

MINUTES OF THE MEETING OF THE HOUSE TAXATION COMMITTEE
April 1, 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 HJR 31, HB 594, HB 704, HB 913, HB 915, HB 916 and HB 917.

EXECUTIVE SESSION

House Joint Resolution 31

CHAIRMAN YARDLEY told committee members that the Revenue Oversight Committee had met and suggested some amendments to HJR 31. He said they suggested deleting lines 13 through 15 and lines 23 through 25, on page one.

REPRESENTATIVE NORDTVEDT said there had been some concern that this study would spill over into the issue of financing local governments. To take care of that problem, the committee thought they should strike all reference to local government.

REPRESENTATIVE NORDTVEDT moved the offered amendments to HJR 31. He also moved to further amend the resolution by inserting "classification" after the word "tax" on line 16, page 1, and on line 3, page 2.

The motion was voted on and PASSED unanimously.

REPRESENTATIVE WILLIAMS said HB 844 was introduced by Representative Sands which covered the possibility of computerizing the property tax classifications. Representative Sands had asked if that bill could be considered in HJR 31. Representative Williams said he had talked with Representative Nordtvedt and Representative Nordtvedt said he thought HJR 31 was all inclusive and that HB 844 could be considered in the study. (See page 2, line 8.)

REPRESENTATIVE BERTELSEN said when you talk about "administrative", that would be included in this resolution. He said he didn't think the language needed to be changed.

REPRESENTATIVE WILLIAMS moved HJR 31 DO PASS, AS AMENDED.

The motion was voted on and PASSED. All committee members voted yes except Representative Jacobsen, who voted no.

REPRESENTATIVE WILLIAMS said the only reference to an appropriation for HJR 31 is for a full time staff person. There is an appropriation in the appropriations bill for the Revenue Oversight Committee but it doesn't include this study so when the Senate

votes on this resolution, we will have them put that amount into this resolution.

House Bill 704

CHAIRMAN YARDLEY said the Senate had said they would probably accept this bill after the 70th legislative day. He said the railroad was taken out of the centrally assessed property.

REPRESENTATIVE HARP said the Public Service Commission was asked to give their opinion on lowering the tax rate from 15% to 12%, in class eleven property. Their reply is contained in EXHIBIT 1. Representative Harp said the airline companies are taxed in class eleven but they have no real property in the state. The only utility taxed in class eleven is the telephone companies. If we do nothing with the taxing rate for the telephone companies, we will see those rates charged by the telephone companies continue to rise.

REPRESENTATIVE WILLIAMS said hopefully HJR 31 will be passed. He asked Representative Harp what he thought about setting the effective date for HB 704 so that it would become effective after the next legislative session so that legislature could see what happened with the classification system study. Representative Harp said if HB 704 is tied to HJR 31, we might not see this rate change take effect until four years from now.

REPRESENTATIVE HARP said the companies assessed as class eleven property are assessed under current values. Property owners have enjoyed a freeze of their assessments since 1976. We have one industry left "holding the bag", paying 15%. Basically, those industries are asking to be treated the same as the natural gas and electric power companies.

REPRESENTATIVE HARP moved HB 704 DO PASS.

The motion was voted on and PASSED. All committee members voted yes except Representatives Bertelsen, Dozier, Keenan, Nilson, Williams and Yardley, who voted no.

REPRESENTATIVE HARP asked that the staff researcher amend the bill to include a coordination amendment. Chairman Yardley asked the staff researcher to make that amendment.

House Bill 915

REPRESENTATIVE NORDTVEDT moved HB 915 DO NOT PASS.

REPRESENTATIVE NORDTVEDT said if this committee takes no action on this bill, it will be sending out a false message to the public saying we are seriously considering the bill. Enough of the legislative leaders have said they do not want a general tax increase and this bill should be killed.

REPRESENTATIVE DOZIER said he thought it would be foolish to move this bill this early. Do taxes affect economic growth or does economic growth affect taxes?

REPRESENTATIVE HARRINGTON made a substitute motion that HB 915 BE TABLED. He said HB 915 is a good bill. As far as passing the bill out of this committee, there is no reason to do that at this time.

REPRESENTATIVE REAM said he didn't see any harm in holding the bill in committee.

REPRESENTATIVE NORDTVEDT said an 18% marginal tax rate at the state level, on top of federal tax rates, comes close to confiscation of income. This bill would affect people with incomes of \$12,000 and up. No one has said why this bill was introduced. We should give the bill sponsors an opportunity to debate this with the whole legislature.

REPRESENTATIVE KEENAN said this committee has shown respect to the wishes of other bill sponsors and we should do the same for Representatives Kemmis and Fabrega.

The motion to TABLE HB 915 was voted on and PASSED. A roll call vote was taken and all committee members voted yes except Representatives Asay, Devlin, Harp, Jacobsen, Neuman, Nordtvedt, Switzer, Underdal and Vinger, who voted no.

House Bill 916

CHAIRMAN YARDLEY said the Select Committee on Economic Development would like to have a second hearing on this bill because the first hearing was rushed.

REPRESENTATIVE NORDTVEDT moved HB 916 DO NOT PASS.

REPRESENTATIVE JACOBSEN made a substitute motion that HB 916 BE TABLED.

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

House Bill 917

REPRESENTATIVE WILLIAMS moved HB 917 BE TABLED.

REPRESENTATIVE NORDTVEDT made a substitute motion that HB 917 DO NOT PASS.

The motion was voted on and PASSED. A roll call vote was taken and all committee members voted yes except Representatives

Asay, Dozier, Jacobsen, Keenan, Nilson, Ream, Vinger and Yardley, who voted no.

House Bill 594

REPRESENTATIVE NEUMAN moved HB 594 BE TABLED.

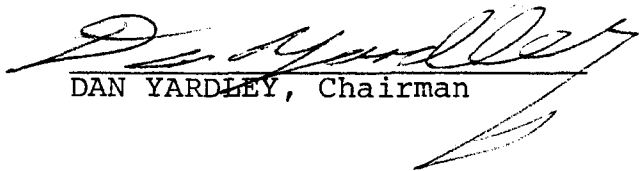
The motion was voted on and PASSED unanimously.

House Bill 913

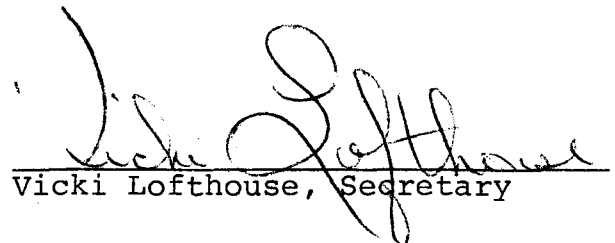
REPRESENTATIVE WILLIAMS moved HB 913 BE TABLED.

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

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



DAN YARDLEY, Chairman



Vicki Lofthouse, Secretary

PUBLIC SERVICE COMMISSION

1227 11th Avenue • Helena, Montana 59620
Telephone: (406) 449-3007 or 449-3008

Thomas Schneider, Chairman
John Driscoll
Howard Ellis
Clyde Jarvis
Danny Oberg

March 21, 1983

Committee on Taxation
House of Representatives
State of Montana
Capital Station
Helena, Montana 59620

RE: House Bill 704

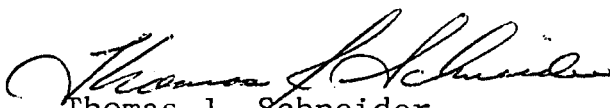
Members of the Committee:

We are advised that questions have arisen concerning the treatment of property tax reductions for a utility regulated by the Montana Public Service Commission.

In simplified form, property tax payments are treated as an expense item for ratemaking purposes. Property taxes are recovered dollar for dollar by the utility through the rate structure. Correspondingly, any reduction in property taxes made available to the utility will likewise be recovered by the ratepayer through a reduction in rates, assuming no other changes in expenses or capital return, or by reduction of a required increase to meet increased expenses or capital return. The ratepayer will benefit fully from property tax decreases.

Sincerely yours,

MONTANA PUBLIC SERVICE COMMISSION


Thomas J. Schneider
Chairman

PROPOSED AMENDMENTS TO HB 858

1. Page 1, line 13.

Following: "3%"

Strike: "7%"

Insert: "the following percentage"

2. Page 1, line 16.

Following: "Montana"

Insert: ": (1) 6% for the first 2580 cartons or portion thereof purchased in any calendar month;

(2) 4% for the next 2580 cartons or portion thereof purchased in any calendar month; and

(3) 3% for purchases in excess of 5160 cartons in any calendar month"

3. Page 2, line 12.

Following: "defrayment"

Strike: "of"

Following: "3%"

Strike: "7%"