

MINUTES OF THE MEETING OF THE HOUSE TAXATION COMMITTEE
February 2, 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 except Representatives Abrams and Nordtvedt.

Testimony was heard on HB 365 and HB 470. Executive action was taken on HB 33 and HB 333.

HOUSE BILL 470

REPRESENTATIVE KOEHNKE, District 45, sponsor of the bill, said HB 470 is not a bill for the grandparents, but instead for great grandparents. House Bill 470 is a bill to exempt residences of people over 75 years of age from property subject to taxation if the household has a total household income of not more than \$15,000 for a single person or \$18,000 for a married couple.

REPRESENTATIVE KOEHNKE said he was told that the language of "is the owner in whole or in part and an occupant of the residence" could be a loophole in the bill. He said he wanted that language in the bill to cover people who have a home that is in their names and their children's names so that when the parent dies, the house won't have to go through probate.

REPRESENTATIVE KOEHNKE said if the surviving spouse is 70 years of age, he or she would still be exempt from property taxation.

Proponents

DOUG OLSON, an attorney and lobbyist for the Montana Senior's Advocacy Assistance, said the elderly should be allowed to live out their lives in their own homes, if they so choose. Mr. Olson said he supports the concept of the bill but has some problems with parts of the bill. If an individual qualified for this exemption because he had an income of \$15,000 or less, it could be possible for that person to have \$100,000 in the bank. The elderly should get some relief from property taxes but those with adequate resources should pay the taxes.

CHARLES BRIGGS, Governor's Advocate for the Aging, said he endorses the concept of the bill, but has concerns over the qualifications. He said there should be assistance tax

relief for those most in need, but there should be some amendatory language to adjust this so that those in higher income brackets pay their taxes and those in lower income brackets get the relief.

WADE WILKINSON, representing Low Income Senior Citizens Association, said he supports the bill with some amendments. He said the number of senior citizens who are capable of living by themselves is something we should be concerned about. This bill should be amended to provide genuine assistance to people who are in the lower tax brackets.

RENE BRERETON, staff member of the Montana Senior Citizens Association, said Montana senior citizens support the concept of this bill. The money should go to those who meet the age and income criteria. She said the number of property tax bills submitted during this session is confusing but hopes this committee will find an equitable solution.

There were no opponents testifying on HB 470.

ELLEN FEAVER, Director of the Department of Revenue, explained the fiscal note to committee members. The fiscal impact to the university system would be \$43,206 for each year of the biennium; impact to the school system would be \$288,038 per year of the biennium; and impact to the local governments would be \$1.61 million per each year of the biennium.

MS. FEAVER asked if household income includes social security. If social security is not included, a couple's income could be over \$30,000 and they could still get this tax relief. Ms. Feaver also had a problem with the effective date of this bill. She said, if HB 470 passes, it would be too late to apply to this last year, but people might think it would apply.

REPRESENTATIVE KOEHNKE said the effective date would not be effective for this taxable year. He said he will leave any amendments that might be necessary to this committee's wisdom.

REPRESENTATIVE KOEHNKE said if HB 227 passes, the fiscal impact will be about half of what Ms. Feaver said it will be.

REPRESENTATIVE KOEHNKE also said the maximum income applicable would be \$18,000, including social security.

REPRESENTATIVE HARP asked the sponsor of the bill if he would have any problems with this committee amending the bill to specify the maximum income to be \$18,000 per couple. Representative Koehnke said no.

CHAIRMAN YARDLEY asked Jim Oppedahl, Legislative Council, to provide this committee with a set of variables where the amount of property taxes being paid on residences would vary and the amount of income would vary, and then relate that to house bills like HB 227 and to the class four property tax relief given to senior citizens. Wade Wilkinson said he and Charles Briggs could also come up with a list of the senior citizen tax relief bills and the type of relief those bills offer.

CHAIRMAN YARDLEY called the meeting into Executive Session at this time.

EXECUTIVE SESSION

House Bill 333

REPRESENTATIVE WILLIAMS moved HB 333 DO PASS.

REPRESENTATIVE BERTELSEN said the fiscal note on HB 333 said the bill claims to exempt wells from one-half of the net proceeds tax, yet the bill makes no reference to the relevant statutes. He asked if an amendment is needed on HB 333. Jim Oppedahl said the reference is an internal reference within another section that says when a section in the bill is referred to and is applicable, then the net proceeds is deducted by one-half.

REPRESENTATIVE REAM made a substitute motion to sunset HB 333 in 1992 so that in 10 years, this bill can be reconsidered.

REPRESENTATIVE UNDERDAL said any future legislatures can repeal something we do now without a sunset date.

REPRESENTATIVE SWITZER said he opposed the motion and would like to see the bill without the sunset feature. He agreed with Representative Underdal.

The motion was voted on and PASSED. A roll call vote was taken, and all committee members voted yes except Representatives Devlin, Jacobsen, Switzer, Underdal and Zabrocki. Representatives Harp, Neuman and Williams were not present during the vote and Representatives Abrams and Nordtvedt were excused.

The motion of DO PASS was voted on and PASSED. All committee members voted yes except Representatives Ream and Zabrocki, who voted no. Representatives Neuman and Williams left proxy votes of yes. Representatives Abrams and Nordtvedt were excused.

House Bill 33

REPRESENTATIVE HARRINGTON moved HB 333 DO PASS.

REPRESENTATIVE HARRINGTON said there is a fee system on most vehicles and it is ridiculous to not have a fee system for motorcycles.

REPRESENTATIVE ASAY said he has no problem with equalization, but he has to vote against anything that takes away from the tax base.

CHAIRMAN YARDLEY said there had been a suggestion to amend the \$5 minimum fee to \$10.

REPRESENTATIVE REAM moved to increase the \$5 minimum fee to \$10.

REPRESENTATIVE VINGER said the motorcycles four years old and older and over 500 cc should be raised from \$15 to \$20.

REPRESENTATIVE VINGER made a substitute motion to raise the amounts on line 18 from \$5 to \$10, \$15 to \$20 and \$25 to \$30.

REPRESENTATIVE REAM withdrew his motion.

The substitute motion was voted on and PASSED. All committee members present voted yes except Representatives Dozier, Nilson and Yardley.

REPRESENTATIVE KEENAN said in order to make it equitable, we should amend line 17 from \$15 to \$20, \$25 to \$30 and \$35 to \$40.

REPRESENTATIVE KEENAN'S motion was voted on and PASSED. A roll call vote was taken and all committee members voted yes except Representatives Asay, Dozier, Jacobsen, Nilson, Ream, Underdal and Yardley. Representatives Abrams and Nordtvedt were excused. Representatives Neuman and Williams were not present during the vote.

REPRESENTATIVE HARRINGTON restated his original motion as HB 33 DO PASS AS AMENDED.

The motion was voted on and PASSED. All members of the committee present voted yes except Representatives Dozier, Asay, Devlin and Underdal.

House Bill 354

REPRESENTATIVE VINGER made a motion to have the Department of Revenue give this committee an educated estimate as to the percentage of the 60,000 people and 5,000 corporations who took advantage of the tax credit who are agriculture people. The loss of that tax credit could mean a big money loss to agriculture

people. This Taxation Committee should have that information before the vote is taken on HB 354.

CHAIRMAN YARDLEY asked if the Department of Revenue could provide that information. and Ms. Feaver said they could get that information from the computer files.

The motion was voted on and PASSED unanimously.

The Committee resumed the regular meeting and held a hearing on HB 365.

House Bill 365

REPRESENTATIVE DENNIS IVERSON, District 9, said HB 365 was drafted upon request of schoolbus operators. He said HB 365 is an act to provide that schoolbuses leased or privately contracted exclusively to school districts for the state-approved transportation of students are exempt from property taxation for the period of time engaged in state-approved schoolbus services, and to require instead a fee in lieu of property tax of \$25 for each registration year.

REPRESENTATIVE IVERSON said the new language in HB 365 establishes fees and provides for a proration of property tax. He said the fiscal impact of HB 365 is slight and the intent of the bill is simple.

Proponents

ALAN ANDERSON, Director of Purchasing and Transportation, School District 2, Billings, Montana, said he is testifying on behalf of the school trustees, and they requested he testify in support of this legislation. Mr. Anderson said it is estimated that the schoolbus contractors would realize a decrease in operating costs of \$13,400 for the year. Those savings would be passed on to the school district. The school district estimates their net savings will be \$6,000, after deducting revenues that would not have been realized.

GEORGE HALL, representing Hall Transit, said a school bus runs 182 days a year, but yet taxes for the bus are paid on a full-year basis. The bus contractors should get a break, so that the contractors can pass a savings on to the school district.

JERRY PERKINS, owner of Karst Stage in Bozeman, Montana, said he has school buses contracted to school district 7 in Bozeman. As a businessman in the community, he thinks this bill is important, because the schools get tax-exempt plates, and so should his buses. Any increase in property tax goes back to

the school district in the form of higher school bus contracts. Any savings from the passage of this bill would be passed on to the school district. He said he has a problem with the method of property taxation. Some counties tax just the chassis of the bus, and some counties tax the chassis and the body. There is not a consistent formula for county assessors to go by when assessing the taxes.

Opponents

MIKE STEPHEN, representing the Montana Association of Counties, opposes HB 365 because the bill deals with property taxes, and when property taxes are paid they are paid for the whole year, not just for a partial year. He said there is a property tax system that has to be maintained.

MR. STEPHEN said, administratively, this bill has problems. He said decals will have to be printed up by the Department of Revenue on a monthly basis to be given out for each bus. Who will stop the bus to see if the decal is current or not?


CHARLES GRAVELY, representing the county treasurers and assessors, echoed what Mr. Stephen said. Individuals who want to use the school buses for other than designated school purposes would have to come in to the treasurer's office to gain exemption (decal) and to prorate the property tax on that bus. The penalty for noncompliance is so slight that an operator will say he could afford the fee and not comply with the law. People who lease buses to school districts are businessmen, and not all businessmen would get that type of tax break. If this bill is passed, there will be requests for some type of relief from all groups of businesses. Mr. Gravely asked for a do not pass on HB 365.

REPRESENTATIVE JACOBSEN asked why contractors pay 25% taxes on used buses and 13% on new buses. Ms. Feaver said it appears there is a lack of uniformity of taxes around the state. The Department of Revenue is going to address that problem.

CHAIRMAN YARDLEY asked Ms. Feaver to provide this committee with information on the correct procedure for assessing taxes on school buses. Ms. Feaver said she would do so.

The meeting was adjourned at 9:45 a.m.


DAN YARDLEY, Chairman


Vicki Lofthouse, Secretary



1. Title, line 4.

F: "EXTEND"

S: "INDEFINITELY"

I: "FOR A TEN YEAR PERIOD"

2. Page 1, line 19.

F: "~~December 31, 1982,~~"

I: "~~December 31~~ but before December 31, 1992,"

Amendment to HB 33

(1. Page 2, line 17

F: "equal to 4 years"

S: " 15 25 35"

I: " 20 30 40"

2. Page 2, line 18

F: "More than 4 years"

S: " 5 15 25"

I: " 10 20 30"

H.B. 365
2/2/83

Alan J. Anderson

Director of Purchasing and Transportation

School District No. 2

Billings, Mont. 59102

School District No. 2 contracts with KAL Lines, Inc., to provide transportation to and from school for approximately 5500 students. The contractor operates 77 buses on a daily basis plus 6 spares. The buses are 66-passenger rated with the exception of 2 mini-buses having 18-passenger rated capacity and 1 physically handicapped bus having 54-passenger rated capacity.

The school district favors passage of H.B. 365 because it is anticipated to reduce the operating cost of KAL by \$13,400 for School Year 1983-84. If the bill is not passed, this cost will again be part of their pass-through expenses in School Year 1984-85. They have agreed to settle without this cost being included in 1983-84 since the contract was approved last night, 2/1/83, and the status of H.B. 365 had not been finalized at that time.

The school district estimates a net ~~reduction in~~ gain in revenue of approximately \$6,000 after the deduction of tax revenue from the bus fleet to the district.

WITNESS STATEMENT

Name Alan Anderson Committee On _____
Address Billings, MT Date 2/2/83
Representing School Dist. No. 2 Support X
Bill No. H.B. 365 Oppose _____
Amend _____

AFTER TESTIFYING, PLEASE LEAVE PREPARED STATEMENT WITH SECRETARY.

Comments:

1. School District No. 2 contracts with KAL Lines, Inc., to provide bus service.
2. KAL would realize a reduction of \$13,400 operating expense which would be passed on to the school district.
3. Net gain in revenue to the school district after deducting the loss in tax revenue would be approximately \$6,000.
- 4.

Itemize the main argument or points of your testimony. This will assist the committee secretary with her minutes.

STATE OF MONTANA

200-83

REQUEST NO. _____

FISCAL NOTE

Form BD-15

In compliance with a written request received January 21, 19 83, there is hereby submitted a Fiscal Note for House Bill 365 pursuant to Chapter 53, Laws of Montana, 1965 - Thirty-Ninth Legislative Assembly.

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 365 provides that schoolbuses leased or privately contracted exclusively to school districts for state-approved transportation of students are exempt from property taxation for the period of time engaged in state-approved schoolbus services and requires instead a fee in lieu of property tax of \$25 for each registration year.

ASSUMPTIONS:

- 1) 1982 County Assessor Report data: Buses 585, Taxable Value - \$367,995.
- 2) 470 are affected by the proposal (80%).
- 3) Average taxable value - \$629.
- 4) Levies - statewide average - 220 mills, University Levy - 6 mills, School Foundation Program - 40 mills.
- 5) Revenues from proposed fee are distributed in the same ratio as property tax revenue.
- 6) Proposed law has no impact in FY84.
- 7) 1982 data apply to FY85.

FISCAL IMPACT:

	<u>FY84</u>	<u>FY85</u>
University Levy (6 mills)		
Under Current Law	none	\$1,774
Under Proposed Law	"	320
Estimated Decrease	"	<u>(1,454)</u>
School Foundation Program		
Under Current Law	none	11,825
Under Proposed Law	"	2,136
Estimated Decrease	"	<u>(9,689)</u>

TOTAL REVENUE:

Under Current Law	none	13,599
Under Proposed Law	"	2,456
Estimated Decrease	"	<u>(11,143)</u>

Continued

David M. Lewis

 BUDGET DIRECTOR

Office of Budget and Program Planning

Date: 1-26-83

EFFECT ON COUNTY OR OTHER LOCAL REVENUE OR EXPENDITURES:

Local government revenues would be decreased by approximately \$53,000 in FY85.

COMMENT:

There would be a small impact to counties in providing decals for buses transporting non-school transportees.

STANDING COMMITTEE REPORT

February 7,

19 83

SPEAKER:

MR.

TAXATION

We, your committee on

having had under consideration **HOUSE** Bill No. **365**

First reading copy (White)
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A BILL FOR AN ACT ENTITLED: "AN ACT TO PROVIDE THAT SCHOOLBUSES LEASED OR PRIVATELY CONTRACTED EXCLUSIVELY TO SCHOOL DISTRICTS FOR THE STATE-APPROVED TRANSPORTATION OF STUDENTS ARE EXEMPT FROM PROPERTY TAXATION FOR THE PERIOD OF TIME ENGAGED IN STATE-APPROVED SCHOOLBUS SERVICES; TO REQUIRE INSTEAD A FEE IN LIEU OF PROPERTY TAX OF \$25 FOR EACH REGISTRATION YEAR; AMENDING SECTIONS 15-6-139, 15-8-202, 61-3-332, 61-3-501, 61-3-503, 61-3-504, 61-3-509, AND 61-3-521, MCA."

Respectfully report as follows: That **HOUSE** Bill No. **365**

~~DO PASS~~ DO NOT PASS

STATE OF MONTANA

REQUEST NO. 236-83

FISCAL NOTE

Form BD-15

In compliance with a written request received January 26, 19 83, there is hereby submitted a Fiscal Note for House Bill 470 pursuant to Chapter 53, Laws of Montana, 1965 - Thirty-Ninth Legislative Assembly.

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 470 exempts residences of certain persons from property subject to taxation and provides an immediate effective date and an applicability date.

ASSUMPTIONS:

- 1) The 1980 census reports 21,176 householders age 75 and over.
- 2) In 1980, it is estimated for the United States that 73.55% of the households with a member over 65 years of age received total income less than \$15,000.
- 3) A sample of elderly credit income tax returns suggests that 79% of the households pay property tax.
- 4) The 1982 county assessors reports and a supplemental questionnaire yield an estimated taxable value for graduated class 4 property of \$512. Assuming the households not receiving the benefits of the graduated class 4 rates have property with the same assessed value as the graduated class 4 population, a weighted average taxable value of \$585 is calculated.
- 5) The mill levy is assumed to be 270 mills statewide.
- 6) All of these factors are assumed constant.
- 7) The taxable value of the state will be \$2,252,536,000 and \$2,352,151,000 for fiscal years 1984 and 1985, respectively.
- 8) Some increase in individual income tax receipts would be produced by the bill since there would be a significant overlap between the homeowner credit population and the population targeted by this proposal. No estimate of this impact is calculated, however.

FISCAL IMPACT:

	<u>FY84</u>	<u>FY85</u>
University Levy		
Under Current Law	\$13,515,216	\$14,112,906
Under Proposed Law	<u>13,472,010</u>	<u>14,069,700</u>
Estimated Decrease	<u>(43,206)</u>	<u>(43,206)</u>
School Equalization Levy		
Under Current Law	90,101,440	94,086,040
Under Proposed Law	<u>89,813,402</u>	<u>93,798,002</u>
Estimated Decrease	<u>(288,038)</u>	<u>(288,038)</u>

Continued

David M Lewis

BUDGET DIRECTOR

Office of Budget and Program Planning

Date: 1-31-83

EFFECT ON COUNTY OR OTHER LOCAL REVENUE OR EXPENDITURES

The proposal would produce an estimated decrease in local government revenues of \$1.61 million (net of the school equalization and university levies) in each fiscal year.