

HOUSE TAXATION COMMITTEE MEETING MINUTES  
April 17, 1981

The last meeting of the House Taxation Committee was held on Friday, April 17, 1981 at 11:45 a.m. in Room 102 of the State Capitol. All members were present. SENATE JOINT RESOLUTION 23 was heard and EXECUTIVE ACTION was taken on HOUSE BILL 73.

HOUSE BILL 73 was considered. Chairman Nordtvedt went through several amendments. This bill would be in lieu of any replacement mechanism in the final vehicle bill. It also was designed to cover the impacts from the business inventory and livestock tax bills. The \$35 million impact breaks down to \$24.70 per capita.

He pointed out that some School Districts were starting to talk about a lawsuit complaining that education wasn't sufficiently equalized; this bill would help equalize a now unequalized burden on County governments. Another feature is the money goes from the General Fund to the taxpayer to reduce the levy rather than going to local government officials to spend.

Rep. Sivertsen moved the amendments; see Exhibit "A." Discussion took place. Rep. Vinger wanted to know if there was a possibility that the Counties would be receiving more money than the three mills now raised. Rep. Nordtvedt said there wasn't. The Counties that only need three mills for their teacher benefits are Counties that have a lot of tax base, and their levies will probably dip down to even  $1\frac{1}{2}$  mills. He submitted that on a per capita basis, not much money would be going to Powder River County, however. He didn't see how General Fund money could be spent in a way that was fair to all the people in the State. He added that the revenue reimbursement mechanism in the Governor's bill was tilted more towards the urban areas than this formula.

Rep. Neuman wanted to know if Rep. Nordtvedt had considered saying 50% of whatever the millage was reduced by would be the amount, rather than working through a formula. Rep. Nordtvedt submitted that the formula was relatively simple. Rep. Neuman said that his suggestion would be even simpler. He submitted that the formula ended up with about 50%. Rep. Nordtvedt said he suspected that the ratio would vary quite a bit from County to County, however, and because of this, the formula was needed. He pointed out that there was still only one fraction for the whole County, so once the County knew the bill passed, they just had to multiply to get the figure.

Rep. Williams wanted to know, in the Counties that Rep. Nordtvedt went through, when he went back to using population, if it fit fairly closely in the dollars and cents relationship. Rep.

Nordtvedt said that if the first seven Counties on his list were taken and the per capita impact from the vehicle fee bill and the business inventory bill was calculated, then \$24.70 came close to meeting the impacts of those Counties. The sum didn't vary much from County to County and these seven Counties amounted to 75% of the State's population. In the rural Counties with a lot of livestock impact, the fluctuations were much greater.

Rep. Williams said that Cascade County levied about 22 mills for the educational portion, while Powder River County only levied 3 mills, and he wanted to know about the relationship between the two levels. Rep. Nordtvedt said that in Powder River County, the ratio would still be a 1/3 reduction and it would go to one mill.

Rep. Williams wanted to know about the Governor's proposal to use the severance tax on auto fees. Rep. Nordtvedt said that the severance tax went to the General Fund. Rep. Sivertsen said the way SENATE BILL 355 was amended, the impact wouldn't be \$30 million, it would be less than that.

Rep. Bertelsen said that in this formula, some of the double taxation problem was trying to be accommodated for. Therefore, in a County that didn't pay for some services, those services would all be subtracted or scaled in proportion to the amount the City would pay. Therefore, it would considerably decrease the portion they felt was double taxation. Rep. Nordtvedt said that whatever replacement levy the County imposed, it would have to scale down the replacement levy on those areas in the towns by the same proportion.

Rep. Sivertsen clarified that a 4½% severance tax would bring in \$35 million.

Rep. Harp wanted to know where the \$7 million would come from if the severance tax only raised \$31 million and the fiscal impact was \$38 million. Rep. Nordtvedt said that it was available from elsewhere.

Discussion took place regarding where the all-purpose levy could apply to. Rep. Underdal wanted to know if the Counties could add a mill levy to cover streets in towns. Rep. Nordtvedt said this could be done; the City would be limited if they couldn't do this to the Counties, also. He pointed out that the levy was all-purpose, and was in addition to whatever other levies were existing in statute. Whether it is a City using the money or a County, they both have the flexibility to put it back in the budget category that they see fit.

Rep. Vinger said that what was being done was, the money presently going into the retirement funds was being replaced, and "X" number of mills were being given to raise additional money if needed. Rep. Nordtvedt confirmed this and added that the reduction in the mandatory mill levy was such that if the permissive replacement levies were levied, peoples' taxes wouldn't be going up on the mills. He added that the mandatory maximums set by State law were not changed.

The question was then called for on the amendments; motion carried with Rep. Oberg opposed.

Rep. Nordtvedt then moved that HOUSE BILL 73 DO PASS AS AMENDED. Rep. Dozier said he would support the bill only for the purpose of getting it to the Floor of the House.

Mr. Oppedahl (Legislative Council) commented on what effect the bill would have on a charter form of government. In a sense, they are taken care of in section 6 of the amendments. He submitted that charters probably could be amended; this had been done in the past.

Discussion took place regarding related bills. Figures could be adjusted depending on the outcome of the other bills, it was pointed out.

The question was then called for on the motion that the bill DO PASS AS AMENDED; motion carried with Reps. Oberg and Hart opposed.

SENATE JOINT RESOLUTION 23, sponsored by the Senate Taxation Committee, was then presented by Sen. Tom Towe. He suggested that inasmuch as the use of the income from the Constitutional Trust Fund left something to be desired as to how it was handled, he suggested that there should be a study on how to best utilize that. If something wasn't tied in that made the use clearly documented to coal, at least a study should be gotten going. He expressed disappointment in how money from the income hadn't been related to some of these objectives.

He suggested possibly amending the Resolution to provide that the Revenue Oversight Committee be assigned the task of reviewing the use of the income from the Constitutional Trust Fund and that it make recommendations to the next session of the Legislature. With a study, at least the State could then go to Congress and ask that they not be criticized for the actions they have taken because they plan to address the subject.

There were no PROPONENTS to SJR 23; there were no OPPONENTS. There were no questions.

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Rep. Nordtvedt suggested that the Committee meet on April 20 to take up action on the Resolution and the amendments.

Rep. Bertelsen rose in support of the amendments.

The meeting was adjourned at 12:20 p.m.



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Rep. Ken Nordtvedt - Chairman

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PROPOSED AMENDMENTS TO HB 73  
Introduced copy

1. Title, lines 5 and 6.

Following: "TO"

Strike: "MUNICIPALITIES AND COUNTIES"

Insert: "PROPERTY TAX PAYERS; PROVIDING FOR A LOCAL  
GOVERNMENT REPLACEMENT MILL LEVY"

2. Page 1, line 12.

Following: "with"

Strike: "municipalities and counties"

Insert: "property taxpayers"

3. Page 1, lines 16 through 19.

Following: "for" on line 16

Strike: lines 16 through 19 in their entirety

Insert: "the mandatory mill levy established under the  
provisions of 20-9-501; and to provide for a maximum  
replacement mill levy for units of local government."

4. Page 1, line 20 through page 4, line 4.

Following: line 19 on page 1

Strike: sections 3 through 7 in their entirety

Insert: "Section 3. Definitions. The following definitions  
apply to [section 1 through 6]:

(1) The term "replacement mill levy" means the maximum number  
of mills that a local government unit is authorized to impose  
in accordance with [section 4].

(2) The term "state payment to county" means the annual dollar  
amount paid to a county under [section (3)(a)].

(3) The term "total county local budget" means the total of  
that portion of all local government property tax funded budgets  
within a county plus the total of all school district budgets  
within a county minus state and county equalization and local  
district permissive levy amounts of the school district budgets.

(4) The term "total local government unit mill levy" means the  
total number of mills being imposed by the local government unit  
in the current taxable year.

Section 4. Appropriation. There is appropriated from the state general fund to the state treasurer for distribution to county treasurers \$xxxxxxx for the biennium ending June 30, 1983 for the purpose of funding reductions in the mandatory retirement fund requirements established under the provisions of 20-9-501. The appropriation shall be distributed in accordance with the provisions of [section 3 ].

Section 5. Distribution. The appropriation provided in [section ] shall be distributed in the following manner:

(a)(i) In each year of the biennium the state treasurer shall pay to each county treasurer in accordance with subsection (b) an amount equal to the fraction of the state's population residing in the county according to the 1980 county census published by the U.S. bureau of the census multiplied by 1/2 the appropriation provided in [section 2].

(ii) The \$xx.xx figure issued in section 4 shall be multiplied by the ratio of the PCE for the second quarter of the year prior to the biennial appropriation to the PCE for the second quarter of 1980. "PCE" means the implicit price deflator for personal consumption expenditures as published quarterly in the Survey of Current Business by the bureau of economic analysis of the United States department of commerce.

(b) The state treasurer shall make two equal payments to each county on November 30 and May 30 of each year following [the effective date of this act].

(c) The county treasurer shall remit the money received under this section to the credit of the retirement fund established under 20-9-501 and reduce the mandatory county levy accordingly.

Section 6. Local government authorized to levy additional mills.

(1) In addition to any mill levy authorized by law, the governing body of a local government unit may impose an additional replacement mill levy less than or equal to the product of the following formula:

$$\begin{array}{rcl} \text{(total local government unit mill levy)} & \times & \frac{\text{state payment to county}}{\text{total county local budget}} = \text{Replacement mill levy} \end{array}$$

(2) If by interlocal agreement or other statutory requirement a part of a county mill levy is not imposed on an incorporated city or town, then the same proportion of the county replacement levy shall be reduced in the incorporated city or town.

(3) The replacement mill levy may be used by the governing body of a local government unit for any purpose authorized by law."

# STANDING COMMITTEE REPORT

..... Bill No. .... 19... 21...

MR. .... SPEAKER .....

We, your committee on ..... TAXATION .....

having had under consideration ..... HOUSE ..... Bill No. .... 670

A BILL FOR AN ACT ENTITLED: AN ACT TO INCREASE THE STANDARD  
DEDUCTION ALLOWED FOR INCOME TAX PURPOSES- AMENDING SECTION 4  
OF INITIATIVE NO. 86; AND PROVIDING AN IMMEDIATE EFFECTIVE DATE.

Respectfully report as follows: That ..... HOUSE ..... Bill No. .... 670

DO PASS