

MINUTES OF THE MEETING
TAXATION COMMITTEE
MONTANA STATE SENATE

March 19th 1981

The 51st meeting of the committee was called to order at 7:30 a.m. in Room 415 of the State Capitol Building, Chairman Pat Goodover presiding.

ROLL CALL: All members present.

Senator Bob Brown reported subcommittee findings on SB's 408 and 446. He said SB 408 was amended into SB 446. However, the compromise fell apart later on and he had asked Mr. Sheehy and Mr. Roberts to see where they are at.

Mr. Sheehy reported the position of the mobile home dealers: It has come to the point where we can't reach an agreement on SB 446. In attempting to amend we were disagreeing as to how many years taxes mobile home dealers would pay. Basically, mobile home dealers were having problems because Mae Jenkins was having problems. Most of our dealers are not scared of assessors but they are of her. Our proposal would be that both these bills be tabled and the entire question referred to the revenue oversight committee for collecting mobile home property tax. We have drafted a resolution, Attachment #1.

JOE ROBERTS: We certainly do not oppose the study of the collection of personal property taxes. Those statutes are bad to work with. We are not ready to give up on 446 at this point. We have been unable to reach agreement with the mobile home dealers. Maybe we should consider each piece of legislation on its merits.

We don't need every section of SB 446; we'll go for amendments; we'll drop sections, except the first part of this bill which cleans up the existing statute--we would hope that this at least could be cleared up. We would ask that you keep the resolution under advisement.

The first 3 or 4 sections are just clean-up language. This provides for notice and clarifies what the process is. When is a property tax delinquent? This part clarifies that. There is a section in here which makes the owner of land where the mobile home is give notice to the assessor's office. If the committee wants to take that out, they can.

CRIPPEN: On 408 as it stands, the only tax would be the current year's taxes?

SHEEHY: That's correct.

CRIPPEN: Are you in agreement with some of the sections which would be left in?

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SHEEHY. No. We don't like the time limits. Another thing, HB 288 does bring into compliance with the Attorney General's decision and also tells when penalty and interest can be collected.

NORMAN: What Attorney General's opinion"

SHEEHY: Taxes become delinquent after September 30th. From that point you can collect penalty and interest.

NORMAN: How did he arrive at that?

SHEEHY: By reading several statutes and by repealing two previous attorney general's decisions.

CRIPPEN: I will recommend we give Senate Bill 408 a DO PASS.

GOODOVER: When these things are sold by the industry (if on a contract) why isn't it written like a home.

SHEEHY: Lots of these contracts are done by finance companies, G. E., Green Tree, etc. These are called recourse papers--if any problem arises, they kick it back to the dealer. In real estate you don't have that provision.

NORMAN: If contract is written by buyer and seller, why should the county go without its taxes if they are entitled to taxes? If there are 4 years back taxes, if that was any other piece of property, you couldn't just sell it off.

SHEEHY: Under existing law if those taxes are not paid within 30 days of the assessment date the county treasurer is supposed to go out and levy and sell. Technically there should not be 4 or 5 years back taxes. The county treasurers will tell you they can't collect.

ECK: I understood 446 would help them keep current on tax collections. If we had 446, then 408 is not too bad.

ROBERTS: As the law stands now we would oppose 408 but we thought, taking 446 without the 4-5 year delinquencies, we thought we could work something out. We were holding out for previous and current year's taxes.

ELLIOTT: I think this committee is being put in an untenable position getting county treasurers out of a box. I don't think 408 is exactly the right answer because that would be striking lots of taxes off local property tax due and owing. I also don't agree with the laxity which presently exists in the county treasurer's office. While I think 408 has some merit in that, it shouldn't be addressing that problem. I feel it is premature in the circumstances. I would like to see us not pass 408, to see if county treasurers and sheriffs can get together.

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GOODOVER: I don't think it is the province of a committee to doctor up problems that don't solve the problem. I think we should let it go back to these people and see if they can't come up with an agreement two years from now.

CRIPPEN: SB 408 would help do what you want to do. I think it's unfair for the mobile home dealers to go collect taxes for the county.

ELLIOTT: When you sell a mobile home and have a contract, you are eventually liable for that contract--would it be so difficult for your organizations to set up their files to see taxes are paid on those units?

SHEEHY: Two problems: 1) in some counties it is very hard to find out from the treasurer that taxes have been paid, and 2) the dealer would not have that control over his purchaser. If the purchaser is making the payments to him he is not in default.

ECK: Testimony we heard from the county treasurers was that they have difficulty with the law.

ROBERTS: I think the responsible mobile home dealers are the ones that call the treasurer's office and find out about delinquencies.

NORMAN: I move that SB's 446 and 408 be laid on the table. The motion carried with Senators Crippen, Eck, and Ochsner dissenting.

CONSIDERATION OF HOUSE BILL 716:

"AN ACT TO INCREASE THE MAXIMUM INTEREST RATE ON SCHOOL DISTRICT BONDS FROM 7 PERCENT PER ANNUM TO NOT MORE THAN 150 BASIS POINTS ABOVE THE RATE ESTABLISHED BY THE 20 BOND INDEX FOR 20-YEAR GENERAL OBLIGATION BONDS LAST PUBLISHED BY THE WEEKLY BOND BUYER, NEW YORK, NEW YORK, PRIOR TO THE DATE OF SALE OF THE BONDS; AMENDING SECTIONS 20-9-410, 20-9-426, 20-9-427, AND 29-9-430, MCA; AND PROVIDING AN IMMEDIATE EFFECTIVE DATE."

Representative Fabrega, District 44, said this is an act to increase the maximum rate on school district bonds. Senator Mazurek's SB 15 does away with interest limitations. It passed the House that any bonds issued under that new authority are subject to recall after 5 years. That was Representative Sales' amendment. That was not accepted by the Senate. SB 15 has an immediate effective date but is not retroactive to those issues that had already been voted. The question is what to do with HB 716--whether it should carry on through the process or whether it should stay here for a few days.

PROPOSERS: Chad Smith, Montana School Board Association, supporting HB 716. This bill just addresses the school

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district problem. SB 15 addresses all types of local government bonds. If something happened to 15, we would like to see one bill that will address the ceiling problem.

ECK: Could we do the same with this as with Hims1's?

FABREGA. I would suggest you hold this one and see what happens to SB 15.

CONSIDERATION OF HOUSE BILL 629:

"AN ACT TO CLARIFY THE REPORTING REQUIREMENTS FOR PERSONS SUBJECT TO THE GROSS PROCEEDS TAX AND METALLIFEROUS MINES LICENSE TAX AND TO REQUIRE ANY NECESSARY ASSAY TO BE COMPLETED PRIOR TO MIXTURE OF ORES AND CONCENTRATES AND SHIPMENT FROM THIS STATE; AMENDING SECTIONS 15-23-802 AND 15-37-104, MCA."

Representative Dan Harrington, District 88, says the bill will clarify the reporting requirement for persons subject to the gross proceeds tax and metalliferous mines license tax and to require any necessary assay to be completed prior to mixture of ores and concentrates and shipment from this state. This bill calls for report of sampling at any mining property in the state. The report must list the amount of ore extracted. It calls for the name and location of smelter and reduction works at which the product has been shipped. There must be a report on the product in dollars and cents. The basic point in this bill is that any sampling, testing, or assaying, required must be available to the state upon shipment of the ore. I feel the state should be given at least the rough assay before ore leaves the state. Anaconda has stated they will not mix their ores during shipment. I think that could be changed at any time. We need to know what is actually going out of the Butte mines. There is an amendment. On page 5, line 1, following "cents" put "as defined." Representative Harrington said he would get the amendment to us.

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

NORMAN: Right now the ore is being assayed and a price being put on it for taxable purposes, is that true?

HARRINGTON: Presently it is taxed on the reporting procedure that comes back from the mining companies declarative sheets. Before, when the smelter was in Anaconda and the other in Great Falls, there was a better check when it was refined in the state.

MANLEY: Don't you mean better records than control?

HARRINGTON: I feel it is control, too. If there is a mixture along the way there would not be a guessing game as to which ore came from Butte or which came from Utah.

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MANLEY: After ore leaves Montana, how do you presume you can do that?

HARRINGTON: They have to report what they have sold it for. This doesn't require Montana to set up an assay system. It gives DOR a better check on the amounts of tons of ore and what percentage of ore. Under this they also have the right to audit.

CRIPPEN: They don't have the right to audit now?

HARRINGTON: They can audit but there is no check system now.

ECK: Every shipment that would go out would have samples and assays made? Under current system it isn't assayed until it goes to the smelter?

HARRINGTON: There are reports; they just don't go to the State of Montana.

McCALLUM: You're asking because there is a tax. Does it go to the county or the state?

HARRINGTON: License tax goes to the state, gross proceeds to Silver Bow.

McCALLUM: Will this cost an added expense to the mining company?

HARRINGTON: No, we didn't set up a system where it would cause extra work.

GOODOVER: Does DOR have any comment on this bill?

WEINBERG: It would be good to have this material available but DOR doesn't have any strong feeling one way or another. It would be useful for auditing and checking value.

CRIPPEN: We have had mining for a long time--why wasn't this done earlier?

HARRINGTON: There was more control as far as what ore did come out of Butte. Now the ore is leaving Montana; there's a possibility of ore being mixed. I feel it should be passed.

GOODOVER: For committee information, does the company have any comment on this?

ANSWER: Generally we are in favor of the subject matter. We have told Representative Harrington we have no plan of mixing. The amendment is OK except it should be "contract price, market price, as applicable."

The hearing was closed on HB 629.

CONSIDERATION OF HOUSE BILL 552:

"AN ACT TO PROVIDE EXTEND FOR A 2-YEAR PERIOD THE 3-YEAR EXEMPTION FROM THE SEVERANCE TAX ON OIL AND GAS FOR NATURAL GAS PRODUCED FROM A WELL 5,000 FEET DEEP OR DEEPER; AMENDING SECTION 15-36-121, MCA; AND PROVIDING AN EFFECTIVE DATE."

Representative Roush said this is an act that was adopted some time ago and was amended in the House to extend for a 2-year period the 3-year exemption from the severance tax on oil and gas for natural gas produced from a well 5,000 feet deep or deeper. This act is necessary because Montana needs its own gas reserves and this will help encourage domestic production of oil and gas.

PROPOSERS: Pete Madison, Manager Gas Supply, MPC. He showed charts to the committee demonstrating need for natural gas in Montana. He said the bill is to add deep-drilling in Montana as the least expensive source of future needs;

Eric Anderson, Montana Petroleum Association.

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

HEALY: When Canada now finds out we will be getting our own gas, is there any indication they would cut their prices to Montana?

MADISON: Our pitch was that Montana had been a good user for 30 years. The Canadian's response was that we are a rather small market. We don't have much hope that they will be a source of gas for us.

S. BROWN: How soon does drilling have to be completed in a wilderness area?

MADISON: Couldn't answer that one.

MANLEY: The title says oil and gas. For natural gas production is the exemption from the severance tax?

ROUSH: No, it would just be the gas. Primary purpose of some wells is oil, but if gas comes up the exemption would apply to gas. This is an incentive bill in effect now and I would ask the committee to concur in the bill.

GOODOVER: When we passed this to give an incentive for deep well drilling, why is there still a limit of 1982?

ROUSH: Natural gas will be decontrolled this year. The House concern was let's see what this does when decontrol happens.

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DISPOSITION OF HOUSE BILL 552:

Senator McCallum made a motion that House Bill 552 BE CONCURRED IN. The vote was unanimous. Senator Kolstad will carry.

Senator Norman moved that House Bill 629 BE CONCURRED IN. The motion carried with Manley, McCallum and Crippen dissenting. Senator Healy will carry.

The committee decided they would have the minutes reflect that the Taxation Committee would like the Revenue Oversight Committee to be considered and the resolution be included so ROC can see what the problem is.

Senator Bob Brown moved that HB 343 BE CONCURRED IN. It was unanimously carried. Senator B. Brown will carry.

Senator Elliott made a motion to table House Bill 308. This motion carried unanimously.

CONSIDERATION OF HOUSE BILL 408:

"AN ACT TO EXTEND AND AMEND THE BOND VALIDATING ACT;
AMENDING SECTIONS 17-5-202 AND 17-5-205, MCA; AND PRO-
VIDING AN IMMEDIATE EFFECTIVE DATE."

Representative Cozzens said this bill has come up every two years since 1935 to validate bonds. He had two witnesses to assist in any technical questions the committee might have.

This law basically extends the act each session to validate sale of bonds issued since last legislative session. This merely moves the date up two years to cover bonds issued between the last period and forthcoming period. One of the changes in the bill was suggested by bond counsel to more clearly define the types of governmental agencies bonds can be issued for.

PROPOSERS: Mike Young, Attorney, Department of Administration. This is the annual bond validation act. The purpose is to keep each and every bond buyer from having to hire counsel to make sure all legal requirements for a bond issue have been met.

The purpose of amendments by bond counsel is because of the particular growths in a city occurring in the last few years and to validate all multiple financing.

The hearing was closed on HB 408.

Senator Steve Brown moved that 408 BE CONCURRED IN. Senator McCallum will carry.


Cort went through amendments to SB 260 with the committee. Senator McCallum moved the amendments and the motion to

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adopt carried with Steve Brown dissenting.

Senator McCallum moved SB 172 be given a DO PASS, as amended.
The vote was unanimous to adopt.

Senator Crippen gave a subcommittee report to the full committee.
Bills he reported on were HB's 156 and 188 and Senate Bills
130, 150, 372, and 283. Because of lack of time, the meeting
was adjourned at 10:00 a.m.



PAT M. GOODOVER, Chairman

ROLL CALL

TAXATION COMMITTEE

47th LEGISLATIVE SESSION - - 1981

Date 3/19/81

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 19, 1981

COMMITTEE ON Taxation

VISITORS' REGISTER

NAME	REPRESENTING	House BILLS#	Check One	
			Support	Oppos
	408, 552, 629, 716			
Eric S. Anderson	MT Petroleum Assoc.		HR 552	
CHAD SMITH	MDMT SCH BDS ASSN	HB 716	✓	

(Please leave prepared statement with Secretary)

_____ JOINT RESOLUTION NO. _____

A BILL FOR AN ACT ENTITLED: "A JOINT RESOLUTION OF THE SENATE AND HOUSE OF REPRESENTATIVES OF THE STATE OF MONTANA REQUESTING THAT THE REVENUE OVERSIGHT COMMITTEE STUDY THE LAWS RELATING TO THE COLLECTION OF PERSONAL PROPERTY TAXES AND MOBILE HOME TAXES FOR THE PURPOSE OF GENERALLY CLARIFYING, UPDATING, SUPPLEMENTING AND REVISING SUCH LAWS."

WHEREAS, the 47th Legislature has been presented with numerous and conflicting pieces of legislation intended to clarify, update, supplement and revise the laws relating to the collection of personal property taxes and mobile home taxes; and

WHEREAS, the 47th Legislature has been presented with conflicting evidence and testimony from different counties in the State of Montana and from the responsible officials within those counties as to whether the existing laws relating to the collection of personal property taxes and mobile home taxes need to be clarified, updated, supplemented or revised; and

WHEREAS, a legislative study of the laws relating to the collection of personal property taxes and mobile home taxes would be useful to the legislature and those responsible county officials responsible for collection of such taxes.

NOW, THEREFORE, BE IT RESOLVED BY THE SENATE AND THE HOUSE OF REPRESENTATIVES OF THE STATE OF MONTANA:

That in accordance with section 5-18-107(4), M.C.A., the Revenue Oversight Committee should study all the statutory provisions relating to the collection of personal property taxes and mobile home taxes, to prepare recommendations for the general clarification, updating, supplementation and revision of such provisions, and to report its findings and recommendations, including recommendations for remedial legislation, to the regular session of the 48th Legislature.

-End-

SENATE COMMITTEE TAXATION

Date 3/19/81 Senate Bill No.'s 408, 446 Time 9:50 a.m.

NAME	YES	NO
SEN. McCALLUM (Vice-Chairman)	✓	
SEN. BOB BROWN	✓	
SEN. STEVE BROWN	✓	
SEN. CRIPPEN	✓	
SEN. ECK	✓	
SEN. ELLIOTT	✓	
SEN. HAGER	✓	
SEN. HEALY	<i>absent</i>	
SEN. MANLEY	✓	
SEN. NORMAN	✓	
SEN. OCHSNER	✓	
SEN. SEVERSON	✓	
SEN. TOWE	✓	
SEN. GOODOVER (CHAIRMAN)	✓	

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Betty Dean Pat M. Goodover
 Secretary Chairman
 Motion: To place resolution presented by Ed Sheehy
in the minutes & further, request that a
letter be sent to the ROC.

(include enough information on motion--put with yellow copy of committee report.)

STANDING COMMITTEE REPORT

March 19 19 81

MR. **PRESIDENT:**

We, your committee on **TAXATION**

having had under consideration **House** Bill No. **552**

Roush (Kolstad)

Respectfully report as follows: That **House** Bill No. **552**

BE CONCURRED IN

~~XXXXXX~~

PA

STANDING COMMITTEE REPORT

March 19

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19.....

MR. **PRESIDENT:**.....

We, your committee on **TAXATION**

having had under consideration **House** ... Bill No. **343**

Harp (B. Brown)

Respectfully report as follows: That **House** ... Bill No. **343**

BE CONCURRED IN

~~XXXXXX~~
DO PASS

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STANDING COMMITTEE REPORT

March 19 81

19.....

PRESIDENT:

MR.

TAXATION

We, your committee on

having had under consideration **House** Bill No. **408**

Cozzens (McCallum)

Respectfully report as follows: That **House** Bill No. **408**

BE CONCURRED IN

~~DO PASS~~

Pa.

STANDING COMMITTEE REPORT

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PRESIDENT:
MR.

We, your committee on **TAXATION**

having had under consideration **House** Bill No. **629**

Harrington (Healy)

Respectfully report as follows: That **House** Bill No. **629**

BE CONCURRED IN
~~DO PASS~~

G.A.

STANDING COMMITTEE REPORT

March 19, 19.81.....

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MR. ...PRESIDENT.....

We, your committee onTAXATION.....

having had under considerationSENATE..... Bill No.172..

A BILL FOR AN ACT ENTITLED: "AN ACT TO TAX PRIVATELY GENERATED ELECTRICITY TRANSPORTED THROUGH A PUBLICLY OWNED TRANSMISSION SYSTEM; ALLOCATING TAXABLE VALUES TO COUNTIES; PROVIDING FOR PAYMENT OF THE TAX; REQUIRING REGISTRATION OF ELECTRICITY TRANSPORTERS; PROVIDING FOR INSPECTION OF BOOKS; AND PROVIDING FOR FAILURE TO REGISTER."

Respectfully report as follows: That.....SENATE..... Bill No.172...
introduced copy, be amended as follows:

1. Title, line 4.

Following: "AN ACT TO"

Insert: "INCREASE THE"

Following: "TAX"

Insert: "ON"

2. Title, line 5 and 6.

Following: "ELECTRICITY" on line 5

Strike: remainder of text through "transmission system" on line 6.

Insert: "FROM \$.0002 PER KILOWATT HOUR TO \$.0005 PER KILOWATT HOUR"

3. Title, line 6.

Following: "ALLOCATING"

Strike: "TAXABLE VALUES"

Insert: "THE INCREASED TAX"

Following: "COUNTIES"

Insert: "THAT HAVE TAX EXEMPT TRANSMISSION SYSTEMS RUNNING THROUGH THEM"

~~DOXASS~~

(CONTINUED)

4. Title, lines 7 through 9.

Strike: lines 7, 8, and 9.

Insert: "AMENDING SECTIONS 15-51-101 AND 15-51-103, MCA; AND PROVIDING AN EFFECTIVE DATE."

5. Page 1 through 3.

Strike: all of the bill following the enacting clause.

Insert: "Section 1. Section 15-51-101, MCA, is amended to read:

"15-51-101. Rate of tax -- electrical energy producers. In addition to the license tax now provided by law, each person or other organization now engaged in the generation, manufacture, or production of electricity and electrical energy in the state of Montana, either through waterpower or by any other means, for barter, sale, or exchange (and hereinafter referred to as the "producer") shall on or before the 30th day after each calendar quarter, quarterly periods ending March 31, June 30, September 30, and December 31, render a statement to the department of revenue showing the gross amount, except for actual and necessary plant use, required to produce the energy of electricity and electrical energy produced, manufactured, or generated during the preceding calendar quarter without any deduction and shall pay a license tax thereon in the sum of ~~\$4.0002~~ \$4.0005 per kilowatt hour on all such electricity and electrical energy generated, manufactured, or produced, measured at the place of production and as shown on the statement required in the manner and within the time hereinafter provided."

Section 2. Section 15-51-103, MCA, is amended to read:

"15-51-103. Disposition of revenue -- interest on delinquency. The department of revenue shall receipt therefor and promptly turn ~~the same~~ 40% of the amount collected over to the state treasurer and the remaining 60% shall be disposed of under the provisions of [sections 3 through 5]. Taxes not met on the due date shall become delinquent, and a penalty of 10% plus interest at the rate of 1% per month or fraction of a month computed on the total of tax and penalty shall be charged."

NEW SECTION. Section 3. Transmission system defined. For purposes of [section 3 through 5] the term "transmission system" means an electrical energy transmission system that is exempt from property taxation because it is owned by the federal, state, or local government or agency thereof.

NEW SECTION. Section 4. Department of Revenue to assess transmission systems. The Department of Revenue shall assess the transmission systems located in each county as though they were privately owned and subject to Montana's property tax.

(CONTINUED)

NEW SECTION. Section 5. Apportionment among counties. The department of revenue shall distribute 60% of the electrical energy producers tax imposed by 15-51-101 among the counties according to the ratio that each county's assessed value of the transmission systems located in that county bears to the total assessed value of all transmission systems in the state."

NEW SECTION. Section 6. Effective date. This act is effective on January 1, 1982 and applies to taxable years beginning after December 31, 1981.

And, as so amended,

DO PASS

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