

MINUTES OF THE MEETING  
TAXATION COMMITTEE  
MONTANA STATE SENATE

February 23, 1983

The thirty-fourth meeting of the Taxation Committee was called to order at 8 a.m. by Chairman Pat M. Goodover in Room 415 of the Capitol Building.

ROLL CALL: All members were present.

CONSIDERATION OF SENATE BILL 299 (CONTINUED): Senator Thomas Towe, Senate District 34, sponsored the bill, and said that during the hearing, some people wondered how to compute the price. We would work with an average daily price so that if the price fluctuates, it is averaged up and down. Senator Towe moved the following amendments:

Page 3, line 20.  
Following: "average"  
Strike: "quarterly"  
Insert: "daily"

Page 3, line 21.  
Following: "product"  
Insert: "recomputed each year"

Page 4, line 1.  
Following: "gold"  
Strike: "450.00"  
Insert: "500.00"

Page 4, line 2.  
Following: "silver"  
Strike: "11.00"  
Insert: "15.00"

Page 4, line 5.  
Following: "on"  
Strike: "January"  
Insert: "April"

Page 4.  
Following: line 5  
Insert: "(3) For the purpose of this section, the method for determining the price of the metal or mineral product shall be established by rule adopted by the department from a quotation readily available to the public, preferably from a New York market."

Today, the price of gold is 485.00, silver is 14.12 and platinum is 470.00.

The motion was seconded and passed unanimously.

Senator Towe then moved that the following amendment be made:

Page 7, line 5.

Following: "legislature" following line 4

Strike: line 5 through "loan" on line 6

The motion was seconded.

This simply says they can borrow \$1 million without the authority of the legislature.

The motion was voted on and it passed unanimously. The amendments were made because witnesses had testified that the price of palladium had gone up substantially since January 1.

Senator Mazurek remarked that we were adjusting now because changes occurred in last couple of months.

Senator Turnage questioned the difference between SB 299 and HB 446. Senator Towe responded that HB 446 does not have any increase in it. It takes general fund money and puts it in impact trust accounts. He felt there should be a contribution from the impact trust account that does not come entirely out of the general fund. If the price goes up 40 units, we are asking for only one of those units. Therefore, it cannot have an economic effect unless inflation eats up 39 units. This won't take effect until October 1 to see if there will be an increase and then it will be another year before there is any increase. If the price goes up, there should be an additional tax.

Senator Hager was concerned about using a quoted market for the price of a commodity. The most important quote is London's, he said. What drives gold up and down is the strength of the dollar.

Senator Towe moved that SB 299 DO PASS AS AMENDED. The motion was seconded. A roll call vote was taken and the motion failed 6-9. The roll call vote is attached as Exhibit A.

Senator Turnage moved to table SB 299. The motion was seconded and carried (no roll call vote).

DISPOSITION OF SENATE BILL 159: Senator Turnage moved that the amendments attached as Exhibit B be adopted. The motion was seconded and carried, with Senators Eck, Norman, Halligan and Towe voting no.

Senator McCallum moved that SB 159 DO PASS AS AMENDED.

Senator Norman asked how much money was involved if the rate doesn't go from 5% to 6% on April 1, 1983. Don Allen, Montana

Petroleum Association, estimated about \$10 million was involved.

Senator Turnage recalled that last session, they tried to increase the oil severance tax to 5% and there was a strong proposal to make it 6% then. We decided to look at it, and at this time, it is agreeable to go back to 5%.

Senator Crippen said the taxing structure of the state has had an impact on this, and it is going to make it worse from now on. He is concerned about the independent oil man in Montana. Now, before the whole thing goes down, we should ease off a bit. If the oil men pull out entirely, we are going to be in a world of hurt.

Senator Keating said at the hearing on SB 159 that 2,400 jobs would be lost, and there will be more.

Senator Turnage noted that this would not be a reduction in collections because we have never collected that 1% (difference between the 5% and 6%). Senator Towe said that part of the compromise was that the 6% would go into effect this year. The additional 1% is not going to have any impact.

Senator Gage said the assumption is that the tax is related to the oil industry. The oil price is down because it is down everywhere. The situations in North Dakota and Montana are similar. Both doubled the taxes on oil, both are down on drilling, and production has dropped off in both states.

Senator Towe said we did not double the severance tax; we took a credit on the net proceeds tax and made an increase in the severance tax which nearly offset each other.

Senator Lynch made a substitute motion that the severance tax be raised to 6% on April 1, 1985. Senator Halligan thought that was appropriate because it wouldn't pass the House otherwise. Senator Towe suggested striking all the amending language in the bill and amending the title to provide for extension of the effective date of the future increase in the oil severance tax.

Senator Turnage moved to reconsider the amendments to SB 159 adopted earlier in this meeting. The motion was seconded and carried unanimously.

Senator Turnage moved that SB 159 be amended to retain the 5% tax rate through March 31, 1985; that thereafter it will be 6%; and that Cort prepare the necessary title, body and applicability amendments to accomplish this end. The motion was seconded and carried, with Senators Eck and Norman voting no.

Senator McCallum moved that SB 159 DO PASS AS AMENDED. The motion was seconded.

Senator Eck made a substitute motion that SB 159 be laid upon the table at least until next week. The motion was seconded. We are looking at a \$230 million budget cut. We are going to be considering tax credits designed to stimulate the economy of Montana.

Senator Towe was in favor of Senator Eck's substitute motion. There is \$10 million a year in this bill. When you take that out of the general operating budget, I don't think it will pass. There is another bill to be heard next week which reduces the tax to the oil producers at the local level and increases the tax by the same amount at the state level. There would be little impact, but it would transfer more money to the state rather than to the counties.

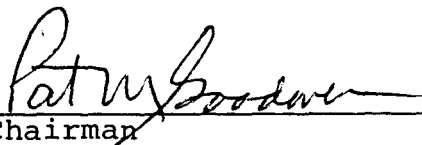
A roll call vote was taken on Senator Eck's motion, and the motion failed 6-9 (Exhibit C).

A roll call vote was taken on Senator McCallum's motion that SB 159 DO PASS AS AMENDED, and his motion passed 10-5 (Exhibit D).

DISPOSITION OF SENATE BILL 335: Senator Towe moved that SB 335 DO PASS. The motion was seconded and passed, with Senator Nroman voting no.

CONSIDERATION OF SENATE BILL 263: Senator Towe moved to table SB 263. The motion was seconded. A roll call vote was taken, and the motion was tied 7-7 and failed (Exhibit E).

Upon motion, the meeting was adjourned at 9 a.m.

  
Chairman

ROLL CALL

SENATE TAXATION

COMMITTEE

48th LEGISLATIVE SESSION -- 1983

Date 2/23 /8

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	✓		

ROLL CALL VOTE

SENATE TAXATION COMMITTEE  
EXHIBIT A  
FEBRUARY 23, 1983  
SB 299

SENATE COMMITTEE TAXATION

Date Feb 23, 1983 Senate Bill No. 299 Time 8:25

NAME	YES	NO
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		✓

Secretary: Barbara J. Effing  
Motion:

Chairman: Pat M. Goodover

motion that SB 299 do pass as  
amended

(include enough information on motion—put with yellow copy of committee report.)

PROPOSED AMENDMENTS TO SB 159

1. Title, line 4.  
Following: "TO"  
Strike: "REDUCE"  
Insert: "ELIMINATE THE FUTURE INCREASE IN"
2. Title, line 5.  
Following: "TAX"  
Strike: "TO 3 PERCENT"
3. Title, line 6 and 7.  
Following: "DATE" on line 6  
Strike: Line 6 through "DATE" on line 7
4. Page 1, line 24.  
Following: "5%"  
Strike: "3%"  
Insert: "5%"
5. Page 2, line 2.  
Following: line 1  
Strike: "1983"  
Insert: "1981"
6. Page 4, line 8 and 9.  
Following: "date" on line 8  
Strike: line 8 through "applicability" on line 9
7. Page 4, line 10.  
Following: line 9  
Strike: "and applies to crude oil produced on or after  
April 1, 1983"

February 23, 1983

MR. PRESIDENT

We, your committee on Taxation

having had under consideration Senate Bill No. 159

Respectfully report as follows: That Senate Bill No. 159

introduced bill, be amended as follows:

1. Title, line 4.

Following: "AN ACT TO"

Strike: "REDUCE"

Insert: "DELAY THE 1 PERCENT INCREASE IN"

2. Title, line 5.

Following: "SEVERANCE TAX"

Strike: "TO 3 PERCENT"

3. Page 1, line 24.

Following: "(a) 5¢"

Strike: "3¢"

Insert: "5¢"

XXXXXX

(Continued on page 2)

JEC

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4. Page 2, line 2.

Following: line 1

Strike: "1983"

Insert: "1981"

5. Page 2, line 5.

Following: "thereafter"

Insert: ", and on or before March 31, 1985, and 6% of the total gross value of all the petroleum and other mineral or crude oil produced by such person from each lease or unit thereafter"

And, as so amended

DO PASS

1/8

# ROLL CALL VOTE

SENATE TAXATION COMMITTEE  
 FEBRUARY 23, 1983  
 SB 159

SENATE COMMITTEE TAXATION

Date Feb 23, 1983 Senate Bill No. 159 Time 8:55

NAME	YES	NO
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	✓	

Secretary: Barbara J. Effing  
 Motion:

Chairman: Pat M. Goodover

*lay on the*  
*Eck's motion to table SB 159 as amended.*

(include enough information on motion—put with yellow copy of committee report.)

# ROLL CALL VOTE

SENATE TAXATION COMMITTEE  
EXHIBIT D  
FEBRUARY 23, 1983  
SB 159

SENATE COMMITTEE TAXATION

Date Feb 23, 1983 Senate Bill No. 159 Time 8:58

NAME	YES	NO
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		✓

Secretary: Barbara J. Effing  
Motion:

Chairman: Pat M. Goodover

Sen McCallum's motion to do pass amended SB 159

(include enough information on motion—put with yellow copy of committee report.)

ROLL CALL VOTE

SENATE COMMITTEE TAXATION

Date Feb 23, 1983 Senate Bill No. 263 Time 8:59

NAME	YES	NO
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	A	
SENATOR LYNCH	✓	
SENATOR NORMAN		✓
SENATOR TOWE	✓	
SENATOR MAZUREK		✓

Secretary: Barbara J. Effing  
Motion:

Chairman: Pat M. Goodover

Sen Towe's motion to table SB 263

(include enough information on motion—put with yellow copy of committee report.)

A = absent.

STANDING COMMITTEE REPORT

February 23 19 83

MR. PRESIDENT

We, your committee on taxation

having had under consideration Senate Bill No. 335

Respectfully report as follows: That Senate Bill No. 335

introduced bill

DO PASS

*W.C.*