

HOUSE TAXATION SUBCOMMITTEE ON VEHICLE FEE LEGISLATION MINUTES
February 12, 1981

A meeting was held of the Taxation Subcommittee on Vehicle Fee Legislation at 10:00 a.m. in Room 102 of the State Capitol. With Chairman Rep. Bob Sivertsen presiding, the following members were present: Reps. Nordtvedt, Harp, Neuman, Switzer, Underdal, Williams and Harrington.

The question of deductibility on Federal Income Taxes was discussed. If a tax is based on value, it is deductible from the Federal Income Tax; it doesn't have to relate to mill levies or assessments. Commerce Clearing House information on this matter will be provided at a future meeting.

Regarding other bills in the House on insurance liability: the Judiciary Committee is considering HB's 165, 226, and 546, which deal with revising motor vehicle mandatory liability. The bills are in subcommittee. Present law requires that the applicant certify and display to the County Treasurer an auto liability insurance policy, or other proof; this might be rewritten. The new law would require a person to carry an insurance card approved by the Division and issued by the carrier. If this Committee is going to provide for mail registration, this might relate to that bill. Chairman Sivertsen stated that if reregistration is done by mail, at present, the applicant would have to submit a certificate of registration.

Mr. Larry Majerus, Administrator of the Motor Vehicle Division, Department of Justice, then spoke. Currently, the counties conducting registration by mail require the individual to sign the certification statement on the postcard they receive, and as far as displaying proof, it is addressed in two ways: (a) the policy number, company, agency and expiration date are listed by the individual, or (b) other counties want the "pocket card." He stated that the Judiciary Committee will be recommending that the proof or display of policy to the Treasurer will be deleted. It is ambiguous and hard on the Treasurer to make the determination.

Rep. Sivertsen wanted to know what the penalty would be for false swearing and was told it was a misdemeanor. Mr. Majerus added that possibly it would be required that the card be carried in the car at all times.

Rep. Williams brought up the situation where a month after registration the policyholder cancelled the insurance out. The only way this can be discovered is if the person then has an accident or was otherwise apprehended. Some states do monitor this, but in Montana it would cost too much.

Chairman Sivertsen stated that the issue the Subcommittee needed to address was how to handle proof-of-insurance if registration is done by mail. He added that it appeared that it could be accomplished by using a post card. Rep. Neuman added that proof could be shown at the time the plates were picked up.

In response to a suggestion from Rep. Underdal, Rep. Sivertsen said a repealer of staggered registration could be included in HB 428.

Mr. Majerus pointed out that the penalty for non-compliance with the mandatory insurance provision would probably be increased by the Judiciary Committee. Rep. Williams said that often the persons not complying with the insurance requirement were those who couldn't afford insurance. He wondered if the average automobile owner wasn't going to still have to carry insurance against the uninsured motorist. Mr. Majerus pointed out that oftentimes a person thought he had uninsured motorist coverage and often it was only for medical and not for property. He confirmed that the State only required liability insurance.

Chairman Sivertsen then brought up the staggered registration question. Rep. Harp expressed reluctance to include a number of changes in one bill. Mr. Oppedahl (Legislative Council) said that he was not sure that including a provision doing away with staggered registration in HB 428 would be workable. Rep. Sivertsen pointed out that a Committee bill could be drafted to address this issue.

Rep. Sivertsen then solicited the opinion of Mr. Daryl Schoen, Motor Vehicle Fee Division, Department of Justice, on staggered registration. He stated that his employees did not want yearly registration. They are also opposed to mailing out reminders. Rep. Sivertsen then asked his opinion on how often the Blue Book should be changed. Another witness stated that not all Blue Books covered all vehicles, and the January Blue Book was the only one that was all-inclusive. Mr. Schoen pointed out that the book is always missing the current year models, also. The other witness added that as a practical matter, it was hard enough to get the Blue Books once a year on time.

The Subcommittee reached a consensus that staggered registration wouldn't be addressed in the form of an amendment or a Committee bill.

It was brought up that SENATE BILL 126 changed valuation from a retail value to a wholesale value.

Rep. Williams brought up the issue of what assessment date to use. Presently assessors are using the January Blue Book. Rep. Nordtvedt feels this is objectional; because of the changing property values on vehicles. Mr. Majerus agreed to check to see if a complete Blue Book listing would be available more than once a year. Rep. Nordtvedt said that he thought quarterly revisions would be adequate. Rep. Neuman expressed support for updating once or twice per year.

Rep. Williams wanted to know why Rep. Nordtvedt wanted to do evaluations on a quarterly basis. Rep. Nordtvedt replied that a car, depending on when you bought it, was worth a different amount of money. Rep. Williams replied that this evened out after the first year.

John Clark, Department of Revenue, said that sometimes the person who registers later would be at a disadvantage from one who registered in October. Rep. Sivertsen said that possibly the advantage of using quarterly Blue Books wouldn't be as great as the Subcommittee had thought. Mr. Clark said the values in January and October were looked at in three consecutive years to see if the people registering in January caught up with the people registering in October. The study showed that they may be at a disadvantage. Mr. Schoen suggested that possibly some models appreciated while others depreciated.

Mr. Majerus pointed out that, if the computer in Deer Lodge were to take over vehicle taxation, the Counties would still need to be furnished with a hard copy of the computer file, in order to verify assessments in case of disputes. He added that the amount of disputes would definitely be reduced if trade-in value was used as the assessment figure.

Mr. Schoen then shared his information on the system presently being used in computer cataloging. The computer file is composed of the license plate number, title number, name and vehicle identification. Seven counties are on line with the master file. For assessment purposes, a tax code number has also been added to the files to be included for purposes of pre-assessing. However, some counties do not provide a tax code number. Under a fee system, they wouldn't have the problem of tax code numbers to identify people.

Rep. Sivertsen asked Mr. Schoen what the cost factor would be if the Legislature went with a bill centralizing everything out of his office. He said the initial program would have somewhat of a cost impact, but that was the only significant impact he foresaw. Any problems generated by a new system would be offset by the problems which 800 School Districts cause at present. He said that about 5,000 pre-assessed notices are presently being sent out every year.

Rep. Neuman wanted to know how the staggered system was working as far as licensing being paid for every year. Mr. Majerus stated that they did catch up every year after October; and back taxes are enforced. He added that there were other factors besides expired registrations that kept files noncurrent.

When asked if the Motor Vehicle Division planned to assess the entire State eventually, Mr. Majerus said that when the fee bills failed during the previous session of the Legislature, they felt an obligation to do something to help with the problems on the county level, and their choice was to initiate computer assessing. Mr. Majerus said the initial re-programming would comprise the major initial cost of going to computer assessing; he stressed that there was going to be efficiency in the new setup.

Mr. Schoen stated that their mailing shouldn't increase substantially.

Rep. Underdal wanted to know about the number of license plates presently out without any cars. Mr. Majerus said that the system would have to be designed for automatically replacing plates. He would like to identify plates on the road that are a certain number of years old and replace them. He wouldn't recommend that they ever go with a complete reissue; a systematic reissue would be much more economical; a study has been done on this by the Division. He stated that there is no reserve fund for license plate reissuing, because the Motor Vehicle account is "bust." Rep. Sivertsen suggested the possibility of going to only one tag. Mr. Majerus said that would save the State \$17,000, but law enforcement would be against it.

Rep. Sivertsen then brought up the possibility of having the license plate go with the car rather than the owner. Mr. Majerus said that in the late 1960's this was the way it was done, and there was a problem with getting people to file title with their cars. Lienholders had to have some other method to guarantee that the lien was being filed. He stated that he was not opposed to going back to the old system. It had been hoped that the new system would help cut down on the stolen vehicle problem, but it hasn't. He suggested that this would be a good interim project to research, but it would take a lot of work to close all the related loopholes.

Rep. Williams expressed the personal preference to keep the license plate with the individual. It was added that law enforcement used the information generated under the present set-up. Mr. Majerus said it would simplify the computer system if the plate stayed with the car.

Chairman Sivertsen suggested that the Subcommittee discuss the impact of going from an ad valorem to a different type of taxation. A handout on the statutes concerning local government finances were distributed. See Exhibit "A." Mike Stephen, Montana Association of Counties, had provided it. Bill Duffy, a research person for the Association, was present to answer questions. Calculations on the sheet reflect the 10-month Assessor Report. Rep. Sivertsen explained that the figures on the sheet were what would be needed for compensation for a 15% loss in taxable value. If a fee system is enacted, the places presently at their bonding limitations will be in trouble. Rep. Sivertsen stressed that this would have to be addressed. Mr. Duffy stated that the formula could apply to any of the fee bills before the Legislature. It was pointed out that under HB 428, the tax base is a separate question.

SENATE BILL 355, which the handout was related to, addresses the loss in tax base which a fee bill could create.

Mr. Clark said that in a sense this bill would be "grandfathering people in" who are already at their bonding limits.

Rep. Williams wanted to know how the 15 - 20% loss in revenue would be made up under HB 428. He stated that one defense for using the Severance tax to make up the difference would be that the oil industry is connected

to the automobile industry. Rep. Harp pointed out that if the money was taken from the oil industry, the consumer would be paying. Rep. Harrington pointed out that the consumer was paying right now. Rep. Underdal stated that decontrol of oil prices and increased oil production would help the general fund out.

Chairman Sivertsen said he felt the Subcommittee was ready to start putting HB 428 together, and added that funding to make up for the revenue reduction will have to be discussed. Two alternatives are revenue sharing or a gas tax. He stressed that there has to be a replacement of lost revenue if any of the Subcommittee's bills were to pass; the fact that these two areas will have to go hand in hand will be addressed at a future meeting.

The meeting was adjourned at 11:00 a.m.



Rep. Bob Sivertsen, Chairman

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STATUTES CONCERNING LOCAL GOVERNMENT FINANCE

Cities and Towns

Debt limit (7-3-1321) - Raised from 18% to 28% of taxable value. (The current statute actually reads 5% of assessed value, due to a drafting error in a 1977 bill. The effective rate is 18% of taxable value.)

Emergency budgets (7-6-4254) - Limit raised from 25% to 38% of taxable value.

Bond limit (7-7-4201) - Raised from 18% to 28% of taxable value.

Additional debt for water and sewer systems (7-7-4202) - Raised from 36% to 55% of taxable value.

Debt for acquiring natural gas system (7-13-4103) - Raised from 11% to 17% of taxable value.

Debt for bus service (7-14-4402) - Raised from 18% to 28% of taxable value.

Debt for cultural purposes (7-16-4101) - Raised from 10.8% to 16.5% of taxable values. (Statute now reads 3% of assessed value due to 1977 drafting error. The effective limit is 10.8%).

Authority to issue bonds (7-31-101) - Raised from 10.8% to 14% of taxable value. (Statute now reads 5% of assessed value. The effective rate is 10.8% of taxable value).

Firemen's pension (19-11-503 and 19-11-504) - Lower limit for firemen pension reserve. Raised from 2.0 to 3.0% (the average for all cities).

School Districts

Bond limits (20-9-406) - Limit raised from 29% to 45% of taxable value.

Building reserve fund (20-9-502) - Limit raised from 29% to 45% of taxable value. (Statute now reads 5% of assessed value. The effective limit is 29% of taxable value).

City-County Consolidated Governments

Bond limit (7-7-107) - Raised from 27% to 39% of taxable value.

Limit on additional debt for water and sewer systems (7-7-108) - Raised from 27% to 39% of taxable value.

Counties

Classification of counties (7-1-2111) - The 19% taxable value of cars and light trucks retained for this computation.

Authority to conduct business on cash basis (7-6-2211) - limit raised from 18% to 22.5% of taxable value.

Debt limit (7-7-2101) - Raised from 18% to 23% of taxable value.

Bond Limit (7-7-2203 and 7-14-2524) - Raised from 9% to 11.25% of taxable value for most purposes; raised from 29% to 37% for county high schools; raised from 18% to 22.5% for bridge repair.

Refunding bond limit (7-14-2525) - Raised from 18% to 22.5% of taxable value.

Park board debt (7-16-2327) - Raised from 10.8% to 13.6% of taxable value. (Statute now reads 3% of assessed value due to 1977 drafting error. The effective limit is 10.3% of taxable value).

Authority to issue bonds (7-13-10) - Raised from 18% to 22.5% of taxable value. (Statute now reads 5% of assessed value. Effective limit is 18%).

Other types of districts - limit raised 10.67%.

Hospital district bond limit (7-34-2131) - Raised from 18% to 22.5% of taxable value. (Statute now reads 5% of assessed value. Effective limit is 18%).

Irrigation districts bond limit (85-7-2001) - Raised from 15% to 18.5%.

Local transportation district (7-11-1) - Raised from 10% to 15% of taxable value.

Not amended

Salary schedule for county offices (7-4-2503) - The schedule is based on 1979 taxable value, so this bill would not affect it.