

MINUTES OF THE MEETING  
TAXATION COMMITTEE  
MONTANA STATE SENATE

March 31, 1981

The 61st meeting of the committee was called to order at 8:03 a.m. in Room 415 of the State Capitol Building, Chairman Pat Goodover, presiding.

ROLL CALL: All members were present except Senator S. Brown and Senator Norman. Senator Brown arrived later in the meeting.

DISPOSITION OF HOUSE BILL 292:

Senator McCallum made a motion to table the bill. Senator Eck made a substitute motion to give a BE NOT CONCURRED IN. The motion to table passed with Senators Eck and Manley dissenting.

DISPOSITION OF HOUSE BILL 798:

Senators Towe and Elliott had amendments to offer to HB 798. After some discussion, the consensus of the committee was to ask Senators Elliott and Towe to get together and work out one set of amendments between the two of them. The committee will consider later.

DISPOSITION OF HOUSE BILL 63:

Ray Hoffman, Office of the Fiscal Analyst, was present and introduced John Clark. The gentlemen were present in order to answer questions the committee had about the fiscal impact of HB 63.

John Clark said Ellen Feaver had been reluctant to issue a fiscal note because there was really no data available upon which to base one. Mr. Clark introduced Mr. Tom Winn, Fiscal Analyst's office, who had worked on preparing a fiscal note for this bill. Mr. Winn explained his rationale for the fiscal note.

WINN: The bill exempts the first \$3,600 in private retirement benefits. Using personal income statistics published by the State of Montana, it was determined federal, state, local government, and military retirement pay amounted to 184 million dollars in 1979. A 1977 Labor Department study, which attempted to get a handle on various kinds of incomes people have, showed that for every dollar for pension there was 1.724 received from the private sector. I took that 1.724 and applied to 1 dollar in government benefits to obtain 215 million dollars in private pension benefits. I automatically raised corporate pension benefits going to Montana. I had no way of knowing anything in the way of distribution of this mythical 250 million dollars in benefits. I assumed private and corporate benefits would not be unlike those systems we are familiar with. Looking at data for the last completed year, it was determined from these state-administered retirement programs about 42 million dollars were paid in benefits, and approximately \$4,495,000 was in excess of the \$3,600 exemption. About 88% was exempt of the first \$3,600. I assumed that the private sector was no less generous than the state and came up with 8.8 million dollars that would be exempt with the passage of the bill. There is the possibility that it may be overstated,

the one factor being that both systems are equally benevolent. That might not be fully justified. It is also possible that a good share of that 250 million dollars may already be sheltered and may not be taxable.

TOWE: I followed as far as 88%.

WINN: Of the 250 million dollar estimate of benefits received by Montanans, 88% of it would be exempt by virtue of the \$3,600 being taken out. Only 30 million dollars would continue to be taxed.

ECK: The last statement you made is the critical one. It might be that much of that 8.8 million dollars is already sheltered. We don't have any way of getting at that.

WINN: That's correct.

GOODOVER: What's the possibility, since we are so unable to get specific provisions. Could we put one of the sunsets on this so that it would die in two years if the impacts were excessive?

ECK: Another possibility would probably be more prudent to put it in effect one year and then when we came back we would know what the effect had been.

MOORE: I would like for it to come back to the House. There is no statistical data, and it could be overstated. There is just no way of knowing how many people to apply it to. I am in favor of running this through the 31st of December 1982 so that it would give us statistics to find out where we stand. I think the 8 million dollars is grossly exaggerated. People retired from Anaconda Co., Mountain Bell, Buttrey's, Firestone, etc. are involved, and I can see very few of them in the private sector that would be drawing this type of pension. I just feel it isn't going to have that much impact.

TOWE: Let's assume for the moment that Mr. Winn's fiscal statement is overstated, let's say by 100%. Are you prepared to use that much general fund money for this bill?

ECK: Representative Moore, would you be agreeable to putting the effective date at December 31, 1981, instead of what is here?

MOORE: Then in 1981 we could build a data base. I would be willing to do that and make it effective for calendar year 1981.

ECK: Is there any way that we could do a trigger on this? If the expenditures exceeded a certain amount, it would be discontinued?

GOODOVER: We would be here in 1983 to take care of that.

TOWE: You could put in a mechanism that says it's repealed if the loss exceeded a certain amount.

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CRIPPEN: Another way of handling it would be not to do it this biennium but to set up a study. Suppose he is right? Where are we going to get the money?

MOORE: This bill was first introduced in 1974 and we tried to get a data base and they haven't come up with anything yet.

TOWE: It has been suggested that one way we could find out what these bills will cost us is to take 300 tax returns at random, find some of that income in there to use for a data base, and then project. It is something that could be done and probably wouldn't take more than a week or two to do.

CLARK: The only problem now is that it is income tax season, but it could be done that way. I could suggest \$1,000 for an amount.

McCALLUM: If we wrote a letter to the Director of the Department of Revenue requesting a study that Senator Towe has asked, what I'm afraid of once you start it it's hard to stop it. If we take 8 million dollars out of the general fund and short it that much we will be criticized.

BOB BROWN: I think we all regret what we all know. The responsible thing is not to pass this bill. The committee could request an interim committee to do a study. I would recommend HB 63 be laid on the table.

CRIPPEN: How about the idea of making it \$1,000?

MOORE: You could gather data on that.

CLARK: I think if you made it calendar 1981 you would have some data on it by next year.

CRIPPEN: I would make a substitute motion saying all benefits not in excess of \$1,000 for two years.

Senator Crippen's amendments were voted on and carried. Senator McCallum made a motion to table the bill. The motion to table carried by a 7-4 vote. Senator McCallum thought a letter should be written to the DOR, with a copy to the Revenue Oversight Committee, requesting data sufficient to make a good estimate of what this is going to cost and emphasize the importance of that data having it signed by the Chairman of the Committee.

#### DISPOSITION OF HOUSE BILL 34:

TOWE: I would make a motion to lower the \$15,000 to \$12,000 in the bill.

MANLEY: I don't go along with that. When you take a 100% disabled veteran, they have a lot more costs in caring for themselves.

TOWE: It is my understanding that the disability income is not included.

McCALLUM: The average pension is \$1,016 per month.

TOWE: But that's excluded from income. This is his investment income over and above the \$12,000.

HEALY: I agree with Senator Manley. The bill was brought in to correct a mistake made last session. I would like to see it kept the way it was and pass it out.

CLARK: Before the last session there was no limitation on income. Through the recodification somehow they got income limits messed up, but there was no income limitation at that time.

GOODOVER: How much fiscal impact?

CLARK: Because of limits put in there there were lots of people thrown out of this benefit that had had it. I don't think the impact is great statewide.

ELLIOTT: I would make a substitute motion to DO PASS as it is written.

The vote was unanimous for a DO PASS, unamended. Senator Manley will carry.

#### DISPOSITION OF HOUSE BILL 654:

Cort said at the hearing there was an amendment made which would change the Department of "Highways" to the Department of "Commerce." Senator Towe moved Cort's codification amendment and the amendment was voted unanimously.

GOODOVER: What does this bill do that the other railroad bond bills that we have passed not do?

TOWE: This is the bond bill passed last session. Interest may not exceed 9%. That's why the bill didn't work because interest rates were too low. That's the principal thing. I would move that the bill BE CONCURRED IN, as amended.

GOODOVER: This is existing law?

TOWE: Yes. This raises the interest rates.

CRIPPEN: One of the questions I have--we have 100 million dollars worth of bonds. I like the idea of branch lines feeding the main line, but I don't like using these bonds.

Senator Ochsner moved in a substitute motion that HB 654 be tabled.

The motion carried with Senators Towe, Eck, Healy, and Bob Brown voting no.

#### DISPOSITION OF HB 191:

Senator McCallum said this only affects first and second class

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cities and goes from the line item mill levy to an all-purpose mill levy. He passed out Attachment #1. The bill will allow Missoula to raise and bring in 1 million dollars for their general fund. We would raise the road millage from 12 to 15 and from 15 to 18 in the others. The road tax is on top of what they are using now. You would add 3 mills on top of what is shown on the attachment.

CRIPPEN: I am going to vote against this bill. None of our county commissioners have expressed a great deal of love for it. I have some concern about putting them in a position where they don't have the argument that this fund is allocated for this and that fund for that. It's open-ended.

McCALLUM. I am opposed to the bill. The only commissioner lobbying me has been Missoula's. Cascade felt they had to have 3 mills for their roads and we passed that bill.

TOWE: I would speak in favor of the bill. 1) We are going to be taking lots out of the counties this session. 2) The roads seem to be the area of the most critical concern and there is no mechanism when a county is up to the limit--they can't dip into the general fund to pay.

SEVERSON: Revenue doesn't become revenue until you put a mill levy against the valuation, but I would like to have Mike Stephen here.

TOWE: 3) There has been a lot said about home rule. I can't see why we can't give counties more flexibility. If they spend too much money, the election process is someplace to do something about that.

ELLIOTT: The only point I want to make is that counties can use general fund for roads.

TOWE: Road fund is excluded on page 2, line 7, as a special fund. Let's just expand and make it more clear.

ECK: I want to comment on what has happened to the tax base. For Gallatin County, if 4 bills were passed, we would lose better than 1/4 of our tax base in the county.

TOWE: Amendment page 1, line 18, strike words "for county purposes", and page 1, line 20 following the "." add new language-- "The monies collected by this levy may be used for any lawful purpose of the county."

McCALLUM: Question.

The motion to amend failed by a show of hands.

McCALLUM: I will move that House Bill 191 be tabled. Motion carried by a 7-6 vote.

DISPOSITION OF SENATE BILL 339:

Senator S. Brown walked through the 4 amendments he would be proposing for SB 339.

McCALLUM: This is to be assessed against the property owners?

S. BROWN: Yes.

McCALLUM: If he refuses to pay his taxes, how do they collect? Would they assess the rest of the property owners?

TOWE: I think the answer is they have a lien against everybody's property, and they can levy against everybody's property. The problem comes in delay to collect--they have to give them 3 years. They would be no different than any SID.

McCALLUM: But on this BID it is just a small area where if the SID is delinquent, they can go to their sinking fund or revolving fund and get the money. There is no revolving fund here.

TOWE: If one doesn't pay, the bonds will slide into delinquency for 3 years. But with this amendment they are not the obligation of anybody else's property.

S. BROWN: I will move the amendments. The amendments were carried unanimously.

GOODOVER: What's different with tax increment?

TOWE: Local body has to approve. Amount of money they can get is only the increase in value that comes in. I would move we strike the figure 60 and insert the figure 75.

B. BROWN: What's the compelling need for this bill?

TOWE: There are areas that tax increment financing are not helping.

CRIPPEN: I think the 100% would be better. You could have two large department stores that might have 60 to 70% of the area.

ELLIOTT: I see this as a conflicting thing. Say, the businessman in his 60's who isn't ready for major expansion.

TOWE: I move we replace figure 60% with the figure 100%. Cort just pointed out that it says "more than 100%." Let's insert "all" the owners of the area of property proposed to be included.

The motion carried, S. Brown voting no.

TOWE: I would move the bill, as amended. His motion failed by a 4-9 vote. Senator Bob Brown moved Senate Bill 339 be laid on the table. The secretary was asked to reverse the vote to show 9-4 in favor of tabling. Senator Crippen and Senator Elliott wanted to be shown as voting against tabling the bill. The vote was 7 to 6 to table.

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DISPOSITION OF HOUSE BILL 548:

Senator Eck made a motion to table HB 548. The motion carried with Senators Ochsner, S. Brown, and Towe dissenting.

DISPOSITION OF SENATE BILL 172:

Senator Manley passed proposed amendments to the committee. Cort said that what was being amended was the second reading copy of the bill.

Senator Manley moved the amendments. The motion carried unanimously, except for Senator Crippen's dissent.

Senator Manley moved the bill DO PASS, as amended. The roll call vote showed 9 in favor and 3 against the motion. SB 172 was moved out of committee.

The meeting was adjourned at 10:05 a.m.

  
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PAT M. GOODOVER, Chairman

ROLL CALL

TAXATION

COMMITTEE

47th LEGISLATIVE SESSION - - 1981

Date 3/31/81

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.



SENATE COMMITTEE TAXATION

Date Mar. 31, 1981 House Bill No. 63 Time 8:43 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

Motion: To table

Pat M. Goodover

Chairman

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

# STANDING COMMITTEE REPORT

March 31 19 81

MR. **PRESIDENT:**

We, your committee on **TAXATION**

having had under consideration **HOUSE** Bill No. **34**

**Ernst (Manley)**

Respectfully report as follows: That **HOUSE** Bill No. **34**

BE CONCURRED IN

~~DO NOT~~  
DO PASS

JRF

SENATE COMMITTEE TAXATION

Date 3/31/81 House Bill No. 191 Time 9:26 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	<i>absent</i>	
SEN. OCHSNER	✓	
SEN. SEVERSON		✓
SEN. TOWE		✓
SEN. GOODOVER (CHAIRMAN)	✓	

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Betty Dean  
Secretary  
Motion: In table

Pat M. Goodover  
Chairman

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

SENATE COMMITTEE TAXATION

Date 3/31/81 Senate Bill No. 339 Time 9:45 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	absent	
SEN. OCHSNER		✓
SEN. SEVERSON		✓
SEN. TOWE	✓	
SEN. GOODOVER (CHAIRMAN)		✓

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Betty Dean

Pat M. Goodover

Secretary

Chairman

Motion:

Repass as amended.

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

Date 3/31/81 Senate Bill No. 339 Time \_\_\_\_\_

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	<i>absent</i>	
SEN. OCHSNER	✓	
SEN. SEVERSON	✓	
SEN. TOWE		✓
SEN. GOODOVER (CHAIRMAN)	✓	

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Betty Dean

Secretary

Pat M. Goodover

Chairman

Motion: to table the bill

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

# STANDING COMMITTEE REPORT

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**PRESIDENT:**

MR. ....

## TAXATION

We, your committee on .....

Senate

Bill No. **172**

having had under consideration .....

Senate

172

Respectfully report as follows: That .....

**second reading copy, be amended as follows:**

1. Title, lines 4 through 14.

Strike: inserted language

Reinsert: stricken language

2. Pages 1 through 3.

Strike: all of the bill following the enacting clause

Insert: "Section 1. Short title. [This act] may be cited as the  
"Electricity Transporters' Tax Act".

(CONTINUED)

Section 2. Tax on transported electricity. There is a tax levied on electricity and electric energy produced in a privately owned generating plant that is transported in a transmission line owned by an agency of federal, state, or local government capable of transmitting at least 500 kilovolts in the amount of \$0.0004 per kilowatt hour measured at the point the electricity or electric energy enters the transmission line. If a power corridor contains more than one transmission line, the total transmitting capacity of the transmission lines within the corridor shall be used to determine whether the transmission line is capable of transmitting at least 500 kilovolts.

Section 3. Allocation of taxable value. The department of revenue shall determine the taxable value of the portion of a publicly owned transmission system sited in each county, as if it were classified, appraised, and assessed under 15-6-140(1)(c), and shall allocate revenue collected under this section to the county as that county's portion of the taxable value of the line relates to the total taxable value of each line.

Section 4. Payment of tax. The person, company, or consortium producing the electricity and electric energy assessed under [section 3] shall be responsible for payment of the tax as required by 15-16-102 and shall be subject to the provisions of 15-16-102.

Section 5. Registration of electrical energy transporters. On or before March 31 of each year, the person, company, or consortium responsible for payment of the tax under [section 4] shall register with the department of revenue and inform the department of its activity as such transporter of electricity and electric energy through a transmission system owned by an agency of the federal, state, or local government during the year ended on the last December 31.

Section 6. Inspection of books of transporter. The books and records of any transporter of electricity or electric energy are subject to inspection by the department of revenue, its agents, or employees during reasonable hours.

Section 7. Interest on delinquency. Taxes not paid on the due date shall become delinquent, and a penalty of 10% plus interest at a rate of 1% per month or fraction of a month computed on the total of tax and penalty shall be charged."

And, as so amended,

DO PASS

*Pat*

SENATE COMMITTEE TAXATION

Date Mar 31, 1981 Senate Bill No. 172 Time 10:00 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	<i>absent</i>	
SEN. OCHSNER		✓
SEN. SEVERSON	✓	
SEN. TOWE	✓	
SEN. GOODOVER (CHAIRMAN)		✓

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Betty Dean

Secretary

Pat M. Goodover

Chairman

Motion: No pass, as amended.

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



# STANDING COMMITTEE REPORT

March 31 19 81

**PRESIDENT:**

MR. ....

**TAXATION**

We, your committee on .....

having had under consideration ..... **STATEMENT OF INTENT SENATE** Bill No. **355**

**STATEMENT OF INTENT SENATE** 355

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

## STATEMENT OF INTENT RE: SB 355

It is the purpose of this act to replace the present property tax on automobiles and light trucks (three-quarter ton capacity or less) by a license fee based on the age and weight of the vehicle. It is intended that this system commence with registration of vehicles on January 1, 1982.

In order to facilitate registration and to reduce energy consumption, the Department of Revenue is mandated to develop a procedure for mail registration. More precisely, the procedure relates to reregistration. Registration for the first time, as well as transfers of registration, will still be done in person at the office of the county treasurer. It is anticipated that the reregistration procedure will involve mailing to the vehicle owner an application specifying the vehicle and the various fees that are due for registration. The owner will sign the application and return the signed application and the fee to the county treasurer. Upon receipt of the signed application, the treasurer shall send the

XXXXXX  
DO PASS

(CONTINUED)

applicant a valid registration and tabs to be attached to the license plates. The rules to be adopted by the Department of Revenue should provide the details to implement the above described procedure. The emphasis should be on the convenience of the vehicle owner.

The financial aid provisions of the bill are designed to provide a mechanism to give financial relief to local governments due to the loss of revenue from automobile and light truck property tax.

First adopted by the Senate Taxation Committee on the 31st day of March, 1981.