

MINUTES OF THE MEETING
TAXATION COMMITTEE
MONTANA STATE SENATE

March 17, 1981

The 49th 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 present.

CONSIDERATION OF HOUSE BILL 188:

"AN ACT TO ELIMINATE LICENSING OF STORES; REPEALING SECTIONS 15-57-101 THROUGH 15-57-110, MCA."

Representative Walter Sales, District #79, said this is an onerous tax and should be eliminated.

PROPOSERS: Dave Goss, Billings Area Chamber of Commerce; William Dee Morris, representing Freedom Church; Janelle Fallon, Montana Chamber of Commerce.

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

Senator Towe asked about the fact that there is a larger tax on chain stores. Representative Sales agreed you get into a sliding scale on them.

The hearing was closed on HB 188.

The bill was assigned to a sub-committee composed of Senators Crippen, Hager, Eck and Elliott.

CONSIDERATION OF HOUSE BILL 528:

"AN ACT TO PROVIDE THAT A PORTION OF THE TAX IMPOSED ON TABLE WINE SOLD IN STATE LIQUOR STORES IS MADE AVAILABLE TO THE EARMARKED REVENUE ACCOUNT; AMENDING SECTION 16-1-411, MCA."

Representative Jerry Metcalf said the bill deals with the tax on alcohol, and is not a new tax. The bill attempts to correct a mistake made in the 1979 session. Prior to 1979 when the wine initiative was passed there was only one source of tax collection. When they revised the law to include the new distributors, they forgot to apportion the tax to the department. This bill corrects that part of the tax and tells where the tax will go when it is collected by the department.

PROPOSERS: Jo Koste, Alcoholism Programs of Montana, Attachment #1. She said it would mean a state-wide increase of \$12,000.

March 17, 1981
page 2

Senator Elliott asked Representative Metcalf if he knew that the committee had changed the time of collection of tax in another bill and he wondered if there was any conflict with his bill. He asked him to explain the amendment on page 2.

Representative Metcalf answered the amendment is the way the bill was revised in 1979 and did not provide the tax be broken up. The mistake was in not mentioning that it was to be divided up.

The hearing was closed on House Bill 528.

CONSIDERATION OF HOUSE BILL 635:

"AN ACT TO REALLOCATE THE CIGARETTE TAX AND TO DELETE REFERENCES IN THE CIGARETTE TAX LAW TO BONDS THAT HAVE BEEN RETIRED; AMENDING SECTIONS 16-11-111, 16-11-119, AND 15-5-408, MCA; AND PROVIDING AN EFFECTIVE DATE."

Representative Bardanouve said Montana's cigarette tax law is a real mess and almost impossible to understand. The bill is referred to as the "plumbing bill", Attachment #2. He said the bill will allow bonds to be issued up to revenue as generated and we would be able to issue more bonds without enacting legislation and piling bond bills upon bond bills.

PROPOSERS:

Gene Huntington handed out Attachment #3 and explained the results of what they hoped the bills would accomplish. He said what the proposed law would do would be to simplify language and increase the state's capacity to borrow money by the 3.9 million dollars going through the sinking fund. If the state wants to sell long-range building bonds at some point, that would be the money used to repay the bonds.

Jerome Anderson, Tobacco Tax Council, Billings. The present statute is archaic and needs to be amended and cleaned up, he said. It does handle tax money so that it flows through the sinking fund to increase bonding capacity.

There were no opponents and Senator Bardanouve closed saying our bonding program rates high.

Questions from the Committee:

TOWE: What happens to specific items mentioned?

HUNTINGTON: All are obsolete, veterans honorariums and the 35th and 36th legislative bonds have been paid off.

The purpose of coming up with the percentages is to keep distribution of money the same as it is. The way it goes

March 17, 1981

page 3

from 50 to 73% was in the sinking fund, we had 35% going to the sinking fund, the 3 pennies. When you add those to the 9% to come up with 12, the percentage of what you need to keep the tax equal goes up.

TOWE: Will there be a long range effect or remain the same year to year?

HUNTINGTON: It will remain the same without enacting any more legislation.

The hearing was closed on HB 635.

CONSIDERATION OF HOUSE BILL 805:

"AN ACT TO SIMPLIFY AND ECONOMIZE THE PROVISION OF PUBLIC SERVICES BY AUTHORIZING THE CREATION OF MULTIPURPOSE SELF-GOVERNING METROPOLITAN DISTRICTS."

Representative Kitselman said that everything in the bill is under existing law and in the event of annexation, this metro district would be dissolved and become a part of the city seeking annexation. The law would authorize property owners to organize a single metropolitan district, services will be provided more efficiently and at a much lower cost. Once a metro district is organized it becomes the sole supplier in the area. There are cases where you have a county or town and a portion of that town would be split between two states--neither state is interested in providing services for that municipality. If you have a county line splitting a city, this allows people who would benefit to form a metro district and provide fire, sewer, etc. until city is annexed. He provided an attachment, Attachment 4, outlining the particulars in setting up the district. He said the procedures are identical to the water and sewer district set ups.

PROPOSERS:

Scott Currey, Montana Association of Realtors; H. S. Aiken, Montana Technical Council; Dan Mizner, League of Cities and Towns.

There were no opponents.

Representative Kitselman closed saying this is an annexation bill. It provides that, in the event of annexation by petition of people in the district, they would assume responsibility for that district. All annexation protest provisions in the law apply to this right now. All landowners still have the same right of protest under the current law.

ECK: Have you considered any possibility of procedure for incorporation?

March 17, 1981
page 4

KITSELMAN: No.

ECK: Suppose at Spring Creek they set up one of these--you might want a method of incorporating. I think it would provide a real service as it would be a way of changing a metro district into a community.

KITSELMAN: There is a provisor to handle this in Section 63.

ELLIOTT: Your bill says 40% have to vote on an initiative. Fifty percent have to approve a creation of the district. That means as low a number as 20% could create.

KITSELMAN: This is copied from sewer and water districts set-up language.

CRIPPEN: What about ramifications with the city? Is this concurrent with the city because it converts between city and county? As I read it, if a portion of the city is within metro district, how does it affect the city's desire for sprinkling systems, for instance.

KITSELMAN: The city may stop within the city limits. Once the district is established, there is not a large amount for Billings to provide. This does not affect school districts or law enforcement.

CRIPPEN: Say you have a metro district and the council decides they want to put a sprinkler district in and part of the area is in the metro district?

KITSELMAN: The metro district prevails.

MIZNER: The bill says the board should be able to do the work of 9 boards.

ELLIOTT: It is true what you say about the valuation based on the assessed value of the lots being in the law. This is begging the question because it refers to rural SIDS. This whole bill is directed to urbanization which would seem to lead. Suggested considering an amendment.

KITSELMAN: I have no objection if you modify that to work.

ELLIOTT: When you say this is all in existing law, it makes me feel I have to read everything in order to satisfy myself that it looks at all the urban situations. I wonder if your committee looked at the bill that well.

KITSELMAN: I would feel better if you would look at it as it came up at the end of the session.

McCALLUM: When a metro district is from 9 existing districts at the time of the metro district, that wipes them out?

KITSELMAN: After July 1981 they would be incorporated into

the mass district. The same board members sit on the water district as the sewer district now in Billings. You are simply consolidating by this bill.

The hearing was closed on House Bill 805.

The chairman said HB 805 will be assigned to the subcommittee on SIDs, RSID's, BIDs and MDs.

ELLIOTT: Cort, would you see if the council could provide a copy of metro district's law, specifically a law created to take care of the sewage and water problems around Lake Washington--an amendment similar to this, but I think it would be a good idea. We might have the same in our existing law, but I would like to look at the Washington Metro Act and see if we could adopt it.

CRIPPEN: Maybe Colorado's law might be more applicable.

DISPOSITION OF HOUSE BILL 528:

Senator Eck moved the bill BE CONCURRED IN. The motion carried unanimously. Senator McCallum will carry the bill.

DISPOSITION OF HOUSE BILL 635:

Senator Towe moved that HB 635 BE CONCURRED IN. The vote was unanimously in favor of the motion. Senator Towe will carry.

DISPOSITION OF HOUSE BILL 763:

Senator Towe moved that we amend HB 763 on page 2, line 11--following "city" put "service" and following "assessments" insert "and special improvement district assessments."

Senator Elliott asked if Tom could amend into the first line for first class cities only.

TOWE: Yes, why?

ELLIOTT: Some of our counties are not computerized--Madison county has 3 towns. I am afraid it will create a problem.

ECK: Are you familiar with the big board system they use? Doesn't that allow the same kind of information to be available from a computer?

ELLIOTT: The counties I am referring to wouldn't.

Senator Towe moved to amend page 2, line 11 following "city" insert "services and special improvement district" and after "assessments" insert "collected by the county"; on line 16 "The municipalities shall upon request of the county treasurer provide the information to be included under (d) above ready for mailing."

March 17, 1981
page 6

Senator Elliott felt a county assessor should be present.

The amendments were accepted as presented by unanimous vote.

Senator Towe moved the bill BE CONCURRED IN, as amended.
The motion carried, with Senators Elliott and Goodover
dissenting.

CONSIDERATION OF SENATE BILL 372:

It was decided that SB 372 should go to the subcommittee
handling SB's 150, 156 and House Bills 188 and 805.

The meeting adjourned at 9:55 a.m.



PAT M. GOODOVER, Chairman

ROLL CALL

TAXATION COMMITTEE

47th LEGISLATIVE SESSION - - 1981

Date 3/17/81

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 17, 1981

COMMITTEE ON Legation

VISITORS' REGISTER

[illegible]

(Please leave prepared statement with Secretary)

Attachment #1

LIQUOR TAX DISTRIBUTION INFORMATION
Effective 7/1/79 (FYSO-81)

LIQUOR TAXES	<p>Total - .26%</p> <p>16% Excise Tax to State General Fund</p> <p>10% License Tax as follows:</p> <p>65.5% Institutions Earmarked Alcohol Funds</p> <p>4.5% To Counties*</p> <p>30.0% To Cities & Towns**</p> <p>*Based on sales made by liquor stores in each county adjusted for out-of-county sales.</p> <p>**Based on sales to retail liquor dealers in each town.</p> <p><u>RESTRICTIONS:</u> Both counties and cities and towns must use monies for law enforcement and regulation and control of the sale of liquor and the use thereof.</p>	<p>53-24-108 M.C.A. (HB844) Replaced HB627</p> <p>65.5% Earmarked Alcohol Funds disbursed by Institutions on a MONTHLY BASIS to County Treasurer's.*</p> <p>4.5% Disbursed by Revenue to Counties on a QUARTERLY BASIS.</p> <p>30.0% Disbursed by Revenue to Counties for Cities & Towns on a QUARTERLY BASIS.</p> <p>*Portion funds Galen AT&R, DWI Lab, corrections counselors and ADAD administration.</p>
WINE TAXES	<p>WINE TAXES COLLECTED FROM DISTRIBUTORS - 20¢ Per Liter</p> <p>16¢ Per Liter to State General Fund</p> <p>1 1/3¢ Per Liter to Institutions Earmarked Alcohol Fund</p> <p>1 1/3¢ Per Liter to Counties*</p> <p>1 1/3¢ Per Liter to Counties & Towns*</p> <p>*Based on relative populations</p> <p><u>RESTRICTIONS:</u> Both counties and cities and towns must use monies for law enforcement and regulation and control of the sale of liquor and the use thereof.</p> <p>WINE TAXES COLLECTED BY DEPARTMENT OF REVENUE</p> <p>20¢ Per Liter collected by Department of Revenue</p> <p>20¢ Per Liter to State General Fund</p>	<p>16-1-411 (1)(2)(a)(b) M.C.A.</p> <p>1 1/3¢ Earmarked Alcohol Funds disbursed by Institutions on a MONTHLY BASIS to County Treasurer's.*</p> <p>1 1/3¢ Disbursed by Revenue to Counties on a QUARTERLY BASIS</p> <p>1 1/3¢ Disbursed by Revenue to Cities and Towns on a QUARTERLY BASIS.</p> <p>16-1-411 (3) M.C.A. Wine sales in State Liquor Stores.</p> <p>*Same as above.</p>
BEER TAXES	<p>\$4.00 per barrel</p> <p>\$1.50 to State General Fund</p> <p>\$1.50 to Cities and Towns*</p> <p>\$1.00 to Department of Institutions Earmarked Alcohol Fund</p> <p>*Based on relative populations</p> <p><u>RESTRICTIONS:</u> Must be used for state purposes such as law enforcement, maintenance of the transportation system and public health.</p>	<p>16-1-406, 407, 408 M.C.A.</p> <p>\$1.50 Disbursed by State Treasurer to cities and towns on a MONTHLY BASIS.</p> <p>\$1.00 Earmarked Alcohol Funds disbursed by Institutions on a MONTHLY BASIS to County Treasurer's.*</p> <p>*Same as above.</p>

Attachment #3

Cigarette Tax

\$ 3,909,143

L.R.B.P. SINKING FUND

GENERAL FUND

INCOME TAX (11%)

\$ 17,997,003

CORPORATION TAX (11%)

\$ 4,463,825

CIGARETTE & TOBACCO TAX \$ 4,601,220

1,875,189

\$ 2,726,031

UNIVERSITY & AGENCY TRANSFERS \$

CIGARETTE TAX \$ 2,973,894

DEBT PAYMENTS

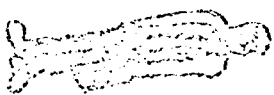
REVENUE REQUIREMENTS

\$ 1,903,962

\$ 1,875,189

Total Revenue 29,096,003

L.R.B.P. BONDS
PROCEEDS ACCOUNT

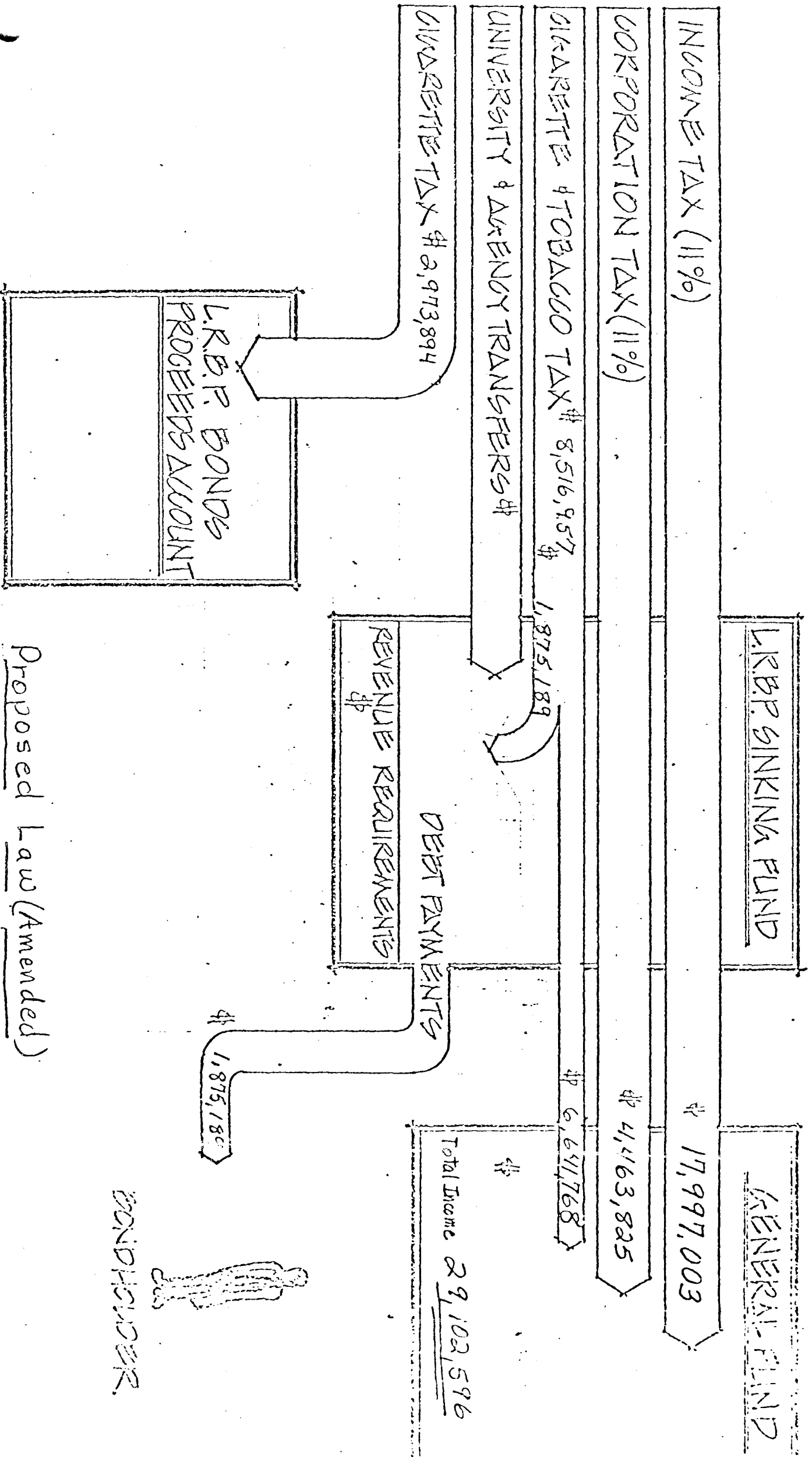


BONDHOLDER

Current Law

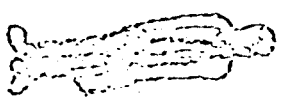
1980 Louisiana Billions Revenue

REVENUES



Proposed Law (Amended)

BONDHOLDER



Highway and Urban

1982 Louisiana Revenue Bill 100 PROPOSED

MEMORANDUM

March 12, 1981

HOUSE BILL 805

TO: MONTANA SENATE

RE: THE MONTANA METROPOLITAN DISTRICT ACT

The purpose of the Montana Metropolitan District Act (hereafter MMDA) is to streamline the delivery of essential services to Montana landowners. Under Montana present law, a property owner may belong to half a dozen or more various service districts, such as water, sewer, rural fire and lighting, each providing its particular service and each with its own board and assessment. The MMDA would authorize property owners to organize a single metropolitan district that could provide all these services, as well as a number of others. The concept of one district providing most, if not all, of the landowner's essential services has obvious advantages. Services are provided more efficiently and at a smaller administrative cost.

A metropolitan district may include portions of two or more counties, as well as areas presently incorporated into cities and towns. (See Section 4). Once a metropolitan district is organized, it becomes the sole provider of services within that area. No district organized to provide services, authorized under the laws of Montana, may be organized within an existing metropolitan district after June 1, 1981. However, property owners within the metropolitan district at any time may petition the district to provide additional services.

The procedure by which a metro district is created is quite similar, and was modeled after, existing statutes authorizing the creation of county water and/or sewer districts (7-13-2201 et. seq.). A petition signed by at least ten percent of the registered voters of the proposed district is presented to the board of county commissioners of the county in which the proposed district, or most of it, is located. The petition must set forth and describe the proposed boundaries and a general description of the purposes of the district. The petition must also state whether the proposed district lies wholly or partly within another county, service district or municipality. After the publishing of public notice the board of county commissioners, or a special board made up of commissioners from all involved counties, hold a public hearing to discuss the formation of the proposed district. Subsequent to the public hearing, elections on the creation of the district are held. Again, as with a water and/or sewer district all persons possessing all the qualifications required by electors under the general election laws of this state and who are residents of the proposed district may vote in the election. An individual who is the owner of real property within the proposed district may vote even though he or she does not reside within the district. If at least forty percent of all registered voters residing within the proposed district have voted and if the majority of those voters favor the organizing of the metropolitan district, the board of county commissioners must authorize the creation of the district.

The metropolitan district is governed by a board of directors, similar to other service districts, consisting of three to five members. General districts elections are held every four years. As in other service districts, the board of directors is authorized to hire personnel and contract for services.

The general powers of the metropolitan district are identical to those of county water and/or sewer district (7-13-2217, MCA). The metro district shall have perpetual succession, may sue and be sued, adopt a seal, own and lease property and make contracts, as well as perform all other acts necessary to exercise the foregoing powers. Districts have the power to accept funds and property from public or private sources, as well as to cooperate and contract with the state or federal government. A district may borrow money and incur indebtedness and issue bonds, as well as refund or retire that indebtedness. Finally, a metropolitan district, like other service districts, may levy taxes or assessments.

In addition to the foregoing powers, a metro district, if the persons within that district so choose, may have those powers conferred by state law upon the following districts: water and/or sewer districts, garbage and ash collection districts, television districts, mosquito control districts, weed control districts, cemetery districts, rural fire districts, refuse disposal districts, and lighting districts. The metro district, again, like other service districts, has the power to charge for services rendered by the district. (See Section 38). This includes the power to pass levies to cover deficiencies. (See Section 39). The method for assessing specific lots and parcels of land within the district is identical to existing state law concerning the method of assessment for county water and/or sewer districts. (See 7-13-2303, MCA) Again, a metro district must give notice of its intention to levy and collect taxes, and allow for the protest of those levies, similar to a county water and/or sewer district. (See Sections 40 through 45).

A metro district, like existing service districts, may incur bonded indebtedness. The maximum term for bonds issued by the district shall not exceed forty years. Such bonded indebtedness shall only be incurred if approved by election by the residents of the district. (See Sections 49 through 53). The procedure that a metro district must follow in a bond election is, again, identical to the existing procedure followed by a county water and/or sewer district. Notice of the election is required, and all registered electors owning or residing upon real property within the district are entitled to vote. In order to issue bonds, at least sixty percent of the votes cast must be in favor of incurring the bonded indebtedness. The board of directors may sell or dispose the bonds issued at such times or in any such manner as it may deem to be in the public interest. Like bonds issued by other service districts, any bonds issued by metropolitan districts are given the same force and value as bonds issued by any municipality and shall be exempt from all taxation within the state of Montana. (See Section 57).

Land may be added to a metro district at any time upon the petition of persons residing in the proposed addition. Two or more metropolitan districts may consolidate at any time, again, upon petitions submitted by the residents of the districts.

For the most part, the MMDA implements procedures already common to existing Montana law. The purpose of the MMDA is not to create a "super district" but to facilitate the consolidation of the delivery of services already allowable, for the most part, under present state law.

STANDING COMMITTEE REPORT

March 17

81

19

MR. **PRESIDENT:**

We, your committee on **TAXATION**

having had under consideration **House** Bill No. **528**
Metcalf (McCallum)

Respectfully report as follows: That **House** Bill No. **528**

BE CONCURRED IN

~~DO PASS~~

LC.

STANDING COMMITTEE REPORT

March 17

81

19.....

PRESIDENT:

MR.

TAXATION

We, your committee on

House

635

having had under consideration Bill No.

Bardanouve (Towe)

House

635

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

Y/c.

BE CONCURRED IN

~~XXXXXX~~
DO PASS

STANDING COMMITTEE REPORT

March 17

81

19.....

PRESIDENT:

MR.

TAXATION

We, your committee on

House

763

having had under consideration Bill No.

Pistoria (Towe)

House

763

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

third reading copy, be amended as follows:

1. Page 2, line 11.

Following: "city"

Insert: "services and special improvement district"

2. Page 2, line 11

Following: "assessments"

Insert: "collected by the county"

3. Page 2, line 17

Following: line 16

Insert: "(3) The municipality shall, upon request of the county treasurer, provide the information to be included under subsection (2) (d) ready for mailing."

Renumber: subsequent subsection

And, as so amended,

BE CONCURRED IN

~~XXXXXX~~
DO PASS

80.