

MINUTES OF THE HOUSE TAXATION COMMITTEE MEETING
January 28, 1981

A meeting of the House Taxation Committee was held on Wednesday January 28, 1981 at 8:00 a.m. in Room 102 of the State Capitol. All members were present. HOUSE BILLS 325, 326 and 338 were heard and EXECUTIVE ACTION was taken on HOUSE BILL 343 and HOUSE JOINT RESOLUTIONS 10 and 14.

The first bill to be heard was HOUSE BILL 325, sponsored by Rep. Dozier. This bill proposes to take the license fee money from vehicle registration and split 95/5 instead of 50/50 to the cities. The reason behind this is that (1) mostly, city vehicles don't get anything for the 50% share that goes to the county, and (2) city people have been paying the county's share of the revenue for a long time.

Alec Hanson, Montana League of Cities and Towns, then rose as a PROPONENT of HB 325. He stated that many communities had experienced money difficulties working on city streets and alleys.

Royal Johnson, Deputy Mayor of Billings, then spoke in support of the measure; see written testimony Exhibit "A."

Larry Herman, Mayor of Laurel, then spoke up in support of the bill. It is a tremendous burden on the citizens of Laurel to maintain its roads and this bill would at least take the money that is generated within the city and proportion it equitably.

Terry Carmody, Mayor of Townsend, then testified in support of HB 325.

Dennis Taylor, Budget Director for the City of Helena, was also in support of the bill. He stated that if the Committee believed in a sense of fiscal fair play, the bill would gain passage. 2.27 mills or \$72,000 in increased revenue would be generated for Helena.

Al Sampson, from Missoula, pointed out that city streets have to be built to accommodate heavier traffic; consequently they have more maintenance requirements. City people use county roads, but county residents use city streets more.

Dave Goss, Billings Chamber of Commerce, rose in support of the bill. He stated that the law contained a double standard because the city residents have to pay half of the counties' taxes to support roads which they make use of less often than the county residents make use of city streets.

Dick Janssen, Mayor of Fort Benton, rose as a proponent of the measure.

Mike Stephen, Executive Director of the Montana Association of

Counties, then rose in OPPOSITION to HB 325. He does not argue with what is equitable; however, even though the counties in 1978-9 collected \$55,319,070, much of it went into the State in payment of various taxes and fees. The county is the administrative entity for collecting these fees and most of them are pass-through funds. They are doing a tremendous collection job for the Cities, State, School Districts, etc. This is probably the only area where they break even administratively. City standards are much higher than county standards, and therefore it is not fair to compare them. He asked the Committee to look at the equity of what the county governments are getting out of the administering portion of this issue.

John Nesbo, Toole County Commissioner, and President of the Montana Association of Counties, then spoke. There is a misconception of the counties' wealth. Regarding city vs. rural travel, the rural people add to the cities' economies by purchasing goods and services. Administrative costs to the Counties are more than those to the Cities.

Bill Stewart then spoke, stating that we live in a sense of community, and this issue is like the chicken and the egg; which comes first. One should be aware of the fact that these dollars also go into District Courts, County Fair Funds, etc.; so, the townspeople are benefitting in these other areas. Cities don't have to pay earmarked taxes in all the areas that counties do. It is a headache administering motor vehicle registration.

Harland Lund, Yellowstone County Surveyor, then rose in opposition to HB 325. In the past, there was no county road tax; the roads were supported by the license plate fees. In the past two years, the net income from the license plate fees has decreased. The county has a lot more road to maintain for the same amount of money than the city of Billings has for its streets. The city has available about \$2.5 million per year for street construction, and the county has about \$1.5 million per year. Also, the cities in general have the authority to create Special Improvement Districts, to rebuild or maintain streets in their jurisdiction and the county doesn't have this option. They can only do this if there is a petition to do it. Congress is becoming much more receptive to the pleas of the cities for funds. They see that their gas tax revenue funds are going down also, and the costs are going up. Regarding equity - city people use county roads of the State, but if the principle of equity were carried through, without the help of large states such as California, Montana wouldn't have an interstate system. Montana has to depend on the Federal Government to have its interstates. He stressed the importance of maintaining county roads so that revenue-producing goods could be transported to the cities. He urged that the Committee kill HB 325; the counties do need the money, and if \$270,000 - \$280,000 per year was lost; almost 20% of their budget would be lost, and they would be in deep trouble. He distributed a letter from the Board of County Commissioners expressing their opposition to the bill; see Exhibit "B."

Questions were then asked. Rep. Bertelsen asked Mike Stephen when the ratio had been changed to 50% for both counties and cities. He replied that in 1975 this was done. Mr. Hanson added that before 1975, the cities got 25% and the counties 75%.

Rep. Williams solicited Rep. Doziers's response to what would happen if a fee system for vehicles was enacted. Rep. Dozier said that he would assume that the fee alluded to in the bill would have to be reapportioned.

Rep. Brand asked Mr. Stephen if the counties hadn't saved some administrative costs by changing auto registration to a year-round basis. He replied that it hadn't significantly improved the situation, because there were still lines, and the new requirement that all vehicles be insured has caused more work. He added that 2/3 of the vehicles in Choteau County were registered in January and February.

Rep. Devlin asked Mr. Johnson, when a street is paved in Billings, what percentage was paid for by revenue sharing, and how much the counties took advantage of revenue sharing in comparison. Mr. Nesbo replied that considerable capital expenditures are made by revenue sharing.

Rep. Underdal wanted a comparison of the availability of funds for county roads vs. city streets. Mr. Nesbo said that his county has a 13 mill road levy and other taxes; and some special funding is available. Mr. Johnson said that the funding came from the same place in the cities - the taxpayer. Federal funding is contingent upon the type of street being built. He added that if counties need more money for roads, they should increase their mill levies. Rep. Sivertsen asked Mr. Stephen to address the question. He replied that it is very difficult to compare cities and counties. The same revenue sources are available to each. Revenue sharing would depend on the county and what it wanted to do. The difficulty in raising property taxes precludes that option.

Mr. Herman assured Rep. Asay that the cities took the least expensive route as far as the purchase of maintenance equipment vs. leasing of the same.

Mr. Stephen stated that about 34 counties were at their maximum mill levy for roads at present. He added that the maximum levy allowed was 12 - 15 mills.

Rep. Dozier then closed, pointing out that 53% of Yellowstone County's budget was being paid for by City taxpayers. He submitted that County roads were seldom used by city residents. The Cities are getting no cooperation from the Counties on maintaining their streets. Most Counties aren't taxing their full levy amount because the cities are supporting them. The Counties get a big share of revenue sharing, which goes to strictly County projects. The hearing on HB 325 was then closed.

HOUSE BILL 326 was then heard. The sponsor, Rep. Bob. Dozier, distributed a clipping from the Billings Gazette concerning this bill; see Exhibit "C." He stated that he believed that six airports in Montana are located within City limits. Everybody can tax them except the cities who provide their services.

Royal Johnson, Deputy Mayor of Billings, then rose as a PROPONENT; see Exhibit "D."

Larry Herman, Mayor of Laurel, then rose in support of the bill. Laurel's airport was a \$400,000 project. 7.5 mills or \$40,000 had to come from the local residents; the city is looking for relief.

Bob Erickson, City Manager of Helena, then spoke in support of HB 326.

There were no opponents to the measure. Questions were then asked. Rep. Asay submitted to Rep. Dozier that the cities benefited in other ways from airports within their limits. For example, hotel, motel, and restaurant owners all paid taxes.

Rep. Dozier stated that he believed the argument that if this bill were enacted, aircraft owners would remove their craft to county airports was not a valid one.

Rep. Williams asked Rep. Dozier for the distinction between airports operated by Airport Authorities and those operated by cities. He was told that both had to pay county taxes.

Rep. Burnett brought up the fact that it was probably the County that built the Billings airport.

Rep. Harp was concerned that if this bill were enacted, the taxable valuation derived from the Airport Authority would be lost to the cities. Rep. Dozier told him that airports under an Authority wouldn't come under the bill. Rep. Nordtvedt added that if the airport wasn't under an Authority, the taxable valuation would be transferred to the cities, and the County would no longer be able to tax the airport.

Rep. Dozier then closed. The present law is totally discriminatory by saying that a city cannot levy a tax while any one else can. The hearing on HB 326 was then closed.

HOUSE BILL 338 was then heard. The sponsor, Rep. Nordtvedt, opened. A temporary reduced tax on gasohol was voted in, but since road funds could be jeopardized if gasohol came into widespread use, the law had been written so the Governor could suspend the reduced tax rate if he deemed it necessary. This bill would take away that power.

If the Governor can kill this tax break, business decisions can't be based on it. This might make it difficult to get financing. Subsection (d) was added to the bill in exchange for repealing the Governor's power to void the tax break. Also, Section 2 was created to help offset the repeal. Rep. Nordtvedt added that a similar bill was to come before the Committee. He stated that the main concern of the small businessperson was that the tax break was a tenuous thing.

Mr. Gordon McGowan, Highwood, Montana, then rose neither as a PROPONENT nor an OPPONENT. He stated that he didn't think gasohol was developing at as great a pace as some people had thought, and that Montana only had four or five plants. He said that both HB 338 and the other bill concerning this subject are "biting the bullet," just as the producers planning to increase production are. He said that banks don't like to lend money when they see that the Governor has the ability to manipulate the tax break. Also, other facts further inhibit getting started in the business. He expressed the belief that if one was considering entering the gasohol business, one of these bills would be a good incentive.

Jim Manion, Montana Automobile Association, then rose as a neutral witness who wanted to express his concerns. He stated that basically he supported the concept in the bill, but since the monies for the Highway Revenue Fund aren't increasing as much as had been expected, exempting gasohol from the gas tax would hurt the Account. He would be in favor of any other tax incentives for people establishing plants, but hopes that nothing will be taken away from the Highway Trust Account.

John Clark, Department of Revenue, then testified. He said that there might be a problem with trying to attribute corporation license taxes to gasohol production; it might be hard for the Department to administer this section.

Questions were then asked. Rep. Nordtvedt stated that gasohol producers are eligible for Alternative Energy Program grants.

The definition of gasohol was then discussed. A 10/1 ratio or less of gas to alcohol is required.

Rep. Roth said that she thought the bill was a little premature. Rep. Nordtvedt replied that the gasohol producers he had talked to told him that without the tax break they wouldn't even consider going into the business.

Rep. Williams stated that the proper name for the plants in Montana was "ethyl alcohol" plants.

Rep. Nordtvedt said that the language in the bill concerning corporate taxes might have to be refined in order for it to be workable.

Rep. Vinger asked why the tax couldn't just be levied against the

ethanol portion of the gasohol. Rep. Nordtvedt replied that the tax has to show up at the consumer level for the consumer price to be competitive. If the eight cent tax had to be taken off, there would be no way to get the tax break back to the alcohol producer. Six cents per gallon at the state level, of gasohol, gives a 60% tax break to the alcohol, which is 10% of the gasohol; in addition, there are other breaks.

Rep. Nordtvedt then closed and the hearing on HB 338 was closed.

The Committee then went into EXECUTIVE SESSION and the meeting was turned back over to Rep. Nordtvedt.

Rep. Switzer moved that the Statement of Intent on HB 223 (See Exhibit "E.") be ADOPTED. Discussion followed. The question was then called for and the motion carried unanimously. The penalty clause amendment to HB 223 was then discussed. It was moved that the amendment be approved; motion carried unanimously.

Rep. Harp then moved that HB 343 DO PASS. Motion carried unanimously.

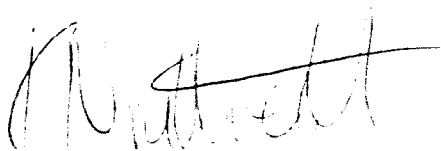
HOUSE JOINT RESOLUTIONS 10 and 14 were then considered. Chairman Nordtvedt expressed the desire that only one of the Resolutions be moved out of Committee, if any. Rep. Williams pointed out that the Revenue Oversight Committee already had the power to set up any kind of study they wanted to. Rep. Roth said that she thought the authors of the Resolutions were noble in their ideas but a mechanism was already set up to study the alternatives.

Rep. Sivertsen suggested that the sponsors of the Resolutions be informed of the Revenue Oversight Committee alternative.

Rep. Bertelsen then moved that HJR 10 DO NOT PASS. Motion carried unanimously.

Rep. Oberg moved that HJR 14 DO NOT PASS; motion carried unanimously.

The meeting was adjourned.



Rep. Ken Nordtvedt, Chairman

NAME Alec Hansen BILL No. 325
ADDRESS 241 Anderson, Helena DATE 1-28
WHOM DO YOU REPRESENT LEAGUE OF CITIES
SUPPORT OPPOSE _____ AMEND _____

PLEASE LEAVE PREPARED STATEMENT WITH SECRETARY.

Comments:

NAME Ronald C. Robinson BILL No. 325
ADDRESS 2915 Illinois Bldg DATE 1/28/81
WHOM DO YOU REPRESENT City of Bldg
SUPPORT X OPPOSE _____ AMEND _____

PLEASE LEAVE PREPARED STATEMENT WITH SECRETARY.

Comments:

NAME _____ BILL No. _____

ADDRESS _____ DATE _____

WHOM DO YOU REPRESENT _____

SUPPORT _____ OPPOSE _____ AMEND _____

PLEASE LEAVE PREPARED STATEMENT WITH SECRETARY.

Comments:

January 28, 1981
Room 102

STATEMENT PRESENTED TO THE HOUSE COMMITTEE ON TAXATION ON JANUARY 28, 1981, BY
DEPUTY MAYOR, ROYAL JOHNSON.

My name is Royal Johnson. I am the Deputy Mayor of Billings, Montana, and I appear here today on behalf of our City governing body.

The City supports HOUSE BILL 325 because it will provide for a more equitable distribution of the vehicle license tax currently collected by the counties and distributed back to cities and counties. Specifically, it provides that 95% of the funds collected from vehicles licensed within cities would go to cities to be used on the maintenance, repair and reconstruction of streets within cities. The county would keep 5% of these taxes collected within cities for administrative costs. The county would continue to receive 100% of the vehicle license taxes for vehicles licensed within the County but outside the incorporated areas.

Currently, the City of Billings receives \$283,000 from this source of revenue and that would be increased approximately \$255,000 if this bill were passed. Currently, Yellowstone County receives a total of \$529,556 and this would be reduced to approximately \$275,000.

It is significant that the City of Billings is responsible for the maintenance of all of the streets, alleys and roadways within city cities except for the Interstates and that the county has a similar responsibility for the roads in the unincorporated areas. It simply isn't right for the owners of vehicles within the city to have their vehicle license funds used in the unincorporated areas, which in turn increases the property taxes that city property owners must pay to maintain city streets.

The City of Billings has levied its maximum levy authorized by our Charter of 74 mills for all purposes and an additional 5.4 mills for our transit, for a total of 79.4 mills. It is significant that Yellowstone County has a road levy of only 10.3 mills when they have an authorization of 12 mills. One of the reasons for this is that the county receives a rather large distribution of vehicle license taxes

collected from people inside the city to spend on roads they maintain in the unincorporated areas.

It is also significant that we have a law that states that a county road levy can only apply to areas outside of cities because that is where the county is responsible for the construction maintenance of roads. On the other hand, the city has the authority to levy property taxes for street maintenance within the city because it has the responsibility to maintain the streets, alleys and roadways within the city. It seems, then, only logical that vehicle license taxes that are collected for the purpose of maintaining roads should be distributed in a like manner. One can argue that city people use county roads, which is certainly true, and conversely, county residents use city streets. We have a precedent in the law that says that the different units of government are responsible for the maintenance within their own jurisdiction.

The Billings City property owners also pay nearly \$200,000 each year for the construction and maintenance of bridges in the unincorporated areas. I urge you to support HOUSE BILL 325.

NAME DENNIS TAYLOR BILL No. HB 325
ADDRESS 316 N. PARK HELENA DATE 1-28-81
WHOM DO YOU REPRESENT CITY OF HELENA
SUPPORT X OPPOSE _____ AMEND _____

PLEASE LEAVE PREPARED STATEMENT WITH SECRETARY.

Comments:

NAME Dick Janssen BILL No. 325
ADDRESS Fort Benton, MT DATE 1-28-81
WHOM DO YOU REPRESENT City of Ft Benton
SUPPORT OPPOSE AMEND

PLEASE LEAVE PREPARED STATEMENT WITH SECRETARY.

Comments:

NAME Mise Stephen BILL No. 325
ADDRESS 1802 11th Ave DATE 28 Jun 81
WHOM DO YOU REPRESENT MT Assoc of Counties
SUPPORT _____ OPPOSE X AMEND _____

PLEASE LEAVE PREPARED STATEMENT WITH SECRETARY.

Comments:

NAME John L. Nichols BILL NO. HB 325
ADDRESS Shelby DATE _____
WHOM DO YOU REPRESENT Montana Assn of Counties
SUPPORT _____ OPPOSE X AMEND _____

PLEASE LEAVE PREPARED STATEMENT WITH SECRETARY.

Comments:

County of Yellowstone

COMMISSIONERS



TAXATION 1/28/81
EXHIBIT "B"

BILLINGS, MONTANA
59101

January 27, 1981

Mr. Ken Nordtvedt, Chairman
House Taxation Committee
Montana State Legislature
Capitol Building
Helena, MT 59601

Dear Representatives:

Please be advised that the Board of County Commissioners of Yellowstone County are in opposition to HB 325 dealing with auto license fees.

Sincerely,

BOARD OF COUNTY COMMISSIONERS
YELLOWSTONE COUNTY, MONTANA

Jim Straw
James A. Straw, Chairman

M. E. McClintock
M. E. McClintock, Member

JAS:bjs

NAME DALE SPHALURE BILL No. HB 325
 ADDRESS BIG SANDY DATE 28 Jan 81
 WHOM DO YOU REPRESENT MACO
 SUPPORT _____ OPPOSE AMEND _____

PLEASE LEAVE PREPARED STATEMENT WITH SECRETARY.

Comments:

City now share in vehicle tax
 They use all the county roads &
 services of
 Sheriff, Jail, Fair-Jerries - Poor yard
 District Court -

We have also earmarked funds for alcohol
 City get funds also - but not earmarked

VISITORS' REGISTER

HOUSE TAVATON COMMITTEE

BILL HB 326

Date 1/21/01

SPONSOR Dezian

| NAME | RESIDENCE | REPRESENTING | SUPPORT | OPPOSE |
|---|----------------|------------------------|---------|--------|
| Donna Jackson and others | Helena Bigs | City of Helena City | X A | |
| Gary Hemm | Helm | City of Helena | X | |
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IF YOU CARE TO WRITE COMMENTS, ASK SECRETARY FOR LONGER FORM.
PLEASE LEAVE PREPARED STATEMENT WITH SECRETARY.



ROBERT DOZIER
3923 3rd. AVE. SO.
BILLINGS, MONTANA 59107

The Billings Gazette

Opinion

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COMMITTEES:
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Free ride for airplanes needs to be corrected

Montana cities are asking the Legislature to correct an inequity, a situation which finds them providing services without the right of taxation.

Involved is a 1975 legislative act which gave counties the right to levy property taxes on airplanes based in the county but withheld the right from cities.

The rationale behind this "tax relief" measure for private aircraft owners was that the planes would be moved to airports outside of cities and thus the question of city property taxation would be moot.

It hasn't turned out that way. What it means in Billings, Helena, West Yellowstone and Columbus is that the aircraft owners are paying county mill levies, for which they receive no service, and do not pay taxes to the cities, which provide all the services.

What is particularly unfair is that the aircraft owners pay all property tax levies but those of the city. The state, county and schools get their cut the same as they do for real property and automobiles. The city is left holding the bag and providing the services.

The end result of it is that property owners in Billings, for instance, are subsidizing private plane owners by from \$50,000 to \$70,000 a year. That would hardly seem necessary.

It would seem only justice that the Montana Legislature correct this inequity, preferably by levying taxes on airplanes the same as on any other property. The least to be done, if the Legislature feels private plane owners need a special tax break, would be to give the city instead of the county the rights of taxation when the airplanes are based at airports within city limits.

January 28, 1981

STATEMENT PRESENTED TO THE HOUSE TAXATION COMMITTEE ON JANUARY 28, 1981, BY
ROYAL JOHNSON, DEPUTY MAYOR.

My name is Royal Johnson. I am the Deputy Mayor of Billings, Montana, and I appear before you today on behalf of our governing body.

We are here today to support HOUSE BILL 326. This bill is designed to eliminate a current inequity in the law whereby cities are not allowed to have their property tax levies applied to aircraft located within their cities. This law was apparently developed to provide special tax consideration in those counties that have their airports located within cities. The current law provides that while school districts, counties, and special districts can have their tax levies applied against the valuation of airplanes within their jurisdiction, the City cannot. The justification of the current law is that if city levies apply, owners of aircraft will locate their airplanes in counties where airports are not physically within the city. In Billings, the only unit of government that provides direct service to the airport is prohibited from taxing the valuation of airplanes at the airport. Last session, a bill was proposed to allow cities, as well as all other taxing jurisdictions, to tax airplanes within their jurisdictions just as other private property is taxed. This bill is significantly different in that it simply says that when an airport is located within a city, the city mill levy will apply and the county mill levy will not apply. When our airport has police problems that its security force cannot handle, it calls the city police. It is the City of Billings' Fire Department that provides protection to the airplanes and to the buildings at the airport. There are a number of other services that the city provides the airport. There are, in fact, no services provided to the airport by the county government in Yellowstone County. We urge you to give favorable consideration to this bill as a matter of fairness and equity.

Thank you.

NAME Louis Johnson BILL No. 326
ADDRESS 2415 Illinois Bldg DATE 1/28/81
WHOM DO YOU REPRESENT City of Billings
SUPPORT X OPPOSE _____ AMEND _____

PLEASE LEAVE PREPARED STATEMENT WITH SECRETARY.

Comments:

NAME Bob Erickson, City Mgr BILL No. 326
ADDRESS 316 North Park DATE 1-28-81
WHOM DO YOU REPRESENT City of Helena
SUPPORT X OPPOSE _____ AMEND _____

PLEASE LEAVE PREPARED STATEMENT WITH SECRETARY.

Comments:

City of Helena must provide essential services such as Fire + Police, also public works assistance, street lighting etc.

NAME DENNIS TAYLOR BILL No. HB 326
ADDRESS 36 N. PARK HELENA DATE 1-28-81
WHOM DO YOU REPRESENT CITY OF HELENA
SUPPORT X OPPOSE _____ AMEND _____

PLEASE LEAVE PREPARED STATEMENT WITH SECRETARY.

Comments:

VISITORS' REGISTER

HOUSE TAXATION

COMMITTEE

BILL HB 338

Date 1/28/51

SPONSOR Nordhoff

| NAME | RESIDENCE | REPRESENTING | SUPPORT | OPPOSE |
|----------------|---------------|--------------|---------|--------|
| Gordon McHowan | Highwood Mont | Self | ✓ | ✓ |
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IF YOU CARE TO WRITE COMMENTS, ASK SECRETARY FOR LONGER FORM.
PLEASE LEAVE PREPARED STATEMENT WITH SECRETARY.

NAME Jim Merion BILL No. 338
ADDRESS 607 N. LAMBORN DATE 1/28/81
WHOM DO YOU REPRESENT MT. AUTO ASSN.
SUPPORT — OPPOSE — AMEND —

PLEASE LEAVE PREPARED STATEMENT WITH SECRETARY.

Comments:

STATEMENT OF INTENT RE: HB 223

Because HB 223 directs the Department of Natural Resources and Conservation to adopt rules establishing the form and content of applications and the criteria, terms, and conditions for making grants to conservation districts from the funds appropriated to the conservation districts earmarked revenue account from the allocation of 1% of the coal severance tax, the House Committee on Taxation issues this statement of intent for the purpose of clarifying that authority.

Section 2 of HB 223 provides rule making authority in the Department of Natural Resources and Conservation. It is contemplated that rules should address the following:

- (a) the form of an application for a grant to a conservation district;
- (b) the content that must be included in an application, including but not limited to:
 - (1) the name of the district;
 - (2) a statement that the maximum statutory mill levage has been levied;
 - (3) the sources of funding the conservation district is receiving that the grant is intended to supplement;

(4) the special project or purpose, including administrative purposes, which must be a recognized purpose for which conservation districts are authorized by law;

(5) a statement of the need for the grant; and

(6) an authorized signature

(c) the criteria under which the department may grant funds, including but not limited to:

(1) the basis of the need for a grant;

(2) the availability of other funding sources;

(3) the type of project or purpose; and

(4) the maximum amount of funding

(d) such terms and conditions that would insure that the grant funds are used for the purposes specified by statute.

(e) such rules as may be necessary to monitor and account for the disbursement and expending of any grant funds.



Submitted 4/27/81
TAXATION

The Montana Environmental Information Center

- P.O. Box 1184, Helena, Montana 59601 (406) 443-2520
- P.O. Box 8166, Missoula, Montana 59801 (406) 728-2644

Statement From MEIC in Opposition to HB 223

I am Luci Brieger, representing the Montana Environmental Information Center. MEIC would like to go on record as opposing HB 223 (Rep. Jim Schultz, R-Lewistown). We also oppose the amendments suggested by Leo Berry of DNRC. As it stands, HB 223 would decrease from 5% to 3% the amount of earmarked coal tax money which currently funds alternative energy research and development. That extra 2% would be allocated to conservation districts. Mr. Berry's compromise would decrease funding from 5% to 4%. MEIC's position is that funding for conservation districts should not be at the expense of renewable energy.

But this bill affects more than renewable energy research. For FY '80, \$2.5 mill was requested for renewable energy research grants, but only \$620,000 could be funded for projects. In FY '81, \$3 mill is earmarked for the program, but \$5.5 mill has already been requested for renewable energy projects that DNRC considers worthwhile... and FY '81 is only half over!

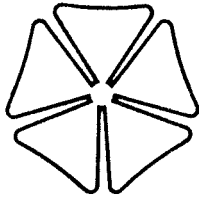
Referring to the draft copy of Renewable Energy Program, the final draft of which will be given to you within 2 or 3 weeks, "Measurable Benefits" of the program are significant: Those coal tax dollars going to renewable energy are well spent.

With Congress, the president, and our own pocketbooks pleading for "energy independence" we certainly should not decrease funding for renewable energy research.

Having received committee endorsement, SB 141 (Sen. Dover, R-Lewistown) is certain to pass. It gives "commercialization" powers to DNRC for successful renewable energy projects. But if the renewable energy division has 40% less

funding, there will not be enough money for research, much less for commercialization of marketable products. Without commercialization, moving ahead toward energy self-sufficiency would be killed.

As deserving of increased funding as conservation districts might be, appropriations to the renewable energy division should not be cut. Other avenues of funding should be investigated for the conservation districts, leaving a highly successful and highly necessary project intact.



THE GARDEN CITY
 HUB OF FIVE VALLEYS

Missoula, Montana 59801

TO: Montana Legislature - Taxation Committee

RE: Motor Vehicle License Fees

FROM: City of Missoula

DATE: January 28, 1981

The City of Missoula receives 11 per cent of their tax revenue from motor vehicle taxes. This amounts to an estimated \$517,500 for 1980-81 from vehicle taxes or 6 per cent of our total budget.

The effect of a given percentage reduction in vehicle tax revenue can be determined below:

| Per Cent Reduction of M.V. Taxes | Revenue lost based on 80-81 MV Taxes Receivable | Revenue lost as state in 1980-81 mills |
|----------------------------------|---|--|
| 10% | \$51,750 | 1.0 mills |
| 20 | 103,500 | 2.1 " |
| 30 | 155,250 | 3.1 " |
| 40 | 207,000 | 4.1 " |
| 50 | 258,750 | 5.2 " |
| 60 | 310,500 | 6.2 " |

A sample of 42 vehicles showed:

| | Actual Taxes Paid | Fees Paid from HB 374 | Fees Paid from HB 234 |
|--------------|-------------------|-----------------------|-----------------------|
| Sample of 42 | | | |
| Sample of 42 | \$1,853 | \$990 | \$1,290 |
| % change | | 47% | 30% |

Based on these percentages HB 374 will reduce city revenues by \$243,000 or 4.9 mills and HB 234 reduces City revenues by \$155,000 or 3.1 mills.

Sampling 3 vehicles all the same year we can see a substantial revenue loss resulting from HB 428:

| | Hi Book | Low Book | Average | Actual Taxes Paid | Fee w/ HB 428 |
|-----------|---------|----------|---------|-------------------|---------------|
| '77 V-8 | 3,175 | 2,300 | 2,550 | \$103.00 | \$79.00 |
| '77 V-6 | 3,450 | 2,550 | 2,825 | 112.00 | 86.00 |
| '77 4 Cyl | 3,275 | 2,675 | 2,975 | 106.00 | 89.00 |
| TOTAL | | | | \$386.00 | \$254.00 |
| % change | | | | | 34% |

Page 2
Taxation Committee
Motor Vehicle License Fees

Based on this per cent loss, HB 234 will reduce city revenues by \$176,000 or 3.5 mills.

Missoula is in no position to absorb any of the possible loss of revenues from these bills unless we are able to receive other additional revenues. We respectfully request you to offset any loss in vehicle tax revenues with other revenues, such as more gasoline tax for local government.

STANDING COMMITTEE REPORT

.....January 31..... 19...21.....

MR. SPEAKER.....

We, your committee on..... TAXATION.....

having had under consideration..... HOUSE..... Bill No. 325.....

A BILL FOR AN ACT ENTITLED: "AN ACT TO INCREASE THE AMOUNT OF MOTOR VEHICLE LICENSE FEE COLLECTIONS PAID INTO THE CITY ROAD FUND; AMENDING SECTION 7-14-2512, MCA."

Respectfully report as follows: That..... HOUSE..... Bill No. 325.....

DO NOT PASS

~~DO PASS~~

STANDING COMMITTEE REPORT

January 31, 19 61

MR. SPEAKER

We, your committee on TAXATION

having had under consideration HOUSE Bill No. 326

A BILL FOR AN ACT ENTITLED: "AN ACT SUBJECTING AIRCRAFT KEPT AT AN AIRPORT LOCATED WITHIN A CITY TO CITY TAX LEVIES AND EXEMPTING THEM FROM COUNTY TAX LEVIES; AMENDING SECTIONS 15-24-304, 67-3-201, AND 67-3-202, MCA."

Respectfully report as follows: That HOUSE Bill No. 326,

introduced (white), be amended as follows:

1. Title, line 5.
Following: "TO"
Insert: "SCHOOL DISTRICT AND"
2. Page 2, line 5.
Following: "through"
Strike: "(6)"
Insert: "(7)"
3. Page 3, line 6.
Following: "to"
Insert: "school district and"

DO PASS AND AS SO AMENDED
DO PASS