

MINUTES OF THE MEETING  
TAXATION COMMITTEE  
MONTANA STATE SENATE

January 28, 1983

The fourteenth meeting of the Taxation Committee was called to order at 9 a.m. by Chairman Pat M. Goodover in Room 415 of the Capitol Building.

ROLL CALL: All members were present.

CONSIDERATION OF SENATE BILL 189: Senator Chet Blaylock, Senate District 35, the sponsor of the bill, said this bill would clear up some problems with administration of the flat fee licensing system.

PROPOSERS

John Clark, representing the Department of Revenue, discussed the three facets involved. First, because of the application of the inflator factor (5.9), county treasurers are no longer dealing with round dollar figures, and this has created extra work for them. This bill will allow rounding the fees to whole dollar amounts. Second, under the present law, there appears to be no fee for eight-year-old vehicles. The amendment in the bill clarifies that there is a fee and what the fee is for eight-year-old vehicles. The third amendment provides that registered vehicles which were not subject to and did not pay any taxes when registered are not eligible for reimbursement payments.

OPPOSERS

There were no opposers to SB 189.

There were no questions from the committee on SB 189.

The hearing was closed, and Senator Norman moved that the committee recommend a DO PASS on SB 189. The motion was seconded and passed unanimously.

CONSIDERATION OF SENATE BILL 186: Senator Roger Elliott from Senate District 8 sponsored this bill and said it is a result of the Coal Tax Oversight Committee's findings between the 1981 and 1983 legislative sessions. Presently, 8.75% of coal tax revenues are allocated to the local impact and education trust fund. This money is available for grants by the Coal Board upon application and a showing of proof of impact. The Board presently has no authority to make a loan. Senator Elliott then quoted a portion of the Coal Tax Oversight Committee report dated November 1982 (p. 8), and a copy of

that quote is attached as Exhibit A to these minutes. Senator Elliott also mentioned HB 109, which would separate the local impact and education trust fund account into two accounts.

The amendments on page 1, l. 19-21, allow the Coal Board to consider applications for loans. Page 2, l. 8-14, limit the loans to be from current coal tax receipts only, and it allows repayments and the interest earned on these loans to be reused for additional grants or loans in the future. He stated, too, that in l. 13 on page 2, the word "trust" should be deleted and "local impact" inserted in its place, and on l. 14 on page 2, the section number "90-6-211" should be replaced with "90-6-202." In regard to the new section 4 on page 4 of the bill, Senator Elliott said paragraph (1) would limit loan projects to revenue-producing projects and that paragraphs (2) through (5) were administrative controls.

#### PROPONENTS

Paul Palm, representing the Montana Coal Board, submitted written testimony in support of SB 186 and it is attached to these minutes as Exhibit B.

Nancy Leifer, representing the Department of Commerce, also submitted written testimony, and it is attached as Exhibit C.

Jim Mockler, representing the Montana Coal Council, stated the availability of funds under this bill would allow such user-fee projects as water and sewer to be completed.

Pat Wilson, representing Montco/Thermal Energy, said they favor this bill because it would keep the coal companies from having to pay a double fee if loans were granted. She felt it was important, too, that funding be available for the user fee projects.

#### OPPONENTS

There were no opponents to SB 186.

Questions were called for from the committee.

Senator Towe said one of the advantages of the bill was that, in areas where there is likely to be a lot of revenue, the governmental units don't have the start-up money to build, and a project could be funded from the loan portion while anything normally funded by property taxes could continue to be funded from the grant portion.

Ms. Wilson said the bill provides that counties can't raise property taxes to repay the loans. 8.75% of the coal tax revenues already goes into the coal tax fund under which the local impact and education trust fund account is established, and they don't want to pay twice, she said.

Mr. Mockler added that it expands the use of the coal tax funds, allowing coal bonds to get into water, sewer, etc., on the front end of the projects. Repayment of loans will be limited to user fees.

Senator Halligan asked what interest rate would apply to these loans. Another member mentioned that that would be up to the Coal Board. Senator Eck asked if the Board members were familiar with loans of this type and what terms would be most advantageous. Ms. Leifer stated that the Department of Commerce would offer assistance to the Board in that area. Senate Gage asked if the Board anticipated grants and loans in excess of allocations. Mr. Palm said the Coal Board may receive a flood of applications for grants at one time and then receive none for a while. They anticipate maximum service.

Senator Elliott said the loan repayments could be set up on a property tax basis or on a cost-of-use basis where the user is charged for water delivered and subsequently treated. The costs are passed on to the user. Operational costs and repayment of bonds would have to be recovered. Also, there is no guarantee that the project owner will pay. There can't be a guarantee on the general credit of the taxing authority of the bonds. The bonds can only look toward revenue produced by the project.

Senator Towe said that by changing the section number of page 2, l. 14, from "90-6-211" to "90-6-202" the money is put back into the fund from where it came originally.

One member asked if, when we pay back "SIDs," we are really using property taxes (re section 4(1)). It was suggested that "SIDs" want not the right term for a project.

Mr. Mockler stated that part of a project would be covered by a direct grant if it were a major rehabilitation of the whole community. The other part would be paid from user fees such as hookups to water, sewer, etc., which repayments would go back into the fund. Senator Crippen asked why the SID structure (or other mechanism that would amortize itself) couldn't be used for the whole project. Mr. Mockler said he didn't think there would be a problem with repayment. The SID is levied as a tax. Senator Elliott said this bill includes the issuance of bonds under the revenue bond approach.

Senator Elliott closed the hearing on SB 186. He moved to amend line 13 on page 2 by striking "trust" and inserting "local impact" therefor, and to amend line 14 on page 2 by striking "90-6-211" and inserting "90-6-202" therefor. The motion was seconded and passed unanimously.

Senator Towe said that 90-6-211 is the local impact and education trust fund into which any unused allocation of the coal fund goes at the end of the biennium. Section 90-6-202 is the funnel into which the funds go until the end of the biennium when it flows back into 90-6-211.

Senator Crippen wondered what would happen if the words "or indirectly" on page 4, line 10, were removed. Senator Turnage said that if you say "indirectly," you can get back into the taxpayers' pockets.

Senator Crippen also thought there should be more than just a nebulous phrase of "user fees."

Senator Mazurek questioned the word "reassign." He moved to strike "reassign" and insert "assign" in its place on page 4, line 15. The motion was seconded and passed unanimously.

The committee will consider SB 186, as amended, further at a later date.

DISCUSSION RE TURNAGE COMMITTEE BILL: Senator Turnage presented to the committee a proposed committee bill which would set a standard method of refunding overcharges of property tax or providing revised 2nd half tax notices to taxpayers in jurisdictions which failed to correctly anticipate the receipts for motor vehicle fees and state payments in lieu of taxes. If this can be done, Senator Turnage felt lawsuits could be avoided and a great service would be provided to local governments and taxpayers who have had varied treatment of this problem in all 56 counties in Montana. He moved that the committee be authorized to draft a bill in accordance with the proposal handed out and which is attached to these minutes as Exhibit D. The motion was seconded and passed unanimously.

Senator Goodover stated that the committee would meet at 8:30 a.m. on Monday, January 31, rather than 8:00 a.m. that day. Amended announcements will be sent out.

The meeting adjourned at 9:50 a.m.

  
Chairman

ROLL CALL

SENATE TAXATION

COMMITTEE

48th LEGISLATIVE SESSION -- 1983

Date 1/28/83

NAME	PRESENT	ABSENT	EXCUSED
SENATOR GOODOVER, CHAIRMAN	✓		
SENATOR McCALLUM, VICE CHAIRMAN	✓		
SENATOR BROWN	✓		
SENATOR CRIPPEN	✓		
SENATOR ELLIOTT	✓		
SENATOR GAGE	✓		
SENATOR TURNAGE	✓		
SENATOR SEVERSON	✓		
SENATOR HAGER	✓		
SENATOR ECK	✓		
SENATOR HALLIGAN	✓		
SENATOR LYNCH	✓		
SENATOR NORMAN	✓		
SENATOR TOWE	✓		
SENATOR MAZUREK	✓		

DATE January 28, 1983

COMMITTEE ON TAXATION

## VISITORS' REGISTER

[illegible]

(Please leave prepared statement with Secretary)

DATE \_\_\_\_\_

, 1983

COMMITTEE ON

## TAXATION

## VISITORS' REGISTER

[illegible]

(Please leave prepared statement with Secretary)

EXTRACTED FROM THE REPORT OF THE COAL TAX OVERSIGHT COMMITTEE,  
NOVEMBER 1982, Published by the Montana Legislative Council

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VI  
COAL BOARD

[A major part of the Coal Tax Oversight Subcommittee's work involved keeping abreast of the activities of the Montana Coal Board. The Coal Board receives 8.75% of coal tax revenues for use in mitigating coal related impacts.

During the biennium, members of the Subcommittee attempted to attend as many of the meetings of the Coal Board as possible in order to familiarize themselves with the operations of the Board. Members who attended these meetings then reported back to the Subcommittee their observations.

In its recommendations the Subcommittee has suggested that the Legislature grant the Coal Board authority to make loans under limited circumstances. (See LC 109) The ability to loan instead of just grant aid for impacts would add a flexibility to Coal Board operations that would improve its ability to adequately mitigate the varied impacts with which the Board deals.

Under the proposed legislation, the Board would not be able to make a loan if the loan were to be repaid using property taxes. This provision was added to the bill to prevent increasing property tax mill levies due to loans for coal impact. In practice, this provision means that where the Coal Board makes loans user fees will have to repay the loans.]

SENATE TAXATION COMMITTEE  
EXHIBIT 8  
JANUARY 28, 1983, SB 186

Senate Bill 186 - Senate Taxation Committee - Room 415 - 9:00 a.m. - Friday -  
January 28, 1983

The Montana Coal Board strongly supports Senate Bill 186. This bill will allow the Board to consider applications for loans and this option will complete the total impact assistance program approach, which quite frankly, has been missing over the past years. By allowing the Coal Board to make loans as described in Senate Bill 186 funding will be available for user fee projects in the coal development area in time to prepare for the influx of workers and their families associated with the new development. Such user fee projects as water and sewer plant and transmission line expansions, will be funded from the loan portion while other projects requiring a local effort contribution normally from property tax funds will continue to be funded from the grant portion. When user fees begin to be generated the payback system will be put into effect and the loan receipts will be recycled back into the program for future loans. Had this loan provision been in effect over the past two years the Coal Board could have loaned out a total of \$2.9 million on seven user fee projects that would have qualified under the conditions of this bill. The loan option in Senate Bill 186 will result in the completion of a total impact program for the Coal Board and in the end give the Board more flexibility to make better use of the total funds appropriated to them under the Local Impact Assistance program from the coal severance tax.

SENATE TAXATION COMMITTEE  
EXHIBIT C  
JANUARY 23, 1983, SB 186  
SENATE BILL 186

*Nancy Leifer*

TESTIMONY FROM THE MONTANA DEPARTMENT OF COMMERCE

The Montana Department of Commerce strongly endorses Senate Bill 186.

Not only will this legislation provide an option to the Coal Board, but it will also provide an option to the impacted local governments as a source of credit.

This loan option will give the Board another avenue in attempting to deal with the adverse impacts of coal development when it can be assured that the applicant has the ability to pay without incurring an excessive tax burden on the impacted communities.

This will provide greater flexibility in using coal impact funds - as recommended by the Legislative Auditors.

Three states already have loan provisions for dealing with adverse impacts:  
Wyoming, Utah and North Dakota.

SENATE TAXATION COMMITTEE  
EXHIBIT D  
JANUARY 28, 1983

1/28/83  
proposed  
committee  
bill.

BILL NO. \_\_\_\_\_

INTRODUCED BY \_\_\_\_\_

A BILL FOR AN ACT ENTITLED: "AN ACT \_\_\_\_\_ TO PROVIDE THAT THOSE

LOCAL GOVERNMENT ENTITIES THAT FAILED TO CORRECTLY ANTICIPATE MOTOR  
VEHICLE FEES AND STATE PAYMENTS IN LIEU OF TAXES IN THEIR 1982-83 BUDGETS  
SHALL REFUND RESULTING PROPERTY TAX OVERCHARGES OR PROVIDE REVISED  
SECOND HALF TAX NOTICES IN THE CURRENT TAX YEAR AS APPROPRIATE."

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF MONTANA:

Section 1. Counties, municipalities, and school districts

which failed to correctly anticipate the receipt of non-tax revenues in  
the form of motor vehicle fees and state payments in lieu of taxes, as  
distributed under Section 61-3-509, for the 1982-83 budget year shall  
recalculate property tax mill levies to reflect anticipation of such  
revenues. The recalculated property tax levies resulting from such  
revisions shall be used to determine the property tax overcharges that  
resulted from such failure to correctly anticipate.

It is the duty of the county treasurer to estimate and inform each  
taxing jurisdiction of the amount of motor vehicle fees and state payments  
in lieu of taxes that should have been anticipated in each fund for each  
taxing jurisdiction. The county treasurer shall provide this information  
to all jurisdictions prior to March 1, 1983. Each taxing jurisdiction  
shall provide revised property tax levies to the county treasurer prior  
to March 15, 1983. The county treasurer shall establish refund procedures  
for those taxpayers who have paid property taxes in full for the 1982  
tax year, based on the revised property tax levies. The county assessor  
shall revise the second half property tax bills for taxpayers who have  
not paid in full and the county treasurer shall cause these notices to  
be mailed to each affected taxpayer by May 1, 1983.

A copy of the calculation of anticipated vehicle fee and state  
payments in lieu of taxes and a copy of the revised mill levies on which  
refunds or reduced second half payments are calculated shall be mailed

to the Montana Legislative Auditor, the Office of Public Instruction and  
the Montana State Department of Administration.

Section 2. Termination. This act shall terminate on January 1,  
1984.

Section 3. Effective Date. This act is effective on passage and  
approval.

SENATE TAXATION COMMITTEE, EXHIBIT D  
JANUARY 28, 1983  
TURNAGE PROPOSED COMMITTEE BILL

L.C.

BILL NO. \_\_\_\_\_

INTRODUCED BY \_\_\_\_\_

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SENATE TAXATION COMMITTEE, EXHIBIT D  
JANUARY 28, 1983  
TURNAGE PROPOSED COMMITTEE BILL

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# STANDING COMMITTEE REPORT

January 28

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MR. PRESIDENT

We, your committee on taxation

having had under consideration Senate Bill No. 189

Respectfully report as follows: That Senate Bill No. 189

DO PASS