

MINUTES OF THE MEETING OF THE HOUSE TAXATION COMMITTEE
March 12, 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.

Executive action was taken on the following bills during this executive session: HB 29, HB 294, HB 297, HB 316, HB 470, HB 475, HB 485, HB 511, HB 561, HB 573, HB 594, HB 665, HB 722, HB 736, and HB 747.

EXECUTIVE SESSION

House Bill 594

CHAIRMAN YARDLEY passed out copies of proposed amendments to HB 594. These amendments would exclude full time employees of the organized militia, the employee has to have been a member of the organized militia during the entire taxable year for which the credit is claimed, and the National Guard must furnish a list to the Department of Revenue of the members of the organized militia who would qualify for the credit.

REPRESENTATIVE DOZIER moved a DO NOT PASS on HB 594.

REPRESENTATIVE DOZIER asked what this credit does? Representative Neuman said the credit is intended to be an incentive for members of the National Guard to stay in the National Guard.

REPRESENTATIVE HARP said the fiscal impact of this bill was \$700,000 per biennium. If the amendments were adopted, the fiscal impact would be about \$620,000 per biennium. We should start cutting these types of credits if the budget of the state is as tight as everyone says it is.

REPRESENTATIVE WILLIAMS agreed with Representative Harp. He said he likes the National Guard but has to oppose the bill because of the fiscal impact.

The motion of DO NOT PASS was voted on and PASSED. All committee members voted yes except Representatives Neuman, Nilson, Switzer, Vinger and Zabrocki, who voted no.

House Bill 736

HOUSE BILL 736 is an act allowing a tax credit for the installation of low emission wood or biomass combustion devices.

REPRESENTATIVE NORDTVEDT said this credit should be funded by a tax on the nonefficient stoves and given to the owners of the efficient stoves. He asked the sponsor of the bill what he thought about that suggestion. Representative Ream said he thought it would be unworkable.

REPRESENTATIVE DEVLIN asked if the fiscal note was correct. Representative Ream said he thought it was unrealistic.

REPRESENTATIVE WILLIAMS said there are no areas, except for industry, where individuals get a credit for energy conservation.

REPRESENTATIVE NORDTVEDT moved to TABLE HB 736.

The motion was voted on and PASSED. All committee members voted yes except Representatives Harrington, Keenan, Nilson and Ream, who voted no.

House Bill 316

REPRESENTATIVE ASAY, sponsor of the bill, said HB 316 is a bill that was intended to put agricultural equipment back into a classification with livestock. When the subcommittee discussed that possibility, they found the impact in the rural counties would be more than could be borne. It brought out the fact that there are very definite disparities in the agricultural equipment classification. The subcommittee thought it would be more realistic to value equipment on the loan value. That brought the fiscal impact down by 80% of what was expected. The original fiscal note was \$10 million and would now be \$2 million. Representative Asay passed out copies of EXHIBIT 2, which shows what the difference would have been if farm machinery and equipment would have been taxed on the average loan value.

REPRESENTATIVE HARRINGTON said HB 316 had a large fiscal impact. He moved to TABLE HB 316.

REPRESENTATIVE NORDTVEDT said, last session, the legislature moved the taxation on agricultural equipment from high book value to middle book value. House Bill 316 would take the equipment from middle book value to low book value.

REPRESENTATIVE WILLIAMS said this classification needs to be looked at with the whole classification system review.

REPRESENTATIVE ASAY agreed with Representative Williams.

REPRESENTATIVE DEVLIN asked what the fiscal impact was when the agricultural equipment classification was changed last session. Ms. Feaver, Director of the Department of Revenue, said it was estimated at either \$16 million or \$26 million, she was not sure. That was from taking the equipment from

high book to wholesale value.

The motion to TABLE HB 316 was voted on and PASSED. A roll call vote was taken and all committee members voted yes except Representatives Abrams, Asay, Devlin, Jacobsen, Switzer, Underdal, Vinger and Zabrocki, who voted no.

House Bill 294

REPRESENTATIVE HARP suggested tabling all tax credit bills that apply to the elderly because this committee already passed HB 227, which provided tax credit to the elderly.

REPRESENTATIVE NEUMAN moved to TABLE HB 294.

The motion was voted on and PASSED unanimously.

House Bill 470

REPRESENTATIVE NEUMAN moved to TABLE HB 470.

The motion was voted on and PASSED with all committee members voting yes except Representative Nilson, who voted no.

House Bill 475

REPRESENTATIVE NEUMAN moved to TABLE HB 475.

The motion was voted on and PASSED unanimously.

House Bill 485

REPRESENTATIVE NEUMAN moved to TABLE HB 485.

The motion was voted on and PASSED unanimously.

House Bill 722

REPRESENTATIVE NEUMAN moved to TABLE HB 722.

The motion was voted on and PASSED unanimously.

House Bill 297

REPRESENTATIVE HARP moved to TABLE HB 297.

The motion was voted on and PASSED. All committee members voted yes except Representatives Harrington, Keenan and Nordtvedt, who voted no.

House Bill 561

REPRESENTATIVE REAM moved to TABLE HB 561.

REPRESENTATIVE ASAY said most people who are going to be covered in this bill are young people. He said he thinks there would be a positive fiscal impact.

REPRESENTATIVE DOZIER said the \$100 interest income exemption, from adjusted gross income, would not include most young people who are just starting out because it takes quite a bit of savings to have \$100 in interest.

The motion was voted on and PASSED. All committee members voted yes except Representatives Asay, Devlin, Nordtvedt, Underdal and Zabrocki, who voted no.

House Bill 29

REPRESENTATIVE HARP moved to TABLE HB 29.

The motion was voted on and PASSED. All committee members voted yes except Representatives Asay, Nordtvedt, Jacobsen, Switzer and Zabrocki, who voted no.

House Bill 747

HOUSE BILL 747 is an act clarifying administration and reporting requirements related to the privilege tax for possession or beneficial use by a private individual, association or corporation of property which for any reason is exempt from taxation.

MS. FEAVER said there had been discussion of amending the bill to include 500 KV lines.

REPRESENTATIVE HARP said he opposes the bill. He said he thought there were several 500 KV lines in his area. If this committee amends the bill and passes it, we could affect more lines than we want to.

REPRESENTATIVE WILLIAMS said whatever this committee decides upon will have to be instituted statewide. He said this needs a thorough study before this committee takes action.

REPRESENTATIVE VINGER said if just one 500 KV line was specified, he would feel better about passing the bill.

REPRESENTATIVE BERTELSEN moved to amend HB 747 to lines 500KV, AC/DC, or more.

REPRESENTATIVE REAM made a substitute motion to amend the bill to lines 250 KV or more.

CHAIRMAN YARDLEY suggested leaving the limit at 500 KV until we find out if there are more than one line that would be affected.

REPRESENTATIVE REAM withdrew his motion.

The motion to amend HB 747 was voted on and PASSED unanimously.

REPRESENTATIVE NEUMAN said there were other amendments to HB 747 that were proposed by the sponsor of the bill.

JIM OPPEDAHL, legislative researcher for the Legislative Council, said those amendments would change the gross value of the tax exempt property to the market value.

REPRESENTATIVE BERTELSEN moved the amendments to the bill.
(See EXHIBIT 3.)

The motion was voted on and PASSED unanimously.

REPRESENTATIVE SWITZER moved HB 747 DO PASS AS AMENDED.

The motion was voted on and PASSED. All committee members voted yes except Representatives Harrington, Neuman, Nilson, Nordtvedt and Williams, who voted no.

House Bill 511

HOUSE BILL 511 is an act to increase the cigarette sales tax and the liquor excise tax in order to finance long-range building bonds.

REPRESENTATIVE NORDTVEDT said this bill is just another tax source which people think is necessary to fund certain buildings. This bill could pass and the building program could fail and the money would then go to the general fund.

REPRESENTATIVE VINGER said he opposes the bill because the money is going into the general fund and there is enough money to retire bonds from the Montana taxpayers. We should not select these two individual taxes that have no relation to long-range buildings.

REPRESENTATIVE UNDERDAL moved HB 511 DO NOT PASS.

REPRESENTATIVE HARP said HB 511 is a smoke screen and we should see through this for what it is.

REPRESENTATIVE NORDTVEDT said people are misinterpreting his earlier statements. He said he may vote for the bill. It is a general tax bill and is not tied to long-range buildings, but cigarette taxes have not kept up with inflation. If this bill does not pass, the \$7 million will have to come out of the long-range building program and the general fund.

REPRESENTATIVE BERTELSEN said he has received information regarding the Department of Natural Resources and Conservation (DNRC) building. He also took a tour of the building. He said he thinks the building should be closed down. The wiring is a mess, the building is in need of great repair and we should not try to run a state agency under those types of circumstances.

REPRESENTATIVE ASAY made a substitute motion that the liquor excise tax increase be stricken from the bill. He said it was already established that the increase in the tax would be counterproductive.

REPRESENTATIVE REAM said this committee was given testimony comparing Montana's cigarette tax with other states and we are not that high. He asked how Montana's alcohol tax compared with other states. Ms. Feaver said Montana is just about in the middle, as far as price. This increase would take Montana up past the middle but certainly not to the top. Compared to neighboring states, Montana is somewhat high.

REPRESENTATIVE NEUMAN asked what the fiscal impact of this bill would be if the alcohol tax was taken out. Ms. Feaver said about \$2.34 million.

REPRESENTATIVE UNDERDAL said he thinks there is money available now for the DNRC building and so he opposes the bill. If the Winslow amendments were attached to the bill, he would have more interest in the bill.

The motion to amend HB 511 was voted on and FAILED. All committee members voted against the motion except Representatives Asay, Harrington and Yardley, who voted yes.

As a substitute motion to do not pass, Representative Williams moved HB 511 DO PASS.

REPRESENTATIVE DOZIER said whatever we do to this bill, it will be killed in the Senate.

REPRESENTATIVE ASAY moved to add 1/4-cent tax to the cigarette tax increase to cover airport loans.

REPRESENTATIVE HARP said we already have a bill (HB 573) that provides money to go to Montana's airports.

REPRESENTATIVE SWITZER said he also opposes the amendment.

REPRESENTATIVE NORDTVEDT said he opposes the amendment because you are only talking about a few thousand dollars per rural airport. That should be a local endeavor. If they want the money, they should provide it and not piggyback on the back of state government.

REPRESENTATIVE ASAY said the federal airport improvement act will provide \$40 million to Montana over a period of years. If this bill passes, we would have the state matching money for that federal money.

REPRESENTATIVE ASAY said this money is collected in Montana and should come back to Montana.

REPRESENTATIVE REAM said he supports the amendment. The money being talked about would be used for federal matching money and would go primarily to the larger airports in Montana.

REPRESENTATIVE ASAY said that was not right. There are 70 airports in Montana and this money will be available for all of them.

The amendment motion was voted on and FAILED. A roll call vote was taken. All committee members voted against the motion except Representatives Abrams, Asay, Devlin and Ream.

REPRESENTATIVE UNDERDAL moved Representative Winslow's amendments to HB 511.

REPRESENTATIVE NORDTVEDT said he didn't think those amendments were germane to the title of the bill.

REPRESENTATIVE HARRINGTON said if HB 511 passes, there will be a reverse process and no money will be put into the budget for the Department of Social and Rehabilitation Services. We would not gain anything.

The motion was voted on and FAILED. All committee members voted against the motion except Representatives Devlin, Switzer, Underdal and Vinger.

The motion that HB 511 DO PASS was voted on and FAILED. A roll call vote was taken. All committee members voted against the motion except Representatives Abrams, Bertelsen, Harrington, Keenan, Neuman, Nordtvedt, Ream, Williams and Yardley, who voted yes.

CHAIRMAN YARDLEY said if there was no objection from the committee, the motion and vote will be reversed and the bill will come out of this committee with a DO NOT PASS recommendation.

House Bill 573

REPRESENTATIVE REAM moved HB 573 DO PASS.

REPRESENTATIVE VINGER said commercial airlines should be exempt from the aviation fuel tax increase. The smaller airlines were the promoters of this bill because they would get the biggest benefits from the larger airlines being taxed.

REPRESENTATIVE REAM said the one-cent per gallon increase in the tax is not an impediment to the airlines. There is also a one-cent per gallon rebate for airlines who purchase more than 10 million gallons of gas.

REPRESENTATIVE NILSON said this bill should be the source to get the federal money for the state match money.

The motion of DO PASS was voted on and PASSED. All committee members voted yes except Representatives Devlin, Harp, Neuman, Nordtvedt and Switzer, who voted no.

House Bill 665

CHAIRMAN YARDLEY reminded the committee there were offered amendments to HB 665. (See EXHIBIT 4.)

CHAIRMAN YARDLEY said North Dakota is thinking about taxing diesel fuel to fund their portion of the track route.

REPRESENTATIVE WILLIAMS moved the offered amendments to HB 665.

The motion was voted on and PASSED unanimously.

REPRESENTATIVE WILLIAMS moved the Statement of Intent to HB 665 DO PASS.

The motion was voted on and PASSED unanimously.

REPRESENTATIVE KEENAN said she would like to like to offer an amendment to exempt the first 200,000 gallons of gas. The Butte-Anaconda railroad is just running slag between Anaconda and Butte. She said the 6-cent tax would hurt that railroad drastically.

CHAIRMAN YARDLEY said the 200,000 gallon exemption would have an impact of about \$36,000 per year. All railroads would be exempt on the first 200,000 gallons of gas purchased.

REPRESENTATIVE HARRINGTON moved the proposed amendment.

CHAIRMAN YARDLEY asked Mr. Oppedahl to prepare those amendments.

The motion was voted on and PASSED unanimously.

MR. OPPEDAHL said an amendment needs to be made on page 4, line 2, of the bill. The bill refers to section 2 instead of section 3. Chairman Yardley authorized Mr. Oppedahl to make that amendment.

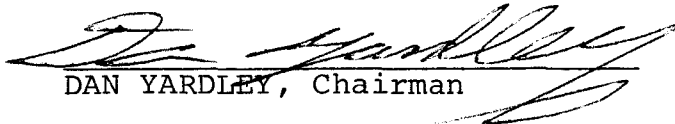
REPRESENTATIVE HARP said he is opposed to the bill. If both

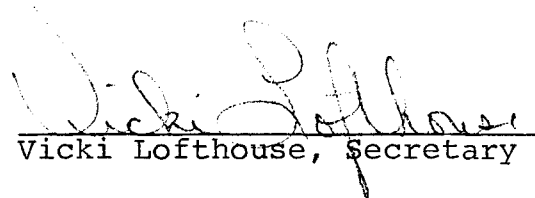
the northern and southern routes are being run and a decision is made, in the future, to cut back to one route, he is afraid the southern route would be picked. Northern Montana needs the services of the railroad.

REPRESENTATIVE WILLIAMS moved HB 665 DO PASS AS AMENDED.

The motion was voted on and PASSED. A roll call vote was taken. All committee members voted yes except Representatives Bertelsen, Harp, Neuman, Switzer, Underdal and Vinger, who voted no.

The meeting was adjourned at 10:00 a.m.


DAN YARDLEY, Chairman


Vicki Lofthouse, Secretary

PROPOSED AMENDMENTS TO HB 594

1. Title, line 6.

Following: "CREDIT;"

Insert: "PROVIDING LIMITATIONS;"

2. Page 1, line 9.

Following: "militia."

Strike: "A"

Insert: "Except as provided in [section 2], a"

3. Page 1, line 13.

Following: line 12

Insert: "Section 2. Qualifications for credit. In order to qualify for the credit allowed to members of the organized militia provided in [section 1] a person must:

(1) not be a full-time employee of the organized militia; and

(2) have been a member of the organized militia during the entire taxable year for which the credit is claimed.

Section 3. National guard to furnish list of members. The national guard must furnish on or before January 1 each year a list of the members of the organized militia in Montana who qualify for the credit allowed in [section 1] to the department of revenue."

Farm Machinery and Equipment - Reduction From "Average As Is" to "Average Loan".

By dividing "average loan" by "average as is," you arrive at a 15% difference.

The following table shows what the difference would have been in 1982.

-	Total State Market Value (1982)	
	Farm Machinery & Equipment	\$647,080,747
-	Less 15% (Difference)	<u>\$ 97,062,112</u>
-	Adjusted Market Value	<u>\$550,018,635</u>
	Adjusted Market Value	\$550,018,635
	x 11% class Factor	11%
	Adjusted Taxable Value	<u>\$ 60,502,050</u>
	1982 Taxable Value	\$ 71,178,879
	Less Adjusted Taxable Value	<u>\$ 60,502,050</u>
	Taxable Value Loss	<u>\$ 10,676,829</u>

$$\$10,676,829 \times .220 \text{ mills (avg. mill levy)} = \underline{\$2,348,902}$$

By reducing market value from "average as is" to "average loan", it would result in a tax dollar loss to the counties of \$2,348,902.00.

jm55

AMENDMENTS TO HOUSE BILL 747

- (1) Page 2, Line 1
Delete: "gross"
Insert: "market"
- (2) Page 2, Line 24
After: "like Properties;"
Delete: "and tax exempt property subject to the"
- (3) Page 2, Line 25
Delete: "provisions of Title 15, Chapter 24, Part 12;"
- (4) Page 3, Line 4
After: "(5) the gross proceeds of coal mines"
Insert: "; and"
Add: "(6) tax exempt electric power or transmission lines."

Amendments - HB 665 - Introduced Bill

1. Page 1, following line 15.

Insert: "(2) "Device" means a mechanism or machine designed to measure fuel by definite volume or weight.

(3) "Dispensed" means the placement of fuel by a supplier either directly into a railway vehicle or into a railway-owned fuel storage facility."

Renumber: subsequent subsections

2. Page 1, line 22.

Following: "a"

Strike: "vehicle"

Insert: "locomotive"

3. Page 2, line 9.

Following: "through"

Strike: "meters"

Insert: "devices"

4. Page 5, line 9.

Following: "account."

Insert: "(1)"

5. Page 5, line 11.

Strike: "(1)"

Insert: "(a)"

6. Page 5, line 16.

Strike: "(2)(a)"

Insert: "(b)(i)"

7. Page 5, line 19.

Following: "subsection"

Strike: "(2)(b)"

Insert: "(1)(b)(ii)"

8. Page 6, line 1.

Strike: "(b)"

Insert: "(ii)"

9. Page 6, following line 4.

Insert: "(2) Any money allocated to the railway improvement account under subsection (1)(a) that is not used within one year of allocation to subsidize rail passenger service in this state is withdrawn from the railway improvement account under subsection (1)(a) and allocated to the farm-to-rail-terminal highway improvement account under subsection (1)(b) to be used pursuant to subsection (1)(b)."