

MINUTES OF THE HOUSE TAXATION COMMITTEE MEETING
February 5, 1981

A meeting of the House Taxation Committee was held on Thursday, February 5, 1981 at 8:00 a.m. in Room 102 of the State Capitol. All members were present except Rep. Brand, who was excused. HOUSE BILLS 230, 511, 521 and 523 were heard and EXECUTIVE ACTION was taken on HOUSE BILLS 43, 121, 221, 433, 435, 415 and 312.

The first bill to be heard was HOUSE BILL 230, sponsored by Rep. Walter Sales. He explained that both HB 230 and HB 523 repeal statewide property tax levies. He gave a 100 year history of public school financing in Montana. Over the years, many things have been added to public school funding so that the local people wouldn't have to pay so much, however, this still wasn't taking care of financing needs so the Foundation Program was established. In 1949, the Foundation Program paid for about 81% of all school costs, and now it is around 50%. Instead of providing more local property tax relief, more property tax levies were made in the recent past. The repealers in these two bills will help restore the system to the way it used to be.

Dennis Burr, Montana Taxpayers Association, stated that he too would like to see the deficiency levies eliminated. He added that Senator Matt Himsl has introduced some other bills on this same subject.

David Sexton, Montana Education Association, then rose in OPPOSITION to HB 230. Montana has an obligation to see that the Foundation Program schedules will be funded and when they aren't funded by the Legislature, there has to be an alternative, which is the deficiency levy. Unless another alternative would be made available, this bill would not be acceptable.

Questions were then asked. Rep. Roth asked Mr. Sexton if he was opposed to the repealer or if there were any other reasons he was opposed to the bill. He stated the Education Association just wanted to make sure funding would be available, and nothing in the bill mandates that schools be funded.

Rep. Asáy asked Mr. Sexton what his estimation was of the amounts of funding which would be provided in other bills concerning the Foundation Program. He replied that HB 610 would fully fund the schedules so there would be no need for a deficiency levy, provided that the income is there.

Rep. Sales stated that he hoped that repealing this section of the law would place an obligation upon the Legislature to fully fund the Foundation Program; the property tax isn't the correct avenue to take care of the problem.

Rep. Zabrocki wanted to know, if this section of the law was repealed, if the local governments wouldn't have to make up the diff-

erence. Rep. Sales said that if the State didn't meet its obligation, then the local governments would have to levy the additional funding.

Rep. Nordtvedt explained that the Foundation Program provided a certain amount of funding per student from the State; in addition, local governments are able to generate further funding. Rep. Sales added that the deficiency levy limit was set by the Office of Public Instruction, and was open-ended. A chart was distributed which showed the funding system for schools; see Exhibit "A." The hearing on HOUSE BILL 230 was then closed.

HOUSE BILL 523, also sponsored by Rep. Sales, was then heard. This bill applies to the State-wide permissive levy instead of the State-wide deficiency levy.

There were no proponents to HB 523.

Mr. Dave Sexton, Montana Education Association, then rose in OPPOSITION to the bill, stating that his reasons were the same as those for opposing HB 230.

Questions were then asked. Rep. Asay wanted to know, in the event that the State came up short on funding, what alternatives would be available if this bill were passed. Rep. Sales replied that the local School Districts would pick up the difference.

Rep. Nordtvedt suggested that if these levies were eliminated, the Legislature would have more supplemental budget requests. Rep. Sales said that there were a lot of problems being attacked. He agreed with Rep. Roth's suggestion that this bill was a mandate for full State Funding.

Rep. Asay asked Rep. Sales if it was true that in the past, school funding was the last item on the budget, and it was the item that got whatever money was left over. He replied that this was true, but added that he believed the Legislature would fully fund the Foundation Program.

Rep. Nordtvedt submitted almost every urban area in the State was presently using all of its permissive mills, and the bulk of the students in the State are being funded by permissive mills.

Rep. Sales then closed, and the hearing on HB 523 was closed.

HOUSE BILL 511, sponsored by Rep. "Red" Menahan, was then heard. The bill was the result of what happened with Atlantic Richfield in his area. He also said that it would be up to the School Boards to institute what this bill provided for.

Dave Sexton, Montana Education Association, then rose as a PROPONENT

of HB 511. It seems reasonable that school budgets could be put on a two-year system. The important thing is for the voters to have some say when additional money is to be levied. This bill may save some money by eliminating the necessity for running extra elections in some cases.

Tom McKeown, Superintendent of Schools for Colstrip, then rose in support of the bill. It would be impossible for them to operate under HB 610, but this bill may help to solve the problem.

There were no OPPONENTS to HB 511. Questions were then asked. Rep. Asay asked Rep. Menahan if he thought there would be more opposition to two year funding as opposed to the present system. He replied that this wouldn't be the case if the public was made aware of what was happening, and added that it would lend itself to stability in school budgeting. Rep. Asay commented that, judging from the testimony on HB 610, those schools with fluctuating populations are in trouble, and in their case, a two-year levy wouldn't be accurate. Rep. Menahan replied that an election in the second year could be held if the levy amount needed changing.

Rep. Burnett said that, if a two-year commitment was being sought, it should be made mandatory that additional funding not be requested. Rep. Menahan disagreed. Rep. Burnett wanted to know why, under this set-up, levies would be tied to non-current enrollment figures rather than figures for the present or coming year. Rep. Menahan said it was because the school Foundation Program doesn't operate in this manner. He added that in his District, some classes have lost enrollment and others have gained.

Rep. Harp wondered whether the formula should be changed to get more money per student. He asked whether local levies didn't reflect operational cost increases more than changes in enrollment.

Rep. Menahan said that the levy in his school district amounted to 49% of their budget.

Rep. Viñger then said that there could be a savings for the School Districts that were operating in a stable manner. Rep. Menahan agreed, and added that teachers would also be enabled to negotiate two-year contracts. The trend in teacher negotiations is towards two-year contracts. It was pointed out that the bargaining unit had the contract, and not the teacher.

Rep. Bertelsen brought up the possibility of a two-year levy being voted down.

The hearing on HB 511 was then closed.

HOUSE BILL 521, also sponsored by Rep. Menahan, was then heard. Under this bill, if the people voted a levy in one year and didn't

increase it, then it would continue on for another year, unless there was a petition. At present, if an increase from 50 to 55 levies, for example, is put on the ballot and fails, not only the 5-levy increase fails, but the levy funding goes back to 0. Under this bill just the 5-mill increase would be being voted on. He added that if the Foundation Program were sufficiently funded, this bill wouldn't be necessary.

Dave Sexton, MEA, then spoke up in support of the bill. It seems reasonable that when a levy is voted, that amount of money is needed for operating schools and the voters should be looking at increase requests and not the entire levy amount every year. Losing the entire amount can be disastrous for a school.

There were no OPPONENTS to HB 521.

Questions were then asked. Rep. Burnett said that he felt it would be misleading to levy for the increase only, because the voters may not realize that the sum is in addition to the original levy. Rep. Menahan replied that the ballot would make it clear what was being voted on; he submitted that the School Board was a responsible body.

Rep. Sivertsen solicited Mr. Sexton's comments on voted levies. He suggested that the ability of people to have a say over what was being done in education was being reduced by this bill. Mr. Sexton expressed the belief that they would still vote the decisions in. While voters may object to the increase, under the present system they have to vote against all the funding to express their objection.

Rep. Menahan said that School Districts had to run their levies so many times that by the time they are done, they are below their increase amount and are working just to keep their original funding. This bill simplifies that procedure; there is one vote, for an increase, and it either passes or it doesn't.

Rep. Sivertsen brought up the possibility that if this bill passed, the Schools might become irresponsible with their funding.

Rep. Menahan said that if the Foundation Program was not properly funded and local funding was lost, education would be in serious trouble.

Rep. Sivertsen questioned the reasoning behind putting the people in a position where they would have to petition in order to have a full vote on funding. Rep. Menahan stressed that his bill would not mean an automatic increase.

Rep. Neuman brought up a situation where there was an increase, and money was asked for and the mill rates were reduced. You would have to vote if you go below the lowered amount and want to go back up to it.

Rep. Harp wanted to know how many School Districts had lost a third

levy and was told that it happened on occasion, but no further information was available. Rep. Harp stated that if people are allowed to stay at the same level and an increase was asked for under this bill's provisions, maybe more than should be asked for would be requested. He asked whether this bill would help or hurt. He submitted that voted levies served as negotiations between the people and the School Districts.

Rep. Williams acknowledged that school elections cost money. He asked Mr. Sexton if he thought this bill would have some effect on the responsibility of the school boards to take a careful look at their budgets and keep away from unnecessary spending. He replied that those elected to the School Boards had a responsibility to the people and he believed that they took that responsibility seriously.

Rep. Nordtvedt asked a series of questions: (1) Does the Legislature reappropriate the full budgets of agencies or just their increases every two years. (2) Isn't it true that school populations are on a decrease. (3) Wouldn't the tendency be for budgets to decrease with falling enrollment. Mr. Sexton replied that this would be true if it weren't for inflation. Rep. Nordtvedt concluded that this bill might put the burden on the taxpayers to have the initiative to reduce the budgets. Mr. Sexton stated that if the State provided sufficient support, the school levies would go down locally. Rep. Menahan pointed out that the inflation would be being absorbed in the budget if it was based on two years.

Rep. Menahan clarified to the Committee that HB 511 and HB 521 were separate bills.

Rep. Harp expressed support for HB 521. Fixed costs are rising and that has to be passed on to the taxpayers.

Rep. Asay asked Rep. Menahan if he had taken into consideration a possible loss in taxable valuation when this bill was drafted. He said he had not considered this.

Rep. Menahan then closed, and the hearing on HB 521 was closed.

The Committee then went into EXECUTIVE SESSION. HOUSE BILL 43 was discussed. Mr. Oppedahl (Legislative Council) presented some information from the Canadian Council on laws in Canada pertaining to foreign ownership. The Council said that the Canadian system leaves land issues to the Provinces. Income tax is all treated alike in Canada, regardless of foreign or domestic. Discussion took place regarding the various provincial laws in Canada.

Rep. Dozier moved that HB 43 DO PASS. Discussion took place regarding the difference between citizens and residents, and the laws governing the two groups.

Rep. Nordtvedt made a substitute motion that the bill DO NOT PASS. He pointed out that traditionally the attitude in the United States has been to welcome foreigners.

Rep. Vinger stated that he agreed, and the relationship between Canada and the United States needed to be kept in good standing.

Rep. Switzer pointed out that the Canadians who owned land in Montana already had a handicap because their money was being discounted.

Rep. Underdal expressed opposition to taxing Canadians and submitted that the bill had been badly written. Discussion took place regarding whether or not the bill could be amended so as to exclude Canadians from its provisions.

Rep. Sivertsen rose in support of making a stand on the issue while the State was still in a powerful enough position to be able to.

Rep. Devlin submitted that this bill would tax foreign interest out of the State. Rather than this, foreign ownership in the United States should be prohibited on the federal level.

Rep. Oberg rose in support of the bill, expressing concern about how the land investments were used.

The question was then called for and the motion of DO NOT PASS failed 10 - 8; see roll call vote. The vote was then reversed and the original motion of DO PASS carried.

HOUSE BILL 121 was then considered. It was explained that there had been some confusion, and the bill was referring to the wrong educational fund. Amendments were distributed which addressed this mistake; see Exhibit "B." Rep. Burnett moved the amendments; motion carried unanimously. Rep. Burnett then moved that HB 121 DO PASS AS AMENDED. Rep. Dozier pointed out that the bill had been amended to \$10 million. Mr. Oppedahl clarified that the only time the \$10 million cap applied was at the year-end.

The question was called for and the motion carried with Reps. Harp, Neuman and Oberg opposed.

Rep. Burnett then moved that HOUSE BILL 221 be amended according to the proposed Montana Power amendments; see Exhibit "C."

Rep. Asay questioned that the amendments altered the bill substantially enough so that it had become a different bill. Rep. Burnett withdrew his motion, and moved that the bill DO PASS. Discussion followed regarding the bill and the amendments. Rep. Williams made a substitute motion that the bill DO NOT PASS. It was brought out that the cost of running a plant is part of the rate structure.

Rep. Oberg rose in support of the substitute motion. He expressed the feeling that HB 221 went against the intent of the original law.

Rep. Burnett said that Montana Power paid 64% of the tax and although it is true that there is a levy to pay this back, more than 50% of that mill levy is being paid by Montana Power to pay back the amount that is paid.

Rep. Dozier expressed distrust of the bill.

Rep. Asay said that if you are a resident and your taxes are increased because of an influx of people from someone else's enterprise, from which you receive no advantage, you wouldn't be so inclined to be in favor of this bill.

Rep. Williams stated that (1) a lot of the property involved is not permanent property, and (2) it isn't the people that brought the development on; it is the utility or industry. It isn't fair therefore to put the burden on the people.

Rep. Burnett said that industry always raises the tax base; the utilities are bringing a tremendous tax base to the counties.

Rep. Harrington said that they were not paying those taxes; people pay them.

Rep. Roth said that there was a favorable impact when these companies moved in, to some degree; the tax base is helped out somewhat.

Rep. Harp submitted that if this bill passed, Montana Power would still just pass on the high rate.

Rep. Vinger said that passage of this bill will have no effect on the rate base. He said that Rosebud County would benefit with passage of the bill. He doesn't think this bill is going to help or hurt anyone.

The question was then called for on the substitute motion of DO NOT PASS; motion carried 12 - 5 with Rep. Vinger abstaining; see roll call vote.

Rep. Dozier then moved that HOUSE BILL 433 DO PASS. Rep. Nordtvedt moved to amend the bill, changing the percentages from 15% to 12% and 18% to 15%; see Exhibit "D." Rep. Dozier stressed that the State treasury couldn't keep on acting as a loan agency. Rep. Nordtvedt reminded the Committee that there was another bill which would provide that rates be reciprocal between what the State has to pay and what the taxpayer has to pay. The amendments are his judgment of what the rates under this other bill will be generated at.

The question was then called for on the amendment; motion carried with Reps. Dozier, Hart and Harrington opposed. The question on the original motion of DO PASS (AS AMENDED) was then called for. Motion carried with Reps. Neuman and Harp opposed.

Rep. Dozier then moved that HOUSE BILL 435 DO PASS. Rep. Nordtvedt moved that the bill be amended, changing the rates from 15% to 12% and 18% to 15%; see Exhibit "E." He stressed that corporations were made up of people.

The motion to amend the bill was voted; motion carried with Reps. Hart, Oberg, Dozier, Neuman, Zabrocki, and Harrington opposed. The original motion of DO PASS (AS AMENDED) was then voted on; motion carried with Reps. Neuman and Roth opposed.

Rep. Sivertsen then moved that HOUSE BILL 415 DO PASS. A motion was then made to include a technical amendment in the bill; see Exhibit "E." Motion to amend the bill carried unanimously. The question was then called for on the motion of DO PASS HB 415 as amended; motion carried unanimously.

Rep. Harp then moved that HB 312 DO NOT PASS. Rep. Harrington rose in support of the bill, adding that it may be before its time, however. Rep. Harp submitted that passage of this bill would bind the Legislature for a long time.

Rep. Williams stated that even though he believed in the philosophy contained in the bill, he did not intend to pursue the issue at present.

The question was then called for and the motion of DO NOT PASS carried with Reps. Williams, Dozier, Oberg and Harrington opposed.

HOUSE BILL 65 was discussed. Rep. Harp, Chairman of the Subcommittee assigned to study the bill, submitted a letter from the Southern Montana Telephone Company stating their views; see Exhibit "F." He believes this Company didn't get a very fair treatment from the Department of Revenue. A motion was made to take HB 65 off the TABLE; motion carried with Rep. Oberg opposed.

Rep. Nordtvedt stated that the situation addressed by HB 65 was a bizarre application of central assessment.

Rep. Asay asked Mr. John Clark (Department of Revenue) if passage of this bill would help enable the Department to address this problem. He replied that these companies would have to report a lot more information in order to have it determined what category they will go in.

Rep. Asay said the Committee needed to consider the alternative of having to go to an RTA and the loss in tax revenue to the counties

this would entail.

Rep. Harrington brought up the question of if the company might be charging exceptionally low rates.

Rep. Williams said that if a change was going to be made, it should be in the form of a provision that gives the small companies a little leeway so they don't have to fall into the same category as the large companies. He suggested that the problem needed to be addressed on a different basis that this bill was addressing it.

Mr. Clark commented that centralized assessing procedures had to be changed by law.

Rep. Underdal brought up the possibility of drafting a Committee bill to address the situation. The Tax Appeals Board route was brought up.

A straw vote was taken on working on a Committee bill, and a 3/4 majority agreed to this action. Reps. Harp, Williams and Devlin were appointed to the Subcommittee to act on this.

Rep. Asay then moved that HOUSE BILL 63 DO PASS. Rep. Sivertsen expressed concern about the fiscal impact of the bill.

Rep. Nordtvedt rose in favor of the motion, stating in periods of high inflation, people on pensions have been taxed greatly and their money has been eroded away.

Rep. Sivertsen mentioned that there had been a suggestion to tighten up the language referring to "retired person." Mr. Clark said that he would prepare some amendments for Rep. Moore.

Rep. Harrington moved that the bill be passed for the day and Rep. Asay withdrew his motion.

Rep. Sivertsen announced that the Vehicle Fee Bill Subcommittee would be meeting after the meeting of Taxation on Friday, Feb. 6.

Rep. Nordtvedt then spoke on how oil shale comes under Montana taxes. Any Committee members interested in working in a Subcommittee investigating the possibility of changing the statutes to make the oil shale situation clearer should contact him.

Rep. Burnett then brought up the possibility of a Committee on parimutuel betting.

A problem concerning the existing motor home fee system was brought up. A fee was paid on a motor home and there was no prorating even though the yearly fee was due for the following year in one month.

This issue was given to the Vehicle Fee Subcommittee to address.

Rep. Neuman requested that he be put on record as being in favor of the amendments to HB 435.

The meeting was adjourned at 10:30 a.m.

Rep. Ken Nordtvedt, Chairman

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VISITORS' REGISTER

HOUSE

COMMITTEE:

BILL

Date _____

SPONSOR

[illegible]

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

PLEASE LEAVE PREPARED STATEMENT WITH SECRETARY.

SOURCES OF REVENUE
FOR SCHOOL DISTRICT GENERAL FUND BUDGET SUPPORT

TOTAL GENERAL FUND BUDGET	DISTRICT	District Voted Levy
MAXIMUM GENERAL FUND BUDGET WITHOUT A VOTE	STATE	State Permissive Share
	DISTRICT	District Permissive Share 9 mills maximum--elementary 6 mills maximum--high school
FOUNDATION PROGRAM	STATE	Deficiency--statewide levy on property
	STATE	State Equalization Aid (Earmarked revenue, legislative appropriation, interest and income, and surplus from counties)
	COUNTY	Mandatory County Levy 25 mills--elementary 15 mills--high school (Surplus deposited in state equalization aid account)

DEFICIENCY LEVIES CAN OCCUR AT TWO POINTS ON THE ABOVE CHART:
THESE POINTS ARE HIGHLIGHTED IN BLUE.....

VISITORS' REGISTER

HOUSE

COMMITTEE:

RTLL

Date 1/2/20

SPONSOR _____

[illegible]

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

PLEASE LEAVE PREPARED STATEMENT WITH SECRETARY.

VISITORS' REGISTER

HOUSE T. A. Y. 1877

COMMITTEE

WILL

SPONSOR

Date 10/1/77

[illegible]

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

PLEASE LEAVE PREPARED STATEMENT WITH SECRETARY.

VISITORS' REGISTER

HOUSE Testimony COMMITTEE

WILL _____

Date *3/1/81*

SPONSOR _____

[illegible]

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

PLEASE LEAVE PREPARED STATEMENT WITH SECRETARY.



January 19, 1981

Ken Nordtvedt, Chairman
House Taxation Committee
State Capitol
Helena, Montana 59601

Dear Representative Nordtvedt:

Please allow me to take just a few minutes of your Committee's time to comment on House Bill 43, an act creating a 20% surcharge on property owned by a foreign person.


A quick review of the Bill would suggest to me that it is probably unconstitutional since it discriminates on the basis of nationality. But going beyond the legalities of this particular legislation, it seems to me to be unreasonable to pass a bill like this without causing similar, if not outright retaliatory action in other countries. As a U.S. and Montana citizen who has long done business in Canada, I can testify that this legislation is most harmful to the area that passes it. One need only look to the recent developments in Canada regarding Canadian ownership of the oil industry and see the tremendous devastation in Alberta and the rest of Canada. It is estimated that 40% of their drilling capacity will exit Alberta for the United States in this current calendar year. Because of only the announced intention of Prime Minister Trudeau, the economic community in Canada is in chaos.

Beyond the comments on legality and general economic conditions, I also believe that this type of legislation flies in the face of our effort to encourage investment in the United States and the return of the U.S. dollar. This type of legislation would make it most difficult for people in Montana to sell recreation properties, condominiums and that sort of business to the Canadians.

I believe that House Bill 43 is an ill-considered measure that should be rejected.

Sincerely,

TRANSYSTEMS INC.



Mike Rice
President

Le2/AA9/MR/pgf

cc: House Taxation Committee members

PROPOSED AMENDMENTS TO HB 121
Second Reading Copy

1. Title, line 7.
Following: "IMPACT"
Strike: "FUND"
Insert: "ACCOUNT"
2. Page 2, lines 12 and 13.
Following: "trust"
Strike: line 12 through "constitution" on line 13
Insert: "account in the earmarked revenue fund"
3. Page 2, line 24.
Following: "trust"
Strike: "fund"
Insert: "account"
4. Page 3, line 2.
Following: "trust"
Strike: "fund"
Insert: "account"
5. Page 3.
Following: line 23
Insert: "(3) There is within the earmarked revenue fund an education trust account."
6. Page 5.
Following: line 15
Insert: "(3) All funds placed in the local impact account established under this part, subject to the limitations imposed by 90-6-211 and [section 6], are subject to appropriation by the legislature for use related to local impact or for transfer or reversion to a trust account for education."
7. Page 5, line 18.
Following: "trust"
Strike: "fund"
Insert: "account"
8. Page 5, line 19.
Following: "trust"
Strike: "fund"
9. Page 6, line 8.
Following: "trust"
Strike: "fund"
Insert: "account"
10. Page 6, line 9 through line 11.
Following: "purpose" on line 9
Strike: line 9 through "constitution" on line 11

11. Page 6, line 18.
Following: "deposited"
Insert: "or reverted"
Following: "trust"
Strike: "fund"
Insert: "account"
12. Page 6, line 23.
Following: "impact"
Strike: "fund"
Insert: "account"

HOUSE BILL NO. 221

INTRODUCED BY *DeLoach*

A BILL FOR AN ACT ENTITLED: "AN ACT TO ALLOW CERTAIN INTEREST TO BE INCLUDED IN THE CREDIT AGAINST PROPERTY TAXES FOR TAX PREPAYMENTS ON NEW INDUSTRIAL FACILITIES; AMENDING SECTION 15-16-201, MCA; AND PROVIDING AN IMMEDIATE EFFECTIVE DATE."

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF MONTANA:

Section 1. Section 15-16-201, MCA, is amended to read:

"15-16-201. Tax prepayment -- new industrial facilities. (1) A person intending to construct or locate a major new industrial facility, as defined in subsection (2) of this section, shall upon request of the board of county commissioners of the county in which the facility is to be located, prepay, when permission is granted to construct or locate by the appropriate governmental agency, an amount equal to three times the estimated property tax due the year the facility is completed. The person who is to prepay under this section shall not be obligated to prepay the entire amount at one time but, upon request of the board of county commissioners of the county, shall prepay only that amount shown to be needed from time to time. To assure this payment or payments, the person who is to prepay shall guarantee to

the board of county commissioners and also have a bank or banks guarantee that these amounts will be paid as needed for expenditures created by the impact. When the facility is completed and assessed by the department of revenue, it shall be subject during the first 3 years and thereafter to taxation as all other property similarly situated, except that one-fifth of the amount prepaid, plus interest at the rate of 12% a year, shall be allowed as a credit against property taxes in each of the first 5 years after the start of productive operation of the facility. In addition, that this credit is allowed, the interest shall be calculated on the amount of prepaid tax from the date of prepayment until the allowance of the credit; thereafter, the amount of the interest shall be calculated on the remaining balance of the prepaid tax.

(2) A major new industrial facility is a manufacturing or mining facility which will employ on an average annual basis at least 100 people in construction or operation of the facility and which will create a substantial adverse impact on existing state, county, or municipal services."

Section 2. Effective date. This act is effective on passage and approval.

-End-

-2- INTRODUCED BILL

HB 221

INTRODUCTION 2/5/01
EXHIBIT "C"

HOUSE BILL 221, INTRODUCED BILL

1. Amend page 1, lines 4 and 5.
Following: "TO"
Strike: "ALLOW CERTAIN INTEREST TO BE INCLUDED IN THE CREDIT"
Insert: "COMPENSATE FOR INTEREST BY REVISING THE SCHEDULED CREDITS"
2. Amend page 1, line 6.
Following: "FACILITIES"
Strike: " ;"
Insert: "AND TO ALLOW THE BOARD OF COUNTY COMMISSIONERS TO LEVY
FOR A BUDGET ADJUSTED FOR THE CREDIT;"
3. Amend page 2, line 3.
Strike: "When"
Insert: "AS"
4. Amend page 2, line 4.
Strike: "completed"
Insert: "CONSTRUCTED"
5. Amend page 2, line 5.
Strike: "during the first 3 years and thereafter"
6. Amend page 2, lines 7 and 8.
Strike: " , plus interest at the rate of 10% a year, "
7. Amend page 2, lines 9 through 15.
Strike: " 'start' on line 9 and the remainder of lines 10 through 15"
Insert: "PREPAYMENT. IN EACH OF THE FIVE YEARS THAT THE CREDIT IS
ALLOWED, THE BOARD OF COUNTY COMMISSIONERS MAY ADOPT A
BUDGET AND LEVY TAXES FOR SUCH BUDGET REFLECTING THE
CREDIT AGAINST PROPERTY TAXES, STATUTORY MILL LEVY LIMITATIONS NOTWITHSTANDING."

HOUSE BILL 221 (WITH AMENDMENTS)

A BILL FOR AN ACT ENTITLED: "AN ACT TO ALLOW CERTAIN INTEREST TO BE INCLUDED IN THE CREDIT COMPENSATE FOR INTEREST BY REVISING THE SCHEDULED CREDITS AGAINST PROPERTY TAXES FOR TAX PREPAYMENTS ON NEW INDUSTRIAL FACILITIES; AND TO ALLOW THE BOARD OF COUNTY COMMISSIONERS TO LEVY FOR A BUDGET ADJUSTED FOR THE CREDIT; AMENDING SECTION 15-16-201, MCA; AND PROVIDING AN IMMEDIATE EFFECTIVE DATE."

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF MONTANA:

Section 1. Section 15-16-201, MCA, is amended to read:

"15-16-201. Tax prepayment -- new industrial facilities. (1) A person intending to construct or locate a major new industrial facility, as defined in subsection (2) of this section, shall upon request of the board of county commissioners of the county in which the facility is to be located, prepay, when permission is granted to construct or locate by the appropriate governmental agency, an amount equal to three times the estimated property tax due the year the facility is completed. The person who is to prepay under this section shall not be obligated to prepay the entire amount at one time but, upon request of the board of county commissioners of the county, shall prepay only that amount shown to be needed from time to time. To assure this payment or payments, the person who is to prepay shall guarantee to the board of county commissioners and also have a bank or banks guarantee that these amounts will be paid as needed for expenditures created by the impact. When AS the facility is completed CONSTRUCTED and assessed by the department of revenue, it shall be subject during the first 3 years and thereafter

to taxation as all other property similarly situated, except that one-fifth of the amount prepaid, plus interest at the rate of 10% a year, shall be allowed as a credit against property taxes in each of the first 5 years after the start of productive operation of the facility. In the first year that this credit is allowed, the interest shall be calculated on the amount of prepaid tax from the date of prepayment

until the allowance of the credit; thereafter, the amount of the interest shall be calculated on the remaining balance of the prepaid tax. PREPAYMENT. IN EACH OF THE FIVE YEARS THAT THE CREDIT IS ALLOWED, THE BOARD OF COUNTY COMMISSIONERS MAY ADOPT A BUDGET AND LEVY TAXES FOR SUCH BUDGET REFLECTING THE CREDIT AGAINST PROPERTY TAXES, STATUTORY MILL LEVY LIMITATIONS NOTWITHSTANDING.

(2) A major new industrial facility is a manufacturing or mining facility which will employ on an average annual basis at least 100 people in construction or operation of the facility and which will create a substantial adverse impact on existing state, county, or municipal services."

Section 2. Effective date. This act is effective on passage and approval.

-END-

HOUSE BILL 221: PROPERTY TAX PREPAYMENT

Discussions regarding House Bill 221, held during and after its hearing, have indicated that there may be a better approach to remedy the problems addressed by the bill. This new approach, one which should be acceptable by proponents and opponents alike, deletes the Bill's interest calculation and begins the credit against property tax the year after the prepayment is made. This approach will have a minimal impact on the local government; at the same time it allows a more rapid recovery of the prepayment by the prepaying party -- thus the prepaying party's interest expense will be reduced substantially.

As stated at the hearing, a tax prepayment of \$820,000 was made in 1980 and a new request by Rosebud County for another prepayment of \$2.5 million has been recently received. It is estimated that, because of the on going construction of Colstrip 3 and 4, the total property tax base in Rosebud County during the years 1980 to 1986 will increase as follows:

YEAR	TOTAL PROPERTY TAX BASE FOR COUNTY
Actual 1980	\$103,277,612
Estimated 1981	126,126,019
" 1982	173,121,019
" 1983	209,293,019
" 1984	231,317,019
" 1985	241,615,019
" 1986	244,872,019

The estimated increase in total taxes paid in Rosebud County from 1980 -- 1986 attributable to construction of Colstrip 3 and 4 is as follows:

1980	\$ 9,776,137
1981	11,093,540
1982	14,259,286
1983	16,518,661
1984	17,909,951
1985	18,804,356
1986	18,855,143

The estimated increase from \$9,776,137 to \$18,855,143 is attributable to Colstrip 3 and 4 alone. The \$9,776,137 includes all property in Rosebud County as of 1980. There will be property, including for example mining property, in Rosebud County during these years other than Colstrip 3 and 4 which would probably increase these figures.

It is also estimated that after the fifth credit and after construction of Units 3 and 4 is complete, mill levies in Rosebud County will have fallen from a 1970 high of 137 mills to a projected 75 -- 80 mills in 1985. In 1980, the mill levy in School District 13-19 (Colstrip) was 105 mills.

This new approach preserves House Bill 221's provision permitting the board of county commissioners to exceed statutory mill levy limitations to meet the county budget in the five years the credits are allowed. This is a potential deficiency in present law that must be corrected in any event.

TAXATION 2/5/81
EXHIBIT "B"

1. Title, line 7.
Following: "IMPACT"
Strike: "FUND"
Insert: "ACCOUNT"

2. Page 2, lines 12 and 13.
Following: "trust"
Strike: "fund" on line 12 through "constitution" on line 13
Insert: "account in the earmarked revenue fund"

3. Page 2, line 24.
Following: "trust"
Strike: "fund"
Insert: "account"

4. Page 3, line 2.

Following: "trust"

Strike: "fund"

Insert: "account"

5. Page 3.

Following: line 23

Insert: "(3) There is within the earmarked revenue fund an education trust account."

6. Page 5.

Following: line 15

Insert: "(3) All funds placed in the local impact account established under this part, subject to the limitations imposed by 90-6-211 and [section 6], are subject to appropriation by the legislature for use related to local impact or for transfer or reversion to a trust account for education."

7. Page 5, line 18.

Following: "trust"

Strike: "fund"

Insert: "account"

8. Page 5, line 19.

Following: "trust"

Strike: "fund"

9. Page 6, line 8.

Following: "trust"

Strike: "fund"

Insert: "account"

10. Page 6, line 9 through line 11.

Following: "purpose" on line 9

Strike: "as" on line 9 through "constitution" on line 11

11. Page 6, line 18.

Following: "deposited"

Insert: "or reverted"

Following: "trust"

Strike: "fund"

Insert: "account"

12. Page 6, line 23.

Following: "impact"

Strike: "fund"

Insert: "account"

PROPOSED AMENDMENTS TO HB 121
Second Reading Copy

1. Title, line 7.
Following: "IMPACT"
Strike: "FUND"
Insert: "ACCOUNT"
2. Page 2, lines 12 and 13.
Following: "trust"
Strike: line 12 through "constitution" on line 13
Insert: "account in the earmarked revenue fund"
3. Page 2, line 24.
Following: "trust"
Strike: "fund"
Insert: "account"
4. Page 3, line 2.
Following: "trust"
Strike: "fund"
Insert: "account"
5. Page 3.
Following: line 23
Insert: "(3) There is, within the earmarked revenue fund, an education trust account."
6. Page 5.
Following: line ~~15~~
Insert: "(3) All funds placed in the local impact account established under this part, subject to the limitations imposed by 90-6-211 and [section 6], are subject to appropriation by the legislature for use related to local impact or for transfer or reversion to a trust account for education."
7. Page 5, line 18.
Following: "trust"
Strike: "fund"
Insert: "account"
8. Page 5, line 19.
Following: "trust"
Strike: "fund"
9. Page 6, line 8.
Following: "trust"
Strike: "fund"
Insert: "account"
10. Page 6, line 9 through line 11.
Following: "purpose" on line 9
Strike: line 9 through "constitution" on line 11

✓11. Page 6, line 18.
Following: "deposited"
Insert: "or reverted"
Following: "trust"
Strike: "fund"
Insert: "account"

✓12. Page 6, line 23.
Following: "impact"
Strike: "fund"
Insert: "account"

HOUSE BILL 433, introduced (white), be amended as follows:

1. Title, line 7.
 Following: "TO"
 Strike: "15"
 Insert: "12"
 Following: "TO"
 Strike: "18"
 Insert: "15"

See below

Indent
all numbers
→ Page 3, line 20.
 Following: "9%"
 Strike: "15%"
 Insert: "12%"

3. → Page 4, line 18.
 Following: "9%"
 Strike: "15%"
 Insert: "12%"

4. → Page 5, line 4.
 Following: "1%"
 Strike: "1.5%"
 Insert: "1.25%"

5. → Page 6, line 12.
 Following: "9%"
 Strike: "15%"
 Insert: "12%"

6. → Page 6, line 20.
 Following: "9%"
 Strike: "15%"
 Insert: "12%"

7. → Page 6, line 25.
 Following: "The"
 Strike: "15%"
 Insert: "12%"

8. → Page 7, line 1.
 Following: "9%"
 Strike: "15%"
 Insert: "12%"

1. Title, lines 6 and 7.
 Following: beginning on "9 PERCENT TO"
 Strike: "15"
 Insert: "12"
 Following: "12 PERCENT TO"
 Strike: "18"
 Insert: "15"

1. Title, lines 6 and 7.
 Following: "9 PERCENT TO" (lines 6 and 7)
 Strike: "15"

Following: "9%"
Strike: "15%"
Insert: "12%"

4. → Page 5, line 4.
Following: "1%"
Strike: "1.5%"
Insert: "1.25%"

5. → Page 6, line 12.
Following: "9%"
Strike: "15%"
Insert: "12%"

6. → Page 6, line 20.
Following: "9%"
Strike: "15%"
Insert: "12%"

7. → Page 6, line 25.
Following: "The"
Strike: "15%"
Insert: "12%"

8. → Page 7, line 4.
Following: "15%"
Strike: "15%"
Insert: "12%"

1. Title, lines 6 and 7.
Following: beginning of line 6
Strike: "15"
Insert: "12"
Following: "12 PERCENT TO"
Strike: "18"
Insert: "15"

1. Title, lines 6 and 7.
Following: "9 PERCENT TO" (lines 6 and 7)
Strike: "15"
Insert: "12"
Following: "12 PERCENT TO" (line 7)
Strike: "18"
Insert: "15"

HOUSE BILL 435, introduced (white), be amended as follows:

*Indent
in line
the line.*
1. Title, line 7.
Following: "TO"
Strike: "15"
Insert: "12"

*1. Title
Following:*

2. Page 1, line 23.
Following: "9%"
Strike: "15%"
Insert: "12%"

3. Page 2, line 4.
Strike: "15%"
Insert: "12%"

AND AS AMENDED
DO PASS

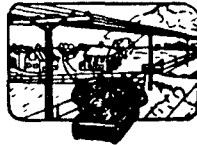
HOUSE BILL 415, introduced (white), be amended as follows:

1. Title, line 9.
Following: "TAX"
Insert: "OR CORPORATE LICENSE TAX"

AND AS AMENDED
DO PASS

TAXATION DISTRICT
EXHIBIT 151

SOUTHERN MONTANA TELEPHONE CO.



WISDOM, MONTANA 59761

In reference to HB 65

In 1977, our valuation was \$28,921.00 Our property taxes - total for three counties - was \$806.37.

In 1978, we added a substantial investment to our telephone company. Our valuation was raised to \$243,245.00, and our property taxes totaled \$3,273.27. Our circuit miles totaled 606, our subscriber count was 366, giving us a density of 1.65 miles per subscriber, which entitled us to a taxation of 8%, as per Montana law.

In 1979, our valuation was shown as \$328,496.00, with taxes of \$4,292.67. Our circuit miles were 599, subscriber count was 392, thus our density of 1.5 miles per subscriber --- still taxed at 8%.

In 1980 ---- a new exchange was purchased in December, 1979, and was properly declared to the Department of Revenue for taxation purposes. In a letter dated May 9, 1980 and signed by Don Hoffman, Chief, Inter-County Property Bureau, our valuation was set at \$285,366.00 --- a drop from last year and good news. But --- we had declared the Grant acquisition!

November 1 tax notices showed us with an increase of 128% to \$9,790.65.

*Explanation: We properly declared our Grant acquisition of 32 miles, 44 subscribers, a building and land. This was included in the total FIRST notices of \$8,034.91. THEN we received a second tax notice from Beaverhead County, originally issued to Lemhi Telephone Company, from whom we purchased the grant exchange, for an additional \$1,755.74. This brought our total to the above mentioned amount.

Our circuit miles declared were 629, our subscriber count was 456, our density equalling 1.37 miles per subscriber.

And yet, we were apparently raised to a 15% taxation bracket. On July 25, 1980, a letter was apparently sent to us by Mr. Hoffman, advising us of this raise, with copies to the assessors of Beaverhead County, Butte-Silver Bow County and Anaconda-Deer Lodge County. However ---- we DID NOT receive this letter! The first we saw of it was when the Beaverhead County Assessor gave us his copy in mid-November, after taxes had been levied and too late for a tax appeal!!! Then, in a letter dated November 21, 1981, again from Mr. Hoffman, we were advised that our current valuation was raised from the \$285,366.00 to \$325,239.00. We thought that our Grant purchase had finally been included. BUT --- why was that letter dated November 21 when tax notices are mailed on November 1?

This information is simply some background to give you an idea of just what can happen to a small telephone company, and of what did happen under the present law. A raise from an 8% bracket direct to a 15% bracket represents a tax raise of 87½% in taxable base!

Supposing a telephone company had:

$$\frac{125 \text{ circuit miles}}{100 \text{ subscribers}} = 1.25 \text{ miles per subscriber, qualifying them at 8\%}$$

But, 25 new subscribers were added:

$$\frac{125 \text{ circuit miles}}{125 \text{ subscribers}} = 1.00 \text{ miles per subscriber, placing them at 15\%}$$

To be more realistic, a company such as ours with a market value of \$300,000.00 and a mill levy of 252.98 with:

$$\frac{500 \text{ circuit miles}}{399 \text{ customers}} = 1.253 \text{ miles per customer} = 8\% \text{ taxation} = \$6,071.52 \text{ taxes}$$

The same company with:

$$\frac{500 \text{ circuit miles}}{401 \text{ customers}} = 1.246 \text{ miles per customer} = 15\% \text{ taxation} = \$11,384.10 \text{ taxes!}$$

Two customers, with an average local service revenue of \$72.00 per year --- for a total revenue to that company of \$144.00 per year --- raised their taxes \$5,312.58!!! Is this fair? Is this an incentive to increase telephone service to more subscribers? And yet, we cannot refuse service!

In earlier testimony, I reported that we were the only telephone company in the State of Montana which met the following criteria:

1. We are privately owned;
2. We operate in more than one county, thus our assessment is determined by the Department of Revenue rather than the individual counties involved;
3. We serve rural areas and towns of 800 persons or less.

However, in a closer look at Montana, I find that the Hot Springs Telephone Company at Hot Springs and Project Telephone Company at Worden also operate in two counties each and COULD qualify by the above statements. I'm NOT saying that they do qualify, since I don't know all of their plant statistics.

Two other privately owned telephone companies exist in Montana, both operating in one county and assessed by local government. These are Ronan Telephone Company at Ronan and Lincoln Telephone Company at Lincoln. One other company exists at Custer which is under fire by the Montana Public Service Commission and for which I have no information.

I have checked with each of the Independents concerning their 1980 property taxes, which is given with other pertinent statistics as follows:

THOSE OPERATING IN ONE COUNTY ONLY:

Lincoln Telephone Company: taxes were 2% of market value
559 subscribers
private residence local service - \$9.00

Ronan Telephone Company: taxes were 4% of market value
1400 subscribers
private residence local service - \$9.50

THOSE OPERATING IN TWO OR MORE COUNTIES (INTER COUNTY PROPERTY BUREAU
ASSESSMENT)

Project Telephone Company: taxes were 1.98% of market value
900 subscribers
private residence local service - \$7.50

Hot Springs Telephone Company: I could not reach their manager for
information

Southern Montana
Telephone Company: taxes were 3.3% of market value
456 subscribers
private residence local service - \$6.00

Under proposed legislation, there would not be that huge increase from 8% to 15%, representing an 87½% increase in taxes. It would, instead, give us a graduated increase in proportion to plant investment/subscribers served/ return on capital.

Just a point of interest: the State of Idaho simply assesses the tax based upon linear miles with no adjustment for rates of tax. There is no percentages involved --- just X dollars for each linear mile of line. And yet, Montana law would penalize a company for adding two new subscribers, as shown in our example.

We feel that such a sharp contrast in results is unrealistic, and we therefore ask your consideration of the proposed amendment.

I vote YES ON A.B. 65
With or without Amendments

yes on 43 (over)

Ken

I have a meeting at DNR at 10:30
I will vote yes on 65

Jim Bennett

STANDING COMMITTEE REPORT

February 21 19 21

MR. SBEAHER

We, your committee on TAXATION

having had under consideration HOUSE Bill No. 511

A BILL FOR AN ACT ENTITLED: "AN ACT TO ALLOW SCHOOL DISTRICT
VOTED ADDITIONAL TAX LEVIES TO BE EFFECTIVE FOR 2 YEARS;
AMENDING SECTION 20-9-353, MCA; AND PROVIDING AN IMMEDIATE
EFFECTIVE DATE."

Respectfully report as follows: That HOUSE Bill No. 511

DO NOT PASS

~~DO PASS~~

STANDING COMMITTEE REPORT

February 18, 1961

MR. SPEAKER

We, your committee on TAXATION

having had under consideration HOUSE Bill No. 521

A BILL FOR AN ACT ENTITLED: "AN ACT TO PROVIDE THAT A SPECIAL ELECTION ON AN ADDITIONAL LEVY FOR A SCHOOL DISTRICT IS REQUIRED ONLY IF NO ADDITIONAL LEVY WAS IMPOSED THE PREVIOUS YEAR, THE ADDITIONAL LEVY IS GREATER THAN THE PREVIOUS LEVY, OR UPON VOTER PETITION; AMENDING SECTION 20-9-353, MCA."

Respectfully report as follows: That HOUSE Bill No. 521

DO NOT PASS

~~DO NOT PASS~~

STANDING COMMITTEE REPORT

March 11

19 51

MR. SPEAKER

We, your committee on TAXATION

having had under consideration HOUSE Bill No. 523

A BILL FOR AN ACT ENTITLED: "AN ACT TO ELIMINATE THE
AUTHORITY TO IMPOSE A STATEWIDE LEVY TO FUND THE PERMISSIVE
LEVY DEFICIENCY OF ELEMENTARY AND HIGH SCHOOL DISTRICTS;
AMENDING SECTION 20-9-352, MCA; PROVIDING AN IMMEDIATE
EFFECTIVE DATE."

Respectfully report as follows: That HOUSE Bill No. 523

DO NOT PASS

~~DO PASS~~