

MINUTES OF THE MEETING OF THE HOUSE TAXATION COMMITTEE
January 5, 1983

The meeting was called to order at 8:00 a.m. by Chairman Yardley. Roll call was taken and all committee members were present.

Testimony on HB 19, HB 33 and HB 40 was heard during this hearing.

HOUSE BILL 40

REPRESENTATIVE SHONTZ, sponsor of HB 40, told the committee that this bill provides for a financial correction to HB 500, the appropriations bill of the 1981 legislative session. It was stated in HB 500 that the Liquor Division, Department of Revenue, should deposit 15% of the division's net profits into the state general fund, with \$13 million being the minimum net profit deposit expected.

REPRESENTATIVE SHONTZ said the Liquor Division will not be able to meet the \$13 million minimum profit. House Bill 40, if passed, would remove the \$13 million requirement, thereby preventing the Liquor Division from being in violation of the statute.

Proponents

HOWARD HEFFELFINGER, Administrator of the Liquor Division, Department of Revenue, testified in favor of HB 40. He said because of the recession, the division cannot meet the \$13 million minimum deposit. He told the committee that "bottle sales" are down about 4% from what was expected. Mr. Heffelfinger said the price of liquor was going to be increased in order to meet the minimum deposit but the Attorney General issued a decision that the Department of Revenue could not raise the prices. The reasoning was that the Liquor Division was being run efficiently and the only reason the minimum deposit could not be met was because of the recession and there should not be a price increase which would put a burden on consumers and bar owners.

BOB DURKEE, representing the Montana Tavern Association, said the association supports HB 40.

There were no opponents to HB 40.

REPRESENTATIVE SHONTZ, in closing, said the burden should be taken off the Liquor Division to meet the minimum deposit requirement.

REPRESENTATIVE REAM asked if it will be the intent of this legislature to keep the minimum deposit at 15% of the division's net profits for future bienniums. Representative Shontz said if HB 40 passes, the \$13 million required deposit would be non-existent and this legislature will have to decide on new amounts and language for future bienniums.

The hearing on HB 40 was closed.

HOUSE BILL 19

REPRESENTATIVE HARPER, sponsor of HB 19, told committee members that HB 19 addresses the problem of the sale of property on which there are delinquent taxes. He said HB 19 provides that county treasurers should contact or attempt to contact property owners that their property will be sold due to delinquent taxes.

Proponents

DENNIS SCRANTON testified in favor of HB 19. He said county officers do not take steps to get tax notifications and sale of property notifications to the proper parties.

Opponents

CHARLES GRAVELEY, representing the Montana County Treasurers' Association, spoke in opposition to HB 19. Mr. Graveley told committee members that Section 15-18-202 of the Montana Codes Annotated require the person seeking tax title of properties to serve upon the owner of the property a written notice saying that he is applying for deed of the property. That notice has to be served at least 60 days before the closure of the property. Mr. Graveley also said it should not be up to the county treasurer to see that property taxes are paid. He said failure to receive a tax notice does not relieve property owners of the obligation to pay taxes.

REPRESENTATIVE HARPER closed by saying he is receptive to Mr. Graveley's comments. Representative Harper said there is a problem with tax notices being sent to the wrong address and the burden of notifying a property owner of a sale of his property should not be placed on the buyer of the property. He thinks the county treasurer should inform the property owner of a possible sale of his property.

MR. GRAVELEY told committee members that the courts of Montana frown upon forfeiture of property and if the Montana laws are not followed to the "T", the courts will give the property back to the original owner. He said the courts do everything possible to protect the rights of property owners. Mr. Graveley told committee members that there is always a public notice in the paper three weeks prior to the sale of a property and a notice

is also placed in a public building three weeks prior to the sale.

MR. GRAVELEY said a list of property owners with delinquent taxes is published every June. If the delinquent taxes are not paid within 36 months after being published on this list, then that property can be sold. When a person applies for a tax deed, then the owner is given notice 60 days before the property is sold.

The hearing was closed on HB 19.

HOUSE BILL 33

REPRESENTATIVE KITSELMAN, sponsor of HB 33, said the intent of HB 33 is to change the present property tax value system to a flat fee system for motorcycles. He said HB 33 does not decrease any revenue presently generated. He said the incentive is to tax motorcycles that are not being taxed now. (See EXHIBIT 1.)

Proponents

DAL SMILIE testified in support of HB 33. He said HB 33 takes the "load" off the initial purchase of motorcycles by spreading the cost of the tax over years. He said the lower initial fee would be an incentive for more people to license their motorcycles. (See EXHIBIT 2.)

ROBERT CULLEY, a motorcycle dealer, testified in support of HB 33.

BILL BLACK, a motorcycle dealer, also testified in support of HB 33.

GREG GROEPPER, Department of Revenue, said he was not speaking as a proponent to HB 33 because the Department of Revenue has not taken a position on that bill. He said there is an average value on motorcycles registered in Montana for 1982 of \$589.75 at a taxable rate of 11% making the average amount of tax collected per bike of \$14.90.

KEN HOOVESTAL, representing the Montana Snowmobile Association, said his association is happy with the fee system rather than the tax system.

Opponents

DORIS SHEPHERD, representing the Montana Association of Counties, said if a motorcycle is taxed on a fee basis there would be no inflation factor as there is now. When the taxable value is gone the county mills will be affected. She said the counties are worried about the continual erosion of the tax base which would occur if HB 33 is passed.

CHARLES GRAVELEY, representing the County Treasurers and County Assessors, said there will be an effect on the counties tax base even though the amount of mill levy associated with the taxation of motorcycles is relatively small. He also said if HB 33 passes, it will also have an effect on the bonding limits of counties.

MR. GRAVELEY said HB 33 was drafted to require licensing of motorcycles. He said people will not license motorcycles unless they are driven on the public highways or streets. He said there should be a tax on those motorcycles that are not licensed as well as on the licensed motorcycles.

REPRESENTATIVE KITSELMAN told committee members that motorcycles are devalued at a rate of 1% per month. Under HB 33, the older bikes will increase in value, therefore more revenue will be generated.

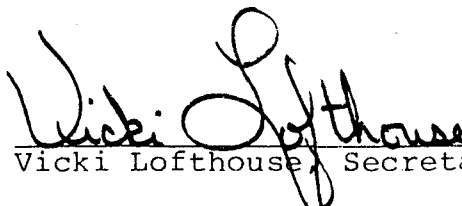
REPRESENTATIVE NEUMAN noted that the lowest fee charged, according to the fee schedule in HB 33, is \$5.00. He asked what the labor cost is to do the paper work to issue a license for a motorcycle. Ms. Shepherd said it costs about \$10.00 in labor to issue a license.

CHAIRMAN YARDLEY told the committee members he has asked for a fiscal note for HB 33.

The hearing on HB 33 was closed.

The meeting was adjourned at 9:00 a.m.


DAN YARDLEY, Chairman


Vicki Lofthouse, Secretary

HB 33

MOTOR CYCLE FEE VS TAX

Yellowstone County Tax at 11%

	<u>SIZE</u>	<u>ASSESSED VALUE</u>	<u>TAX*</u>
1981 Honda	500cc	\$1,475	45.46
1981 Honda	1,000cc	\$2,350	72.69
1981 Harley-Davidson	1,100cc	\$3,825	118.16

*PLUS OTHER FEES

Testimony in support of HB 33

by: Dal Smilie

NW Region American Motorcyclist Assn. Trustee

The present tax system on motorcycles is not consistent with the fee system used for other non commercial vehicles. HB 33 provides a fee schedule that does not contain a disincentive to new motorcycle ownership.

Presently a new touring motorcycle's license plates can cost over \$175.00. That vehicle cannot be used in Montana for more than six months each year. The motorcycle is important to Montana's tourist and agricultural industries and causes little or no wear and tear on the roads. The present tax system effectively precludes many potential consumers from purchasing this energy efficient form of transportation because of the high license costs for only six months of use.

HB 33 spreads the cost of highway useage over the lifespan of the motorcycle rather than heavily weighting it only on new vehicles. The adoption of the HB 33 fee schedule would remove the incentive to keep old unsafe motorcycles on the roads while allowing Montana consumers to purchase newer vehicles.

An additional benefit of HB 33 may be to raise even more revenue than the current tax structure. Motorcycle dealers have told me that up to 25% of the motorcycles they service have expired plates on them. A more reasonable license fee would induce a higher rate of compliance.

On behalf of the owners of over 54,000 titled road going motorcycles in the state of Montana I urge you to pass HB 33.

THANK YOU

STATE OF MONTANA

REQUEST NO. 035-83

FISCAL NOTE

Form BD-15

In compliance with a written request received January 6, , 19 83 , there is hereby submitted a Fiscal Note for House Bill 33 pursuant to Title 5, Chapter 4, Part 2 of the Montana Code Annotated (MCA).

Background information used in developing this Fiscal Note is available from the Office of Budget and Program Planning, to members of the Legislature upon request.

DESCRIPTION OF PROPOSED LEGISLATION:

House Bill 33 replaces the present system of taxation of motorcycles with a fee system and provides an effective date and an applicability clause.

ASSUMPTIONS:

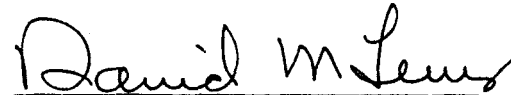
- 1) Number of motorcycles registered is 30,137, as reported by the Motor Vehicles Division for 1982.
- 2) The distribution of registered motorcycles by age is approximately as follows regardless of the size of the motorcycle; 61 percent are over 4 years old; 19 percent are 2-4 years old; and 20 percent are 2 years old or less.
- 3) Approximately half of registered motorcycles are 500 cc-1000 cc in size; one-quarter are over 1,000 cc; and one-quarter are 500 cc or less.
- 4) The average property tax paid for each registered motorcycle is \$18.83, as reported by the Motor Vehicle Division for 1982.
- 5) The average total mill levy for counties is 220.58, as estimated by the Department of Revenue for 1982.

FISCAL IMPACT:

	<u>FY84</u>	<u>FY85</u>
Tax Levy for University System (6 Mills)		
Under Current Law	15,027	15,027
Under Proposed Law	16,731	16,731
Estimated Increase	<u>1,704</u>	<u>1,704</u>

EFFECT ON COUNTY OR OTHER LOCAL REVENUE OR EXPENDITURES:

If the proposed law had been in effect in 1982, revenue for local government (city, county, and school districts) would have been approximately 11.3 percent higher than it was under the present system. Future increases in local revenue will depend on the number and size of new motorcycles sold.

Continued

BUDGET DIRECTOR

Office of Budget and Program Planning

Date: 1-10-83

FY84FY85**Property Tax Revenue from Motorcycle
Registration****Under Current Law****552,453****552,453****Under Proposed Law****615,084****615,084****Estimated Increase****62,631****62,631**

STATE OF MONTANA

REQUEST NO. 036-83

FISCAL NOTE

Form BD-15

In compliance with a written request received January 6, , 19 83 , there is hereby submitted a Fiscal Note for House Bill 40 pursuant to Title 5, Chapter 4, Part 2 of the Montana Code Annotated (MCA).

Background information used in developing this Fiscal Note is available from the Office of Budget and Program Planning, to members of the Legislature upon request.

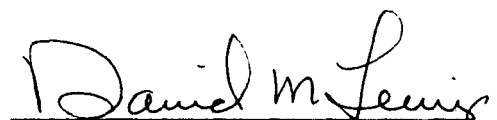
DESCRIPTION OF PROPOSED LEGISLATION:

House Bill 40 amends House Bill 500, Laws of 1981, to eliminate the requirement that the Department of Revenue deposit \$13 million of liquor profits to the general fund during the biennium ending July 1, 1983 and provides an effective date and applicability date.

NOTE:

As a result of the rules hearing process, the department decided not to increase liquor prices during FY83. Since the Department of Revenue chose not to increase its liquor prices, it will be unable to meet the statutory requirement of depositing \$13 million of liquor profits during the current biennium. Those profits are estimated to be only \$11,189,000 (Executive Budget Estimates).

FISCAL NOTE2:G/1



BUDGET DIRECTOR

Office of Budget and Program Planning

Date: 1-10-83

STANDING COMMITTEE REPORT

January 13, 19 83

MR. **SPEAKER:**

We, your committee on **TAXATION**

having had under consideration **HOUSE 19** Bill No.

First Reading copy (**White**)
Color

A BILL FOR AN ACT ENTITLED: "AN ACT PROVIDING FOR PERSONAL
NOTIFICATION BY THE COUNTY TREASURER TO THE RECORD OWNER OF
PROPERTY PRIOR TO A TAX SALE OF THAT PROPERTY; AMENDING SECTIONS
15-17-101 AND 15-17-102, MCA."

Respectfully report as follows: That **HOUSE 19** Bill No.

~~XXXXXX~~ DO NOT PASS
DO PASS

STANDING COMMITTEE REPORT

February 2, 19 83

SPEAKER:

MR.

TAXATION

We, your committee on

having had under consideration HOUSE Bill No. 33

First reading copy (White color)

A BILL FOR AN ACT ENTITLED: "AN ACT TO REPLACE THE PRESENT SYSTEM OF TAXATION OF MOTORCYCLES WITH A FEE SYSTEM; AMENDING SECTIONS 15-6-138, 15-6-201, 15-8-201, 15-8-202, 15-30-121, 15-31-114, 61-3-303, 61-3-501 THROUGH 61-3-504, 61-3-509, 61-3-534, AND 61-3-701, MCA; AND PROVIDING AN EFFECTIVE DATE AND AN APPLICABILITY CLAUSE."

Respectfully report as follows: That HOUSE Bill No. 33
be amended as follows:

1. Page 2, line 17.
Following: "equal to 4 years"
Strike: "15 25 35"
Insert: "20 30 40"
2. Page 2, line 18.
Following: "More than 4 years"
Strike: "5 15 25"
Insert: "10 20 30"

AND AS AMENDED

DO PASS.

DAN YARDLEY, Chairman.

STANDING COMMITTEE REPORT

January 6, 1983

MR. SPEAKER:

We, your committee on TAXATION

having had under consideration HOUSE Bill No. 40

First reading of (White) Color

A BILL FOR AN ACT ENTITLED: "AN ACT TO AMEND HOUSE BILL NO. 500, LAWS OF 1981, TO ELIMINATE THE REQUIREMENT THAT THE DEPARTMENT OF REVENUE DEPOSIT \$13 MILLION OF LIQUOR PROFITS TO THE GENERAL FUND DURING THE BIENNium ENDING JULY 1, 1983; AND PROVIDING AN EFFECTIVE DATE AND APPLICABILITY DATE."

Respectfully report as follows: That HOUSE Bill No. 40

~~DO PASS~~