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MINUTES OF THE MEETING
TAXATION COMMITTEE
MONTANA STATE SENATE

March 10, 1983

The forty-third meeting of the Taxation Committee was called to order at 8 a.m. by Chairman Pat M. Goodover in Room 325 of the Capitol Building.

ROLL CALL: All members were present except Senator Mazurek.

CONSIDERATION OF HOUSE BILL 16: Representative John Harp, House District 19, said HB 16 asks for a 3-cent tax increase as of July 1, 1983. He submitted that the following amendment be made so the effective date would coincide with the federal increase, which takes effect April 1:

Page 7, line 18.

Following: "effective"

Strike: "on July 1, 1983"

Insert: "upon passage and approval"

The reason for that, he said, is that for every month without the increase, they lose \$600,000. Fuel consumption has dropped at a big rate--13% in the past four years. There is a continued decline in buying power. There is a need to continue to look at the highway program. We are spending \$10 million more than we are bringing into the program, and if it is not addressed, we will go broke. The primary system is first priority; 458 miles are considered critically deficient. Over 50% of the roads in the primary system are over 25 years old, with over 25% over 40 years old. Half of the secondary roads in Montana are not even paved. We cannot afford to let our roadway systems fall apart. With Burlington Northern's decline in service, the highways are used more and more each day. It improves our market place and our position in the nation. The main and most appropriate source of funds to improve the systems is through a fuel tax increase. Thirty-five states are considering raising their gas taxes. Idaho, Nevada, Utah, South Dakota, and North Dakota are looking at the same problem as Montana, and some have already raised their taxes. Gas prices may drop to 85 cents a gallon. There is a need to improve Montana's highway systems, and we are asking for a few cents a gallon to improve those systems.

Representative Harp provided the committee with a copy of the "Montana Highway Program--Report to the 48th Legislature" dated November 1982 and amended February 1983, which is available from the Legislative Council. He also provided the committee with an "Allocation of Gas Tax Revenue to Counties Under the Provisions of HB 16," attached as Exhibit A hereto.

PROPONENTS

Gary Wicks, director of the Department of Highways, said the condition of our state's highways is critical for Montana's economy. The Department of Highways intends to spend \$30 million a year in repairs. We have to maintain our investment in the highways. Federal legislation has increased the tax on fuels and diesel but this won't solve our problems. Exhibit B shows how federal funds will be distributed in Montana. The report to the legislature describes the financial districts, what projects will be built, and how much they will cost, etc. We looked beyond 1985 because they have shifted to charge funding of projects (pay as you go). We are not asking for appropriation authority beyond 1985. In the revenue analysis, we have tried to maintain a cash balance of \$10 million for unexpected bad winters and other weather-related problems.

We have four major proposals to help solve Montana highway problems:

- (1) SB 454, a bonding proposal
- (2) HB 16, which will raise \$12.5 million for highways and \$2.5 million for local governments
- (3) Highway Patrol, funded out of an earmarked account is a \$5.5 million a year expenditure. Over the biennium, a 1-cent per gallon fuel tax increase will bring in \$11 million.
- (4) HB 730, which will allow us to put increased revenues to work on the primary system in Montana

The results of implementing these are almost immediate. They could put 2,000 people to work immediately; they would have a preventive maintenance program, and they could give the traveling public of Montana the safety benefit of a good highway system in Montana.

Representative John Shontz, House District 53, stated that he was the chairman of the interim committee on transportation. They dealt with the highway system as well as with other transportation needs of the state. When people were asked for their opinion on the gas tax, 70% supported an additional tax of up to 5 cents a gallon.

Ben Havdahl, Montana Motor Carriers Association, submitted written testimony, attached as Exhibit C. They oppose adding more funds for cities and counties.

Steve Olson, executive director of the Montana Logging Industry, said they are dependent upon a good highway system and support HB 16.

Mike Fitzgerald, from the Montana Trade Commission, said he participated in the Montana Economic Development project. In Montana, we have three modes of transportation--road, rail and air. The only one we can do anything about is the roads. The woods products, coal, and tourism industries are all dependent upon are highway system. HB 16 is needed and is a fair way for people to pay in relationship to their use of the roads. See Exhibit D, attached, "Montana's Access to Markets" and "Percent Transportation Costs for Montana's Basic Industries."

Mons Teigen, speaking for Larry Huss on behalf of the Montana Highway Users Association, said their board of directors met yesterday and discussed HB 16 and HB 730. He is expressing their support for HB 16 as it exists on third reading copy. They resist any amendments to increase the tax to provide greater support for towns and cities. There is some relief for cities and towns in the bill and other authority in existing law to allow them to adopt revenue arrangements for their highways.

Mr. Teigen also submitted Jo Brunner's written testimony on behalf of Women Involved in Farm Economics, since she had a conflict with another hearing this morning. Her testimony is attached as Exhibit E.

Larry Tobiason, representing the Montana Automobile Association, agreed that HB 16 is a good way to fund highways because it is a users' fee. Fifty-seven percent of MAA membership supports the gas tax increase if it is used for the original purpose of highways and not for parks, snowmobiles, local governments, etc. Now, \$13 million is being siphoned off for these purposes. They support the increase but oppose diversion of the funds for other purposes.

Del Oleson, representing the Montana Contractors Association, said they support HB 16 for reasons already stated and added that their level of construction is at 40-50% of capacity now. They are capable of doing the work needed under this bill.

Mike Stephen, representing the Montana Association of Counties, supported the third reading form of HB 16 and also supported giving assistance to local governments.

Alec Hanson, representing the Montana League of Cities and Towns, said they propose an increase in the rate of tax and more money to local governments. They have the same maintenance problems the highways have, he said. See their proposed amendments, attached as Exhibit F.

Mike Young, finance director of the city of Missoula, said they get \$480,000 a year to reconstruct city streets. The general fund provides \$260,000. That provides for reconstruction of 24 blocks. In Missoula, they have a reconstruction cycle of 67 years, but the streets are built to last only 25 years. HB 16 will lower the cycle from 67 years to 36 years. They will be able to double the number of blocks they can reconstruct

in a year. With the \$260,000 received in 1975, they reconstructed 48 blocks in a year. With inflation, the number of blocks they can do with that amount is cut in half. The gas tax is appropriate for reconstruction.

Senator Larry Tveit, Senate District 27, supported the bill without the amendments. This addresses the needs of primary and secondary roads.

Jim Van Arsdale, city councilman from Billings, supported HB 16, with Alec Hanson's amendments. The bill, as written, supports highways but falls short of city and county needs. Highway findings show that urban systems have the most traffic, but they won't support the increase for cities and towns. The \$168,000 per year that they get will pave a little over a block. The proposed amendments will add \$168,000, and in 1985, another \$168,000 for their urban system. He urged the committee to support the amendments.

S. Keith Anderson, Montana Taxpayers Association, said when Congress added their 5-cent a gallon increase, a survey of MTA members showed 60% favored the increase. They oppose any amendments diverting funds to cities and counties, he said. See Exhibit G.

Roger Tippy, Montana Beer & Wine Wholesalers, submitted written testimony, attached as Exhibit H, and said they feel strongly about the funds going to the highways and not to the long-range building program.

John Braunbeck, representing Montana IOMA and Montana LP Gas Association, submitted written testimony attached as Exhibit I.

Dave Goss, representing the Billings Area Chamber of Commerce, supported the highway funding in HB 16 and HB 730. He also supported increased funding for the city and county roads. In 1883, the Billings Board of Trade's original objective was to improve roads in that area. They need to come up with new funds that will take care of that need. He urged the committee to help out local governments.

Bill Verwolf, finance director of the city of Helena, said cities need gas taxes to maintain the city streets. The list of projects gets longer and their source of funds gets smaller. He supported the bill and the amendments.

Howard Schwartz, representing the Missoula County Commissioners, supported Mr. Hanson's proposed amendments. See his written testimony, attached as Exhibit J.

Al Johnson, from Great Falls, said he is grateful for the gas tax they have received over the years. It is a million dollar a year program in Great Falls. They have implemented a chipseal program and have been able to enforce their existing maintenance

program, but they have not been able to do any further expansion.

See also the amendments submitted by the League of Cities and Urban Coalition, attached as Exhibit K.

Darryl Meyer, representing Cascade County, supported HB 16 with the amendments.

Senator Bruce Crippen, Senate District 33, supported the amendments to HB 16 (Exhibit F). In his district, 67% were in favor of the increase in gas taxes for city and county streets and roads. He added that the committee should look at how polls are taken.

OPPONENTS

There were no opponents to HB 16.

Questions from the committee were called for.

Senator Lynch asked Mr. Tobiason if he had any statistics on how much driving is done on the highways compared to on the city streets. Mr. Tobiason had no statistics.

Senator Lynch asked Mr. Wicks how they arrived at the fixed amount in the statutes for cities and towns.

Senator Elliott, addressing Mr. Wicks, said he indicated that the primary system is most important, even though the interim committee on transportation suggested a bond issue to do those. He asked why the interstate was considered to be more important in terms of funding. What issues do we have after that is completed. It will not go to the interstate but will go to the primary system. Mr. Wicks said he proposes to go beyond the federal government allowance and spend 100% on the highway system. Montana will go beyond the traditional way of matching federal dollars. The primary system received high priority. He said he didn't think the bonding bill to complete the interstate said anything about priority. Both systems are critical. The interstate was developed on the basis that we would not have to increase revenues to pay off the bonds. We didn't go to bonding on the primary system because interest rates were high. The best way to attack this is to have an ongoing, long-term program. This represents a different way of funding--pay as you go--on the primary system.

Senator Elliott then asked about resurfacing the interstate, and Mr. Wicks replied they could go beyond what the federal government gives them.

In closing, Representative Harp said they want the 3 cent increase to become effective immediately. He opposed the amendments set forth on Exhibit F. He was concerned that they might lose the bill if the amendments were put in and it went

back to the House. They worked on this for two years and had no opponents, he said.

CONSIDERATION OF HOUSE BILL 730: Representative John Shontz, House District 53, said this bill establishes for a 10-year period a highway reconstruction trust account. It provides flexibility to the highway department to use the funds for the most needed highway systems. It has been thought we should use coal tax funds for highways. This is an opportunity for the legislature to appropriate funds from there for the highway system.

PROPOSERS

Gary Wicks, director of the Department of Highways, said this is the vehicle that puts the fuel tax increase in HB 16 to work to start reconstruction in Montana. Over a 10-year period, \$10 million to \$40 million a year will go into the system to deal with critical areas of highways. Work will begin in 1985. This conforms with federal law and the attorney general's opinion on federal law which requires priority be given to impact areas. We have never had a pavement preservation program. HB 730 sets up what represents a strong opinion of people in Montana to take coal tax money to spend on the highways. In 1986, we propose to earmark 6% of the trust to the highway program and in 1987 to raise it to 12%. It is important to note that the impact on the earmarked account would be only slight. HB 730 sets up revenues and gives authority, and also asks for an appropriation. Mr. Wicks said he believes HB 730 and HB 16 are essential to the highway systems in Montana, and we have to capitalize on that opportunity; otherwise, the primary system will not remain primary much longer.

Mons Teigen, representing the Montana Stockgrowers Association and the Montana Highway Users Federation, said they support HB 730. Maybe some effort should be made to get a more firm basis for funding highways from the permanent coal trust fund or other coal money.

Larry Tobiason, Montana Automobile Association, said their board recommended supporting HB 730 unanimously and supported coal tax money being used for it. It is important that we establish another method of funding highways as well as by a gas tax.

Mike Stephen, representing the Montana Association of Counties, said HB 730 does indicate long-range thinking in the funding of roads, especially the primary and secondary systems. They support the bill but are opposed to any redefining of the financial districts.

Senator Larry Tveit, Senate District 27, supported HB 730 and agreed that some coal tax money should be used for roads.

Chad Smith, representing the Montana Land Improvement Contractors Association, said they find themselves in a depressed system at this time, and they feel this comes at a time when they can build Montana's economy.

Mike Fitzgerald, Montana Trade Commission, supported HB 730.

Keith Olson, Montana Logging Association, supported HB 730.

The following also wished to go on record as supporting HB 730:

Robert Holding, Montana Wood Products Association;
Bill Olson, Montana Contractors Association;
Ben Havdahl, Montana Motor Carriers Association;
Keith Anderson, Montana Taxpayers Association;
Dave Goss, Billings Area Chamber of Commerce; and
Senator Pat M. Goodover, Senate District 22.

OPPONENTS

There were no opponents to HB 730.

Questions from the committee were called for.

Senator Towe stated that he understood section 1(2)(a) and (b) but asked what (c) was. Mr. Wicks said (2)(c) is part of the gas tax collection. Subsection (a) is separate. Earmarked money is taken out of coal severance tax collections and put into the reconstruction account. The mineral royalties are put into the reconstruction account in the earmarked revenue fund and then whatever else the legislature thinks is appropriate from the fuel tax revenues.

Representative Shontz closed, saying HB 730 gives the Highway Department authority to use state funds on highway projects without having to go through the feds.

CONSIDERATION OF HOUSE BILL 621: Representative Jack Ramirez, House District 64, said this bill relating to taxation of small business corporations conforms Montana law to federal law. It originated with the taxation committee of the State Bar of Montana. The maximum number of shareholders is raised from 10 to 35. A revocation of the election used to take place if one person refused to consent to the election; now, it is shareholders holding more than one half of the shares of stock on the day on which the revocation is made consenting to the revocation. Section 3, amending 15-31-205, MCA, allows a husband and wife to be treated as one shareholder. Section 4, amending 15-31-207, MCA, deals with trusts or estates owning stock.

PROPOSERS

Walter Murfitt, representing the State Bar of Montana, hoped HB 621 would be approved because if it wasn't, Montana would

be in a different tax situation and it would create a lot of expense for clients. See his written testimony, attached as Exhibit L.

Dan Bucks, from the Department of Revenue, said this is the way to go for compliance and administrative purposes. The state still has its own filing. The Department needs advance notice of who files under what law and under what category. HB 621 enables income to be taxed on the individual income tax side. The fiscal impact from this proposal is because of other language now in the law regarding investment credit. If it is continued into the future as is proposed on other legislation, that can lead to a loss of \$2.5 million to \$3 million over the biennium. If enacted, some adjustment must be made for that fiscal effect.

OPPONENTS

Laurie Zink submitted written testimony for Jim Murry, representing the AFL-CIO. His written testimony is attached as Exhibit M.

In closing, Representative Ramirez said that the House Taxation Committee would consider the comment about the impact on the business investment tax credit. He also submitted minor amendment to the bill (see Exhibit N). In response to Jim Murry's comments, he didn't think HB 621 had significant impact at all. He didn't know of any multistate corporations with 35 stockholders who wanted to be taxed as partnerships. Multistate corporations are not likely to make this kind of election.

The meeting adjourned at 10:03 a.m.

Chairman

ROLL CALL

SENATE TAXATION

COMMITTEE

48th LEGISLATIVE SESSION -- 1983

Date 3/10 /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	✓ arriv 9:50		

(All visitors sign this sheet even if not testifying.)
DATE March 10, 1983

COMMITTEE ON TAXATION (SENATE)

VISITORS' REGISTER

NAME (PLEASE PRINT)	REPRESENTING	BILL #	Check One	
			Support	Oppo
Bill Verweil	City of Helena	HB 16	✓	
Larry Tobiaszon	M. A. A.	"		
		HB 730	✓	
John Brumbecker	Mont. Iron M.	HB 730	✓	
Martin e Bech	Mont. Iron M.	HB 16	✓	
Ben Hardach	Mont. Motor Carriers	HB 16 HB 730	✓	
Wo Prunor	WIFE	HB 16	✓	
Mrs. Torgon	High Users Federation Int. Stevedores - Workmen	HB 16 HB 730	✓	
John H. Morrison	M-H Inc	HB 16	✓	
Harry Simmons	Mont. S.O.M.A.	HB 16	✓	
Doog Alexander	Mont. I.O.M.A.	HB 16	✓	
Dave Jones	Bldg. Construction Committee	HB 16 HB 730	✓	
Karlene Perry	Cit. of Columbia Falls	HB 16	✓	
Arnold Schwart	Missoula County	HB 16	✓	
Jim Van Hrsdale	Billings City	HB 16	✓	
Bill Olson	M.E. Contractors	HB 16	✓	
Skott Anderson	Mont. Taxpayers	HB 730 HB 16	✓	
Laurie Rijk (for Jim Rijk)	AFI-CIO	HB 621		✓
Al Keller	Billings	HB 16	acknowledged	
Robn Tison	Ree & Wife Windward	HB 16		
Gary Wicks	MDOT	HB 16 HB 730	✓	
Kyle Silens	Cut Bank	HB 16		
KEITH OLSON	MT. Logging Assn.	HB 16 730	✓	
Alec Hansen	LEASOS OF CITIES	HB 16	✓	
Gary Trout	Senator Dist 27	HB 16 HB 730	✓	
Darryl Meyer	Cascade County	HB 16 HB 730	acknowledged X	

COMMITTEE ON TAXATION (SENATE)

NAME (PLEASE PRINT)

BILL #

Support	Oppose
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BOB HELD INC.

Mr. Woodworth, Assoc.

HB 730
HB 16

✓

CHAD SMITH

Mont Land Improvement Cont

H 3 16
H 3 730

Mise Stylen

MT Asso. AC

HB16
HB 230

✓

Mike Young

City of Missoula

HB/6

✓
Answered

ALLOCATION OF GASOLINE TAX REVENUE
TO COUNTIES UNDER PROVISIONS OF HOUSE BILL 16
Fiscal Years 1982-83 and 1983-84

<u>County</u>	<u>Percent Allocation</u>	<u>Fiscal Year 1982-83 Fund Allocation</u>	<u>Fiscal Year 1983-84 Fund Allocation</u>
Beaverhead	2.06773	\$ 60,998	\$ 84,468
Bighorn	2.28569	67,428	93,370
Blaine	2.26651	66,862	92,587
Broadwater	0.82203	24,250	33,580
Carbon	1.25597	37,051	51,306
Carter	1.06847	31,520	43,647
Cascade	3.68834	108,806	150,669
Chouteau	2.52980	74,629	103,342
Custer	1.42115	41,924	58,054
Daniels	0.90786	26,782	37,086
Dawson	1.71922	50,717	70,230
Deer Lodge	0.79322	23,400	32,403
Fallon	0.82753	24,412	33,805
Fergus	2.10844	62,199	86,130
Flathead	5.63258	166,161	230,091
Gallatin	2.82603	83,368	115,443
Garfield	1.42983	42,180	58,409
Glacier	1.59847	47,155	65,297
Golden Valley	0.59847	17,655	24,447
Granite	0.77139	22,756	31,511
Hill	3.04495	89,826	124,386
Jefferson	1.20414	35,522	49,189
Judith Basin	1.10315	32,543	45,064
Lake	2.43986	71,976	99,668
Lewis & Clark	3.14488	92,774	128,468
Liberty	1.10102	32,480	44,977
Lincoln	2.91508	85,995	119,081
Madison	1.58393	46,726	64,704
McCone	1.45349	42,878	59,375
Meagher	0.84112	24,813	34,360
Mineral	0.92841	27,388	37,926
Missoula	5.83549	172,147	238,380
Musselshell	0.90742	26,769	37,068
Park	1.47200	43,424	60,131
Petroleum	0.66112	19,503	27,007
Phillips	2.07580	61,236	84,796
Pondera	1.26658	37,364	51,740
Powder River	1.24766	36,806	50,967
Powell	1.19376	35,216	48,765
Prairie	0.79929	23,579	32,651
Ravalli	3.04136	89,720	124,240
Richland	1.57261	46,392	64,241
Roosevelt	1.77424	52,340	72,478
Rosebud	2.34464	69,167	95,779
Sanders	1.83386	54,099	74,913
Sheridan	1.29963	38,339	53,090
Silver Bow	2.08549	61,522	85,192
Stillwater	1.26763	37,395	51,783
Sweet Grass	0.76261	22,497	31,153
Teton	1.63434	48,213	66,763
Toole	1.29414	38,177	52,866
Treasure	0.40892	12,063	16,704
Valley	2.46837	72,817	100,833
Wheatland	0.63203	18,645	25,818
Wibaux	0.54807	16,168	22,387
Yellowstone	5.19418	153,228	212,182
TOTALS	100.00000	\$2,950,000	\$4,085,000

Source: Percent allocations and fiscal year 1982-83 fund allocations from the Department of Highways. Total fiscal year 1983-84 fund allocation from House Bill 16.

ALLOCATION OF GASOLINE TAX REVENUE
TO CITIES AND TOWNS UNDER PROVISIONS OF HOUSE BILL 16
 Fiscal Years 1982-83 and 1983-84

<u>City</u>	<u>Percent Allocation</u>	<u>Fiscal Year 1982-83 Fund Allocation</u>	<u>Fiscal Year 1983-84 Fund Allocation</u>
Alberton	0.10490	\$ 3,724	\$ 5,157
Anaconda	1.37918	48,961	67,787
Bainville	0.14341	5,091	7,049
Baker	0.63146	22,417	31,036
Bearcreek	0.06141	2,180	3,018
Belgrade	0.63949	22,702	31,431
Belt	0.20307	7,209	9,981
Big Sandy	0.30090	10,682	14,789
Big Timber	0.53059	18,836	26,079
Billings	14.30546	507,844	703,113
Boulder	0.45865	16,282	22,543
Bozeman	4.37504	155,314	215,033
Bridger	0.23406	8,309	11,504
Broadus	0.22865	8,117	11,238
Broadview	0.07039	2,499	3,460
Brockton	0.09025	3,204	4,436
Browning	0.30211	10,725	14,849
Butte	4.60715	163,554	226,441
Cascade	0.24966	8,863	12,271
Chester	0.32594	11,571	16,020
Chinook	0.49456	17,557	24,308
Choteau	0.55994	19,878	27,521
Circle	0.28879	10,252	14,194
Clyde Park	0.13104	4,652	6,441
Columbia Falls	0.72569	25,762	35,668
Columbus	0.47676	16,925	23,433
Conrad	0.81792	29,036	40,201
Culbertson	0.23820	8,456	11,708
Cut Bank	0.83848	29,766	41,211
Darby	0.16115	5,721	7,921
Deer Lodge	1.04558	37,118	51,390
Denton	0.18214	6,466	8,952
Dillon	1.00200	35,571	49,248
Dodson	0.10707	3,801	5,262
Drummond	0.10518	3,734	5,170
Dutton	0.14690	5,215	7,220
East Helena	0.45223	16,054	22,227
Ekalaka	0.19639	6,972	9,653
Ennis	0.26296	9,335	12,924
Eureka	0.26887	9,545	13,215
Fairfield	0.22366	7,940	10,993
Fairview	0.32854	11,663	16,148
Flaxville	0.06073	2,156	2,985
Forsyth	0.72318	25,673	35,544
Fort Benton	0.52377	18,594	25,743
Froid	0.12997	4,614	6,388
Fromberg	0.13532	4,804	6,651
Geraldine	0.12580	4,466	6,183
Glasgow	1.06766	37,902	52,475
Glendive	1.28910	45,763	63,359
Grassrange	0.06465	2,295	3,178
Great Falls	11.69161	415,052	574,643
Hamilton	0.89561	31,794	44,019
Hardin	0.85276	30,273	41,913
Harlem	0.30237	10,734	14,861
Harlowton	0.40135	14,248	19,726
Havre	2.29870	81,604	112,981
Helena	5.82724	206,867	286,409
Hingham	0.09690	3,440	4,763
Hobson	0.15544	5,518	7,640
Hot Springs	0.22434	7,964	11,026
Hysham	0.14459	5,133	7,107
Ismay	0.04625	1,642	2,273
Joliet	0.15856	5,629	7,793
Jordan	0.18865	6,697	9,272
Judith Gap	0.07510	2,666	3,691

ALLOCATION OF GASOLINE TAX REVENUE
TO CITIES AND TOWNS UNDER PROVISIONS OF HOUSE BILL 16
Fiscal Years 1982-83 and 1983-84
(Continued)

<u>City</u>	<u>Percent Allocation</u>	<u>Fiscal Year 1982-83 Fund Allocation</u>	<u>Fiscal Year 1983-84 Fund Allocation</u>
Kalispell	2.41203	\$ 85,627	\$ 118,551
Kevin	0.11825	4,198	5,812
Laurel	1.28521	45,625	63,168
Lavina	0.07963	2,827	3,914
Lewistown	1.67614	59,503	82,382
Libby	0.77155	27,390	37,922
Lima	0.11454	4,066	5,630
Livingston	1.54665	54,906	76,018
Lodge Grass	0.17800	6,319	8,749
Malta	0.69555	24,692	34,186
Manhattan	0.28882	10,253	14,196
Medicine Lake	0.16501	5,858	8,110
Melstone	0.11268	4,000	5,538
Miles City	2.42524	86,096	119,201
Missoula	7.33890	260,531	360,707
Moore	0.10420	3,699	5,121
Nashua	0.18006	6,392	8,850
Neihart	0.11761	4,175	5,781
Opheim	0.10910	3,873	5,362
Outlook	0.05761	2,045	2,832
Philipsburg	0.32394	11,500	15,922
Plains	0.30104	10,687	14,796
Plentywood	0.69025	24,504	33,926
Plevna	0.09904	3,516	4,868
Polson	0.79124	28,089	38,889
Poplar	0.25837	9,172	12,699
Red Lodge	0.53006	18,817	26,052
Rexford	0.04045	1,436	1,988
Richey	0.12361	4,388	6,075
Ronan	0.45637	16,201	22,431
Roundup	0.61837	21,952	30,393
Ryegate	0.11865	4,212	5,832
Saco	0.15482	5,496	7,609
Scobey	0.41011	14,559	20,157
Shelby	0.76924	27,308	37,808
Sheridan	0.16814	5,969	8,264
Sidney	1.38397	49,131	68,022
St. Ignatius	0.24093	8,553	11,842
Stanford	0.19146	6,797	9,410
Stevensville	0.30186	10,716	14,836
Sunburst	0.19465	6,910	9,567
Superior	0.34366	12,200	16,891
Terry	0.38144	13,541	18,748
Thompson Falls	0.39335	13,964	19,333
Three Forks	0.43135	15,313	21,201
Townsend	0.45425	16,126	22,326
Troy	0.26949	9,567	13,245
Twin Bridges	0.13775	4,890	6,770
Valier	0.27789	9,865	13,658
Virginia City	0.14220	5,048	6,989
Walkerville	0.30510	10,831	14,996
W. Yellowstone	0.23885	8,479	11,739
Westby	0.12214	4,336	6,003
White Sulphur Sp.	0.42110	14,949	20,697
Whitefish	0.86704	30,780	42,615
Whitehall	0.26617	9,449	13,082
Wibaux	0.23890	8,481	11,742
Winifred	0.10780	3,827	5,298
Winnett	0.14806	5,256	7,277
Wolf Point	0.73464	26,079	36,108
TOTALS	100.00000	\$3,550,000	\$4,915,000

Source: Percent allocations and fiscal year 1982-83 fund allocations from the Department of Highways. Total fiscal year 1983-84 fund allocation from House Bill 16.

BACKGROUND INFORMATION ON HIGHWAY PROGRAM PROPOSALS

- I. MDOH identified two priorities in "Report to 48th Legislature"
 1. Reconstruct and preserve pavement on Primary System.
 2. Accelerate construction on Interstate gaps.
- II. Legislative Report
 1. Contents
 - . Information on Highway system and program
 - . Needs assessment through 1993
 - . Proposed methods for dealing with needs through 1993
 - . Primary reconstruction program
 - . Interstate construction program to complete system
 - . Project list by financial district for 1985 biennium
 2. Primary System
 - . Establish Reconstruction Trust Fund (RTF) on 10-year basis
 - . Increase state revenues by \$40 million per year to finance reconstruction and pavement preservation projects.
 3. Interstate Construction
 - . Issue bonds to finance highway projects so as to accelerate work on Interstate gaps.
 - . Use federal Advanced Construction-Interstate (ACI) program to obligate federal revenues to pay off bonds.
 4. Project Lists
 - . Contain projects which will be let during 1985 biennium.
 - . If proposals not approved, projects will have to be dropped from list to reflect actual approved spending level.
- III. Impact of New Federal Legislation
 1. Enactment of Surface Transportation Assistance Act of 1982 in December required modification approach to funding priorities.
 2. Resulted in increase in federal funds from \$66 million in FY 83 to \$100 million.
 - . Bulk of new funds allocated for Interstate Resurfacing (I 4R) and Bridge Replacement programs.
 - .. I 4R program to increase four-fold by FY 86
 - .. Bridge program will almost triple by FY 86

3. Impact on MDOH Proposals

- . Many 4R projects added to project list for FY 83-85.
- . Because of large carry-over apportionment balance in Primary System, those projects originally scheduled to be let with RTF funds in FY 84 can now be accomplished with regular federal funds during that year; however, starting with FY 1985, MDOH will have to rely on regular apportionment which will only increase by modest amounts through FY 86 (see attached apportionment table).
- . Interstate apportionment levels remain virtually the same as before -- at about \$17 million per year -- thus ACI/bonding proposal still needed.

IV. Revenue Proposals

1. Originally, closely allied with those of the Joint Subcommittee on Highways.

- . Fuel tax increases of 3.5 cents on gas, 4.5 cents on diesel.
- . Make 1 cent increment permanent.
- . Fund Highway Patrol from General Fund.
- . Increase GVW fees by 35%.
- . Take \$15 million per year from non-trust side of Coal Severance Tax revenues, beginning in FY 86.

2. Modified Approach

- . Fuel tax increase of 3 cents effective 7/1/83 (with 1/2 cent earmarked for local governments) and 2 cents 1/1/85 (changed to 2/15/85 in House).
- . Make 1 cent increment permanent.
- . Fund Highway Patrol from General Fund.
- . Earmark 6% in FY 86 and 12% in FY 87 from non-trust side of Coal Tax (\$8.8 in '86 and \$19.4 in '87).
- . Issue bonds to finance ACI projects.

3. Key Legislation

- . House Bill 16 -- increases fuel tax by 3¢ in 1983 and additional 2¢ in 1985 (local government share increases by 1/2¢).
- . House Bill 730
 - .. Creates 10-year reconstruction trust program.
 - .. Allocates mineral royalty funds to RTF, gives top priority to projects made necessary by mineral development activities.
 - .. Allocates 6% and 12% of non-trust coal tax revenues to RTF beginning in FY 1986 and 1987, 12% each year thereafter through 1993.
- . SB 454 -- Authorizes up to \$150 million in revenue bonds to finance completion of Interstate gaps.

4. Need quick action on all legislation
 - . Bond bill closely linked to fuel tax and RTF proposals.
 - . Want to issue bonds by July 1, 1983 in order to take advantage of favorable interest rate climate and get people working as quickly as possible.
 - . But, can't structure bond financing until we know what entire revenue picture looks like.

V. Expected Results

1. Will be able to accelerate Interstate completion by several years by closing key gaps on I-15 and I-90.
2. Will have major impact on Primary System by reconstructing critically deficient mileage over next 10 years, and overlaying deficient mileage during same period.
3. Will be able to launch first pavement preservation program on sufficient mileage ever carried by Highway Department.
4. Should generate approximately 2,000 direct new jobs in construction industry.

VI. Benefits

1. New jobs generated in a hurry -- because of letting of numerous major projects in FY 84 and 85.
2. Significant secondary economic impact in all sections of state.
3. Accelerate construction on key primary projects such as Sidney-Fairview, Hungry Horse-West Glacier, Evaro Hill, etc.
4. Significant mileage will be seal coated under pavement preservation program in all parts of state.
5. Significant savings in construction costs because of current favorable bidding climate, as well as savings in inflation costs due to accelerated construction schedules.
6. Substantial improvement to Primary System which could not occur under existing federal primary apportionment levels.

FEDERAL APPORTIONMENTS
(Federal Fiscal Years)
(1,000's of dollars)

	1982 (Actual)	1983 (Prior to new Federal Law)	1983	1984	1985	1986
			(Based on New Federal Law)			
Interstate Construction	14,887	15,848	17,732	17,732	17,732	17,732
Interstate Resurfacing	12,127	12,336	29,815	36,696	42,811	48,163
Primary	17,466	19,098	21,007	23,581	25,827	27,512
Secondary	7,204	9,006	11,742	11,742	11,742	11,742
Urban	3,842	3,362	3,841	3,841	3,841	3,841
Bridge Replacement	3,245	5,223	9,990	10,483	11,208	13,383
Other	5,337	2,064	5,076	5,235	5,373	5,514
TOTALS	64,108	66,937	99,203	109,310	118,534	127,887
Obligation Authority	66,100	66,000	100,300 ¹	104,800	114,500	124,300

¹ New Federal Law provides obligation authority in excess of apportioned funds.

Coal Tax Revenues Taken From All Earmarked Accounts

	FY 1985	FY 1986		FY 1987	
		Current	Pro.	Current	Pro.
General Fund	23,383	27,941	24,521	30,734	23,514
Public School Equal.	6,154	7,353	6,453	8,088	6,188
Co. Land Planning	615	735	645	809	619
Local Impact	10,769	12,868	11,293	14,154	10,829
Conservation Dist.	308	368	323	404	309
State Library	615	735	645	809	619
Alternative Energy	2,769	3,309	2,904	3,640	2,785
Renewable Resources	769	919	807	1,011	773
Water Development	769	919	807	1,011	773
Parks & Cultural	3,077	3,677	3,226	4,044	3,094
Education Trust	12,307	14,706	12,906	16,176	12,376
Permanent Trust	61,535	73,530	73,530	80,880	80,880
Highway Program	-0-	-0-	9,000	-0-	19,000
Total	123,070	147,060	147,060	161,760	161,759

* Funding for the Highway Program would amount to 12 percent of the Non-Trust revenues in FY 1986 and 23 percent in FY 1987.

Summary of Revenue Proposals

Fuel Tax

- Make permanent 1-cent increment
- 3-cent increase effective July 1, 1983, with 1/2-cent to go to local governments
- 2-cent increase effective January 1, 1985

Highway Patrol

- Fund with General Fund revenues effective July 1, 1983

Coal Tax

- Earmark \$9 million (12 percent) from non-Trust portion for Fiscal Year 1986
- Earmark \$19 million (24 percent) from non-Trust portion for Fiscal Year 1987
- Earmark a constant 24 percent per year for future years

Gross Vehicle Weight Fees

- No increase -- leave at current level

MMCA STATEMENT ON HB 16 (FUEL TAX INCREASE)

The Montana Motor Carriers Association has, as an established on-going policy, strong support for an adequately financed highway program in Montana. The trucking industry in Montana has paid and is paying its fair share of the cost of building and maintaining our highway system. There are those who would like to argue that point, however, by any measure, including the recently released Federal DOT Highway Cost Allocation Report, the trucking industry in Montana is paying its fair share. According to information in the Report of the Governor's Transportation Advisory Council, of the 67.1 million dollars paid by highway users, the percentage share paid by the trucking industry in the State is 42.3%. According to the Federal Highway Cost Allocation Report, trucks should pay 41% of the cost of the federal and/or state highway programs.

In the 1981 Legislature, the Motor Carriers Association supported a fuel tax increase needed for the reconstruction of our primary highway system. The measure did not pass. During the interim after the 1981 session, the trucking industry followed closely the efforts of the Legislative Interim Highway Committee to arrive at an equitable and adequate means of funding the highway program with priorities for reconstructing the critical portions of the primary highway system in the State.

The industry was in agreement late last year with proposals to increase fuel taxes three and one-half cents per gallon and GVW fees 35%, as proposed in legislation introduced in the House.

However, during the first two weeks in December, the Congress delivered the trucking industry a surprise Christmas present by passing a proposal billed solely as a "5¢ gasoline tax measure", but was in fact a great deal more. The measure included a 760% increase in the federal heavy truck tax in 1984, rising to an 801% increase by 1988.

The present heavy truck tax rate paid now by a typical 5-axle eighteen wheeler, the workhorse of the trucking industry, is \$210 per year. In 1984, that tax will be raised to \$1,600 and increasing ultimately to \$1,900 by 1988.

The fuel tax on diesel goes up to 9 cents per gallon in April, 1983, from the current rate of 4 cents per gallon - a 125% increase.

In addition, excise taxes on new trucks and trailers were increased. The excise taxes on truck tires was increased by 160%.

The law repealed existing excise taxes on retread rubber, inner tubes, truck parts and accesories, and lube oil.

The impact of federal tax increases on a typical five-axle truck is significant. The new federal taxes, when added to existing state taxes on the same truck, namely, gross vehicle weight fees, diesel fuel taxes now at 11¢ per gallon, miscellaneous taxes and property taxes, add up to a major cost of operating the truck.

The present State tax burden on that same truck is approximately \$4,695. When federal taxes of \$1,785 are added to the state tax, the combined total is \$6,480. The new federal taxes would increase that amount by 1988 to about \$9,136 - a \$2,656 increase.

The taxes proposed by HB 16, namely a 3¢ per gallon increase in 1983 and 2¢ per gallon increase in 1985, would add an additional \$777.78 per year to the typical five-axle truck, assuming it to operate 70,000 miles per year in the State, averaging 4.5 miles per gallon, bringing the combined total federal and state taxes to \$9,913.89 per year per truck; up from \$6,480.33, a 53% increase.

If one assumes that the truck may produce a gross revenue from about \$50,000 per year to \$75,000 per year depending on commodities hauled, the \$9,913.89 per year tax burden represents about a 13% to 20% tax on gross revenue....a healthy bite by any business standard and all of this coming at a time when Montana motor carriers and independent truckers are and have been struggling for economic survival.

The economic health of the trucking industry in the State is only as good as the economic situation of the industries and customers served by the trucking industry. Western Montana logging industry and finished lumber mills are still suffering from depressed economic conditions due to high interest rates and a depressed construction industry. Eastern Montana oilfield operations are also suffering from depressed production and exploration. Oilfield haulers' business has dropped more than 60 to 70% from what it was last year.

Railroads have displaced the grain and wheat transportation to the West coast with lower rates for "grain trains". Two years ago, more than 52% of the grain and wheat produced in the State was transported out of the State by trucks. Now less than 15% is transported by trucks.

The federal taxes just raised by Congress will generate an additional \$35 million per year to Montana's highway program but not for the priorities needed in rebuilding our primary highways. The \$35 million is just about the amount Montanans will be paying in new federal taxes. Our estimation is that \$15 million of the \$35 million will be assessed on the trucking industry in the State.

Notwithstanding the state of the economic squeeze facing the trucking industry, the Montana Motor Carriers Association continues to stand by our policy for supporting an adequately financed highway program in Montana.

To that end, we support the use of coal tax dollars from either the permanent coal tax trust fund or proceeds from the non-trust coal revenue.

MMCA supported the initiative effort to secure enough signatures to place the question of using 20% of the coal tax revenues from the trust fund on the ballot. In spite of the short time involved in obtaining signatures, only an additional 8,500 were needed. We feel the use of trust fund coal tax dollars to be an assured long range answer in large part, for our primary highway program.

At the same time, if this Legislature deems it necessary to fund the program from additional highway user taxes, that those taxes be in the form of fuel tax increases. We would support legislation to increase fuel tax by 3 cents per gallon in 1983 and 2 cents per gallon in 1985. Fuel taxes are a variable cost to trucking operations and with the trend toward lower fuel prices, the impact is lessened. Increased GVW and federal truck taxes are fixed costs and are payable regardless of revenue earning ability.

Taxes paid by a typical 80,000 pound 5-axle tractor semitrailer operating intrastate; comparison unit is a 1980 International tractor, valued at \$46,592 and 1980 Trailmobile trailer valued at \$13,925--based on 70,000 miles of annual travel at 4.5 miles per gallon of fuel.

TAX DESCRIPTION	CURRENT TAX	ACTUAL AND PROPOSED ADDITIONAL TAX	TOTAL CURRENT AND PROPOSED TAX	PERCENTAGE INCREASE
*Montana GVW Taxes	\$1,774.00	-0-	\$1,774.00	-0-
Montana Misc. Truck	139.00	-0-	139.00	-0-
*Montana Diesel Fuel Taxes	1,711.11	\$777.78	2,488.89	45.4%
Montana County Property Taxes	<u>1,071.00</u>	<u>-0-</u>	<u>1,071.00</u>	-0-
TOTAL MONTANA TAXES	\$4,695.11	\$777.78	\$5,472.89	17.0%
*Federal Diesel Fuel Taxes	622.22	777.78	1,400.00	125.0%
**Federal Misc. Truck Taxes	953.00	188.00	1,141.00	20.0%
***Federal Heavy Truck Tax	<u>210.00</u>	<u>1,690.00</u>	<u>1,900.00</u>	805.0%
TOTAL FEDERAL TAXES	\$1,785.22	\$2,655.78	\$4,441.00	149.0%
TOTAL MONTANA & FEDERAL TAXES	\$6,480.33	\$3,433.56	\$9,913.89	53.0%

*The Montana current diesel fuel tax is 11¢ per gallon and would be increased by 3¢ per gallon in 1983 and 2¢ per gallon in 1985. The Federal diesel tax is 4¢ per gallon and is to be increased by 5¢ per gallon.

**Federal Misc. Truck Tax	Current	Proposed
Excise Tax	\$757.00	\$ 998.00
Tire Tax	99.00	143.00
Retread Rubber Tax	29.00	-0-
Inner Tube Tax	11.00	-0-
Parts & Accessories Tax	48.00	-0-
Lubricating Oil Tax	<u>9.00</u>	<u>-0-</u>
	\$953.00	\$1,414.00

Annual average for 8-year period

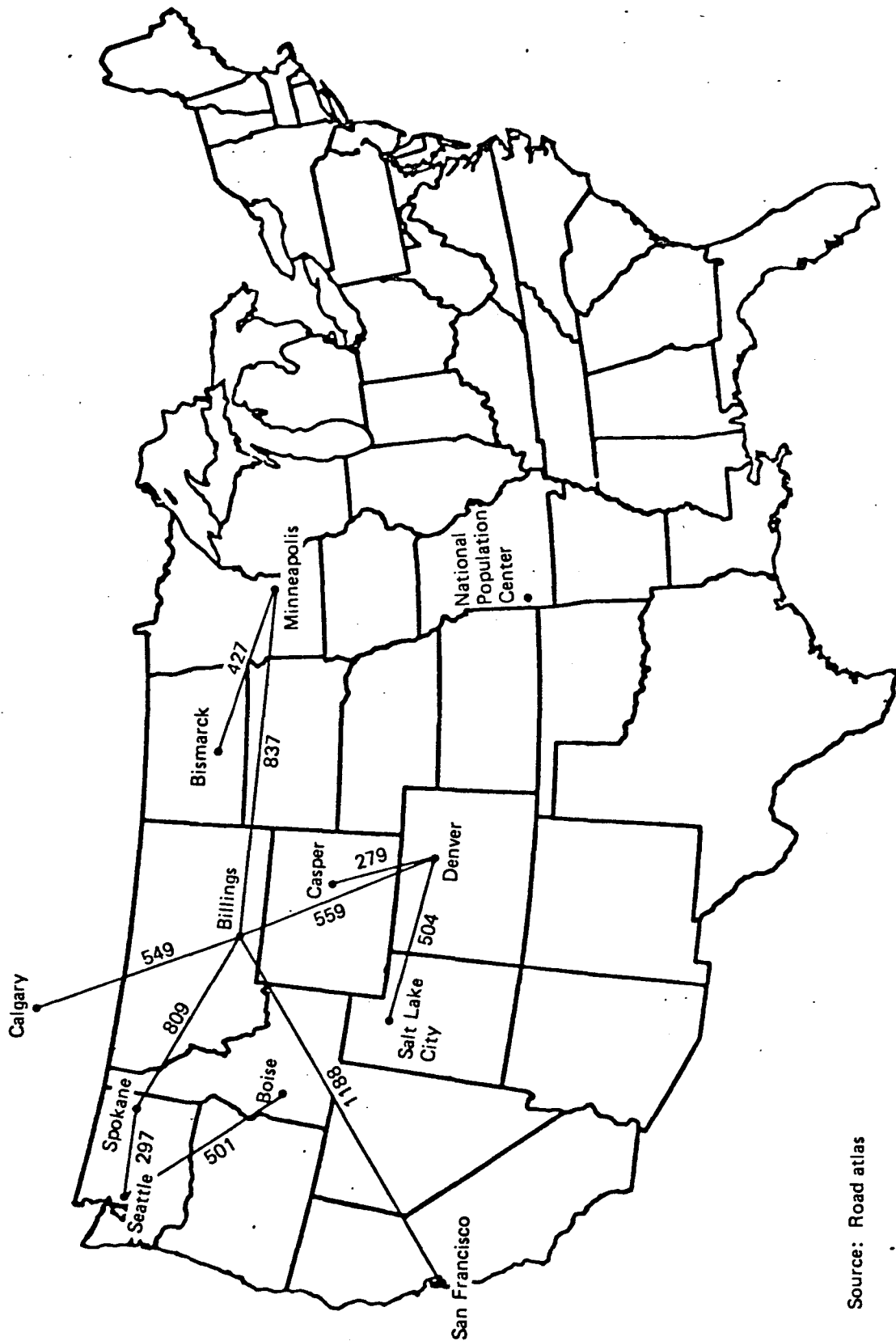
***Federal Heavy Truck Tax (As adopted by Congress 12/82)

The current tax rate is \$3 per thousand pounds.

1984	- \$1,600
1986	- \$1,700
1987	- \$1,800
1988	- \$1,900

Montana is at least 500 miles further from major markets than any other state in the U.S. National and even regional population and market centers are far away, relative to other western states. There are no significant regional markets within 500 miles, except Alberta.

MONTANA'S ACCESS TO MARKETS



Source: Road atlas

McKinsey & Company, Inc.

SENATE TAXATION COMMITTEE

EXHIBIT D

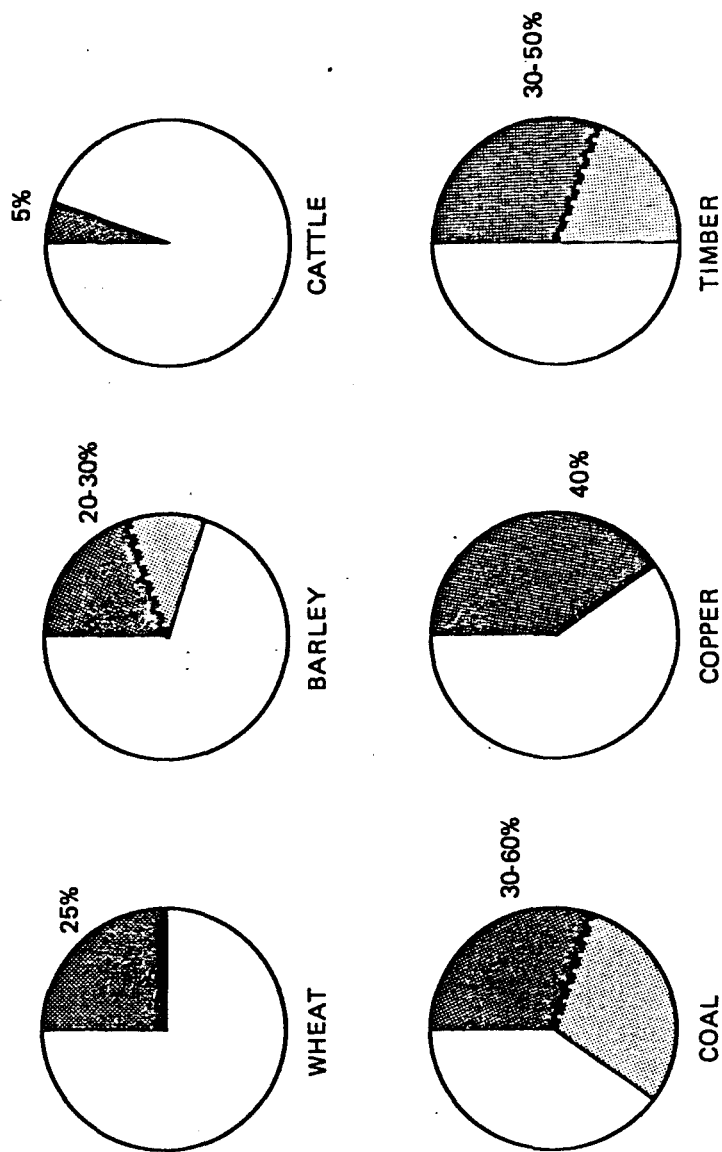
Mar 10, 1983

House BILL/RES. 165

Any transportation cost disadvantage is particularly damaging because transportation costs are such a large percentage of value for many of Montana's basic exports.


PERCENT TRANSPORTATION COSTS FOR MONTANA'S BASIC INDUSTRIES

Percent of market value



Source: Industry sources, McKinsey analysis

WIFE Women Involved In Farm Economics



NAME JO BRUNNER BILL NO HB 16
ADDRESS 563 3rd ST HELENA DATE March 10
REPRESENT WOMEN INVOLVED IN FARM ECONOMICS
SUPPORT X OPPOSE _____ AMEND _____

COMMENTS:

Women Involved in Farm Economics wish to go on record as being in favor of HB 16. While we feel excessive increases in taxation of fuels is not beneficial in itself, we do agree that our highway system must be repaired and with the increase in the portions of from this taxation to the county and rural areas, we can offer our support. Thank you

Jo Brunner,
Lobbyist.

PROPOSED AMENDMENTS TO HB-16

Page 2, line 4	Change 3 cents to 3.5 cents
Page 2, line 5	Change 2 cents to 3 cents
Page 2, line 7	Change 3 cents to 3.5 cents
Page 2, line 8	Change 2 cents to 3 cents
Page 2, line 19	Change 12 cents to 12.5 cents
Page 2, line 20	Change 14 cents to 15 cents
Page 3, line 18	Change 14 cents to 14.5 cents
Page 3, line 19	Change 16 cents to 17 cents
Page 4, line 17	Strike "\$9,000,000 of"
Page 4, line 24	Change \$4,085,000 to "funds"
Page 5, after line 11	Insert "funds will be divided among the various counties in accordance with the following schedule:" fiscal year 1984 \$5,219,735 from July 1, 1984 to Feb. 15, 1985 \$3,262,337 from Feb. 15, 1985 to July 1, 1985 \$2,808,444 in all fiscal years thereafter. \$7,489,185
Page 5, line 12	Change \$4,915,000 to "funds"
Page 5, after line 24	Insert "funds will be divided among the various incorporated cities and towns in accordance with the following schedule:" fiscal year 1984 \$6,280,265 from July 1, 1984 to Feb. 15, 1985 \$3,925,168 from Feb. 15, 1985 to July 1, 1985 \$3,379,056 in all fiscal years thereafter. \$9,010,815

The calculations used in the amendments are based on the assumption that a 1 cent increase in the motor fuel taxes will raise about \$5 million in annual revenues.

A 1 cent increase in July of this year will raise the local government share of fuel taxes from \$6.5 to \$11.5 million annually.

The additional 1 cent proposed for February of 1985 will bring the total local government distribution to \$16.5 million per year.

Under the existing distribution formula counties receive 45.389 percent of the total local government distribution. Incorporated cities and towns receive the remaining 54.611 percent. These allocation percentages have been applied to the increases proposed in the amendments.

SENATE TAXATION COMMITTEE

EXHIBIT 8Mar. 10 1983House BILL/RES. 16

CONRAD F. LUNDGREN

CHAIRMAN, BOARD OF DIRECTORS

S. KEITH ANDERSON, PRESIDENT

MONTANA TAXPAYERS ASSOCIATION



P. O. BOX 4909

1706 NINTH AVE.

HELENA, MONTANA 59601

406/442-2130

Re: House Bill 16

If the amendment to increase the gas tax for cities is accepted it will be necessary to amend the bill to maintain present expenditures for streets and alleys in the city budget. If this is not accomplished it will be possible for cities to use the new revenue and then divert existing revenue for streets to other purposes. This is essentially what happened when cities went from multiple levies to the all purpose 65 mill levy. They were not forced to spend the full amount for streets when the individual levy was imposed. After multiple levies were used the revenue was diverted to administration and the like, and streets were shorted.

Keith Anderson

MARCH 10, 1983

HB 116 DATE: 3/10/83

NAME:

Roger Tippy

ADDRESS:

P.O. Box 124

PHONE:

442-4451

REPRESENTING WHOM?

Montana Beer & Wine Wholesalers Assoc.

APPEARING ON WHICH PROPOSAL:

HB 116

DO YOU:

SUPPORT?

X

AMEND?

OPPOSE?

COMMENTS:

Beer and wine distributors in Montana use about 850,000 gallons of fuel per year to deliver their products. They also buy about 1100 tires a year to run their trucks. Better roads equals fewer tires, less maintenance over the long run.

Three or five cents a gallon tax increase will show up in the cost of operations. However, falling fuel prices may offset this.

Beer distributors hope ~~the~~ their contribution to capital construction for the state will be kept within the highway system and that they will not be involved in the long-range building program.

PLEASE LEAVE ANY PREPARED STATEMENTS WITH THE COMMITTEE SECRETARY.

TESTIMONY

HB-16

SENATE TAXATION COMMITTEE
ARTICLE I
MARCH 10, 1983
p. 16

Mr. Chairman, Members of the Committee:

For the record, my name is John Braunbeck and on HB-16 I represent the Montana Inter-mountain Oil Marketers Association and the Montana LP Gas Association; a coalition of some 150 petroleum distributors state-wide.

As you are perhaps aware, we have previously testified in support of HB-16, with amendments. Those amendments were designated as follows:

1. Making permanent the 1-cent motor fuel tax increment enacted in 1979;
2. Authorizing an additional 1-cent per gallon on gasoline and 1-cent per gallon on diesel fuel;
3. Amending specific sections of 15-70-101 to reflect a full 1-cent increase to the cities/counties such that section 15-70-101(1) would reflect a \$10.39 million figure; and
4. Repealing Sections 7-14-301 through 7-14-303 inclusive, which are statutes setting forth the Local Option Tax on gasoline.

To further reinforce our concerns along these lines, we have requested that SB-288 be introduced to reflect the above amendments and to provide the Senate Taxation Committee with what we consider a reasonable alternate tax proposal.

Both organizations are very much aware of the cities/counties need for additional revenue to construct and maintain roads, streets, alleys, etc. To preclude imposition of a mechanically unworkable and inequitable Local Option Tax, the correct approach must be an overall user increase. SB-288 or the above amendments provide exactly that.

To clarify our position with respect to the Local Option Tax; we are not opposed to the concept of a community voting a tax upon themselves. We are opposed to the Local Option Tax in its present written form. In past legislative sessions, we have repeatedly attempted to amend Section 7-14-301 through 7-14-303, M.C.A., to obtain a workable and equitable program. Much time, effort and money have been invested. However, to date, nothing has changed (state-wide) with respect to the mechanically unworkable Local Option Tax, nor have communities been able to exercise this option. Under present and future situations; we seriously doubt that it can be implemented. Consequently? Cities/Counties are unable to address needed items at the magnitude necessary.

With respect to the Local Option Tax, please consider the following:

1. Implementation of the present Local Option Tax on gasoline will involve heavy accounting costs for each petroleum distributor involved. Please remember these increased costs will be rolled into the price of the product with the total resulting in an increase in fuel costs far in excess of the one or two cents per gallon imposed;
2. We think it clear and understandable that consumers shop for price. What happens at a border-line place of business when the cost of fuel increases substantially on one side of that border? Unfair competition is created with the implementing county suffering a decrease in taxing revenues because of reduced volume.

3. Even considering SB-281 (Local Option Tax by Referendum) costs to the imposing county of initiative, ballot procedures and the resulting campaigns on both sides of the issue amount to a considerable sum. Now, who pays for these costs? Yes, the consumer.

4. Under present statutes, the State of Montana is required to collect the Local Option Tax if implemented. Do you believe they are going to attempt collection for free? In recent program operational quotes, we understand the State estimate for program implementation for Yellowstone County was approximately \$48,000. Who will pay these costs? Right again, the consumer.

In the attempt to correct the original problem and provide a workable means by which counties may benefit from an equitable tax, we are proposing elimination of, probably, some pretty sacred ground. However, in addition to costing problems (if that doesn't bother local governments) please consider the following mechanical problems:

1. The majority of our distributors are multi-county distributors. Distribution accounts have mailing addresses separate from their delivery and use locations. Accounting and audit procedures, with respect to which counties have imposed the Local Option Tax and those counties who have not, would be exceedingly difficult and costly to itemize;

- a. Taxes are imposed at the point of distributor pickup, i.e., terminal, refinery or invoice destination point. This may or may not coincide with the county imposing the Local Option Tax. It therefore becomes possible that the Local Option Tax imposed in one county will not be collected in another county or with total costs rolled in, perhaps other counties will be paying the increased implementation costs even though they have not imposed the Local Option Tax; and

2. What about competitive pricing advantages and disadvantages, station and distributor location outside the taxing area, etc.?

No doubt, many other difficulties occur when Local Option Taxes are addressed. It is not our intent to side against city/county governments, because we too live in and drive our delivery vehicles on these problem roads. Our position is to explain why the present Local Option Tax is unworkable and provide a necessary alternative for local government fund acquisition that will address a desperate need area and most importantly, actually derive the necessary funding to address this most important issue.

We therefore urge the Committee to adopt our amendments, or at least amendments #3 and #4 to provide local governments with necessary revenues to preclude an unnecessary attempt at implementing the Local Option Tax on gasoline. Finally, if an alternative to HB-16 is required, please consider SB-288 already before you.

cc: file

attachments

1. SB-281
2. SB-288
3. Local Option Stat es
4. Diagram

1
2 INTRODUCED BY *Sen. Hays* *Salas*
3 *Bartlett*

4 A BILL FOR AN ACT ENTITLED: "AN ACT ALLOWING ADOPTION OF A
5 LOCAL OPTION MOTOR FUEL TAX BY REFERENDUM; AMENDING SECTION
6 7-14-301, MCA."
7

8 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF MONTANA:
9

10 Section 1. Section 7-14-301, MCA, is amended to read:
11 "7-14-301. Local option motor fuel excise tax
12 authorized. (1) ~~the people of the county by initiative may~~
13 ~~impose~~ A motor fuel excise tax, in increments of 1 cent
14 per gallon, not to exceed 2 cents per gallon upon gasoline
15 sold to the ultimate consumer within the county for use in
16 motor vehicles operated upon public highways, streets, and
17 roads ~~may be imposed~~
18 ~~by the people of the county by initiative or~~
19 ~~by the board of county commissioners by adoption~~
20 ~~of a resolution and referral to the people.~~
21 (2) The initiative or referendum must specify the tax
22 is to be collected by the department of revenue.
23 (3) Such a motor fuel excise tax may not be
24 assessed sooner than 90 days from the date of passage of
25 such an initiative or referendum.
26 (4) Every distributor shall pay the motor fuel

1 excise tax to the agency specified in the initiative or
2 referendum as provided in subsection (1). When the tax is
3 collected by the department of revenue, each distributor
4 shall render a monthly statement to the department of all
5 gasoline distributed during the preceding calendar month in
6 the county in which it is sold to the ultimate consumer and
7 such other information as the department may reasonably
8 require in order to administer the motor fuel excise tax.
9 (4) The information, recordkeeping, and examination
10 of records provisions of Title 15, chapter 70, apply to this
11 part.
12 (5) The department of revenue collecting the tax
13 authorized under subsection (1) shall establish procedures
14 to provide a refund to a person who has paid the excise tax
15 but who can substantiate that the motor fuel was purchased
16 for a use other than on public highways, streets, and roads.
17 (6) In this part, the terms "distributor",
18 "gasoline", "import", "motor vehicle", "person", and "use"
19 have the meanings ascribed to them in 15-70-201."

-End-

1
2 INTRODUCED BY Don

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AN ACT MAKING PERMANENT THE
1-CENT-A-GALLON INCREMENT OF MOTOR FUELS TAX ENACTED IN
1979; RAISING THE MOTOR FUELS TAX RATE 1 CENT A GALLON;
INCREASING THE ALLOCATION TO COUNTIES, TOWNS, AND CITIES;
REPEALING THE LOCAL OPTION MOTOR FUELS TAX; AMENDING
SECTIONS 15-70-101, 15-70-204, AND 15-70-321, MCA; REPEALING
SECTIONS 7-14-301 THROUGH 7-14-303, MCA; AND PROVIDING AN
EFFECTIVE DATE."

WHEREAS, the Legislature intends to increase the tax on
gasoline by an additional 1 cent a gallon and to increase
the tax on diesel fuel and volatile liquids by an additional
1 cent a gallon; and
WHEREAS, sections 7-14-301 through 7-14-303, MCA,
relating to the local option motor fuel tax, are unworkable;
and
WHEREAS, Title 15, chapter 70, MCA, designates no
portion of the diesel fuel motor fuel tax to cities and
counties.

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

Section 1. Section 15-70-204, MCA, is amended to read:
"15-70-204. Gasoline license tax -- rate. (1) Every
distributor shall pay to the department of revenue a license
tax for the privilege of engaging in and carrying
business in this state in an amount equal to 1 cent for each
gallon of aviation gasoline, which shall be allocated to the
department of commerce as provided by 67-1-301, as amended,
and 10 cents for each gallon of all other gasoline
distributed by him within the state and upon which the
gasoline license tax has not been paid by any other
distributor.

(2) Gasoline exported or sold for export out of the
state shall not be included in the measure of the

1 distributor's license tax.

2 (3) Gasohol shall be subject to gasoline license taxes
3 in accordance with the following schedule:

4 (a) beginning April 1, 1979, gasohol shall be taxed at
5 the rate of 2 cents per gallon;

6 (b) beginning April 1, 1985, gasohol shall be taxed at
7 the rate of 4 cents per gallon;

8 (c) beginning April 1, 1987, gasohol shall be taxed at
9 the rate of 6 cents per gallon.

10 (4) If at any time the gasoline license tax is lower
11 than the current applicable tax on gasohol, the lower tax
12 rate shall be adopted for gasohol."

13 Section 2. Section 15-70-321, MCA, is amended to read:
14 "15-70-321. Tax on diesel fuel and volatile liquids.
15 The department shall, under the provisions of rules issued
16 by it, collect or cause to be collected from the owners or
17 operators of motor vehicles a tax in an amount equal to \$~~10~~
18 12 cents for each gallon of diesel fuel or other volatile
19 liquid, except liquid petroleum gas, of less than 46 degrees
20 A.P.I. (American petroleum institute) gravity test when
21 actually sold or used to produce motor power to propel motor
22 vehicles upon the public highways or streets within the
23 state or used in motor vehicles, motorized equipment, and
24 the internal combustion of any and all engines, including
25 stationary engines, used in connection with any and all work

1 performed under any and all contracts pertaining to the
2 construction, reconstruction, or improvement of any highway
3 or street and their appurtenances awarded by any and all
4 public agencies, including federal, state, county,
5 municipal, or other political subdivisions."

6 Section 3. Section 15-70-101, MCA, is amended to read:
7 "15-70-101. Disposition of funds. All taxes, interest,
8 and penalties collected under this chapter shall be turned
9 over promptly to the state treasurer who shall place the
10 same in the earmarked revenue fund to the credit of the
11 department of highways, except those funds hereinbelow
12 allocated to cities, towns, and counties, which funds shall
13 be paid by the state treasurer directly to such cities,
14 towns, and counties.

15 (1) ~~\$6,7500,000~~ \$2,250,000 of the funds collected under
16 this chapter shall be allocated each fiscal year on a
17 monthly basis to the counties and incorporated cities and
18 towns in Montana for construction, reconstruction,
19 maintenance, and repair of rural roads and city or town
20 streets and alleys, as provided in subsections (a) and (b)
21 hereof:

22 (a) ~~\$2,750,000~~ \$4,198,000 shall be divided among the
23 various counties in the following manner:

24 (i) 40% in the ratio that the rural road mileage in
25 each county, exclusive of the federal-aid interstate system

1 and the federal-aid primary system, bears to the total rural
 2 road mileage in the state, exclusive of the federal-aid
 3 interstate system and the federal-aid primary system;

4 (ii) 40% in the ratio that the rural population in each
 5 county outside incorporated cities and towns bears to the
 6 total rural population in the state outside incorporated
 7 cities and towns;

8 (iii) 20% in the ratio that the land area of each
 9 county bears to the total land area of the state;

10 (b) ~~\$37,550,000~~ \$5,052,000 shall be divided among the
 11 incorporated cities and towns in the following manner:

12 (i) 50% of the sum in the ratio that the population
 13 within the corporate limits of the city or town bears to the
 14 total population within corporate limits of all the cities
 15 and towns in Montana;

16 (ii) 50% in the ratio that the city or town street and
 17 alley mileage, exclusive of the federal-aid interstate
 18 system and the federal-aid primary system, within corporate
 19 limits bears to the total street and alley mileage,
 20 exclusive of the federal-aid interstate system and
 21 federal-aid primary system, within the corporate limits of
 22 all cities and towns in Montana.

23 (2) All funds hereby allocated to counties, cities,
 24 and towns shall be used exclusively for the construction,
 25 reconstruction, maintenance, and repair of rural roads, city

1 or town streets and alleys or for the share which such city,
 2 town, or county might otherwise expend for proportionate
 3 matching of federal funds allocated for the construction of
 4 roads or streets which are part of the federal-aid primary
 5 or secondary highway system or urban extensions thereto.

6 (3) Upon receipt of the allocation provided herein,
 7 the governing bodies of the recipient counties, cities, and
 8 towns shall inform the department of highways of the
 9 purposes for which the funds will be expended so that the
 10 county commissioners, the governing body, and the department
 11 of highways may coordinate the expenditure of public funds
 12 for road improvements.

13 (4) All funds hereby allocated to counties, cities,
 14 and towns shall be disbursed to the lowest responsible
 15 bidder according to applicable bidding procedures followed
 16 in all cases where the contract for construction,
 17 reconstruction, maintenance, or repair is in excess of
 18 \$4,000.

19 (5) For the purposes of this section where
 20 distribution of funds is made on a basis related to
 21 population, the population shall be determined by the last
 22 preceding official federal census.

23 (5) For the purposes of this section where
 24 determination of mileage is necessary for distribution of
 25 funds, it shall be the responsibility of the cities, towns,

1 and counties to furnish to the department of highways and
2 state treasurer a yearly certified statement indicating the
3 total mileage within their respective areas applicable to
4 this chapter. All mileage submitted shall be subject to
5 review and approval by the department of highways.

6 (7) None of the funds authorized by this section shall
7 be used for the purchase of capital equipment."

8 NEW SECTION, Section 4. Repealer. Sections 7-14-301
9 through 7-14-303, HCA, are repealed.

10 NEW SECTION, Section 5. Effective date. This act is
11 effective July 1, 1983.

-End-

between the county and any cities within or partially within the dissolved district.

History: En. 11-4512 by Sec. 12, Ch. 355, L. 1975; R.C.M. 1947, 11-4512(part).

Part 3

Local Option Motor Fuel Tax

7-14-301. Local option motor fuel excise tax authorized. (1) The people of a county by initiative may impose a motor fuel excise tax, in increments of 1 cent per gallon, not to exceed 2 cents per gallon upon gasoline sold to the ultimate consumer within the county for use in motor vehicles operated upon public highways, streets, and roads. The initiative must specify the tax is to be collected by the department of revenue.

(2) Such a motor fuel excise tax may not be assessed sooner than 90 days from the date of passage of such an initiative.

(3) Every distributor shall pay the motor fuel excise tax to the agency specified in the initiative as provided in subsection (1). When the tax is collected by the department of revenue, each distributor shall render a monthly statement to the department of all gasoline distributed during the preceding calendar month in the county in which it is sold to the ultimate consumer and such other information as the department may reasonably require in order to administer the motor fuel excise tax.

(4) The information, recordkeeping, and examination of records provisions of Title 15, chapter 70, apply to this part.

(5) The department of revenue collecting the tax authorized under subsection (1) shall establish procedures to provide a refund to a person who has paid the excise tax but who can substantiate that the motor fuel was purchased for a use other than on public highways, streets, and roads.

(6) In this part, the terms "distributor", "gasoline", "import", "motor vehicle", "person", and "use" have the meanings ascribed to them in 15-70-201.

History: En. Sec. 1, Ch. 621, L. 1979; amd. Sec. 1, Ch. 572, L. 1981.

Compiler's Comments

1981 Amendment: In (1), substituted "in increments of 1 cent per gallon, not to exceed" for "of not more than"; substituted "sold to the ultimate consumer within the county" for "distributed within the county"; inserted "highways" before "streets"; added the last sentence; substituted (2) for "A county imposing the tax

authorized under subsection (1) shall provide a means to provide refunds to persons who have paid the tax on motor fuel for uses other than on public streets and roads"; substituted (3) for "The term "gasoline" has the meaning ascribed to it in 15-70-201"; added subsections (4) through (6); and made minor changes in punctuation.

7-14-302. Use of local motor fuel excise tax revenue. (1) A county or municipality receiving revenue from the tax authorized by 7-14-301 shall use the revenue derived only for the construction, reconstruction, maintenance, and repair of public streets and roads.

(2) A county shall contract with the department for reimbursement of the actual costs of collection. One percent of the motor fuel excise tax revenue collected in a county is to be reimbursed to the distributor for the cost of compliance with this part.

History: En. Sec. 2, Ch. 621, L. 1979; amd. Sec. 2, Ch. 572, L. 1981.

Compiler's Comments

1981 Amendment: In (2) substituted the first sentence for "Two percent of the motor fuel tax

revenue collected in a county is allocated to the county governing body for use in administering

the tax"; inserted "excise" before "tax"; inserted "collected" after "revenue"; substituted "to the distributor for the cost of compliance with this part" for "at the point of collection for use in administering the tax"; and made minor changes in phraseology.

7-14-303. Allocation of revenue and disposition of funds from county-imposed motor fuel tax. (1) Revenue derived from a motor fuel excise tax imposed by a county under 7-14-301 must be apportioned among the county and municipalities in the county:

(a) in the proportion of motor vehicles registered in the county outside of the municipalities to those registered within the municipalities during the preceding year; or

(b) as determined by an interlocal agreement.

(2) All taxes, interest, and penalties collected by the department of revenue under this part shall be promptly transmitted to the state treasurer who shall deposit such funds in an earmarked revenue fund to the credit of the department of highways account. Such funds shall be paid quarterly by the state treasurer directly to the county in which the tax was imposed.

History: En. Sec. 3, Ch. 621, L. 1979; *amd.* Sec. 3, Ch. 572, L. 1981.

Compiler's Comments

1981 Amendment: In (1), inserted "excise" before "tax"; substituted "apportioned" for "divided"; added subsections (1)(b) and (2); and made minor changes in phraseology and punctuation.

7-14-304.- Lien for delinquent tax — interest and penalty — statute of limitations. (1) The lien provisions of 15-70-211 apply to all delinquent motor fuel excise taxes, penalties, and interest due from a distributor under this part. Such a lien has the same force and effect as a lien for delinquent gasoline license tax imposed under Title 15, chapter 70, part 2.

(2) Penalties and interest for any delinquent motor fuel excise tax are the same as provided for the gasoline license tax under Title 15, chapter 70, part 2.

(3) Any action to recover a delinquent motor fuel excise tax must be initiated within 3 years from the due date of the return or the date of filing the return, whichever period expires later. Upon discovery of fraud, an action must be initiated within 3 years of the discovery.

History: En. Sec. 4, Ch. 621, L. 1979; *amd.* Sec. 4, Ch. 572, L. 1981.

Compiler's Comments

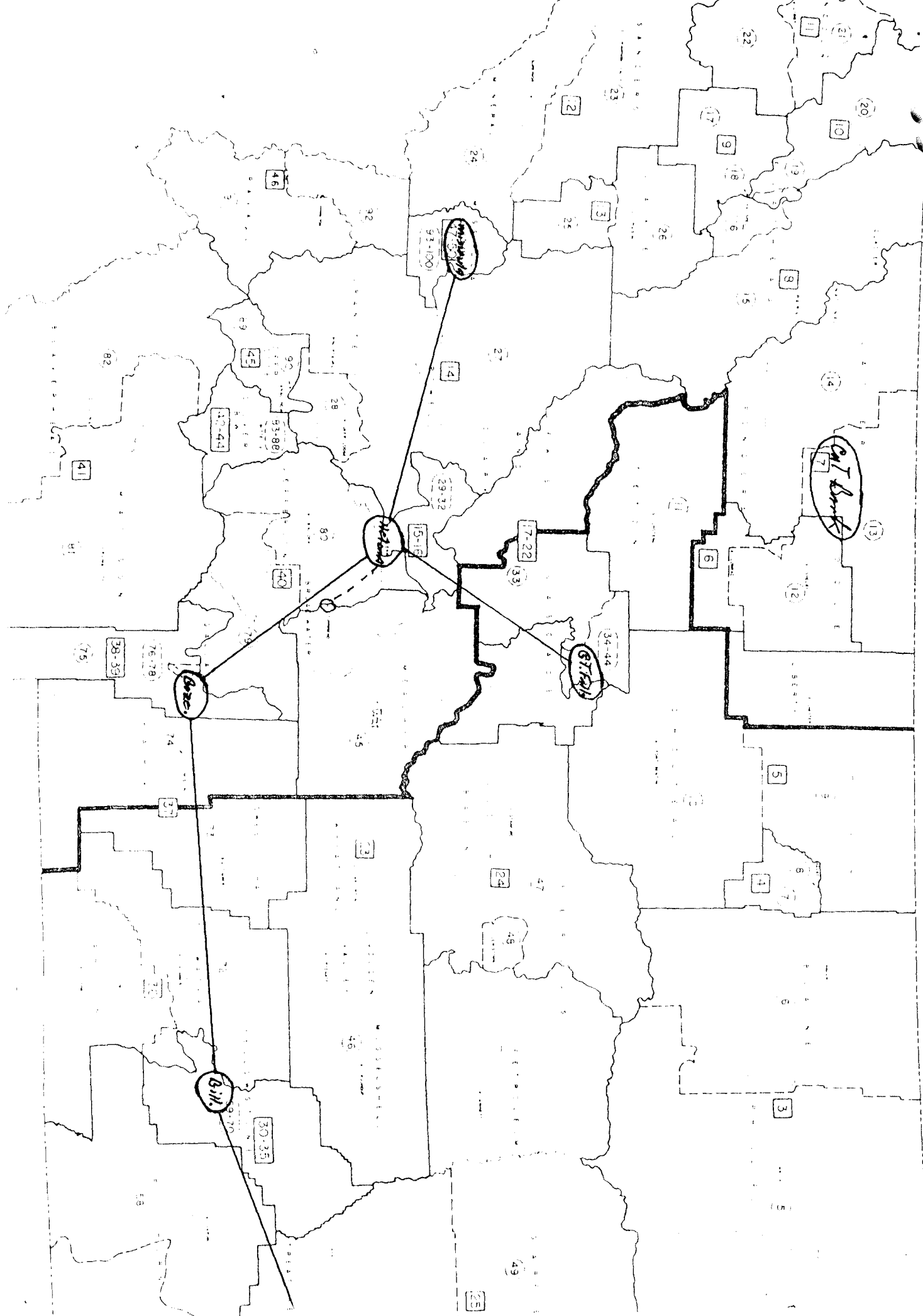
1981 Amendment: Substituted section for "Penalties for violation of this part shall be the same as provided in 15-70-232."

Parts 4 through 20 reserved

Part 21

General Provisions Related to County Roads

7-14-2101. General powers of county relating to roads and bridges. (1) The board of county commissioners, under such limitations and restrictions as are prescribed by law, may:



NAME: Harold Schwartz

ADDRESS: Missoula County Courthouse

PHONE: 721-5700 x 205

REPRESENTING WHOM? Missoula County Commissioners

APPEARING ON WHICH PROPOSAL: ~~SB~~ HB 16

DO YOU: SUPPORT? ☒ AMEND? ☒ OPPOSE? ☐

COMMENTS: Missoula County Supports Sen. Crippen's
amendments to HB 16

- 1) Our Road fund revenues will decline because of the loss of the Business Incentive Tax + the Burlington Northern Settlement
- 2) We are falling behind on maintenance
- 3) A recent public opinion survey indicated that the condition of our streets + roads is the problem of greatest concern to our citizens

PLEASE LEAVE ANY PREPARED STATEMENTS WITH THE COMMITTEE SECRETARY.

*League of Cities &
Urban Coalition*

LEGISLATIVE TAXATION COMMITTEE

EXHIBIT K

Mar. 10, 2023

House Bill 16

PROPOSED AMENDMENTS TO HB16

Page 2, line 4	Change 3 cents to 3.5 cents
Page 2, line 5	Change 2 cents to 3 cents
Page 2, line 7	Change 3 cents to 3.5 cents
Page 2, line 8	Change 2 cents to 3 cents
Page 4, line 17	Change \$9,000,000 to \$16,500,000
Page 4, line 24	Change \$4,085,000 to \$7,489,165
Page 5, line 12	Change \$4,915,000 to \$9,010,833

The calculations used in the amendments are based on the assumption that a 1 cent increase in the motor fuel taxes will generate \$5 million in annual revenues.

HB16, in its current form, would dedicate $\frac{1}{2}$ cent of the proposed fuel tax increase to local governments, which would raise the city and county allocation \$2.5 million (from \$6.5 million to \$9 million).

If local governments receive a 2 cent increase, as proposed in the amendments, the total municipal and county allocation will increase \$10 million (from \$6.5 million to \$16.5 million).

The distribution formula between municipalities and counties would remain the same. As a result, the counties would get 45.388 percent of \$16.5 million, or \$7,489,165. Cities would get 54.611 percent of \$16.5 million, or \$9,010,833.

MARCH 10, 1983

HB 621DATE: 3-10-83

NAME:

Walter S. Murphy

ADDRESS:

Montana Club Building

PHONE:

442-7450

REPRESENTING WHOM?

State Bar - Tax & Probate Section

APPEARING ON WHICH PROPOSAL:

HB 621

DO YOU:

SUPPORT?



AMEND?

OPPOSE?

COMMENTS:

This bill incorporates the changes of the recent Revision of the Internal Revenue Code with respect to the Reporting and TAXATION of Small Business corporations commonly referred to Subchapter S corporations.

PLEASE LEAVE ANY PREPARED STATEMENTS WITH THE COMMITTEE SECRETARY.



JAMES W. MURRY
EXECUTIVE SECRETARY

Box 1176, Helena, Montana

ZIP CODE 59624
406/442-1708

TESTIMONY OF JIM MURRY, MONTANA STATE AFL-CIO
SENATE TAXATION COMMITTEE MARCH 10, 1983

HOUSE BILL 621

I am Jim Murry, representing the Montana State AFL-CIO. We oppose HB621.

This bill slipped through the House without much hoopla. There were no numbers attached to it, and everyone wants to be on the side of small business.

But since this bill passed, there are major new developments on the budget scene. Oil prices have dropped and appear to be heading down even farther, as OPEC tears itself apart. That is great news for our whole economy but bad news for state revenue, at least temporarily.

The drop in oil prices and the prolonged business slump have combined to convince the Federal Reserve Board to allow interest rates to drop. That is also good news for the economy, but cuts into state revenue in the short run by reducing return on state investments.

Gov. Schwinden's original budget was a very tight one, and we had several reasons to question parts of it, such as the lack of any increase for the school foundation program. But now, by even the most optimistic of revenue figures, the budget is in serious trouble. If certain parts of the budget are not funded, such as the local government block grants and the school foundation program, then sharply rising property taxes are bound to result at the local level.

HB621 not only has an unknown fiscal impact, it also opens the door to more loopholes for multistate corporations. The tax breaks for investment and other business incentives at the national level did not produce an increase in investment. Instead, investment dropped for the first time since 1975, during the year following the first round of tax breaks.

In short, HB621 will not spur business activity. It may open the door to even more loopholes for large multistate corporations. And it may have a serious impact on the already perilous condition of the state budget, which will lead not only to cuts in essential services, but also to increases in local property taxes.

We urge you to vote no on HB621.

PROPOSED COMMITTEE AMENDMENTS

HOUSE BILL 621

1. Page 2, line 25
Following: "(ii)"
Strike: "at any time during the taxable year or"
2. Page 3, line 1
Following: "the"
Strike: "following"
3. Page 3, line 6
Following: "taxable year"
Strike: "during such year or"
4. Page 3, line 7
Following: "the"
Strike: "following"
5. Page 3, line 17
Following: "taxable year"
Strike: remainder of line 17 through "year" on line 18
6. Page 6, line 22
Following: "made"
Strike: "during the taxable year or"
7. Page 6, line 23
Following: "the"
Strike: "following"
Insert: "taxable"
8. Page 9, line 5
Following: "their"
Strike: "estate"
Insert: "estates"
9. Page 12, line 9
Following: "beneficiary"
Strike: "in"
Insert: "or"

*Depot
6/19*