

MINUTES OF THE MEETING OF THE HOUSE TAXATION COMMITTEE
February 11, 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 62, HB 86 and SB 36. Executive action was taken on HB 520 and HB 581 during this meeting.

SENATE BILL 36

SENATOR MATT HIMSL, District 9, sponsor of the bill, said SB 36 is an act to exclude income received under the railroad retirement act in determining income for purposes of computing the residential property tax credit for the elderly. He said to understand this bill, it is necessary to go back two years when the legislature provided property relief to low income people on a sliding scale, up to \$150 maximum. Senate Bill 36 proposes to put railroad retirees on the same basis as social security retirees for low income property and general retirement relief.

This is not a pension bill but a property tax relief for low income elderly people.

SENATOR HIMSL said he has no parental pride in this bill. If this committee can find a better bill to do this job, feel free to go with that bill. His concern is that there be equity and fairness in the treatment of retirees.

Proponents

JIM MULAR, representing the BRAC, said he doesn't understand why railroad retirees are discriminated against. He said the railroad retirees support SB 36.

REPRESENTATIVE JOE BRAND, District 28, spoke in support of SB 36. He said this bill asks for that portion of retirement paid, to be treated the same way social security retirement is treated.

JOE WOODS, a railroad retiree, said he supports what has been said and supports SB 36.

BOB VIRTS, a retired railroad engineer, said he would like to add his support to SB 36. He asked for some urgency on the passage of this bill. Last session a similar bill was watered down during the last few days of the session and the railroad employees ended up being left out of the bill.

Opponents

KEN MORRISON, Administrator of the Income Tax Division, Department of Revenue, said he is opposed to SB 36. He is not opposed to the idea of correcting an inequity but the manner in which it is being done. The department feels HB 227 is a much better way to correct the inequities. Senate Bill 36 might be creating a new inequity by treating that portion of railroad retirement not equivalent to social security different than you would treat other retirement incomes.

REPRESENTATIVE WILLIAMS said this bill is a different version of what was proposed last session which asked for exclusion of the social security equivalent of railroad retirement. Senate Bill 36 asked for the entire railroad retirement to be excluded.

REPRESENTATIVE BRAND said that was not his understanding of SB 36. He asked the sponsor of the bill if all railroad retirement would be excluded. Senator Himsl told him that was correct.

REPRESENTATIVE DOZIER asked someone to explain the three-tier retirement system for railroad employees. Jim Mular said prior to 1975, there was only a one-tier program with a supplemental. The supplemental was paid totally and only by the carrier. After 1975, railroad employees could contribute up to 11% of their wages towards retirement benefits and the carrier would also pay up to 11%. Since 1975, the carrier has been picking up the difference between what an employee pays into the program and what the maximum social security benefit is.

SENATOR HIMSL said no one asked him to introduce this bill. Railroad retirees and social security retirees are not treated alike and that is an injustice. If this committee can find a better piece of legislation to accommodate this problem, that would be fine, but until then do not sit on this bill.

The hearing on SB 36 was closed.

HOUSE BILL 62 and HOUSE BILL 86

REPRESENTATIVE JOHN SHONTZ, District 53, sponsor of both bills, said he will present HB 62 and HB 86 together. House Bill 62 is an act to authorize the Department of Revenue to utilize appropriate methodologies when assessing railroad property for ad valorem taxation purposes. House Bill 86 is an act that all railroads provide prescribed information to the Department of Revenue for purposes of assessing ad valorem taxable value.

REPRESENTATIVE SHONTZ said HB 62 is a simple bill and was put before the legislature at the request of the Revenue Oversight Committee. It allows the state of Montana to change the way

we tax the railroads. Line 15 of HB 62 would allow the state to tax railroads on the value of net liquidation or net salvage of property.

House Bill 86 provides the state of Montana with information needed in order to assess properties held by the railroad.

Proponents

GREG GROEPPER, Department of Revenue, told the committee that the two bills were brought in at a request of the Revenue Oversight Committee. At that time the department was involved with litigation of the railroads of Montana for tax years 1980, 1981, and 1982. He said the department and the railroads have reached an agreement of the concerns of equilization of taxing. As a condition of the settlement, the department tried to find a way to solve those taxing problems. Part of the agreement is that the department agreed to recommend to this legislature that HB 62 and HB 86 be withdrawn from consideration. Mr. Groepper left a copy of the agreement drawn up between the Burlington Northern Railroad and the Department of Revenue. (See EXHIBIT 1.)

Opponents

STAN KALECZYC, representing the Burlington Northern Railroad, told the committee that the settlement between the railroad and the state was a negotiated settlement and was not ordered by a court. As part of the agreement, the problems between the railroad and the Department of Revenue are taken care of through tax year 1985. Burlington Northern will not initiate litigation under the Railroad Revitalization and Regulatory Reform Act for three years. This provides, to the counties, some stability in knowing money from the railroad property tax will flow to the counties for the next three years. Given these facts, there is no urgency to take up these bills. We endorse the Department of Revenue's and Revenue Oversight Committee's recommendation that a study be done on the entire property tax structure.

JOHN GRAIN, President of the Butte-Anaconda Railroad, said his railroad is not as long as the Burlington Northern but it is just as wide. He said he is happy that the Department of Revenue has asked that HB 62 and HB 86 be withdrawn.

DENNIS BURR, representing the Montana Taxpayers Association, said he is opposed to HB 62 because it does not do anything. He said he hopes that this legislature, sometime before they adjourn, decides to do as far as taxing railroads.

REPRESENTATIVE SHONTZ, in closing, said it is important to realize the Department of Revenue has done its legal duty and

advised the legislature to withdraw these two bills. From there we have to go on and look at the issues. The Revenue Oversight Committee will meet to discuss whether it wishes us to do that. The question before us is one of equilization - whether Burlington Northern is paying its fair share of taxes in Montana.

The railroad has opposed the Department of Revenue gaining any detailed information on assets for taxing purposes. If the Department of Revenue can gain that information from any other business or private citizen, the Burlington Northern should not be above that parcel of the law.

REPRESENTATIVE HARP asked if this agreement between the railroad and the state is effective immediately. Mr. Kaleczyc said yes, for tax years 1983 through 1985.

MR. KALECZYC said there are a number of classification problems in this state that needs to be looked at and that is what the interim committee will do.

REPRESENTATIVE HARRINGTON asked if the agreement gives the Department of Revenue the right to look at Burlington Northern's assets. Representative Shontz said no, someone else decides what the railroad is worth and Montana gets a cut of that worth. The agreement does not bind this legislation. The agreement provides for some stability for tax dollars paid but throughout the agreement, Montana has taken about half of what we should have.

MR. KALECZYC said it isn't as though the railroad doesn't provide information to the Department of Revenue. Under this new methodology, the railroad would have to submit completely different information, at an increased cost, than what the railroad is now providing.

REPRESENTATIVE JACOBSEN asked what classification is used to tax the railroads now. Mr. Groepper said railroad property is taxed at 15%. The Department of Revenue, in the agreement, settled for a 50% reduction of taxes owed in 1980, a 58% reduction in 1981 and a 65% reduction in 1982. The reductions were based on estimated value that ended up being approximately 20% high.

REPRESENTATIVE JACOBSEN asked why the department settled before the settlement was court tested. Mr. Groepper said there was preliminary decision made by the federal district court that Montana's classification system is a de facto discriminatory system. This same type of issue has been tried in other states and the railroad has yet to lose. He said there have been two full time employees, in the department, working on this problem

since September of 1982. It is the opinion of the department that the department and the railroad came to a reasonable agreement, considering Montana's taxing laws.

REPRESENTATIVE DOZIER asked, in relation to this agreement, is there going to be a "domino effect" with other large companies like Montana Power, for example. Mr. Groepper said the utility companies do not have protective legislation. The airlines do have protective legislation and they have filed litigation in six counties in Montana. The issues are somewhat different and we have gained a lot of experience from the railroad lawsuit. He said he thinks the state will come out a lot better with the airlines than it did with the railroad.

REPRESENTATIVE DOZIER asked if HB 62 is not passed, does that mean the Department of Revenue is left with only method of valuing railroad property. Mr. Groepper said that is correct.

The hearing on HB 62 and HB 86 was closed.

CHAIRMAN YARDLEY said he would like to get a feeling from the committee as to whether the committee would like to hear testimony from a railroad expert from Louisiana who would like to come before this committee but can't until next week. The committee said they would like to hear the testimony.

At this time, Chairman Yardley called the meeting into Executive Session.

EXECUTIVE SESSION

House Bill 658

REPRESENTATIVE NORDTVEDT, sponsor of the bill, moved HB 658 and the proposed amendments DO PASS.

REPRESENTATIVE NORDTVEDT said HB 658 is a bill that would prod the State Board of Education and the Office of Public Instruction to recover money from the county superintendents that is due the state equilization fund.

REPRESENTATIVE NORDTVEDT offered amendments to HB 658. (See EXHIBIT 2.) He went over the amendments with the committee.

REPRESENTATIVE NORDTVEDT said the bill now focuses on the mishandling of the vehicle fee revenue. He said he assumes the problem will be straightened before the 49th Legislature. If at that time there is no problem, this bill will terminate on January 1, 1985.

JIM OPPEDAHN, legislative researcher with the Legislative Council, said if you terminate the whole section you are amending, it has been the opinion of the Legislative Council that all you are terminating is what this act is amending. That act would go back to the way it was prior to the effective date of the act. We could make it clearer by saying subsection 4 is terminated. Representative Bertelsen said he would feel much more comfortable with that.

REPRESENTATIVE NEUMAN asked if you could adjust the payments back from the counties over a period of time. Representative Nordtvedt said since the state equalization aid come in five payments, spread over a year, the schools still have 60% of the aid coming. An adjustment of 10% of the aid would not be difficult to make in the next three payments because the schools have received only two of the five payments.

The motion that the PROPOSED AMENDMENTS TO HB 658 DO PASS was voted on and PASSED unanimously.

REPRESENTATIVE NORDTVEDT moved HB 658 DO PASS AS AMENDED.

REPRESENTATIVE WILLIAMS said in view of the fact there is no penalty, what makes you think the schools will pay more attention to this language than they did before. Representative Nordtvedt said this act tells them they shall do something. A legislative direction was needed. This legislature has to lean on the system as much as possible to recover the \$7 million in state equalization aid. Representative Williams said he doesn't see any need to restate what the schools know they have to do without providing a penalty to those schools that don't reimburse the state.

REPRESENTATIVE NORDTVEDT said the county treasurers must return overpayments if required by the Office of Public Instruction. The penalty of the new language is directing bureaucracy to direct to counties that those overpayments will be refunded. The previous system left it at the discretion of the Office of Public Instruction to request a refund of overpayment. They did not do that so this language requires them to do so.

REPRESENTATIVE HARRINGTON said he thinks this is an effort of futility. One way or another, this money will be returned.

CHAIRMAN YARDLEY said there seemed to be some doubt in the minds of the people at the Office of Public Instruction as to how they are going to request the refund of the overpayments. This bill will expedite the refunding.

REPRESENTATIVE WILLIAMS asked if part of the reason no action was taken before was a result of a letter from the Office of

Public Instruction saying the counties could carry money over for one year. Representative Nordtvedt said there was a memo referring to anticipated revenue which many county superintendents implied referred to the vehicle fees.

REPRESENTATIVE UNDERDAL asked if this legislation would tend to prevent a lawsuit. Chairman Yardley said it would.

REPRESENTATIVE NORDTVEDT said you have two different parties who have been shorted as a result of the mishandling of the vehicle fees. The state has been shorted because they failed to get their share of the state equilization revenue. This bill deals with the state shortage. Who, on the behalf of the state, would file a lawsuit to recover state money. All budget estimates for the state include this revenue. No one in the state has taken action to recover this revenue.

REPRESENTATIVE HARRINGTON said this committee should hear from the Office of Public Instruction as to why that memo was written to the counties. This committee should defer action on the bill until that explanation is heard.

REPRESENTATIVE BERTELSEN said he thinks this bill is necessary and takes the place of a lawsuit.

CHAIRMAN YARDLEY said the memo sent out by the Office of Public Instruction was not specific as far as this issue is concerned.

The motion that HB 658 DO PASS AS AMENDED was voted on and FAILED due to a tie vote. Representatives Bertelsen, Devlin, Harp, Neuman, Nordtvedt, Switzer, Underdal, Vinger and Yardley voted yes. Representatives Abrams, Dozier, Harrington, Jacobsen, Nilson, Ream, Williams and Zabrocki voted no. Representative Asay was not present during the vote.

House Bill 520

REPRESENTATIVE UNDERDAL moved HB 520 DO PASS. He said this system makes sense in that it is a good average for the coal board to work on. (HB 520 is an act to clarify the designation process for certain coal board impact grants.)

REPRESENTATIVE DOZIER said HB 520 takes away a lot of discretionary power. We are putting such specifics on the committee and it is not workable.

REPRESENTATIVE VINGER said from testimony given, the coal board said this bill gives them more flexibility and would be easy to work with.

The motion that HB 520 DO PASS was voted on and PASSED. All committee members present voted yes except Representatives Dozier, Nilson and Zabrocki, who voted no. Representative Asay

was not present during the vote.

House Bill 570

REPRESENTATIVE DOZIER moved HB 570 DO PASS.

REPRESENTATIVE WILLIAMS said he is going to propose some amendments to exempt small rental agencies from taxation on the heavy equipment rented.

CHAIRMAN YARDLEY asked if the Department of Revenue was going to bring this committee an amendment. Mr. Groepper said he will bring one in on Monday morning.

CHAIRMAN YARDLEY said this committee will hold off taking action on this bill until Monday.

House Bill 581

REPRESENTATIVE DEVLIN moved HB 581 DO PASS. (HB 581 is an act to require that motor vehicle fees and reimbursement be considered in computing each school district's general fund levy.)

CHAIRMAN YARDLEY said it was suggested that HB 581 be amended to include transportation, retirement and bond levies.

REPRESENTATIVE JACOBSEN said he doesn't feel this bill is necessary.

REPRESENTATIVE SWITZER said every county failed to consider the motor vehicle fees in computing the general fund levy so this bill would be necessary.

JIM OPPEDAHN said if this committee wants to include transportation, retirement and bond levies in the bill, he could amend the title to reflect that and then he would have to add the other sections to add the levies.

REPRESENTATIVE HARP said we can't legislate everything every county can do.

REPRESENTATIVE DEVLIN said line 20 of the bill covers any other levy.

REPRESENTATIVE DOZIER made a substitute motion that HB 581 DO NOT PASS.

The motion was voted on and PASSED. A roll call vote was taken and all committee members present voted yes except Representatives Bertelsen, Devlin, Nordtvedt, Switzer, Vinger, Zabrocki and Yardley, who voted no. Representatives Abrams and Asay were not present.

REPRESENTATIVE HARP moved this committee RECONSIDER PREVIOUS ACTION on HB 658 until all committee members are present to vote.

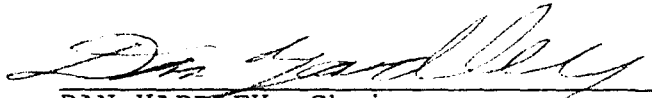
CHAIRMAN YARDLEY said since the vote on HB 658 was a tie vote and another motion that HB 658 do not pass was not made, the bill is still in this committee.

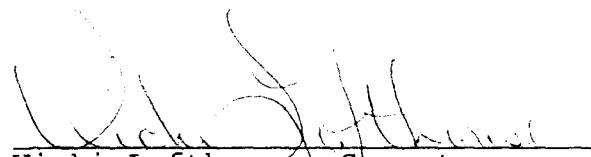
House Bill 587

REPRESENTATIVE DEVLIN moved HB 587 DO NOT PASS.

The motion was voted on and PASSED with all committee members present voting yes except Representative Neuman, who voted no. Representatives Abrams and Asay were not present during the vote.

The meeting was adjourned at 11:15 a.m.


DAN YARDLEY, Chairman


Vicki Lofthouse, Secretary

AGREEMENT

The parties to this agreement, the Burlington Northern Railroad (BN) and the Montana Department of Revenue (DOR) have, by previous agreement settling lawsuits before the federal district court for Montana (numbers CV-80-139 BLG, CV-81-222-BLG, CV-82-226-BLG) agreed to negotiate in an attempt to resolve issues which might arise for calendar years 1983, 1984 and 1985 regarding the ad valorem taxation of the BN under both Montana's statutory tax system and Section 306 of the Railroad Revitalization and Regulatory Reform Act (49 U.S.C. § 11503) (4-R Act). Pursuant to that agreement negotiations were conducted by the parties. As a result of those negotiations, the parties agree that for the years 1983 through 1985 ad valorem taxes to be paid by BN will be determined on the following basis.

VALUATION

For each year beginning in 1983 and continuing through 1985 the DOR will value the BN for ad valorem tax purposes using the system of valuation which is commonly referred to as the unit valuation method. The DOR will compute value under this system by using three approaches. They are: (1) the cost approach, (2) the income approach, and (3) the stock and debt approach.

The detailed methodology utilized by the DOR shall be as set forth in the accompanying worksheets which are incorporated by reference. It is understood and agreed that BN shall at it's own expense annually obtain the opinion of New York investment bankers, Lehman Brothers Kuhn Loeb, as to the value of Burlington Northern, Inc. stock which is attributable to non-railroad activities of the company. The DOR will use such opinion in determining the non-operating property deduction under the stock and debt approach. If BN should wish to utilize the services of a different investment banker then an investment banker satisfactory to the DOR will be chosen.

II

EQUALIZATION

Once the valuation of BN has been determined as set forth above and BN's taxable value in Montana has been computed utilizing the statutory 15% classification rate, such taxable value shall be reduced by no less than the following percentages in order to reflect equalization relief:

| | |
|------|-----|
| 1983 | 39% |
| 1984 | 44% |
| 1985 | 49% |

For the 1983 tax year the equalization percentage set forth above shall be unadjusted.

The "Survey of Current Business," published by the Bureau of Economic Analysis, U.S. Department of Commerce contains an index of Personal Consumption Expenditures by Major Type of Product expressed in current dollars. If the annual percentage change in the Transportation category of that index between 1982 and 1983 exceeds 5%, then the amount by which BN's taxable value shall be reduced for 1984 shall be increased by the amount of such excess, but in no event shall BN be entitled to a reduction in taxable value which exceeds 49% for 1984.

Similarly, if the annual percentage change in the Transportation category of that index between 1983 and 1984 exceeds 5% then the amount by which BN's taxable value shall be reduced for 1985 shall be increased by the amount of such excess, but in no event shall BN be entitled to a reduction in taxable value which exceeds 54% for 1985.

III

OTHER MATTERS

It is the ultimate goal of both the DOR and BN that BN be fairly taxed in Montana. Toward achieving that goal and in order to obviate the necessity for future litigation which may arise under Section 306 of the 4-R Act the parties agree to present to the Montana Legislature the following recommendation:

a. That the Legislature set up an interim study committee to study the solution to problems raised by equalization and classification questions in general and the problems raised by acts like Section 306 of the 4-R Act.

If the interim study does not address matters concerning the conducting of future sales assessment ratio studies in Montana and implementation of a personal property audit program the Department will recommend to the 1985 Legislature:

a. That the Department of Revenue be authorized to implement a personal property audit program. This "audit" program could be based upon the program implemented and used by the State of Washington.

b. That the Legislature implement procedures to conduct a sales assessment ratio study in the State of Montana beginning in 1986.

Consistent with the settlement agreement reached in lawsuits between the BN and DOR in U.S. District Court for Montana (numbers CV-80-139 BLG, CV-81-222-BLG, CV-82-226-BLG) and in light of this settlement for tax years 1983 through 1985, the DOR agrees to recommend to appropriate legislative officials that House Bills No's 62 and 86 presently pending before the 1983 Montana Legislature be withdrawn.

So long as the terms of this agreement are fulfilled, BN agrees that for years 1983, 1984 and 1985

it will make no challenges under Section 306 of the 4-R Act with respect to valuation, classification or equalization of its property for ad valorem tax purposes.

DATED this 10th day of February. 1983.

BURLINGTON NORTHERN RAILWAY COMPANY

By: 

STEVEN L. WOOD
Assistant Vice President
State and Local Taxes
Burlington Northern, Inc.

MONTANA STATE DEPARTMENT OF REVENUE

By: 

GREGG GROEPPER, Administrator
Property Assessment Division

VALUATION OF
BURLINGTON NORTHERN RAILROAD
FOR THE YEAR ENDING DECEMBER 31, 1981

| | |
|--------|---------------|
| Cost | \$ 310,000 |
| Income | 683,524 |
| Market | 767,046 |
| CWIP | <u>27,762</u> |
| | 1,788,332 |

INCOME INDICATOR

(All amounts in 000's)

| | <u>1980 (1)</u> | <u>1981 (2)</u> |
|-----------------------------|-----------------|-----------------|
| Net Income | 210,437 | 199,676 |
| Average | 205,057 | |
| Cap Rate * | <u>15%</u> | |
| | 1,367,047 | |
| Weighting | <u>.5</u> | |
| Income Indicator | 683,524 | |
| 1. Page 20, Line 67, R-1 BN | 172,831 | |
| Page 10, Line 67, R-1 SLSF | <u>37,606</u> | |
| | 210,437 | |
| 2. Page 10, Line 67, R-1 BN | 195,285 | |
| Page 10, Line 67, R-1 CS | <u>4,391</u> | |
| | 199,676 | |

* The 15% capitalization rate was derived by a standard band of investment calculation utilizing a 67% equity portion and a 33% percent debt portion as the capital structure. The appropriate equity rate was derived by an analysis of earnings price ratios for the following companies: Southwestern, Southern Pacific, Kansas City Southern Ind., Missouri-Pacific Corp., Seaboard Coastline, Southern Railway, Norfolk and Western, Burlington Northern, Union Pacific Corp., Soo Line, Rio Grande Industries, Santa Fe Industries.

Rates of return were developed by dividing annual earnings per share of common stock by the annual average of monthly high and low common stock prices. The average prices per share of common stock were computed from quotations obtained from the "Bank and Quotation Stock Quote Reporter Service," and "The Wall Street Journal." The rates of return for the period were computed by dividing actual annual earnings per share for 1981 by the average of the high and low common stock prices for the year 1981. Earnings per share for 1981 were obtained from "Standard and Poor's Stock Guide" and "Standard NYSE Stock Reports."

The debt portion of the capitalization rate was determined by an analysis of current interest rates on equipment trust certificates and corporate bonds.

COST INDICATOR
(All amounts in 000's)

| | |
|--------------------------------|--------------|
| 1. Depreciated Plant Owned | \$ 3,689,804 |
| 2. Depreciated Plant Leased | 718,807 |
| 3. Materials & Supplies | 282,925 |
| 4. Adjustment for Obsolescence | (1,586,616) |
| 5. Total | 3,104,000 |
| 6. Weighting | x.10 |
| 7. Cost Indicator | 310,000 |

SOURCES

1. Depreciated Plant Owned

| | | |
|-----------------------------|------------|--------------|
| Page 36, Line 33, R-1 BN-CS | 2,971,283 | Road |
| Line 41, R-1 BN-CS | 1,993,401 | Equipment |
| Line 42, R-1 BN-CS | 2,655 | Other |
| Line 43, R-1 BN-CS | 489 | Other |
| Line 44, R-1 BN-CS | 3,174 | Other |
| Line 46, R-1 BN-CS | 142 | Other |
| | 4,971,144 | |
| Page 40, Line 28, R-1 BN-CS | (534,923) | Depr./Amort. |
| Page 40, Line 36, R-1 BN-CS | (746,417) | Depr./Amort. |
| | 3,689,804 | |

2. Depreciated Plant Leased

| | | |
|------------------------------|-----------|------------|
| CS 0325.2 Leased from Others | 743,165 | Depr. Cost |
| CS 0325.3 Leased to Others | (13,358) | Depr. Cost |
| | 718,807 | |

3. Materials and Supplies

| | |
|----------------------------|---------|
| Page 5, Line 11, R-1 BN-CS | 282,925 |
|----------------------------|---------|

4. Adjustment for Obsolescence

| | |
|-------------------|-----------|
| 3,689,804 x 43% = | 1,586,616 |
|-------------------|-----------|

The obsolescence factor will be determined by averaging the Blue Chip figures for the BLE, CNOTP and UP railroads in comparison with the B.N. Railroad.

MARKET INDICATOR
(All amounts in 000's)

| | |
|--------------------------------|------------------|
| 1. Stock | \$ 2,184,358 |
| 2. Debt | 1,015,510 |
| 3. Current - Other Liabilities | 1,359,951 |
| 4. Value Non-Operating Assets | (1,574,000) |
| 5. Deductible Assets | (1,068,205) |
| Total | <u>1,917,614</u> |
| Weighting | x .4 |
| Market Indicator | <u>767,046</u> |

SOURCES

| | | |
|--|------------------|---------------------|
| 1. Stock | 2,184,358 | |
| (12 Month Average from Bank & Quotation Journal) | | |
| 2. Debt | | |
| CS 308.3 Mortgage Bonds | 387,627 | |
| Miscl. Obligations | 32,827 | |
| Conditional Sales | 253,394 | |
| Equipment Obligations | 253,123 | |
| Capitalized Leases | 67,764 | |
| Page 6, Line 40, R-1 BN-CS | <u>20,775</u> | A/P Affiliated Co's |
| | 1,015,510 | |
| 3. Current and Other Liabilities | | |
| Page 6, Line 35, R-1 BN-CS | 984,718 | Current Liabilities |
| Page 6, Line 34, R-1 BN-CS | (113,024) | L-T Debt due 1 Yr. |
| Page 6, Line 45, R-1 BN-CS (50%) | 96,759 | Other Deferred |
| Page 6, Line 44, R-1 BN-CS | 391,498 | Deferred ITC |
| | <u>1,359,951</u> | |
| 4. Deductible Assets | | |
| Page 5, Line 13, R-1 BN-CS | 1,258,712 | Current Assets |
| Page 5, Line 11, R-1 BN-CS | (282,926) | Mater'l. & Supplies |
| Page 5, Line 14, R-1 BN-CS | 38,816 | Special Funds |
| Page 5, Line 17, R-1 BN-CS (.50) | 13,247 | Other Assets |
| Page 5, Line 18, R-1 BN-CS (.50) | 17,594 | Other Deferred |
| Page 36, Line 47, R-1 BN-CS | <u>27,762</u> | CWIP |
| | 1,068,205 | |

ALLOCATION WORKSHEET

| | <u>MONTANA</u> | <u>SYSTEM</u> | <u>%</u> |
|------------------------|----------------|---------------|----------|
| Plant Depreciated | 453,204,356 | 3,689,804,000 | 12.28 |
| Revenue | 588,703,559 | 3,903,477,160 | 15.08 |
| Track Mileage | 4,769.36 | 41,085.98 | 11.61 |
| Revenue Ton Miles | 24,762,620 | 165,562,232 | 14.96 |
| Car & Locomotive Miles | 647,017,629 | 4,923,629,914 | 13.14 |
| | | | <hr/> |
| | | Average | 13.41 |

Proposed Amendments to HB 658

1. Title, line 7.

Following: "MCA"

Insert: ";PROVIDING AN IMMEDIATED EFFECTIVE DATE AND A
TERMINATION DATE"

2. Page 2, line 21.

Following: "aid"

Insert: "or an erroneous reimbursement of excess school
equalization funds"

3. Page 2, line 22.

Following: "superintendent"

Insert: "through failure to include vehicle fee revenue or
state reimbursement revenue credited to the elementary and
high school equalization levies or permissive levies"

4. Page 2, line 24.

Following: "instruction to"

Strike: "withhold"

Insert: "adjust"

Following: "year's"

Strike: "final"

5. Page 2, line 25.

Following: "aid"

Strike: "payment"

Insert: "payments"

6. Page 3, line 1.

Following: "corrected"

Insert: " or shall take legal action to fully recover
school equalization aid funds from a county with excess
school equalization aid collections.

NEW SECTION. Section 2. Effective date. This act is
effective on passage and approval.

NEW SECTION. Section 3. Termination date. This act
terminates on January 1, 1985.

VISITOR'S REGISTER

HOUSE Taxation

COMMITTEE

BILL Senate Bill 36

DATE February 11, 1983

SPONSOR Senator Himsl

[illegible]

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

WHEN TESTIFYING PLEASE LEAVE PREPARED STATEMENT WITH SECRETARY.

WITNESS STATEMENT

Name Guy L. Lippert Committee On Taxation
Address _____ Date 2/11/83
Representing Revenue Support _____
Bill No. HB 62/86 Oppose yes X
Amend _____

AFTER TESTIFYING, PLEASE LEAVE PREPARED STATEMENT WITH SECRETARY.

Comments: recommend withdraw
1.

2.

3.

4.

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

WITNESS STATEMENT

Name MORRIS W. GULLICKSON Committee On TAXATION (HOUSE)
Address 323 So 6th LIVINGSTON MT Date 2/11/83
Representing UNITED TRANSPORTATION UNION Support X
Bill No. SB 36 Oppose _____
Amend _____

AFTER TESTIFYING, PLEASE LEAVE PREPARED STATEMENT WITH SECRETARY.

Comments:

1. THIS BILL IS A BILL TO CORRECT A OVERSIGHT OF
LAST SESSION
2. THIS BILL WILL CORRECT A DISCRIMINATION THAT
EXIST AGAINST RAILROAD RETIREES

4.

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

WITNESS STATEMENT

Name WILLIAM W. GILBERT Committee On TAXATION (H.C.)
Address 823 SOUTH LIVINGSTON PIT. Date 2/11
Representing ALTO ASSOCIATED CHICK Support RA
Bill No. HR-62-86 Oppose _____
Amend _____

AFTER TESTIFYING, PLEASE LEAVE PREPARED STATEMENT WITH SECRETARY.

Comments:

1. THESE BILLS WILL LET THE STATE ~~PROPERTY~~ ~~AS~~
ACTUALLY GO ON THE PROPERTY OF R.R AND INVENTORY
2. FOR TAX PURPOSES THE LIQUIDATION METHOD IS VERY
POOR, THE WAY THE RR KEEP BOOKS

3.

4.

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

VISITOR'S REGISTER

HOUSE TAXATION

COMMITTEE

BILL HOUSE BILL 62

DATE February 11, 1983

SPONSOR Representative Shontz

[illegible]

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

WHEN TESTIFYING PLEASE LEAVE PREPARED STATEMENT WITH SECRETARY.

VISITOR'S REGISTER

| | | |
|-------|----------|-----------|
| HOUSE | Taxation | COMMITTEE |
|-------|----------|-----------|

BILL House Bill 86

DATE February 11, 1983

SPONSOR Representative Shontz

[illegible]

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

WHEN TESTIFYING PLEASE LEAVE PREPARED STATEMENT WITH SECRETARY.

STATE OF MONTANA

REQUEST NO. 009-83

FISCAL NOTE

Form BD-15

In compliance with a written request received January 5, 19 83, there is hereby submitted a Fiscal Note for Senate Bill 36 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.

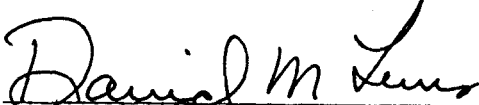
DESCRIPTION

A bill for an act to exclude income received under the Railroad Retirement Act in determining income for purposes of computing the residential property tax credit for the elderly.

ASSUMPTIONS

1. The Department of Revenue's personal income tax projections provide the basis for comparison.
2. Sample statistics for elderly homeowner credits granted in tax year 1981 apply to the future population of credit applicants.
3. There are and will be 8,600 elderly individuals receiving railroad retirement benefits residing in the state.
4. The average annual benefit of railroad retirees is approximately \$4,500 in 1982 and will not change appreciably in 1983.
5. Adjustments made in property tax burdens resulting from the introduction of the graduated class 4 tax rates are correct.
6. No attempt was made to project mill levies, elderly income, or the elderly population.
7. All elderly homeowner credits are granted in the first half of each respective calendar year.

(Continued)



BUDGET DIRECTOR

Office of Budget and Program Planning

Date: 1-6-83

FISCAL IMPACT

| | <u>FY84</u> | <u>FY85</u> |
|----------------------------|-------------|-------------|
| Individual Income Tax | | |
| Under Current Law | 167.908M | 181.814M |
| Under Proposed Law | 167.608M | 181.514M |
| Estimated Decrease | (0.300M) | (0.300M) |
| General Fund | | |
| Under Current Law | 107.46112M | 116.36096M |
| Under Proposed Law | 107.26912M | 116.16896M |
| Estimated Decrease | (0.192M) | (0.192M) |
| Earmarked Revenue Fund | | |
| Under Current Law | 41.977M | 45.4535M |
| Under Proposed Law | 41.902M | 45.3785M |
| Estimated Decrease | (0.075M) | (0.075M) |
| Sinking Fund | | |
| Under Current Law | 18.46988M | 19.99954M |
| Under Proposed Law | 18.43688M | 19.96654M |
| Estimated Decrease | (0.033M) | (0.033M) |

PREPARED BY DEPARTMENT OF REVENUE