

MINUTES OF THE MEETING
TAXATION COMMITTEE
MONTANA STATE SENATE

March 24, 1981

The 55th 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 except S. Brown.

DISPOSITION OF HOUSE BILL 561:

Senator Towe made a motion HB 561 BE CONCURRED IN. Senator Norman made a substitute motion it be sent to Finance and Claims.

Roll call vote was taken on the motion by Senator Towe. The vote was 4-8. The secretary was asked to reverse the vote and show that HB 561 received an adverse report.

DISPOSITION OF HOUSE BILL 305:

Senator Severson said he could see no reason not to pass this because this is what they are currently doing. He made a motion that HB 305 BE CONCURRED IN. The motion passed with Senators McCallum and Crippen dissenting. Senator Severson will carry the bill on the floor.

DISPOSITION OF HOUSE BILL 640:

A motion was made that HB 640 BE NOT CONCURRED IN. A substitute motion was made to lay HB 640 on the table. The substitute motion carried by an 8-5 vote. HB 640 is tabled.

DISPOSITION OF HOUSE BILL 176:

Senator B. Brown moved HB 176 BE NOT CONCURRED IN.

TOWE: Senator Towe went through some proposed amendment language and made a substitute motion to amend.

NORMAN: If you have an antique slot machine in this state and you make it inoperative, its value is probably reduced to next to nothing. Mr. Yardley wanted some language passed that would protect those people so they wouldn't go to jail for having one. This amendment goes opposite. The people Yardley is trying to protect are going to be punished.

MANLEY: The machines I have are fixed now to be inoperative; you can pull the crank and the machines go without handling money.

Senator Ochsner made a motion to pass for consideration until Senator Towe can work up some more language. The motion carried by a 7-6 roll call vote.

CONSIDERATION OF HOUSE BILL 309:

"AN ACT AMENDING SECTION 81-8-301, MCA, TO REQUIRE ANNUAL RENEWAL OF NOTICES OF SECURITY AGREEMENTS AND ANNUAL RENEWAL OF ASSIGNMENTS OF SECURITY INTERESTS WITH THE DEPARTMENT OF LIVESTOCK."

Les Graham, Department of Livestock, presented Representative Hurwitz's bill to the committee.

GRAHAM: I am much opposed to handouts but think we should run through the background. First of all this is not a program that the Department of Livestock enjoys being in. We attempted to get totally out of it at the last session. There are approximately 66,000 recorded brands in Montana. There are only about 8,000 security filings on those brands. Statute 81-8-304 says the department may charge a fee for security filing, not to exceed \$15. We have been at \$10, not even up to the limit. In order to conduct this program and keep data updated, we have to hire a person. The cost for an employee is \$15,700. We are not using this as a revenue source. If we talk about the employee time in the field, copy time, and mailing time, we should probably be charging \$15 now. We are the only state in the U. S. who does this. If we do change our fee from \$10 to \$15 we have to do that by administrative rule. In the past we always notified the PCA, bankers, FHA and private lenders that our fee will be raised. We have yet to have anyone show up at a hearing.

Why do we need to change it? We need to because we have been involved in several lawsuits. We make quite a few errors. We have a big turnover in beginning brand inspectors. In the statute it says if the department acts in good faith the department will not be held liable, but we feel something has to be done as the lending institutions do not fulfill their responsibility toward us. When a livestock producer satisfies his lien, banks are supposed to notify us but many do not. We are not in the bookkeeping or the finance business. We feel if we go to a set renewal system of some kind it can be processed in Helena and be sent to inspectors and they will be able to update their books. Mr. Graham passed out an attachment and also amendments. We ask that, starting in January 1983, and every 5 years after, our files will be cleaned out and all security filings be renewed.

PROPONENTS: John Cadby, Montana Bankers Association

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

ECK: Are you intending to raise your fee to \$15?

GRAHAM: Yes.

ECK: You ought to include total indirect costs too.

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GRAHAM: We will take the more conservative role.

MANLEY: Why didn't you attempt to get out of the business?

GRAHAM: We didn't get any support.

OCHSNER: Do you need to do this to the other sale? Can you do the same with them as with the late ones?

GRAHAM: We don't want to throw a burden on the small livestock auctions.

TOWE: What do you think it will cost for the renewal fee under these amendments?

GRAHAM: We should be near the \$15 for a 5-year renewal.

TOWE: Is that more work than one person can do?

GRAHAM: No. It will overlap.

TOWE: I have a question about #7. Why do you feel you need that disclaimer? A lot of people rely on the fact that if those cattle are shipped to market they will be picked up by the brand inspector and are willing to extend credit.

GRAHAM: If credit were the case, 49 other states would have similar things.

CADBY: I don't think banks would want the State of Montana to be held liable for something that was simply an error or an oversight. Anytime you deal with personal property you will have problems with skips. I don't know that the State of Montana is liable if someone fails to file a lien on a motor vehicle.

GRAHAM: This is still a service. Why should we be responsible for a voluntary service?

McCALLUM: Say the bank or PCA loans you money on your stock; they send over a lien to be filed; you send it to your inspectors or the livestock auction managers?

GRAHAM: To the central livestock auctions so it goes to 17 markets and is duplicated 17 times.

The hearing was closed on HB 309.

CONSIDERATION OF HOUSE BILL 548:

"AN ACT TO INCREASE TO 2 CENTS A GALLON THE LICENSE TAX ON AVIATION FUEL AND TO REQUIRE THE DEPARTMENT TO USE THE 1-CENT INCREASE IN THE TAX TO PROVIDE FOR LOANS, GRANTS, AND NAVIGATIONAL AIDS TO LOCAL AND STATE GOVERNMENT FOR AERONAUTICAL PUR-

POSES; AMENDING SECTIONS 15-70-201, 15-70-204, 15-70-205, 15-70-221, 15-70-231, AND 67-1-301, MCA."

REPRESENTATIVE SIVERTSEN: There is a need for the 1 cent tax on aviation fuel because it is more difficult than ever to maintain our airport system in the state. With an additional 1 cent, perhaps we can maintain and possibly improve airports in the state. Funds will be used not for administration costs but for loans and grants to airports in the State of Montana. Sixty-two percent of what is collected today goes to the larger airports.

PROPOSERS: Lee Baker, President Montana Pilot's Association; Nils Pearson, Director of the Local Hangar Montana Pilots Association; Al Newby, Montana Antique Aircraft Association and Montana Aviation Trades Association; Larry Eliason, Great Falls Pilots Association; Dave Sclair, Aircraft Owners and Pilots Association; Don Rees, Sidney Airport Authority; Marilyn Lewis, Montana Flying Farmers; Richard O'Brien, Chairman of the Montana Aeronautics Board; Gary Woltermann, self; Jim Steffeck, self.

OPPOSERS: Pat Goodover, District 22, Great Falls, former Vice-Chairman of the Great Falls Airport authority. I am opposed to the concept of HB 548 because of its anti-business, anti-progress connotation. This is in conflict with the legislature's view to offer tax relief to taxpayers and businesses. It is more difficult to attract new business than it is to encourage expansion from those already doing business. Even those already here will take a second look at a tax adding cost to their overhead.

Montana and Pennsylvania are the two states who are able to charge the military. We have three types of aviation: commercial, private and military. What will this do to the Guard? It will increase their contribution to \$44,000. I don't feel the National Guard should be paying more than they are now. They produce 14% of all the revenue for the Aeronautics Commission. Rumor is that the air force will be doing B-52 training in Great Falls; \$747,000 of income to the Aeronautics Commission this year if you don't pass this bill. Aeronautics Commission does a good job, but they don't put any restraints on how and to whom they are going to loan money.

MEMBER OF THE AERONAUTICS COMMISSION: I am Montana safe manager for Northwest Airlines and also serve on the Aeronautics Board. The airlines take it in the neck in Montana. The Division of Aeronautics receives other income besides fuel taxes. We pay landing fees like anywhere else, rental fees, personal property taxes, which we don't in every state. We pay a fuel tax which is 1 cent a gallon. We pay a license tax just for the privilege of doing business. We pay a tax to be nice to our passengers paying a tax on drinks. We are paying our way now without additional taxes.

Bill Merrick, Bozeman Airport Authority; James D. Holmes, Industrial Park, Glasgow; Dave Goss, Billings Area Chamber of Commerce; and Stu Burwell, Executive Director, Helena Area Chamber of Commerce.

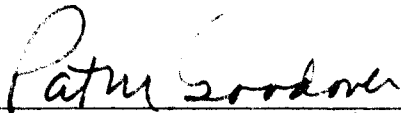
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Representative Sivertsen closed. The intent is to get more dollars so we can maintain and improve our airport system; commercial airlines will pay 64%. If commercial airlines weren't here, we would not need large runways. Commuter service is bringing lots of business to the commercial airlines. Without improvement this might not be the case in the future. By not maintaining our smaller airports, the airlines wouldn't be making the money they are today. This is a distinct benefit to the major airlines by keeping money up front and getting airports updated.

The hearing was closed.

The meeting was adjourned at 10:10 a.m.


PAT M. GOODOVER, Chairman

ROLL CALL

TAXATION

COMMITTEE

47th LEGISLATIVE SESSION - - 1981

Date Mar. 24, 1981

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.

COMMITTEE

309,548

REGISTER

DATE 3/24/81

Please note bill no.

[illegible]

PLEASE LEAVE PREPARED STATEMENT WITH SECRETARY

STANDING COMMITTEE REPORT

March 24 19 81

MR. **PRESIDENT:**

We, your committee on **TAXATION**

having had under consideration **House Bill No. 561**

Sivertsen (Goodover)

Respectfully report as follows: That **House Bill No. 561**

BE NOT CONCURRED IN

**DO NOT
REPEATS**

Jrf

SENATE COMMITTEE TAXATION

Date Mar. 24, 1981 House Bill No. 561 Time 7:49

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

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Betty Dean

Secretary

Pat M. Goodover

Chairman

Motion: That 561 be concurred in.

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

SENATE COMMITTEE TAXATION

Date Mar. 24, 1981 House Bill No. 561 Time 7:50 a.m.

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

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Betty Dean
Secretary

Pat M. Goodover
Chairman

Motion: That 561 be given a Be Not Concurred
in.

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

STANDING COMMITTEE REPORT

March 24 81

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PRESIDENT:

MR.

TAXATION

We, your committee on

House 305

having had under consideration Bill No.

Dozier (Severson)

House 305

Respectfully report as follows: That Bill No.

BE CONCURRED IN

XXXX
DO PASS

Jrf

SENATE COMMITTEE TAXATION

Date Mar. 24, 1981 House Bill No. 640 Time 7:59 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	✓	
SEN. MANLEY		✓
SEN. NORMAN	✓	
SEN. OCHSNER	✓	
SEN. SEVERSON	✓	
SEN. TOWE	✓	
SEN. GOODOVER (CHAIRMAN)		✓

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Betty Dean

Secretary

Pat M. Goodover

Chairman

Motion: Lay on the Table.

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

SENATE COMMITTEE TAXATION

Date Mar 24, 1981 House Bill No. 176 Time 8:05 a.m.

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

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Betty Dean
Secretary

Pat M. Goodover
Chairman

Motion: To report consideration on H.B. 176
to wait for amendments.

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

There have been many confusing comments regarding this program. I feel we must clear these up before we get to the heart of the intent of HB-309. During the past year I have openly taken this matter before every Livestock Group - Banker Group, PCA, etc.

1. There are approximately 66,000 (rounded off) Brand Recordings.
2. There are approximately 8,000 Security Filings that are renewed every 5 years on the anniversary date of the filing.
3. 81-8-304 states that the Department of Livestock may charge a fee of not to exceed \$15.00 per filing. The fee must be based on actual cost and must be set by rule.
4. Right now we are charging a fee of \$10.00 per filing. At this time we are not charging even our cost.

At current costs, we are _____ over the \$10.00 fee. Shortly we will be ~~forced~~ to adjust our fee. This program requires 1 FTE. This is shown below:

<u>Employee</u>	<u>Grade</u>	<u>Step</u>	<u>Salary</u>	<u>Benefits</u>	<u>Total</u>
Jean Eickmeyer	9	10	\$13,175	\$ 2,578	\$15,753

If you assume that of the 8,000 filings, 1/5 are renewed each year, we would annually renew 1,600 filings. At \$10.00 per filing this would amount to \$16,000 per year.

Approximate Income from Filings	\$16,000.00
Cost of 1 FTE	<u>15,753.00</u>
Balance	\$ 247.00

5. Each time a security filing is received we process it in our main Helena office. Copies are then made and sent to each of the 17 Livestock Brand offices at the Auction Markets. The Inspectors at each market must then in turn process each filing to their records. Each time livestock is sold bearing the secured brand, the Brand Inspector notifies the Auction Market and the secured party has its name placed on the check.

6. We submit that the \$247.00 does not even meet our annual printing and mailing costs much less the cost of application of the filings at the Auction Markets. We doubt very much if \$15.00 annually would cover total costs.
7. Had we gone to an annual renewal we would not have increased our total annual income from this service because we cannot do so by law. We would have set the fee between \$2.00 to \$3.00 per filing based on our actual cost.

About the Program in Question

1. It is a service provided to lenders.
2. It is not mandatory that lenders use the service.
3. It applies only to cattle sold in Auction Markets.
4. Montana is the only state in the U.S. providing this service.

SUGGESTED AMENDMENTS TO HOUSE BILL 309

Page 1, line 6

1. following: "MCA;"

Strike: "TO REQUIRE ANNUAL RENEWAL"

Insert: "LIMITING THE LIABILITY OF THE DEPARTMENT OF LIVESTOCK
AND REQUIRING A RENEWAL EVERY FIVE YEARS"

2. Page 1, line 7

following: "AND"

STRIKE: "ANNUAL RENEWAL"

3. Page 1

following line 18

Strike: "also list"

Insert: "transfer a copy of"

4. Page 1, lines 19 and 20

following: "notices"

Strike: "in the offices of the stock inspectors employed by
the department and stationed at"

Insert: "and their accompanying brands to"

5. Page 1, line 21 and 22

following: "markets"

Strike: "where records are kept of marks and brands"

6. Page 2, line 3

following: "filed"

insert: "and a copy is transferred"

7. Page 2, line 3

following: "."

Insert: "The Department of Livestock may not be held liable
to any secured party for the proceeds of livestock sold
through a livestock market by the debtor."

8. Page 2, line 5
following: line 4
Strike: "annually"
Insert: "every five years commencing on January 1, 1983"
9. Page 2, line 7
following: "or"
Strike: "30"
Insert: "90"
10. Page 2, line 7
following: "after"
Strike: "the anniversary"
11. Page 2, line 8
following: line 7
Strike: "date of the original filing"
Insert: "January 1st"
12. Page 2, line 10
following: line 9
Strike: "annually"
Insert: "every five years commencing on January 1, 1983"
13. Page 2, line 11
following: "or"
Insert: "90 days"
14. Page 2, line 12
following: "line 11"
Strike: "the anniversary date of assignment"
Insert: "January 1st"

15. Page 2, line 15

following: " on the"

Strike: "31st"

Insert: "91st"

16. Page 2, line 15

following: "applicable"

Strike: "anniversary"

Insert: "January 1st"

17. Page 2, line 16

following: line 15

Strike: "date"

18. Page 2, line 17

following: line 16

Insert: "(5) Satisfactions of security agreements must be
filed immediately with the Department of Livestock."

STANDING COMMITTEE REPORT

March 24

19 1981

PRESIDENT:

MR.

TAXATION

We, your committee on

Senate

Bill No.

126

having had under consideration

Senate

Bill No.

126

Respectfully report as follows: That

SEE STATEMENT OF INTENT ATTACHED

DO PASS

STANDING COMMITTEE REPORT

March 23

19 81

PRESIDENT:
MR.

TAXATION

We, your committee on

STATEMENT OF INTENT, SENATE

having had under consideration

Bill No. 126

STATEMENT OF INTENT, SENATE

126

Respectfully report as follows: That

Bill No.

be adopted.

STATEMENT OF INTENT RE: SB 126

Section 2 of Senate Bill No. 126 requires that the Department of Revenue adopt rules to implement the provisions relating to "average wholesale value" contained in sections 1 and 2.

Since different national appraisal guides use various language to describe "average wholesale value" it is the intent of the Legislature that in preparing "average wholesale value" tables, in instructing departmental employees on the use of national appraisal guides and in establishing rules to govern the administration of sections 1 and 2, the following terms shall be used:

National appraisal guide

Aircraft Blue Book, (Aircraft
Dealers Assn, P.O. Box 621,
Aurora, Colo.)

~~XXXXXX~~

Column that denotes "average
wholesale value" is marked

Approximate wholesale

(CONTINUED)

Column that denotes "average
wholesale value" is marked

National appraisal guide

National Automobile Dealers
Association: Official Used Car
Guide (McLean, Va: National
Automobile Dealers Used Car Guide)

Average Trade-In

Green Guide: The Handbook of New
and Used Construction Equipment
Values (Palo Alto, California:
Equipment Guidebook Company)

Wholesale.

Blue Book: Outboard Motor Trade-
In Guide; Fresh Water and Salt
Water (Overland Park, Kansas:
ABOS Marine Publications Division.

Estimated Current Value less
repairs: High

Blue Book: Boat Trailer Trade-In
Guide (Overland Park, Kansas: ABOS
Marine Publications Division).

Estimated Current Value
Less Repairs: High

Blue Book: Outboard Boat Trade-In
Guide (Overland Park, Kansas: ABOS
Marine Publications Division)

Estimated Current Value
Less Repairs: High

Blue Book: Inboard/Outdrive Boat
Trade-In Guide (Overland Park,
Kansas: ABOS Marine Publications
Division)

Estimated Current Value
Less Repairs: High

Motorcycle, Moped and Mini-Bike
Trade-In Guide (Overland Park,
Kansas: ABOS Marine Publications
Division)

Estimated Current Value
Less Repairs: High

Official Guide: Tractors and Farm
Equipment (St. Louis, Mo. National
Farm and Power Services, Inc.)

Average As Is

Truck Blue Book (Chicago, Ill:
National Market Reports, Inc.)

Average Retail Value*

*It is the intent of the legislature that the department will use a factor of 80% of the "Average Retail Value" indicated in the Truck Blue Book cited above.

First adopted by the Senate Taxation Committee on the 23rd day of March 1981.

P.A.