

MINUTES OF THE MEETING
TAXATION COMMITTEE
MONTANA STATE SENATE

March 13, 1981

The 45th meeting of the committee was called to order at 8:00 a.m. in Room 415 of the State Capitol Building, Chairman Pat Goodover presiding.

ROLL CALL: All members were present except Sen. McCallum who was excused.

CONSIDERATION OF HOUSE BILL 775:

"AN ACT TO REPEAL PROVISIONS RELATING TO WITHHOLDING FOR NONRESIDENT'S INCOME TAX; AMENDING SECTIONS 15-30-311 AND 20-15-403, MCA; REPEALING SECTIONS 15-30-221 THROUGH 15-30-228, MCA."

Representative Nordtvedt said the law presently on the books provides if there are non-resident persons with interest in the state wage contract, the employer is supposed to act as a collection agent and withhold 3% for state income tax. The system has not been working. It has been suggested by most parties concerned, including DOR and private collection agencies, that we have a repealer on this non-resident tax.

PROPONENTS: Cliff Christian; John Cadby, Montana Bankers Association; Bill Romine, representing Montana Land Title Association, attachment #1; John Scully, Montana Independent Bankers; Larry Huss, Montana Savings and Loan League; John Clark, Department of Revenue suggesting that an amendment be adopted which would say sections 15-30-221 through 15-30-227 be repealed. John Cadby said the amendment would be superfluous. Dennis Burr agreed as DOR already has the authority to request statutory information from the county assessor.

John Clark said the reason this has come up at this time had to do with the position the printed matter was in on the withholding book that went out to employers. He said the department didn't think there was a great deal of revenue potential here and that they don't have people who could pursue it.

GOODOVER: What would be your problem with the assessors if we don't put this language in.

CLARK: It just gives us a little statutory club--whether you do or don't is within the committee's discretion.

The hearing was closed on House Bill 775.

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CONSIDERATION OF HOUSE BILL 447:

"AN ACT PROVIDING ADDITIONAL ALTERNATIVES FOR THE ASSESSMENT OF COSTS FOR IMPROVEMENT DISTRICTS; AMENDING SECTION 7-12-4162, MCA."

Representative O'Hara, District 62, said this is a bill providing for additional alternatives for assessing the SID districts. Presently a SID gets its money from a lot on a square-footage or front-footage basis. This bill would allow the SID assessment to be made according to taxable valuation. It also employs another method so the cost may be assessed equally, without regard to the area. Billings would like to be able to assess for public improvements on a lot basis.

PROPOSERS: Dan Mizner, Executive Director, Montana League of Cities and Towns.

There were no opponents and no questions from the committee.

The hearing was closed on House Bill 447.

CONSIDERATION OF HOUSE BILL 457:

"AN ACT TO ALLOW THE TRUSTEES OF A COUNTY HIGH SCHOOL DISTRICT THAT IS NOT UNIFIED WITH AN ELEMENTARY DISTRICT TO AUTHORIZE A LEVY OF NOT MORE THAN 2 MILLS FOR THE OPERATION OF AN ADULT EDUCATION PROGRAM; AMENDING SECTION 20-7-705, MCA."

Representative Dussault, District 95, said HB 457 deals with the ability of school trustees to levy a mill or two mills on a district in support of adult education. Currently a discrepancy in the practice is allowed. The bill asks legislative authority to permit trustees in non-unified districts to levy up to 2 mills. In unified school districts, the trustees are now able to levy one mill only--high school district has 1 and 1 on the elementary schools. In Missoula and Powell counties, districts that have adult education programs are non-unified.

PROPOSERS: George Zellick, Missoula County High School; Carl Sandell, Missoula County High School; Norm Carlson, Retired Assistant Maintenance Superintendent; Merilynn Foss, Foss Agency Real Estate; and Pat Barrett, Missoula Community Hospital.

There were no opponents and questions were called from the committee.

Senator Norman asked what the elementary district had to do with this bill.

The answer was "nothing now", but the dilemma is that unified school district can levy one on the high school and one on the elementary and thereby have more money under the statute.

Senator Elliott asked what the definition of a unified district is.

Representative Dussault replied where you have one school board with jurisdiction over a high school and an elementary unit.

The hearing was closed on House Bill 457.

Senator Towe moved that HB 457 BE CONCURRED IN. The vote was unanimous in favor of the motion.

Senator Towe moved that House Bill 775 be amended to strike 15-30-227 and insert 15-30-228 in two places. The motion was approved. Senator Towe then moved the bill as amended BE CONCURRED IN. The vote was unanimously in favor of the motion.

CONSIDERATION OF SENATE BILL 172:

Senator Bob Brown suggested that we adopt the amendments that Cort had drafted and withhold final passage until we can look at the bill in light of the amendments and also allow a check with the consumer council. The motion carried unanimously. The bill amendments were adopted and other action deferred until a fiscal note is received.

CONSIDERATION OF HOUSE BILL 288:

"AN ACT TO PROVIDE FOR INTEREST AND A PENALTY ON DELINQUENT PROPERTY TAXES OWED ON MOBILE HOMES AND HOUSETRAILERS THAT ARE NOT TAXED AS IMPROVEMENTS; AMENDING SECTIONS 15-24-202 AND 15-24-302, MCA."

Representative Fabrega, District 44, said HB 288 provides for interest and penalty on delinquent property taxed owed on house trailers that are not taxed as improvements.

PROPOSERS: Ed Sheehy, Montana Manufactured Housing Association.

There were no further proponents, no opponents, and questions were called from the committee.

Senator Elliott asked why run the taxes delinquent after the 30-day period of the first notice? He sees the September 30 date as the date where taxes are actually delinquent.

The answer was that there is a lag time. The first half is due November 30 and the second half next May. Trailers are treated differently. The Yardley bill will change the date. There is no conflict between Representative Fabrega's and Yardley's.

Senator Elliott moved that HB 288 BE CONCURRED IN. The vote was unanimously in favor of the motion.

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CONSIDERATION OF HOUSE BILL 474:

"AN ACT TO PROVIDE A GRADUATED SCHEDULE FOR THE TAX RATE APPLICABLE TO IMPROVEMENTS ON REAL PROPERTY; PROVIDING FOR LOCAL GOVERNMENT APPROVAL IN THEIR JURISDICTION; AMENDING SECTION 15-6-134, MCA; PROVIDING AN IMMEDIATE EFFECTIVE DATE."

Representative Fabrega, District 44, will enact a law prepared in 1975 that creates a 5-year schedule for taxing the incremental taxable valuation in remodeling of homes, buildings, or structures. Paul Richards introduced this law in 1975 and it was popular with downtown properties. In 1977 came the MELDA act and it did many things, so this particular law was repealed. Great Falls is interested in this approach. Page 3, line 16, there is a local option. That way communities that feel they are going to experience remodeling don't have to adopt it. After this bill went through third reading someone said the language on page 3, line 3 didn't make any sense. Perhaps you should consider language that "in order to grant the tax benefits" or "in order for a taxpayer to receive tax benefits in subsection (1)" something should be done to clarify; in Great Falls after the 1975 law was passed it was incredible the things that broke off dead center and went ahead. In case of the Kauffman remodeling, the taxable value was something like \$12,000 but \$250,000 was spent remodeling it.

ELLIOTT: Did you go through the fiscal note?

FABREGA: This is predicated on 1 million dollars worth of remodeling. The impact in there would be \$68,400--that is taxable difference and then you would apply the millage. About 1/3 of that would be the net effect in a 333 mill jurisdiction.

ELLIOTT: The fiscal note doesn't tell us what the tax effect would be to the state. If we are going to implement appraisals at 20% a year does your department have such a schedule?

CLARK: Yes. It's not a particular problem for us. That fiscal note was done as an example to show what it would do in any jurisdiction.

S. BROWN: Is this law still on the books?

CLARK: No. MELDA took it off and then MELDA was trimmed back and they took this section out. MELDA is still in there for first and second-class cities but in order to adopt, there has to be a petition and a vote of the people. To adopt this particular feature of MELDA you would have to take MELDA as well.

CRIPPEN: Senator Mazurek has a bill before us involving a BID. I don't think they are in conflict?

FABREGA: No conflict. Paul Richards originally introduced this bill to allow older homes in Helena to be remodeled.

The hearing was closed on HB 474.

DISPOSITION OF SENATE BILL 130:

SEVERSON: I see this as a piecemeal bill. I think SB 283 does the job and think we should consider 283 in place of 130.

GOODOVER: It says "agricultural implements and equipment", would that be plows, replacement parts, etc?

SEVERSON: I suspect it would end up being a fish shoot.

GOODOVER: When the piece of equipment is sold, there is no equivalent tax as there is on automobiles?

CLARK: If on January 2 you buy an automobile, you will be subject to 1 1/2% tax on the new car. If this particular proposal were to pass and you bought it on January 2, you would be exempt for the whole year because it would have been on the lot. That does distinguish from the case of motor vehicles.

S. BROWN: It's great to talk to equity when looking at piecemeal stuff. Bills I see coming through here are going back to the landowner and homeowner. We must get equity in property taxation, but we can't do it on a piecemeal basis.

CRIPPEN: I agree. In our subcommittee we have two bills involving tax credits for corporations and the inventory business tax. I think we should probably consider if we pass the inventory tax bill, providing some money to the local governments. I don't think we should take action on this bill until we see what we are going to do with it.

MANLEY: People can't afford to keep equipment in their yards because the tax is so prohibitive.

SEVERSON: He said he would offer an amendment that would exclude the parts department. On what John Clark said, as far as the dollar volume these dealers get into, it has grown. With this tax on it, plus the interest rate, it gets to being a catalog store--that's not good. I think it's something that encourages people to do business.

Senator Goodover said we would have an executive session tomorrow dealing with SB 409, the water bill, and we would try to do SB's 130 and 283.

Senator Goodover said the one question people ask of him in the so-called leadership is if 283 is passed, does that include removing livestock totally from taxation.

Severson, as chief sponsor of SB 47, said absolutely no. We are asking for equity at 4%. I don't think it is Roger's bill because it is two or 4 years before its time. We can't ask for equity and then double the inequity. SB 47 is going to 4%.

CORT: Since there does seem to be a dispute, I might say it would be easy to add an amendment to 283, if 47 passes, to make sure that livestock stays at 6%.

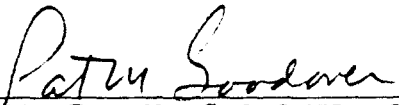
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The meeting adjourned.

A sub-committee on BID's was called immediately afterward.

Senator Crippen made a motion that SB 339 be given a DO PASS.
The motion was defeated.

Senator Elliott made a motion that the bill DO NOT PASS. This
carried with Senator Crippen dissenting. Senator Towe was not
present.



SENATOR PAT M. GOODOVER, Chairman

ROLL CALL

TAXATION

COMMITTEE

47th LEGISLATIVE SESSION - - 1981

Date 3/13/81

NAME	PRESENT	ABSENT	EXCUSED
Goodover, Pat M., Chairman	✓		
McCallum, George, Vice			✓
Brown, Bob	✓		
Brown, Steve	✓		
Crippen, Bruce D.	✓		
Eck, Dorothy	✓		
Elliott, Roger H.	✓		
Hager, Tom	✓		
Healy, John E. "Jack"	✓		
Manley, John E.	✓		
Norman, Bill	✓		
Ochsner, J. Donald	✓		
Severson, Elmer D.	✓		
Towe, Thomas E.	✓		

Each day attach to minutes.

DATE March 13, 1981

COMMITTEE ON

Taxation

VISITORS' REGISTER

VISITORS REGISTER				
NAME	REPRESENTING	House BILLS#	Check One	
			Support	Oppose
	HB's 288, 447, 457, 474, 775			
Greg Fellick	Muscular D. Sch	457	✓	
Gene Kourany	MCHL / MDTL	457	✓	
William L. Remick	Long Beach Real Estate	457	✓	
Tom Barrett	Marine Community Dev	457	✓	
Carl Sam Zell	Muscular Co. Exp. Sch	457	✓	
John L. L. L.	Federal Govt. Sch. Sch	457	✓	
Michael R. L.	Mod. Community Sch	457	✓	
William L. Remick	Mont. Land Title Assn	775	✓	
John L. L. L.	112 House Community Dev	288	✓	

(Please leave prepared statement with Secretary)

NAME William L. Rennie BILL No. H.B. 775
ADDRESS P.O. Box 1691 Helena DATE 3-13-81
WHOM DO YOU REPRESENT Mont. Land Title Assn.
SUPPORT X OPPOSE _____ AMEND _____

PLEASE LEAVE PREPARED STATEMENT WITH SECRETARY.

Comments: the present withholding system, as it affects closing agents, is both unworkable and unrealistic. If a person is transferred in his job from Mont. to another state, the closing agent is to withhold money from the sale of his home, and send it to the Dept. of Revenue. That person will generally buy a new home at his new residence, and therefore he will not have a capital gain. He will have to file for a refund. On the otherhand, a person from out of state whose business is selling Mont Land will have a tax liability for such sales, but no withholding is to be made.

Secondly, a great burden is placed on the closing agent. In many instances the closing agent is to make disbursement to a local bank, although in fact, the person has moved out of state. In such an instance it is difficult to determine if the withholding is to be made.

Finally, it is unclear whether the withholding is to be made upon the full sale price or only upon that part paid over to the home owner. In most instances part of the sale price is paid to the mortgagee. Since the amount of the mortgage would not be taxable, too much would be withheld if withholding was made on the full sale price.

STANDING COMMITTEE REPORT

March 13

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PRESIDENT:

MR.

TAXATION

We, your committee on

having had under consideration **House** Bill No. **457**

Dussault (Towe)

Respectfully report as follows: That **House** Bill No. **457**

BE CONCURRED IN

~~XXXXXX~~
DO PASS

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STANDING COMMITTEE REPORT

March 13

19 81

MR. **PRESIDENT:**

We, your committee on **TAXATION**

having had under consideration **HOUSE** Bill No. **288**

Fabrega (Elliott)

Respectfully report as follows: That **House** Bill No. **288**

Pat M.
BE CONCURRED IN

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STANDING COMMITTEE REPORT

March 13 1981

PRESIDENT:
MR.

TAXATION

We, your committee on

having had under consideration House 775
Bill No.
(Nordtvedt (Towe)

Respectfully reports as follows: That House 775
Bill No.
third reading copy, be amended, as follows:

1. TITLE, line 8.
Following: "THROUGH"
Strike: "15-30-228"
Insert: "15-30-227"

2. Page 4, line 9.
Following: line 8
Strike: "15-30-228"
Insert: "15-30-227"

And, as so amended,
BE CONCURRED IN

XXXXXX
DO PASS