

HOUSE TAXATION SUBCOMMITTEE ON MOTOR VEHICLE FEE LEGISLATION
MINUTES
February 10, 1981

A meeting of the Taxation Subcommittee on Motor Vehicle Fee Legislation was called to order by Chairman Rep. Bob Sivertsen. Reps. Hart, Devlin, Asay, Harp, Neuman, Underdal, Harrington, Williams, Nordtvedt and Switzer were present.

HOUSE BILL 428, sponsored by Rep. Ken Nordtvedt was discussed. If revenue is distributed proportional to all the mills on the books, and a uniform fee system is adopted, the opposite will be accomplished from what is currently occurring: The larger the mill levy, the lower the state's percentage of the take. See Exhibit "A." Rep. Nordtvedt then described the effect of HB 428 in three different jurisdictions; see Exhibit "B" (reverse side of Exhibit "A"). 80 - 90 mills would be a break - even county. Even in low jurisdictions, the revenue would all stay in the county, even though the rate would go up. If it was decided to provide tax relief by ending the state sharing in the revenue in the uniform tax, and the 2 1/2% in HB 428 were amended to 2%, the local tax would be reduced by 46 mills.

Rep. Sivertsen wanted to know what would be done to take care of the statewide levy amount if the bill was amended.

Rep. Nordtvedt said it would go towards tax relief, and \$5 million per year would have to be taken from the General Fund to pay for equalization.

Rep. Williams asked how this approach would compare with lowering the assessed value of the vehicle to one based on wholesale price.

Rep. Nordtvedt replied that he hadn't checked the Department of Revenue's calculations, but HB 428 raises 83% as much as the status quo. Changing the classification from 13 to 11 would raise 86% as much revenue. If the classification were left alone and the appraisal figure were changed to wholesale, it would go to 80% as much revenue, dollar-wise, but jurisdiction taxes would vary from area to area.

One big problem with assessed valuation is the time of year it is done. A chart was passed out; see Exhibit "C." The Department of Revenue stated that if a switch is made from the January 1 appraisal date, there will be problems both administratively and otherwise; the chart supports this. Rep. Nordtvedt pointed out that under HB 428, the blue book would be in the computer, and the changes would be made monthly or bimonthly, and valuations would be based on the most recent figures.

Rep. Harrington pointed out that, even if HB 428 were amended to allow local governments to keep all the revenue, the larger jurisdictions would still suffer quite a loss. Rep. Nordtvedt agreed, stating that the 83% was a state-wide average, and in high-mill-levy areas, the missing revenue would be even more than 17%. He

stressed that the question regarding how to reimburse these areas should be addressed separately. Rep. Harrington estimated that in Silverbow County, the loss would be more than 40% of their revenue.

Rep. Sivertsen wanted to know who would do the tax calculation, and Rep. Nordtvedt stated that the tax bill and reregistration notice would be sent out by one state office, but the tax would be paid to the county, either in person or by mail. He added that staggered reregistration could be retained, but this would be up to the agency's wishes. Rep. Williams brought up the problems of the inequities created when varying blue book values and varying registration dates were combined. Rep. Nordtvedt replied that the books had to be changed some time; if they were changed once a year, there would be problems between the people who registered in the last month and the first month of the new year. The decision has to be made whether to have a drastic change once a year or small changes several times a year. The reason more than one change is not made at present is because of the problems connected with each county doing assessments individually. Rep. Williams suggested that staggered registration has caused more problems than it has solved, and one alternative would be to discontinue it. Rep. Nordtvedt felt this decision should be left to the agency that administrated it.

Rep. Switzer said that the biggest complaint he had received concerning staggered registration was that people tended to forget which month they were supposed to reregister. Chairman Sivertsen stated that Mr. Schoen (Department of Motor Vehicle Registration) would be consulted in the matter.

Rep. Sivertsen asked Rep. Nordtvedt if the tax could be used for an IRS deduction if the local mill levy wasn't being reflected. Mr. Oppedahl (Legislative Council Committee Staffperson) stated that he had talked to an IRS official regarding this subject, and was unable to get an advisory ruling. However, there are several guidelines on how an advalorem tax qualifies for the federal deduction. Three criteria are: (1) it has to be personal property; (2) the tax has to be imposed annually; and (3) it has to be an advalorem tax. Under a fee system, the fee would probably not qualify. However, 2% on the value of the car probably would qualify. He added that the IRS has made a determination on the new car sales tax that it is not deductible from the federal income tax.

Rep. Williams wanted to know the status of using the fee as a tax base for bonding purposes. Mr. Oppedahl said that it is strictly a question of what the Legislature wants to build in as that base, and at present it is comprised of assessed property.

Rep. Sivertsen said that raising the limits on bonding would be one way to make up a loss. The percentage of the bond would have to

be raised to make up for the inability for motor vehicles to be assessed.

Rep. Sivertsen pointed out that the Subcommittee would have to look at this prospect if a fee bill was passed.

Mr. Oppedahl said that The Department of Motor Vehicle Registration would probably have problems coming up with an Official Register of Vehicles.

Rep. Sivertsen said that the Subcommittee also had to decide who was going to be responsible for certification of being insured.

It was pointed out that Statewide 6 3/4% of the taxable value is from vehicles, but it varies from county to county. If the percentage was to be changed, a "worst case" situation would have to be taken. Percentages were derived this way in the Governor's bill, it was pointed out.

Rep. Sivertsen asked Mike Stephen (Montana Association of Counties) if half of the present salary scale wasn't derived from taxation. He replied that SB 50 bases it on population, and indications are that this approach will be used. He pointed out that with a fee system, no inflationary factor would be built in. Rep. Nordtvedt said that HB 428 would go with inflation because it was based on value.

Mr. Oppedahl pointed out that if the State went to a mail-in-registration system, it might make more sense to issue the plate to the car. This would build in more stability, and the return rate might possibly be improved if this were done. He agreed to gather more information on the subject.

Mr. Stephen brought up the subject of the liability insurance check. He stated that the more irate the customer got, the more the county backed down. On an individual basis, probably 2 - 3 out of 10 would not have the proper documents. The staff at the Assessor's Office gets to a point where they don't even look at the date; so long as the car license is right, it goes through. Rep. Sivertsen pointed out that there are several bills in the Legislature to deal with this, and this area needed to be examined.

Rep. Williams pointed out that the Department of Justice would probably be opposed to changing the license back to going with the car.

Rep. Nordtvedt asked, if the liability issue was gotten under control and the bonding change language was taken from some other bills, would the Subcommittee have all the ingredients it needed to pass the bill. He added that rate figures could be changed at any point.

House Taxation Subcommittee on Motor Vehicle Fee Legislation Page 4
Minutes
February 10, 1981

Rep. Neuman wanted to know if the Subcommittee would be interested in allowing a percentage for new highway construction. Rep. Nordtvedt replied that personally he was in favor of the idea. Rep. Harrington said that this would have to be replaced at the local level, however. Rep. Sivertsen said that there were several other options for funding the highways.

Rep. Sivertsen then entertained the Subcommittee's suggestions on whether or not it wanted to work with HB 428 and pass it out, as opposed to some of the other bills. It was pointed out that SB 355 would be considered separately, and this committee would produce the alternative bill to it. This alternative bill would act as a back-up if a fee system was not adopted. It was announced that the Subcommittee would also address how to make up for local loss of revenue. Rep. Harrington stated that revenue sharing might be passed, but if HB 428 was also passed, any gains would be wiped out in Silverbow County, and the other bigger tax counties.

Rep. Neuman expressed the desire to have HB 428 "stand on its own."

Rep. Underdal said that lost revenue needed to be replaced by something which would be a consistent and premanent source.

Rep. Williams had a handout regarding the Governor's bill and the Subcommittee planned to discuss it at the next meeting.

Chairman Sivertsen expressed the hope that the Subcommittee could finalize its action by the beginning of the week of February 15. He announced that the next meeting of the Subcommittee would be upon the adjournment of the Taxation Committee on Thursday, February 12.

The meeting was adjourned at 11:15 a.m.


Rep. Bob Sivertsen, Chairman

da

If fee revenue is distributed among all mills levied including 40 mills equalization, consider two taxing jurisdictions

A

Total 160 mills

Fee = \$100

$$\text{State gets } \frac{40}{160} \times \$100 = \$25$$

B

Total 320 mills

Fee = \$100

$$\text{State gets } \frac{40}{320} \times 100 = \$12.50$$

Under 428 State gets 20% of uniform vehicle tax regardless of taxing jurisdiction: assume \$100 vehicle tax

$$\text{State gets } 20\% \times \$100 = \$20$$

Consider Vehicle of high book value
of ~~\$4000~~, taxable value of \$520. Tax
in three jurisdictions is

	A	B	C
	150 mills	250 mills	320 mills
Tax	\$ 78	\$ 130	\$ 166.40
Local Tax	\$ 54	\$ 70.6	\$ 142.40
State Rev.	\$ 24	\$ 24	\$ 24

Under HB 428 tax is uniform
and given by \$ 15 + 2 1/2% of wholesale
If wholesale \approx 80% of high book

$$\text{Uniform Tax} = 15 + 80 = \$ 95$$

$$\text{Local Tax} = 18 + 64 = \$ 76$$

$$\text{State Revenue} = 3 + 16 = \$ 19$$

"A"

REGISTERS

"B"

REGISTERS

"A"

REREGISTERS

"B"

REREGISTERS

<u>MAKE - MODEL - YR</u>	<u>JANUARY 79</u>	<u>DIF.</u>	<u>OCTOBER 79</u>	<u>DIF.</u>	<u>JANUARY 80</u>	<u>DIF.</u>	<u>OCTOBER 80</u>
AMERICAN MOTORS PACER 66-7 1978	\$4400	-200	\$4200	-50	\$4150	-700	\$3450
CHEVROLET MONTE CARLO 237 1978	\$5575	-1000	\$4575	-175	\$4400	+25	\$4425
CHRYSLER CORDOBA 5522 1978	\$5950	-1625	\$4325	-100	\$4225	-550	\$3675
FORD LTD 63 1978	\$5175	-1000	\$4175	-25	\$4150	-1100	\$3050
FORD F150 Pickup Style-Ld 1978	\$5050	-800	\$4250	-50	\$4200	-600	\$3600

HB 305

"A"

"B"

"A"

"B"

"A"

REGISTERS

REGISTERS

REREGISTERS

REREGISTERS

RE REGISTERS

EX 79

DIF.

October 79

DIF.

JANUARY 80

DIF.

October 80

DIF.

JANUARY 81

00

-200

\$4200

-50

\$4150

-700

\$3450

+125

\$3525

375

-1000

\$4575

-175

\$4400

+25

\$4425

-0-

\$4425

150

-1625

\$4325

-100

\$4225

-550

\$3675

+125

\$3800

175

-1000

\$4175

-25

\$4150

-1100

\$3050

+125

\$3175

050

-800

\$4250

-50

\$4200

-600

\$3600

-25

\$3575

EXHIBIT "C"