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MINUTES OF THE MEETING  
TAXATION COMMITTEE  
MONTANA STATE SENATE

March 14, 1983

The forty-sixth 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 except Senators Gage, Lynch, and Mazurek.

CONSIDERATION OF HOUSE BILL 645: Representative Walter Sales, House District 79, said HB 645 deals with occasional sales and land splits.

PROPOSERS

Charles Graveley, representing the County Treasurers Association, supported the bill. Property taxes have to be paid on a parcel of land before a split-off can be made.

Dennis Rehberg, representing the Montana Association of Realtors, supported the bill but wanted to make sure that SIDs would not be included in what needed to be paid off at the time of sale.

OPPOSERS

There were no opposers to HB 645.

Questions from the committee were called for.

Senator Crippen asked what would happen if property taxes are protested. Representative Sales responded that the sale of the lot would be held up until the taxes were paid. Senator Crippen said so you pay up and then you protest.

In response to a question from Senator Turnage, Mr. Rehberg said the House Taxation staff attorney had checked into this and he said no, SIDs would not be included in the actual tax assessment. Senator Turnage thought it would be interpreted the other way around.

Senator Crippen told Representative Sales that this is provided for where other taxes have to be paid before land can be sold and final plats filed. Representative Sales said very few would be RSIDs since the land is subdivided. SIDs will have to be brought current.

The hearing on HB 645 was closed.

CONSIDERATION OF HOUSE BILL 690: Representative Bob Marks, House District 80, said HB 690 is intended to stop a practice which has been a nefarious practice for the past 70 years in the area of property tax delinquencies. The counties become interested parties in those properties and the taxes due and then assign their interests to third persons. In several instances, a person may be a nonresident and the county assessor and treasurer may not know and send notice to the owner, who may not get the notice, and the taxes become delinquent. Then the tax man picks up the property for the delinquent taxes and sells it, and the original owner doesn't get the profits. HB 690 will preclude the assignment.

#### PROPOSERS

There were no proposers other than the sponsor.

#### OPPOSERS

There were no opposers to HB 690.

Questions from the committee were called for.

Senator Norman asked if this would preclude assignments from the county to someone else, or from someone else to someone else. Representative Marks responded both. He couldn't think of a case where a sale brought in more than the amount of delinquent taxes.

Senator Elliott asked where the need for HB 690 was. Representative Marks replied that it was widespread where small tracts are located. If the taxes are only \$20 a year on a parcel, people forget. He felt it was important that people's property not get sold out from under them. Some property in his county (Jefferson) has been lost that way.

Senator Elliott asked if these were inactive mining claims and thought it showed a lack of concern by a property owner to not furnish the treasurer with his current address for mailing tax notices.

Senator Towe wondered why the bill was so important. He thought the same notice requirements applied and the same procedures were followed whether an individual or the county was the assignee. Representative Marks stated that if a person couldn't be notified that his taxes are due, he can't be notified that his property is for sale.

Senator Turnage agreed with Representative Marks. A lot of people sleep on their rights or are unaware of them. We have had two court actions against the procedure but only because the tax man was inept in his application. Senator Turnage felt the county should offer for sale the land they acquire from tax delinquencies. The county should not just gather up a bunch of land.

Senator Towe thought this would encourage other people to pick up the tax delinquencies, and therefore, the county would not be loaning the money but the individuals would be.

Representative Marks said that in the dust days, and today, the county acquires the land because people can't pay their taxes. The idea was well intended at the time. Senator Towe remarked that 8% used to be a high interest rate.

Senator Turnage stated that if the legislature could tighten up the notice requirements of the counties to get deeds, they could incorporate the method of notice regarding tax sales.

Senator McCallum noted that second half taxes are due May 30. He wondered if, after July 1, the treasurer could assign to anyone. Senator Towe responded that they don't get around to doing it until a year later.

The hearing on HB 690 was closed.

CONSIDERATION OF HOUSE BILL 724: Representative Fritz Daily, House District 87, sponsored HB 724 and said it will mitigate the effects of mining that have gone on in the past 100 years. Article IX, § 2 of the Montana Constitution says:

"Reclamation. (1) All lands disturbed by the taking of natural resources shall be reclaimed. The legislature shall provide effective requirements and standards for the reclamation of lands disturbed. . . ."

They did not want the resource indemnity trust fund invaded, and that is why the last two subsections (2 and 3) were added. Amendments in the 1981 bill placed interest income money to fund the Department of State Lands and the Department of Natural Resources. Representative Daily said his research indicates that is not the purpose for which the fund was established. Several areas could be affected: Butte, Anaconda, Great Falls, Clancy; Stillwater, Granite and Madison Counties; Troy, Zortman, Whitehall. He spoke specifically about the Butte-Anaconda area. The mining operations in Butte-Anaconda were suspended for several reasons: the price of copper, labor problems, environmental reasons, taxes that have been imposed on the industry. Representative Daily addressed the testimony of Largie McDonald from the Anaconda Company when the resource indemnity trust fund was established (Senate Taxation Committee minutes, 1973, re HB 97). The shutdown has had a tremendous impact on his area. The Anaconda Company paid the following resource indemnity trust taxes:

1974 - \$357,000	1978 - \$165,000
1975 - 518,000	1979 - 109,000
1976 - 127,000	1980 - 369,000
1977 - 157,000	1981 - 228,000
	1982 - 90,000,

for a total of \$2,123,000 into the resource indemnity trust fund. The Anaconda Company has paid over \$2 million, and it is time we take the interest income for what it was intended to be used for--reclaiming the land.

#### PROPOSERS

Representative Bob Pavlovich, House District 86, supported HB 724, saying they have an area (Butte) where the money can be put to use.

Don Peoples, chief executive of Butte-Silver Bow, said the fund should be used to mitigate impacts occurring in areas like Butte-Silver Bow. Jobs and reclamation will be provided. Earmarking 30% from the resource indemnity trust fund would provide \$3 million a year to be used by communities for impact reasons.

Ed Bingler, Montana Bureau of Mines, said they look into mitigation of the groundwater impact of mining and provide funding when needed. He noted that there are over 150 mining districts in the state. Out of 64 exploration permits, 31 were issued to major mining companies. This is all aimed at public health and environmental quality. The agency programs go on a two-year cycle. Local governments are hard pressed to invite us to participate in their programs except at the Bureau's expense. See Exhibit A.

Alec Hanson, representing the Montana League of Cities and Towns, supported the bill also. The impacts of mining can be seen across the state. The resource indemnity trust fund was established to reclaim these lands, not to fund state agencies.

Don Reed, representing the Montana Environmental Information Center, supported HB 724. Currently, the hard-rock mining industry contributes about 5% to the resource indemnity trust fund. He felt publicity about the programs available under the resource indemnity trust fund was necessary.

Steve Meyer, Montana Association of Conservation Districts, said 90-6-301, MCA, declares the necessity and purpose of the hard-rock mining impact system as it applies to front end impacts. HB 724 is a tail-end bill and may be something that could be added to the statutes. Let the legislature allocate money from the resource indemnity trust fund. He felt the conservation districts were the place to go for reclamation instead of setting up new state agencies. He asked that the committee hold the bill until the appropriations come across.

#### OPPOSERS

Bill Gosnell, from the Office of Budget and Program Planning, said the subcommittee has included these funds in their budget, and the use of the funds to administer state agencies is appropriate. See Exhibit B.

Questions from the committee were called for.

Senator Towe noted that the total income to the fund was \$4.5 million a year, of which \$2.2 million goes to administrative costs of the departments. The remainder is allocated to water projects, etc.

Senator Elliott asked what the alternative to this bill was and whether there was a separate appropriation bill that will fund the hard-rock mining impact board. Senator Towe said there was \$125,000 a year from metal mines taxes.

Senator Elliott noted that HB 724 addressed the closing of mines and not the openings, and that there was no adverse language regarding the opening of mines in the bill. Representative Daily responded that other legislation addressed those matters.

Senator Elliott asked Mr. Bingler if his bureau had worked with the school of mines on this subject of flooding of the pit in Butte. Mr. Bingler replied that they had a conference with some state agencies. The Anaconda Minerals Company has studied it and brought in consulting firms, and so on. The Department of State Lands took a neutral view. If funds had been available, the bureau would have gone to the Board to apply for adequate funding for all groundwater impacts.

Senator Elliott wondered why the state had the obligation to do this rather than the company. Mr. Bingler stated there were a lot of gray areas, but the company doesn't give a firm basis of what the impacts are going to be. They have 8 hydrogeologists. He noted there was a small fee to the state to try to address questions of staff.

Senator Towe agreed there should be someone outside monitoring what is going on. He wondered if the Department of State Lands had the authority to charge the Anaconda Company to do the monitoring. Mr. Bingler said that he was not familiar with the Anaconda Company, but that they had talked to the Department of State Lands.

Senator Towe said the 1971 act makes it clear that existing pits that have been upheaved will be subject to reclamation. Senator Towe and Representative Daily felt Arco and the state should contribute funds to take care of the impacts. Senator Towe said the amount contributed to the resource indemnity trust fund by hard-rock mining industries is about \$3 million, and that will be taken out in one biennium.

Representative Daily expressed hope that mining would come back into Montana. It contributes a major portion of the problem and a major portion of the resource indemnity trust fund. He noted that the Anaconda Company had a \$96 million payroll in

1971. The Columbia Falls operations are at 40% right now. In 1979, Anaconda and Butte-Silver Bow mines had 3,600 employees, and they now have 700. After July 1, 1983, they will have only 50-70 employees.

Leo Berry, director of the Department of Natural Resources, said the resource indemnity trust fund should be for resource indemnity trust projects and not for general administration of state agencies.

Senator Goodover wondered if, under reclamation, this had application to the Muddy Creek project. Senator Towe replied that the Muddy Creek project was funded by resource indemnity trust money and that that is the kind of project to be funded by resource indemnity trust money.

Senator Elliott asked Mr. Bingler who had the closest liaison with the Environmental Protection Agency and what they were doing. He wondered if the recent changes were going to be beneficial to Montana. Mr. Bingler responded that they have been funded through the "Super Fund".

Senator Halligan said the Environmental Quality Council has looked at hard-rock mining problems. Resource indemnity trust moneys paid in by mining industries had never been used for mining impacts, just water. He suggested that the metal mines tax would be a more appropriate source from which funds should come.

In closing, Representative Daily said the resource indemnity trust funds are not being used properly. The future is now in the Butte-Anaconda area. People wonder why we weren't ready for it. Everyone knows they are going to die, but no one thinks they will die.

The hearing on HB 724 was closed.

CONSIDERATION OF HOUSE BILL 126: Representative Les Kitselman, House District 60, said HB 126 will increase front end costs for rural special improvement districts (RSIDs) because the counties have to hire someone to help. Subsection (2) of Section 1 of the bill (amending 7-12-2153, MCA) includes a one-time charge against each district. If only 1% is needed, that is all that should be charged. Subsection (a)(ii) of Section 2 (amending 7-12-2182, MCA) includes front end costs to take care of administrative costs.

#### PROPONENTS

Al Thelen, chief executive in Billings, said HB 126 will allow counties to pass on the cost of issuing bonds as well as the cost to back up the revolving fund to the people benefiting from the improvements rather than to the general fund taxpayer.

OPPONENTS

There were no opponents to HB 126.

Questions from the committee were called for.

Senator Crippen noted that the amendments to 7-12-2182(2) on page 3 say the 5% shall go back to property owners or to the maintenance fund. This is different from what the cities do. In Billings, it would go to the arterial street fund or the maintenance fund at the discretion of the city. Mr. Thelen responded that the money remaining in the district fund should go into the operation and maintenance fund and not into the city coffers.

Senator Crippen asked how much money was in the Billings revolving fund. Mr. Thelen said there was \$850,000 there, and \$120 million in outstanding bonds. Senator Crippen stated that to create an SID in Billings now is 11%.

Senator Turnage thought that the way the bill was written, this was an annual assessment. It doesn't require that the 3% and 5% go into the bond issue, and he didn't believe the sponsors were contemplating an annual assessment. Assuming this is a one-shot deal, it will increase the bond issue about 8%, even if it is only a one-time thing. That is a lot of taxpayers' money. You can triple that 8% in costs and interest. Senator Turnage didn't see how the federal registration requirement would increase the cost at all. Montana passed a law that will take care of registration of bonds.

Representative Kitselman said it was not the intent to exceed 5%. If the cost doesn't exceed 1/2%, then they shouldn't charge more than 1/2%.

Senator Towe asked if there was a mechanism now for use of the proceeds to be put into the revolving fund and whether there was authorization in the present law to set aside money for the cost of bonds. Representative Kitselman replied affirmatively to both questions. He also said he could live without subsection (a)(ii) of 7-12-2182 (in Section 2 of the bill).

Senator Towe asked if it was his intent to duplicate (7-12-2153(2) and 7-12-2182(a)(ii)) to make 8%. Representative Kitselman said the 3% was a one-time cost and would be paid back.

Senator Towe said that in subsection (1) (amending 7-12-2153), there is provision for costs. In (2), what goes into the general fund? Representative Kitselman replied that the money they borrow goes into the general fund.

Senator Towe said the counties would get a bonus, and Representative Kitselman said yes, they would, to fund an FTE.

Senator McCallum recalled that in the 1981 session, they had it so the developer had to come up with the front end money.

Senator Eck said they had something on SIDs then, but didn't think anything was done with RSIDs.

Senator Crippen said he had a problem with eliminating the 5%. If it's within the cities, you never get it back. If you go into the county, then you can avoid the 5%. It is probably more important in the county than if you are in the city. It will protect the revolving fund. In the counties, you need that protection because the land is not as valuable. An SID is a prior lien.

Senator McCallum didn't like the 3% and 5%. He could see the 5% front end money, but not both the 3% and the 5%.

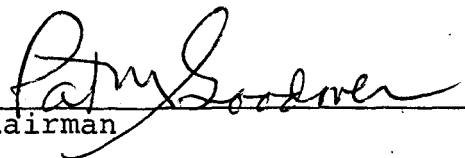
Bill Romine, representing the Clerks and Recorders Association, said the 3% is an up-front decision to handle an RSID. They assess the cost to the counties. The 5% is to protect the revolving fund. It seems to me that there should be something in the bill about the 5% being returned to the landowner if it is not used. It should come back if it is not used.

Senator Crippen thought the bill should be amended so the revolving fund money goes back to the rightful owners if it is not used. When an SID is paid for, they take out that money and put it into the general fund.

The hearing on HB 126 was closed.

CONSIDERATION OF HOUSE BILL 621: Senator Elliott asked that action on this bill be deferred. HB 621 is the State Bar of Montana Tax Section's version of the amendments to the small business corporation statutes, and SB 414 was drafted by a member of the CPA profession. He thought the professions should agree on which version they wanted to amend. He said he would monitor the progress of these bills and report back to the committee.

The committee adjourned at 10 a.m.

  
Chairman



ROLL CALL

SENATE TAXATION

COMMITTEE

48th LEGISLATIVE SESSION -- 1983

Date 3/14 /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			✓

COMMITTEE ON STANDARDIZATION

NAME JOHN B. BARTON

BILL #

Ed Bingler

My Bureau of Minis

724

Bill Gosnell

OB 66

724

✓

Rep Est - 1000

DIST 86

704

✓

5/2/2020

## Realtors

126

and

Greg Swenson

Sept 7 / 1899

(This sheet to be used by those testifying on am Bill.)

SENATE BILL NO. A  
MR. 14 3  
House 724  
DATE: March 14, 1983

NAME: EDWARD C. BINGLER

ADDRESS: 8 Meadowview Dr. Butte, MT

PHONE: 406/456/4181

REPRESENTING WHOM? Montana Bureau of Mines and Geology

APPEARING ON WHICH PROPOSAL: HB 724

DO YOU: SUPPORT? ☒ AMEND? ☐ OPPOSE? ☐

COMMENT: Widespread western Montana potential for mine  
development requires funding source to evaluate and  
mitigate ground water disturbances that can impact  
public health and safety. HB 724 would provide  
a funding source for timely and specific investigations  
of ground water impacts related to mine closures.

PLEASE LEAVE ANY PREPARED STATEMENTS WITH THE COMMITTEE SECRETARY.

(This sheet to be used by those testifying on a bill.) B

SENATE COMMITTEE ON LANDS  
Mar 14 3  
House 724  
DATE: 3/14/83

NAME: Bill Gosnell

ADDRESS: HELENA

PHONE: 449-3084

REPRESENTING WHOM? OBPP

APPEARING ON WHICH PROPOSAL: HR 724

DO YOU: SUPPORT? \_\_\_\_\_ AMEND? \_\_\_\_\_ OPPOSE? X

COMMENT:

Lack of GF - using RIT funds for operations  
in DNRC & D of Lands - 2.8 million

PLEASE LEAVE ANY PREPARED STATEMENTS WITH THE COMMITTEE SECRETARY.