

MINUTES OF THE MEETING OF THE HOUSE TAXATION COMMITTEE
February 9, 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 was heard on HB 31, HB 561, HB 573 and HB 581 during this meeting.

HOUSE BILL 581

REPRESENTATIVE JAY FABREGA, District 44, sponsor of the bill, said HB 581 is an act to require that motor vehicle fees and reimbursement be considered in computing each school district's general fund levy.

The state refund to schools, from the vehicle fee system, is given out in March of every year. The first year of the refund, the counties certified the number of vehicles that had been registered during the previous year, showing how much had been paid in taxes and how much would have been paid during the next year if Montana had not gone to the fee system. That amount is what was refunded to the counties from the state. Representative Fabrega said there is a known number of vehicles so the counties, in preparing their school budgets, should anticipate the refunds to be received. The money received in March should be used for the following school year.

REPRESENTATIVE FABREGA said, by introducing this bill, he is trying to make it clear that the counties should anticipate the vehicle fee money when computing their general fund levies.

Proponents

DENNIS BURR, representing the Montana Taxpayers Association, said, in the association's opinion, this bill isn't really necessary. He said he has to say that because if the bill is necessary, it takes a little of the "steam" out of the lawsuits they have filed requesting second half payments be refused as a result of failure to anticipate this revenue. If it is necessary to amend this bill, he asked that there be a reemphasis of the fact that motor vehicle fees have to be anticipated.

REPRESENTATIVE KEN NORDTVEDT, District 77, said there is \$40 million in vehicle fees that goes to schools and local governments each year. In the initial year of going to the fee system, a very large fraction of that \$40 million has been transferred to the rest of the tax base in high, unnecessary mill levies because the revenue was not counted in the various local taxing jurisdiction budgets. He recommended this committee amend the bill to include

school transportation levy, school retirement levy and school bond levy. He suggested making a committee bill which, basically, would insert the same language in the section of law dealing with municipalities and county governments in determining their revenues.

There were no opponents testifying on HB 581.

REPRESENTATIVE FABREGA said it is hard to believe school trustees could not or would not anticipate the funds.

The hearing on HB 581 was closed.

HOUSE BILL 561

REPRESENTATIVE KELLY ADDY, District 62, sponsor of the bill, said HB 561 is a bill that would provide an exemption from taxation of \$100 for any person in the state of Montana. He said we encourage savings and economic stability for taxpayers of Montana. Interest rates are so high because of the scarcity of capital. Individuals have gotten out of the habit of financing new purchases out of savings and are into the new habit of financing new purchases from borrowing. House Bill 561 lessens the pressure of interest rates.

Proponents

DENNIS REBER, representing the Montana Association of Realtors, said the association is in support of this bill and support any tax incentives for savers.

Opponents

JOHN CLARK, Deputy Director of the Department of Revenue, said the department, because of the cost of the bill, feels HB 561 should not be passed. He explained the methodology used in preparing the fiscal note for this bill. The fiscal note was done last summer, based on 1981 tax returns. The maximum impact for any taxpayer would be \$11. That is not enough incentive for anyone to save \$100.

REPRESENTATIVE ADDY, in closing, said the reason for the \$100 exemption was to minimize the effect of the fiscal impact.

REPRESENTATIVE ASAY asked if anyone had any figures, on a percentage basis, on the savings rate since the federal exemption. Representative Nordtvedt said the national savings rate has gone up dramatically. People do respond to those types of exemptions.

REPRESENTATIVE UNDERDAL asked how much extra paperwork would be involved, for the Department of Revenue, if HB 561 passes. Mr. Clark said there would be no extra paperwork. It would be

a matter of adding a line to the income tax forms.

REPRESENTATIVE NILSON asked the sponsor of the bill if he agrees with the fiscal note. Representative Addy said he didn't have any figures with which to dispute the fiscal note but he thought it seemed pretty high.

CHAIRMAN YARDLEY said HB 29 gave an \$800 exemption to everyone at a fiscal impact of \$5 million. This bill has a fiscal impact of \$2.5 million. Why? Mr. Clark said he would like to have some time to research the fiscal notes for the two bills and will report back to this committee. Chairman Yardley said that would be fine.

The hearing was closed on HB 561.

HOUSE BILL 31

REPRESENTATIVE DAN HARRINGTON, District 88, sponsor of the bill passed out copies of amendments that would take the grants from the Metal Mines Board and put them under the Hard Rock Mining Board. (See EXHIBIT 1.)

House Bill 31 is an act to provide grants to local government units and school districts from the metal mines license tax to lessen economic hardship caused by metal mines; creating a metal mines board to administer the grants.

REPRESENTATIVE HARRINGTON said this bill is long overdue and will help impacted areas. Had this bill passed last legislative session, some problems would have been averted or at least lessened in situations like what Butte is in now. This money does not go into a trust. If more mining operations open in the future and more money comes into this account, then maybe some of that money could go into a trust fund.

REPRESENTATIVE HARRINGTON told committee members that they must look at this situation and address the problems now. The state is going to have to learn to live without this money going into the general fund when the Anaconda Company shuts down operations. House Bill 31 is a small bill that does a lot.

Since 1925, \$50 million has gone into the general fund from the hard rock mining act. House Bill 31 would provide for 25% of the metal mines license tax go back to a board for distribution in areas where economic problems may occur.

Proponents

GARY LANGLEY, Executive Director of the Montana Mining Association, commended Representative Harrington for introducing HB 31. He supports the concept of the bill. However, he said HB 446 culminates

fourteen months of study and should be looked at.

WARD SHANAHAN, representing Stillwater PGM Resources, said he supports the concept of the bill. He said there are problems with the Hard Rock Mining Board. This bill will provide a source of funding for the impact. If HB 31 can be amended to work with HB 446, he said they would support both bills.

JOE GOUFRIED, Toole County Commissioner and a member of the Montana Association of Counties, said they support HB 31. There is a tremendous influx of people into coal areas. There is a great impact on those areas. We need this money to help with that impact.

CAROL FERGUSON, representing the Hard Rock Mining Board, said the board takes no position on any bills before this legislature but wants this legislature to know they will undertake any tasks given to them providing they are given adequate funding and staffing and shown the tasks are reasonably possible.

MARC LEDBETTER, representing the Northern Plains Resource Council, said they support the bill. He said HB 446 may not raise enough money and HB 31 raises even less but they will support any kind of mechanism to supply grants.

There were no opponents testifying on HB 31.

REPRESENTATIVE HARRINGTON, in closing, said he feels it is important in metal mining to have an ongoing program of grants. These problems should be addressed and HB 31 does that. It is important that impacted areas can go to a board for help. He asked this committee to pass HB 31.

REPRESENTATIVE HARRINGTON said if 33%, instead of 25%, is a more realistic percentage, he would have no problem with that percentage. However, the reason for the 25% was so that the general fund would not be affected as much.

The hearing was closed on HB 31.

CHAIRMAN YARDLEY recessed the hearings and called the committee into Executive Session.

EXECUTIVE SESSION

CHAIRMAN YARDLEY asked the committee to consider acting on HB 16.

House Bill 16

REPRESENTATIVE HARP, sponsor of the bill, said HB 16, in its amended form, contains the amendments proposed by the Department of Highways. The increase in the motor fuels tax rate was lowered

from 3.5 cents to 3 cents and effective January 1, 1985, the tax rate will be raised by 2 cents. Effective January of 1983, one-half cent, of the 3 cent increase, will be allocated to local governments which will mean an additional \$2.5 million to the local governments. Forty-five percent of the funds collected will go to the counties and 55% of the funds collected will go to the cities.

REPRESENTATIVE NILSON asked why this committee had HB 16 if it is on the second reading board for today. Chairman Yardley said since this committee had a joint hearing with Highways and Transportation on HB 16, he asked that the bill be taken off second reading and referred to this committee for action. The bill will then return to second reading.

REPRESENTATIVE WILLIAMS moved HB 16 DO PASS.

REPRESENTATIVE JACOBSEN made a substitute motion to hold HB 16 in committee until this committee has had a chance to see some of the other highway bills.

REPRESENTATIVE WILLIAMS said he would resist that motion. He said HB 16 has to pass out of committee before this committee considers anything else.

REPRESENTATIVE ASAY said this committee should look at all proposals before voting on HB 16.

REPRESENTATIVE NORDTVEDT said there is a proposal to allocate some of the permanent coal trust fund money to highways (over a two-year period). There is another proposal that would take a fraction of the permanent coal trust fund and allocate it to highways (over a ten-year period). If one of those two bills passes we would not need all the funding in this bill. If Representative Jacobsen's motion does not pass, Representative Nordtvedt said he had some amendments to be offered on HB 16.

CHAIRMAN YARDLEY said it was his feeling that coal trust money, whether trust or non-trust, is a separate issue.

REPRESENTATIVE JACOBSEN said this committee is looking at just one thing when we need to look at all of the highway bills.

REPRESENTATIVE DOZIER said Montanans are paying less and less fuel taxes per highway mile than ever before and HB 16 is the solution to that.

REPRESENTATIVE WILLIAMS said HB 16 is the basis of a new beginning of financing highways. This bill gets that financing moving.

This is a user tax. Gas prices are going down and this is an ideal time to increase the user tax.

The motion to hold HB 16 in committee was voted on. The motion FAILED. A roll call was taken and all committee members voted no except Representatives Asay, Devlin, Jacobsen, Nilson, Nordtvedt, Switzer and Underdal, who voted yes.

The committee went out of executive session and back to hearings.

HOUSE BILL 573

REPRESENTATIVE TED SCHYE, District 4, sponsor of the bill, said HB 573 has to do with aviation fuel and a 1 cent increase in the tax. With the transportation problems, the highway system has to be a priority. However, the airport system is in the same shape as the highway system. The airport system is deteriorating. Thirty percent of the airports are not eligible for federal funds. Users fees should fund the maintenance of the airports.

House Bill 573 will raise the aviation fuel tax 1 cent a gallon with a rebate for heavy users. The bill also prohibits the use of these funds for administrative purposes.

Proponents

ROBERT HOLLISTER, representing the Montana Pilot Association (MPA), said the MPA is strongly in favor of the passage of HB 573. He then read a prepared statement to the committee. (See EXHIBIT 2.)

GARY BUCHANAN, Director of the Department of Commerce, said the department's stand on this bill is neutral. Both the Council on Management and the Governor's Transportation Advisory Council did point a series of problems with funding of airports. The department is working with the aviation industry on another idea that would take funds from the long-range building funds as match money with the federal airport improvement program.

LEE BAKER, Montana Pilots Association, said he was asked to read a statement from Herb Sammons, Chairman of the Aeronautics Board, to the committee because he was unable to attend this hearing. (See EXHIBIT 3.)

MR. BAKER said HB 573 provides for a rebate to heavy users and adds a stipulation that the Aeronautics Board approves or disapproves all loans or grants from the aviation fuel tax fund. The money generated by this bill is to be used for maintenance. The 1 cent per gallon increase will be a slow starter but eventually will satisfy larger expenditures for maintenance of airports.

WES EYER, representing himself, said as a member of the Governor's Council of Management, I reviewed the Aeronautics Division. They are depleting their earmarked revenue account by \$100,000 plus per year. Aeronautic community safety will suffer if this continues. A user tax, in my opinion, will be the most equitable answer. I wrote a recommendation to this affect and wish to go on record in support of it. I do not represent the council in this testimony, I am acting as a private citizen.

Opponents

SENATOR PAT GOODOVER, District 22, passed out copies of a resolution adopted by the Montana Aviation Trades Association. (See EXHIBIT 4.) He said this bill is a tax on a business. We are trying to diminish the anti-business image Montana has. When you tax a business that is operating in your state you are not doing the right thing. Only one airline might benefit from the offered rebate. That airline is Northwest Orient. Big Sky airline would never have a rebate and they could not afford an increase in the fuel.

JIM KOLSTAD, Director of Public Affairs for Frontier Airlines, said HB 573 proposes to substantially increase the fuel tax. Scheduled airlines are opposed to HB 573 because the airline industry is in serious financial trouble. Airlines are paying their fair share of taxes to Montana already.

BRUCE PUTNAM, President of the Montana Airport Management Association, said the MAMA recognizes the necessity to provide relief to Montana's fiscally strapped airports. But, at the same time we recognize that aviation system users are currently heavily taxed for support of the aviation facilities both in our state and nationally. Therefore, we oppose HB 573 as an inappropriate solution to the Montana's airports fiscal problems. Specifically, we view further increases in fuel flowage fees as an unnecessary additional burden on the aviation users. The Montana Airport Management Association believes that there should be other better ways to provide more substantive support for Montana's airports, that would rely upon a broader base of fiscal support from citizenry of the state. This would recognize the fact that all Montanans benefit from the existence of the important airport facilities in our state, not just those users directly related to the industry. (See EXHIBIT 5.)

HOMER HOLMAN, representing Holman Aviation, said the Montana Aviation Trades Association is against the 1 cent tax increase because they feel the tax has been raised enough. The 1 cent tax increase will increase the cost so that private flying companies will not be able to be competitive.

LEE FORD, representing the Montana Business Aircraft Association (MBAA) and Buttrey Food Stores, said the 1 cent additional gas tax being proposed is an increased burden on an industry that is badly overtaxed. Business aviation is already paying more than its fair share. Any increases in taxes would be anti-business. Business aviation in Montana has been taxed to the point of diminishing return. We have lost aircraft in the state due to excessive taxes. Neighboring states will look very attractive for business aircraft. (See EXHIBIT 6.)

SENATOR GOODOVER said from testimony given, this committee can see why these people are opposed to HB 573. He asked this committee to kill HB 573. He said there is money available from federal airport funds that will help this situation. Thirteen million dollars will be available in 1984 and 1985 on a use it or lose it basis. All we need is 10% matching money from the long-range building fund (\$1.3 million). That money will be available to all airports. The money will put people to work.

REPRESENTATIVE NORDTVEDT said the airline industry is crucial to the tourist, commercial and business communities in Montana and anything that will harm those communities and services is just another straw on the back of commercial aviation.

REPRESENTATIVE SCHYE told committee members that he has flown since 1966 and owned aircrafts since then, too. Montana has more private pilots, per capita, than any other state in the United States except Alaska. Montana is a flying state. He said he doesn't fly commercially but flies for business. He resents the insinuation that this bill is an anti-business bill. The rebate does go back to the airlines, it doesn't go back to the airports. The money coming from the federal government will not go to all airports in Montana. As far as the effect on tourism, if the 1 cent tax increase is passed the airline tickets will be increased by 13 cents for a flight from Billings to Missoula, for example. The military has never testified for or against a bill such as this so they must not be worried about being hurt by this tax increase. Not all Montana airport managers are in opposition to this bill.

REPRESENTATIVE REAM asked what the aviation gas tax for small businesses or private pilots is. Representative Schye said he has that information, he will get it together, and will present it to the committee before executive action is taken on the bill.

JAY WOOLLEY, representing Western Airlines, said Western Airlines used to take advantage of a rebate program in Wyoming. Then Wyoming cut the rebate program and experienced quite a cut in revenue because Western Airlines stopped fueling in Wyoming. He said thirty-four states do not charge a fuel tax.

REPRESENTATIVE WILLIAMS asked if he wasn't correct in saying the matching funds requested from the long-range building funds have to go to construction, not to be used for maintenance. Representative Schye said that was correct. However, the money could be used for resurfacing after the runway has been completely deteriorated.

BRUCE PUTNAM said there are 69 airports in Montana that would be eligible for funding from the long-range building program. That would take the pressure off passing the 1 cent tax increase. He also said no airport ever waits until the runway is completely deteriorated before it is resurfaced. There is constant upkeep and maintenance.

REPRESENTATIVE JACOBSEN asked how Montana compares with overall costs of airport service with other states. Senator Goodover said Northwest Airlines would probably be more than happy to provide that information if it is wanted. Representative Jacobsen said he would like to receive that information.

REPRESENTATIVE HARP asked if all the money raised from the tax increase will be used for loans and grants. Representative Schye said that was correct.

REPRESENTATIVE DEVLIN asked how these loans would be repaid to the fund. Mr. Woolley said through landing fees and rentals, the loans will be repaid.

REPRESENTATIVE NEUMAN asked what AIP stood for. Mr. Putnam said it stands for Airport Improvement Program.

REPRESENTATIVE BERTELSEN asked if it isn't true that any costs put on airline transportation of products is eventually put on the consumer. Mr. Putnam said that was correct.

CHAIRMAN YARDLEY asked what was the logic of having the long-range building program provide matching money. That is like telling the cigarette smokers to pay for airport maintenance, not the users of the airport. Senator Goodover said when it was discovered that there was \$13 million in federal match money available, the Department of Commerce suggested taking money from the long-range building program.

CHAIRMAN YARDLEY asked if it is more logical to use money from the long-range building program or is it more logical to have the airport users pay the cost. Senator Goodover said there is no logic in where money comes from on a lot of the bills the legislature passes.

REPRESENTATIVE DOZIER asked if it was proposed to increase aviation fuel tax because we cannot tax the planes. Mr. Putnam said municipal airports cannot collect property taxes on airplanes.

REPRESENTATIVE WILLIAMS asked if the tax increase will be passed on to the consumer, why do the commercial airline companies oppose the 1 cent tax increase. Mr. Kolstad said if the airline companies could pass all costs on to consumers they would be in a profit picture now, but the companies cannot do that. If fares are increased to cover increased expenses, the airline companies would lose their customers.

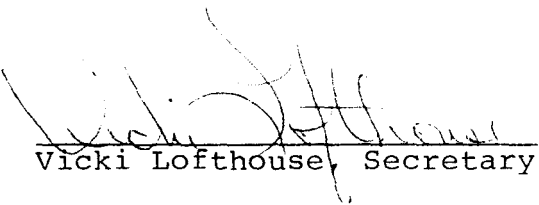
REPRESENTATIVE WILLIAMS asked why the airlines are losing money. Mr. Kolstad said there has been greatly increased competition. We are in a serious economic recession and that affects the airlines.

The hearing on HB 573 was closed.

CHAIRMAN YARDLEY told committee members that he will hold off on any executive action on HB 16 until tomorrow.

The meeting was adjourned at 11:00 a.m.


DAN YARDLEY, Chairman


Vicki Lofthouse, Secretary

PROPOSED AMENDMENTS TO HOUSE BILL 31
Introduced by Representative Dan Harrington

- 1) Page 1, line 7:
After "Metal Mining;" delete "Creating a metal mines board to" and insert "Providing that the Hard Rock Mining Board."
- 2) Page 1, lines 11, 12:
After "through 7" insert "through 5".
- 3) Page 1, lines 19,20:
After "[Section 9]" insert "[Section 5]".
- 4) Page 1, lines 22, 23, 24:
Delete Section 3, and in place of, create a new Section 3, which should read:

Section 3. Definition of metal mines board. In [Sections 1 through 5], "board" means the hard rock mining impact board provided for in 2-15-1822.
- 5) Page 1, line 25; Page 2, lines 1-9:
Delete Section 4, completely.
- 6) Page 2, line 10:
After "Section" delete "5" and insert "3".
- 7) Page 2, line 16:
After "[Section 6]", insert "[Section 4]".
- 8) Page 2, line 22:
After "Section", delete "6" and insert "4".
- 9) Page 3, line 3:
After "Section", delete "7" and insert "5".
- 10) Page 3, lines 9-25; Page 4, lines 1-3:
Delete Section 8, completely.

Proposed Amendments to House Bill 31
Page Two

11) Page 4, line 4:

After "Section", delete "9" and insert "6".

12) Page 4, line 12:

Delete Section 10, and in its place insert a new section,
which should read:

Section 7. Codification instructions. Section 6 is
intended to be codified as an integral part of title 15,
chapter 37, part 1.

13) Page 4, line 18:

After "Section", delete "11" and insert "8".

1/28/83
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MONTANA PILOTS' ASSOCIATION
INCORPORATED



February 8, 1983

Committee Chairman and
Members of the House Taxation Committee:

The Montana Pilots' Association is strongly in favor of the passage of House Bill #573.

In 1945, the Montana Pilots' Association was able to see the "Montana Aeronautics Commission" evolve from its efforts to bring flying safety, education and airport development to Montana. The Montana Pilots' Association introduced legislation to fund the Montana Aeronautics Commission by a one cent (1) per gallon tax on aircraft fuel. This tax amounted to approximately a three percent (3%) tax on the fuel.

Today, the Aeronautics Division is still operating on the same one cent per gallon. This one cent tax represents approximately a half of a percent ($\frac{1}{2}\%$) tax today on the fuel. The Aeronautics Division has had to cut staff and programs due to decreasing revenues and increased costs. The Montana Pilots' Association feels it has a vested interest in the Montana Aviation Community and its development. We further feel that the additional one cent a gallon tax would aid the Aeronautics Division's loans and grants program by making additional funds available and bringing to Montana airports slated from the proposal state to the building and/or built state as per the Montana Five Year Airport Study prepared for the Aeronautics Division.

The additional monies could also give our communities a helping hand with maintaining airports in our great state.

Sincerely,

A handwritten signature in cursive script, which appears to read "Robert Hollister". The signature is written in dark ink and is positioned above the printed name of the signatory.

Robert Hollister, President
Montana Pilots' Association



TED SCHWINDEN
GOVERNOR

STATE OF MONTANA

Aeronautics Board

Richard S. O'Brien, Vice Chairman, Conrad
Clarence Ugrin, Miles City
Robert N. Miller, Dillon

Maurice Sandmeyer, Secretary, Sidney
Bruce Vanica, Billings
James A. McLean, Bozeman



HERB SAMMONS,
CHAIRMAN
CUT BANK

February 2, 1983

Representative Yardley, Chairman
House Tax Taxation Committee

Dear Rep. Yardley:

I regret that I will not be able to appear before your committee to personally submit testimony on HB 573.

The Montana Aeronautics Board is in support of increasing by one cent (1¢) per gallon aviation fuel tax as stipulated in HB 573.

Your acceptance of this letter in lieu of personal testimony will be greatly appreciated.

Sincerely,

Herb Sammons, Chairman
Aeronautics Board



EXHIBIT 4
2-9-83

RESOLUTION

- WHEREAS, The Montana Aviation Trades Association is made up of a group of flight operators engaged in General Aviation and operating General Aviation facilities at one or more of the 116 airports in the State of Montana, and
- WHEREAS, The purpose of the Montana Aviation Trades Association is to foster, promote, and protect the Commercial Aviation Industry in the State of Montana, and
- WHEREAS, MATA believes the additional 1¢ per gallon fuel tax would impose an undue economic burden on flight operators and the consumer in a time of rising costs and economic mandates to curb inflation, and
- WHEREAS, The revenue from the 1¢ per gallon additional tax would be offset by the rebates given to the Major Air Carriers, as volume users, and
- WHEREAS, With the good possibility of the re-entry into Montana of the B-52 training flights and the resulting increased fuel revenues to the Division of Aeronautics,
- NOW THEREFORE, Be it resolved that at this time, The Montana Aviation Trades Association be on record as opposing HB573, A BILL TO INCREASE THE AVIATION FUEL TAX BY 1¢ PER GALLON.

*The purpose of Montana Aviation Trades Association is to foster, promote and protect
the commercial aviation industry in the State of Montana.*

*Hugh R. Kelleher, A.A.E. Executive Secretary
Helena Airport, Helena, Montana 59601*

TESTIMONY OF

J. BRUCE PUTNAM

PRESIDENT - MONTANA AIRPORT MANAGEMENT ASSOCIATION

Before House Taxation Committee

Regarding - HB 573 Increase in Aviation Fuel License Tax

Wednesday February 9, 1983

The Montana Airport Management Association recognizes the necessity to provide relief to Montana's fiscally strapped airports. But, at the same time we recognize that aviation system users are currently heavily taxed for support of the aviation facilities both in our state and nationally, (e.g., 8% ticket tax, 12-14¢ per gallon federally on fuel, Excise taxes on aircraft tubes, tires, freight, etc.). Therefore we oppose House Bill 573 as an inappropriate solution to the Montana's Airports fiscal problems. Specifically, we view further increases in fuel flowage fees as an unnecessary additional burden on the aviation users.

The Montana Airport Management Association believes that there should be other better ways to provide more substantive support for Montana's Airports, that would rely upon a broader base of Fiscal Support from citizenry of the state. This would recognize the fact that all Montanans benefit from the existence of the important airport facilities in our state, not just those users directly related to the industry.

Montana Business Aircraft Association

INTERNATIONAL AIRPORT
R.R. 4016
GREAT FALLS, MT 59401
(406) 453-7613

HOUSE BILL 573
HOUSE TAXATION COMMITTEE
FEBRUARY 9, 1983

Mr. Chairman, and members of the Committee, I am Lee Ford, Chairman - Montana Business Aircraft Association (MBAA), Chief Pilot - Buttrey Food Stores.

1. The .01 additional gas tax being proposed is an increased burden on an industry that is badly overtaxed. Business aviation is already paying more than its fair share.
2. Any increases in taxes would be anti-business. Business aviation in Montana has been taxed to the point of diminishing return. We have lost aircraft in the state due to excessive taxes.
3. Neighboring states look very attractive for business aircraft.

	<u>Prop Tax</u>	<u>Sales Tax</u>
WYO	0 Jet	4%
ORE	60 Jet	0
WASH	200 Jet	5.3-6.0%
IDA	250 Jet	3%

Statement by the
Air Transport Association of America
before the House Taxation Committee
Montana House of Representatives
on House Bill 573
February 9, 1983

Mr. Chairman, thank you for the opportunity to appear before the Taxation Committee today. My name is Jim Kolstad and I am Director of Public Affairs for Frontier Airlines. I was also raised on a wheat ranch northeast of Shelby, and I can tell you it's good to be home. I appear today on behalf of the Air Transport Association and its member airlines serving Montana. With me this morning are key officers of Northwest Airlines, Western Air Lines, and the Air Transport Association.

House Bill 573 proposes to substantially increase the aviation fuel tax which airlines already pay to the State of Montana. The scheduled airlines are opposed to this measure. The airline industry is in serious financial difficulty, as you and other members of this committee may be aware. Over the past two years, the scheduled airline industry has suffered more than one billion dollars in operating losses. Despite these losses, the airline industry has maintained, or improved, service to Montana in the last 12 months. Given this continuing commitment to airline service in Montana, it is little wonder that the airline industry opposes a tax that would increase our fuel tax cost by about 65 percent. The fact is the airlines are paying their fair share of taxes within the state today. We are paying more than \$850,000 a year in flight property taxes to those local governments where we operate. Additionally, we are paying about \$200,000 per year in fuel taxes -- so in round figures we are paying about a million dollars in these taxes alone. We also pay the other taxes imposed on companies doing business in Montana. This burden places Montana among the highest tax jurisdictions in the nation for the airline industry. Most states impose no excise tax on aviation fuel and the trend is toward

eliminating these taxes. This, Mr. Chairman, is another reason we are so strongly against this tax. The proposed measure would increase our fuel tax cost to about \$340,000 annually.

Mr. Chairman, I am sure that most committee members are aware that we pay landing fees and space rentals at the airports we serve. These fees and charges combined with federal airport grants cover virtually all of the capital costs of airport development at the facilities we serve. Mr. Chairman, we believe we are already paying more than our fair share of taxes, fees and charges in Montana.

In summary, Mr. Chairman, we are strongly opposed to House Bill 573. The airlines are already making substantial payments in taxes and important other economic contributions in the state. We perceive no benefit to the airlines or passengers and shippers who are residents of Montana from any additional tax burden. We urge you to reject House Bill 573.



**GREAT
FALLS AREA
CHAMBER OF COMMERCE**

P.O. BOX 2127
926 CENTRAL AVENUE
GREAT FALLS, MONTANA 59403
(406) 761-4434

February 4, 1983

House Taxation Committee
Montana State Legislature
Capital Station
Helena, MT 59620

The Great Falls Area Chamber of Commerce continues to oppose legislation which would raise the tax on Aviation fuel by 1¢ per gallon. It is appropriate, then, that we oppose HB 573 as proposed in the 1983 session of the Montana State Legislature.

As before, there is no clear indication from the Aeronautics Division as to how the additional revenue will be utilized. The major share of the revenues derived from such a tax would be at the expense of major air carriers, and there is no assurance that the airports served by these carriers will benefit adequately in return.

The Great Falls Chamber's opposition is further enhanced by the prospect of a new flying mission at Malmstrom AFB. Montana continues to be one of only two states in the union that imposes fuel taxes on the federal entities that purchase fuel within the state. The location of that flying mission at Malmstrom, an economic "shot in the arm" for the whole state, could be jeopardized by the doubling of Montana's fuel taxes when surrounding states with similar facilities have none at all. The mission in question, incidentally, would provide approximately 2000 new jobs, or roughly one-half of the primary jobs lost to Montana in recent years.

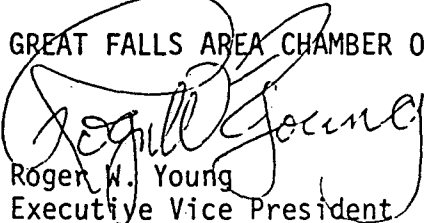
We realize that HB 573 has been altered to include a rebate to air carriers and to route monies paid by air carriers to air carrier airports, but the rebate is not of a size to be significant and the Aeronautic Division's budget is not specific as to the uses the funds will be put to.

House Taxation Committee
February 4, 1983
Page 2

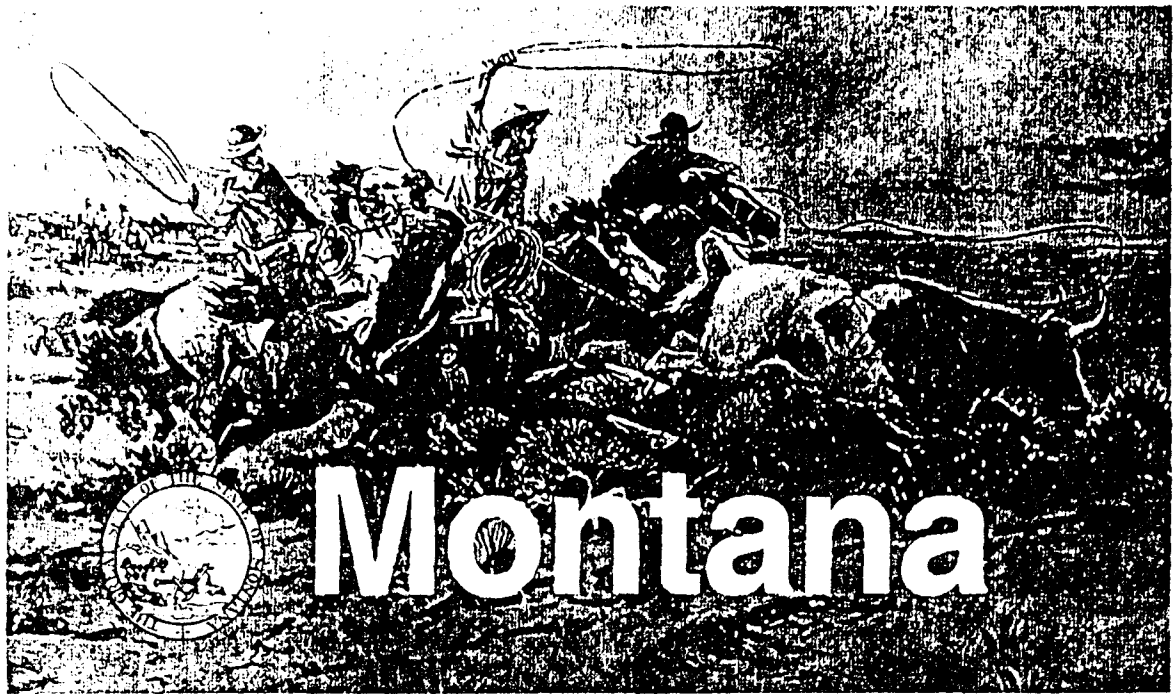
The Great Falls Area Chamber of Commerce would be more likely to favor other legislation proposed by aviation related groups that would derive funds from other sources, offer a larger dollar-volume potential, and would more directly answer the airport improvement problems within the state. In this regard, it is pertinent to note that general aviation has just been the recipient of an up to 12¢ per gallon fuel tax imposed by the Federal government; the cost of which will be passed on to the flying public.

Sincerely yours,

GREAT FALLS AREA CHAMBER OF COMMERCE



Roger W. Young
Executive Vice President



Montana

Governor's Council on Management

Final Report

Aeronautics Division

Airport development and operations, aeronautical search and rescue missions, and aerospace education are all responsibilities of the Aeronautics Division. This group manages West Yellowstone Airport for six months each year as well. The \$750,000 fiscal 1982 operating budget was derived from a \$0.01 per gallon aviation fuel tax.

A seven-member Aeronautics Board monitors division activities and provides advice. An authorized staff of 13, including three current vacancies, is supervised by an administrator. Operations are divided between Airport/Airways and Safety and Education Bureaus.

Division members perform their duties effectively. However, several budgetary and staff work load issues need to be addressed. Also, lack of communication between divisions limits planning.

Recommendations

337. Replace the Aeronautics Board with an Aeronautics Advisory Council.

Although it is now primarily an advisory body, the Aeronautics Board meets frequently to monitor division operations. The board recently lost its power to establish commercial air fares for Montana carriers by an Attorney General's ruling. It still has the power to issue industrial revenue bonds for commercial carriers, but none have been sold to date.

To limit this group to an advisory status, the Aeronautics Board should be abolished and replaced by an Aeronautics Advisory Council with the same representation. The new council should meet half as frequently as the board. Implementation will provide the Aeronautics Division with the ongoing services of the council's expert members, while diminishing its monitoring responsibilities. The annual saving in meeting expenses is estimated at \$10,000.

338. Coordinate long-range transportation planning.

Separate groups in the Airport/Airways Bureau and the Department of Highways as well as two bureaus in the Transportation Division fulfill planning responsibilities. Because these agencies do not coordinate efforts, the state has no long-range transportation plan. Therefore, a committee composed of air, commodity, passenger and highway transit representatives should be formed to develop such a plan. Recommendations made by the Governor's Transportation Advisory Council should be integrated with this proposal. Implementation will improve transportation services throughout Montana.

339. Raise the aviation gas tax.

The \$0.01 per gallon aviation gas tax does not supply enough revenue to recover expenses. Therefore, the division operates without sufficient staff to adequately carry out programs. To protect the aeronautical community from service cuts, legislation should be enacted to raise the aviation gas tax to cover the cost of operating this division, which currently has an annual deficit of \$100,000.

340. Establish inventory controls at the aeronautical supply store.

The division sells aeronautical supplies and safety equipment to state airports. However, purchasing and inventory records are inadequate. To ensure correct pricing and prompt reordering, a card system should be employed to record required sales information on each item in stock. A yearly inventory should also be conducted to help determine an appropriate cost factor, with responsibility for the entire system assigned to one individual. While no saving is claimed, implementation will increase efficiency and lower inventory investment by 25 to 50%.

341. Eliminate the part-time file clerk.

There is not enough clerical and administrative work to keep the part-time and two full-time employees busy. For example, the secretary only has a 50% work load. To equalize responsibilities, the part-time file clerk position should be eliminated, with duties assigned to the secretary. The annual saving is estimated at \$7,000.

Financial Bureau

To safeguard the public's deposits in state chartered financial institutions, the Financial Bureau routinely conducts on-site bank, savings and loan, and credit union field examinations. In addition, this bureau issues new charters and supervises mergers, consolidations and relocations of banks. The Commissioner of Financial Institutions, who heads the Financial Bureau, supervises 18 positions and reports to the Director, Department of Commerce. The director is chairman of the State Banking Board. Approximately 60% of the bureau's \$576,000 fiscal 1982 operating budget was derived from earned income.

The commissioner schedules examinations and manages activities to support the staff of bank and consumer loan examiners. This is a well-managed bureau, with experienced, qualified personnel. However, field examiners are not receiving training in state-of-the-art procedures and techniques, particularly electronic data processing. Performance appraisals are not conducted regularly and overall operations rely heavily on the expertise of the current commissioner.

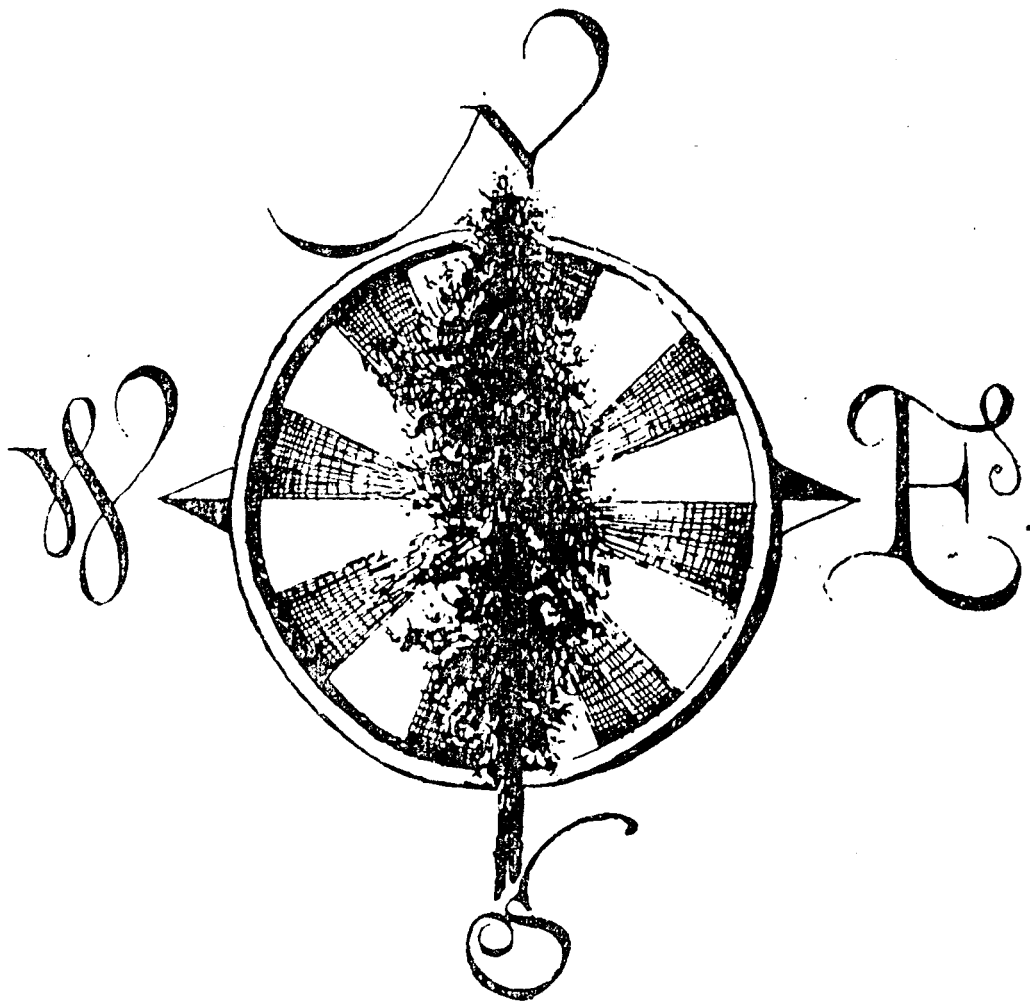
Recommendations

342. Train a successor to the Commissioner of Financial Institutions.

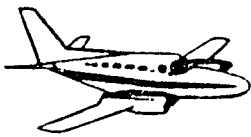
Since the Commissioner of Financial Institutions has been in charge for many years, he is the only employee who knows how to perform many vital functions such as scheduling of examinations or determining bank ratings. The sudden loss of these services would have a detrimental impact on operations.

To prevent foreseeable difficulties, the vacant supervising examiner position should be filled by a candidate qualified to assume the commissioner's duties. The non-budgeted part-time clerk substituted for this authorized position will have to be eliminated to maintain approved staffing levels. Implementation will ensure a logical successor to the commission-

MONTANA TRANSPORTATION



A REPORT OF THE
GOVERNOR'S TRANSPORTATION
ADVISORY COUNCIL



II. AVIATION



Next to retaining air carrier service, adequate funding for airports and airport maintenance is the industry's greatest concern. Montana has 121 public airports: 8 serving major airlines, 6 serving commuter airlines, and the rest for general aviation. Many of these airports are in the same condition as our highways, and the larger airports especially need maintenance funds. Airports have traditionally increased their revenues by increasing user fees—fuel taxes and landing fees for example—but these fees have reached their upper limits.

RECOMMENDATIONS

After having consulted the Montana Aeronautics Board and the Montana Aviation Advisory Committee, and having conducted a survey asking for information from people active in the State's aviation industry, the Transportation Council makes these recommendations regarding airport regulation and funding:

1. The Council recommends that the Montana Aeronautics Board not be abolished under the sunset law. The Board should have authority to approve or disapprove all loans and grants made by the Aeronautics Division, Montana Department of Commerce; should be allowed to review the Division's budget before it is implemented; and should otherwise serve in an advisory capacity. (*Vote: 14-yes; 1-abstained*).

2. A \$2.5 million of oil severance tax revenues should be appropriated to the Aeronautics Division each year. The Division should distribute 100 percent of these funds to airports for maintenance, repair, and reconstruction projects only, at the ratio of 75 percent state funds to 25 percent airport funds. Half of these state funds should go to general aviation airports and half to air carrier airports. (*Vote: 12-yes; 3-abstained*).

3. The permissive mill levy for airports should be increased from 2 mills to 4 mills. (*Vote: 11-yes; 3-no; 1-abstained*).

4. The Legislature should strengthen the statutory language regarding the permissive mill levy so that once a levy is certified by an airport governing body, it is mandatory—not discretionary—upon city and county governments. (*Vote: 11-yes; 4-no*).

5. The Legislature should examine tax of aircraft and find a more equitable system similar to that used for automobiles. (*Vote: 11-yes; 3-no; 1-abstained*).

THE MONTANA AERONAUTICS BOARD

The Montana Aeronautics Board was initially designed to protect the public's interests regarding airline regulations and the activities of the Aeronautics Division. Without new legislation the Board will terminate, or "sunset" in June of 1983. Through the Council's survey and the testimony of aviation representatives, overwhelming support was given by the aviation industry for the continuation of the Board.

AIRPORT FUNDING

Federal funds, in the form of Airport Development and Aid Programs (ADAP), provided for original airport construction and expansion. The industry generally feels that ADAP funds have not met aviation needs recently, and there is strong doubt that future funds will be sufficient. ADAP's methods have inspired a build-and-then-crumble-away cycle in airport facilities, so the problem is with maintenance, not construction.

The aviation industry has spoken in favor of increased state and county involvement in airport funding. The 1% increase in the State's oil severance tax to take effect in July 1983 will earn approximately \$5 million per year. The Transportation Council recommends that half be dedicated to airport maintenance and reconstruction. Just as with Federal funds, this state aid should be matched by money from the airports and their sponsoring agencies. A full half of the \$2.5 million should go to air carrier airports, serving major airlines, because they are the most in need and serve the most people. (For comparison, it should be noted that Wyoming spends \$9 million per year in tax revenues on airports.)

Legislative action is needed to raise the permissable property tax levy for support of airports from 2 mills to 4 mills. It should be emphasized that this is a permissive levy; just because a local government can ask for 4 mills does not mean it must. The following example illustrates the current situation which convinced the Transportation Council that the proposed increase is justified. Belgrade's Gallatin Field and its users contribute about \$250,000 per

near to Gallatin County, through property taxes, ad valorem taxes, etc. associated with the airport. Through the current 2 mill tax levy, the county contributes only \$118,000 to the airport.

There is also an oversight in the existing airport mill levy statute. As it is written, once the governing body of a city airport certifies a mill levy, the city must levy that tax. However, the law only implies and does not specifically state the same requirement for city/county or county airports. The Legislature should reword and thus clarify the statute.

AIRCRAFT PROPERTY TAXES

Though people come to Montana and buy corporate aircraft to avoid paying sales tax, few corporations base aircraft in Montana because of the high property taxes involved. Montana can encourage corporations to base aircraft in the state, and thus reap the revenues they generate, by instituting more equitable property taxes on aircraft. Automobile taxes should serve as a model.

III. ENERGY TRANSPORTATION

New technologies for transportation of energy commodities, especially large petroleum pipelines and coal slurry pipelines, have spawned controversy throughout the state. The Transportation Council responded to this controversy by undertaking a study of three proposed energy transportation facilities: the Northern Tier petroleum pipeline, the Energy Transportation Systems Incorporated (ETSI) coal slurry pipeline, and the coal slurry line proposed by the Powder River Pipeline, Incorporated. Northern Tier continues its efforts to secure the permits necessary for construction; it was denied permission to build in Washington State. ETSI plans to begin construction of its coal slurry line from Wyoming to Arkansas in 1984. Powder River is studying the possibility of a coal slurry pipeline from the Powder River Basin to the Great Lakes.

RECOMMENDATIONS

Extensive research and discussion led the Council to make three recommendations:

1. Bulk liquid commodities pipelines, as common carriers, should be encouraged to develop and through the state. A positive economic development environment should be created by state agencies and government in general. The Governor is encouraged to promote this concept through cabinet level discussion and legislative implementation. *(Vote: Unanimously passed).*

2. Montana water is growing in importance as a production resource for all Montana agricultural and industry. Decision on future water appropriation should be made only after thorough analysis and public review. The Committee recommends that commitment of water resources for slurry pipelines should be judiciously and cautiously undertaken. *(Vote: 9-yes; 6-no).*

3. The Council recommends repeal of the prohibition of the use of state water for coal slurry pipelines and in place thereof to provide for prioritization of such use as subservient to domestic and agricultural consumption. *(Vote: 9-yes; 5-no).*



AERONAUTICS AVIATION FUEL TAX INCOME

	<u>Fiscal 1974</u>	<u>Fiscal 1975</u>	<u>Fiscal 1976</u>	<u>Fiscal 1977</u>	<u>Fiscal 1978</u>	<u>Fiscal 1979</u>	<u>Fiscal 1980</u>	<u>Fiscal 1981</u>	<u>Fiscal 1982</u>	<u>Fiscal 1983</u>
July	\$32,744.59	\$37,701.40	\$31,371.54	\$30,839.05	\$34,580.86	\$28,187.64	\$37,895.20	\$37,188.23	\$34,278.91	\$30,647.59
August	33,960.26	33,924.58	29,640.96	35,877.85	33,341.26	20,641.04	20,131.81	47,934.86	39,530.16	\$21,061.14
September	36,109.73	33,146.77	45,612.09	18,461.44	36,992.70	37,413.19	61,934.80	47,934.86	39,530.16	\$27,803.95
October	None	17,318.25	29,992.42	44,016.42	29,865.54	28,855.25	30,684.78	29,101.77	31,291.11	\$25,363.31
November	29,786.32	47,307.96	4,547.19	31,546.39	27,811.66	25,222.68	14,135.70	25,694.10	40,382.40	\$48,020.09
December	30,400.26	27,284.10	39,548.01	14,133.88	27,537.86	1,652.00	48,639.05	30,218.89	11,325.06	\$15,227.78
January	56,751.64	31,348.49	25,615.65	42,892.87	27,963.83	60,751.11	30,940.71	33,206.73	23,430.33	
February	24,731.82	None	28,365.93	20,891.17	23,327.95	14,840.64	10,117.06	6,131.99	1,049.35	
March	38,171.42	57,478.58	37,207.95	22,716.47	23,128.50	43,040.31	42,466.85	51,198.57	45,070.38	
April	23,962.90	20,450.00	28,683.12	36,430.70	26,261.15	30,902.64	29,575.09	27,120.04	19,578.15	
May	16,098.81	38,612.52	28,239.04	26,309.04	28,480.09	30,000.61	26,483.23	23,806.62	20,790.63	
June	40,455.10	30,594.00	27,854.91	28,430.76	21,572.43	34,695.11	31,210.92	27,251.90	21,871.18	
ANNUAL										
TOTAL	\$363,172.85	\$375,166.65	\$355,678.81	\$352,546.85	\$340,863.83	\$356,202.22	\$384,215.20	\$386,788.56	\$328,127.82	\$
MONTHLY										
AVERAGE	\$30,264.40	\$31,263.89	\$29,639.90	\$29,378.90	\$28,405.32	\$29,683.52	\$32,017.93	\$32,232.38	\$27,343.99	\$

WITNESS STATEMENT

Name Wes Eyer Committee On Taxation
Address Glendive, MT Date 2-9-83
Representing myself Support For
Bill No. HB 573 Oppose _____
Amend _____

AFTER TESTIFYING, PLEASE LEAVE PREPARED STATEMENT WITH SECRETARY.

Comments:

1. As a member of the governor's council on management I reviewed the aeronautics division. They are depleting their earmarked revenue account by ²\$100,000+ per year. Aeronautic community safety will suffer if this continues.

4. A user tax, in my opinion, will be the most equitable answer. I wrote a recommendation to this affect and wish to go on record in support of it.

I do not represent the council in this testimony. I am acting as a private citizen.

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

VISITOR'S REGISTER

HOUSE §31 TAXATION COMMITTEE

BILL HOUSE BILL 31

DATE February 9, 1983

SPONSOR Representative Harrington

NAME	RESIDENCE	REPRESENTING	SUP- PORT	OP- POSE
J. Ferguson	Helena	Hard Rock Bed	X	
Mary A Lanahan	Helena	Montana Minum Assoc	X	X
Wend Stanah	Helena	Shellhead P 67	Amend	
J. Simpson	Sweet Grass	MAA	X	
Maureen Holter	Helena	NPRC	X	
Pat Fairbanks	Helena	Montana Education Teachers	X	

IF YOU CARE TO WRITE COMMENTS, ASK SECRETARY FOR LONGER FORM.

WHEN TESTIFYING PLEASE LEAVE PREPARED STATEMENT WITH SECRETARY.

VISITOR'S REGISTER

HOUSE H.B. 573 TAXATION COMMITTEE

BILL House Bill 573

DATE February 9, 1983

SPONSOR REPRESENTATIVE SCHYE

NAME	RESIDENCE	REPRESENTING	SUP- PORT	OP- POSE
Robert Holbert	Forsyth	MONTANA PILOT ASSOC	X	
Hugh K. Pfeiffer	Helena Airport	Helena Airport		X
Angelo Petroni	412 TERRA VERDE DR BUTTE	BUTTE AIRPORT		X
Lee Baker	LEWISTOWN	MPA	X	
H.L. Holman	Great Falls	Holman Aviation		X
Mark Fleming	Minneapolis/St Paul	Northwest Airlines		X
George Teslovich	Great Falls	Northwest Airlines		X
Larry Garnett	Washington D.C.	Air Transport Associates		X
Lay Woolley	Los Angeles, CA	Western Airlines		X
Ken Curtis	HELENA, MT	NORTHWEST AIRLINES		X
Larry Stanley	Helena mt	Western Airlines		X
W.D. Ottavio	Great Falls MT	Great Falls City Airport		X
J.B. Ingram	Billings	Mont. Airport Management Assoc		X
Lee Furr	GREAT FALLS	M.B.A. BUTTERY FOODS		X
Lee Furr	Sidney mt	Sidney Airport	X	
Ann Kolstad	Denver	AIR TRANSPORT ASSN		X
Patricia	Great Falls	Great Falls City Airport		X
Wes Eyer	Glenview		X	
Bob Mercer	Hepp	Helena Airport		
Ted Mathis	Belgrade	Gallatin Field		X

IF YOU CARE TO WRITE COMMENTS, ASK SECRETARY FOR LONGER FORM.

WHEN TESTIFYING PLEASE LEAVE PREPARED STATEMENT WITH SECRETARY.

VISITOR'S REGISTER

HOUSE HB 581 TAXATION COMMITTEE

BILL HOUSE BILL 581

DATE February 9, 1983

SPONSOR Representative Fabrega

NAME	RESIDENCE	REPRESENTING	SUP- PORT	OP- POSE
<i>Demobrien</i>	<i>Clancy</i>	<i>MONTAX</i>	<i>X</i>	

IF YOU CARE TO WRITE COMMENTS, ASK SECRETARY FOR LONGER FORM.

WHEN TESTIFYING PLEASE LEAVE PREPARED STATEMENT WITH SECRETARY.

STATE OF MONTANA

REQUEST NO. 299-83

FISCAL NOTE

Form BD-15

In compliance with a written request received February 2, 19 83, there is hereby submitted a Fiscal Note to House Bill 561 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 561 provides an exclusion of \$100 in interest income from adjusted gross income to individuals less than 65 years of age.

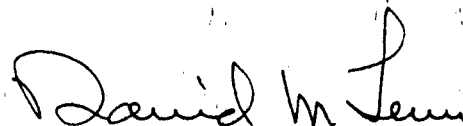
ASSUMPTIONS:

- 1) Total tax collections are as stated by the Office of Budget and Program Planning.
- 2) The proposed exclusion policy will result in a 1.30% decrease in total tax collections.

FISCAL IMPACT:

	<u>FY 84</u>	<u>FY 85</u>
Individual Income Tax Collections		
Under Current Law	166.427M	175.459M
Under Proposed Law	<u>164.263M</u>	<u>173.178M</u>
Estimated Decrease	<u>(2.164M)</u>	<u>(2.281M)</u>
General Fund		
Under Current Law	106.513M	112.294M
Under Proposed Law	<u>105.128M</u>	<u>110.834M</u>
Estimated Decrease	<u>(1.385M)</u>	<u>(1.460M)</u>
School Equalization		
Under Current Law	41.607M	43.865M
Under Proposed Law	<u>41.066M</u>	<u>43.295M</u>
Estimated Decrease	<u>(.541M)</u>	<u>(.570M)</u>
Sinking Fund		
Under Current Law	18.307M	19.300M
Under Proposed Law	<u>18.069M</u>	<u>19.050M</u>
Estimated Decrease	<u>(.238M)</u>	<u>(.251M)</u>

FISCAL IMPACT 11:N/1



BUDGET DIRECTOR

Office of Budget and Program Planning

Date: 2-8-83

STATE OF MONTANA

REQUEST NO. 303-83

FISCAL NOTE

Form BD-1

In compliance with a written request received February 1, 19 83, there is hereby submitted a Fiscal Note for House Bill 573 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 573 increases by 1¢ per gallon the tax on aviation fuel and creates a revolving trust account to deposit 100% of the 1¢ tax increase out of which loans, grants, and navigational aids may be provided to local and state governments for aeronautical purposes. The legislation provides for a rebate system in the amount of 1/2¢ per gallon of fuel purchased in excess of 1 million gallons up to 5 million gallons; 3/4¢ per gallon of fuel purchased in excess of 5 million gallons up to 10 million gallons and 1¢ per gallon of fuel purchased in excess of 10 million gallons.

ASSUMPTIONS:

- (1) Aviation activities in the state will remain at about the same level.
- (2) Inasmuch as fuel taxes are collected at the refinery level, it is difficult to document the users.
- (3) No additional costs are anticipated to administer the increased fuel tax. Existing personnel can easily administer the anticipated rebates to four or five companies.

FISCAL IMPACT:

	<u>FY 84</u>	<u>FY 85</u>	<u>TOTAL BIENNIUM</u>
Revenue Impact:			
Under Current Law	\$325,000	\$325,000	\$ 650,000
Under Proposed Law	553,894	553,894	1,107,788
Increase in Tax Collections	<u>\$228,894</u>	<u>\$228,894</u>	<u>\$ 457,788</u>

These revenues will pass through in local assistance and grants.

Continued

David M. Lewis

BUDGET DIRECTOR

Office of Budget and Program Planning

Date: 2-8-83

LOCAL IMPACT:

Increased aviation fuel tax would be used to assist local governments in funding of the sponsor's 10% share of 90% federal airport grant program. The federal allocation for FY 83 is \$4,338,337 and for FY 84 is \$5,737,005. Montana stands to lose a portion of this money if the local governments cannot come up with the sponsor's share. The aeronautics loan program provides 5% interest loans for a period of ten years, thus allowing the local communities to borrow the money and pay it back through the allowable permissive two-mill levy, thus eliminating the time-consuming controversy of getting bond issues passed by the voters. It is important to note that loans and grants proposed in House Bill 573 are not limited to the 10% share of the federal airport improvement program. Items not eligible in the federal program, such as maintenance, would be eligible in House Bill 573. There are 41 Montana airports not eligible under the federal program.

STATE OF MONTANA

REQUEST NO. 307-83

FISCAL NOTE

Form BD-15

In compliance with a written request received February 2, 19 83, there is hereby submitted a Fiscal Note for House Bill 581 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 581 is an act to require that motor vehicle fees and reimbursement be considered in computing each school district's general fund levy.

ASSUMPTIONS:

- 1) Counties budgeted the motor vehicle fees and reimbursement in various ways in 1982-83. [None of the 10 counties audited anticipated the fees or reimbursement when setting the equalization program requirements. One county did include these funds in setting the voted levies. The remaining 46 counties were not audited.] Office of the Legislative Auditor, Review of Motor Vehicle Fees at Selected Counties. (January 2, 1983).

FISCAL IMPACT:

Since counties budgeted the motor vehicle fees and reimbursement in various ways in 1982-83, it is difficult to estimate the fiscal impact of requiring all counties to anticipate the funds when computing school levies. This bill would clarify and make uniform the method for budgetting these funds.

FISCAL NOTE 11:C/1

David M Lewis

BUDGET DIRECTOR

Office of Budget and Program Planning

Date: 2-8-83

STANDING COMMITTEE REPORT

March 10

19 83

MR. **SPEAKER:**

We, your committee on **TAXATION**

having had under consideration **HOUSE** Bill No. **31**

First reading copy (**White**)
color

A BILL FOR AN ACT ENTITLED: "AN ACT TO PROVIDE GRANTS TO LOCAL GOVERNMENT UNITS AND SCHOOL DISTRICTS FROM THE METAL MINES LICENSE TAX TO LESSEN ECONOMIC HARDSHIP CAUSED BY METAL MINING; CREATING A METAL MINES BOARD TO ADMINISTER THE GRANTS; AND PROVIDING AN EFFECTIVE DATE."

Respectfully report as follows: That **HOUSE** Bill No. **31**

~~DO NOT PASS~~ DO NOT PASS

January 11, 1933

against any tax, penalty, or interest then due from the taxpayer and the balance refunded to the taxpayer or its successor through reorganization, merger, or consolidation or to its shareholders upon dissolution.

(2) Except as hereinafter provided for, interest shall be allowed on overpayments at the same rate as is charged on deficiency assessments provided in [section 1] due from the due date of the return or from the date of overpayment (whichever date is later) to the date the department approves refunding or crediting of the overpayment. Interest shall not accrue during any period the processing of a claim for refund is delayed more than 30 days by reason of failure of the taxpayer to furnish information requested by the department for the purpose of verifying the amount of the overpayment. No interest shall be allowed:

(a) if the overpayment is refunded within 6 months from the date the return is due or from the date the return is filed, whichever is later; or

(b) if the amount of interest is less than \$1.

(3) A payment not made incident to a bona fide and orderly discharge of an actual tax liability or one reasonably assumed to be imposed by this law shall not be considered an overpayment with respect to which interest is allowable."

Renumber: subsequent section

3. Page 2, line 14.
Following: "instruction."
Strike: "Section 1 is"
Insert: "Sections 1 and 2 are"
4. Page 2, line 15.
Following: "as"
Strike: "an"
Following: "integral"
Strike: "part"
Insert: "parts"
5. Page 2, line 19.
Following: "to"
Strike: "section 1"
Insert: "sections 1 and 2"

AND AS AMENDED
DO PASS

.....DAN YARDLEY.....

Chairman.

STANDING COMMITTEE REPORT

February 11, 19 83

MR. **SPEAKER:**

We, your committee on **TAXATION**

having had under consideration **HOUSE** Bill No. **581**

First reading copy (**White**)
color

A BILL FOR AN ACT ENTITLED: "AN ACT TO REQUIRE THAT MOTOR VEHICLE FEES AND REIMBURSEMENT BE CONSIDERED IN COMPUTING EACH SCHOOL DISTRICT'S GENERAL FUND LEVY; AMENDING SECTION 20-9-141, MCA; AND PROVIDING AN EFFECTIVE DATE."

Respectfully report as follows: That **HOUSE** Bill No. **581**

~~XXXXXX~~ **DO NOT PASS**

STANDING COMMITTEE REPORT

March 12, 19 93

MR. **SPEAKER:**

We, your committee on **TAXATION**

having had under consideration **HOUSE** Bill No. **573**

First reading copy (White)
color

A BILL FOR AN ACT ENTITLED: "AN ACT DEFINING "AVIATION FUEL"; INCREASING BY 1 CENT A GALLON THE AVIATION FUEL LICENSE TAX AND CREATING A REVOLVING FUND IN WHICH TO DEPOSIT ALL OF THE REVENUE FROM THE ADDITIONAL 1-CENT TAX FROM WHICH LOANS, GRANTS, AND NAVIGATIONAL AIDS MAY BE PROVIDED TO LOCAL AND STATE GOVERNMENT AGENCIES FOR AERONAUTICAL PURPOSES; PROVIDING FOR A GRADUATED SCALE OF REBATES; PROVIDING FOR ALLOCATION OF A PORTION OF THE REVOLVING FUND TO AIRPORTS SERVING SCHEDULED AIRLINES; REQUIRING THE STATE BOARD OF AERONAUTICS TO APPROVE LOANS AND GRANTS; AMENDING SECTIONS 15-70-201, 15-70-202, 15-70-204 THROUGH 15-70-209, 15-70-221, 15-70-231, AND 67-1-301, MCA; AND PROVIDING AN EFFECTIVE DATE."

Respectfully report as follows: That **HOUSE** Bill No. **573**

DO PASS