

HOUSE TAXATION COMMITTEE MEETING MINUTES
April 15, 1981

A meeting of the House Taxation Committee was held on Wednesday, April 15, 1981 at 8:00 a.m. in Room 102 of the State Capitol. All members were present except Reps. Brand and Vinger, who were absent. The purpose of the meeting was to design a revenue-sharing bill but to accomplish the purpose of giving local government some funding sources without giving the money directly to the elected officials and also to compensate for the impacts of some of the other bills that might pass.

Rep. Nordtvedt explained that he had sought a way that local governments could be given the flexibility to adjust their budgets to make up for the revenue impacts of the vehicle bill, the inventory tax bill, the livestock bill (somewhat), without a lot of cash going directly to the government officials. He explained that he had taken the vehicle fee bills, the inventory tax bill, and the livestock tax bill and broken down their impacts by County. He found that the vehicle bills and the inventory bill would have their greatest impact in the more populated Counties, with a total impact of \$15 - \$23 per person. In the rural Counties, the impact was very little from these bills. The livestock bill, however, would have a \$109 per capita impact in Carter County, for example.

His idea was for the State to make a contribution of \$20 per capita towards the Teacher Retirement Benefits mandatory levy to each County, which comes to about a \$40 per capita per year tax cost burden on the property tax rolls. The \$40 doesn't vary a great deal from County to County, although the mill levies vary quite a bit. Revenue from the State General Fund or the severance tax could be used to make a grant. The contribution would be made towards the mandatory levy and the mills would be reduced accordingly. Then authority would be given to the local governments to raise an all-purpose levy to channel to whatever their area needed, up to that fraction of the reduction made in the mandatory levy.

Thus, mills are given to make up for the lost revenue from the inventory and vehicle tax reductions. The taxpayer enjoys a vehicle tax reduction, a business inventory tax reduction, livestock tax reduction, and the reduction of the mandatory mills for teacher benefits, but the local government is given the authority to raise their mills by some amount. The governments could, but wouldn't have to, replace the impacts of these other bills.

In response to Rep. Roth, Rep. Nordtvedt said that if the local government chose to raise some of the all-purpose levy, the taxpayers would pay that, but they would have gotten a corresponding tax reduction on the mandatory teachers levy. The State's

infusion of the money is to the people through reducing the mandatory levy and also reducing their property tax load of mills. More ability has been given to pay for local government and local school voted levies if they want. It isn't mandated that they spend this money; the money is given to the people.

Rep. Bertelsen rose in support of the scheme, and expressed approval of the fact that money wasn't being given directly to the Counties.

Rep. Asay wanted to know if the all-purpose levy would be a voted levy, and Rep. Nordtvedt said that was something that needed to be discussed; whether to give it as an authority to the local officials or whether to require a vote of the people.

Rep. Sivertsen rose in support of the idea. The all-purpose levy would still have to be accounted for; over and above revenue-sharing, there would be accountability. This way, the people have a choice in local government.

He added that the reduction in the mandatory teachers levy had another selling point: presently, that levy is not an equalized portion of education; by pumping money in on a per capita basis, however, this money has converted that portion of public education into equalization. \$32 million in the biennium or \$20 per capita per year just about covers the worst impact an urban area might experience from the inventory and vehicle tax bills.

Rep. Dozier submitted that the formula was too complex. He questioned what would happen to the area under a charter form of government. He pointed out that the Billings charter stated that they could only go "X" number of mills. Rep. Nordtvedt said he felt the State set the mill limits. Rep. Dozier said that the Billings charter said 74 mills couldn't be exceeded without the approval of the people. Mr. Oppedahl (Legislative Council) agreed to research the question to see if there were any Cities with self-imposed mill limits that were not part of State statute.

Rep. Oberg said he didn't see how the plan would help the Cities. Rep. Nordtvedt said basically the cash had been given to the people and authority to the local officials. They weren't being forced to spend the tax relief, but were being given the option. Rep. Sivertsen said the same number of dollars was being talked about.

Rep. Asay said that in Yellowstone County, the authority would go to each of the incorporated Cities. Rep. Nordtvedt agreed, and added that it would depend on the fraction of the tax base that went to the local government. The dollars from the State would

have to be sent out to the County Treasurers, because the mandatory levies are County levies.

Rep. Bertelsen said it would give the conservative Counties the ability to hold down their costs and give a tax break to the people.

Rep. Sivertsen added that no more State bureaucracy would be needed to put the plan in action.

Rep. Nordtvedt said HB 73 could be the vehicle to put the plan forth or possibly the severance tax bill could be used to work this in. He expressed preference for using HB 73.

Rep. Roth rose in support of the idea.

Rep. Neuman then discussed the implications of using the severance tax. SENATE BILL 200, if worked out at 50% for the reduction of the tax to oil companies would mean a reduction of about \$34 million. Then the oil severance tax would be raised from 2.65% to 4.25%, which would bring in, at 4.5%, about \$35 million, and that money would be in the General Fund to be used to fund this plan.

Rep. Neuman said that if SB 200 was passed at 50%, it would still have an impact on the Counties, because they wouldn't have the windfall they would have if the bill didn't pass.

Rep. Nordtvedt said he felt the Governor would accept the plan. Rep. Sivertsen said if a better mechanism than revenue sharing could be found, he felt the Governor would accept it.

Rep. Roth rose in support of using HOUSE BILL 73 as the vehicle to incorporate the plan.

Rep. Williams said that psychologically, this approach to local property tax relief had considerable merit. Cities and Counties still would have the privilege of levying what tax they needed to run themselves, and the relief was being given to the people.

Rep. Devlin said he liked the plan because local governments that wanted to be conservative had the room to do this. They should have the right to spend their money as they wish.

Rep. Sivertsen moved that HOUSE BILL 73 be amended to incorporate the plan.

Rep. Roth submitted that she felt the Summit would go along with the plan.

Rep. Switzer said he liked the idea better than any revenue

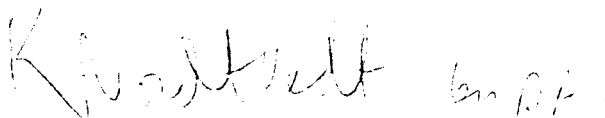
sharing plan he had ever seen, but pointed out that it might not be politically visible enough for some people, and therein lay the rub. He stated that there would be resistance because people wouldn't think it would be as visible as taking \$50 and giving it directly to the taxpayer; maybe \$75 was taken from him, but he got \$50, and that is the kind of tax relief most people liked to see. He submitted that this plan was the perfect kind of tax relief.

Rep. Nordtvedt said the visible part of the tax relief would be on the inventory and the vehicle taxes and the livestock tax. This is the behind-the-scenes part that will get the compensation back to the local governments.

Rep. Switzer stressed that each Committee member that was in favor of the idea needed to defend it. Rep. Harrington said the program he could relate to, but he had some problems with what would be done with SB 200. He said he could see this would be a tremendous relief in one area, and on an overall basis, he had no problem with it.

Rep. Nordtvedt recommended that the Committee adjourn and that HB 73 be put into rough draft form.

The meeting was adjourned at 9:45 a.m.



Rep. Ken Nordtvedt - Chairman

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