

MINUTES OF THE HOUSE TAXATION COMMITTEE MEETING
February 6, 1981

A meeting of the House Taxation Committee was held on Friday, February 6, 1981 at 8:00 a.m. in Room 102 of the State Capitol. With Vice Chairman Sivertsen presiding, all members were present except Reps. Asay and Brand, who were excused. Rep. Nordtvedt was excused for the first part of the meeting. HOUSE BILLS 126 and 540 were heard and EXECUTIVE ACTION was taken on HOUSE BILLS 63 and 474.

Vice Chairman Sivertsen announced that HOUSE BILL 451, which had been scheduled to be heard at this meeting had been taken off the agenda at the request of the sponsor (written testimony was submitted by William Romine, Montana Land Title Association; see Exhibit "C.")

HOUSE BILL 540, sponsored by Rep. Herb Huennekens, was heard. At present, aircraft have to be licensed as of March 1, but often the aircraft hasn't been assessed, and tax notices haven't been sent out. Therefore, the aircraft owners in the Counties where there is a delay have to have a lien filed on their airplane licenses, and later have them removed, when taxes are paid. This bill would change the date from March 1 to June 1. The sponsor suggested that the bill wouldn't be necessary if aircraft were also placed on a fee system. He suggested that possibly a Committee bill could be drawn up to address this.

There were no PROPONENTS to HB 540. There were no OPPONENTS.

Ken Morrison then rose to comment on the bill for Jack Gribble, Administrator of the Property Tax Division, Department of Revenue. It appears that only those planes registered after June 1 would be subject to prorating. Also, it would appear that aircraft not arriving in the State until after June 1 would be able to avoid registering.

Rep. Huennekens said that he was acceptable for the Committee to change the June 1 date, just so the pilot would still be able to avoid having to have a lien filed. Rep. Williams wondered why aircraft registration couldn't just be handled the way auto registration used to be done.

Rep. Devlin said that getting the lien wasn't an inconvenience; all that was necessary was to check a box on a card. Rep. Huennekens stated that in some Counties the owner of the aircraft had to actually go to the Assessor's Office and have the lien removed.

Rep. Bertelsen asked Mr. Morrison for information on this. He replied that Mr. Gribble would provide additional information to the Committee. Rep. Williams reiterated that he didn't see why the aircraft couldn't be licensed and taxed on a one-stroke basis, and he asked that Mr. Gribble also provide this information. The hearing on HOUSE BILL 540 was then closed.

bill would allow people inside City limits to not have to contribute to the Soil Conservation millage. Right now, some city boundaries are set up so that some residents have to pay the levy and others don't.

There were no PROPONENTS to HB 126.

Ray Beck, Montana Association of Conservation Districts, then rose in OPPOSITION to the bill; see written testimony Exhibit "A."

Questions were then asked. Rep. Burnett wanted to know why there wasn't a provision in the bill which would allow the cities to have the option of voting on whether they wanted to be taxed. Rep. Moore said that in Great Falls, some of the people are included and some aren't, and this involves a principle where there should be equity. Rep. Neuman said that the reason for the situation in Great Falls was that the taxable area for Conservation Districts was established in 1946, so everything that wasn't incorporated in 1946 is now being taxed. Rep. Williams said that if the cities already had the right of voting themselves out or in, he didn't see what the problem was. Mr. Morrison said that, in the case of Great Falls, it appears that the original city just never voted itself in. Presently, it has to be petitioned by ten electors and then the people vote on the question; the electors define the boundaries.

Rep. Moore stated that he still thought there was a principle of unfairness involved. He added that he didn't care what was done, so long as there was equalization; even if it took a Committee bill that stated that the whole city had to pay.

Rep. Roth asked why there couldn't be a municipal statute to address this. Rep. Moore replied that at present those people don't have to pay the tax, and its doubtful they would take action to change this. He spoke up in support of a law that would cover the entire city. Rep. Neuman pointed out that most counties didn't even tax the cities except for the last several years. Rep. Moore added that since it was discovered that the cities could be taxed, there has been a problem with the set-up.

Rep. Moore then suggested that a Committee bill be drafted to rescind the old law and have everyone pay the tax. Rep. Roth requested Mr. Oppedahl (Legislative Council) to research the matter to see if it could be addressed on the local level.

Rep. Moore then suggested that the bill be tabled and a Committee bill be drafted, requiring the exempt areas in the cities to be levied. The hearing on HOUSE BILL 126 was then closed.

Control of the meeting was then relinquished to Chairman Rep. Nordtvedt. The Chairman entertained input from the Committee members regarding a Committee bill to address a tax on parimutuel betting. Rep. Switzer said that he had reviewed some information sent him by the Kalispell

Fair Board, which said that the Board needs all of the money they are getting from parimutuel betting at present. Rep. Nordtvedt stated that the bill, if drafted, would place a 2% sales tax on all betting. The revenue generated would be about \$1 million per year, and it could go to the General Fund or elsewhere. At present, the revenue is taken care of locally.

HOUSE BILL 63 was then discussed. Chairman Nordtvedt said that he had some amendments from the Department of Revenue; see Exhibit "B." The fiscal impact can't be figured out; however, if the bill passes it might become possible to estimate it. Rep. Bertelsen moved that HB 63 DO PASS. Chairman Nordtvedt moved the amendments. The question was called for on the amendments; motion carried unanimously. Discussion followed. Rep. Bertelsen said that he supported the bill because the \$3,600 figure had been included in it. Rep. Williams said that according to the way other exemption plans are structured, he saw no reason why the people on corporate retirement shouldn't have the same advantage of those retiring from the public. Rep. Nordtvedt pointed out that there was an exception in the bill for the IRA program. The question was then called for on the motion of DO PASS (AS AMENDED); motion carried unanimously.

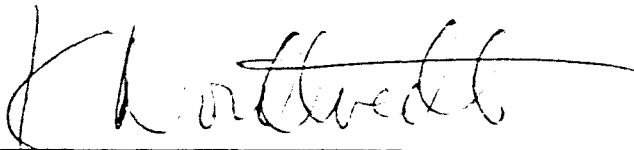
HOUSE BILL 474 was then considered. Rep. Devlin moved that the bill DO PASS. Rep. Nordtvedt said that his problem with the bill was that it would allow Commissioners to make the decision to give the tax break, and a policy decision of this magnitude should require a vote of the citizens. Rep. Switzer said that the tax break wouldn't be on the existing dwelling, just the improvement. Rep. Dozier wanted to know if the assessors got the new additions when they were finished or if they only made changes every five years, as is done with general property taxes. Rep. Nordtvedt stated that the former was the case. Rep. Oberg said that there is no incentive from the tax system to put money into old property improvement because the taxes go up, and this bill addresses this problem, and therefore he was in support of the measure.

Rep. Nordtvedt expressed concern about the potential for abuse of the definition of remodeling. Rep. Zabrocki brought up the situation where a project was left 99% completed in order to keep taking advantage of the tax break. Rep. Nordtvedt said that appraisers put the structure on the tax rolls at whatever percentage of completion it was at. However, in actuality, it is not clear what the appraisers do. Rep. Williams expressed agreement with Rep. Nordtvedt, adding that the concept is a good one, but the assessors would have a hard time administering the bill, because there were too many loopholes. Rep. Switzer pointed out that the bill contained a provision which enabled local governments to opt whether or not to take advantage of the bill. Rep. Nordtvedt said that the trend towards making exceptions to a property tax system based on value need to be resisted or the property tax system wouldn't stay intact.

motion carried 8 - 6; see roll call vote.

It was announced that the Vehicle Fee System Legislation Subcommittee would meet at 10:00 a.m. that day.

The meeting was adjourned at 9:00 a.m.



Rep. Ken Nördtvedt, Chairman

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VISITORS' REGISTER

HOUSE 7-11-76

COMMITTEE

BILL 7-11-76

Date 7/11/76

SPONSOR M. J. ...

| NAME | RESIDENCE | REPRESENTING | SUPPORT | OPPO |
|-------------|-----------|----------------------|---------|------|
| Ray Buck | Helena | Mt. Home Care Dist | | X |
| Don Maguire | Helena | Mount Home Care Dist | X | |
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IF YOU CARE TO WRITE COMMENTS, ASK SECRETARY FOR LONGER FORM.
 PLEASE LEAVE PREPARED STATEMENT WITH SECRETARY.



Montana Association Of Conservation Districts

7 Edwards
Helena, Montana 59601
Ph. 406-443-5711

HB 126

The Montana Association of Conservation Districts (MACD) feel that House Bill 126 is repetitious and totally unnecessary. Montana Code Annotated, Title 76, Soil and Water Conservation; Chapter 15, Conservation Districts, Section 76-15-804 through Section 76-15-810 includes opportunity to discontinue all or part of a district which would allow 1st and 2nd class cities to remove themselves from district boundaries if they so desire. As of October 1978 59 cities and towns voted to be included within Conservation Districts. This piece of legislation would eliminate these cities and towns and others that desire and vote to be included in Conservation District boundaries.

It appears that this bill derived from the Great Falls area of which a large part of the city is included within the boundaries of the Cascade County Conservation District. Areas have been annexed to the City and because of an oversight by the Assessor's office many of these areas were not taxed properly until October of 1980. With the proper assessment the average tax is about \$1.50 per year for a property owner in these incorporated areas.

Granted many Conservation District projects and practices are out of the urban areas. However in many cases the biggest users and individuals that benefit are urban people. Aside from the offstream storage, Resource Conservation and Development practices, Instream improvement of Water Quality, weed control, mining impacts on renewable resources, and etc. that Conservation Districts work with, projects within urban areas are also developed.

In Great Falls for example:

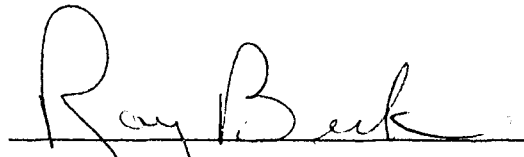
- 1) Through the Muddy Creek Water Quality Project, Conservation Districts have improved the Missouri River water supply, improved recreation quality of Missouri and improved water quality and recreation potential on the Sun River;
- 2) Cascade Conservation District provides to Great Falls:
 - a) newsletter;
 - b) youth speech contests (open to all schools);
 - c) TV spots, radio spots, and newsarticles on resource conservation;

- d) sponsor conservation teacher of the year award;
- e) sponsor prizes for the 4-H conservation club booth at the state fair (last two years the winners were from urban schools);
- f) judge science fairs at parochial schools in Great Falls;
- g) lectures and counseling for Great Falls High School Vo-Ag classes - also donated a projector;
- h) sponsor the Cochran Managed Natural Area along the Missouri River. Cascade Conservation District leases 100 acres of virgin prairie grassland along the Missouri River that has been unchanged since Lewis and Clark first discovered the area (this site is visited by Great Falls residents, which includes senior citizen groups, school groups, church groups, FFA, school science classes, etc.);
- i) In 1975, the state of Montana experienced a severe flood. Federal 216 flood restoration funding was allotted to the state and county. Cascade Conservation District was the sponsor of this flood assistance to areas where lives and homes were endangered. An urban area south of Great Falls on the Missouri River, Woodlands Estates received over \$300,000 in bank protection aid; 126 applications in all were received and reviewed by the district with \$2,256,363 requested from the federal government, but approximately \$1,200,385 received in Cascade County;
- j) The Cascade County Conservation District Board is working with the State Forester's office on promotion of private forestry management while maintaining a firewood source for Great Falls;
- k) The Resource Conservation Act (RCA) required that the Conservation Districts contact all areas of the population for their opinions on the various environmental problems. The Cascade County Conservation District held public meetings and sent out a poll - and on the average more urban people attended the meetings and a large majority replied to the poll. Their opinions were taken into consideration in long-range planning as well as that of the rural people. Areas included were recreation and vandalism; fish and wildlife, water quality, and protection of prime agricultural lands -- land that feeds all people (not just rural people).

Conservation Districts in urban and developing areas provide soil surveys, water inventories, assistance with waste disposal and other services to builders, contractors, planning commissions, municipal officials, schools, hospitals, industries and small landowners. Last year 430 units of state and local government received assistance from Conservation Districts.

The Montana Association of Conservation Districts strongly recommend a "DO NOT PASS" on HB 126.

Thank you.

A handwritten signature in cursive script that reads "Ray Beck". The signature is written in black ink and is positioned above a horizontal line.

Ray Beck
Executive Vice President

EXHIBIT 2/11
EXHIBIT 10

Amendments to House Bill No. 63

1. Amend page 2, lines 5 & 6
Following: "received"
Strike: "by a retired person"

2. Amend page 2, line 10
Following: "Code"
Strike: ". as"
Add: "of 1954 or as that section may be labeled or"

Income Tax Division
2/5/81



Rep. Moore:

These are the amendments the Department of Revenue believes ought to be added to HB63 to remove the technical problems discussed in Committee. If you have no objection, I will submit them Feb. 6. (Friday) AM.

John Clark

ph. 2460



180

Do Pass

HOUSE BILL NO. 63

MOORE

INTRODUCED BY

A BILL FOR AN ACT ENTITLED: "AN ACT TO EXEMPT FROM INCOME TAXATION PRIVATE OR CORPORATE RETIREMENT BENEFITS NOT IN EXCESS OF A CERTAIN AMOUNT; AMENDING SECTION 15-30-111, MCA; AND PROVIDING AN EFFECTIVE DATE."

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

Section 1. Section 15-30-111, MCA, is amended to read: "15-30-111. Adjusted gross income. (1) Adjusted gross income shall be the taxpayer's federal income tax adjusted gross income as defined in section 62 of the Internal Revenue Code of 1954 or as that section may be labeled or amended and in addition shall include the following:

(a) interest received on obligations of another state or territory or county, municipality, district, or other political subdivision thereof; (b) refunds received of federal income tax, to the extent the deduction of such tax resulted in a reduction of Montana income tax liability.

(2) Adjusted gross income does not include the following which are exempt from taxation under this chapter:

(a) interest income from obligations of the United States government, the state of Montana, county,

municipality, district, or other political subdivision thereof;

(b) all benefits received under the Federal Employees' Retirement Act not in excess of \$3,600;

(c) all benefits not in excess of \$3,600 received from any private or corporate retirement plan or system, except those received under a defined compensation program, an individual retirement account as defined in section 408 of the Internal Revenue Code, as amended, or any similar program in which contributions made by an individual are tax exempt when first made;

(d) all benefits paid under the teachers' retirement law which are specified as exempt from taxation by 19-4-706; (e) all benefits paid under The Public Employees' Retirement System Act which are specified as exempt from taxation by 19-3-105;

(f) all benefits paid under the highway patrol retirement law which are specified as exempt from taxation by 19-6-705;

(g) all Montana income tax refunds or credits thereof;

(h) all benefits paid under 19-11-602, 19-11-604, and 19-11-605 to retired and disabled firefighters, their surviving spouses and orphans;

403613

1 (b)(1) all benefits paid by first- or second-class
2 cities for the policemen's retirement system provided for by
3 title 19, chapter 9.

4 (3) In the case of a shareholder of a corporation with
5 respect to which the election provided for under subchapter
6 S. of the Internal Revenue Code of 1954, as amended, is in
7 effect but with respect to which the election provided for
8 under 15-31-202, as amended, is not in effect, adjusted
9 gross income does not include any part of the corporation's
10 undistributed taxable income, net operating loss, capital
11 gains or other gains, profits, or losses required to be
12 included in the shareholder's federal income tax adjusted
13 gross income by reason of the said election under subchapter
14 S. However, the shareholder's adjusted gross income shall
15 include actual distributions from the corporation to the
16 extent they would be treated as taxable dividends if the
17 subchapter S. election were not in effect."

18 Section 2. Effective date. This act is effective on
19 passage and approval and applies to taxable years beginning
20 after December 31, 1980.

-End-

VISITORS' REGISTER

HOUSE 7 Executive

COMMITTEE

BILL 45 451Date 7/6/11SPONSOR Manya

| NAME | RESIDENCE | REPRESENTING | SUPPORT | OPPO |
|-------------------|-----------|---|---------|------|
| William R. Romine | Helena | Mont. Land title Association | ✓ | |
| David Brown | Helena | First Bank Helms Public Workers RE | | |
| JONES AFFIDAN | Billings | Security Bank BGS MONT. BANKERS ASSN | | |
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IF YOU CARE TO WRITE COMMENTS, ASK SECRETARY FOR LONGER FORM.

PLEASE LEAVE PREPARED STATEMENT WITH SECRETARY.

NAME: William L. Rouse DATE: 2-6-81

ADDRESS: P.O. Box 1691 Helena

PHONE: 442-2220

REPRESENTING WHOM? Mont. Land Title Assoc.

APPEARING ON WHICH PROPOSAL: H.B. 451

DO YOU: SUPPORT? X AMEND? _____ OPPOSE? _____

COMMENTS: This bill is necessary because most payments disbursed by Title agents comes from the sale of a home, and the proceeds are used to buy another home. Therefore no tax is generally due. Under the present law, the money would go to the state & the taxpayer would have to apply for a refund to get it back. In fact, under the present law, the developer from out of state, who would have to pay taxes on the sales of lots or homes, is excluded from the withholding procedure. The present law really does not make much sense. Since the title insurance agent is really only acting as a closing agent, he should not be required to be a tax collector for the state. There is another problem, when the disbursement is made to a local bank, which is to be ultimately withdrawn by the non-resident. It is unclear if such deposit comes within the provisions of the withholding law.

PLEASE LEAVE ANY PREPARED STATEMENTS WITH THE COMMITTEE SECRETARY

STANDING COMMITTEE REPORT

FEBRUARY 14

19 31

MR. SPEAKER

We, your committee on TAXATION

having had under consideration HOUSE Bill No. 540

A BILL FOR AN ACT ENTITLED: "AN ACT FOR ADJUSTING THE REGISTRATION DATE FOR AIRCRAFT TO ELIMINATE CONFLICTS WITH OTHER TAXATION LAWS; AMENDING SECTIONS 15-24-304, 67-3-201, AND 67-3-202, MCA."

Respectfully report as follows: That HOUSE Bill No. 540

DO PASS

STANDING COMMITTEE REPORT

FEBRUARY 11

19 11

SPEAKER:

MR.

TAXATION

We, your committee on

having had under consideration **House** Bill No. **126**

A BILL FOR AN ACT ENTITLED: "AN ACT TO EXEMPT PROPERTY WITHIN FIRST- AND SECOND-CLASS CITIES FROM CONSERVATION DISTRICT TAX LEVIES; AMENDING SECTIONS 76-15-515 THROUGH 76-15-517, MCA."

Respectfully report as follows: That **House** Bill No. **126**

DO NOT PASS

~~DO PASS~~