

HOUSE TAXATION COMMITTEE MEETING MINUTES
March 6, 1981

A meeting of the House Taxation Committee was held on Friday, March 6, 1981 at 8:00 a.m. in Room 102 of the State Capitol. All members were present except Rep. Asay, who was excused. SENATE BILL 34 was heard and EXECUTIVE ACTION was taken on SENATE BILLS 34, 54 and 55 and HOUSE BILLS 543, 708 and 776.

The hearing on SENATE BILL 34 was opened. Sen. Steve Brown, sponsor of the bill, explained that the bill was one of the Legacy Legislature's bills. It had to do with the affidavit of preferential property tax treatment for certain items. By filing the affidavit, the property can be taxed at 3% rather than 4 3/4%. To qualify for the break, the Senior Citizen must be retired, must not earn more than \$7,000 (\$8,000 if married), and has to be a resident of the State for at least ten months per year. The bill would relieve the Senior Citizens from having to meet the annual requirements for re-filing unless there is a change in their status. The reason for the bill is that presently many Senior Citizens aren't able to take advantage of the provision every year.

There were no OPPONENTS to SB 34.

John Clark, Department of Revenue, said the Department had no problems with the bill.

Questions were then asked. Rep. Underdal wanted to know what the fiscal impact of the bill was. Sen. Brown said it wasn't know if there would be an impact. Possibly more people would take advantage of the break if the bill was enacted. However, it would be impossible to project anything. Rep. Nordtvedt pointed out that the bill didn't change the eligibility requirements.

Rep. Dozier wanted to know if the estate of a person who passed on would continue to get the tax break. Mr. Clark said that theoretically this was possible, but he was certain it would be detected within one year.

Jim Jensen, Low Income Senior Citizens Advocacy, was then allowed to testify in support of the bill. The main reason the bill was introduced in the Legacy Legislature was because Senior Citizens forget to file these things every year. It is important that they not have to worry about this every year.

Discussion then took place regarding the residency requirement. Rep. Brand wanted to know what the reasoning was behind the ten month requirement. Sen. Brown stated that it was aimed at part-time Florida residents. He stated that he hadn't been asked to address the residency provisions in the law when the bill was being drafted.

Rep. Nordtvedt wanted to know what would happen if the estate for some reason was found to have been taking advantage of the tax break for a number of years following the death of the individual; he wondered if a retroactive lien on the property would be placed. Mr. Clark said generally this would be caught either because of probate

or inheritance taxes. He suspected that there were enough cross-checks so this wouldn't happen.

Rep. Devlin wanted to know if there was a set percentage of persons using the status that would be audited by the Department of Revenue. Mr. Clark said that the language providing for a check was put in the law so that the Department of Revenue would have the ability to do this, but they didn't plan to do it unless there was some justification; there wouldn't be an active program in this area.

Sen. Brown then closed, and the hearing on SENATE BILL 34 was closed.

The Committee then went into EXECUTIVE SESSION. Rep. Zabrocki moved that SB 34 BE CONCURRED IN. Discussion took place regarding giving the Department of Revenue the authority to get back taxes from an estate if the last senior citizen passed away and the property wasn't reverted to normal tax rates.

The question was then called for; motion carried unanimously.

Rep. Harrington then moved that HOUSE BILL 776 DO PASS. ASARCO's Troy mine will be in full production this year, and they will be considered a major producer, and this would probably make the bill's fiscal impact on the State almost nil. He would like to see economic development with the impact money; therefore, this bill is important.

Rep. Roth wanted to know if the Board would determine the final use of the impact money. Rep. Harrington said it would operate the same way as the Coal Board operates. He felt that in the long run, this bill would pay for itself many times over. He then moved to amend the bill as had been previously suggested; see Exhibit "A."

Rep. Harrington said the money would be earmarked from the General Fund. 95% of the money presently comes from Anaconda Company. He didn't feel there would be that much of a loss to the state after ASARCO went on line.

Rep. Williams asked Rep. Harrington about the status of HB 542, which created a similar board. He didn't know, but added that HB 542 created front-end impact money. He feels that a bill that would set up a Board to try to solve any problems is the better approach.

Rep. Harp said that the other bill would provide for temporary front-end funding. If there was no money coming, there is no reason for having a Board.

In response to Rep. Burnett, Rep. Harrington said that this bill had been assigned to the Taxation Committee to have the statutory changes addressed, and after it left this Committee it would be assigned to the Appropriations Committee.

Rep. Harrington said that grants in newly impacted areas could be

given for many of the things the Coal Board was giving grants for, such as school-related expenses. One of the things about metal mining is there is a downturn in production which creates unemployment. These grants could stir other economic development in the affected community. This bill could possibly help to stabilize the "boom or bust" situation in a community. This bill goes to the source of the money to get funding for the impact.

Rep. Sivertsen asked Rep. Harrington about the positive impact which an industry brings to the community. Rep. Harrington granted that there are positive aspects, also; however, over time, the effect was both positive and negative. Rep. Nordtvedt commented that the money would be needed until the mine shut down, but when that happened, there would be no new funds coming in. Rep. Harrington said the ore was still coming out of the mine even though production has been stopped. He didn't think all of the money would be spent by the time production ceased, either.

Rep. Sivertsen wanted to know if the Board would be able to use the funds for whatever it felt was necessary or beneficial. He also wanted to know how much money could accumulate in the Board's fund. He expressed concern about how the bill was drafted. Rep. Harrington said the Coal Board was modeled this way, and stressed that the Board was still answerable to the Legislature in the long run.

Rep. Bertelsen stated that the applications for funding would have to be from government bodies; therefore, they would be for community needs. Rep. Harrington added that the money would have to be used in an impact-related manner.

Rep. Roth expressed concern about the potential for the fund becoming exceedingly large. Rep. Harrington said that at present, the 25% only amounted to \$2 million, and if that sum got much larger, the percentage could be changed at that time by the Legislature. At present, to set the percentage any lower would not be practical. The mine at Troy going on line would supplant the money coming out of the General Fund initially under this bill.

Rep. Brand rose in support of the bill; in addition to the initial impact from a mine going into production, there is the factor of possibly pulling out or going bankrupt, which would have a big impact. Some kind of a package is needed to help relieve those situations.

Discussion then took place regarding precious stones and whether they were a significant part of the picture in the State. John Clark (Department of Revenue) stated that they were hard to keep track of.

Chairman Nordtvedt rose in OPPOSITION to the bill. When these industries are set up, a lot of revenue is generated from property taxes. He thought the mining was pumping a sufficient amount of money presently into the local economies.

Rep. Dozier submitted that somewhere along the line the mining companies

had to take some community responsibility. They can come in and pull out and don't have any consideration for the local impact. It is time these companies be made to see that they do have some responsibility to the community.

Rep. Harrington said that all the bill asks is that 25% of the money that comes out of these areas go back into them. He stressed that economic development is important in these areas, and if this money could be used towards this, it would be a good thing.

Rep. Nordtvedt said he didn't disagree with the fact that there was an impact; he was saying that there was a substantial contribution in the form of property taxes already to the revenue structure from the industry. Silverbow County was possibly not as frugal as other Counties. He expressed hesitance to provide more services if this was the case. If Silverbow County was poorer than the average Montana County, they might have a case, but they have a greater taxable value than many other Counties. Rep. Harrington replied that ARCO had accomplished one thing in Silverbow County; they level all the buildings so they don't have to pay a tax on them anymore. Therefore, there has been a tax base loss.

Rep. Dozier said that this was one of the reasons for Statewide property taxation. At one time this was a very real problem in the State.

Rep. Harp stated that in areas other than Silverbow County, such as Troy, about \$1.5 million in property taxes will be generated. However, the people don't have the wealth to take care of the impact fully. Possibly in future years, Troy will fare alright, but for the first few years they will have a hard time surviving.

Rep. Williams said he didn't see the money as being used to replace lost property taxes; he saw it as being for impact. The Legislature having full control of the appropriations would prevent any serious repercussions from the bill.

Rep. Devlin wanted to know if the funding would include help for striking workers, and Rep. Harrington said he didn't feel this would qualify for funding.

Rep. Roth wanted to know if the metal mines license tax was being raised or if the bill would discourage in any other ways a mining company from coming into an area. Rep. Harrington replied that the tax was not being increased and the bill shouldn't have any effect in this area.

Rep. Sivertsen asked Mr. Oppedahl if there was a section in the Codes that said that once the fund is established, the money would remain in it and accumulate, and wanted to know if interest also remained in the fund. Mr. Oppedahl replied that it was a State earmarked revenue fund that would be invested by the State Investment Board and unless it was specified in the bill, the earnings would go into the

General Fund. Rep. Bertelsen said that possibly in the future there might be a large impact and there are no resources at present to absorb something like this.

The question was then called for on the amendments; motion carried unanimously. Mr. Oppedahl mentioned some technical amendments which were also needed (included in Exhibit "A") Rep. Harrington moved the technical amendments; motion carried unanimously.

Discussion then took place on the bill. Rep. Harrington reiterated that the percentage could be amended if the fund got too much money in it. The question was called for on the motion that the bill DO PASS AS AMENDED; motion carried 15 - 3; see roll call vote.

Rep. Vinger then moved that HOUSE BILL 708 DO PASS. Discussion took place. Rep. Neuman said it was only fair that the bigger Counties take the bigger share of the responsibility for the people from the rural areas. Therefore, this should be on a Statewide basis. The bigger cities are able to provide more services.

Rep. Switzer said he would rather change the welfare regulations than the mill levies.

Rep. Devlin felt the bill would lend itself to more people going to the Cities, and the small nursing homes, etc., would have to close down. Rep. Brand pointed out that under this bill most of the Counties would have to pay more on their mill levies.

It was confirmed that some of the Poor Fund money was used to run Community hospitals. Rep. Nordtvedt pointed out that if the 6-mill levy was levied Statewide, the Counties would still have to run additional mills to provide funding for hospitals, etc.

The question was then called for on the motion of DO NOT PASS; motion carried 13 - 5; see roll call vote.

Rep. Vinger then moved that HOUSE BILL 543 be taken off the TABLE. Rep. Brand rose in support of the bill. Rep. Dozier stated this was a way of getting some of the lost revenue back to local governments and he was in support of the bill for this reason.

Rep. Harp wanted to know if the bill could be amended to include forest-related impacts.

Rep. Williams said this bill wouldn't change the amount of the tax collected, it would just change the way it was used. Rep. Nordtvedt disagreed and said the bill would be taking 20% of the General Fund revenue from the tax and putting it into the County.

Rep. Vinger pointed out that the bill had nothing to do with SB 182.

Rep. Nordtvedt rose in opposition to the motion because there were other bills still in the Committee which needed to be coordinated with thi

bill.

Rep. Sivertsen stated that at present the Counties are receiving a portion of the revenue from oil and gas operations in their jurisdictions. This bill would be over and above that and it seemed to him there was some inference that this type of development created a negative impact, and he disagreed with this. He thought the Counties benefitted from oil and gas exploration. He also rose in support of leaving the bill tabled.

Rep. Vinger said that most of the eastern Counties would benefit from this bill. Rep. Nordtvedt submitted that the Counties that would be the recipients of this tax money probably in almost every case had substantially higher taxable values per capita than the rest of the State.

Rep. Switzer pointed out that the taxable value can pull out very rapidly. When it does leave, there will be a vacuum and a lot of mills will be needed to make this up.

Rep. Williams asked John Clark for his interpretation of the bill. Mr. Clark said that Subsection (2) (b) appeared to provide the Counties with incremental increases plus 20% of the amount that flowed into the General Fund. At present, only the incremental increases went to the Counties.

Rep. Williams pointed out that after the oil wells collecting system was put in, the use of roads leveled off, and besides other impact funds were supposed to take care of that in the first place. Rep. Vinger said that if there was no money initially to take care of the roads, this wouldn't help.

Rep. Devlin said he might like to amend the bill to provide that an increase in the severance tax revenue wouldn't mean an automatic increase in the amount of money the County received. Rep. Harrington said that when impact was made, costs went up; therefore it was proportional as far as funding. In a "boom and bust" situation, the impact can be very great. Growth is great, but as far as government services, they do not always equalize out.

Rep. Brand submitted that new industry had both a positive and a negative impact. He stressed that front-end impact money was vitally needed, however. Rep. Nordtvedt submitted that an increase in taxable value took care of this.

Rep. Dozier said that there were probably more people in the impacted Counties than was reflected in the census statistics. He stressed that these extra, temporary residents created a tremendous impact on the community. Rep. Nordtvedt pointed out that legislation had been passed in 1979 which addressed this. Rep. Harp stated that the legislation passed in 1979 concerned new production, and with decontrol, the benefits from this to the Counties would also increase.

Rep. Williams submitted that 20% of the severance tax over 30 years would be much more money that the Counties would need to maintain their roads.

Rep. Nordtvedt said that basically the bill would give \$10 million to a handful of the richest Counties in Montana. This is the most extreme "pork barrel" bill of the session.

The question was then called for on the motion that the bill be taken off the table; motion carried 10 - 9; see roll call vote.

Discussion then took place on the bill. An amendment was suggested for line 24, page 1. 50% of 1% would generate the same amount of money as 20% of the 2 1/2%. Also, a coordination section would be needed in the bill; see Exhibit "B." Discussion took place regarding whether or not the severance tax was paid on different classes of land.

Rep. Devlin moved that HOUSE BILL 543 DO PASS. Regarding the 20% figure, Rep. Nordtvedt said that just dollars could be specified, also.

Rep. Asay said this bill could have aspects in the future quite different than the present predictions; Rep. Williams rose in opposition to the bill.

Rep. Switzer said that Richland County wasn't the only County being discussed, and in other Counties the impact is also great and the local people have to use the same roads. He moved to amend Line 24, p. 1 from 20% to 5%; in addition he moved to provide a coordination section. The motion to amend the bill carried unanimously.

Rep. Brand then rose in support of the bill. He didn't feel the bill would only be affecting a few Counties, because the Overthrust Belt would bring many more Counties into the situation.

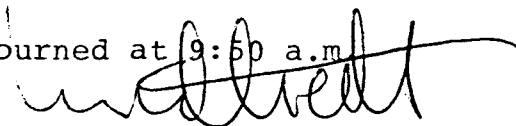
Rep. Neuman suggested taking the percentage to 10% and leaving the reference to roads and bridges out. Rep. Roth was in opposition to the idea because the impact is on the roads and bridges.

The question was then called for on the motion of DO PASS AS AMENDED. Motion carried 10 - 9; see roll call vote.

SENATE BILL 54 was then considered. Rep. Dozier moved that it BE CONCURRED IN; motion carried unanimously.

Rep. Oberg moved that SENATE BILL 55 BE CONCURRED IN; motion carried unanimously.

The meeting was adjourned at 9:50 a.m.



Rep. Ken Nordtvedt, Chairman

VISITORS' REGISTER

HOUSE TaxATION COMMITTEE

BILL CB 34
 SPONSOR S. BROWN

Date 3/6/21

[illegible]

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

PLEASE LEAVE PREPARED STATEMENT WITH SECRETARY.

WITNESS STATEMENT

NAME Jim Jensen BILL No. SB34

ADDRESS Helena DATE 3-6-81

WHOM DO YOU REPRESENT LISCA

SUPPORT X OPPOSE _____ AMEND _____

PLEASE LEAVE PREPARED STATEMENT WITH SECRETARY.

Comments:

HOUSE BILL 776, introduced (white), be amended as follows:

1. Page 1.

Following: line 13

Strike: "6"

Insert: "7"

2. Page 1, line 15.

Following: "mines"

Insert: "license"

3. Page 1, line 16.

Following: "cyclical"

Strike: "hard times"

Insert: "economic hardship"

4. Page 3, lines 6 through 11.

Strike: subsection (2) in its entirety

5. Page 4, line 1.

Following: "board"

Strike: "are"

Insert: "shall be"

6. Page 4, line 23.

Following: "If"

Strike: " "

Insert: "SENATE BILL No. 432"

Following: "No."

Strike: "[LC 1350]"

Insert: "Senate Bill No. 432"

✓ 6. Page 4, line 23.

Following: "If"

Strike: " Bill No. [LC 1350]"

Insert: "Senate Bill No. 432"

HOUSE BILL 543, introduced (white), be amended as follows:

1. Page 1, line 24.

Following: "(b)"

Strike: "20%"

Insert: "5%" ← do not underline inserts (unless this is an amendment to an amendment)

2. Page 3.

Following: line 3

Insert: "Section 2. Coordination. If Senate Bill No. 356 is passed and approved, section 1 (2) (b) of this act shall read:

(b) 5% of the amount collected from production within each county is allocated to the general fund of the respective county for use as prescribed in subsection (4);"

1. Page 3, line 4.

Following: line 3

Insert: "Section 2. Coordination. If Senate Bill No. 356 is passed and approved, section 1 (2) (b) of this act shall read: (b) 5% of the amount collected from production within each county is allocated to the general fund of the respective county for use as prescribed in subsection (4);

for AB 543

STANDING COMMITTEE REPORT

March 7, 1961

MR. SPEAKER

We, your committee on TAXATION

having had under consideration SENATE Bill No. 34

A BILL FOR AN ACT ENTITLED: "AN ACT TO ELIMINATE THE ANNUAL APPLICATION REQUIREMENT FOR SENIOR CITIZENS TO RECEIVE A PREFERENTIAL PROPERTY CLASSIFICATION; AMENDING SECTION 15-6-151, MCA.

Respectfully report as follows: That SENATE Bill No. 34

BE CONCURRED IN

DO PASS