

MINUTES OF THE MEETING  
TAXATION COMMITTEE  
MONTANA STATE  
HOUSE OF REPRESENTATIVES

March 6, 1985

The thirty-fifth meeting of the Taxation Committee was called to order in room 312-1 of the state capitol at 8:07 a.m. by Chairman Gerry Devlin.

ROLL CALL: All members were present as were Dave Bohyer, Researcher for the Legislative Council, and Alice Omang, secretary.

CONSIDERATION OF HOUSE BILL 844: Representative Patterson, District 97, stated that this bill will exempt from taxation certain equipment used to farm sugar beets if such equipment has not been used in the farming of sugar beets for the last two years preceding. He indicated that it appears that the sugar beet industry in Montana is dead; a large part of the use of sugar has been replaced by the soft drink industry with sucrose and most of the sugar beet growers have pieces of equipment that no one wants.

PROPOSERS: Lorna Frank, representing the Montana Farm Bureau, gave testimony in support of this bill. See Exhibit 1.

Representative Asay rose in support of this bill and he stated that much of the equipment is being written off and really has no value. He informed the committee that he would like to see the effective date changed and there is definitely a need for this.

There were no further proposers.

OPPOSERS: Gregg Groepper, Administrator of the Property Assessment Division of the Department of Revenue, explained that he was not really an opposer, but he had a suggestion and would like to see the three pieces of equipment listed in the bill.

There were no further opposers.

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QUESTIONS ON HOUSE BILL 844: Representative Asay contended that some pieces of equipment can be used for corn combining and he wondered if there were other pieces of equipment that can be used for other purposes.

Mr. Groepper responded that he thought there should be language that says, "used exclusively for" or "designed exclusively for" and the county and state tax appeal board tend to broaden anything that the legislature does.

There were questions on the different types of equipment that are used for sugar beet production.

Representative Sands asked how many beet growers would be affected by this and it was the consensus that there were probably around 300.

Representative Sands asked if this property is assessed annually.

Representative Patterson responded that the assessment date on machinery -they have until January 1 to report with the forms or until the first weeks in March to get the assessment list back to the local county assessors.

Representative Sands asked if they assess on market value or replacement value.

Representative Patterson explained that that has been a big bone of contention as some farmers think they are using retail value and some equipment is 20 years old and the taxes are as high now as they were 10 years ago.

Representative Ream asked, if they do not pass this bill and it comes around to reassessing this equipment and if it is true that it is worth nothing, what would happen with this assessing.

Mr. Groepper responded that they try to take that into account within a specific industry and they have recognized that agriculture in Montana is in a bad way and they have not really addressed a shut-down in a particular type of agricultural industry. He explained what would happen in a non-agricultural industry, usually

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after they have been shut down that second year and the tax assessment period comes around, they are in a position to seriously consider economic obsolescent.

Representative Ream asked if the beet growers came in with a request to do the same thing, could the department do that with their rule-making authority.

Mr. Groepper replied if they came in with this kind of a request, they would probably get the assessors in the four or five counties that are involved to sit down with these people and try to come up with some kind of idea as to how they should value that for tax year 1986. He continued that it would probably end up being a reduced value, but it would be awfully hard to say that it would be zero, because you could get something with it for scrap metal; and if they want it to be zero, they would have to go with this bill.

Chairman Devlin noted that there have been other areas in Montana, where contracts have not been renewed and he asked if they have done anything along these lines for those people.

Mr. Groepper answered that he did not recall that there was anything, but what they try to do, where it is not listed in the book, they bring in a county assessor and they try to bring up a supplemental schedule to the farm machinery book that would accurately reflect market value, but there are so many various pieces of equipment out there that it is hard to build one schedule that accurately reflects the loss of value of certain kinds of equipment.

Representative Williams asked if the equipment would be exempt if a man just quits raising sugar beets and doesn't use his equipment for two years.

Representative Patterson responded, that under his bill, the exemption would be for a county-wide or a growers' contract. He explained that if he did not want to use the machinery, he would still have to pay taxes and if he were not going to use it at all, he should try very hard to get that piece of machinery sold.

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Representative Williams suggested that they should put in an amendment which said, "because there was no available contract".

There were no further questions.

Representative Patterson indicated that there was a rule that if a farmer tried to hide a piece of machinery, he would be assessed ten times the assessment and that is a pretty stiff penalty.

The hearing on this bill was closed.

CONSIDERATION OF HOUSE BILL 833: Representative Spaeth, District 84, said that this was a simple bill with a simple concept and it would earmark 1% of the cigarette taxes for a program for the schools of the state to discourage cigarette smoking and to implement a wellness education program.

PROPOSERS: There were none.

OPPOSERS: Tom Maddox, representing the Montana Association of Tobacco and Candy Distributors, offered testimony in opposition to this bill. See Exhibit 2 and 3.

Jerome Anderson, an attorney representing the tobacco industries, stated that they felt that this was an unnecessary spending of the state's money and in 1984, the tobacco institutes introduced a program into the national boards of education that would provide educational material free to students.

There were no further opposers.

QUESTIONS ON HOUSE BILL 833: Representative Koenke asked what the consumption was in Montana compared to the national figures.

Mr. Anderson responded that it was down and the consumption in Montana has reduced from 122 packs to 110 packs per capita per year.

There were no further questions.

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Representative Spaeth stated that he realized that this would cost some money, but it would save some money in the long run and there are some schools in Montana who have already adopted these types of programs.

The hearing on this bill was closed.

CONSIDERATION OF HOUSE BILL 839: Representative Ellison, District 81, stated that he did not own an airplane so he has no personal stake in this bill, but this is a matter of fairness - if they have taken other vehicles and put them on a fee system, they should do the same with airplanes.

Nils Pearson, President of the Montana Pilots' Association, gave testimony in support of this bill. See Exhibits 4 and 5.

Paul Drennon, a private citizen and former aircraft owner, stated that he knew of cases where people have gotten rid of their aircraft because of the taxes and he compared the tax on aircraft to the tax on snowmobiles.

John Semple, representing the Montana Aviation Trades Association, said that he wanted to be on record in support of this bill.

There were no further proponents.

OPPONENTS: Gregg Groepper, Administrator of the Property Assessment Division of the Department of Revenue, testified that he was there to oppose the concept of this bill and he contended that there are two pages of federal legislation that demand equal treatment and he suggested that they limit this bill to non-commercial aircraft.

There were no further opponents.

QUESTIONS ON HOUSE BILL 839: Representative Asay asked Mr. Pearson if the figures on the back of his handout were accurate.

Mr. Pearson replied that they were quite accurate and that there was a blue book value and you take that times 11% times the mill levy and that comes out about 3% of the value of the airplane per year.

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Representative Keenan indicated that she was wondering about all these people who do not pay taxes on their aircraft and she wondered why that has not been pursued.

Mr. Groepper responded that they have to find out where they are and to get from the aeronautics those kinds of lists. He explained that it is the county assessors' responsibility to pick up those kinds of personal property and they go out to the airport and the airplane is gone.

Representative Keenan noted that in Prairie County, they have eight planes and she asked if they are all paying taxes.

Mr. Pearson responded that if you go to Roosevelt County, they have some aircraft there that are registered there that are from other counties because their mill levy is real low and a lot of things are happening that they do not have the answer for.

Chairman Devlin asked how there could be eight aircraft in Prairie County and ten that are taxed.

Mr. Pearson answered that perhaps there is a county next to Prairie that has a high mill levy and the person will keep his plane over at Roosevelt County instead or perhaps that aircraft was damaged or sold or something and the records have just not caught up.

Representative Schye asked how often are these records updated.

Mr. Groepper replied that his recollection is that you have to register in Oklahoma City and then to comply with the FAA, you have to continually certify your worthiness to fly this aircraft. He thought that if they know which state the aircraft is in, they really do not care which county they are in.

Chairman Devlin asked if Mr. Groepper ever thought about picking the worst day in Montana and having the assessors go to the airports and assessing these planes.

Mr. Groepper responded that he thought they could appreciate the problems they have with manpower in the property

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assessment division - they have appraisers that are doing the buildings that are attached to the ground and the county assessor has to get everything that moves - he has to run the livestock down, all the heavy equipment, etc.

There were no further questions.

Representative Ellison said that he hoped this could be put in a subcommittee to hammer out all the details and they could work on enforcement problems.

The hearing on this bill was closed.

EXECUTIVE SESSION:

DISPOSITION OF HOUSE BILL 652: Representative Switzer moved that this bill DO PASS. There was some discussion on the bill.

Representative Switzer moved to amend the bill on page 3, line 25 and on page 5, line 20, following "costs" by inserting "not to exceed 5% of the gross yield of a taxable year". The motion carried unanimously.

Representative Switzer moved the bill as amended. There was further discussion on the bill, a vote was taken and the motion failed 9 to 11. See Roll Call Vote. The vote was reversed on a DO NOT PASS AS AMENDED.

DISPOSITION OF HOUSE BILL 906: Representative Asay moved that this bill DO NOT PASS.

Representative Cohen noted that only 2% of the corporations in the state of Montana show a net income in excess of \$550,000.00 and those are the few corporations that will pay more and for the biggest majority of the businesses, this bill would be a true tax break.

Representative Gilbert stated that he supports the do-not-pass motion as the whole bill is aimed at large corporations and this would punish people for making money.

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There was further discussion and Representative Schye made a substitute motion to TABLE the bill. The motion failed with 8 voting aye and 12 voting no. See Roll Call Vote.

A vote was taken on the DO NOT PASS motion and the motion carried with 16 voting aye and 4 voting no. See Roll Call Vote.

DISPOSITION OF HOUSE BILL 917: Representative Asay moved that this bill DO PASS.

Representative Gilbert stated that he firmly believed in tax incentives, but he felt that if business is going to consolidate, they are going to go to Denver or some other big city.

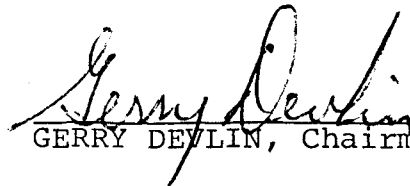
There were further discussion and Representative Iverson made a substitute motion that this bill DO NOT PASS. The motion carried with Representative Asay and Representative Switzer voting no.

DISPOSITION OF HOUSE BILL 326: Representative Raney moved that this bill DO NOT PASS.

Representative Williams indicated that he supported the motion as the Department of Revenue feels there are many technical problems with the bill and to make it workable would take a complete overhaul.

Representative Ream made a substitute motion to TABLE this bill. The motion carried unanimously.

ADJOURNMENT: There being no further business, the meeting was adjourned at 10:40 a.m.

  
GERRY DEVLIN, Chairman

  
Alice Omang, Secretary



## DAILY ROLL CALL

HOUSE TAXATION

COMMITTEE

49th LEGISLATIVE SESSION -- 1985

Date March 6, 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		

# STANDING COMMITTEE REPORT

March 6, 19 25

MR. SPEAKER:

We, your committee on TAXATION

having had under consideration HOUSE Bill No. 205

first reading copy ( white color )

AN ACT REPLACING THE 6 3/4 PERCENT CORPORATION LICENSE OR INCOME  
TAX WITH A GRADUATED TAX RATE BASED ON NET INCOME;

Respectfully report as follows: That HOUSE Bill No. 205

~~DO PASS~~  
DO NOT PASS

# ROLL CALL VOTE

HOUSE COMMITTEE TAXATION

DATE 3-6-85 HB BILL NO. 906 TIME \_\_\_\_\_

NAME	AYE	NAY
DEVLIN, GERRY, Chrm.	✓	
WILLIAMS, MEL, V.Chrm.	✓	
ABRAMS, HUGH	✓	
ASAY, TOM		✓
COHEN, BEN		✓
ELLISON, ORVAL		✓
GILBERT, BOB		✓
HANSON, MARIAN		✓
HARRINGTON, DAN		✓
HARP, JOHN		✓
IVERSON, DENNIS		✓
KEENAN, NANCY	✓	
KOEHNKE, FRANCIS	✓	
PATTERSON, JOHN		✓
RANEY, BOB		✓
REAM, BOB	✓	
SANDS, JACK		✓
SCHYE, TED	✓	
SWITZER, DEAN		✓
ZABROCKI, CARL	✓	
	8	12

Secretary Alice Omang

Chairman Gerry Devlin

Motion: Table

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# ROLL CALL VOTE

HOUSE COMMITTEE TAXATION

DATE 3-6-85 H B BILL NO. 906 TIME \_\_\_\_\_

NAME	AYE	NAY
DEVLIN, GERRY, Chrm.	✓	
WILLIAMS, MEL, V.Chrm.	✓	
ABRAMS, HUGH	✓	
ASAY, TOM	✓	
COHEN, BEN		✓
ELLISON, ORVAL	✓	
GILBERT, BOB	✓	
HANSON, MARIAN	✓	
HARRINGTON, DAN		✓
HARP, JOHN	✓	
IVERSON, DENNIS	✓	
KEENAN, NANCY		✓
KOEHNKE, FRANCIS	✓	
PATTERSON, JOHN	✓	
RANEY, BOB	✓	
REAM, BOB		✓
SANDS, JACK	✓	
SCHYE, TED	✓	
SWITZER, DEAN	✓	
ZABROCKI, CARL	✓	
	16	4

Secretary Alice Omang

Chairman Gerry Devlin

Motion: Do Not Pass

# STANDING COMMITTEE REPORT

March 6, 1935

MR. SPEAKER:

We, your committee on TAXATION

having had under consideration HOUSE Bill No. 917

first reading copy (white color)

AN ACT TO ALLOW A CREDIT AGAINST PREMIUM TAX LIABILITY FOR FOREIGN  
INSURERES THAT MAINTAIN A REGIONAL BRANCH OFFICE IN THIS STATE;

Respectfully report as follows: That HOUSE Bill No. 917

~~DO PASS~~  
DO NOT PASS

# STANDING COMMITTEE REPORT

March 6, 19 85

MR. SPEAKER:

We, your committee on TAXATION

having had under consideration HOUSE Bill No. 652

first reading copy ( white )  
color

AN ACT TO ALLOW THE DEDUCTION OF CERTAIN COSTS FROM THE NET PROCEEDS  
TAX ON MINES APPLICABLE TO NONMETALLIC MINES AND MINING CLAIMS;

Respectfully report as follows: That HOUSE Bill No. 652

Be amended as follows:

1. Page 3, line 25.

Following: "costs"

Insert: ", not to exceed 5% of the gross yield during the year,"

2. Page 5, line 20.

Following: "costs"

Insert: ", not to exceed 5% of the gross yield during the year,"

AND AS AMENDED,  
DO NOT PASS.

EXTRAS

# ROLL CALL VOTE

HOUSE COMMITTEE TAXATION

DATE 3-6-85 HB BILL NO. 652 TIME \_\_\_\_\_

NAME	AYE	NAY
DEVLIN, GERRY, Chrm.	✓	
WILLIAMS, MEL, V.Chrm.		✓
ABRAMS, HUGH	✓	
ASAY, TOM	✓	
COHEN, BEN		✓
ELLISON, ORVAL	✓	
GILBERT, BOB	✓	
HANSON, MARIAN	✓	
HARRINGTON, DAN		✓
HARP, JOHN		✓
IVERSON, DENNIS	✓	
KEENAN, NANCY		✓
KOEHNKE, FRANCIS		✓
PATTERSON, JOHN	✓	
RANEY, BOB		✓
REAM, BOB		✓
SANDS, JACK		✓
SCHYE, TED		✓
SWITZER, DEAN	✓	
ZABROCKI, CARL		✓
	9	11

Secretary Alice Omang

Chairman Gerry Devlin

Motion: Do Pass as Amended

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502 South 19th

Bozeman, Montana 59715

Phone (406) 587-3153

TESTIMONY BY: Lorna Frank

BILL # HB 844 DATE 3/5/85

SUPPORT XXXX OPPOSE

*Exhibit 1  
HB 844  
3/6/85  
Frank*

Mr. Chairman, Committee members and Representative Patterson, for the record my name is Lorna Frank, representing Montana Farm Bureau..

Farm Bureau supports HB 844. This is a bill that will assist the farmers who have not been able to use the equipment for the last 2 years, because they have not had a contract, and it doesn't look like there will be one this year.

It is our understanding that some, if not all the lending institutions in the sugar beet growing areas are writing off sugar beet equipment as an asset because it has no collateral value, therefore it should not have a taxable value. It is unfair to tax equipment that is not being used.

Farm Bureau hopes this committee will give HB 844 a do pass recommendation.

*Lorna Frank*  
SIGNED \_\_\_\_\_



Comments on Montana House Bill 833, proposing that cigarette smokers pay for teaching students how to stop smoking, by Tom Maddox of the Montana Association of Tobacco and Candy Distributors.

It is a serious matter when a legislator feels impelled to propose a law that a school course be created to teach students how to stop smoking. The sole sponsor of HB833, Gary Spaeth, a Carbon county representative-rancher-lawyer, proposes the establishment of what his bill terms "wellness education, with special emphasis on smoking cessation education". What does this involve, as stated?

The bill language refers simply to smoking cessation". So, until clarified, this would cover smoking of marijuana, hashish, cocaine, cornsilk, coffee, tobacco, or whatever some young persons dare to try. HB833 does not specify what smoking material is to be targeted.

A Capital City detective assigned to such matters was asked for some perspective. He states that indeed there is smoking of varied materials occurring among school age children. It's serious.

HB833 does specifically propose that cigarette smokers pay for teaching how to quit smoking -- whatever.

As a representative of the distributors of the wholly legal and strong tax resource product of tobacco, and on behalf of the member wholesale warehouse principals, this presentation is offered in opposition of HB833.

If HB833 is right in its basic idealistic perception of a need, its parameters only scratch the surface of the overall needs--- to solve many, many social problems and needs. Shall our legislators enact laws to teach students how to avoid pregnancies, and tax some interest to pay for that? Teach everyone to avoid obesity and heart attacks? Teach how to avoid buildups of cholesterol. and tax the producers or processors of certain foods? Teach how to stop drinking alcohol and require the drinkers to pay for such programs?

Shall legislators assume the responsibilities of parents, and order cigarette smokers to teach students how to quit smoking? This would happen if this legislature would approve HB833.

Mothers were asked about HB833. Mothers contacted believed that the responsibility of whether their children smoked is theirs-- the mothers. They were amazed that the legislature is considering usurping their responsibility for rearing their children. These of course were good mothers. Admittedly, there are lesser levels of parenting. Should legislators -- the state, Big Government, Big Brother -- take over the responsibilities of being all things to all people?

The answer is no: kill HB833, for it is wrong. Wrong for 1985 and for our form of government; perhaps wrong for all time.

IN 1985, in Montana, we have a problem of funding government services we already have.

**Page 2: HB833 for cigarette smokers to pay to teach how to stop smoking**

Montana cannot afford HB833, however, worthy it is in some minds. The governor has stated repeatedly that cigarette smokers must be taxed more to balance the budget. The governor asked for more cigarette tax -- up to \$2.40 a carton (HB45). A teacher-legislator asks even more -- up to \$2.90 a carton (SB442). There are federal proposals for continued \$1.60 federal tax a carton and Senate Majority Finance Chairman Robert Packwood predicts this will happen; a \$3.20 federal tax a carton, proposed by Sen. John Heinz III (R-PA) for Medicare, and still another proposal for \$4 federal tax a a carton for Medicare. If the worst scenario of state-federal tax proposals are enacted, the state-federal tax for smokers would be \$6.90.

How much is HB833 asking to fund teaching on how to stop smoking? If the current state-federal tax levels of \$3.20 a carton is not changed, and sales continue as in 1984 with state tax-paid 9,060,000 cartons, HB833 would divert \$144,960 the first year for a stop-smoking program. If proposed state taxes are enacted, and state-taxed cigarette sales prevail undiminished, HB833 would divert an approximate \$262,740 for fiscal 1986. (There are other factors too detailed to pursue in this brief presentation.)

Whatever the estimated diversion, it would be that much subtracted from what legislators calculate would be needed to balance the budget. As stated before, Montana cannot afford HB833.

The goal of HB833 is possible of achievement without cost for all those who wish to stop smoking. Without cost to the state or with little or no cost to individuals. How? In local libraries, and from a variety of other sources, including The Tobacco Institute, an array of publications are available. To establish an example, the Lewis and Clark County Library was checked out for study materials on how to stop smoking. A satisfactory array of books are available for the asking.

One book is entitled, "The Stop Smoking Book for Teens," by Curtis Casewit, good for young and old adults. And there's Dr. Maxwell Maltz' book, "Psycho-Cybernetics," which obviously has been used by many persons. There are varied books from the U.S. Department of Health, Education and Welfare. "Smoking and Health Experiments," by HEW, provides a bibliography of nine other publications. A number of organizations provide free study materials. There are many clinics offered to all who wish to enroll at nominal costs.

The point is there are opportunities and options for any and all who truly want to stop smoking cigarettes, or whatever, without further intrusion by government.

Thank you.

( NOTE: For those interested in more details of the overall )  
( tobacco legislation pending this session, the attached )  
( material is offered for reference. Additional statistical )  
( copy is available on request. )

From the Montana Association of Tobacco and Candy Distributors (See further at end)

HELENA MT — Did you hear the one about the cigarette smoker who suffered a nightmare? Well, he went to his neighborhood store and asked for a carton of his latest favorite cigarettes. The clerk said, "That's \$6.21 for the cigarettes, sir, and, um-m-m, let's see, and another \$7.08 for the state-federal sales taxes." The smoker cried, "Oh, no, Can't be." The clerk was firm, "Yes, it is—tax to help reduce the federal debt; tax to balance Montana's state budget; tax to aid public schools, and for the teachers' pensions, tax to service the debt on state buildings, and there's more tax on smokeless tobacco to fix our city streets. ..."

The smoker groans, opens the carton and extracts a cigarette.

"Oh, sir. You can't smoke here," the clerk admonishes. "The legislature has outlawed smoking in public places."

Shocked, the smokeless smoker awakes at 4 a. m. , to the sounds of his own screaming. Finally, he dozes off again, until the sound of his telephone ringing brings him to wakefulness. "Hello," he answers.

"Good morning, sir," the caller says. "I'm calling to invite you to attend our new state-sponsored clinic on how to stop smoking. It doesn't cost you anything. The smokers' tax pays for it."

Does all that sound a little wierd to you? If it does, then you're not aware of what all is being proposed to those legislators we elected to congress and to the legislature in Helena.

The \$7.08 state-federal tax on a carton of cigarettes is the total tax being proposed in the smoker's worst real life scenario. At the federal level, a \$4 a carton federal tax is proposed; another proposal is for a mere 100 per cent increase from today's \$1.60 U. S. tax a carton. Then at least five bills in the

Based on the latest minimum costs computed by the Montana Department of Revenue, regular and king size cigarettes among major brands cost \$9.12 a carton. Of this Montana smokers today pay 35.1 per cent of this cost in state-federal tax on the sale.

Congress increased the federal tax 100 per cent in 1983 to \$1.60 a carton. Then the Montana legislature increased the state sales tax 33 per cent to \$1.60, to make the total carton tax \$3.20. (The carton size is used here because the state department calculates tax units on a carton basis. The Tobacco Institute reports about half of cigarette sales are by the carton of 10 packs of cigarettes.)

Governor Ted Schwinden has asked for the state tax to be increased 100 per cent within two years, to \$2.40 a carton in HB45. His bill beat another bill to the Legislative Council (HB120), which also asks for \$2.40 state tax a carton, for research into certain diseases. Senate Bill 442 states that even if HB45 is enacted, another 50 cents a carton is wanted, to help fund teachers' pensions. Whatever tax prevails, HB833 wants a cut of one per cent to fund educational programs on how to stop smoking, to be supervised by the state superintendent of public instruction.

State law defines a pack of cigarettes as containing 20 cigarettes. Now major manufacturers have produced a pack containing 25 cigarettes. So this has generated SB249 to tax each cigarette in excess of 20 in a pack at the rate of 1/20th of the base 20-pack tax. Thus, if the state tax is \$2.90 a carton of 20, the state tax would be \$3.04-1/2 for a pack of 25.

Montana started taxing cigarettes in 1957, and has increased the tax 700 per cent since then — before the 1985 proposals. Our record keepers report that cigarette smokers have paid the state in taxes \$256 million through 1984.

Smoker for smoker, they made their finest contribution to build state buildings in fiscal 1982. By then the state-federal tax rates had prevailed for several years, at \$2 a carton (\$1.20 for the state, 80¢ for the federal tax). They paid tax of \$11,649,438.

Some might think if the government doubled such tax, it would double revenue, say to more than \$23 million for the next fiscal year. Budget Director David Hunter's fiscal note on HB45 tells the legislature he expects doubling from 1982 should gross the state only about \$20 million. What happens to the missing \$3 million?

The Tobacco Institute of Washington, D. C., supports calculations showing a "loss" would ensue. Not only in tax, but the TI declares there would be further losses in businesses.

The institute adds:

"For Montana, a specific state econometric demand model indicates a possible sales decline of 3.76 per cent for every 8 per cent increase in the tax rate. Therefore, it could be expected that an addition of an eight cent excise tax increase to the current average retail price will lead to a decline in legitimate fiscal year '86 cigarette sales in Montana of about 3.41 million packs.

"This decline would probably consist of an actual cutback, combined with increased illegal purchases and interstate smuggling. As a result, legitimate wholesalers and retailers would experience significant revenue losses."

The Montana Association of Tobacco and Candy Distributors states that, "As sales of state-taxed cigarettes decline, there has been a substantial increase in cigarette purchases without the state tax from Indian reservation-based retail outlets, called 'smokeshops', on heavily trafficked highways. The Department of Revenue reports millions of dollars in losses, and rapidly escalating with the latest state cigarette tax increase."

The institute report goes on, "In other states where high cigarette taxes exist, the criminal element has become involved. If Montana were to raise its tax on cigarettes, the bootlegging problem will grow in proportion to the tax increase."

There is a statistical indicator to trends in purchases of cigarettes from legitimate or state-taxed cigarettes to purchases from stores which do not pay state taxes. A markedly lower per capita consumption is reflected in states with growing federal reservation sales, or with substantial smuggling from other states by individuals or organized crime. On the other hand, states with substantial cigarette sales for out-of-state consumption exhibit relatively higher per capita consumption figures.

A new Tobacco Institute report states, "Data for 1984 show that overall per capita consumption in Montana was 96.9 packs. The U. S. unweighted average per capita was 122.7 packs.

"Montana now is at a 4 cents a pack tax disadvantage with three or four surrounding states. Montana also recorded a per capita sales disadvantage with all four of its neighboring states. This comparison implies some potential smuggling of cigarettes into Montana from states with lower tax rates."

The institute reports that cigarette taxes provided 2.5 per cent of the state's 1983 total tax revenue and an impressive 12.2 per cent of the state's total sales and gross receipts tax revenue. Cigarette taxes generate more revenue for Montana than taxes on beer, liquor or wine, or utilities. It credits this data to the U. S. Bureau of the Census and the Montana Department of Revenue.

The nonprofit TI sees a direct impact on the state's economy. TI explains:

"Higher cigarette taxes affect revenue and work weeks in private sectors, both directly and indirectly involved in the tobacco industry within Montana. Most of these effects will be in the form of revenue losses to wholesalers and retailers.

"Higher cigarette taxes and the resulting decline in the purchase of tax-paid cigarettes will also reduce state revenue from other sources, such as corporate income tax, and individual income tax. For example, cigarettes are a traffic-builder for the state's thousands of retail establishments which sell cigarettes. When people reduce purchase of cigarettes, or turn to bootlegged cigarettes, the revenue derived from the sales and profits of other products suffers as in-store traffic declines."

The Tobacco Institute contends, "The Montana cigarette tax is already a regressive and inequitable tax. The cigarette tax discriminates against the estimated 200,000 residents of the state who smoke, but the tax falls most heavily on those least able to afford it.

"Because the percentage of income devoted to buying cigarettes falls as income rises, Montana cigarette taxes are already levied at higher effective rates on the disadvantaged and those on fixed incomes than on the more affluent. Any increase in the current tax rate will add to the tax burden on lower income groups and will contribute further to the overall regressivity of the state tax structure. An increase of 8 cents a pack would mean a 100 per cent increase in the tax in two years. . . .

"More than 21 per cent of Montana families have an effective buying income of less than \$10,000 a year. All told, nearly 36 per cent have incomes less than \$15,000. It is these families who will suffer most from the increase.

A family with an income below the poverty level with two average smokers pays almost five times as much of its income for the pleasure of smoking as does the more affluent family making \$25,000 a year.

"In addition, about 11 per cent of Montana residents are aged 65 or older. For these plus-65 persons, many of whom are living on a fixed income, any increase in the cigarette tax rate could threaten this affordable pleasure. A household in Montana with two average smokers pays \$350 in state-federal taxes on cigarettes a year. If the state were to increase its tax another 8 cents — a 50 per cent increase, that tax figure would soar to \$438 annually."

Some smokers may quit cigarettes, and turn to smokeless tobacco.

Some legislators have already thought of this. HB838 would increase the state tax on smokeless tobacco 100 per cent. to This is earmarked: 25 per cent to build and repair city streets, 25 per cent for state aid to schools, and 50 per cent to be added to the service cost of bonded debt on construction of state building.

Finally, there's HB183 which would bar smoking in public places or provide a mandatory nonsmoking area. This squeaked through the House, 52 - 48, and now is in the Senate.

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The foregoing is submitted by Tom Maddox, former Associated Press bureau chief for Montana, and now executive director for the Montana Association of Tobacco and Candy Distributors, a nonprofit group of local independent, service wholesale distributors; P. O. Box 123, Helena MT 59624. Telephone (406) 442-1582.



MONTANA PILOTS' ASSOCIATION  
INCORPORATED



NEWSLETTER  
FEB---1985

Open Letter to MPA Members:

I write this letter in hopes that M.P.A. and the rest of Montana's aviation community can pull together to convince our State Representatives and Senators that aviation in Montana is a part of our overall economy and that without it, we are working against the "Build Montana" program. Aviation means jobs. It enhances our economy. It allows us to efficiently conduct business in our great state where it takes a full day to drive from one end of Montana to the other. The high tax structure is only encouraging our businesses to remain inefficient in these rapidly changing times. The typical legislator seems to think all aircraft owners are rich and all we do on weekends is go down to the airport and play with our toys. They need to hear from you NOW if we are going to get this thing thru. Call your legislator TODAY at 444-4800 in Helena!! Write a short note to him/her at Capitol Station, Helena, Montana 59601. The number for information on status of various bills is 1-800-332-3408.

I will be calling for people to come to Helena to testify when we have important legislation before committees. We will have to show our numbers. Contact me if you can participate. My telephone number in Helena is 442-3050 days and 442-4720 nites.

One other important item --- the combined ANNUAL MPA MEETING & MONTANA STATEWIDE AVIATION CONFERENCE: The Great Falls Hangar of the MPA is hosting not only our annual MPA meeting this year, but they are working with Mt. Aeronautics to put on the first annual statewide conference. Be certain to mark your calendars for March 7-9 (see the tentative schedule elsewhere in this newsletter).

Finally, Jim Houghton, Manager of the FAA Airports District Office in Helena (that is the office that administers the AIP trust fund) is asking MPA to assist in locating "deficiencies that are airport related, and more specifically those the Airport Improvement Program (AIP) might help correct". He is "particularly interested in any safety related deficiencies within the system". If you have any ideas for Jim, please give him a call at 449-5271 or drop him a note at Airports District Office, FAA Building-Room 2, Helena Regional Airport, Helena, Mt. 59601. He would like the information by February 22, 1985.

Sincerely,

Nils C. Pearson  
President

Exhibit 4  
HB 839  
3/6/85  
Pearson, Nils

DID YOU KNOW? -----

The average age of a single engined airplane in Montana is about 20 years. The national average is only 12 years!

Helena Regional Airport began operations at its present location in the early 1930s. Before that time, the municipal airfield shared common ground with the public golf course. The present Bill Roberts Municipal Golf Course occupies that location. Before that time, aviators took off and landed in the infield of the County Fairgrounds' racetrack.

Along the same lines, the ground on which the existing golf course at Fort Benton Municipal Airport is now located was originally needed for cross-wind runways. However, as was the case at Helena, the site failed to meet the needs of the newer high speed aircraft. The old short runways could not handle the new high performance aircraft.

Our newest MPA hangar (actually reactivated) joins us from Libby. Welcome Aboard! Among their immediate plans is the pursuit of an airport construction project. Lets hope we all get invited to the dedication.

There are only about 9 active seaplane pilots in Montana.

Of the 150 Senators and Representatives serving in the Montana State Legislature, only about 4% are pilots.

#### LEGISLATIVE FACTS---

FEE IN LIEU OF TAXES ON AIRCRAFT (HOUSE BILL 839): This bill is designed to take the place of the existing personal property tax on aircraft. The proposed annual fee is as follows:

	SE 200	SE >	ME PIS-	HELI-	ALL	
AGE(YRS)	HP& DN	200 HP	TON	PISTON	TURBO	JETS
0- 5	\$300	\$500	\$800	\$500	\$1,600	\$2,000
6-10	150	250	400	250	800	1,000
11-20	75	125	200	125	400	500
21&UP	50	50	100	50	200	250

The Current total tax collected on aircraft in Montana is estimated at aproximately \$1,500,000 per year. This money goes into the general fund of the county in which the tax is collected.

The Montana Division of Aeronautics estimates that only 60% of those aircraft based in the state are registered here. The rest are either just not reported or are improperly registered in another state. Aeronautics has a bill in to allow them to help police this problem. It is (House Bill No. 719).

## 2 CENT PER GAL. AVIATION FUEL TAX INCREASE (H.B. NO. 822):

The existing 1 cent per gallon aviation fuel tax would be increased by 2 cents. The current 1 cent is used entirely to fund the administrative costs of the Division of Aeronautics. There is no other State funding source for DOA (from the general fund etc.).

As proposed, the entire 2 cents would be placed into a revolving trust fund for the first 2 years, raising an estimated 1.3 million dollars. No funds in the trust fund could be used by the DOA for administrative expenses.

At the end of the first two years, a minimum of \$400,000 per year would be placed into the trust fund. The remainder would be available to DOA for carrying out their administrative functions. HOWEVER, any funds not so required (as determined by the Board of Aeronautics) would be added to the trust fund. Remember that the Board is made up of 9 members who represent all areas of the aviation and Montana community.

In the beginning of the trust fund's existence, low interest loans will be made available to communities that are planning airport projects. This money may be used on projects that are not eligible for Federal funding thru the Airport Improvement Program. It would reach non-eligible airports such as Kalispell City, Seeley Lake, Gardner, Geraldine, and the many other public airports that are not on the FAA's National Plan of Integrated Airport Systems (NPIAS).

It will also fund projects that are on eligible airports, both general aviation and air carrier facilities, but involve tasks that are not eligible for federal funds or do not have high enough priority to compete. Such projects could include paving near T-hangars, access road construction / improvements, crosswind runway improvements, auto parking, hangar area development, fueling area development, etc.

### SOME FACTS TO REMEMBER:

- The airlines will try to convince our legislators that an increase in the fuel tax will cause them to abandon some service in the state. Frontier Airlines said that during the last session, and look at what they did even though the fuel tax was defeated - they pulled out of several communities anyway.
- The air carrier airports in Montana (BIL, GTF, HLN, etc.) are faced with a dilemma in that they must work with the airlines on a daily basis - including negotiations for rates and charges that the airlines pay. As a result, the major airport managers will not be able to support this legislation. However they, along with the airlines, should remember that over 60% of those passengers arriving on general aviation aircraft at air carrier airports transfer to commercial flights. GA already supports the air

carriers!

-2 cents per gallon is only about 1% of the cost of aviation fuel to most G A aircraft owners/pilots.

-The DOA is self-supported through funding by the aviation community. Not one penny of General Fund money is used in its operations. On top of that, DOA has CUT its budget annually over the past few years. How many other State agencies have done that? In fact if you talk to any of the staff in the near future, ask them how they like taking over the janitorial duties of the office in addition to their regular duties. That was only one of the cost cutting measures taken lately.

-The airport owners (Counties, Cities and Towns) will benefit from this program by not having to scramble for funds when a project "pops up". Instead, the loan/grant program will assist in easing the financial burden of our ever-increasing costs for airport improvements.

-This program is nothing really that new. The State has had a loan &/or grant program in existence since the mid 1940s. Many of Montana's airports were constructed or improved through this program. However with the pullout of much of the military activity, the income from the one cent per gallon tax failed to meet needs. The new program, as proposed, also protects the fund from being "raided" for administrative costs as has been done in the past.

-The existing 1 cent tax has remained unchanged since it was first introduced in the mid 1940s.

-The airplane's role is similar to that of an automobile. It transports people and goods from one point to another. Why should it be treated differently than a car that is now paying a fee-in-lieu-of-taxes?

-As discussed in the last newsletter, it costs about two and one half to three times as much to own an airplane in Montana than it does in our neighboring states. That comparison was for a \$30,000 aircraft over a 5 year period. A more expensive airplane or an airplane ownership over a longer period of time would be far more expensive.

Montana Statewide Aviation Conference *(Includes MPA  
Registration Form  
Annual Mtg.)*  
March 7-9, 1985  
Sheraton Inn, Great Falls

Great Falls Hangar  
Montana Pilots Association  
Box 7317  
Great Falls, MT 59406

Enclosed please find \$\_\_\_\_\_ for registration for \_\_\_\_\_ persons for the Statewide Aviation Conference March 7-9, 1985. (\$10 per person, students with ID \$5, children under 16 free)

Name \_\_\_\_\_

Address \_\_\_\_\_

Phone \_\_\_\_\_ Organization Affiliation (if any) \_\_\_\_\_

Travel to Great Falls: Auto \_\_\_\_\_ Private Aircraft \_\_\_\_\_ Date of Arrival \_\_\_\_\_

I (we) will be attending the kick-off luncheon on Thursday, March 7. Please make reservation for \_\_\_\_\_ people. (Luncheon price: \$10 including gratuity).

(Return this form along with the registration fee to the Great Falls Hangar at the above address. Mail before February 15 to be eligible for a special door prize. Make your own room reservations by calling the Sheraton at 727-7200.)

Exhibit 5  
HB 839  
3/6/85  
Pearson, Nils

MONTANA PILOTS' ASSOCIATION  
INCORPORATED



524 1st Street  
Helena, MT 59601

The following  
is taken from the  
MPA Newsletter dtd  
December 3, 1984

The following table illustrates the unreasonable treatment we are now receiving. As you can see, a comparable aircraft in surrounding states is assessed at a much lower rate than we are. In addition, a typical motor home or automobile of equal value is treated differently within our own state. The main point we must stress is that an aircraft should be treated no differently than, say, a passenger car. After all, each is designed to transport people from one point to the other. They just do it differently and at a different speeds. Aircraft are owned by private individuals, partnerships, or companies to do basically the same task as an automobile. The main question then is, "Why do you treat us differently?"

The following compares the tax/fee structures levied upon a \$30,000 airplane (say a 1976 Cessna 182) in Montana and some of our neighboring states.

We are merely proposing a fair and reasonable treatment.

State	Annual Collection	Sales Tax	One Time Registration	Total for 5 Years' Ownership
Montana(Gal. Co.)	\$956	-----	-----	\$4,780
Montana (avg.)	693			3,465
N. Dakota	68*	-----	\$1,200	1,455
S. Dakota	20	-----	\$1,200	1,300
Washington	50	\$2,100	-----	2,350
Wyoming	231	900	-----	2,055
Idaho	30	1,200	-----	1,350
Oregon	55	-----	-----	275

\* Decreases 10% each year for 5 years - then constant

A \$30,000 Motor Home in Gallatin County generates a fee of \$212/yr. A \$30,000 Luxury Car costs \$112/yr.

# AIRCRAFT REGISTRATION COMPARISONS - FAA AND AERONAUTICS DIVISION

2/83

COUNTY	FAA	AD
Beaverhead	45	33
Big Horn	35	23
Blaine	78	67
Broadwater	12	7
Carbon	37	20
Carter	39	26
Cascade	185	85
Chouteau	62	53
Custer	69	41
Daniels	31	22
Dawson	54	23
Deer Lodge	6	2
Fallon	39	31
Fergus	102	63
Flathead	198	50
Gallatin	133	54
Garfield	19	21
Glacier	56	29
Golden Valley	4	2
Granite	6	4
Hill	96	47
Jefferson	12	7
Judith Basin	12	10
Lake	42	19
Lewis & Clark	105	56
Liberty	23	21
Mineral	27	24
Madison	42	14

COUNTY	FAA	AD
McCone	24	31
Meagher	10	5
Mineral	4	0
Missoula	135	41
Musselshell	14	10
Park	37	10
Petroleum	5	3
Phillips	70	42
Pondera	43	22
Powder River	31	38
Powell	18	5
Prairie	8	10
Ravalli	118	39
Richland	88	37
Roosevelt	64	27
Rosebud	64	34
Sanders	19	5
Sheridan	46	26
Silver Bow	42	20
Stillwater	19	14
Sweet Grass	21	11
Teton	37	26
Toole	43	36
Treasure	13	7
Valley	96	45
Wheatland	7	5
Wibaux	8	6
Yellowstone	452	128
TOTALS	3,105	1,537

## VISITORS' REGISTER

TAXATION

COMMITTEE

BILL NO. HOUSE BILL 844

DATE March 6, 1985

SPONSOR REPRESENTATIVE PATTERSON

[illegible]

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

PLEASE LEAVE PREPARED STATEMENT WITH SECRETARY.

## TAXATION

BILL NO. HOUSE BILL 833

DATE March 6, 1985

SPONSOR REPRESENTATIVE SPAETH

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

PLEASE LEAVE PREPARED STATEMENT WITH SECRETARY.



## VISITORS' REGISTER

TAXATION

COMMITTEE

BILL NO. HOUSE BILL 839DATE March 5, 1985SPONSOR REPRESENTATIVE ELLISON

NAME (please print)	RESIDENCE	SUPPORT	OPPOSE
NILS PEARSON (MPA)	HELENA	✓	
PAUL DRENNON	HELENA	✓	
Gordon R. Clark	HELENA	✓	
John Sample (MATA)	HELENA	✓	

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

PLEASE LEAVE PREPARED STATEMENT WITH SECRETARY.