

MINUTES OF THE MEETING OF THE HOUSE TAXATION COMMITTEE
April 6, 1983

The meeting was called to order at 8:00 a.m. by Chairman Yardley. Roll call was taken and all committee members were present except Representative Vinger, who was excused.

Testimony and executive action was taken on HB 925 during this meeting.

HOUSE BILL 925

REPRESENTATIVE JOHN SHONTZ, District 53, sponsor of the bill, said he introduced this bill on behalf of the Revenue Oversight Committee. House Bill 925 is an act to achieve compliance with the requirements of the federal Railroad Revitalization and Regulatory Reform Act of 1976, as amended; to remove railroad property from centrally assessed property so that it may be appraised and taxed in the same manner as all other property similarly situated; to provide reporting requirements for railroads. In 1976, the federal government passed the Staggers Act which changed the way railroads are regulated and operated in the United States. In that act, there were specific changes regarding taxation at the state level. House Bill 925 attempts to bring state law in compliance with the federal act in terms of property taxation.

Currently, Montana taxes railroads on the inventory method. A total picture of the railroad is looked at, and then the railroad is taxed on a percentage of that. That tax is then distributed among the local governments in Montana. House Bill 925 changes the method by which railroads are taxed. Currently, the railroads are taxed at 15%, in class eleven. House Bill 925 treats railroads as the federal law requires. Railroads would be taxed at the actual market value of the property they have in the state.

REPRESENTATIVE SHONTZ said, in his opinion, this bill will generate \$24-\$26 million, per year, in property taxes to the local governments in the state of Montana.

Proponents

SENATOR TOM TOWE, District 34, said this bill is a product of the Revenue Oversight Committee, of which he is the chairman.

The Burlington Northern filed a lawsuit against Montana, challenging the taxes levied on the railroad. The 4 R's Act had a requirement that no state can levy a tax against railroads that is more than any comparable property. The railroads have maintained that they have been taxed at a higher rate than they should have been.

The railroads said most of their taxes, in the class they are taxed, are at 16% where real estate is taxed at 8.55%. The railroads also claimed real estate is reappraised every five years where the railroads were being reappraised every year. The Department of Revenue told the railroads they did not consider the fact that the value of the property we started out with was greatly reduced. Consequently, the Department would be justified in using a higher figure at the classification level and the tax assessment level because they put the property on-line at a lower level.

Figures were gathered on the replacement value depreciated on all Burlington Northern property in the United States. A formula was used to arrive at what tax should have been paid by Burlington Northern and the result was that Burlington Northern had a value that would have required twice the amount of tax that was paid before the lawsuit was filed. If we appraised railroad property like every other property in Montana, the railroads would pay considerably more than what they are paying now. Burlington Northern took the state of Montana to court and won the lawsuit because the judge said Montana gave Burlington Northern a value at which to be taxed and we are stuck with that value. Senator Towe said that value given doesn't bind the state of Montana for future years. House Bill 925 addresses that issue. Senator Towe said he feels, if this bill is passed, the state could recoup \$7 million per year for local governments.

SENATOR TOWE said this act would become effective immediately so the Department of Revenue can go ahead and start the appraisal procedure. This act would be on-line effective January 1, 1986 because that is when the new appraisal cycle goes on-line. Senator Towe said if the state wanted to invest \$1 million for appraisers, the effective date could be speeded up by two years. That would save local governments about \$7 million per year, in Senator Towe's opinion.

DENNIS BURR, representing the Montana Taxpayers Association, gave an example of the magnitude of the reduction in taxes paid by Burlington Northern, to the state, as a result of the settlement between Burlington Northern and the Department of Revenue. In 1982, the assessed value was \$398 million. The total assessment, as a result of the settlement between the Department and Burlington Northern is \$127 million. The settlement is not only for past years but also extends to 1986.

MR. BURR said HB 925 takes railroads out of the centrally assessed class and puts their various types of property into each class with other similar property.

MR. BURR said he feels the state of Montana has been "double shuffled" by Burlington Northern because they came in saying they wanted to be treated like other commercial and industrial properties

but did not want to be treated exactly like other commercial and industrial properties. The railroad did not want to be assessed by replacement cost depreciated.

MR. BURR asked the committee to consider changing the applicability date for this act. The reporting requirements are effective immediately but the method of taxing would not be effective until 1986. The Department of Revenue told the Revenue Oversight Committee that it would take close to \$1 million to hire appraisers to speed up this process. Mr. Burr said this committee should realize that the Department, in signing the agreement with the railroad, not only agreed to the method of taxation but also agreed to support the method up through the end of that agreement.

The method of centrally assessing all of Burlington Northern's property has been in effect since 1979. Prior to 1979, the property was assessed by the local assessors and appraisers. All the properties, except for the track and the rolling stock, were assessed by the local appraisers, up until the last couple of years. There are more appraisers in each county now than there were then. Under this bill, the rolling stock will be centrally assessed by the Department of Revenue. Mr. Burr said he assumes the Department will work out some method of valuing rail so that it is done uniformly in each county. Mr. Burr said he thinks it is misleading for the Department to say they will need \$1 million to hire appraisers. He said he doesn't think there will be as big of a problem as the Department will say it will be.

MR. BURR said no matter what Montana does, Burlington Northern will probably file another lawsuit. If this assessment is not moved up, the state will be that much farther behind in getting this settled. If the assessment is moved up to 1984, the state would be that much farther ahead. The only reason for not moving the assessment up is to honor the agreement made between the Department of Revenue and the railroad. He said he didn't think it was within state policy to allow the Department to negotiate away the state's future taxes.

Opponents

STEVEN WOOD, Assistant Vice President for State and Local Taxes for Burlington Northern, said the purpose of HB 925 is to comply with the 4 R's Act and the second purpose is to see if Montana can recoup some taxes from Burlington Northern. Mr. Wood said HB 925 is a blatant violation of the 4 R's Act. He said Section 306 of the 4 R's Act requires that railroad property be assessed and taxed at that same level as applicable to the average commercial and industrial taxpayer in the taxing jurisdiction.

HOUSE BILL 925 would take railroad property and "peg them into cubbyholes" - some property at 16%, some at 11%, etc. You have to find a median level of the average taxpayer. House Bill 925 doesn't

find a comparable median tax level and will not hold up under the federal statute. Even if the 4 R's Act was put aside, there has not been an attempt to put the railroads in with other similar properties.

MR. WOOD said the proposed statement of intent for HB 925 suggests replacement cost depreciated as a methodology to be used in valuing railroads. State law requires the fair market value standards. Replacement cost depreciated is not fair market value, it is just a first step in trying to identify what fair market value is. The sponsors of this legislation have failed to grasp the problem Montana has with its property tax system. We are coming to the end of another reappraisal cycle and Montana has reappraised only 5% of the property the state has. Because of these reappraisal cycles, the commercial and industrial property is only assessed at 50% of its fair market value.

Much could be done to alleviate railroad tax problems and property tax problems the local governments are facing if we would institute a reappraisal plan that would bring all those people somewhere close to 90-100%. As soon as the state does that, then railroads could be up to 90-100%.

As long as the state utilizes an eleven class system, with various commercial and industrial properties taxed at various rates spread throughout those eleven classes, you will have to put railroads at the median level. They will have to be treated like the average business is treated. If you put all business in one class, you could set whatever level you wanted to.

House Bill 925 is so filled with errors, ambiguity and vagueness, that it would be impossible to implement. The bill violates federal law. Rural counties will realize less taxes under HB 925 than they would have under the settlement and former system. County officials will be put in the unenviable position of trying to appraise the various sophisticated business entities. You cannot appraise railroad land the same as adjoining land because railroad land has to be used for railroad purposes otherwise it will be an illegal assessment.

With HB 925, virtually all the substantive decisions are left to the Department of Revenue for rulemaking.

MAX ARNOLD, a professional appraiser who is representing Burlington Northern, said there are 36 states that have moved from local assessments to unit assessments on public utilities. The reason for adopting the unit assessment process is because many large terminal investments are located outside of the state of Montana. By taking just the assets located in the state, many of the large investments of terminals were not included so a state would not have the advantage of the total assets of the company. The unit concept has been viewed, not only from a valuation standpoint, as being important within and between states. Those counties who do not have

the actual assets within the county still benefit.

Counties, in the past, have been doing the assessing but the state has a central assessing authority.

From an appraiser's viewpoint, Mr. Arnold said he would like to address the problem of regressive methods of valuing complex properties. Under the fair market value concept, all property has to experience a full appraisal. Replacement cost new, less depreciation, is only one "leg" of a "three leg" problem. Another "leg" is market value and the last "leg" is capitalization. The state would require reporting, by the railroad, of all their stocks and bonds, and financial analysis. He said there is no way, that he knows of, that one could value a complex railroad or utility property by just replacement cost less depreciation. Depreciation is just a loss in value from normal deterioration. That is a recapture of capital concept - not an appraisal concept. In the valuation of property for appraisal purposes, depreciation is a term used for a loss in value for all causes. You do not complete your appraisal until you have accounted for not just physical deterioration but also economic loss in value which is measured by income. If you are going to make a complete appraisal on the county unit basis, it would mean a financial analysis of all your property and that is a difficult and costly way to arrive at value. Mr. Arnold said, as he views the problems of the bill, the name of the game is fair market value, which means, under the 4 R's Act, you would have to make a complete appraisal of every profit, not just the costs of profits.

MR. ARNOLD said he didn't understand how this bill could be administered. You cannot find equity in the way the assessments would be performed. Control of the final market value concept would be impossible.

GREG GROEPPER, representing the Department of Revenue, said he is appearing neither as a proponent nor an opponent to the bill. The Department does not have a position on this bill. However, if the legislature chooses to pass this bill, they should understand the Department's point of view. Mr. Groepper said it was stated earlier that there are more appraisers in the counties now than there were in 1979. In the last appraisal cycle, there were over 750 FTEs in the Property Assessment Division and now there are 440 FTEs.

In the last appraisal cycle, there was an industrial appraisal effort. There were properties that had not been reappraised since 1957. There will probably be the same problems with the railroads. Given how Montana applies its particular statutes, what is attempted to be done with this legislation is probably the right way to go if you are not going to get all the reappraisal current.

MR. GROEPPER said there was a statement made by Mr. Wood that only 5% of the properties in Montana have been reappraised for this cycle.

Montana is at 40% of the reappraisal on personal property and at 25-30% on commercial property.

The statement of intent for HB 925 says the legislature contemplates no additional staff if HB 925 is implemented. The Department of Revenue said it will take about ten additional people to carry out this legislation. Mr. Groepper passed out copies of EXHIBIT 1 which shows the cost of hiring ten additional employees. If the property goes on the tax roles in 1986, it will take some work between now and then. If we are going to face another lawsuit, it would behoove the state to do the appraisal right.

REPRESENTATIVE SHONTZ, in closing, said it is important to recognize that the Department of Revenue is a hostile witness for this bill because they have entered into an agreement with the railroad that puts them into that position whether they choose to be or not.

The bottom line, in terms of the railroad, is that the Burlington Northern, in the state of Montana, is essentially a monopoly. House Bill 925 treats the railroad more fairly than, perhaps, they deserve, in terms of other commercial and industrial taxpayers in the state of Montana. The railroad perceives itself as paying its fair share of taxes to the state of Montana, but Representative Shontz said he feels that, at best, is "zero". He said we should take up a collection and pay the railroad annually for running their track through Montana. We should pay them the privelege tax.

In speaking of methods of taxation, the fair market value is just one way of determining a base upon which the railroad will pay taxes again. Another method is the salvage value, and in Representative Shontz's opinion, that would increase Burlington Northern's tax burden.

Burlington Northern is a monopoly and has the responsibility to pay its fair share of taxes and that probably will not happen on a voluntary basis.

Regarding the statement that we will have 48 units of government in the state assessing the property, Representative Shontz said the Department of Revenue assesses all property in Montana - not the 48 separate local governments.

REPRESENTATIVE SHONTZ said until the day comes that the railroad pays no taxes in Montana, we will be in court with them, fighting this problem.

Questions were heard from the committee at this time.

REPRESENTATIVE NORDTVEDT said he has always felt, for large corporations, that the equity value is as close as you can come to determining true market value. He asked Mr. Wood to comment on

any limitations or problems with centering a determination of true market value by something close to the equity method. Mr. Wood asked if by saying equity, Representative Nordtvedt meant the value of the stock. Representative Nordtvedt said it would be the value of the stock after making corrections for assets that are not part of the operating railroad. Mr. Wood said that is a recognized approach to value and very comparable to a market standard. It should also include, besides the equity, the fair market value of the company's debt. Representative Nordtvedt said the state of Montana is really tied to true market value for the basis of assessing, and he has always quarreled with replacement cost depreciation because he doesn't think it has anything to do with market value.

REPRESENTATIVE NORDTVEDT asked Senator Towe what problems he had with using the equity method to determine true market value. Senator Towe said he had great problems with that. It is wrong. The railroads see themselves as not being as profitable as they used to be so they went to Congress and got some financial relief. States are being forced to use unitary systems in appraisals. That is wrong because we do not use that in the appraisal of any other property. Senator Towe said the price someone would pay for a unit (i.e. a railroad car, piece of track, etc.) has nothing to do with what Burlington Northern stock sells for. There is no relationship.

REPRESENTATIVE NORDTVEDT asked the Department of Revenue if when they started using depreciated replacement cost as a method for appraising various types of property, was that done with the state statute spelling that practice out as a method or was it done by the Department's own implementation. Mr. Groepper said replacement cost depreciated gets the Department to the point where they can start looking at other influxes such as market and such as income-stream.

REPRESENTATIVE REAM asked what figures into the amount of taxes to be paid on right-of-way land versus adjoining land. Mr. Wood said the courts have said an appraiser cannot come along and say because the land on either side of the right-of-way might be worth \$100 per acre doesn't make the right-of-way land worth \$100 per acre because that land cannot be used for any other purpose other than right-of-way.

SENATOR TOWE said just because a piece of property is not earning any money does not mean that you should not be collecting property taxes on that piece of property. Railroads that are going out of business are salvaging their rails and track and are getting good money for that - a lot more than we ever taxed them at. The railroads are saying they should not be taxed too much because they are not earning money. If we levy the taxes, the railroads then ask for rate increases. If a railroad goes through a county, they should be treated like anyone else in that county. That is what HB 925 does.

SENATOR TOWE said it was stated that Section 306 of the 4 R's Act requires an average of the commercial and industrial property. He said he could not find that language in that section. If you put the same property on the tax roles at the same value as other property, you are alright. It does not say you have to take all commercial and all industrial properties and average the property out. If you tax railroad property like all other properties, you are alright but an average would not stand up and would not be consistent with what Congress intended.

REPRESENTATIVE JACOBSEN asked why the Department is requesting ten additional staff people for the reappraisal if there are appraisers and assessors in every county now. Mr. Groepper said the Department needs those extra people in order to get the reappraisal job done right before this act become effective. If we are going to fight litigation in 1986, as predicted, we had better have good, qualified people in the field to get this appraisal done.

REPRESENTATIVE WILLIAMS asked what assessment method is being used by those states who have not been sued by Burlington Northern. Mr. Arnold said the market value concept is what is being used by the states not experiencing severe problems with Burlington Northern. Most states assess on a fractional basis. The only way to satisfy the 4 R's Act and have equilization on the valuation of property is to have all local assessments go to 100%, there will be no more base year and non-base year concepts in assessments.

CHAIRMAN YARDLEY asked Dan Hoven, of the Attorney General's office, what he thought of the legal problems with HB 925. Mr. Hoven said he disagrees with the statement that this proposed legislation is a blatant violation of the 4 R's Act. He said, as he understands it, the real property portions of the railroad transportation property would be classed at 8.55% which is what other commercial and industrial real property is classified at. It would also be assessed in the same manner as other commercial and industrial property and, he assumed, it would be on a cyclical basis. Therefore, as far as the real property, he doesn't see how this piece of legislation violates the 4 R's Act. Court interpretations of the 4 R's Act have said that the comparisons between commercial and industrial property and the railroad transportation property should be real property to real property and personal property to personal property. As far as personal property, he said he agreed that you have to determine an aggregate ratio of what the commercial and industrial personal property is assessed to market value ratios. Through his research, personal property is appraised and assessed on an annual basis, if you don't have cyclical problems, and is classified at higher levels than real property.

REPRESENTATIVE DOZIER asked Representative Shontz for his appraisal of the agreement between the Department of Revenue and Burlington Northern. Representative Shontz said the state of Montana has not necessarily entered into a contract with Burlington Northern, the

legislature has not entered into an agreement with Burlington Northern--the Department of Revenue has. The concern is that if the Department of Revenue is given authority to enter into contracts that affect taxes, then the Department could enter into contracts with every homeowner and taxpayer in the state and determine that particular taxpayer's tax rate. That would violate the constitution.

REPRESENTATIVE JACOBSEN said the legislature has no obligation under the Department of Revenue's settlement and agreement with Burlington Northern.

The hearing was closed on HB 925.

CHAIRMAN YARDLEY called the meeting into Executive Session to take action on HB 925.

EXECUTIVE SESSION

House Bill 925

REPRESENTATIVE HARRINGTON moved HB 925 DO PASS.

REPRESENTATIVE DOZIER moved the statement of intent for HB 925 DO PASS.

REPRESENTATIVE NORDTVEDT moved to amend the statement of intent by striking the sentence, "The Legislature further contemplates that the guidelines would allow the use of appraisal methods utilizing replacement cost depreciated, salvage value, acquisition cost depreciated, depreciated f.o.b. costs, and other methods currently used for appraisal of similar property in Montana." Representative Nordtvedt said he doesn't feel any of those methods fulfill the true market value language of the 4 R's Act. We are just creating more guaranteed litigation with a weak case.

REPRESENTATIVE NORDTVEDT said we should not rush through this bill. The statement of intent should be rewritten to take the wording out of the 4 R's Act as to what the assessment should be. If we want to avoid violation of the 4 R's Act, we should use the wording of the 4 R's Act. The Department of Revenue should annually determine the ratio for aggregate commercial and industrial property of the state and use that ratio and apply it to the personal property of the railroads. Then you would be in-line with the 4 R's Act. That would mean the rewriting of the statement of intent and parts of the bill.

REPRESENTATIVE NORDTVEDT made a substitute motion that this committee not accept the statement of intent and that it be rewritten.

REPRESENTATIVE HARRINGTON disagreed with Representative Nordtvedt. He said the statement of intent gives direction and the direction given is good. He said it does fall within the guidelines of the

4 R's Act.

REPRESENTATIVE DOZIER said he agreed with Representative Harrington.

REPRESENTATIVE ASAY said he would like an additional 24 hours to review this bill before action is taken.

REPRESENTATIVE DEVLIN said because of the 4 R's Act, we got into a lawsuit. This legislation should follow the 4 R's Act.

REPRESENTATIVE NORDTVEDT said the 4 R's Act says in the event the state fails to arrive at a ratio of assessed value to market value, the court shall hold unlawful an assessment at which transportation property is assessed at a ratio greater than all the properties which includes the agricultural land and the homes and the lots.

REPRESENTATIVE NORDTVEDT said if we mess up on the personal property half, the courts will say you have to take the personal property part of the railroad, as well, and assess it at the same ratio as you are assessing the real property. If we do not do a fair job on the personal property half of the railroad, the court will force us into a lower rate.

The substitute motion was voted on and FAILED. A roll call vote was taken and all committee members voted no except Representatives Asay, Devlin, Harp, Neuman, Nordtvedt, Switzer and Underdal, who voted yes. Representatives Keenan, Vinger and Zabrocki were excused.

The committee went back to the original motion on the statement of intent to delete a line within the statement of intent.

That motion was voted on and PASSED. All committee members present voted yes except Representatives Harrington, Dozier and Nilson, who voted no. Representatives Keenan, Vinger and Zabrocki were excused.

CHAIRMAN YARDLEY reminded the committee that the Department of Revenue had said they needed to hire ten additional staff people. He asked if the last paragraph of the statement of intent should be changed.

REPRESENTATIVE DOZIER said the legislature demands the Department of Revenue to assess many things but yet the number of FTEs is always cut.

REPRESENTATIVE DOZIER moved to delete the last paragraph of the statement of intent.

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

The motion that the statement of intent DO PASS was voted on and PASSED. All committee members voted yes except Representatives Asay, Devlin, Neuman, Nordtvedt and Switzer, who voted no. Representative Vinger was excused.

REPRESENTATIVE JACOBSEN moved to change the effective date from December 31, 1985 to December 31, 1984.

REPRESENTATIVE HARP said he would oppose that motion because the Department of Revenue signed an agreement with Burlington Northern and we should live with it. We are pushing this bill too quickly.

REPRESENTATIVE NORDTVEDT said he believes we should not rush this through so that the next legislature cannot deal with this. We are creating more of a mess for this state. If the railroad feels their agreement with the Department of Revenue is not valid any more and pays the taxes under protest, that would be denying revenue to local governments, schools, etc.

REPRESENTATIVE WILLIAMS said if this state does not honor that agreement, we will be back into court and the revenue from those taxes will be held up.


REPRESENTATIVE HARRINGTON said the settlement is a drop in the bucket from what the railroad should be paying. Whatever we do, we will be back in court.

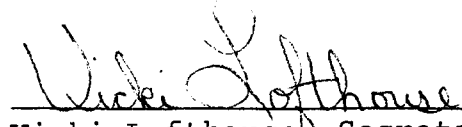
REPRESENTATIVE JACOBSEN said there is no reason the Department of Revenue cannot do with what they have in the way of employees for the implementation of this act.

The motion that the effective date be changed was voted on and FAILED. All committee members voted no except Representatives Abrams, Dozier, Harrington, Jacobsen, Nilson and Ream, who voted yes. Representative Vinger was excused.

The motion that HB 925 DO PASS was voted on and PASSED. All committee members voted yes except Representatives Neuman, Nordtvedt and Harp, who voted no. Representative Vinger was excused.

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


DAN YARDLEY, Chairman


Vicki Lofthouse, Secretary

DEPARTMENT OF REVENUE

EXHIBIT 1

4-6-83



TED SCHWINDEN, GOVERNOR

MITCHELL BUILDING

STATE OF MONTANA

HELENA, MONTANA 59620

April 4, 1983

MEMO

TO: Tom Winn
Chief, Research Bureau

FROM: Karen Renne *KSR*
Research Specialist

RE: Revenue Department Costs Associated with Proposed Removal of
Railroad Property from Centrally Assessed Property

Property Assessment Division staff estimate that ten additional employees would be required to appraise real property owned by railroads. Each would need to drive an average of 500 miles per month, and each one would be on the road approximately 130 days per year, or 50 percent of the time.

For the following estimates FY83 salary levels, plus 20 percent for fringe benefits, are assumed. Per diem payments are assumed to be \$15 for meals and \$26 for lodging. Reimbursement for use of a private car is assumed to be 20 cents per mile.

Estimated Cost

	<u>1/2 FY84</u>	<u>FY85</u>	<u>FY86</u>
Salaries			
Eight Appraisers			
@ Grade 13	83,880	167,760	167,760
Two Engineers			
@ Grade 15	24,942	49,884	49,884
Travel			
Meals	9,750	19,500	19,500
Lodging	13,520	27,040	27,040
Mileage	6,000	12,000	12,000
Total	138,092	276,184	276,184

STATEMENT OF INTENT
_____ Bill NO. _____ [LC 1452]

A statement of intent is required for _____ Bill No. _____ [LC 1452] because it authorizes the Department of Revenue to adopt rules to implement the appraisal and taxation of railroad property at the local level as opposed to such property being centrally assessed.

The Legislature contemplates that the rules should address the following, among other things:

1. guidelines, where necessary, for the appraisal of various classes of railroad property by the Department that establish the rules for treating railroad property in the same manner as other property in the same class. Whenever necessary, such guidelines should specify the manner in which market value for purposes of taxation is to be determined. The Legislature contemplates that such guidelines would adopt the same manner of arriving at market value for railroad property that is used for the entire class of property in which the railroad property is placed. (The Legislature further contemplates that the guidelines would allow the use of appraisal methods utilizing replacement cost depreciated, salvage value, acquisition cost depreciated, depreciated f.o.b. costs, and other methods currently used for appraisal of similar property in Montana.) The Legislature further contemplates that the rules would, to the extent possible, provide for the utilization of reports available from the federal government that arrive at market value for the property.

2. apportionment of the value of railroad rolling stock among counties based on operable track in a county and the annual useage of that track by railroads. While the Legislature recognizes that apportionment of the value of railroad rolling stock among counties is somewhat different than the "normal" system used for personal property taxation, the Legislature has provided for such apportionment because it believes that to do otherwise would require burdensome reports by railroads of their migratory personal property.

The Legislature contemplates that H Bill No. 925 [LC 1452] will not require the Department to hire or to contract for additional appraisal staff.

BURLINGTON NORTHERN

1982 TAXES PAID

* * * AFTER COURT SETTLEMENT * * *

BY COUNTY

COUNTY	RAILROAD TRANSPORTATION TAXES	TOTAL ALL OTHER TAXES	TOTAL TAX
BEAVERHEAD		\$735.82	\$735.82
BIG HORN	\$48,839.77	\$6,365.66	\$55,205.43
BLAINE	\$94,230.15	\$1,051.76	\$95,281.91
BROADWATER	\$55,779.00	\$1,942.62	\$57,721.62
CARBON	\$69,950.43	\$1,531.66	\$71,582.09
CARTER		\$6,528.62	\$6,528.62
CASCADE	\$192,568.99	\$471,321.47	\$663,890.46
CHOUTEAU	\$91,901.25	\$75.00	\$91,976.25
CUSTER	\$76,032.69	\$66,682.24	\$142,714.93
DANIELS	\$41,005.79		\$41,005.79
DAWSON	\$158,135.62	\$43,568.44	\$201,704.06
DEER LODGE	\$26,334.08	\$613.48	\$26,947.56
FALLON		\$8,536.50	\$8,536.50
FERGUS	\$78,874.16	\$3,487.50	\$82,361.66
FLATHEAD	\$220,133.78	\$207,117.28	\$427,251.06
GALLATIN	\$140,269.70	\$42,898.05	\$183,167.75
GARFIELD		\$38,200.84	\$38,200.84
GLACIER	\$116,648.46	\$1,160.48	\$117,808.94
GOLDEN VALLEY	\$32,387.44	\$5,501.52	\$37,888.96
GRANITE	\$65,480.03	\$4,751.67	\$70,231.70
HILL	\$176,924.34	\$10,572.54	\$187,496.88
JEFFERSON	\$109,351.10	\$947.37	\$110,298.47
JUDITH BASIN	\$106,694.42	\$150.81	\$106,845.23
LAKE	\$40,984.53	\$50,575.14	\$91,559.67
LEWIS & CLARK	\$156,811.16	\$23,824.75	\$180,635.91
LIBERTY	\$30,194.98	\$13,584.88	\$43,779.86
LINCOLN	\$191,467.93	\$61,231.40	\$252,699.33
MADISON	\$22,746.67	\$18,108.22	\$40,854.89
MCCONE	\$15,666.44	\$50,237.36	\$65,903.80
MEAGHER		\$1,145.80	\$1,145.80
MINEHAR	\$67,474.28	\$9,499.27	\$76,973.55
MISSOULA	\$175,689.41	\$295,155.23	\$470,844.64
MUSSELSHELL		\$9,369.08	\$9,369.08
PARK	\$163,127.36	\$15,101.50	\$178,228.86
PETROLEUM		\$1,698.78	\$1,698.78
PHILLIPS	\$75,840.75	\$605.57	\$76,446.32
PONDERA	\$37,676.21	\$2,355.38	\$40,031.59
POWDER RIVER		\$8,141.20	\$8,141.20
POWELL	\$91,627.52	\$13,159.52	\$104,787.04
PRAIRIE	\$39,010.04	\$25,209.69	\$64,219.73
RAVALLI	\$42,613.86	\$17,275.01	\$59,888.87
RICHLAND	\$32,181.30	\$16,058.25	\$48,239.55
ROOSEVELT	\$122,942.24	\$5,005.03	\$127,947.27
ROSEBUD	\$80,075.26	\$79,725.00	\$159,800.26
SANDERS	\$192,040.30	\$28,876.87	\$220,917.17
SHERIDAN	\$23,774.49		\$23,774.49
SILVER BOW	\$61,906.62	\$5,083.59	\$66,990.21
STILLWATER	\$63,814.81	\$1,800.57	\$65,615.38
SWEETGRASS	\$58,711.30	\$2,980.98	\$61,692.28
TETON	\$82,853.30	\$281.94	\$83,135.24
TOOLE	\$107,680.79	\$560.27	\$108,241.06
TREASURE	\$60,653.05	\$2,750.14	\$63,403.19
VALLEY	\$140,077.05	\$5,735.36	\$145,812.41
WHEATLAND	\$31,653.10	\$3,189.31	\$34,842.41
WIBAUX	\$11,379.55	\$10,476.32	\$21,855.87
YELLOWSTONE	\$239,407.28	\$255,718.25	\$495,125.53
TOTAL	\$4,351,622.78	\$1,958,360.99	\$6,309,983.77

COMPARISON OF "PROPERTY TAXES PER MILE" OF BURLINGTON NORTHERN
ROAD OPERATED IN MONTANA AND OTHER NORTHERN TIER STATES

BEFORE COURT SETTLEMENT:

<u>STATE</u>	<u>TOTAL ROAD OPERATED MILES</u>	<u>1982 OPERATING TAX</u>	<u>TAX PER MILE OF TRACK</u>
Montana	3,487	\$13,599,348	\$3,900
North Dakota	3,373	\$ 822,888	\$ 244
Idaho	464	\$ 242,646	\$ 523
Washington	3,366	\$ 1,800,000	\$ 535
Oregon	674	\$ 641,683	\$ 952
Colorado	768	\$ 530,116	\$ 640
South Dakota	889	\$ 170,600	\$ 191

AFTER COURT SETTLEMENT:

<u>STATE</u>	<u>TOTAL ROAD OPERATED MILES</u>	<u>1982 OPERATING TAX</u>	<u>TAX PER MILE OF TRACK</u>
Montana	3,487	\$4,351,623	\$1,248
North Dakota	3,373	\$ 822,888	\$ 244
Idaho	464	\$ 242,646	\$ 523
Washington	3,366	\$1,800,000	\$ 535
Oregon	674	\$ 641,683	\$ 952
Colorado	768	\$ 530,116	\$ 640
South Dakota	889	\$ 170,600	\$ 191

WITNESS STATEMENT

Name Gregory Grogan Committee On Taxation
Address Bellevue Date 4/6/83
Representing Revenue Support _____
Bill No. HB 925 Oppose _____
Amend X

AFTER TESTIFYING, PLEASE LEAVE PREPARED STATEMENT WITH SECRETARY.

Comments:

1. amend statement of intent by deleting last paragraph.
It will cost something to implement
2. No position on bill.
- 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 925

DATE April 6, 1983

SPONSOR

Representative Shontz

[illegible]

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

WHEN TESTIFYING PLEASE LEAVE PREPARED STATEMENT WITH SECRETARY.

STANDING COMMITTEE REPORT

Page 1 of 2

April 6, 1983

SPEAKER:

MR.

TAXATION

We, your committee on

having had under consideration HOUSE Bill No. 925

First reading copy (White)
color

A BILL FOR AN ACT ENTITLED: "AN ACT TO ACHIEVE COMPLIANCE WITH THE REQUIREMENTS OF THE FEDERAL RAILROAD REVITALIZATION AND REGULATORY REFORM ACT OF 1976, AS AMENDED; TO REMOVE RAILROAD PROPERTY FROM CENTRALLY ASSESSED PROPERTY SO THAT IT MAY BE APPRAISED AND TAXED IN THE SAME MANNER AS ALL OTHER PROPERTY SIMILARLY SITUATED; TO PROVIDE REPORTING REQUIREMENTS FOR RAILROADS; AMENDING SECTIONS 15-6-137, 15-6-138, 15-6-140, 15-6-141, 15-23-101, 15-23-103, 15-23-105, 15-23-106, 15-23-201, AND 15-23-202, MCA; AND PROVIDING AN IMMEDIATE EFFECTIVE DATE AND A DELAYED APPLICABILITY DATE."

Respectfully report as follows: That..... HOUSE Bill No. 925

DO PASS

STATEMENT OF INTENT ATTACHED

STATE PUB. CO.
Helena, Mont.

.....DAN YARDLEY,.....
Chairman.

COMMITTEE SECRETARY

MR SPEAKER:

April 6, 19 83

WE, YOUR COMMITTEE ON TAXATION, HAVING UNDER CONSIDERATION
HOUSE BILL 925, FIRST READING COPY (WHITE), ATTACH THE FOLLOWING
STATEMENT OF INTENT:

STATEMENT OF INTENT
HOUSE BILL NO. 925

A statement of intent is required for House Bill No. 925 because it authorizes the Department of Revenue to adopt rules to implement the appraisal and taxation of railroad property at the local level as opposed to such property being centrally assessed.

The Legislature contemplates that the rules should address the following, among other things:

1. guidelines, where necessary, for the appraisal of various classes of railroad property by the Department that establish the rules for treating railroad property in the same manner as other property in the same class. Whenever necessary, such guidelines should specify the manner in which market value for purposes of taxation is to be determined. The Legislature contemplates that such guidelines would adopt the same manner of arriving at market value for railroad property that is used for the entire class of property in which the railroad property is placed. The Legislature further contemplates that the rules would, to the extent possible, provide for the utilization of reports available from the federal government that arrive at market value for the property.

2. apportionment of the value of railroad rolling stock among counties based on operable track in a county and the annual usage of that track by railroads. While the Legislature recognizes that apportionment of the value of railroad rolling stock among counties is somewhat different than the "normal" system used for personal property taxation, the Legislature has provided for such apportionment because it believes that to do otherwise would require burdensome reports by railroads of their migratory personal property.