

MINUTES OF THE MEETING
TAXATION COMMITTEE
MONTANA STATE SENATE

March 29, 1983

The fifty-sixth meeting of the Taxation Committee was called to order at 8:05 a.m. by Chairman Pat M. Goodover in Room 415 of the Capitol Building.

ROLL CALL: All members were present except Senator Norman.

CONSIDERATION AND DISPOSITION OF SENATE JOINT RESOLUTION 23:
Senator Towe moved that the amendments submitted by the sub-committee and attached as Exhibit A be adopted. The motion was seconded and passed unanimously.

Senator Mazurek moved that SJR 23 DO PASS AS AMENDED. The motion was seconded and passed unanimously. Senator Halligan will carry the resolution on the floor.

CONSIDERATION AND DISPOSITION OF HOUSE BILL 870: Cort Harrington stated he had reviewed Carol Ferguson's amendments submitted at the March 26 meeting, and they take care of Senator Turnage's concerns. Ms. Ferguson said the purpose of the amendments is to make it clear that we are talking about a portion of taxable valuation. That portion will no longer be subject to taxation by counties or high school or elementary school districts. Instead it will be reallocated among the county, high school and elementary districts according to where employees of a mining operation live and will then be subject to taxation by those jurisdictions in the proportion in which they are allocated.

Senator Gage moved the following amendments be adopted:

Page 5, line 15.
Strike: "that reside in"
Insert: "enrolled in"

Page 5, line 22.
Strike: "that reside in"
Insert: "enrolled in"

Senator Brown asked Senator Gage if he had assumed bussing. Senator Gage responded that students could be bussed in or out of the districts. There will be costs involved in this mismatch situation. Senator Turnage said Senator Gage had a good point. He wanted to know how that interfaced with tuition transfers. Senator Eck said that creates a problem. When there are tuition transfers, only the costs of operation are covered, not the capital costs.

Cort said the bill should be consistent. We should use "reside" or "enroll" consistently in all places. Senator Towe suggested using "reside" instead of "enrolled".

Senator Turnage asked what the present language was for a student. Senator Mazurek said a student resides in a district and is enrolled in a school.

Ms. Ferguson said the initial allocation of valuation will be based on the impact plan, which would be in effect until the following May 1, when the mineral development filed its next report, and then the allocation would be based on that current report.

Senator Towe moved that the following amendments be adopted:

Page 6, line 8.
Strike: "enrolled"
Insert: "residing"

Page 6, line 10.
Strike: "enrolled"
Insert: "residing"

The motion was seconded and passed unanimously.

Senator Gage withdrew his motion regarding the amendments on page 5, lines 16 and 22. (The language "that reside in" remains in place on those two lines.)

Senator Towe wondered if the bill stated anywhere that the extra valuation would be subject to tax. Ms. Ferguson pointed out that the second sentence in her amendment No. 6 allocates it to the local governmental units.

Senator Towe then moved that Ms. Ferguson's amendments be adopted. The motion was seconded and passed unanimously.

Senator Towe moved that HB 870 BE CONCURRED IN AS AMENDED. Th motion was seconded and passed unanimously. Senator Halligan will carry the bill on the floor.

CONSIDERATION OF HOUSE BILL 780: Senator Elliott said the sub-committee had reached some conclusions, and the amendments are being prepared. Senators Elliott, Eck and Gage did capsulize the amendments for the committee, however. They changed "gasohol" to "alcohol", which leaves out the distributors as far as getting refunds is concerned. Alcohol distributors would pay taxes on the alcohol the same way that the gas distributors pay taxes on gasoline. Nothing will be done concerning blending at the pump. They will give a rebate for alcohol. The alcohol goes through a denaturing process, so it has no other use but gasohol. Both the distributors and the dealers will have to keep records.

Senator Towe asked if they would get 70 cents a gallon back for every gallon of alcohol that is denatured. Senator Eck responded that they will have to keep the price low enough to be competitive. The provisions concerning phasing this out on a specified date or based on market conditions have been retained. Presently, dealers and distributors receive refunds but with the amendments, only manufacturers of the alcohol will get the refunds.

Senator Turnage thought this would tighten up the guidelines as to how manufacturers can use the alcohol.

Norris Nichols mentioned that manufacturers are going into two other areas: de-icer for windshields and RV antifreeze fluid. Before the alcohol manufacturers can do anything, they have to have permits from the federal government. There are bonding, reporting, permit, and security requirements that have to be met.

CONSIDERATION AND DISPOSITION OF HOUSE BILL 582: Additional information and further proposed amendments submitted by the Department of Revenue are attached as Exhibit B. Subsequent to the preparation of Exhibit B, the Department of Revenue and the Montana Mining Association arrived at some compromise amendments. Senator Halligan presented to the committee a letter from the Montana Mining Association tax committee dated March 28, 1983, with the compromise amendments attached thereto (Exhibit C to these minutes).

Dan Bucks, from the Department of Revenue, said that in addition to the amendments submitted with the letter, the following technical amendment should be made:

Page 5, line 7.

Following: ~~"operators-to"~~

Strike: "costs, including"

Senator Towe wondered how this would relate to oil. We are dealing with \$2 million to \$3 million on the mines and about \$60 million in oil.

Senator Crippen stated that he didn't like the compromise and said he wouldn't vote for it. Senator Turnage felt the problem lay where we are dealing with a property tax and treating it like an income tax. Senator Halligan, who was on the hard-rock mining impact board, said the necessary costs of extracting minerals can be deducted but not administrative costs.

Senator Towe remarked that this property (the minerals) while owned by people and still in the ground is not subject to tax. We base the tax on the value of property. Senator Crippen said the tax is based on economic use and if the minerals are not in use while in the ground, then there is no tax.

Senator Towe moved that the amendments attached as Exhibit C, and the technical amendment on page 5, line 7, submitted by Dan Bucks, be adopted. The motion was seconded and passed, with Senators Crippen and McCallum voting no.

Senator Towe then moved that the following amendments be adopted:

Page 2, line 10 through line 11.

Following: "ore" on line 10

Strike: remainder of line 10 through "gas," on line 11

Page 2, line 17 through line 18.

Following: "is," on line 17

Strike: remainder of line 17, and line 18 in its entirety

The motion was seconded and passed unanimously.

Senator Towe moved that HB 582 BE CONCURRED IN AS AMENDED. The motion was seconded and passed unanimously. Senator Gage will carry the bill on the floor.

CONSIDERATION AND DISPOSITION OF HOUSE BILL 747: Senator Elliott moved that "500" on page 3, line 10, be amended to "200". No second was made to his motion. He said this will pick up Bonneville Power Administration (BPA). It might encourage them to make payments in lieu of tax. If they are only faced with one section of line they won't deal with this. Can you imagine some Washington county taxing Grand Coulee Dam? If this is attempted, it should be done on a full-scale basis.

Senator Turnage thought we should get the principle on the books now, and amend it later.

Senator Towe said the concept here is not that the federal government has a facility in the area, but that it is being used by private companies who are not paying taxes.

Senator Elliott said an illustration of this is where power is generated by Montana Power Company, sold to BPA, and sold by the BPA to places in his area, like the aluminum plant. His area should benefit just as much as the others.

Senator Lynch was against the whole idea because the consumers will end up paying the taxes.

Senator Towe moved that the amendments attached as Exhibit D be adopted. The motion was seconded and passed unanimously.

Senator Turnage moved that the following amendment be adopted:

Page 4, line 17.

Following: "1983."

Insert: "From and after December 31, 1985, this act is applicable to electric transmission lines and associated facilities of a design capacity of more than 200 kilovolts."

Cort Harrington said we should include a codification instruction directing the code commissioner to change the reference to 500 kilovolts in 15-24-1203 to 200 kilovolts when publishing the code after December 31, 1985.

Senator Turnage included Cort's suggestion in his motion. The motion was seconded and passed unanimously.

Senator Towe stated that the other states went to Washington, D.C., to get the BPA lines built. They have a benefit that they didn't expect (not paying taxes), and we are trying to make them subject to tax like everyone else. If the federal government has a building and leases it to a private party, the lessee pays the taxes; if the federal government uses that same building for itself, it is tax exempt. That is the situation here.

Senator Towe moved that HB 747 BE CONCURRED IN AS AMENDED. The motion was seconded. This taxes the users of these lines. Montanans will pay for the portion they use and Montana Power, Pacific Power & Light, and other power companies will pay about 85% and will pass that cost on to their customers in Washington and Oregon.

Senator Elliott asked Dan Bucks why Montana Power couldn't be taxed on the principle of beneficial use and why the taxable value couldn't be imputed into their taxable base.


Senator Towe recalled that Dennis Burr raised that issue two years ago. They may be able to do that without legislative action.

A roll call vote was taken on Senator Towe's motion, and it passed 9-5 (Exhibit E). Senator Towe will carry the bill on the floor.

CONSIDERATION OF HOUSE BILL 621: Senator Elliott said that if the House continues to sit on SB 414, and if this committee is willing, he would like to amend SB 414 into HB 621. HB 621 is unacceptable in its present form from an accounting standpoint. The committee noted that the issue with HB 621 was whether we could continue to adopt the Internal Revenue Code as it is amended from time to time.

CONSIDERATION OF HOUSE BILL 716: Senator Mazurek recalled that HB 716 was tabled and thought we should reconsider it. Senator Turnage asked Senator Mazurek to prepare amendments, leaving out the discounts. He didn't like the bonds being issued at a premium. Senator Mazurek will prepare amendments to submit to the committee for consideration.

The meeting adjourned at 9:20 a.m.


Chairman

ROLL CALL

SENATE TAXATION

COMMITTEE

48th LEGISLATIVE SESSION -- 1983

Date 3/29

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	✓		

Amendments to SJR 23, introduced copy

1. Title, line 7.

Following: "TAX CREDITS,"

Insert: "TAX DEDUCTIONS, TAX EXCLUSIONS, AND TAX EXEMPTIONS"

2. Page 1, line 14.

Following: line 13

Insert: "WHEREAS, the Legislature allows tax deductions, tax exclusions, and tax exemptions in an attempt to further the public policy of the State of Montana; and"

3. Page 1, line 15.

Following: "credits"

Insert: ", tax deductions, tax exclusions, and tax exemptions"

4. Page 1, line 18.

Following: "credits"

Insert: ", tax deductions, tax exclusions, and tax exemptions"

Following: "actually"

Insert: "promote the public policy or"

5. Page 1, line 20.

Following: line 19

Insert: "WHEREAS, many of the tax laws of the State of Montana are tied directly to the federal tax laws and a change in the federal tax laws automatically changes Montana's tax laws; and"

6. Page 1, line 21.

Following: "credit"

Insert: "tax deduction, tax exclusion, and tax exemption"

7. Page 2, line 1.

Following: "tax credit,"

Strike: "its"

Insert: "tax deduction, tax exclusion, and tax exemption, their"

8. Page 2, line 2.

Following: "and"

Strike: "its"

Insert: "their"

9. Page 2, line 4.

Following: "credit"

Insert: "tax deduction, tax exclusion, and tax exemption"

10. Page 2, line 5.

Following: "credit"

Insert: "tax deduction, tax exclusion, and tax exemption"

11. Page 2, line 8.

Following: "credit"

Insert: "tax deduction, tax exclusion, and tax exemption"

DEPARTMENT OF REVENUE



TED SCHWINDEN, GOVERNOR

MITCHELL BUILDING

STATE OF MONTANA

HELENA, MONTANA 59620

Senator Pat Goodover, Chairman
Senate Tax Committee

Subject: House Bill 582-Further Proposed Amendments

Dear Senator Goodover:

The Department of Revenue offers the following additional information and comments on HB582.

1. The bill needs an applicability date. As now written, the bill would become effective on October 1, 1983. It is unclear if it applies to the tax year beginning January 1, 1983 or the year beginning January 1, 1984. Further, the Department has been informed that there are even some court rulings that apply laws, labeled "clarifications," retroactively.
2. The amendments proposed by the mining industry (labeled "compromise amendments") have substantially the same effect as the current language in the bill on administrative costs. The proposed costs would not be limited to Montana, and they involve the same administrative problems as the original language--namely, the difficulty in assigning, with any precision, overhead administrative costs of a large business concern to specific types of operations within Montana.

The industry believes that the current law limiting deductions to "labor machinery, and supplies needed and used in mining operations and developments," allows the deduction of the kinds of costs represented in "Exhibit A", a sample of an actual claim for out of state overhead costs. The Department has questioned these types of costs as being outside the deductions allowed by current law.

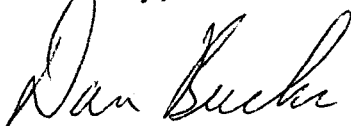
The amendments proposed by the industry can be interpreted as including most of the costs in Exhibit A. "Accounting and payroll preparation" can be interpreted as including "controllers, financial planning, systems development, data input, data processing, and payroll/insurance." "Cost for complying with state or federal laws" can be interpreted as including "industrial relations, patent department, office services, legal department, library, and safety/labor."

3. The Department proposes amendments to the bill specifying additional deductions that would be clearly identifiable and that would be less likely to lead to litigation than the bill or amendments proposed by the industry. Generally, but not exclusively, the amendments are consistent with the history of net proceeds taxation and involve expenses that vary with the nature of the mineral deposit. These are the kind of expenses necessary to equalize the value of different mineral properties.
4. Historically, both the statutory and case law in the net proceeds area has specified the deduction of actual and direct costs of labor, machinery, and supplies used in mining. These are costs that vary with the nature of the mineral deposit. They do not include all necessary costs of being in business. The costs usually excluded are those that vary with the form of the business organization, methods of management and operations, and the financial structure of the company. Overhead administrative costs fall in this latter category. It is within this legal framework that the Department has attempted to rule on specific claims for deduction, and we would be glad to explain further any specific decisions that have been made--including any specific items that were brought up in testimony.

The above is a summary of the legal framework that defines current Departmental practice. If the Legislature chooses to change the nature of the law, the Department will take care to make decisions consistent with the new legal framework.

We would be glad to explain the proposed amendments and to answer any further questions the committee might have.

Sincerely,

A handwritten signature in cursive script, appearing to read "Dan Bucks".

Dan Bucks
Deputy Director for Operations

Exhibit "A"

STAFF DEPARTMENTS CHARGES TO 1979

Department Name	No.	Total Costs	Charged to	%
Purchasing/Traffic	902	\$ 503,932	\$ 9,568	1.90
Administration	903	674,827	26,291	3.90
Controllers	905	905,946	16,320	1.80
Financial Planning	906	489,164	36,640	7.49
Engineering	907	758,296	6,825	.09
Quality Assurance	909	297,179	4,484	1.51
Systems Development	910	225,601	35,001	15.51
Library	915	36,554	948	2.59
Industrial Relations	916	352,609	14,849	4.21
. Admin.	290	403,881	54,480	13.49
Non-Departmental Exp.	-	356,878	4,625	1.30
Total CPD Staff		<u>\$5,004,867</u>	<u>\$210,031</u>	<u>4.20%</u>

ICG Staff Depts.

Payroll/Insurance	109	\$463,400	\$10,035	2.17
Legal Dept.	111	241,600	12,291	5.09
Safety/Labor	113	429,100	7,479	1.74
Cafeteria	115	126,100	2,424	1.92
Office Services	116	958,600	22,740	2.37
Data Input	118	339,100	1,015	.30
Data Processing	119	593,000	11,033	1.86
ICG Systems	122	416,500	29,820	7.16
Management Sciences	137	233,300	24,134	10.34
Patent Dept.	138	346,000	1,369	.40
		-	1,337	
		<u>\$4,146,700</u>	<u>\$123,677</u>	<u>2.98%</u>
		<u>\$9,151,567</u>	<u>\$333,708</u>	<u>3.65%</u>

Amend H. B. 582 as follows:

1) Title, page 1, line 4

Following: An act to
Strike: clarify the deduction provisions of
Insert: PROVIDE ADDITIONAL DEDUCTIONS ON

2) Title, page 1, line 4

Following: proceeds
Strike: tax on
Insert: OF

3) Title, page 1, line 7

Following: "15-23-503, MCA."
Insert: AND PROVIDING AN APPLICABILITY DATE.

4) Section 1, page 3, line 20

Strike: Subsection (14) in its entirety.

5) Section 1, page 3, line 20

Insert: New subsection 14 to read:
Cost of testing extracted minerals for the purpose
of satisfying federal or state health and safety
laws or regulations; the cost of plant security in
Montana, the cost of assaying and sampling the
extracted minerals, and the costs incurred in
Montana for engineering and geological services
for existing mining operations, but not including
any such services beyond the stage of reduction
and beneficiation of the minerals.

*MCA
Sub 14*

6) Section 2, page 4, line 11

Following: developments
Strike: including the costs for office, clerical, plant
security, engineering, geological, assaying and
sampling services and those administrative costs
PERTAINING to the Montana operations.

7) Section 2, page 5, line 5

Following: Fire
Strike: Taxes

8) Section 2, page 5

Following: Subsection (g)
Insert: Subsection (h) to read:

All moneys expended for necessary labor, equipment and supplies for testing minerals extracted to satisfy federal or state, health and safety laws or regulations; for plant security in Montana, for assaying and sampling the extracted minerals, and for engineering and geological services conducted in Montana for existing mining operations, but not including any such services beyond the stage of reduction and beneficiation of the minerals.

9) Section 2, page 6, line 2

Following: thereof
Strike: , except those persons providing services referred to in subsection (1) (b) or those engaged in the sale and marketing of the product and conversion of the same into money, including administrative personnel.

10) Page 6, following line 6:

Insert: SECTION 3. APPLICABILITY DATE.

THIS ACT IS APPLICABLE TO TAXABLE PERIODS BEGINNING AFTER DECEMBER 31, 1982.

**MONTANA
MINING
Association**

SENATE TAXATION COMMITTEE
JULY 1982
MARCH 20, 1983
HB 582

Post Office Box 142
Helena, Montana 59624
Phone (406) 443-7297

March 28th 1983

Senator Patrick Goodover
Chairman
Montana Senate Committee on Taxation
State Capitol Building
Helena, Montana 59612

Re: Amendments to HB 582

Dear Senator Goodover,

Pursuant to the request of Senator Halligan of your committee, we met with the Department of Revenue representative Mr Dan Bucks, Mr Gene Huntington of the Governor's office, Mr Gerald Foster and Mr Don Hoffman of the Corporation and Natural Resources Bureau on Monday the 28th of March. The purpose of the meeting was to attempt to resolve the disagreement over amendments proposed by the Department to HB 582.

After a lengthy meeting, its clear to us that the proposed amendments (copy attached) are as far as the Administration is willing to go on this bill. Therefore, we have no alternative but to acquiesce in the amendments in order to secure a degree of relief in this area.

Respectfully submitted,

MONTANA MINING ASSOCIATION
Tax Committee

By

CC Gene Huntington
Dan Bucks
Senator Halligan
W.R. Grace & Co.
Pfizer Inc.
Gary Langley

Amend H. B. 582 as follows:

- 1) Title, page 1, line 4

Following: An act to
Strike: clarify the deduction provisions of
Insert: PROVIDE ADDITIONAL DEDUCTIONS ON

- 2) Title, page 1, line ~~4~~ 5

Following: proceeds
Strike: tax on
Insert: OF

- 3) Title, page 1, line 7

Following: "15-23-503, MCA."
Insert: AND PROVIDING AN APPLICABILITY DATE.

- 4) Section 1, page 3, line 20

Strike: Subsection (14) in its entirety.

- 5) Section 1, page 3, line 20

Insert: New subsection 14 to read:
Cost of testing extracted minerals for the purpose of satisfying federal or state health and safety laws or regulations, the cost of plant security in Montana, the cost of assaying and sampling the extracted minerals, and the costs incurred in Montana for engineering and geological services for existing mining operations, but not including any such services beyond the stage of reduction and beneficiation of the minerals.

Meyer

- 6) Section 2, page 4, line 11

Following: developments
Strike: including the costs for office, clerical, plant security, engineering, geological, assaying and sampling services and those administrative costs PERTAINING to the Montana operations.

- 7) Section 2, page 5, line 5

Following: Fire
Strike: Taxes

8) Section 2, page 5

Following: Subsection (g)
Insert: Subsection (h) to read:

All moneys expended for necessary labor, equipment and supplies for testing minerals extracted to satisfy federal or state, health and safety laws or regulations, for plant security in Montana, for assaying and sampling the extracted minerals, and for engineering and geological services conducted in Montana for existing mining operations, but not including any such services beyond the stage of reduction and beneficiation of the minerals.

9) Section 2, page 6, line 2

Following: thereof
Strike: , except those persons providing services referred to in subsection (1) (b) or those engaged in the sale and marketing of the product and conversion of the same into money, including administrative personnel.

10) Page 6, following line 6:

Insert: SECTION 3. APPLICABILITY DATE.

THIS ACT IS APPLICABLE TO TAXABLE PERIODS BEGINNING AFTER DECEMBER 31, 1982.

Amend HB 747, Third Reading Copy, as follows:

1. Statement of Intent, page 1, line 19.

Following: line 18

Insert: "Any energy producer using a transmission line owned by the federal government and therefore not subject to state and local property taxes shall be subject to this tax. If the line is made available to private producers, the private producers who own power being transmitted over such lines shall be subject to the tax at the rates and in the manner prescribed in 15-24-1204. The allocation among several users shall be allocated according to the charge by the federal government for such use to the maximum extent possible."

2. Page 1, line 15.

Following: "Each"

Insert: "private"

3. Page 1, line 16.

Following: "property"

Insert: "subject to tax pursuant to 15-24-1203"

4. Page 3, line 7.

Following: "relates."

Strike: "No"

Insert: "The"

5. Page 3, line 9.

Following: "facilities"

Insert: "except that lines and facilities"

6. Page 3, line 10.

Following: "kilovolts"

Insert: "shall not be subject to the tax"

STANDING COMMITTEE REPORT

March 29

19 83

MR. **PRESIDENT**

We, your committee on **taxation**

having had under consideration **Senate Joint Resolution** Bill No. **23**

Halligan

Respectfully report as follows: That **Senate Joint Resolution** Bill No. **23**

be amended as follows:

1. Title, line 7.

Following: **"TAX CREDITS"**

Insert: **", TAX DEDUCTIONS, TAX EXCLUSIONS, AND TAX EXEMPTIONS"**

2. Page 1, line 14.

Following: line 13

Insert: **"WHEREAS, the Legislature allows tax deductions, tax exclusions, and tax exemptions in an attempt to further the public policy of the State of Montana; and"**

~~XXXXXX~~

(Continued on page 2)

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March 29

19 83

3. Page 1, line 15.

Following: "credits"

Insert: ", tax deductions, tax exclusions, and tax exemptions"

4. Page 1, line 18.

Following: "credits"

Insert: ", tax deductions, tax exclusions, and tax exemptions"

Following: "actually"

Insert: "promote the public policy or"

5. Page 1, line 20.

Following: line 19

Insert: "WHEREAS, many of the tax laws of the State of Montana are tied directly to the federal tax laws and a change in the federal tax laws automatically changes Montana's tax laws; and"

6. Page 1, line 21.

Following: "credit"

Insert: ", tax deduction, tax exclusion, and tax exemption"

7. Page 2, line 1.

Following: "tax credit,"

Strike: "its"

Insert: "tax deduction, tax exclusion, and tax exemption, their"

8. Page 2, line 2.

Following: "and"

Strike: "its"

Insert: "their"

9. Page 2, line 4.

Following: "credit"

Insert: ", tax deduction, tax exclusion, and tax exemption"

10. Page 2, line 5.

Following: "credit"

Insert: ", tax deduction, tax exclusion, and tax exemption"

11. Page 2, line 8.

Following: "credit"

Insert: ", tax deduction, tax exclusion, and tax exemption"

And, as so amended

DO PASS

STANDING COMMITTEE REPORT

March 29

19 83

MR. PRESIDENT

We, your committee on taxation

having had under consideration House Bill No. 870

Fabrega (Halligan)

Respectfully report as follows: That House Bill No. 870

third reading copy, be amended as follows:

1. Title, line 8.

Following: line 7

Strike: "PROPERTY"

Insert: "TAXABLE VALUATION"

Following: "HARD-ROCK MINERAL"

Strike: "DEVELOPERS"

Insert: "DEVELOPMENT"

2. Title, line 9.

Following: "THE USUAL"

Strike: "LOCAL"

Following: "TAXATION"

Strike: "OF CITIES,"

Insert: "BY"

Following: "COUNTIES"

Strike: ", "

XXXXXX

(Continued on page 2)

March 29

19 83

3. Title, line 10.

Following: line 9

Strike: "TOWNS"

Following: "SCHOOL DISTRICTS"

Insert: "AND TO REALLOCATE THAT TAXABLE VALUATION FOR TAXATION
BY THOSE MUNICIPALITIES, COUNTIES, AND SCHOOL DISTRICTS TO
WHICH THE TAXABLE VALUATION IS ALLOCATED"

Following: "TO"

Strike: remainder of line 10

Insert: "SHARE"

4. Title, line 12.

Following: "DEVELOPMENTS"

Strike: "AMONG SEVERAL TAXING JURISDICTIONS"

5. Page 3, line 24.

Following: "county,"

Strike: "city"

Insert: "municipality"

6. Page 4, line 5.

Following: "disparity -- "

Strike: "tax"

Insert: "conditioned" *213*

7. Page 4, line 6.

Following: "exemption"

Insert: "and reallocation of certain taxable valuation"

8. Page 4, line 11.

Following: "in"

Strike: "subsection (2)"

Insert: "this section"

9. Page 4, line 14.

Following: "is"

Strike: "exempt from"

Insert: "not subject to"

10. Page 4, line 15.

Following: "of"

Insert: "county and school district"

Following: "."

Insert: "This increase in taxable valuation must be allocated to
local government units as provided in [section 4]. The
increase in taxable valuation allocated as provided in [section
4] is subject to the application of property tax mill levies in
the local government unit to which it is allocated."

(Continued on page 3)

H.C.

March 29

19 83

11. Page 4, line 16.

Following: "The"

Insert: "total"

Following: "of"

Strike: "all"

Insert: "a"

12. Page 4, line 17.

Strike: "developments are"

Insert: "development remains"

13. Page 4, line 20.

Following: "(3)"

Strike: the remainder of line 20

Insert: "The provisions of"

14. Page 4, line 21.

Following: "(1)"

Strike: "remains"

Insert: "remain"

15. Page 4, line 23.

Following: "ceases"

Insert: "as determined by the board"

16. Page 5, line 1.

Following: "is"

Strike: "exempted from local property taxation"

17. Page 5, line 2.

Strike: "pursuant to"

Insert: "subject to the provisions of"

Following: "the"

Insert: "increase in"

Following: "valuation"

Strike: "so exempted"

18. Page 5, line 4 through 12.

Strike: subsection (1) in its entirety"

Insert: "(1) The total increase in taxable valuation of the mineral development must be allocated between affected counties and affected municipalities according to the following formula based on the place of residence of mineral development employees:

(a) A portion, not to exceed 20%, to affected municipalities, based on that percentage of the total number of

(Continued on page 4)

W.C.

March 29

19 83

mineral development employees that reside within municipal boundaries. The taxable valuation allocated to affected municipalities must be distributed to each municipality according to its percentage of the total number of mineral development employees who reside within municipal boundaries. That portion of the taxable valuation distributed to a municipality pursuant to this section is subject to the same county mill levy as other taxable properties located in the municipality.

(b) The remaining portion of the taxable valuation must be distributed to each affected county according to its percentage of the total number of mineral development employees that reside within the county."

19. Page 5, line 4.

Following: "total"

Insert: "increase in"

20. Page 5, line 13.

Following: "total"

Insert: "increase in"

21. Page 5, line 18.

Following: "total"

Insert: "increase in"

22. Page 6, line 6.

Following: "affected"

Strike: "city"

Insert: "municipality"

23. Page 6, line 8.

Following: "students"

Strike: "enrolled"

Insert: "residing"

24. Page 6, line 10.

Following: "student"

Strike: "enrolled"

Insert: "residing"

25. Page 6, line 12.

Following: line 11

Insert: "(5) The initial allocation of the increase in taxable valuation made as provided in [section 3] and [section 4] shall be made on the basis of the place of residence of employees and the district of enrollment of students as projected in the approved impact plan for that period of time between the issuance and validation of the permit and the submission of an employee survey as provided for in this section."

And, as so amended,

BE CONCURRED IN

STANDING COMMITTEE REPORT

March 29

19 83

MR. **PRESIDENT**

We, your committee on **taxation**

having had under consideration **House** Bill No. **582**

Switzer (Gage)

Respectfully report as follows: That **House** Bill No. **582**

Third Reading Copy, be amended as follows:

1. Title, line 4

Following: "AN ACT TO"

Strike: "CLARIFY THE"

2. Title, line 5.

Following: line 4

Strike: "DEDUCTION PROVISIONS OF"

Insert: "PROVIDE ADDITIONAL DEDUCTIONS ON"

Following: "PROCEEDS"

Strike: "TAX ON"

Insert: OF"

3. Title, line 7.

Following: "15-23-503, MCA"

Insert: "; AND PROVIDING AN APPLICABILITY DATE"

~~XXXXXX~~

(Continued on page 2)

y.f.c.

March 29

19 83

4. Page 3, line 20 through line 22

Following: "(14)"

Strike: remainder of line 20 through "process" on line 22

Insert: "Cost of testing extracted minerals for the purpose of satisfying federal or state health and safety laws or regulations, the cost of plant security in Montana, the cost of assaying and sampling the extracted minerals, and the costs incurred in Montana for engineering and geological services for existing mining operations, but not including any such services beyond the stage of reduction and beneficiation of the minerals."

5. Page 4, line 11.

Following: "developments"

Strike: ", including the costs for office, clerical, plant security, engineering, geological, and assaying and sampling services and those administrative costs ~~allowable~~ PERTAINING to the Montana mining operation"

6. Page 5, line 5.

Following: "fire"

Strike: "taxes,"

Following: "insurance"

Strike: ",

7. Page 5, line 7.

Following: "operators-to"

Strike: "costs, including"

8. Page 5, line 10.

Following: "15-23-502"

Strike: "."

Insert: ";

9. Page 5, line 11.

Following: line 10

Insert: "(h) All moneys expended for necessary labor, equipment, and supplies for testing minerals extracted to satisfy federal or state health and safety laws or regulations, for plant security in Montana, for assaying and sampling the extracted minerals, and for engineering and geological services conducted in Montana for existing mining operations, but not including any such services beyond the stage of reduction and beneficiation of the minerals."

(Continued on page 3)

March 29

19 83

10. Page 6, line 2.

Following: "thereof"

Strike: remainder of line 2 through line 6

Insert: "NEW SECTION. Section 3. Applicability date. This act
is applicable to taxable periods beginning after December 31,
1982."

And, as so amended

BE CONCURRED IN

STANDING COMMITTEE REPORT

March 29 19 83

MR. PRESIDENT

We, your committee on taxation

having had under consideration House Bill No. 747

Marks (Towe)

Respectfully report as follows: That House Bill No. 747

third reading copy, be amended as follows:

1. Statement of Intent, page 1, line 19.

Following: line 18

Insert: "Any energy producer using a transmission line owned by the federal government and therefore not subject to state and local property taxes shall be subject to this tax. If the line is made available to private producers, the private producers who own power being transmitted over such lines shall be subject to the tax at the rates and in the manner prescribed in 15-24-1204. The allocation among several users shall be allocated according to the charge by the federal government for such use to the maximum extent possible."

2. Page 1, line 15.

Following: "Each"

Insert: "private"

XXXXXX

(Continued on page 2)

Chairman.

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March 29

19 83

3. Page 1, line 16.

Following: "property"

Insert: "subject to tax pursuant to 15-24-1203"

4. Page 3, line 7.

Following: "relates."

Strike: "No"

Insert: "The"

5. Page 3, line 9.

Following: "facilities"

Insert: "except that lines and facilities"

6. Page 3, line 10.

Following: "kilovolts"

Insert: "shall not be subject to the tax"

7. Page 4, line 17.

Following: "1983."

Insert: "From and after December 31, 1985, this act is applicable to electric transmission lines and associated facilities of a design capacity of more than 200 kilovolts."

NEW SECTION. Section 7. Codification instruction. The code commissioner is instructed to change the reference to 500 kilovolts in 15-24-1203 to 200 kilovolts when publishing the code after December 31, 1985."

And, as so amended

BE CONCURRED IN

PC

SENATE TAXATION COMMITTEE
EXHIBIT E
MARCH 29, 1983, HB 747
ROLL CALL VOTE

SENATE COMMITTEE TAXATION

Date Mar 29, 1983 House Bill No. 747 Time _____

NAME	YES	NO
SENATOR GOODOVER, CHAIRMAN	✓	
SENATOR McCALLUM, VICE CHAIRMAN	✓	
SENATOR BROWN	✓	yes changed vote
SENATOR CRIPPEN		✓
SENATOR ELLIOTT	✓	yes changed vote.
SENATOR GAGE		✓
SENATOR TURNAGE	✓	
SENATOR SEVERSON		✓
SENATOR HAGER		✓
SENATOR ECK	✓	
SENATOR HALLIGAN	✓	
SENATOR LYNCH	✓	
SENATOR NORMAN	A	
SENATOR TOWE	✓	
SENATOR MAZUREK		✓

Secretary: Barbara J. Effing
Motion:

Chairman: Pat M. Goodover

Towe's motion that HB 747 BCI as amended.

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