the Coal Board has deemed fit to support. Putting the earnings into the Long Range Building Fund is a long-term solution, in his mind. Rep. Nordtvedt added that he felt one of the weakest points, as far as helping or hindering keeping the Severance tax, was that the tax was being collected and not being used.

Questions followed. It was brought out that the principal in the Trust Fund wasn't being touched; just the interest. About as much as is being earned in interest is being lost to inflation in the Coal Trust Fund by means of a reduced purchasing power of the principal.

Rep. Bertelsen wanted to know if HB 155 had any bearing on the

final action of the Equalization Program going through the Legislature. Rep. Nordtvedt responded that the Equalization Program was funded automatically. In order for money to be made available to the School Districts, then this action should be taken in time to be incorporated into the action on that whole program.

In response to a question from Rep. Williams, Rep. Nordtvedt said that probably most of the School Districts were using the entire 40-mill levy amount. Rep. Asay expressed concern that more money in the Long Range Building fund might generate requests for unnecessary items. Rep. Nordtvedt replied that if the money isn't appropriated from the Long Range Fund, then the excess would go to the General Fund.

Rep. Dozier expressed concern that using this Coal Tax money might give the coal companies an inordinate amount of control over the school program. Rep. Nordtvedt replied that he didn't see where they would have much motive or effect on the total funding of schools; the interest earnings are there to be appropriated anyway. Rep. Dozier said he didn't care to have revenue in funds that the Legislature didn't have control over.

Rep. Williams solicited Rep. Nordtvedt's opinion on transferring some of the funds to the Highway Fund. He replied that road building is definitely a capital expense of the State, but user taxes make more sense. However, he added that he could see the logic of this as an alternative.

Several Committee members expressed agreement with the Long Range Building Program Sinking Fund provision in the bill.

Rep. Harp pointed out that 60% of the Property tax is now used for education and putting money into the Foundation Program would definitely help lend itself to tax relief.

Rep. Nordtvedt admitted that passage of the fee bills would affect the amount of money that went into the Foundation Program, and thus the action taken on the other bills would have to be wedded to the action on HB 155. Rep. Asay pointed out that part of the money generated from a fee system would be scheduled to make up the loss of revenue to the school districts. He also said that each county's base levy would be being talked about if the 10 mills would come off the mandatory 40 mills. He was told that revenue wouldn't be lost to the school systems; it flows into the Office of Public Education and actually more money would be put into Equalization than is being taken out, under HB 155.

Rep. Sivertsen expressed concern that going this route might put the

State's case on the Severance tax into jeopardy. He also expressed concern that the Legislature and the people directly impacted by coal development had questions remaining concerning the future impact of coal development. Margaret MacDonald from the Northern Plains Resource Council responded that one of the major criticisms of the severance tax is that it is a "gravy train" for the people of Montana and not tied enough into the needs of the resource. Wide-based tax relief using the coal tax might jeopardize the severance tax. Rep. Sivertsen stressed that the impact was felt over the entire state, and in his opinion, laying all of the Coal Fund money aside is not as good a course of action as making use of the money.

The hearing on HB 155 was then closed. HOUSE JOINT RESOLUTION 7 was then heard. The sponsor, Rep. Ken Nordtvedt, stated that the Resolution urges Congress and the President to (1) index the federal income tax system for inflation and (2) cease to use inflation to raise effective tax rates by hidden mechanisms. He added that several days earlier, Gov. Schwinden had stated that he was urging the Congress to support indexing, also, and passage of HJR 7 would be a good show of bipartianship.

There were no other PROPONENTS to HJR 7. There were no OPPONENTS. Rep. Nordtvedt closed, and questions followed. Rep. Nordtvedt pointed out that HJR 7 wouldn't be giving the Federal Government any guidelines on how to spend their money; however, indexing might limit federal funding coming to the State. If everything was cut back proportionally, Montana might have to share the impact of slightly less federal spending, but the economy will benefit more than it will suffer from action like this.

Rep. Underdal expressed the worry that if federal income taxes were cut out then the cities might not be able to meet their budgets. Rep. Nordtvedt responded by pointing out that (1) the Federal budget isn't balanced; and (2) it is absorbing more of the Gross National Product every year. Income tax collections will not be reduced; growth will just be reduced. Indexing would help keep the Federal government from spending any more. At present, the Federal Government has a tax mechanism to increase their take every year. The hearing was then closed.

HOUSE BILL 219 was then heard. Rep. Nordtvedt, the sponsor of this bill also, explained that the trigger mechanism had set the minimum filing on state income taxes at \$1,250, but when the original bill went through the fact was overlooked that, if a personal exemption is raised, then the income necessary to file a return needs to be amended, also. Prompt passage of this bill would help avoid making someone file

who was under the exemption amount in 1980.

There were no further PROPONENTS to HB 219. There were no OPPONENTS. Rep. Nordtvedt closed and questions were asked by the Committee members. Rep. Neuman entertained the possibility of setting the limits at \$1,500 and \$3,000. It was pointed out that \$1,250 is the one-time exemption for 1980 that came into existence because of the trigger mechanism. This bill deals solely with tax year 1980. The hearing was then closed.

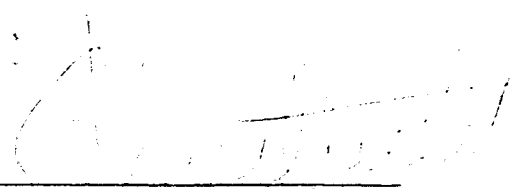
Control of the meeting was given back to Rep. Nordtvedt. The Committee went into EXECUTIVE SESSION.

Rep. Vinger moved that HB 219 DO PASS. The motion was seconded. It was then brought up that a minor technical amendment was needed. The amendment was moved and the motion that HB 219 DO PASS AS AMENDED carried unanimously.

Rep. Williams then moved that HJR 5 DO PASS. The motion carried unanimously.

Rep. Vinger announced that he had received a copy of the bill Sen. Melcher was helping to sponsor on the Windfall Profit Tax. He asked permission to invite some people to a future Committee meeting to explain the bill. Chairman Nordtvedt agreed to schedule a presentation for the following week.

The meeting was adjourned at 9:30 a.m.



Rep. Ken Nordtvedt, Chairman

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TAVIRIUS CORRI  
11/16/86.

BILL HJR 5  
 SPONSOR \_\_\_\_\_

SPONSOR \_\_\_\_\_

PLEASE LEAVE PREPARED STATEMENT WITH SECRETARY.

## 4/18/36

COMMITTEE

Date 1/12/81

Setti Christie	Helena	Supt. Public Instruction	
Charles Jones	Circles	Arthur H. H. H. H.	
Thomas H. H. H.	Thomas H. H. H.		

PLEASE LEAVE PREPARED STATEMENT WITH SECRETARY.

# House Bill 155 Fiscal Impacts on

	School Equalization Fund		Long Range Building Program Sinking Fund	
	82	83	82	83
50% Coal Trust Interest	+9.5	+7.5	+9.5	+7.5
25% → 32% of Income & Corp Tax 21% → 8% for L.P.B.P.S.F.	+14	+15	-6.0	-6.5
40 → 30 mills	-19	-20	—	—
Totals	+4.5	+2.5	+3.5	+1.0
	<u>+7.0</u>		<u>+4.5</u>	



Janelle Dunham  
Mt. Chamber of Commerce

Supports HB 155

She has the flu and  
can not attend today's  
taxation hearing.

Jim Liddick

# NORTHERN PLAINS RESOURCE COUNCIL

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Billings, Mt. 59101  
(406) 248-1154

Field Office  
P.O. Box 886  
Glendive, Mt. 59330  
(406) 365-2525

BEFORE THE HOUSE TAXATION COMMITTEE

TESTIMONY OF CHARLES YARGER, FOR THE NORTHERN PLAINS RESOURCE COUNCIL

January 16, 1981

ON HB 155

I am testifying today in opposition to House Bill 155. Many Northern Plains Resource Council members are landowners and citizens residing in the coal areas of Montana and, consequently, the Council has maintained a longstanding interest in the creation and disposition of the 30% Coal Severance Tax.

It has long been an objective of the Council to support the integrity of the tax and advocate its disposal in a manner which first and foremost meets the needs of impacted communities now and even moreso when the coal runs out. Beyond that, the tax must preserve for future generations a share of the wealth reaped in the one-time harvest of coal; it must cover the cost of administering the coal laws; and it should provide for the long-term stability of Montana's economy through the promotion of renewable, clean business and industry, to carry us beyond the bust cycle inherent to the coal industry.

NPRC opposes a distribution of the tax, and its income, that spells generalized tax relief to fund the basic, ongoing functions of government. We must not allow this state to become addicted to the coal tax. HB 155 represents a step in the direction of coal tax addiction.

Moreover, at a time when the integrity of and necessity for the tax are under full-scale attack in Congress and the U.S. Supreme Court, we can ill afford to commence issuing property tax relief through the vehicle of the coal tax. Nothing could more effectively undercut our defense of

the tax.

The 47th Legislature will be faced with a smorgasbord of proposals to dispose of coal tax trust fund income. I would urge you to treat this issue with great care and caution, recognizing that your decisions this year will mean more to the Montana twenty years from now than they will during the next biennium.

452 7  
TAXATION  
7-11

# Town Of Froid

Froid, Montana

59226

January 14, 1981

Taxation Committee  
House of Representatives  
Capitol Station  
Helena, Montana 59601

## RESOLUTION SUPPORTING STATE-LOCAL REVENUE SHARING

Whereas, local governments in Montana are experiencing severe financial problems because of their reliance on property taxes as a principal source of revenue; and

Whereas, the taxable valuation in most cities, towns and counties has remained static while costs of government services have been driven higher by inflation, federal and state mandated programs, negotiated wage and benefit agreements and other factors; and

Whereas, this combination of a static revenue base and increasing costs beyond the control of local government exerts dangerous and inequitable pressure on the property tax base, particularly homeowners, small businesses and farms and ranches; and

Whereas, there is no practical method currently available to local government to solve this combination of problems.

Now therefore be it resolved that the Froid Town Council of Froid, Montana, supports passage of House Bill 73 by the Montana Legislature to establish a system of state-local revenue sharing as the most workable method of providing additional revenues to finance essential county municipal services and most importantly to alleviate pressure on the property tax base.

Sincerely,

The Froid Town Council

TAYLOR  
4/6/81

COMMITTEE

Date 1/16/81

OPPO

Dept. of Revenue

PLEASE LEAVE PREPARED STATEMENT WITH SECRETARY.

T. A. S. 1/16/51

AMENDMENT TO  
HOUSE BILL #  
219

1. Page 4, lines 2 and 3.  
Following: "approval" on line 2  
Strike: line 2 through "1980" on line 3

# STANDING COMMITTEE REPORT

March 17, 19 91

SPEAKER:  
MR. ....

## TAXATION

We, your committee on .....

House 155  
having had under consideration ..... Bill No. ....

A BILL FOR AN ACT ENTITLED: "AN ACT TO CHANGE THE FUNDING ALLOCATIONS OF THE SCHOOL EQUALIZATION PROGRAM AND THE LONG-RANGE BUILDING PROGRAM SINKING FUND BY EQUALLY DIVIDING THE INTEREST AND INCOME FROM THE COAL SEVERANCE TAX BETWEEN THEM; BY ALTERING CONTRIBUTIONS OF INCOME AND CORPORATE TAX; AND BY LOWERING THE PROPERTY TAX MILL LEVY FOR SCHOOL DISTRICT CONTRIBUTIONS TO THE SCHOOL EQUALIZATION PROGRAM; AMENDING SECTIONS 15-1-501, 15-35-108, 17-5-408, 20-9-331, 20-9-333, AND 20-9-343, MCA."

Respectfully report as follows: That ..... House 155  
introduced (white), be amended as follows: ..... Bill No. ....

1. Title, lines 5 through 8.  
Following: "PROGRAM" on line 5  
Strike: line 5 through "THEM;" on line 8

2. Title, line 9.  
Following: "BY"  
Strike: "LOWERING"  
Insert: "ELIMINATING"  
Following: "LEVY"  
Insert: "ON CERTAIN VEHICLES"

3. Page 2, line 7.  
Following: "Seventy-five"  
Strike: "Sixty"  
Insert: "Seventy-one"

(Page 1 of 3 pages)

WOO:KAS

## COMMITTEE ON TAXATION AMENDMENTS TO HOUSE BILL 155:

4. Page 2, line 14.

Following: "25"

Strike: "40"

Insert: "29"

5. Page 2, line 24 through line 8 on page 7.

Strike: sections 2 and 3 in their entirety

Renumber: subsequent sections

6. Page 7, line 14.

Following: "25"

Strike: "18"

Insert: "25"

7. Page 7, line 15.

Following: "county"

Insert: ", excluding vehicles and light trucks with a GVW capacity of  
3/4 ton or less,"

8. Page 8, line 3.

Following: "25"

Strike: "18"

Insert: "25"

9. Page 9, line 17.

Following: "15"

Strike: "12"

Insert: "15"

10. Page 9, line 18.

Following: "county"

Insert: ", excluding vehicles and light trucks with a GVW capacity of  
3/4 ton or less,"

11. Page 10, line 6.

Following: "15"

Strike: "12"

Insert: "15"

12. Page 11, line 13.

Following: "25"

Strike: "40"

Insert: "29"

13. Page 11, line 15.

Following: "25"

Strike: "40"

Insert: "29"

(Page 2 of 3 pages)



## COMMITTEE ON TAXATION: AMENDMENTS TO HOUSE BILL 155:

14. Page 12, lines 4 through 6.

Strike: subsection (g) in its entirety

Reletter: subsequent subsection

AND AS AMENDEDDO PASS

# STANDING COMMITTEE REPORT

January 16, 1931

MR. SPEAKER

We, your committee on TAXATION

having had under consideration HOUSE Bill No. 219

A BILL FOR AN ACT ENTITLED: "AN ACT TO CLARIFY AND REVISE THE AMOUNT AN INDIVIDUAL TAXPAYER MUST EARN BEFORE FILING AN INCOME TAX RETURN; LIMITING THE APPLICATION TO TAXABLE YEARS BEGINNING IN 1980; AMENDING SECTION 15-30-142, MCA; AND PROVIDING AN IMMEDIATE EFFECTIVE DATE AND A TERMINATION DATE."

Respectfully report as follows: That HOUSE Bill No. 219, introduced (white), be amended as follows:

1. Page 4, lines 2 and 3.  
Following: "approval" on line 2  
Strike: line 2 through "1980" on line 3

AS SO AMENDED

DO PASS

# STANDING COMMITTEE REPORT

January 16, 19 61

MR. **SPEAKER:**

We, your committee on **TAXATION**

having had under consideration **HOUSE JOINT RESOLUTION** ~~XXX~~ No. **5**

**A JOINT RESOLUTION OF THE SENATE AND THE HOUSE OF REPRESENTATIVES OF THE STATE OF MONTANA ESTABLISHING A SELECT COMMITTEE TO RESOLVE QUESTIONS RELATING TO THE VALUATION OF COMMERCIAL AND RESIDENTIAL PROPERTY FOR TAXATION.**

Respectfully report as follows: That **HOUSE JOINT RESOLUTION** ~~XXX~~ No. **5**

DO PASS

# STANDING COMMITTEE REPORT

JANUARY 29, 1961

MR. ~~SPEAKER~~:

We, your committee on TAXATION

having had under consideration HOUSE JOINT RESOLUTION ~~IN~~ No. 7

A JOINT RESOLUTION OF THE SENATE AND THE HOUSE OF REPRESENTATIVES OF THE STATE OF MONTANA URGING THE CONGRESS AND PRESIDENT OF THE UNITED STATES TO ENACT LEGISLATION THAT ANNUALLY ADJUSTS PERSONAL INCOME TAX LIABILITY FOR INFLATION AND TO ENACT ANY CHANGES IN FEDERAL TAX RATES IN A GENERALLY OPEN AND DIRECT MANNER THAT DOES NOT EXPLOIT THE HIDDEN TAXING MECHANISM OF INCREASING TAX BY INCORPORATING INFLATED INCOME.

Respectfully report as follows: That HOUSE JOINT RESOLUTION ~~IN~~ No. 7

DO PASS

~~EXPIRE~~