

MINUTES OF THE MEETING
TAXATION COMMITTEE
MONTANA STATE SENATE

February 10, 1983
Afternoon session

The twenty-third meeting of the Taxation Committee reconvened at 5:30 p.m. in Room 325 of the Capitol Building, Chairman Pat M. Goodover presiding.

ROLL CALL: All members were present except Senator Lynch.

CONSIDERATION OF SENATE BILL 231: Senator Thomas Keating, Senate District 32, sponsored the bill and said it is a companion measure to the tax amendment the committee received last week (SB 159). Many of the arguments for this bill are tied to the testimony that was given to them previously, he said. SB 231 reclassifies oil for net proceeds taxation and reduces the assessed value tax rate from 100% to 70%. The drafting of this bill was requested in October 1982 at a time when there appeared to be a surplus in the state budget. Since then, they have found out that the state and counties are hard pressed for revenues, and so he requested the bill be amended on page 2, line 4, so that oil and gas are taxed at 90% of annual net proceeds rather than 70%. At the hearing for reduction of the severance tax, there was a preponderance of the evidence that because of high taxation of oil and gas at combined tax rates, the industry was receding in activity much more rapidly than national exploration. By rig count, the activity in Montana decreased by 75% compared to 40% nationally. The only difference is high taxation. If the counties and the state would each give a little back so there was a 1% or 2% reduction on oil or gas, it would encourage more industry in the state. There is no doubt that the oil exploration activity in eastern Montana has declined. We are asking the counties to give up a little bit of tax to encourage businesses to come back to their communities. Oil proceeds are paying most of the revenue in counties where oil is produced in large quantities.

The citizens of that county will be paying a little bit more tax, and there will be somewhat more equity in the counties. Senator Keating referred to Exhibit A(1), a comparison of different classes of land in Powder River County in 1982, and to Exhibits A(2) and A(3), showing the increase in net proceeds taxes from 1971 to 1980 in Glacier and Toole Counties and the percentages of net proceeds tax paid in 1980 in Richland, Sheridan and Powder River Counties. All of them are taxed at less than oil and gas taxation. This places a burden on the royalty owners in those counties. They want tax relief, too. The royalty owners pay 25% tax on royalties before they even get a check; then they pay income taxes on the balance of that. Do you or do you not want the oil business in the state, he asked.

PROPONENTS

John Manning, from Sidney, representing Shell Oil, said oil activity has dropped off almost twice the national average. One drilling rig will create 40 jobs. Seismic and geophysical work is another 5 jobs. Now there are 30 people per seismic crew. The decline in Montana is so steep that we got back only half of the national average decline--13½ rigs. So Butte lost 700 jobs. Eastern Montana lost 2,000 jobs in the oil business, but no one notices that. Some of them went to Wyoming where there is a better business climate. A 1% severance tax added on will increase or decrease the average life of a well by six months.

Ed Vanderpass, Oilmont, representing the Montana Oil and Gas Association, said Senator Keating had presented the facts and the matter is urgent to the oil and gas industry in Montana.

Scott Gage, CPA, Cut Bank, spoke in favor of the bill.

Barbara Ranck, Cut Bank, representing the Montana Oil and Gas Association, said they sold out to a company from Canada and are moving their offices out of the state of Montana. She supported the bill to keep people in Montana.

Don Allen, representing the Montana Petroleum Association, submitted a written statement attached as Exhibit B.

Mac Roberts, Helena, an independent landman, supported the bill and pointed out the lack of activity and lack of business that has taken place. See Exhibit C.

Bill Voy, president of the Montana Petroleum Association, said he is a beneficiary of the net proceeds tax income that the counties receive. We have to work with the county commissioners. We can get back those lost jobs Mr. Manning spoke of if we send the proper signals.

Senator Delwyn Gage, Senate District 7, said too many people think the net proceeds tax is the net profit from the leases. There is approximately 25% in operating costs that are nondeductible. We are taxing the profits at 3 times what the net proceeds for other resources are taxed.

The written testimony of G. Bruce Williams, Petro-Lewis Corp., Rocky Mountain Region, was entered into the record and is attached as Exhibit D.

OPPONENTS

Mike Stephen, representing the Montana Association of Counties, opposed any reduction of taxes. We have finite resources. Once they are extracted from the ground, they're gone. If the well is 25%, the calculations are that it would be taxed at 4%. If

the pool remains 100% for 50 years, then a 2% tax is charged as far as extraction for the year. If oil production is the major activity in a county, why shouldn't it be a major part of that county's tax income? See Exhibit E.

Don Judge, representing the Montana AFL-CIO, submitted written testimony, attached as Exhibit F.

Fred Johnson, a Glacier County commissioner, said when they cut the tax 10%, they have to tax someone else more. A farmer needs a 10% cut in taxes more than anyone else. It takes 10 bushels of wheat to buy one barrel of oil. We have to keep the tax base up. Everyone is having trouble. We have reservations, and the tax base there is low. We have to keep our tax base up to survive.

John Board, representing the Montana Education Association, submitted written testimony, attached as Exhibit G.

Billy Big Spring, a Glacier County commissioner, submitted written testimony, attached as Exhibit H.

Bill Duffy, representing oil, gas and coal companies, said the 70% statewide mill value dropped by 5%. The valuation in the 30 affected counties would drop by \$150 million and cash revenues by \$14.5 million, resulting in increased property taxes of 14% to 23% and placing the burden on the property taxpayer. See Exhibit I.

Jesse Long, representing School Administrators of Montana, submitted written testimony, attached as Exhibit J.

Selmar Woldstad, a Glacier and Pondera County taxpayer, representing the East Slope Taxpayers Association, submitted written testimony in opposition to the bill, attached as Exhibit K.

Gary Steuerwald, from the Office of Public Instruction, opposed the bill and submitted written testimony, attached as Exhibit L.

Joe Gottfried, a Toole County commissioner submitted information prepared by the Montana Association of Counties on erosion of the tax base and showing the impact of SB 231. See Exhibits M and N. He urged the committee to give SB 231 a do not pass.

Tucker Hill, representing the Richland County Commissioners, submitted written testimony, attached as Exhibit O.

Ralph Johnson, representing the Eastern Slope Taxpayers Association, and himself as a taxpayer, submitted written testimony, attached as Exhibit P.

Terry Minow, representing the Montana Federation of Teachers, AFT, and AFL-CIO, opposed the bill (Exhibit Q).

Joe Evans, representing the East Slope Taxpayers Association in Browning, Montana, and Evans Enterprises, urged a do not pass on the bill. His written statement is attached as Exhibit R.

Delane Beach, Fallon County commissioner, opposed the bill also.

The written statements of opposition of the following were also entered in the record and are attached as Exhibits S, T, U, V, and W, respectively:

Gloria Paladichuk, Richland County Treasurer;
Bob Mullen, representing Richland County;
Bernt Ward, representing Sheridan County Assessor;
Arthur Rameo, representing Hill County Commissioners; and
Alan D. Curtis, representing himself.

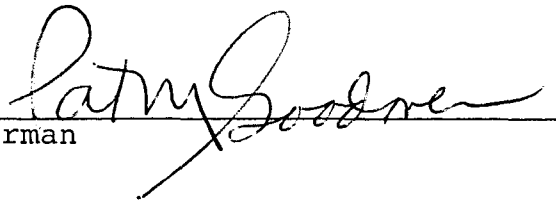
Dan Bucks from the Department of Revenue, said this is not the time to reduce a source of revenue without some replacement revenue. The net proceeds tax is a property tax in lieu of value. With 100% of the deposit underground year after year, only that percentage of the property extracted is valued. If you have a 25-year well, you are valuing it at 4% of its full value each year. The current value is at the point of extraction.

Senator Keating, in closing, said minerals in the ground that cannot be recovered at a reasonable cost are worthless. It retards itself on development. He had no argument with taxing at the point of extraction but when the tax is so high that the minerals cannot be taken from the ground profitably, they will be left there and will be worth nothing to anyone. The decline began in January 1982. The net proceeds tax took effect in April 1981. In the oil industry, the decision to drill a well is made a year ahead of time. Beyond that, the results are studied for the next round of budgeting. Wells had been approved in 1980. The economics based on taxes were unknown at that time, but when it was perceived, we began to see a decline in oil exploration in January and February of 1982, and it's due to regressive taxes.

Senator Keating said people complain education will be hurt by this. In 1968, the oil and gas discovery in Montana brought those industries here. The Department of State Lands drew record amounts for leases. In 1981, in the year taxes were increased, \$32 million was paid for state oil and gas leases. In 1982, with the decline in exploration, that figure dropped to \$8 million. This year, 1983, has brought the largest number of applications in 5 years. Business on "Main Street" is leaving. Dollars come into a community and are turned over 5 or 6 times, and they all pay taxes. When the state lands were all leased, there were more dollars, dollars that paid taxes from year to year. If the industry leaves, so will the leases and the money. When they are all leased, there is \$60 million coming in. Ninety percent of the money spent in exploration comes from outside the state.

The Blackfeet Tribe has been given the right to tax oil and gas, he said. They have added a 2.5% tax to produce on the reservation what is already being taxed. Conoco plugged 40 wells because of this. Because of the additional tax, there is no activity on the Blackfeet Reservation. When wells are plugged, volume declines. If there is no replacement of what is being drained, you will have less and less to tax. Think of what no activity will do when the oil wells dry up. The big, rich oil companies are not here; the little guys, the independent operators, are here in Montana. In 1968, an independent operator found one of the best wells in the state. His backers were from Chicago, New York and other eastern places. Since 1973, oil taxes have increased 700%. Since 1973, other taxes have increased only 93%. Please consider SB 231 to encourage free enterprise development on property in this state. He also suggested putting motor vehicles back into the county tax base.

The meeting adjourned at 6:40 p.m.


Chairman

ROLL CALLSENATE TAXATIONCOMMITTEE

48th LEGISLATIVE SESSION -- 1983

Date 2/10/83

P.M.

MEETING

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	✓		

COMMITTEE ON TAXATION

VISITORS' REGISTER

NAME (PLEASE PRINT)	REPRESENTING	BILL #	Check One	
			Support	Oppose
JO EVANS	East Slope Taxpayers	231		X
RALPH JOHNSON	East Slope Taxpayers	231		X
Thomas Waldstad	East Slope Taxpayers	231		X
Judith Johnson	County Comm. Taxpayers	231		X
Art Johnson	Hill to Harbison	231		X
Tara Stromwald	MTI	231		X
Thomas F. Thompson	SEN DIST 32	231	✓	
J. S. Campbell	Teal Co - oil & Gas	231		X
F. J. Johnson	Shell Oil Company	231	✓	
Don Allen	MT. Petroleum Co.	231	✓	
Carlton Roberts	Montana Oil & Gas Assoc.	231	✓	
Ed Vander Poo	Montana Oil & Gas Assoc.	231	✓	
W. MAC ROBERTS	INDEPENDENT LANDMAN, PROD	231	X	
Don Judge	MT STATE AFL-CIO	231		X
John A. Brink	MEA	231		X
Glacier Co.	GLACIER CO.	231		X
Wm F. Dittiey	Oil Gas & Coal Co's	231		✓
Carl Rieckmann	MPA	231	X	

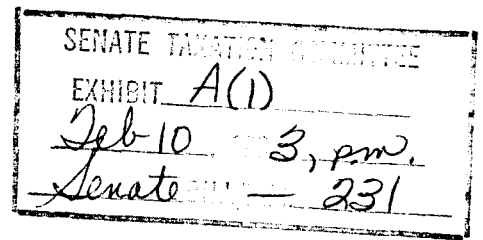
COMMITTEE ON ~~CLAYTON~~

VISITORS' REGISTER

[illegible]

(Please leave prepared statement with Secretary)

POWDER RIVER COUNTY - 1982



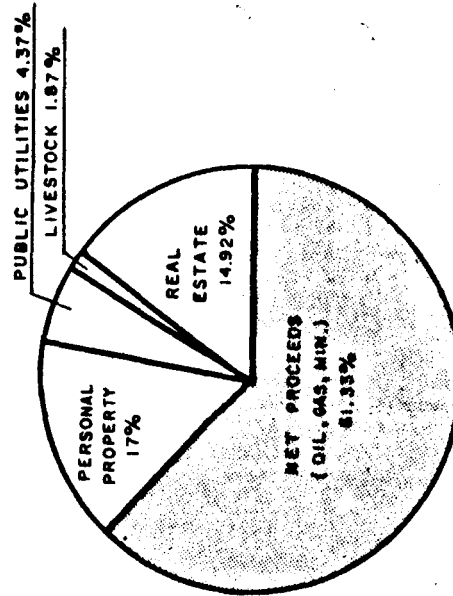
CLASS	ASSESSED VALUE	TAXABLE VALUE	AVERAGE ASSESSMENT RATIO
Ag Land	\$ 6,049,940	\$ 1,814,982	30%
Non-Ag & Imp Land	15,829,901	1,403,796	8.8%
P. P.	46,600,781	3,582,846	7.7%
Inter County Crop Property	7,345	220	.02%
State Assessed Utilities	8,576,257	629,996	7.3%
Net Proceeds	65,650,976	65,650,976	100%
Total County	\$142,715,200	73,032,815	

'82 - 70% of \$65,650,956 = \$45,955,663 = 20M Taxable Decrease

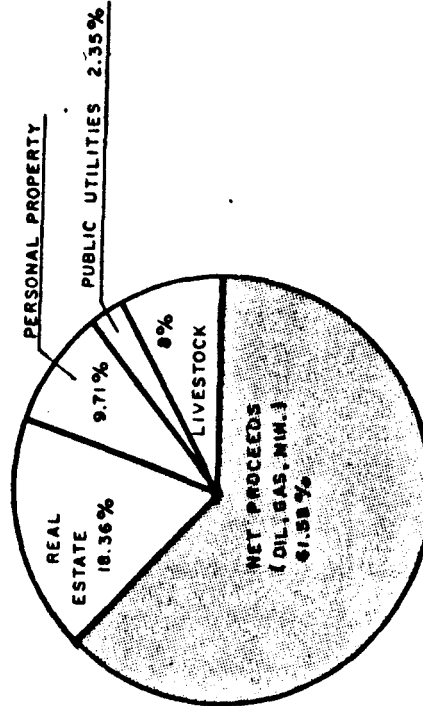
'83 - 70% of \$54,000,000 = \$37,800,000 = 16M Taxable Decrease

WHO PAYS THE TAXES

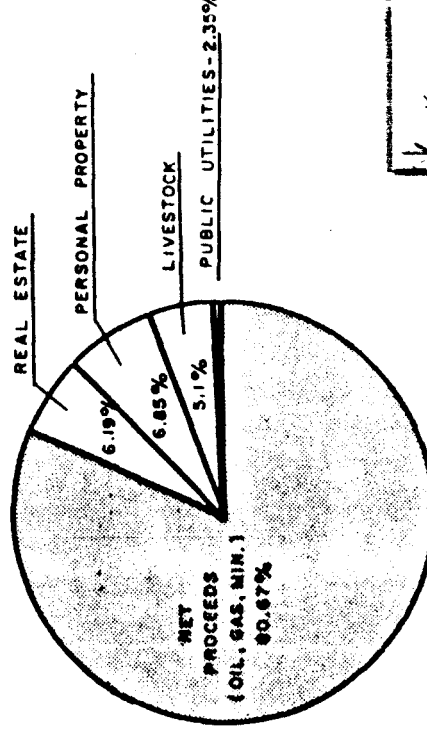
Richland County
1980



Sheridan County
1980



Powder River County
1980



NOTE:
1980 LEGISLATURE
DECREASED LIVESTOCK TAX
DOUBLED OIL SEVERANCE TAX

DATA: STATE DEPT. OF REVENUE

J.L. BRANCH, M.S.

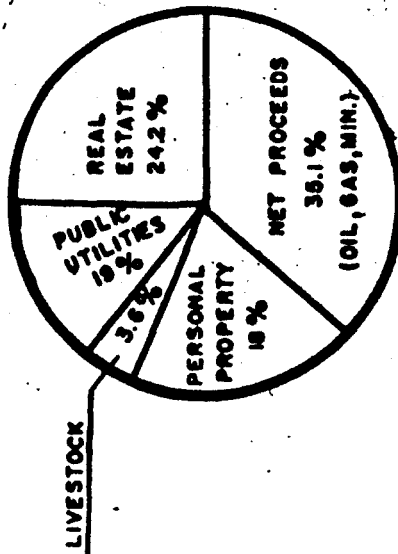
MONTANA OIL AND GAS ASSOC.

EXHIBIT A(3)

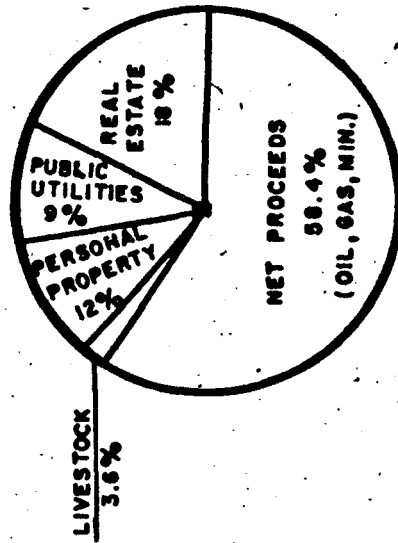
Feb 10, 1983, pm
Senate 231

Glacier County

1971



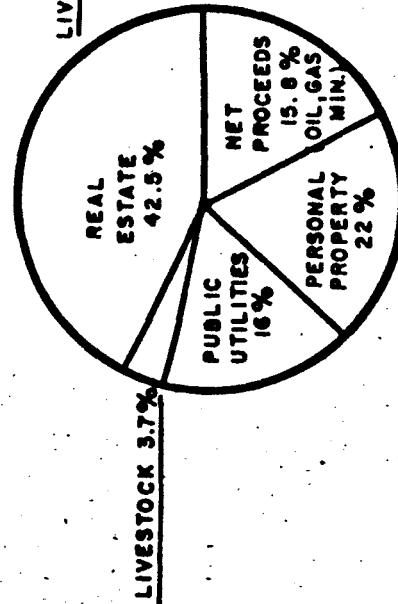
1980



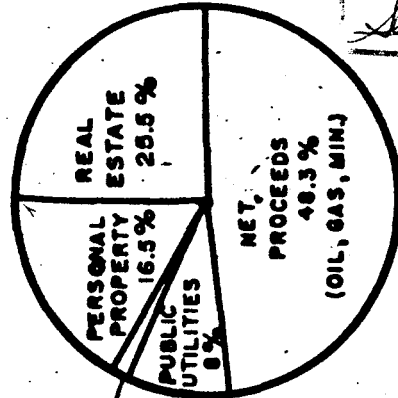
NOTE:
1980 LEGISLATURE
DECREASED LIVESTOCK TAX
DOUBLED OIL SEVERANCE TAX.

Toole County

1971



1980



DATA: STATE DEPT. REVENUE

BRANCH, J.L.
MONTANA OIL & GAS ASSOC.

EXHIBIT: A(2)
Feb 10 3, pm
knote - 231

HOW MONTANA'S COUNTIES CAN JOIN IN THE CRUSADE
TO SPARK MORE OIL/GAS INDUSTRY JOBS

or

FAIR TREATMENT IS THE SUN WHICH SHOULD SHINE
ON THE WHOLE BROTHERHOOD OF MONTANA TAXPAYERS

Most Montanans are eager supporters of equal treatment for all and champions of fair play. And they are builders who have supported the free enterprise ethic for themselves and for others in the community--a job and/or business opportunity so every man can pull his own weight.

The ladies and gentlemen of the oil and gas industry have a proposal which will move us toward a fuller realization of both noble goals which Montanans cherish.

Through a more equitable classification of the taxable valuation of oil and gas production for purposes of county property tax levies, we can strike a blow for a more even treatment of all taxpayers and at the same time foster more well-paying jobs and local business opportunities in Montana's otherwise smarting economy. The benefits from increased employment, retail and contract sales and other tax revenues easily can offset the small pain of seeing the property tax base subside a little. We need some kind of a reduction in the taxable value of the net proceeds level of oil and gas production as part of the spur to promote more exploration and drilling activity within Montana from the oil/gas industry.

Sen. Tom Keating has offered such an approach in his SB 231 to lower the property tax rate on oil and gas production from 100 to 70 percent of the net proceeds presently calculated by state law. It deserves careful consideration because it is based on the simple premise that all taxpayers should be on similar if not absolutely equal terms. As responsible citizens, we all can agree that it is proper to support the necessary government functions of our society with tax revenues from a portion of our labors, but a true sense of fair play tells us that we should be supportive on an equitable basis.

SENATE TAXATION COMMITTEE

EXHIBIT

B

Feb 10, 1983, pm

Senate Bill 231

One only needs to look at the taxable valuation of commercial properties as a percentage of their market value compared to the 100 percent net proceeds taxable level weighed similarly against oil and gas market values to see the disparities which exist presently in Montana. While commercial, industrial and certain residential properties are taxed at 8.55% of their assessed valuation, the net proceeds level--a computation drawn from the value of the oil or gas property in place and being developed--comes to about 30 percent of its current market value. Some other properties are classed at 11% to 16% of their market value. And on top of that, because assessed property valuations otherwise have not kept up with market values over the years and currently are estimated statewide at approximately 50 percent of current market figures, the actual fairness disparity is even greater--more like 60% for the net proceeds levels when comparing to other properties in true market value terms. The point makes itself, without a lot of other facts and figures.

We've got some other information which is extremely interesting however. It is included in the informational packet presented by the Montana Petroleum Association to the Senate Taxation Committee during the February 4, 1983, hearing on SB 159 to reduce Montana's oil severance tax rate. Let us refer to a few charts.

Key among them is the one on Page 23 which shows by counties the impact of the 100 percent oil/gas net proceeds valuation as a percentage of the total taxable property valuations to which school district mill levies are applied. Statewide, one can see that oil and gas production in tax year 1982 was 27.63%--more than one quarter--of the state's whole taxable property valuation!

And look at the disproportionate reliance by some counties on oil/gas production to fund their local budgets. Some examples: Big Horn, 56.66%; Fallon, 87.97%; Glacier, 59.97%; Liberty, 52.60%; Musselshell, 73.63%; Powder River, 84.03%; Richland, 78.39%; Roosevelt, 56.87%; Sheridan, 83.58%; Toole, 60.11%, and Wibaux, 78.42%. In the 30 oil/gas producing counties alone, production amounts to 36.7% of their full tax bases.

Don't get us wrong. The oil and gas industry is happy that these counties are able to benefit from the presence of production and the correlating jobs and local business activity which go hand in hand. In fact, we support their position that the natural resource property tax base belongs to the local community and not to the state at large, just like Montanans are protecting their right to set the level and enjoy the benefits of state production severance taxes against other states who would limit or invade those Big Sky Country revenues. All that we hope for at local school district levels is that production net proceeds be taxed at a percentage of market value more in keeping with the percentage enjoyed by other commercial properties. Tax equity by any other name is really tax inequity.

Another important chart is on Page 16. What makes it significant is that nothing is going on there. And truly nothing is going to go on in those non-producing Montana counties, particularly the ones in Montana's western Overthrust and Disturbed Belt areas, if the teeth marks from the local property tax bites are not eased up in some ways. The taxpayers in these counties are strapped with high mill levies because they have very limited tax bases. If the net proceeds taxable level were lowered in state law, some of the sting of those high mill levies would be eradicated. Indeed, some of the thorny western Montana disincentive to new exploration and drilling would be extracted, and those western flank counties still could look forward to extremely bountiful tax returns from the big reserves which are envisioned in the seismographic work conducted to date.

During our oil severance tax presentation, we made the point in the charts on Pages 27, 28, 29 & 30 that Montana's effective tax burden on oil production, coupling our experience with the state severance tax and the net proceeds levies, put us out front in the sisterhood of states and their tax loads. In oil industry down times, with world oil prices sinking steadily, Montana needs all the more to send a signal to the industry to encourage more new activity from the limited company budgets if we are to provide more jobs and insure a healthy flow of state and local tax revenues from overturning future production. We made the point that our drilling rig activity in 1982 fell more dramatically compared to 1981 levels than anywhere else in the nation. We made the point that Montana's geological prospects generally are not as good as those enjoyed other places within the sisterhood. Our bottom line was that Montana needs to try harder if it wants more action.

Our packet with its informational support in its entirety also underpins the coupling relief we are suggesting for the net proceeds valuation level. We hope you will keep that in mind.

The tax burden situation is true of our natural gas production--and then some. Based on the figures available from the oil and gas net proceeds survey supported by MPA and the governor's budget office and conducted by the Department of Revenue, the gross equivalent tax bite on gas on a state-wide basis--including severance, net proceeds, resource indemnity trust and conservation payments--comes out to 11.25%. Oil's statewide gross equivalent levy was 11.87 percent, with actual situations in the counties most heavily drilled in the past five years running up into the 13 and 14 percent ranges. The same kind of higher burdens can be shown in prime gas activity areas.

Take active Hill County, for example. The experience there demonstrates a minimum 13 percent net proceeds equivalency, which runs the whole tax ball to slightly over 16 percent when the other severance, resource indemnity and conservation segments are added.

Keeping everybody on a more comparable taxation level not only is noble, good and just, the kind of stuff of which democratic societies are made of. It is good business. If we fail to take a stab at increasing activity in the one industry which in the immediate and the long-term offers the best hope for economic development in Montana using largely out-of-state dollars, then we've lost our touch at cutting the deck.

And we're ready for our epitaph: "Jobs eroded, fortunes turned. We fiddled while Montana burned."

The Montana Petroleum Association
A Division of the Rocky Mountain Oil and Gas Association
2030 11th Avenue
Helena, Montana 59601

NAME: W. MAC ROBERTS

SENATE	EXHIBIT <u>C</u>
<u>Feb 10</u>	<u>3 pm</u>
<u>Senate</u>	DATE: <u>2/10</u>
	<u>231</u>

ADDRESS: Box 51 Helena MT 59604

PHONE: ~~406~~ 406 443 7250 443 5235 (home)
(SELF)

REPRESENTING WHOM? INDEPENDENT LANDMAN & OIL PRODUCER

APPEARING ON WHICH PROPOSAL: SB 231

DO YOU: SUPPORT? X AMEND? _____ OPPOSE? _____

COMMENTS: TAXATION ON NET PROCEEDS IMPOSED BY
COUNTIES IS VALUED HIGHER & DISPROPORTIONATELY
THAN OTHER COMMERCIAL PROPERTY.

IN EFFECT BY ~~THE~~ LOWERING THE ~~ASSESSMENT~~ RATE OF
OF NET PROCEEDS ASSESSMENT THE LEGISLATURE WILL
GIVE A SIGNAL TO THE INDUSTRY THAT MONTANA
DOES WANT TO CONTINUE THE VERY GOOD ECONOMIC
BENEFIT AS IN THE ^{PAST} ~~PAST~~ ~~SECTOR~~

PLEASE LEAVE ANY PREPARED STATEMENTS WITH THE COMMITTEE SECRETARY.

SENATE
EXHIBIT D
Feb 10 3, pm
Senate - 231

PETRO LEWIS CORPORATION
Rocky Mountain Region

550 South 24th Street West
P.O. Box 21497
Billings, Montana 59104
(406) 652-5200

G. Bruce Williams
Vice President and General Manager

February 9, 1983

Senator Pat M. Goodover
Montana Senate
State Capitol
Helena, MT 59624

Dear Senator Goodover:

I am writing to encourage your support for Senate Bill 231. In my written and oral testimony before your committee on SB 159 last week, I tried to emphasize the need for Montana to create a positive atmosphere for the growth of the basic industries in the state. In my opinion, we are not talking only about an oil and gas issue. My involvement and expression of opinion with regard to oil and gas issues only reflects the fact that I am most familiar with the effects of excess taxation on this industry. The real question in my mind is whether the legislature and the administration are really serious about taking a long term approach to economically "Build Montana".

In his testimony last week regarding SB 159, Mr. Murry referred to excessive profits being made by the oil and gas industry. Mr. Murry neglected to mention the magnitude of the investment made by that same industry in an economically risky environment. Surely the industry that generates over thirty percent of Montana's general fund revenue is paying a fair share. In my mind, it's time for Montana to make an investment in the expansion of this state's revenue base.

Yours very truly,

G. Bruce Williams

G. Bruce Williams

GBW/dc

NAME:

Mike Styka

EXHIBIT

E

Feb 10

3, p.m.

Senate

DATE:

10 Feb 83

231

ADDRESS:

1602 11th Ave

PHONE:

REPRESENTING WHOM?

MT. Assoc. of Counties

APPEARING ON WHICH PROPOSAL:

SB 231

DO YOU:

SUPPORT?

AMEND?

OPPOSE?

X

COMMENTS:

1. Finite resources - Adverse - no replacement
2. Only applied upon
deductions
3. For item of property tax
4. 20 year life - not proceeds
5. Tax is present to provide services
6. Majority of revenues - in those
municipalities remain
with the entities making
up that base.

PLEASE LEAVE ANY PREPARED STATEMENTS WITH THE COMMITTEE SECRETARY.



JAMES W. MURRY
EXECUTIVE SECRETARY

Box 1176, Helena, Montana

ZIP CODE 59624
406/442-1708

SENATE TAXATION COMMITTEE
EXHIBIT <u>F</u>
<u>Feb 10, 1983, p.m.</u>
<u>Senate BILL/RES. 231</u>

TESTIMONY OF DON JUDGE, MONTANA STATE AFL-CIO
SENATE BILL 231

February 10, 1983
Senate Taxation Committee

I am Don Judge, representing the Montana State AFL-CIO.

We are opposed to Senate Bill 231, which would reduce the property tax rate for crude oil and gas.

The fiscal note for this bill paints a gloomy picture of the result of passing this bill. The University system would lose somewhere in the neighborhood of \$2.3 million over the biennium, at a time when costs are soaring due to rising enrollment.

The School Foundation program would lose about \$15.1 million over the biennium. When Governor Schwinden proposed no increase at all for the school foundation, there was an outcry from Republicans and Democrats alike. I have not heard anyone say that the foundation program should be cut. But this bill would provide for a major cut in that program.

SB231, according to the fiscal note, would also reduce local government revenue in oil producing counties by about \$28.9 million over the biennium. There is also widespread agreement that local governments are in serious shape, and that something must be done to help them. Taking away \$28.9 million from some counties is not what they are looking for in the way of help.

And what would these devastating cuts achieve? They would provide direct help to the oil industry, the industry which has done the best of any industry in the United States in the last few years. Profits for the 28 largest oil companies totalled \$28 billion for 1981, the latest figures available. That means that the oil industry had more than 33% of the total profits for the entire Fortune 500 list of the largest companies.

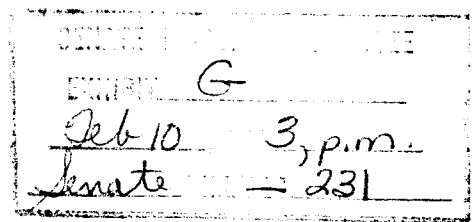
Obviously oil activity has declined now due to the breakup of OPEC and the glut of oil on the world market. But when you consider the shape of other industries, like agriculture or timber or construction, oil is the very last industry which should be receiving such a substantial give-back.

In Montana, the Montana Oil Journal reports that the number of new oil and gas wells drilled in Montana declined in 1982, but were still the fourth highest in the state's history.

The effect of such mammoth reductions will surely be that revenue will have to be raised somewhere else. And that means that other property tax payers will undoubtedly be asked to pick up the slack, to the tune of \$46.3 million over the biennium. That is an enormous tax increase to put on the backs of the ordinary taxpayer, and that is just to stay even on programs which almost everyone agrees need an increase, not a decrease.

This bill gives a break to the industry that needs it least. It forces property tax increases of a gigantic scale on the homeowner. Even with those increases it may result in decreases for the university system, the school foundation program and revenue to certain local governments. What could possibly be more unwise than SB231? We ask you to oppose SB231.

February 10, 1983



TO: Senate Taxation Committee

FROM: John Board
President
Montana Education Association

RE: Senate Bill 231

Mr. Chairman and Members of the Committee:

For the record, I am John Board, President of the Montana Education Association, and I rise in opposition to Senate Bill 231.

Senate Bill 231 is objectionable because it would further erode the tax base for public schools in Montana.

This bill would lower the taxable value of oil and natural gas by ^{62.14}\$186.46 million in FY 84. This would reduce the property tax revenue for the school foundation program from the statewide 40 mill levy by ^{2,486}\$7,458 million for the first year and by over ⁵\$15 million for the biennium.

As a result, the obligation for state equalization money would increase by a corresponding amount. At a time when the legislature is already faced with a crisis in the state budget, it would not be wise or prudent to impose this additional state burden.

If one assumes the average total school levy in the oil-producing counties is 85 mills, the property tax loss caused by Senate Bill 231 to school districts would be ^{2.8}~~\$8.4~~ million per year in addition to the loss to the school foundation program. Therefore, the total property tax loss to schools caused by Senate Bill 231 would approach ^{5.3}~~\$16~~ million per year, or a total of ^{10.6}~~\$32~~ million in the next biennium. All of this would not include the loss to city and county government.

The Montana Education Association urges you to defeat this bill.

SENATE TAXATION COMMITTEE	
EXHIBIT	H
Feb 10	1933, p.m.
Senate	BILL/RES 231

Dear Committee Members:

I urge you NOT TO SUPPORT SENATE BILL 231.

As a county commissioner from Glacier County, the passage of this bill will create an unfair burden onto the local taxpayers. Any reduction in net oil proceeds will have a dramatic affect on county, school and city budgets. Additional taxes will have to be raised to offset the loss of revenues received from the net oil proceeds. Glacier County is heavily dependent on net oil proceeds for current operations. The passage of this bill will create an unfair burden onto the local taxpayers in Glacier County, therefore, I urge you not to support senate bill 231.

William F. Big Spring Sr.
East Glacier Park Mont 59439

EXHIBIT I
Feb 10 3:00pm
Senate 231

NAME:

W. F. Duffey

ADDRESS:

1118 Cheyenne Rd.

PHONE:

442-5209

REPRESENTING WHOM?

Oil Gas & Coal Co's

APPEARING ON WHICH PROPOSAL:

SB 231

DO YOU:

SUPPORT?

AMEND?

OPPOSE?



COMMENTS:

Do to the disastrous
effect on local Government
Tax Base.

PLEASE LEAVE ANY PREPARED STATEMENTS WITH THE COMMITTEE SECRETARY.

SENATE COMMITTEE
EXHIBIT J
Feb 10 3 p.m.
Senate DATE: 2-10-83
- 231

NAME: Jesse W Long

ADDRESS: 501 N. Sanders

PHONE: 442-2510

REPRESENTING WHOM? School Admin of MT

APPEARING ON WHICH PROPOSAL: SB 231

DO YOU: SUPPORT? AMEND? OPPOSE? X

COMMENTS: Loss of School Equalization
Funds is severe. \$7.46M each year
of the biennium

It seems that world market
conditions are more responsible for the
down trend for the oil & Gas industry
rather than the net proceeds tax.

Additionally transportation is a
much greater detriment to the industry
than is the tax.

The projections for the oil industry
is definitely up in the next several years
Do Not Pass SB 231

PLEASE LEAVE ANY PREPARED STATEMENTS WITH THE COMMITTEE SECRETARY.

Attached is a list of bills that
are impacting education. Can
we afford the loss of Revenue?

School Admin & Montana
Jesse W Long, Ex Sec.

STATE
AUTHOR

SUBJECT

STIMATZ

Creating a highway reconstruction account; allocating a portion of the oil severance tax collections to the account; providing for applicability on April 1, 1983; amending section ...; and providing an immediate effective date.

General Fund Decrease

FY 84 FY 85
(\$ 4.94M)(\$ 5.24M)

MCCALLUM

Revising the allocation of federal forest reserve money to school districts; amending...; and providing an effective date.

General Fund Decrease

FY 84 FY 85
(\$ 1.5 M)(\$ 1.5 M)

ELLIOTT

To change the disposition of coal severance tax constitutional trust interest and earnings; providing for deposit of certain interest and earnings in the state general fund; amending...; and providing an effective date.

Some question of loss to Constitutional Trust Fund interest and earnings.

KEATING

To reduce the oil severance tax to 3 percent; ... and providing an immediate effective date and an applicability date.

General Fund Decrease

Revenue estimates will be considerably less if this bill is amended to 4 1/2% in place of 3%.

FY 84 FY 85
(\$28.19M)(\$31.09M)

ECK

To increase the income tax exemption for private or corporate retirement benefits; amending...; providing an immediate effective date and an applicability date.

Income Tax Decrease

General Fund Decrease

Earmarked Revenue Decrease

FY 84 FY 85
(\$ 1.13M)(\$ 1.13M)
(\$.72M)(\$.72M)
(\$.28M)(\$.28M)

AKLESTAD

To exempt certain producer-held grain in storage from property taxation; amending sections....

School Foundation Decrease

Local Revenue Loss

FY 84 FY 85
None (\$.2 M)
None (\$.93M)

KEATING

To reduce the property tax rate for crude oil and gas from 100 percent of annual net proceeds to 70 percent of annual net proceeds; amending section...; and providing an immediate effective date and applicability date.

School Foundation Decrease

Local Revenue Loss

FY 84 FY 85
2.5 (\$ 7.46M)(\$ 7.67M) 2.5M
5.0 (\$14.45M)(\$14.45M) 5.0M

TOWE

To provide for a 5-year statute of limitations for taxes on centrally assessed property, coal severance taxes, oil, and gas.

severance taxes, mining license taxes, resource indemnity trust taxes, electric energy producers' license taxes, telephone company license taxes, freight line company license taxes, coal retailer's license taxes, and cement taxes; providing an immediate effective date and applicability date.

No impact statement was available, may be implications for the School Equalization Fund.

DOVER	Creating an income tax credit for charitable contributions to nonprofit institutions of higher education....		
	Income Tax Decrease	FY 84 (\$.07M)	FY 85 (\$.07M)
PISTORIA	Allocating \$10 million each year from coal severance tax collections to highways; amending section....		
	Local Impact & Education Trust	FY 84 (\$ 3.75M)	FY 85 (\$ 3.75M)
	School Equalization	FY 84 (\$ 1.0 M)	FY 85 (\$ 1.0 M)
JACOBSEN	Allocating a portion of the oil and gas severance tax directly to producing counties for road improvement and county education; amending ...;		
	General Fund Decrease	FY 84 (\$15.63M)	FY 85 (\$16.66M)
	Local Revenue Increase in a few select counties	\$ 3.13M	\$ 3.33M
NORDTVEDT	To extend to all taxpayers the exclusion of interest income for income tax purposes (to a maximum of \$800) which is now available to taxpayers 65 years of age or older; amending sections....		
	Income Tax Decrease	FY 84 (\$ 5.68M)	FY 85 (\$ 6.15M)
	General Fund Decrease	FY 84 (\$ 3.63M)	FY 85 (\$ 3.93M)
	Earmarked Fund Decrease	FY 84 (\$ 1.42M)	FY 85 (\$ 1.54M)
HARRINGTON	To provide grants to local government units and school districts from the metal mines license tax to lessen economic hardship caused by metal mining; creating a metal mines board to administer the grants; and providing an effective date.		
	General Fund Decrease	FY 84 (\$.5 M)	FY 85 (\$.52M)
NORDTVEDT	To change the light vehicle license fee to an ad valorem fee based on the value of the vehicle; amending...;		
	School Equalization	FY 84 (\$ 1.64M)	FY 85 (\$ 1.64M)
	Local Revenue Loss	FY 84 (\$ 7.16M)	FY 85 (\$ 7.16M)
FABREGA	Permitting wages covered by the federal targeted jobs credit or work incentive program credit as deductions for Montana income tax; amending...;		
	Income Tax Decrease	FY 84 (\$.4 M)	FY 85 (\$.44M)
KEMMIS	To implement section 3 of initiative 95; creating an in-state investment fund to be administered by the Montana Economic		

		FY 84	FY 85
	General Fund Decrease	(\$.4 M)	(\$ 2.08M)
9 WINSLOW	Separate the local impact and education trust fund account into two accounts; providing for the disposition and investment of unexpended balances in the local impact account; amending sections...; and providing an effective date.		
	School Equalization Decrease	(\$ 2.4 M)	(\$ 2.81M)
	General Fund Decrease	(\$ 3.2 M)	(\$ 3.74M)
7 DEVLIN	To change the distribution of money received by the state from the federal mineral lands leasing act by including distribution to counties, cities, and town; establishing how a county, city, or town may use such money; amending...;		
	School Foundation Decrease	(\$ 6.62M)	(\$ 7.54M)
D. BROWN	To provide that license fees or property taxes may not be assessed against motor vehicles for years in which they are not operated on the highways of the state; providing a penalty; amending...;		
	School Equalization Decrease	(\$.36M)	(\$.36M)
	Local Revenue Loss	(\$ 1.59M)	(\$ 1.59M)
MCBRIDE	To renew the tax credit for installing alternative energy systems; amending...;		
	Income Tax Decrease	(\$.12M)	(\$.15M)
	General Fund Decrease	(\$.08M)	(\$.10M)
	Earmarked Revenue Decrease	(\$.03M)	(\$.04M)
7 HARRINGTON	Exempting income, not to exceed \$5,000, received from any retirement plan for purposes of Montana individual income tax; amending...;		
	Income Tax Decrease	(\$.6 M)	(\$.6 M)
	General Fund Decrease	(\$.38M)	(\$.38M)
	Earmarked Revenue Decrease	(\$.15M)	(\$.15M)
MARKS	To allow a pupil who lives within 3 miles of the nearest public school to qualify as an eligible transportee for the purposes of school bus transportation reimbursement if failure to provide transportation would expose the pupil to undue hazard; amending sections...;		
	General Fund Decrease	(\$ 3.31M)	(\$ 3.52M)
	Local Obligations	(\$ 2.87M)	(\$ 3.05M)
ASAY	Transferring agricultural implements and equipment from class eight to class six for purposes of property taxation; amending sections....;		
	School Equalization Decrease	(\$ 1.81M)	(\$ 1.81M)
	Local Revenue Loss	(\$ 8.7 M)	(\$ 8.7 M)

to extend indefinitely the 5-year exemption from the severance tax and one-half the net proceeds tax on natural gas produced from a well 5,000 feet deep or deeper; amending section....;

Loss in Revenue (Insufficient information to make an estimate)

QUILICI To provide that a trustee of a school district is entitled to compensation for any loss of income that results when the trustee must take leave from regularly scheduled employment to attend meetings of the board of trustees or to conduct board business; amending....

	FY 84	FY 85
Local School Budget Losses	(\$ 6.95M)	(\$ 6.95M)

SWITZER To repeal the metalliferous mines license tax; amending section...; and repealing sections....

	FY 84	FY 85
General fund Decrease	(\$.97M)	(\$.48M)

BARDANOUE Revising the allocation of federal mineral lands leasing act royalty payments; amending...

	FY 84	FY 85
School Foundation Decrease	(\$11.04M)	(\$12.57M)
County Common School Fund Increase	\$11.04	\$12.57M

YARDLEY To earmark a portion of the oil and gas severance tax for the local government block grant account; amending....

	FY 84	FY 85
General Fund Decrease	(\$20.93M)	(\$23.1 M)

DONALDSON To provide school transportation reimbursement rate schedules based on the number of eligible transportees that board a school bus on an approved route; amending....

	FY 84	FY 85
Local District Loss	(\$.39M)	(\$.39M)

SEIFERT To amend Article IX, Section 5, of the Constitution of the State of Montana to reduce the amount of coal severance tax revenue to be allocated to the coal severance tax trust fund from 50 percent to 30 percent and requiring that not less than 20 percent of the coal severance tax revenue, and the interest therefrom, be used solely for the construction and reconstruction of the state's highways; providing that the act be submitted to the electors of the State of Montana; and providing an effective date and termination date.

	FY 84	FY 85
<u>If applied to this biennium</u>		
Constitutional Trust Fund Decrease	(\$19.7 M)	(\$24.6 M)
General Fund Decrease		Not Projected

KOEHNKE To exempt residences of certain persons from property subject to taxation; providing an immediate effective date and an applicability date.

	FY 84	FY 85
School Equalization Decrease	(\$.29M)	(\$.29M)
Local Revenue Loss	(\$ 1.61M)	(\$ 1.61M)

Killed

the revenue from the basic county taxes for elementary and high school equalization purposes; to provide that the retirement fund equalization apportionment for each district is based on 7 percent of the foundation program amount for the district; amending....

General Fund Decrease

FY 84 FY 85
(\$15.48M) (\$15.04M)

19 DOZIER

Creating an income tax deduction for tuition paid for postsecondary education up to a maximum of \$400 a student; limiting the deduction to taxpayers with adjusted gross income of less than \$12,000 if a joint return is not filed and \$15,000 if a joint return is filed; amending....

Income Tax Decrease

FY 84 FY 85
None (\$.43M)

31 ADDY

Providing an exclusion of \$100 in interest income from adjusted gross income to individuals less than 65 years of age; amending...

~~Appears to be a loss in Income Tax Revenue. A fiscal statement was not available.~~

Income Tax Decrease

General Fund "

School Equalization "

FY 84 FY 85
(\$ 2.16M) (\$ 2.28M)
(1.39M) (1.46M)
(.54M) (.57M)

EXHIBIT

K

Feb 10

3, p.m.

Senate

DATE: 2-10-83

231

NAME:

Seamus C. Volkert

ADDRESS:

Valer Mt.

PHONE:

338-7306

REPRESENTING WHOM?

East slope taxpayers ass.

APPEARING ON WHICH PROPOSAL:

231

DO YOU:

SUPPORT?

AMEND?

OPPOSE?

X

COMMENTS:

this Bill is bad for Glacier
& pondera County & will work a hardship
on the few taxpayers in these Counties
due to the Blackfoot Reservation, as Indian
trust lands are not taxable.

PLEASE LEAVE ANY PREPARED STATEMENTS WITH THE COMMITTEE SECRETARY.

NAME: Gary Steuerwald

EXHIBIT L

Feb 10

3, p.m.

Senate

-231

DATE:

2-10-83

ADDRESS: Helena

PHONE: 449-3167

REPRESENTING WHOM? OPI

APPEARING ON WHICH PROPOSAL: SB-231

DO YOU: SUPPORT?

AMEND?

OPPOSE? X

COMMENTS: SB-231 is 1 of 16 bills currently introduced in the Senate and House which are attempting to reduce the State's School Foundation Program Revenue by over 100 million dollars. SB-231 proposes to decrease by 15.1 million dollars the County Equalization revenue for the Foundation Program. In addition SB-231 will increase the mill levy requirements on all other school district funds because of the decrease in taxable value caused by reducing the net proceeds rate to 70%.

OPI request a do not pass recommendation from this committee

at the proposed amended rate of 90% at 70%

the cost will still exceed 5 million

PLEASE LEAVE ANY PREPARED STATEMENTS WITH THE COMMITTEE SECRETARY.

Feb 10, 1983, p.m.Senate BILL/RES. 231

In addition to long-standing exemptions from property taxation (such as public buildings, charity and religious property and public art galleries), the legislature has removed or lowered the taxable value of other properties during the past five sessions, including the following:

Household goods

Freeport merchandise

Unprocessed fruits and vegetables

Unprocessed agricultural products

Livestock under nine months

Swine under three months

Bankshares

One-half of coal contracts if producer extracts less than 20,000 tons annually

Pickup toppers less than 300 pounds

Property of nonprofit community service organizations

Sprinkler irrigation systems

Senior citizen centers

Business inventories

Automobiles and light trucks

Livestock and poultry (from 8% to 4%)

100% disabled veterans (depending on adjusted gross income)

Rollback taxes

Agricultural machinery and trucks (from high book to average wholesale value)

Aircraft	"	"	"	"	"	"	"
----------	---	---	---	---	---	---	---

Trucks over 3/4 ton	"	"	"	"	"	"	"
---------------------	---	---	---	---	---	---	---

Construction equipment	"	"	"	"	"	"	"
------------------------	---	---	---	---	---	---	---

Motor boats	"	"	"	"	"	"	"
-------------	---	---	---	---	---	---	---

Boat trailers	"	"	"	"	"	"	"
---------------	---	---	---	---	---	---	---

Motorcycles	"	"	"	"	"	"	"
-------------	---	---	---	---	---	---	---

Windfall profits tax (deducted from net proceeds tax)

Montana Association of Counties

1000 1000 1000
HELENA, MONTANA, 59501

REPORT REVENUE

SB 231 Taxp...

Taxable 1982 (most recent Available figures)

SENATE TAXATION COMMITTEE

EXHIBIT 11

Feb 10 3, pm

Senate Bill 231

1983 for Mill	Dept. of Revenue County Valuation	Gas Oil	Net Proceeds	% of Valuation Gas	New % of Val Gas	% of Val Oil	Taxable Val Oil & Gas
836/mi	Big Horn 123,926,603	Gas 145 807,538 Oil 938 14,729,965		.0065	.0046	.0019	235,404
4,800	Blaine 33,602,352	Gas 1038 1,293,680 Oil 1044 1,212,179		.4770	.3339	.1431	4,809,210
2,810	Carbon 27,321,290	Gas 1037 8,790,006 Oil 1003 2,100		.3661	.2563	.1098	2,999,870
130	Carter 6,517,742	Gas 1037 455,108 Oil 1037 1,053,868		.0701	.0491	.0210	136,273
527	Chouteau 28,682,599	Gas 10012 35,306 Oil 10014 26,469		.0379	.0265	.0114	326,992
1,100	Custer 18,320,534	Gas 10014 26,469 Oil 10016 185,057		.0014	.0010	.0004	7,328
1,100	Dawson 30,094,542	Gas 10016 123,660 Oil 10016 123,660		.2059	.1441	.0618	1,856,752
1,144	Fallon 118,324,761	Gas 10016 123,660 Oil 10016 123,660		.7649	.5353	.2294	27,143,700
21	Garfield 6,521,008	Gas 10016 123,660 Oil 10016 123,660		.0518	.0363	.0155	101,076
6,92	Glacier 44,961,426	Gas 10016 123,660 Oil 10016 123,660		.4594	.3216	.1378	6,195,605
20	Golden Valley 4,244,653	Gas 10016 123,660 Oil 10016 123,660		.0211	.0148	.0063	26,791
1,220	Hill 44,242,259	Gas 10016 123,660 Oil 10016 123,660		.2751	.1596	.0675	3,020,103
2,895	Liberty 21,520,242	Gas 10016 123,660 Oil 10016 123,660		.4482	.3137	.1315	2,894,403
420	McCone 11,515,992	Gas 10016 123,660 Oil 10016 123,660		.1340	.0938	.0402	462,943
1,100	Musselshell 21,303,866	Gas 10016 123,660 Oil 10016 123,660		.5837	.4086	.1751	5,131,020
3,300	Petroleum 2,882,322	Gas 10016 123,660 Oil 10016 123,660		.3235	.2265	.0970	279,500
3,300	Phillips 32,895,804	Gas 10016 123,660 Oil 10016 123,660		.3351	.2346	.1005	3,306,000
542	Pondera 23,648,000	Gas 10016 123,660 Oil 10016 123,660		.2178	.1525	.0653	1,547,400
1,053	Powder River 23,082,832	Gas 10016 123,660 Oil 10016 123,660		.6684	.4629	.2005	14,653,107
407	Prairie 6,222,209	Gas 10016 123,660 Oil 10016 123,660		.2181	.1527	.0654	407,202
2,844	Richland 144,666,368	Gas 10016 123,660 Oil 10016 123,660		.6197	.4338	.1859	26,893,778
4,331	Roosevelt 67,512,948	Gas 10016 123,660 Oil 10016 123,660		.4607	.3225	.1382	9,330,980
5,162	Rosebud 143,639,478	Gas 10016 123,660 Oil 10016 123,660		.1153	.0807	.0346	5,661,006
18,682	Shelby 92,593,166	Gas 10016 123,660 Oil 10016 123,660		.6740	.4718	.2022	18,681,898
355	Stillwater 13,266,324	Gas 10016 123,660 Oil 10016 123,660		.0800	.0560	.0240	355,207
500	Teton 12,885,883	Gas 10016 123,660 Oil 10016 123,660		.0948	.0664	.0280	500,805
2,400	Toole 45,252,223	Gas 10016 123,660 Oil 10016 123,660		.4779	.3345	.1434	6,189,505
1,001	Valley 29,387,100	Gas 10016 123,660 Oil 10016 123,660		.0088	.0062	.0026	76,172
1,001	Wibaux 28,264,450	Gas 10016 123,660 Oil 10016 123,660		.6964	.4875	.2089	6,050,175
1,001	Yellowstone 22,695,790	Gas 10016 123,660 Oil 10016 123,660		.0012	.0008	.0004	78,131
	THE STATE 7,241,100	Gas 53,781,986 Oil 445,061,591					149,661,588

Loss
Valuation 1982

Projection 1984

1985

Cash Loss to Counties

FY 84-85

\$14.45 m/year

Taxable Valuation

Net Proceeds = 34.12% of State Valuation

= 28.07% of TAX Base

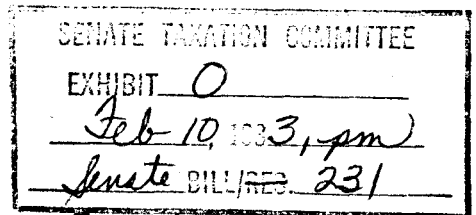
SB 231 would result in a Loss to
Statewide mill Value of

8.5%

150 m

\$186

↓



Chairman Goodover and Members of the Senate Taxation Committee:

My name is Tucker Hill. I'm representing the Richland County Commissioners.

I oppose SB 231.

Richland County has experienced substantial impact from Oil and Gas exploration in the Williston Basin the past several years. This impact in Richland County has brought rapid change. Let me describe some of its outward appearances:

- Richland County's population increased 37% between 1970 and 1981. Montana's statewide population increased 14% over the same period of time.

- Richland County has had to expand facilities to meet this population increase. As one example, Richland County ranks third among all counties in dollar obligation per capita to pay off bonds which were raised to build new school facilities. This obligation will rest with the taxpayers of Richland County for 20 years; it is unclear at this time if those people it was built to serve will be in Richland County the next 20 years to help pay for it.

- Richland County levies a full 15 mills to build and maintain County Roads.

- Lincoln County has no county road levy;
- Mineral County has no county road levy;
- Powell County has a 6.00 mill road levy;
- Sanders County has a 4.50 mill road levy;
- Yellowstone County has a 11.10 mill road levy;
- Flathead County has a 12.00 mill road levy.

These disparities in Mill Levies occur for different reasons:
I assume the 1.7 million dollars Lincoln County received from its share of Federal Timber Sales in FY 82 obviated the need for a Mill Levy to support its county roads.

Richland County has been responsible for the negative impacts which have occurred within its jurisdiction. The county receives no financial assistance for production of oil and gas from state or federal leases. All monies from state leases support the school foundation program. Unlike Western counties with Timber resource, monies from federal leases are split between the State Highway Department and the School Foundation Program. Richland County receives nothing from federal sources to balanced damage done to its roads.

Impact causes problems which are often expensive to correct. Oil and Gas taxes paid to counties through net proceeds should be left as it is -- allow counties to be responsible for their own future.

We think Oil and Gas taxes in Montana should be left alone -- no increases and no decreases.

Thank you.

EXHIBIT

P

Feb 10, 1983, pm

Senate Bill/RES: 231 DATE: FEB 10, 1983

NAME: RALPH L JOHNSON

ADDRESS: Box 788 Browning

PHONE: 338-4566

REPRESENTING WHOM? East Slope Taxpayers Ass. & myself as a taxpayer

APPEARING ON WHICH PROPOSAL: SB 231

DO YOU: SUPPORT? _____ AMEND? _____ OPPOSE? ☒

COMMENTS: As a property owner it would increase our taxes in Glacier County (property taxes) by ⁴~~1~~ apx. 5%.

It doesn't matter if it comes out of county or state funds it is still a property tax.

PLEASE LEAVE ANY PREPARED STATEMENTS WITH THE COMMITTEE SECRETARY.

EXHIBIT

Q

Feb 10, 1983, pm

Senate BILL/RES. 231

DATE: 2/10/83

NAME:

Terry Lynn Minow

ADDRESS:

Box 513, Boulder, MT 59632

PHONE:

225-4397

REPRESENTING WHOM?

Montana Federation of Teachers, AFT, AFL-CIO

APPEARING ON WHICH PROPOSAL:

SB 231

DO YOU:

SUPPORT?

AMEND?

OPPOSE?

X

COMMENTS:

PLEASE LEAVE ANY PREPARED STATEMENTS WITH THE COMMITTEE SECRETARY.

SENATE TAXATION COMMITTEE

EXHIBIT RFeb 10, 1983, pm

DATE:

2/10/83Senate BILL/RES. 231

NAME:

J. C. Evans

ADDRESS:

Box 402 Browning Mt 59417

PHONE:

338-7164

REPRESENTING WHOM?

East Slope Taxpayers & Evans Enterprises

APPEARING ON WHICH PROPOSAL:

SB 231

DO YOU:

SUPPORT?

AMEND?

OPPOSE?

X

COMMENTS:

This ~~tax~~ proposal helps one segment
of business at the expense of many.

PLEASE LEAVE ANY PREPARED STATEMENTS WITH THE COMMITTEE SECRETARY.

SENATE TAXATION COMMITTEE

EXHIBIT S

Feb 10, 1983, p.m.

Senate BILL/RES. 231

WITNESS STATEMENT

Name Gloria Paladichuk Committee On Senate Taxation
Address PO Box 904 Sidney, MT Date 2-10-83
Representing Richland County Treasurer Support _____
Bill No. SB 231 Oppose ☒
Amend _____

AFTER TESTIFYING, PLEASE LEAVE PREPARED STATEMENT WITH SECRETARY.

Comments: See attached

1.

2.

3.

4.

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

the chairman and committee members,

My name is Gloria Paladichuk. I am the Richland Co. Treasurer from Sidney.

I oppose SB 231. If passed this bill will have an adverse effect on our state, especially in regards to the state university funding along with the Foundation Program. A breakdown fund by fund of the 30% reduction is attached to this report.

Based on the 1982 Net Proceeds & Royalty Tax figures in Richland County, the 30% reduction would reduce the university funding by \$204,000 and the Foundation Program by \$1.4 million. This \$1.4 M loss in Foundation money will not affect the Richland Co. school districts, since we send to the state \$1.5 to \$2 M, however, it certainly will affect schools in Billings, Great Falls, Missoula, Butte, Jordan, any school that receives state payments in regards to the Foundation program.

The 100% did not stop the oil companies from exploring in our county previously.

I remind you we are talking about a non-renewable resource that will some day be gone.

You will be making a decision that will have a lifetime effect on Montana, Thank you.

Sincerely,

Gloria Paladichuk

Richland County Treasurer
Sidney, Montana

Net Proceeds Richland County

1982	SD	# amt	30% of \$ amt	State (Univ. Fund)	County	Road	New School	Dist School	NS Dist
	57d	484382645	145314793	7629027	14173353	19050769	571573721	31867534	14720389
	58A	5908090	1772427	71074	134882	177775	537345	297236	554415
	7	248323	741496	2347	4455	5863	17722	25813	18296
	11	145420883	43626264	2866246	5444558	7167795	21656077	951053	5540535
	13-14	29526069	8857830						
	13rd	140647003	42194102						
	13-26	33923834	10177150	5520204	10496542	13897442	41724621	11871208	8898791
	13-73	17887385	5366215						
	13-83	25719413	25715823						
	17F	5161569	1548470	63023	119497	157789	476619	629763	101579
	21	208706772	62612031	2892676	548484	7025428	21826554	19603827	5578732
	28L	8382675	2514801	134542	2552	535771	105225	126997	642808
	28S	24777874	7433362	469788	891260	1174471	3547200	443772	906871
	78 SA	207047	62114	2441	4634	6093	18423	11504	19019
	86L	42573583	12712474	596456	1131606	1498501	4503433	2181470	2868608
	86F	10629414	3188624	175060	332275	434507	1521768	640316	281892
	86SA	1936947	581084	2324	45208	59503	179845	87104	185600
		246029524	73811848	20446714	38808536	51092213	154398253	68307597	40321535
	County Funds								
	Headstart	8007028			General Fund				
	Bridge	6303406			New School		85171146		
	Poor	4940507			Gen NS		51102687		
	Pg. Ext	1362899			NS Jundep		1192396		
	Library	346725			Edm. Rtdm		10322743		
	Airport	4259058			NS Rtdm		6609281		
	Cemetery	20441348					154398253		
	Weed	1431043							
	Museum	3467246							
	Gair	5110870							
	Dr. C's	919957							
	Dr. Pdr.	681449							
		38828536							

2/10/83

SENATE TAXATION COMMITTEE

EXHIBIT

T

Feb 10, 1983, 3 pm

Senate Bill 231

Chairman Gosdoun and Senate Taxation Committee Members:

I am Bob Muilen, County Commissioner from Richland County. I am here today to voice Richland County's opposition to Senate Bill 231.

There will be considerable testimony given to show the significant impacts on the state, counties, school districts, university fund and school equalization fund.

There are presently 30 oil and gas counties in the state that would be forced to either increase mill levies significantly, where possible, or worse, to those counties that are presently assessing the maximum allowable mills to budget line items, there would be a direct loss of tax revenues with no avenue to replace the lost funds.

On county budgets, the item that would be the most affected would be the county road fund. This fiscal year 18 of the 30 oil and gas counties are assessing the maximum mills allowed in their road budgets. SB 231 would cause the immediate loss of \$65,000,000 in taxable valuation. The other 12 oil and gas counties would be forced to shift \$85,000,000 of taxable valuation to other property taxpayers or in the event the maximum mill levies were reached, lose the funds.

In Richland County's case the 30% reduction of Net Proceeds Tax would result in a road budget cash loss of in excess of \$400,000. Even though the actual drilling activity has slowed down, we are still feeling severe impacts to our county services, particularly our roads. Our services can not afford to lose these funds. I urge your support in killing this bill. Thank you.

OFFICE OF
COUNTY ASSESSOR

SHERIDAN COUNTY, MONTANA

PLENTYWOOD, MONTANA
59254

February 10, 1983

SENATE TAXATION COMMITTEE
EXHIBIT U
Feb 10, 1983, pm
Senate BILL/RES. 231

Mr Pat Goodover, Chairman
Senate Taxation Committee
Room 415
Helena, Mt

RE: SB 231 Lowering Net Proceeds from 100% to 70%

I wish to submit the following in opposition to SB 231 before the Senate Taxation Committee. After the erosion of other taxable properties over the years we cannot afford to lose the following valuation. I have tabulated these figures for eight Eastern Counties as examples. We have additional expenses in regards to impact as to roads, schools and building programs that are in effect. The following figures reflect taxable valuations.

Dawson Co	\$ 6,308,717	Less 30% =	\$ 1,892,615
Fallon Co	90,364,812	Less 30% =	27,109,444
McCone Co	1,543,148	Less 30% =	462,944
Powder River Co	48,813,478	Less 30% =	14,644,043
Richland Co	89,539,545	Less 30% =	26,861,864
Roosevelt Co	31,102,485	Less 30% =	9,330,746
Sheridan Co	63,242,728	Less 30% =	18,972,818
Wibaux Co	20,171,730	Less 30% =	6,051,519
Total 8 Eastern Co	\$351,086,643	Less 30% =	\$ 105,325,993
Total St of Mt	498,843,577	Less 30% =	149,653,073

With a further reduction in oil prices from \$36 a barrel to \$25 a barrel or less, which is anticipated, we will lose an additional 25% of our value in Eastern Montana and State valuations on Net Proceeds. The following figures reflect the additional loss.

Dawson Co	25% =	\$ 1,577,179
Fallon Co	25% =	22,951,203
McCone Co	25% =	385,787
Powder River Co	25% =	12,203,369
Richland Co	25% =	22,384,886
Roosevelt Co	25% =	7,775,621
Sheridan Co	25% =	15,810,682
Wibaux Co	25% =	5,042,932
Total 8 Eastern Co		\$ 87,771,659
Total Loss State of Mt		124,710,894

These eight Eastern Montana counties could lose an additional \$ 19,098,839 on Royalty valuations which would also be affected by reduction in price of crude. The State lose on Royalty would be \$ 27,561,522. The loss on Net Proceeds and Royalty for the Eastern eight counties could amount to \$ 212,196,041 with the State of Montana loss of \$ 301,925,489.

B F Ward, County Assessor
Sheridan County

B F Ward

SENATE TAXATION COMMITTEE

EXHIBIT VFeb 10, 1983 pm DATE: 2/10/83~~Senate~~ BILL/RES 231

NAME:

ARTHUR RAMBO

ADDRESS:

COURTHOUSE, HAVRE, MONT

PHONE:

265-5481

REPRESENTING WHOM?

HILL CO. COMMISSIONERS

APPEARING ON WHICH PROPOSAL:

SB 231

DO YOU:

SUPPORT? ☐AMEND? ☐OPPOSE? ☒

COMMENTS:

PASSAGE OF THIS BILL WILLCAUSE A HARDSHIP FOR EVERY TAXPAYER
IN THE STATE

PLEASE LEAVE ANY PREPARED STATEMENTS WITH THE COMMITTEE SECRETARY.

SB 231 - No

Bullings

SENATE TAXATION COMMITTEE
EXHIBIT <u>W</u>
<u>Feb 10, 1983, pm</u>
<u>Senate Bill/Res. 231</u>

February 9, 1983

Honorable Senator Pat Goodover
Chairman Taxation Committee
Capitol Building
Helena, Montana 59601

Dear Senator Goodover:

I wish to express my opposition to Senate Bill 231, which would reduce the net proceeds tax from 100% to 70%. This reduction would severely cut the taxable valuation of our oil and gas producing counties. It would in turn affect all our counties and taxpayers as there would be less valuation overall to support the mandatory 40 mill levy school program. The state would have to pick up the deficit by using the 8 mill permissive levy and the local districts would have to pick up the balance.

Very truly yours,

Alan D. Curtis

Alan D. Curtis