

MINUTES OF THE MEETING
TAXATION COMMITTEE
MONTANA STATE
HOUSE OF REPRESENTATIVES

January 24, 1985

The tenth meeting of the Taxation Committee was called to order by Chairman Gerry Devlin in room 312-1 of the capitol building at 8:09 a.m. on January 24, 1985.

ROLL CALL: All members were present with the exception of Representative Harrington and Representative Schye, who were excused. Also present were Dave Bohyer, Researcher for the Legislative Council, and Alice Omang, Secretary.

CONSIDERATION OF HOUSE BILL 26: Representative Switzer, District 26, explained that this is an extension of a law that was passed in 1981 with the hope and purpose of providing an incentive to reconstruct and expand some of the buildings that were shut down in Great Falls and Butte specifically, but does address the whole state. He said that the local governments can make the decision for themselves.

PROPOSERS: Charles Kintz, representing the Glendive Chamber of Commerce, said he had with him Ken Kubesh, a realtor; Marvin Holas, a manufacturer; Murray Vestor, a Glendive realtor; and Jack Pollari, representing the service industries of Glendive. He explained that early in 1984, Glendive found itself in bad shape - they had 270 homes for sale; in two years, they had lost 164 residential hookups and 48 commercial and Mountain Bell was down 340 residential hookups and down 60 business hookups. He stated that, at that time, Burlington-Northern announced plans to reconstruct the roundhouse and one of their choices was Glendive along with Mandan, North Dakota. He continued that they came to the Revenue Oversight Committee in August of 1984 and told them that they would like to offer the possibility of offering this incentive. He informed the committee that they are planning construction of a roundhouse in the neighborhood of \$10 to 15 million and in the Glendive roundhouse, there are about 90 families involved. If this should move out of state, they would lose 90

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families, and if it is built in Glendive, they would keep the 90 families and add another 50 families, which is about 140 families approximately. He said that this bill would in no way guarantee that they would choose Glendive for the roundhouse.

Representative Hart, District 23, which is the whole city of Glendive, stated that she did indeed, support this measure, as it would not only help Glendive, but she thought it would help the whole state.

Representative Dave Brown, District 72, Butte-Silver-Bow, indicated that he was a co-sponsor of this bill and supported it for all the reasons already heard.

Representative Bachini, District 14, testified that he wanted to go on record in support of this bill.

John Rabenberg, Wolf Point, Montana, commented that the time is right to give the counties the opportunity to give tax incentives so remodeling and reconstruction can be carried out.

Alec Hansen, representing the Montana League of Cities and Towns, indicated that their association passed a resolution endorsing Glendive's proposal, as they feel that it important to give communities some tools to put together economic development and each community can use it in their own way.

Janelle Fallon, representing the Montana Chamber of Commerce, informed the committee that they support this bill and urge a do pass on it.

Gordon Morris, representing the Montana Association of Counties, indicated that they endorse this bill and ask that the bill be passed.

Carl Knutson, representing the Bro. Mte. Way of Employers, stated that they support this bill.

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There were no further proponents.

OPPONENTS: David Hartman, Executive Secretary of the Montana Education Association, gave a statement in opposition to this bill. See Exhibit 1.

There were no further opponents.

Representative Switzer commented that the M.E.A. is a little short-sighted on this bill as, in the future, the M.E.A.'s potential would be enhanced.

QUESTIONS ON HOUSE BILL 26: Representative Raney asked Mr. Kintz if he had any idea how much the roundhouse would cost over the life of the act.

Mr. Kintz answered that as far as Burlington-Northern's whole tax figure to the state of Montana, it would not be much.

Representative Raney asked how much as opposed to building it in North Dakota.

Mr. Kintz replied that their personal property taxes and other taxes are much less in North Dakota because they have a sales tax.

Representative Raney asked if it would be possible that this would put communities in competition with each other. He explained that he came from Livingston, and they also have a roundhouse that is being dismantled and they would also like to be considered.

Mr. Kintz responded that in this particular case, they are talking about railroad activity between Montana coal and the east coast so it would be no for this particular one, but, for other businesses and other industries, this very possibly could put them in competition, which may not necessarily be bad.

Representative Gilbert asked Mr. Hartman if he felt the same in all tax reduction attempts.

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Mr. Hartman answered that his concern is certainly heightened in anything that causes alterations to the school foundation program.

Representative Gilbert noted that he did not notice his presence at the request for exemptions by fraternal organizations, religious organizations, taxes and licenses on school buses or on motorcycles and asked if this was a selective thing he is protesting.

Mr. Hartman replied that he was certain that those hearings were monitored and other members of the association may well have been present. He indicated that their opposition is far more general than it is selective.

Representative Ellison asked if they were protesting the effect on all taxes levied by the county for the support of schools or just voted levies for the school district.

Mr. Hartman responded that their concern was limited to the taxable valuation of the school district for school district levy purposes.

Representative Cohen asked if it was correct that this tax break might result in new jobs.

Representative Switzer replied that that was the purpose of it and they were expected to lose 140 families if the roundhouse operation is shut down entirely.

Representative Cohen asked where the money is going to come from for the new burden for the school district.

Representative Switzer answered that the businesses there and the people that live in Glendive are quite optimistic that they will be able to survive.

Representative Devlin asked the same question of Mr. Kintz.

Mr. Kintz replied that they are saying to give B-N a break for two or three years and after five years down the road, they can add the \$15 million taxable valuation

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and he felt that the community would pick up what was needed, but they must remember that these 140 families will be taxpayers themselves.

Representative Patterson asked if it would not be very devastating to the school system if 90 some families lost their job in Glendive.

Mr. Hartman responded that there is no denying the effect that such a relocation such as this would have on the schools, but he said their concern is with the ignoring of the legitimate authority of school districts as governing bodies and he has little question in his mind that the board of trustees serving on the school district in the city of Glendive would embrace this project with the same enthusiasm as the city of Glendive.

Representative Ream asked if the term "construction period" is defined anywhere in the law.

Representative Switzer answered that in 1981 session, this was addressed - if the construction was 2/3 done and one taxing period had elapsed and some of the property that was put to full use was put on the tax rolls, but he did not know if it would apply in this instance.

Representative Zabrocki asked if the Burlington-Northern is under taxes now in Dawson County and are they current or are they three years behind.

Representative Switzer replied that they are probably as current in Dawson County as they are anywhere else in the state and he indicated that there is a settlement that has been reached with the Department of Revenue and Senate Bill 48 does address the problem that has resulted in so much litigation for Burlington-Northern.

Representative Zabrocki asked if it was not true now that they were not paying their taxes that are assessed and that they are delinquent this very minute.

Representative Switzer responded that he believed that the suit has been settled, but he would refer to the

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local government option in this bill and if the counties were not being treated right, they do not have to enter into the program.

Representative Ream asked Mr. Morris why it was that only two counties have extended the remodeling exemption.

Mr. Morris answered that he knew of at least three other counties that have taken a look at economic incentives being built into the bill and in Missoula County, the commissioners have weighed very carefully if this would provide economic incentive as it is intended to.

There were no further questions.

Representative Switzer closed.

The hearing on this bill was closed.

CONSIDERATION OF HOUSE BILL 122: Representative Dave Brown, District 72, explained that this legislation would allow new and expanding and existing industries to qualify for a 50% reduction in property tax, applying for the first five years and would be graduated back to a full 100% over the next five years. He pointed out to the committee that there would be no impact on existing revenue based on this bill - that it only applies at the option of the local governing body. He indicated that this is an attempt to attract new business into the state or to expand existing business. He continued that he noticed on the witness sheet that Mr. Hartman had checked that he was opposed to this bill and he feels that his allegations are totally unfounded. He indicated that Mr. Hartman was saying that the local school boards are co-equal to the governing body in the county or in a city or town and he said he found that hard to live with.

PROPONENTS: Gary Langley, executive director of the Montana Mining Association, gave a statement in support of this bill. See Exhibit 2.

Don Peoples, chief executive of Butte-Silver-Bow local government, said that it only makes good sense, when they are talking about economic development in Montana, they should be talking about agriculture, mining and

lumber and they should have the opportunity to use as many tools as they can.

Mike Micone, representing the Western Environmental Trade Association, which is a broad coalition representing agriculture, labor, recreation, and business and industry, stated that they have supported, for a number of years, measures that promote economic development and job opportunities in the state and they are supporting this bill.

Mike Fitzgerald, president of the Montana Trade Commission, passed out to the committee Exhibits 3 and 4 and said that Montana's basic industries in the state of Montana are in a state of decline and he thought that all but the best industries are going to 'wash out'. He exclaimed that the ones that are going to be surviving are going to be competing on a worldwide scale and they are going to need every single advantage that they can get, however small or large. He referred to Exhibit 3 and indicated that this shows that Montana taxes production, which are the basic industries, more than any other state in the region and he felt that was something they have to move away from.

Pat Wilson, representing Montcol Thermal Energy, said that, as a new business, they did an environmental impact study and they found that a lot of the impacts were negative instead of positive. See Exhibit 5.

Glen Keyes, representing Pfizer, Inc., said that this bill will provide incentives to new manufacturing facilities and industries that are engaged in mining, forestry and agricultural products. He indicated that they support this bill.

Don Allen, representing the Montana Wood Product Association, emphasized that they strongly endorse this bill and felt it was a step in the right direction.

Joe Weggenman, representing the Helena Chamber of Commerce, said that according to a study by the University of Kansas about five years ago, if a community does nothing to attract new business, the chances of attracting them would be one in every 54 years.

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Dave Goss, representing the Billings Chamber of Commerce, spoke of the role taxes play in attracting new industries and while there are other factors that are listed ahead of taxation for consideration of where industry is going to locate - such things as the availability of market, the availability of resources, labor - but Montana is in a regional, not national competition and if you look at the surrounding states, they offer basically the same thing that Montana offers and a bill like this would give Montana an edge in being able to attract new business.

Ted Rollins, representing ASARCO, Inc. said that they were presently engaged in going through the permit process to establish a mine at Rock Creek north of Noxon, and this bill will certainly send a signal to his company that Montana is interested in new industry and new jobs. He indicated that this project will create about 350 new jobs.

Gordon Morris, representing the Montana Association of Counties, addressed the fiscal note that accompanies this bill and responded to a technical defect on the fiscal note.

John Rabenberg, Wolf Point, representing the Wolf Point Chamber of Commerce and the High Point Mineral Association, indicated that they supported this bill.

Janelle Fallon, representing the Montana Chamber of Commerce, stated that in a servicing economy, they are not going to make it on an economy of laundries and heart surgery and they have to have somebody making something and that is what this bill addresses.

Alec Hansen, representing the Montana League of Cities and Towns, stated that they support this bill for the same reasons they supported HB 26 - he grew up in Butte and he knows what happens when the whistle blows for the last time and there are a lot of people in Montana, who would like to go to work.

Don Jenkins, representing the Golden Sunlight Mine, testified that they are the largest producers of gold in Montana, they employ 140 employees, their payroll is about \$4 million a year and they pay taxes of approximately \$1.5 million at the present time and they are gratified by the signal that would be sent out by the passage of this bill.

Ken Kubesch, from Glendive, representing Glendive Forward, which is a brand new organization in Glendive, was very concerned about economic development and supported this bill.

There were no further proponents.

OPPONENTS: Gregg Groepper, Administrator of the Property Assessment Division of the Department of Revenue, said that they do not have a position on the bill, but they would like language on page 2, line 9, which would define the construction period and they would like the applicability section on page 3 clarified.

David Hartman, representing the Montana Education Association, stated that they were opposed to this bill for the same reasons they were opposed to HB 26.

QUESTIONS ON HOUSE BILL 122: Representative Ream asked Representative Brown if one local governing body could not decide that the time period starts when construction starts and another governing body could say that it would start when it is completed.

Representative Brown replied that that is entirely possible and they could have a conflicting situation where the counties do not agree and he thought that the application of this should be where the facility is located - if it is in the city limits, it should be the city, if in the county, it should be the county. He indicated that if they want to add that language, he has no problems with it.

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Representative Ream noted that in section 2, the word, "modernization" was inserted and they already had "expansion" and he asked what is the difference.

Representative Brown answered that this essentially expands the application of that word and it essentially allows everything and is restricted by whatever decision is made by the local governing agency.

Representative Ellison asked how this bill would affect taxes.

Representative Brown replied that the fiscal note should show one word, "none".

Representative Keenan asked Mr. Langley what was their criteria for location of projects.

Mr. Langley replied that the first criteria has to be is it economically mineable and other things that would be taken into account would be taxation factors, environmental procedures that have to be followed - taxation would be important as to whether a mine is going to locate in Montana.

Representative Keenan asked if he would rate those factors from 1 to 5, where would taxation fall.

Mr. Langley responded that taxation would be near the top.

Representative Raney indicated that he was concerned with the businesses that are already located in Montana that are operating at a relatively low percentage profit margin and if you bring in new businesses and put them in direct competition and the new businesses get a 50% cut in taxes, would this be right.

Representative Brown responded that it seems to him that the potential for that does exist and it is going to exist in any competitive mode that they set up.

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Representative Asay asked Representative Brown if he agreed that these two bills are, in fact, statements that the property tax situation in Montana needs a hard look.

Representative Brown agreed that property taxes in Montana are too high; however, these bills do not address that, he said.

Representative Asay asked what effect will the fact that in five years, they will have a high tax rate again have on their decision.

Representative Brown replied that that is going to have some effect on that company, but the effort is being made to bring in new business and to expand those existing businesses, but it is not an attempt to reduce property taxes.

Representative Asay commented that the net effect of this could, down the road be a reduction in the mill levies.

Representative Brown replied, "Absolutely, no question about it."

Representative Sands asked what effect this would have on the foundation program and on mill levies.

Mr. Groepper responded that their interpretation would indicate that there would be no effect on the foundation program or the university mill levy and they do not see it as having an effect at all on the 51 mills.

Representative Sands asked if this would have any effect on state revenue.

Mr. Groepper replied that he did not see it that way, but it is one of the issues that is under contention up in Shelby as to whether or not they should do that, but this is only a local initiative arrangement and cannot apply to the state foundation program or the university mill levy.

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Representative Cohen asked Mr. Jenkins what was the market price of gold today.

Mr. Jenkins answered that this morning it was at \$300.00.

Representative Cohen asked what it was four years ago.

Mr. Jenkins responded that when they based their feasibility studies, it was around \$500.00, which was around 1981.

Representative Cohen questioned what he thought would have a bigger impact on their company -- a change in the world price of gold of \$100.00 or a 50% reduction in all of their property taxes.

Mr. Jenkins answered that he thought the higher price of gold.

Representative Cohen inquired if it was not true that the world market price of gold directly affects the market price of all these various commodities they are talking about.

Mr. Jenkins acknowledged that this could be possible.

Representative Patterson noted that it had been pointed out that Montana has a higher property tax rate than most other states and he asked where does Montana set on that scale.

Representative Brown replied that Montana is the third highest in the nation.

Representative Sands asked if any research had been done on what other states, particularly those in our region, have done for tax incentive programs.

Mr. Morris responded that they have not surveyed the neighboring states relative to this particular bill, but he knows that our other neighboring states do have a variety of tax incentive programs that would closely parallel this.

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Representative Brown clarified that the only thing he could tell them was that there are two indexes that rate state business climates and especially taxation climate on an annual basis and after the last session of the legislature, Montana went from 37th to around 48th and they had been somewhere around 27th. He felt that if this passed this legislature, they would jump a few more notches.

Representative Zabrocki asked if he (Representative Brown) would object if they amended this bill to say that they could not get a tax exemption unless their previous taxes are paid in full.

Representative Brown replied that he did not see a need for that.

Representative Williams asked if they would be applying two taxable values - one at the local level and one at the state level.

Mr. Groepper answered that their interpretation would be that you would have two taxable values - one taxable value for the university mill levies and the state-wide levy and then if a taxing jurisdiction passed it, there would be a separate taxable value for that jurisdiction - a different one, but on the same property - it would be at the rate that is prescribed by the qualifying resolution, so in terms of the university mill levy and school equalization, this would not apply, as they read the law.

Representative Sands asked what the lower valuations would apply to.

Mr. Groepper answered that, as they read it, the lower valuation would apply to the levy of jurisdiction passing the resolution and the schools - he clarified that if the city passes it and the county does not, we would interpret this that they would have two taxable values - the lower one for the city and the higher one for the county and for the university mill levy.

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Representative Sands asked about the schools.

Mr. Groepper replied that the schools are funded in two ways - the statewide levy would not be impacted, but if the city passes a resolution, then that part of the property based in the city that is also in the school district, as they read the law, would be subject to that jurisdiction.

Representative Sands asked if they would have a lower valuation for the property that is in this school district.

Mr. Groepper answered that this would be for the school district property within the taxing jurisdiction. He continued that Helena is a good example as the school district is larger than the city, so if Helena passed a resolution, it would apply only to the school property within the jurisdiction of the city, but not outside the jurisdiction of the city. It would not apply to the university or the foundation program, he concluded.

There were no further questions.

Representative Brown noted that this bill helps Montana's basic industries, but it is not limited to just those basic areas - if the chip operation in Kalispell wants to expand and go into a bigger market area, they will qualify. He emphasized that the intention of this bill is on page 3, lines 4 through 7, and that the local entity can decide what should be included and approved.

The hearing on this bill was closed.

CONSIDERATION OF HOUSE BILL 140: Representative Asay, District 27, stated that this bill deals with the assessment of taxes on mobile homes after the second half of the taxes are due and provides that the taxes for that prorated share of the year would be applied to the next taxing year.

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PROPOSERS: Charles Gravely, representing the Montana Association of Treasurers, testified that this bill was introduced at the request of the treasurers and explained that if a mobile home comes into the state after September 30, the taxes are already delinquent before they even get notice of it, and the treasurers would like to be able to prorate these taxes and add them to the next year's tax notices.

There were no further proposers.

OPPOSERS: There were none.

QUESTIONS ON HOUSE BILL 140: Representative Switzer asked where does the owner of a mobile home that moves into a new county go for a refund on the year's taxes that he has already paid.

Mr. Gravely answered that there is no provision for a refund of taxes.

Representative Switzer noted that when cattle are moved from one county to another, the assessors in each county get together and divide the taxes for the portion of the year that they are in each county, and he asked if that would be available on this.

Mr. Gravely replied that in respect to cattle that are being moved across county lines, the taxpayer has the responsibility within 15 days of reporting that movement to the assessor in the county to which the cattle has been moved; if the taxes have not been paid in the former county, it is his understanding that the tax will be assessed in the new county and the adjustment is made between the two assessors. He explained that there is no similar provision that he is aware of in dealing with mobile homes.

Mr. Groepper clarified that if an individual is assessed his second half taxes, say in Broadwater County and then in October moves into Lewis and Clark County, if he does it according to law in moving his mobile home, they would take out a moving permit in Broadwater County showing that their taxes are paid in full and a copy

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of that blue permit will go to the assessor in Lewis and Clark County and it will go on the tax rolls the following year and there will not be double taxation.

Representative Switzer asked if this bill would complicate that in any way.

Mr. Groepper answered that he did not see this bill complicating it and what he sees it addressing is an individual who buys a new mobile home in a period of time after September 30, or if they bring a mobile home in from out of state where it has not been taxed some place else, rather than issuing a one or two-month tax bill, they would add it to the next year's tax bill rather than sending out two tax bills.

Representative Sands asked what is the exception that is mentioned on line 23.

Mr. Bohyer replied that that is the section that deals with moving a mobile home from one county to another and when that is moved, they are required to pay the taxes in full in the county from which they are moving.

There were no further questions.

Representative Asay closed and the hearing on this bill was closed.

EXECUTIVE SESSION:

DISPOSITION OF HOUSE BILL 140: Representative Keenan moved that this bill DO PASS. The motion carried unanimously.

Representative Ream commented that he found the behavior of Representative Brown inappropriate and he did not think they should allow either members of this committee or proponents or opponents of any bill to attack others - they come here as citizens and should be respected.

Chairman Devlin replied that that is correct and he will watch closely for that in the future.

CONSIDERATION OF HOUSE BILL 208: Representative Menahan, stated that at the last session, they made it mandatory that the people in the state of Montana have to buy liability insurance and he felt that since they demanded something of the public, that they should be allowed to write it off of their income tax and that it would be considered as a deduction. He indicated that he did not realize that it would come to such a large amount as it shows a decrease of \$2.5 million and he thought that under the present budget crunch, he would have to be a little short sighted to think that this bill is going to see the light of day.

PROPOSERS: Representative Switzer indicated that he would like to appear as a proponent of this bill.

Representative Asay said that he is a proponent of this bill.

There were no further proponents.

OPPOSERS: There were none.

QUESTIONS ON HOUSE BILL 208: Representative Patterson asked if he thought the fiscal note may be wrong.

Representative Menahan responded that he thought that himself and he talked to the budget office and they said they could be wrong and they could work it up again, but they felt they were pretty close.

Representative Gilbert said he also could not believe that this would be that high.

Representative Menahan explained that the budget office said they based this on the moneys they project will be paid in income tax.

Representative Ellison asked if they might have taken the total premiums for a car, as his liability is not that much.

Representative Menahan replied that it says, "liability", but he would check into this and report back.

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There were no further questions.

Representative Menahan closed and the hearing on this bill was closed.

EXECUTIVE SESSION:

DISPOSITION OF HOUSE BILL 73: Representative Devlin informed the committee that he talked to the sponsor on this bill and she felt that she would have very little chance on this bill with the fiscal note that pertained to it and she indicated that the bill should probably be tabled.

Representative Iverson moved that the bill be TABLED.

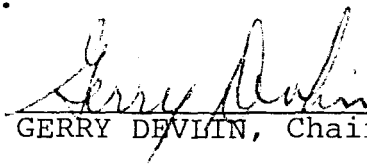
The motion carried unanimously.

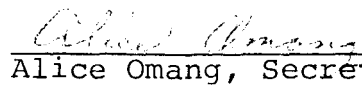
RECONSIDERATION OF HOUSE BILL 177: Representative Ream moved that they reconsider their action on HB 177. The motion passed unanimously.

Representative Ream explained that they had some amendments and the way the law is now, the assignee of a property pays a rate of 8% and the landowner when he takes the property back only pays the assignee the actual cost the assignee has incurred. He continued that with a bill they had in this committee, they changed that 8% to 10% plus a penalty so it makes 12% but the assignee is still only paying 8% during that time and, in effect, the assignee will be picking up the additional 4%. He explained that they want to have the county receive that 4% rather than the assignee.

Chairman Devlin asked if they would work with Mr. Bohyer and get some amendments to this effect.

ADJOURNMENT: There being no further business, the meeting adjourned at 10:24 a.m.


GERRY DEVLIN, Chairman


Alice Omang, Secretary

DAILY ROLL CALL

HOUSE TAXATION

COMMITTEE

49th LEGISLATIVE SESSION -- 1985

Date January 24, 1985

NAME	PRESENT	ABSENT	EXCUSED
DEVLIN, GERRY, Chrm.	X		
WILLIAMS, MEL, V. Chrm.	X		
ABRAMS, HUGH	X		
ASAY, TOM	X		
COHEN, BEN	X		
ELLISON, ORVAL	X		
GILBERT, BOB	X		
HANSON, MARIAN	X		
HARRINGTON, DAN		X	
HARP, JOHN	X		
IVERSON, DENNIS	X		
KEENAN, NANCY	X		
KOEHNKE, FRANCIS	X		
PATTERSON, JOHN	X		
RANEY, BOB	X		
REAM, BOB	X		
SANDS, JACK	X		
SCHYE, TED			X
SWITZER, DEAN	X		
ZABROCKI, CARL	X		
	X		

STANDING COMMITTEE REPORT

January 24, 19 85

SPEAKER:
MR.

We, your committee on TAXATION

having had under consideration HOUSE BILL Bill No. 140

FIRST reading copy (WHITE)
color

AN ACT TO PROVIDE FOR THE PRORATION AND COLLECTION OF
T
TAXES ASSESSED ON A MOBILE HOME OR HOUSETRAILER AFTER
THE SECOND PAYMENT DATE FOR SUCH TAXES; AMENDING SECTION
15-24-202, MCA; AND PROVIDING AN APPLICABILITY DATE.

Respectfully report as follows: That HOUSE Bill No. 140

DO PASS

Gerry Devlin, Chairman.

COMMITTEE SECRETARY

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Exhibit 1
HB 26
1/24/85
Hartman

January 24, 1985

HOUSE TAXATION COMMITTEE

Hearing on HB 26 (Switzer) Local Governing Bodies -- Authority to Grant
Tax Benefits for the Reconstruction or Expansion
of Existing Buildings or Structures

Mr. Chairman, Members of the Committee --

For the record, my name is David Hartman, Executive Secretary of
the Montana Education Association. On behalf of MEA's 7,000 members, I
must speak in opposition to the further extension of tax benefits contained
in HB 26.

MEA's opposition is based upon concern over the current application of
15-25-1501: A concern which is considerably heightened by the provisions of
HB 26.

As it stands now, the governing body of a county or incorporated city
or town can act to grant tax benefits which reduce the taxable value of
property in the school district which serves the geographic area involved.
The integrity and authority of school districts as a legitimate governing
body is ignored.

In recognition of the integrity of school districts and their statutory
authority as governing bodies, amendment of HB 26 is in order to preserve
the right of school district self-determination on such matters as taxation.
Amendment toward this end could take the following form:

1. Amend lines 4 & 5 at page 2 to read:

"subsection (1), the governing body of a county, SCHOOL DISTRICT,
or incorporated city or town must have approved by resolution..."

and

2. Add a sentence commencing at line 7, page 2 to read:

"The tax benefits described in subsection (1) shall apply only to
the taxes levied by the governing body approving said resolution."

Thank you for your consideration.

David Hartman

TESTIMONY OF THE MONTANA MINING ASSOCIATION
ON HOUSE BILL 122

Exhibit 2
HB 122
1/24/85
Langley

January 24, 1985
BEFORE THE HOUSE TAXATION COMMITTEE

Mr. Chairman, members of the Committee:

For the record, my name is Gary Langley. I am executive director of the Montana Mining Association, a trade association that represents 1) Every major producer of hardrock minerals in Montana; 2) Some coal mining companies; 3) Exploration companies; 4) Companies that hope to open mines in Montana in the future, and 5) Companies that supply the mining industry with goods and services.

I appear here today to testify in favor of House Bill 122.

This bill will encourage new mining companies to locate in Montana and motivate existing operations to expand or modernize their plants. This bill is essential from the standpoint that it will promote the development of Montana's basic industries--including mining--which provide the best paying jobs in the state and contribute significantly to the tax bases of state and local governments.

Thus, House Bill 122 will help Montana attract industries that are the most important to its economy.

One important factor should be noted. House Bill 122 is a county option proposal. That is, a county has the option of applying the tax incentive. Those counties that do not wish to attract new natural resource industries through the tax incentive are not forced to do so.

In addition, counties will not lose revenue through the incentive because it only applies to new construction that is not subject to taxa-

tion at present.

The mining industry wishes to operate in Montana under the constraints of existing environmental and socioeconomic protection laws.

House Bill 122 will give the mining industry a positive sign that Montana wants it here and will help alleviate the perception that this is an anti-business state.

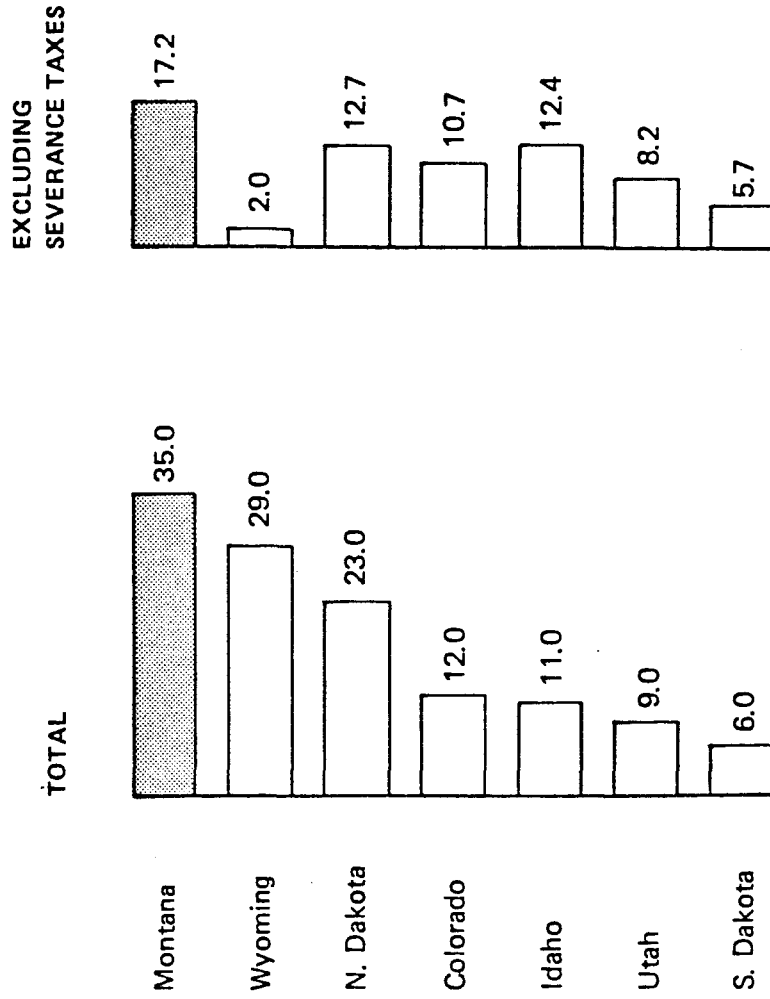
Thank you.

#

Montana relies much more heavily on production taxes than consumption taxes than do neighboring states, even excluding the severance tax

STATE RELIANCE ON PRODUCTION-BASED TAXES

Percent of tax revenues



Source: State Tax Handbook, U.S. Department of Commerce, McKinsey analysis

McKinsey & Company, Inc.

Exhibit 3
HB 122
1/24/85
Fitzgerald
4-24

7-11-85

INDIVIDUAL STATE TAX CONTRIBUTIONS AS A PERCENT OF ALL REVENUE, 1980

TAX

STATE

	Montana	Colorado	North Dakota	South Dakota	Utah	Wyoming	Washington	Oregon
<u>PRODUCTION-BASED</u>								
Corporate organization	0.1	0.2	0.1	0.1				-
Corporate income	10.4	6.7			5.1	0.2	13.9	12.3
Corporate franchise							0.1	0.1
Banks/franchise organization			7.8	1.2				
Cement	.03							
Oil and gas producers	2.5		11.8			27.2*	Local	Effective Jan '82
Forest products								3.5
Coal severance	17.2	.7						
Metalliferous	0.6							
Severance		1.3		0.9	1.3			
Chain store	0.1	-						
Utilities	1.5	0.1			0.2		3.7	0.3
Insurance company	2.7	2.7	2.5	3.9	2.3	1.8	1.5	2.3
Express company				0.1				
Total Production	35.0	11.8	23.2	6.3	8.9	29.2	19.3	18.5
<u>CONSUMPTION-BASED</u>								
Personal income	31.0	31.8	16.4		33.8			59.9
General property	4.2	0.2	0.4		-	5.9	11.150	
Oleomargarine		0.6						
Milk and cream	11.7	7.6	9.0	0.9	9.4		8.793	6.4
Gasoline	3.5	1.7	1.8	15.5	0.8		2.914	0.8
Alcoholic beverage				2.9			8.2	
Conveyance								
Motor vehicle fees	5.2	3.6	7.2	10.6	2.6	8.1	8.2	7.5
Cigarettes/tobacco	2.7	2.3	2.6	3.9	1.3	1.4	2.2	2.1
Sales and use		36.1	33.4	54.4	41.3	42.0	41.8	
Inheritance/estate	2.0	2.0	0.8	2.7	0.2	0.7	1.9	1.9
Total Consumption	60.2	86.0	71.5	90.8	89.4	68.4	77.2	78.5
PERCENT OF ALL REVENUE	95.2	97.7	94.6	97.0	98.4	97.6	96.432	97.0

* Includes coal, oil, gas

Source: State Tax Handbook, U.S. Department of Commerce, State Offices of Revenue

Exhibit 4
HB 122
1/24/85
Fitzgerald
4-25

Exhibit 5
HB 122
1/24/85
Pat Nilsen

Economic Benefits To Montana From The Proposed Montco Mine

Personal Income in Montana	\$ 971.8 million
Montco Expenditures	\$ 907.8 million
New Business, Other than Montco	\$ 988.2 million
State & Local Tax Revenues	\$ 848.8 million
TOTAL ECONOMIC BENEFITS	\$3,716.6 million

The Montco Mine will provide substantial economic and employment contributions to the State of Montana and its people, according to a study by Research Development Consultants of Fargo, North Dakota, completed in March 1983. Development of the mine project will enhance Montana's economy by contributing over \$3.7 billion in the form of increased business activity, tax revenue and personal income.

The proposed Montco Mine would be located 7.5 miles southwest of Ashland, Montana. It would be a surface mine with a production capacity of 12 million tons of coal per year. The study assessed the direct and secondary (or indirect) economic benefits to the state during the four-year construction and 22-year operational life of the mine. With a two-year overlap, the entire project life is planned for 24 years.

EMPLOYMENT AND PERSONAL INCOME CONTRIBUTIONS

Construction and operation of the Montco Mine will provide significant benefits to the people of Montana. Directly and indirectly, *mine operation (22 years) will create over 2,390 permanent new jobs* in Montana with an annual personal income of \$42.8 million. About 365 of these jobs will be directly associated with the mine, while the remainder will be secondary jobs in many sectors of Montana's economy such as retail trade, professional and social services, and government.

Additionally, an annual average of *938 jobs will be created during the four-year construction phase* with an annual payroll of about \$7.7 million.

Altogether, it is estimated that the Montco Mine project will add more than *\$971 million* to personal income in Montana through much needed new employment and associated payrolls.

MONTCO EXPENDITURES IN MONTANA

The Montco organization will spend nearly *\$908 million* in Montana during the 24 years required to build and operate the mine. The expenditures will be spread over five sectors of the economy with better than 48% going to the household sector. During the 22-year operation of the mine, Montco will spend about \$39 million each year in Montana.

EXPENDITURES (\$ millions)

Sector:	Construction	Operation	Total	% Total
Construction	\$39.3	—	\$ 39.3	4.3%
Retail Trades	\$ 7.5	\$181.1	\$188.6	20.8%
Wholesale Trade and Misc. Manufacturing	—	\$212.6	\$212.6	23.4%
Household*	\$ 2.4	\$436.8	\$439.2	48.4%
Communications and Public Utilities	—	\$ 28.0	\$ 28.0	3.1%

*Dividends, wages, interest, rent and transfer payments before taxes.

NEW MONTANA BUSINESS ACTIVITY OTHER THAN MONTCO

In addition to the direct spending by Montco, the study identified the secondary—indirect or induced—business that would be generated by the mine project in the regional economy. This indicates the amount of *new business activity* in the state.

The multiplier effect of the mine project would add about *\$988 million worth of new business* to Montana's economy over the 24-year life of the mine, or an average of over \$41 million per year. The largest economic benefit would be in the household, retail trade, and wholesale trade/miscellaneous manufacturing sectors of the state's economy.

STATE AND LOCAL TAX REVENUES AND ROYALTIES

As a result of the construction and operation of the Montco Mine project, as well as the secondary business generated, state and local government entities in Montana are expected to realize an additional *\$849 million in tax revenue and royalties* over the life of the mine. Government-supported services for the people of Montana will gain about \$35.4 million annually. The various taxes include: coal severance, resource indemnity, gross proceeds, corporate personal income, and local property.

Current plans of the Montco organization anticipate the construction period for the mine to begin in mid-1984, with actual surface mining of coal to start in 1986. However, this time schedule is contingent upon Montco receiving all necessary regulatory permits and arranging coal sales contracts.

WITNESS STATEMENT

NAME Carl Kautson BILL No. H.B. 26

ADDRESS 220 So Pravson DATE 1-24-85

WHOM DO YOU REPRESENT Bro. M/c way of Employe-

SUPPORT ✓ OPPOSE AMEND

PLEASE LEAVE PREPARED STATEMENT WITH SECRETARY.

Comments: We do support

WITNESS STATEMENT

NAME Jim Mockler BILL No. H.B. 127
ADDRESS 2301 Colonial Dr DATE 1/24/85
WHOM DO YOU REPRESENT Mt. Coal Council
SUPPORT ✓ OPPOSE _____ AMEND _____

PLEASE LEAVE PREPARED STATEMENT WITH SECRETARY.

Comments:

WITNESS STATEMENT

NAME Joe Weggenman BILL No. 122
ADDRESS 201 E. Lyndale, Helena DATE 1/24/85
WHOM DO YOU REPRESENT Helena Area Chamber of Commerce
SUPPORT ✓ OPPOSE _____ AMEND _____

PLEASE LEAVE PREPARED STATEMENT WITH SECRETARY.

Comments:

Prepared

WITNESS STATEMENT

NAME Ted M. Rollins BILL No. HB 122
ADDRESS TRoy, Mt. DATE 1-24-85
WHOM DO YOU REPRESENT ASARCO Incorporated
SUPPORT ✓ OPPOSE _____ AMEND _____

PLEASE LEAVE PREPARED STATEMENT WITH SECRETARY.

Comments:

Brief oral statement

WITNESS STATEMENT

NAME MIKE MICONE BILL No. H3122

ADDRESS HELENA DATE 1-24-85

WHOM DO YOU REPRESENT WETA

SUPPORT ✓ OPPOSE AMEND

PLEASE LEAVE PREPARED STATEMENT WITH SECRETARY.

Comments:

BRIEF ORAL STATEMENT

WITNESS STATEMENT

NAME Donald Hesterman BILL No. HB 122
ADDRESS 1232 E 6th, Nixa DATE 1/24/85
WHOM DO YOU REPRESENT MEH
SUPPORT _____ OPPOSE V untest AMEND 10 V

PLEASE LEAVE PREPARED STATEMENT WITH SECRETARY.

Comments:

See amend lang offered on HB 26.

WITNESS STATEMENT

NAME Ken Williams BILL No. HB 122
ADDRESS 16 E Granite, Butte, MT DATE 1/24/85
WHOM DO YOU REPRESENT Western Energy Co
SUPPORT ✓ OPPOSE _____ AMEND _____

PLEASE LEAVE PREPARED STATEMENT WITH SECRETARY.

Comments:

COMMITTEE

DATE January 24, 1985

SPONSOR REP. D. BROWN

NAME (please print)	RESIDENCE	SUPPORT	OPPOSE
STARY A LANGLEY	DEPT OF REVENUE MT. MINING ASSN	✓	<i>owned no position</i>
GLENN E KEYES	PFIZER INC	✓	
Ted M Rollins	ASARCO INC	✓	
Jim Mockler	Mt. Coal Council	✓	
MIRE MIONE	WETA	✓	
JOE WEGENMAN	HELENA Chamber	✓	
Alvin Whitman	MEFA		<i>✓ written 7/1/81</i>
JOHN ROBERT RILEY	CONSUMERS LITH CO	✓	
Pat Wilson	Montana / Thermal Energy	✓	
Don Perkins	Golden Sunlight Mines	✓	
James Sengert	Building - BPRC	✓	
James E. Reed	ARCO - Butte	✓	
Ken Williams	Western Energy	✓	
Janella Jallan	Helena	✓	
D. Van der Graaf	Helena	✓	
Wally Shipfield	Helena	✓	
John Decker	Mt. Coal	✓	
Don Baker	BS Bank	✓	
Dean Morris	MACE	✓	

IF YOU CARE TO WRITE COMMENTS, ASK SECRETARY FOR WITNESS STATEMENT FORM.

PLEASE LEAVE PREPARED STATEMENT WITH SECRETARY.

CS-33

VISITORS' REGISTER

TAXATION

COMMITTEE

BILL NO. HB 122DATE January 24, 1985SPONSOR REP. D. BROWN

NAME (please print)	RESIDENCE	SUPPORT	OPPOSE
Shary H. Jones TARY A LANGLEY	DEPT OF REVENUE MT. MINING ASSN	✓	opposed in position
GLENN E KEYES	PFIZER INC	✓	
Ted M Rollins	ASARCO INC	✓	
Jim Mockler	MT. Coal Council	✓	
MICHAEL MONE	WETA	✓	
JOE WEGENMAN	HELENA Chamber	✓	
Alvin Whitman	MEFA		✓
WILLIAM M. STRICK	CHANDLER LITH CO	✓	
Pat Wilson	Montana/Terrace Group	✓	
Alvin Jenkins	Golden Sunlight Mining	✓	
James S. Smith	Billings - WPRC	✓	
James E. Brown	ALCOA - Montana	✓	
Ken Williams	Western Energy	✓	
Janet A. Allen	Helena	✓	
D. V. DeGraff	Helena	✓	
Wm. L. H. H. H.	Helena	✓	
John L. H. H.	Helena	✓	
Don P. H. H.	Helena	✓	
James M. H. H.	Helena	✓	

IF YOU CARE TO WRITE COMMENTS, ASK SECRETARY FOR WITNESS STATEMENT FORM

PLEASE LEAVE PREPARED

STATEMENT WITH SECRETARY.

VISITORS' REGISTER

TAXATION

COMMITTEE

BILL NO. HB 26

DATE January 24, 1985

SPONSOR REPRESENTATIVE SWITZER

NAME (please print)	RESIDENCE	SUPPORT	OPPOSE
CHARLES KINTZ	GLENDIVE	✓	
Ken Kubesh	"	✓	
Wilfred Hart	Glendive	✓	
Malvin Holan	Glendive	✓	
MURRAY VESTER	GLENDIVE	X	
JOE WEGGENMAN	Helena Chamber	X	
John Hartman	MTA		✓ 1/24/85
Jack Poller	Glendive	✓	
John Delano	Helena		
Janette Gallen	Helena	✓	
Don Rogers	Beth	✓	
John R. Berg	MTA Co.	✓	
Gordon Morris	MTA Co.	✓	
Alec Hansen	MTA Co.	✓	
David Cross	Blair Chamber of Commerce	✓	
Don R. M.	Nat. Wild. Product Assn.	✓	
Rev. Robert Johnson	Dist. # 2	✓	

IF YOU CARE TO WRITE COMMENTS, ASK SECRETARY FOR WITNESS STATEMENT FORM.

PLEASE LEAVE PREPARED STATEMENT WITH SECRETARY.

COMMITTEE

DATE January 24, 1985

SPONSOR REP. D. BROWN

ALC HANSEN	MLCT	✓	
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PLEASE. LEAVE PREPARED STATEMENT, WITH SECRETARY.

PLEASE. LEAVE PREPARED

STATEMENT WITH SECRETARY.

22. Levetzow

Don't know all these ✓

Don Allen

Non Wood Products Assoc. ✓

15-33
De. Brown

State Res. #72- B.H. /SR ✓

VISITORS' REGISTER

TAXATION

COMMITTEE

BILL NO. HB 140

DATE January 24, 1985

SPONSOR REP. ASAY

[illegible]

IF YOU CARE TO WRITE COMMENTS, ASK SECRETARY FOR WITNESS STATEMENT FORM.

PLEASE LEAVE PREPARED STATEMENT WITH SECRETARY.

Exhibit 1
HB 26
1/24/85
Hartman

January 24, 1985

HOUSE TAXATION COMMITTEE

Hearing on HB 26 (Switzer) Local Governing Bodies -- Authority to Grant
Tax Benefits for the Reconstruction or Expansion
of Existing Buildings or Structures

Mr. Chairman, Members of the Committee --

For the record, my name is David Hartman, Executive Secretary of the Montana Education Association. On behalf of MEA's 7,000 members, I must speak in opposition to the further extension of tax benefits contained in HB 26.

MEA's opposition is based upon concern over the current application of 15-25-1501: A concern which is considerably heightened by the provisions of HB 26.

As it stands now, the governing body of a county or incorporated city or town can act to grant tax benefits which reduce the taxable value of property in the school district which serves the geographic area involved. The integrity and authority of school districts as a legitimate governing body is ignored.

In recognition of the integrity of school districts and their statutory authority as governing bodies, amendment of HB 26 is in order to preserve the right of school district self-determination on such matters as taxation. Amendment toward this end could take the following form:

1. Amend lines 4 & 5 at page 2 to read:

"subsection (1), the governing body of a county, SCHOOL DISTRICT, or incorporated city or town must have approved by resolution..."

and

2. Add a sentence commencing at line 7, page 2 to read:

"The tax benefits described in subsection (1) shall apply only to the taxes levied by the governing body approving said resolution."

Thank you for your consideration.

David Hartman

TESTIMONY OF THE MONTANA MINING ASSOCIATION
ON HOUSE BILL 122

January 24, 1985
BEFORE THE HOUSE TAXATION COMMITTEE

Exhibit 2
HB 122
1/24/85
Langley

Mr. Chairman, members of the Committee:

For the record, my name is Gary Langley. I am executive director of the Montana Mining Association, a trade association that represents 1) Every major producer of hardrock minerals in Montana; 2) Some coal mining companies; 3) Exploration companies; 4) Companies that hope to open mines in Montana in the future, and 5) Companies that supply the mining industry with goods and services.

I appear here today to testify in favor of House Bill 122.

This bill will encourage new mining companies to locate in Montana and motivate existing operations to expand or modernize their plants. This bill is essential from the standpoint that it will promote the development of Montana's basic industries--including mining--which provide the best paying jobs in the state and contribute significantly to the tax bases of state and local governments.

Thus, House Bill 122 will help Montana attract industries that are the most important to its economy.

One important factor should be noted. House Bill 122 is a county option proposal. That is, a county has the option of applying the tax incentive. Those counties that do not wish to attract new natural resource industries through the tax incentive are not forced to do so.

In addition, counties will not lose revenue through the incentive because it only applies to new construction that is not subject to taxa-

tion at present.

The mining industry wishes to operate in Montana under the constraints of existing environmental and socioeconomic protection laws.

House Bill 122 will give the mining industry a positive sign that Montana wants it here and will help alleviate the perception that this is an anti-business state.

Thank you.

#

WITNESS STATEMENT

NAME CHARLIE KINTZ BILL No. HB 26

ADDRESS GLEN DIVE DATE 1-24-85

WHOM DO YOU REPRESENT GLEN DIVE CHAMBER OF COMMERCE, AGRICULTURE

SUPPORT ✓ OPPOSE _____ AMEND _____

PLEASE LEAVE PREPARED STATEMENT WITH SECRETARY.

Comments:

BRIEF ORAL STATEMENT.

WITNESS STATEMENT

NAME David Whetman BILL No. HB 26
ADDRESS 1232 E 6th Ave, Alma DATE 1/24/85
WHOM DO YOU REPRESENT ME
SUPPORT _____ OPPOSE ✓ AMEND ✓

PLEASE LEAVE PREPARED STATEMENT WITH SECRETARY.

Comments:

*See prepared statement for proposed amend
lang.*