

MINUTES OF THE MEETING
TAXATION COMMITTEE
MONTANA STATE
HOUSE OF REPRESENTATIVES

March 19, 1985

The forty-fourth meeting of the Taxation Committee was called to order in room 312-1 of the state capitol with Chairman Gerry Devlin presiding at 8:03 a.m.

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

CONSIDERATION OF SENATE BILL 307: Senator Fuller, District 22, Helena, stated that this deals with what they do when someone fails to pay their property taxes and eliminates conflicting language in the statute and requires a standard process of making an estimate of value.

PROPOSERS: Gregg Groepper, representing the Department of Revenue, said that the need arose out of a couple contested issues that went before the tax appeal board and he encouraged the committee to support this bill.

Bob Raundal, representing the State Tax Appeal Board, indicated that they support this bill and think it is needed.

There were no further proposers.

OPPOSERS: There were none.

QUESTIONS ON SENATE BILL 307: Representative Gilbert asked if they had consulted the county tax appeal board.

Mr. Groepper replied that that is part of the disagreement and they are trying to give the county some jurisdiction and it is a very confusing issue.

There were no further questions; Senator Fuller closed and the hearing on this bill was closed.

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CONSIDERATION OF SENATE JOINT RESOLUTION 14: Senator B. Williams, District 15, read from a letter, which he said prompted this resolution. He informed the committee that this resolution requests a study to review procedures for the payment of property taxes and for the sale of real and personal property for delinquent taxes. He noted that the cost would be absorbed in the interim budget and there would be no additional fiscal impact.

PROPOSERS: Gordon Morris, Executive Director of the Montana Association of Counties, advised the committee that they endorsed this resolution at their annual convention in Kalispell and they ask that the committee concur in this also.

Charles Gravely, representing the Montana Treasurers' Association, stated that they do favor a study such as this and urged a do-pass recommendation on this bill.

A. R. (Toni) Hagerer, Hill County Commissioner, stated that he was in favor of this bill and the way it stands now, tax delinquent laws are a snarl of confusion.

There were no further proposers.

OPPOSERS: There were none.

QUESTIONS ON SENATE JOINT RESOLUTION 14: Chairman Devlin asked if it was thought that these taxes should be paid on a different time schedule.

Senator Williams answered that that is what the study is about and he thought the possibility of quarterly would be realistic.

Representative Sands asked if Mr. Morris knows why the county treasurers do not want a study of more frequent tax payments.

Mr. Morris responded that the treasurers' opinion is that there is not a problem of frequency of payment, but the problem is with overall collections.

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Representative Williams asked if the real problem was with the procedure used in the sale of property that the taxes are delinquent on.

Mr. Morris responded that that is the problem that has been identified by MACO as well as the clerks and recorders.

There were no further questions.

Senator Williams concluded by saying that he hoped the committee will concur in this bill.

The hearing on this bill was closed.

CONSIDERATION OF SENATE BILL 142: Senator Halligan, District 48, stated that this bill funds SB 25, which was in local government committee. He explained that this bill will increase the fee in lieu of tax on automobiles and light trucks and the revenue will be used to fund the criminal expenses of the district courts.

PROPONENTS: Gordon Morris, Executive Director of the Montana Association of Counties, said that as a result of a study in 1982, it was recommended that the costs of defending indigents would be assumed by the state of Montana and this is one of their top three priorities.

Greg Jackson, representing the Urban Coalition, stated that this is also one of their top three priorities and SB 25 allows for the funding of the grant-aid program in full and there are approximately 22 counties that are in the grant-aid situation and of those, five are the largest in the state of Montana.

Toni Hagerer, Hill County Commissioner, said that she urged, begged and pleaded with the committee to pass this bill and that the district court obligation is mandated by the state with the courts being a passive victim. She informed the committee that their county is already in the process of moving to an emergency budget and are at the top of their mill levy.

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There were no further proponents.

OPPONENTS: Jim Manion, representing the Montana Automobile Dealers Association, indicated that they do not stand opposed to funding the district courts, but they do speak out against the method of funding and they question the fairness of singling out one industry to fund this program.

Dean Marshfield, Executive Vice-President of the Montana Automobile Dealers' Association, informed the committee that they are concerned with the number of bills this session that raise the cost of owning and operating an automobile and they would encourage the committee to protect the fee system by not allowing bills such as this to adjust those fees.

There were no further opponents.

QUESTIONS ON SENATE BILL 142: Representative Asay noted that this \$5.00 figure would impact much more heavily on those people who are driving less valuable vehicles.

Senator Halligan replied that he has prepared a graduated scale increase instead of the flat fee increase and a copy will be available for the committee.

Representative Gilbert asked if he were saying that as inflation rises, they will also make a rise in that flat fee.

Senator Halligan replied that the flat fee goes on top of the PCE, which is the implicit price deflator for personal consumption expenditures as published quarterly in the Survey of Current Business by the bureau of economic analysis of the United States department of commerce. He continued that right now the PCE has been in effect since around 1981 so the actual figure, if you were to apply this from 1981 on, instead of the figure on the left hand column being \$70.00, it would be \$80.00 and then the \$5.00 would be on top of that.

Representative Gilbert asked what the costs were right now of operating the court systems.

Senator Halligan indicated that it was around \$13 to \$14 million.

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Representative Gilbert asked how this would affect those counties that have a mill levy they are funding right now for district courts.

Senator Halligan responded that they will be able to reduce their costs by the amount of their indigent expense and this should result in a two-mill decrease if not even more.

Representative Gilbert asked if his county sends out \$300,000.00, how much money they are going to get back.

Senator Halligan replied that they will get back exactly what your county is going to be budgeting for indigent legal expenses plus any additional grant-aid requests that they may have.

Representative Gilbert asked, if their county budgeted \$75,000.00, but spent \$300,000.00, what would they get back.

Senator Halligan responded that they would get back \$75,000.00.

Representative Ellison noted that they see these bills coming in on raising these fees on automobiles and he asked why they just don't go back to the ad valorem basis of taxation.

Mr. Morris replied that he was not sure if he could answer that question, but the result of the bill introduced by Senator Williams would actually have been to increase over and above what the flat fee system allows and if they put it back to ad valorem, people owning vehicles would be paying more to drive those vehicles than what they are now.

Representative Ellison asked if they were not going to be back where they were if these bills keep coming in.

Mr. Morris replied that they found from a survey of neighboring states that it is still less expensive to operate a vehicle in the state of Montana even after the additional increments are added to the fee schedule.

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Representative Ream asked how many district courts are there in the state of Montana and Senator Halligan replied that there are 19 judicial districts.

Representative Ream asked if all the counties contribute at the same rate.

Senator Halligan answered that most are levied at six mills, which is the maximum.

Chairman Devlin asked how much was expended last year for district courts.

Mr. Morris responded that he assumed they were talking about the grant-in-aid program and \$3.4 million was budgeted in the last biennium. He advised that the total grant-in-aid that came in from counties was about \$750,000.00 in excess of what had been budgeted. He indicated that in the governor's budget, they have budgeted \$3.4 million currently.

Chairman Devlin asked what would happen to a surplus, if it ever came to this.

Senator Halligan noted that the bill just said that this shall be credited to the general fund.

Chairman Devlin asked if any surplus that might be left would be earmarked for this or would it stay in the general fund.

Senator Halligan responded that that is his understanding - it would stay in the general fund.

Representative Schye asked if all counties pay into the district court fund.

Senator Halligan replied that not every county uses that authority and there are nine counties that fund district court expenses out of their general fund so they may not be showing a district court levy.

There were no further questions.

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Senator Halligan stated that if there is a homicide in a small county, the enormous cost of defending an indigent would far exceed the county's ability to pay. He distributed Exhibit 1 to the committee.

The hearing on this bill was closed.

EXECUTIVE SESSION:

DISPOSITION OF HOUSE BILL 839:

Representative Ellison moved that they TABLE this bill. The motion carried with Representative Schye, Representative Gilbert and Representative Patterson voting no.

DISPOSITION OF SENATE JOINT RESOLUTION 14: Representative Sands moved that this bill BE CONCURRED IN. The motion carried with Representative Gilbert and Representative Devlin voting no. Representative Sands will carry the bill on the floor of the house.

DISPOSITION OF SENATE BILL 307: Representative Williams moved that this bill BE CONCURRED IN. He indicated that this bill is to straighten out the functions of the tax appeal board and he thought it was a good bill. The motion carried with Representative Sands voting no. Representative Williams will carry the bill on the floor of the house.

DISPOSITION OF SENATE BILL 142: Representative Raney moved that this bill BE CONCURRED IN. Representative Williams moved to amend the bill according to scenario 1 of Exhibit 1. The motion failed with Representative Williams, Representative Raney, Representative Keenan, Representative Harrington, Representative Schye and Representative Ream voting yes.

Representative Iverson made a substitute motion that this bill BE NOT CONCURRED IN. The motion failed with a vote of 10 to 10. See Roll Call Vote. Chairman Devlin noted that the bill will go out WITHOUT RECOMMENDATION. Representative Raney will carry the bill on the floor of the house.

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DISPOSITION OF HOUSE BILL 607: Representative Asay moved that they reconsider their action on this bill.

Representative Ream made a substitute motion to pass consideration on this for a day or two as he thought it was unfair to spring this on the committee like this and it is unfair that he had to find out about it by looking at the newspaper.

Representative Williams indicated that he would support the proposed amendments, which will put the bill back in its original form.

There was much discussion on the motion; Chairman Devlin said he would call the question, but he felt that everyone is here, it is a controversial bill, and action should be taken on it when all the committee members are here.

A vote was taken on the motion to pass consideration for the day and the motion prevailed with 11 voting aye and 9 voting no. See Roll Call Vote.

Chairman Devlin announced that the committee would be taking action on this bill tomorrow at 10:00 a.m.

CONSIDERATION OF SENATE BILL 432: Senator Eck, District 40, explained that when she was on taxation committee, it occurred to her that all too frequently the information they wanted was not readily available so she introduced this bill, which would require the Department of Revenue to include additional information in its biennial report and to hold a public hearing on its contents.

PROPOSERS: There were none.

OPPOSERS: There were none.

QUESTIONS ON SENATE BILL 432: Representative Zabrocki asked if these meetings would be in Helena.

Senator Eck responded that it would be in Helena and it might be done when the Revenue Oversight Committee is meeting.

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Representative Zabrocki indicated that they live a long ways from Helena and it is very difficult for his people to come that distance at different times of the year and he did not think his area would have a good representation.

Senator Eck noted that that is always a problem, but communication by mail or by phone could also make a difference.

Representative Gilbert noted on page 1, lines 24 and 25, that it talked about "revenue loss" and he wondered if it should also say "gain".

Senator Eck replied that she would not mind them putting the words, "or gain" in there.

Representative Asay asked if they were not asking the department to give an opinion and Senator Eck answered that maybe the words, "revenue foregone" might be better.

Chairman Devlin asked if this would not be a better piece of legislation if it were a two-way street and he thought that the department could come up with some positive data.

Senator Eck suggested that they might want to reword this.

Representative Sands noting page 2, lines 22 through 25, asked what she had in mind as the available data would probably fill the whole capitol building.

Senator Eck replied that she was talking about the data they have on their computers.

Representative Switzer noted that on page 1, line 18, the bill read, "recommendations for improvements in the system of taxation," and he felt that the department of revenue would interpret that to mean more money and "improvement" would be one criteria by which they would judge this.

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Senator Eck indicated that she would not mind if they made some changes to that and she suggested that they might want to recommend alternatives.

There were no further questions; Senator Eck said she would be happy to discuss this with any members of the committee; and the hearing on this bill was closed.

CONSIDERATION OF HOUSE BILL 926: Representative Bradley, District 79, Bozeman, distributed to the committee a grey bill (Exhibit 2) and Exhibit 3. She informed the committee that this bill would create a public systems trust fund and explained, using the charts, how this would work. She also handed out a letter from Don Hoffman, which is Exhibit 4.

PROPOSERS: Bill Lannan, representing the Montana University Systems, said that they are concerned as how to adequately maintain the facilities on the six campuses in the state and the regents have to prioritize these requirements. He explained some of the problems on the campuses.

Bill Olson, Secretary-Manager of the Montana Contractors' Association, indicated that they have been involved with the infrastructure program, which has to do with public works. He handed out a booklet entitled, "Montana's Infrastructure Crisis". See Exhibit 5.

Senator Towe stated that any time they look to the future as to ways to solve problems that they know exist, they should take advantage of that opportunity. He contended that, at this point, they should not use any of that money and should do some more thinking about it.

Alec Hanson, representing the Montana League of Cities and Towns, stated that the infrastructure task force report identified \$140 million of water projects that were needed in Montana and \$230 million in sewer projects to meet acceptable standards. He contended that they cannot generate that kind of money with the property tax system in Montana and this bill represents a good beginning.

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Representative Keenan went on record in support of this bill and she said that she sat on the task force that worked on infrastructures and the taxable valuation of the state of Montana is less than what it will take to solve the problems that Montana has.

Representative Williams indicated that he was in support of this bill.

Speaker John Vincent stated that he was a supporter of this bill and it is a reasonable, rational approach to solve some serious problems.

There were no further proponents.

OPPONENTS: Jim Mockler, Executive Director of the Montana Coal Council, said that he has not seen the grey bill, the public has had no opportunity to see what the amendments are and it is very difficult to know what this is about as it is very different from the one they have. He exclaimed that enough is enough and this bill will cost the coal industry the highest tax increase they will face this session and this will force them to be that much less competitive.

Dennis Burr, representing the Montana Taxpayers' Association, stated that this will not be a very large fund and there will be \$500,000.00 a year in administrative costs and he would also suggest that there are compliance costs; as well, which will be born by each business.

Tom Budewitz, representing the Knife River Coal Company, said that this bill attempts to take money from the coal companies again and it is treating the coal companies differently than treating anyone else and they would urge the committee to do-not-pass.

Darwin VanDeGraff, representing the Montana Petroleum Association, testified that they consider this bill to be a tax increase and it is taking the cash flow away from the private sector and the balance of business will be disrupted.

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Tom Ebzery, representing the Nerco Mining Company, asked if this was such a new and painless way of raising revenue, how come the other states have not done the same thing.

Forrest Boles, President of the Montana Chamber of Commerce, indicated that it bothers him that in order to make these great improvements to the infrastructures, that the people in the state of Montana want to take from the producers and that is also where the legislature turns first. He contended that it is time to take a hard look at this attitude and they should accept the fact that those people have to exist. He encouraged the committee to defeat this legislation.

Gary Langley, Executive Director of the Montana Mining Association, stated that this would place a burden on industry and put them in a bad cash-flow position and in a bad position to compete with other states.

David Ashley, representing the Department of Administration, informed the committee that in their role as keepers of the general fund, they have a cash-flow problem and he explained how this happens. He offered an amendment (Exhibit 6) which would allieviate this problem.

There were no further opponents.

QUESTIONS ON HOUSE BILL 926: Representative Asay asked if there had been much of a history of delinquency.

Mr. Bucks, representing the Department of Revenue, answered that their rate of delinquency has been very low on the severance taxes and it is not an appreciable amount.

Representative Asay asked if he would anticipate an increase in the rate of delinquencies.

Mr. Bucks advised that the number of employers that would be affected by the bill would be about 1500 employers and those employers are typically the best payors of the state and they report on time and pay on time.

Representative Asay asked if they were not in effect taking this money from their accounts.

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Representative Bradley answered that this would be only in the sense that there is a cash-flow problem and in the second diagram, it shows that at the end of the fiscal year, the total is the same.

Representative Asay noted that in order to establish this additional fund, you would have to deprive them of these other accounts.

Representative Bradley responded it would only be for two months.

Representative Asay asked how many dollars does this involve and Representative Bradley replied that it would be somewhere around \$30 million.

Representative Asay stated that that \$30 million has been presently allocated to other funds and we are going to take that by speeding this up and put it in a separate account and some place, these other accounts are going to be shortened.

Representative Bradley explained that they are shortened in the cash flow in one year but they are not shortened for the total dollars.

Representative Zabrocki asked if this was not, in a sense, putting 13 months in a 12-month period.

Representative Bradley indicated that this was not true and explained the chart again.

Representative Switzer commented on how this bill would work and asked if, in effect, industry is not putting up all the money for this fund.

Representative Bradley advised that the burden on industry is to go from a quarterly to a monthly payment and the burden on the state is to have a cash-flow problem when two-months' revenue is gone.

Representative Patterson asked if this would include those small businessmen who are now paying their withholding to the state of Montana.

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Representative Bradley answered that that would be so only if they owed over \$1,000.00 a month and only 5% of the businesses would be affected and she had talked to many businessmen and they don't oppose this or feel that it would be a burden because they already do this at the federal level.

Chairman Devlin noted that Mr. Olson spoke in favor of this bill and he asked if the members of his association were in favor of the earlier payment on withholding.

Mr. Olson answered that they were not too favorable, but as far as infrastructure is concerned, this is the only game in town.

There were no further questions.

Representative Bradley said that forty states have mixed monthly and quarterly payments and this is not anything that is new. She requested the committee to look at the amendments and look at the different options that are available.

The hearing on this bill was closed.

EXECUTIVE SESSION:

DISPOSITION OF SENATE BILL 432: Representative Keenan moved that this bill BE CONCURRED IN.


Representative Asay commented that he would oppose this motion as this bill does nothing more than ask the department to give a distorted, opinionated report and if it was unbiased and objective, he would support it.

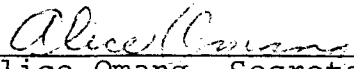
Representative Sands made a motion to amend this bill on page 2, lines 22 through line 25 and on line 1, page 3, by striking subsection b. The motion failed with a vote of 9 ayes and 10 noes. See Roll Call Vote.

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There was some discussion on the bill and a vote was taken on the BE-CONCURRED-IN motion and the motion failed with 7 voting aye and 13 voting no. The vote was reversed on a BE-NOT-CONCURRED IN motion.

ADJOURNMENT: There being no further business, the meeting was adjourned at 11:41 a.m.


GERRY DEVLIN, Chairman


Alice Omang, Secretary

DAILY ROLL CALL

HOUSE TAXATION

COMMITTEE

49th LEGISLATIVE SESSION -- 1985

Date March 19, 1985

NAME	PRESENT	ABSENT	EXCUSED
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	✓		

STANDING COMMITTEE REPORT

March 19, 19 85

MR. - SPEAKER:

We, your committee on TAXATION

having had under consideration SENATE Bill No. 142

third reading copy (blue)
color

AN ACT INCREASING THE FEE IN LIEU OF TAX ON LIGHT VEHICLES, PROVIDING
THAT THE INCREASED REVENUE BE USED, CONTINGENT ON PASSAGE AND
APPROVAL OF SENATE BILL NO. 25, TO FUND CRIMINAL EXPENSES OF
DISTRICT COURTS;

Respectfully report as follows: That SENATE Bill No. 142

WITHOUT RECOMMENDATION

XXXXX
DO PASS

ROLL CALL VOTE

HOUSE COMMITTEE TAXATION

DATE 3/19/85 BILL NO. SB 142 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		✓
	10	10

Secretary Alice Omang

Chairman Gerry Devlin

Motion: Do Not Pass

STANDING COMMITTEE REPORT

March 19, 19 05

MR. **SPEAKER:**

We, your committee on **TAXATION**

having had under consideration **SENATE JOINT RESOLUTION** Bill No. **14**

third reading copy (**blue**)
color

**A JOINT RESOLUTION OF THE SENATE AND THE HOUSE OF REPRESENTATIVES
OF THE STATE OF MONTANA REQUESTING AN INTERIM STUDY TO REVIEW
PROCEDURES FOR THE PAYMENT OF PROPERTY TAXES AND FOR THE SALE
OF REAL AND PERSONAL PROPERTY FOR DELINQUENT TAXES.**

Respectfully report as follows: That **SENATE JOINT RESOLUTION** Bill No. **14**

BE CONCURRED IN

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DO-PASS

STANDING COMMITTEE REPORT

March 19,

19 85

MR. **SPEAKER:**

We, your committee on **TAXATION**

having had under consideration **SENATE** Bill No. **307**

third reading copy (blue)
color

**AN ACT TO CLARIFY THE JURISDICTION AND THE AUTHORITY OF THE COUNTY
TAX APPEAL BOARDS AND THE STATE TAX APPEAL BOARD;**

Respectfully report as follows: That **TAXATION** Bill No. **307**

BE CONCURRED IN

~~XXXXX~~
DO PASS

STANDING COMMITTEE REPORT

March 19, 19 85

MR. SPEAKER:

We, your committee on TAXATION

having had under consideration SENATE Bill No. 432

third reading copy (white color)

AN ACT TO REQUIRE THE DEPARTMENT OF REVENUE TO INCLUDE ADDITIONAL
INFORMATION IN ITS BIENNIAL REPORT AND TO HOLD A PUBLIC HEARING
ON THE PROPOSED CONTENTS OF THE BIENNIAL REPORT;

Respectfully report as follows: That SENATE Bill No. 432

BE NOT CONCURRED IN

DO PASS

ROLL CALL VOTE

HOUSE COMMITTEE TAXATION

DATE _____ BILL NO. SB 432 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	10

Alice O'Leary
Secretary Alice O'Leary

Chairman Gerry Devlin

Motion: Rep. Sands amendment

ROLL CALL VOTE

HOUSE COMMITTEE TAXATION

DATE 3/19/85 BILL NO. HB 607 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	✓	
	11-	9

Alice Omang
Secretary Alice Omang

Chairman Gerry Devlin

Motion: To pass for day

Exhibit #1
SB 142
3/19/85
~~Greg Jackson~~
Sen. Halligan

SB 142

FUNDING OF PARTIAL DISTRICT COURT COSTS (SB 25) BY INCREASING MOTOR VEHICLE FEES, ASSUMING EFFECTIVE DATE OF JULY 1, 1985

SCENARIO I

Fund \$6.6 million for the biennium by pro-rating the cost at an equitable percent increase for each category.

<u>Vehicle Age</u>	<u>2850# or Less</u>	<u>Weight</u>	<u>More Than 2850#</u>
Less than one or equal to 4 years	\$70 + <u>\$12</u> = \$82	17.1%	\$90 + <u>\$12</u> = \$102 13.3%
More than 4 years and less than 8 years	\$40 + <u>\$7</u> = \$47	17.5%	\$50 + <u>\$7</u> = \$57 14.0%
8 years old and over	\$10 + <u>\$1.50</u> = \$11.50	15%	\$15 + <u>\$1.50</u> = \$16.50 10%

This option raises \$6,611,756 for the biennium at an average rate of \$5.09 per vehicle per year, with an average increase of 14.5%.

SCENARIO II

Maintain the \$3.4 million general fund appropriation and fund \$3.2 million for the biennium by pro-rating the cost at an equitable percent increase for each category.

Reduce each increase under Scenario I by half, i.e.:

Vehicle Age

Less than one year and equal to 4 years	+ \$6.00
More than 4 years and less than 8 years	+ \$3.50
8 years old and over	+ \$.75

This option raises \$3,305,878 for the biennium at an average rate of \$2.55 per vehicle per year with an average increase of 7.3%.

Exhibit #2
H.B. 926
3-19-1985
Rep. Bradley

1 HOUSE BILL NO. 926

2 INTRODUCED BY BRADLEY, KEENAN, TOWE, VINCENT,
3 MILES, MENAHAN, FRITZ, PECK, ADDY, REAM, RANEY,
4 DARKO, HARBIN, KADAS, J. HAMMOND, CONNELLY,
5 BARDANOUVE, RAPP-SVRCEK, M. WILLIAMS
6

7 A BILL FOR AN ACT ENTITLED: "AN ACT CREATING THE MONTANA
8 INFRASTRUCTURE PUBLIC SYSTEMS TRUST FUND; CHANGING THE
9 REPORTING AND TAX PAYMENT PERIOD FOR WITHHOLDING TAXES, COAL
10 SEVERANCE TAXES, AND OIL AND GAS SEVERANCE TAXES; AMENDING
11 SECTIONS 15-1-501, 15-30-204, 15-35-102, 15-35-104,
12 15-35-105, 15-35-108, 15-36-102, 15-36-105, 15-36-107, AND
13 15-36-112, 15-38-105 THROUGH 15-38-107, AND 82-11-132, MCA;
14 AND PROVIDING EFFECTIVE DATES."
15

16 WHEREAS, the Governor's Task Force on Infrastructure
17 found that at least \$100 million in repairs to the state's
18 municipal water supply systems was needed in 1983; and

19 WHEREAS, the same Task Force further found that \$231
20 million in repairs is needed to bring Montana's public sewer
21 systems up to current standards; and

22 WHEREAS, the cost to bring Montana's streets and county
23 roads into good condition is estimated at \$8 billion in
24 1984; and

25 WHEREAS, 52 of Montana's 53 county jails need a minimum

1 of \$56 million in improvements to comply with constitutional
2 standards; and

3 WHEREAS, much of the other infrastructure within the
4 state, including the infrastructure of the university
5 system, is in need of expansion, repair, or replacement; and

6 WHEREAS, the creation of the Montana ~~infrastructure~~
7 PUBLIC SYSTEMS Trust Fund is an appropriate use of state
8 revenues, including general fund revenues, provided that the
9 interest income is used at least initially to reimburse the
10 general fund.

11
12 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF MONTANA:

13 NEW SECTION. Section 1. Montana ~~infrastructure~~ PUBLIC
14 SYSTEMS trust fund. (1) There is a permanent Montana
15 ~~infrastructure~~ PUBLIC SYSTEMS trust fund. The fund consists
16 of:

17 (a) all taxes deducted and withheld from wages, as
18 provided in 15-30-202, during the period beginning ~~July~~
19 JANUARY 1, ~~1985~~ 1986, and ending ~~September~~ MARCH 1, ~~1985~~
20 1986;

21 (b) all coal severance taxes owed the state, as
22 provided in 15-35-104, on the production of coal, as
23 provided in 15-35-103 and 15-35-104, during the period
24 beginning ~~July~~ JANUARY 1, ~~1985~~ 1986, and ending ~~September~~
25 MARCH 1, ~~1985~~ 1986, except that portion of coal severance

1 taxes required to be deposited in the coal severance tax
2 trust fund under 15-35-108 and Article IX, section 5, of the
3 Montana constitution;

4 (c) all oil and gas severance taxes owed the state on
5 the production of any petroleum or other mineral or crude
6 oil or natural gas, as provided in 15-36-101 and 15-36-102,
7 during the period beginning ~~July~~ JANUARY 1, ~~1985~~ 1986, and
8 ending ~~September~~ MARCH 1, ~~1985~~ 1986;

9 (d) except as provided in subsection (2), all interest
10 and other income earned on the trust fund; and

11 (e) any other funds that the legislature may from time
12 to time appropriate to the trust fund.

13 (2) The legislature may appropriate the interest and
14 other income to:

15 (a) the general fund, but only until the amount
16 deposited in the trust fund, as required under subsections
17 (1)(a) through (1)(c), has been reimbursed to the general
18 fund; and

19 (b) construct, maintain, or preserve the
20 ~~infrastructure~~ PUBLIC SYSTEMS of the state, including the
21 university system, counties, and municipalities.

22 Section 2. Section 15-1-501, MCA, is amended to read:

23 "15-1-501. Disposition of moneys from certain
24 designated license and other taxes. (1) The state treasurer
25 shall deposit to the credit of the state general fund all

1 moneys received by him from the collection of:

2 (a) automobile driver's license fees under subsections
3 (1) through (6) of 61-5-111;

4 (b) electrical energy producer's license taxes under
5 chapter 51;

6 (c) severance taxes allocated to the general fund
7 under chapter 36;

8 (d) liquor license taxes under Title 16;

9 (e) telephone [company] license taxes under chapter
10 53; and

11 (f) inheritance and estate taxes under Title 72,
12 chapter 16.

13 (2) ~~Seventy-five--percent~~ Except as provided in
14 [section 1], 75% of all moneys received from the collection
15 of income taxes under chapter 30 and corporation license and
16 income taxes under chapter 31, except as provided in
17 15-31-702, shall be deposited in the general fund subject to
18 the prior pledge and appropriation of such income tax and
19 corporation license tax collections for the payment of
20 long-range building program bonds. The remaining 25% of the
21 proceeds of the corporation license tax, excluding that
22 allocated to the counties under 15-31-702, corporation
23 income tax, and income tax shall be deposited to the credit
24 of the state special revenue fund for state equalization aid
25 to the public schools of Montana.

1 (3) The state treasurer shall also deposit to the
2 credit of the state general fund all moneys received by him
3 from the collection of license taxes, fees, and all net
4 revenues and receipts from all other sources under the
5 operation of the Montana Alcoholic Beverage Code.

6 (4) Thirty-three and one-third percent of the total
7 collections of the oil severance tax under chapter 36 shall
8 be deposited into the local government block grant account
9 within the state special revenue fund. After the
10 distribution provided for in 15-36-112, the remainder of the
11 oil severance tax collections shall be deposited in the
12 general fund."

13 Section 3. Section 15-30-204, MCA, is amended to read:

14 "15-30-204. ~~Quarterly--payment~~ Payment. (1) On or
15 before the last day of each month, every employer subject to
16 the provisions of 15-30-202 and 15-30-203, except as
17 provided in subsections (2) and (3), shall file a return in
18 such form and containing such information as may be required
19 by the department and shall pay therewith the amount
20 required by 15-30-202 to be deducted and withheld by said
21 employer from wages paid during the preceding month.

22 (2) An employer subject to the provisions of 15-30-202
23 and 15-30-203 whose projected total liability for
24 withholdings does not exceed \$1,000 in 1 month may
25 following---application--to--and--written--approval--by--the

1 department SHALL, in lieu of the return and payment required
 2 under subsection (1), on or before the last day of the
 3 months of April, July, October, and January of each calendar
 4 year, ~~every-employer-subject-to-the-provisions-of-15-30-202~~
 5 ~~and--15-30-203--shall~~ file a return in such form and
 6 containing such information as may be required by the
 7 department and ~~shall~~ pay therewith the amount required by
 8 15-30-202 to be deducted and withheld by said employer from
 9 wages paid during the preceding quarterly period of 3
 10 months.

11 ~~(2)~~(3) If the total amount of the tax withheld by an
 12 employer under the provisions of 15-30-202 upon the wages of
 13 all employees of any employer is less than \$10 in each
 14 ~~quarterly~~ monthly period of any year, such employer shall
 15 not be required to file the monthly or quarterly returns or
 16 to make the monthly or quarterly payments as provided in the
 17 preceding subsection (1) or (2), but in lieu thereof such
 18 employer shall, on or before February 15 of the year
 19 succeeding that in which such wages were paid, file an
 20 annual return in such form as may be required by the
 21 department and shall pay therewith the amount required to be
 22 deducted and withheld by the employer from all wages paid
 23 during the preceding calendar year.

24 ~~(3)~~(4) If the department has reason to believe that
 25 collection of the amount of any tax withheld is in jeopardy,

1 it may proceed as provided for under 15-30-312 with respect
2 to jeopardy assessments of income tax."

3 Section 4. Section 15-35-102, MCA, is amended to read:

4 "15-35-102. Definitions. As used in this chapter, the
5 following definitions apply:

6 (1) "Contract sales price" means either the price of
7 coal extracted and prepared for shipment f.o.b. mine,
8 excluding that amount charged by the seller to pay taxes
9 paid on production, or a price imputed by the department
10 under 15-35-107. Contract sales price must be based on the
11 statements required in 15-35-104 and includes all royalties
12 paid on production, no matter how such royalties are
13 calculated. However, with respect to royalties paid to the
14 government of the United States, the state of Montana, or a
15 federally recognized Indian tribe, the contract sales price
16 includes only:

17 (a) for ~~quarterly~~ ~~monthly~~ QUARTERLY periods ending on
18 and after ~~September-30, 1984~~ ~~June--30, 1985~~ SEPTEMBER 30,
19 1984, 15 cents per ton plus 75% of the difference between 15
20 cents per ton and the amount of such federal, state, and
21 tribal government royalties actually paid;

22 (b) for ~~quarterly~~ ~~monthly~~ QUARTERLY periods ending on
23 and after September 30, 1985, 15 cents per ton plus 50% of
24 the difference between 15 cents per ton and the amount of
25 such federal, state, and tribal government royalties

1 actually paid;

2 (c) for ~~quarterly~~ monthly periods ending on and after
3 September 30, 1986, 15 cents per ton plus 25% of the
4 difference between 15 cents per ton and the amount of such
5 federal, state, and tribal government royalties actually
6 paid; and

7 (d) for ~~quarterly~~ monthly periods ending on and after
8 September 30, 1987, 15 cents per ton.

9 (2) "Department" means the department of revenue.

10 (3) "Energy conversion process" includes any process
11 by which coal in the solid state is transformed into slurry,
12 gas, electric energy, or any other form of energy.

13 (4) "Produced" means severed from the earth.

14 (5) "Strip mining" or "surface mining" is defined in
15 82-4-203.

16 (6) "Taxes paid on production" includes any tax paid
17 to the federal, state, or local governments upon the
18 quantity of coal produced as a function of either the volume
19 or the value of production and does not include any tax upon
20 the value of mining equipment, machinery, or buildings and
21 lands, any tax upon a person's net income derived in whole
22 or in part from the sale of coal, or any license fee.

23 (7) "Ton" means 2,000 pounds.

24 (8) "Underground mining" means a coal mining method
25 utilizing shafts and tunnels and as further defined in

1 82-4-203."

2 Section 5. Section 15-35-104, MCA, is amended to read:

3 "15-35-104. ~~Quarterly~~ Monthly statement and payment of
4 tax. Each coal mine operator shall compute the severance tax
5 due on each ~~quarter-year's~~ month's worth of production on
6 forms prescribed by the department. The statement shall
7 indicate the tonnage produced, the average Btu value of the
8 production, the contract sales price received for the
9 production, and such other information as the department may
10 require. The completed form in duplicate, with the tax
11 payment, shall be delivered to the department not later than
12 30 days following the ~~close~~ end of the ~~quarter~~ month. The
13 form shall be signed by the operator if the operator is an
14 individual or by an officer of the coal mine operator if the
15 operator is a business entity. A person operating more than
16 one coal mine in this state may include all of his mines in
17 one statement. The department may grant a reasonable
18 extension of time for filing statements and payment of taxes
19 due upon good cause shown therefor."

20 Section 6. Section 15-35-105, MCA, is amended to read:

21 "15-35-105. Penalty for delinquent tax. The department
22 shall add to the amount of all delinquent severance taxes a
23 penalty of 10% of the delinquent amount plus interest at the
24 rate of 1% per month or fraction thereof computed on the
25 total amount of severance tax and penalty. Interest shall be

1 computed from the date the severance tax was due to the date
2 of payment. The department shall mail to the person required
3 to file a ~~quarterly~~ monthly report and pay any severance
4 tax, a letter setting forth the amount of tax, penalty, and
5 interest due, and the letter shall further contain a
6 statement that if payment is not made, a warrant for
7 distraint may be filed. The penalty amount may be waived by
8 the department if reasonable cause for the failure or
9 neglect to file the ~~quarterly~~ monthly statement is provided
10 to the department."

11 Section 7. Section 15-35-108, MCA, is amended to read:

12 "15-35-108. Disposal of severance taxes. Severance
13 Except as provided in [section 1], severance taxes collected
14 under the provisions of this chapter are allocated as
15 follows:

16 (1) To the trust fund created by Article IX, section
17 5, of the Montana constitution, 25% of total collections a
18 year. After December 31, 1979, 50% of coal severance tax
19 collections are allocated to this trust fund. The trust fund
20 moneys shall be deposited in the fund established under
21 17-6-203(5) and invested by the board of investments as
22 provided by law.

23 (2) Starting July 1, 1986, and ending June 30, 1987,
24 6% of coal severance tax collections are allocated to the
25 highway reconstruction trust fund account in the state

1 special revenue fund. Starting July 1, 1987, and ending June
2 30, 1993, 12% of coal severance tax collections are
3 allocated to the highway reconstruction trust fund account
4 in the state special revenue fund.

5 (3) Coal severance tax collections remaining after the
6 allocations provided by subsections (1) and (2) are
7 allocated in the following percentages of the remaining
8 balance:

9 (a) to the county in which coal is mined, 2% of the
10 severance tax paid on the coal mined in that county until
11 January 1, 1980, for such purposes as the governing body of
12 the county may determine;

13 (b) 2 1/2% until December 31, 1979, and thereafter
14 4 1/2% to the state special revenue fund to the credit of
15 the alternative energy research development and
16 demonstration account;

17 (c) 26 1/2% until July 1, 1979, and thereafter 37 1/2%
18 to the state special revenue fund to the credit of the local
19 impact and education trust fund account;

20 (d) for each of the 2 fiscal years following June 30,
21 1977, 13% to the state special revenue fund to the credit of
22 the coal area highway improvement account;

23 (e) 10% to the state special revenue fund for state
24 equalization aid to public schools of the state;

25 (f) 1% to the state special revenue fund to the credit

1 of the county land planning account;

2 (g) 1 1/4% to the credit of the renewable resource
3 development bond fund;

4 (h) 5% to a nonexpendable trust fund for the purpose
5 of parks acquisition or management, protection of works of
6 art in the state capitol, and other cultural and aesthetic
7 projects. Income from this trust fund shall be appropriated
8 as follows:

9 (i) 1/3 for protection of works of art in the state
10 capitol and other cultural and aesthetic projects; and

11 (ii) 2/3 for the acquisition of sites and areas
12 described in 23-1-102 and the operation and maintenance of
13 sites so acquired;

14 (i) 1% to the state special revenue fund to the credit
15 of the state library commission for the purposes of
16 providing basic library services for the residents of all
17 counties through library federations and for payment of the
18 costs of participating in regional and national networking;

19 (j) 1/2 of 1% to the state special revenue fund for
20 conservation districts;

21 (k) 1 1/4% to the debt service fund type to the credit
22 of the water development debt service fund;

23 (l) all other revenues from severance taxes collected
24 under the provisions of this chapter to the credit of the
25 general fund of the state."

1 Section 8. Section 15-36-102, MCA, is amended to read:

2 "15-36-102. Quarterly Monthly payment PAYMENT of tax.

3 Such (1) EVERY PERSON WHO DURING THE MONTH PRODUCES 8,000
 4 BARRELS OR MORE OF OIL OR 300,000 THOUSAND CUBIC FEET (MCF)
 5 OR MORE OF NATURAL GAS SHALL PAY THE severance tax ~~shall be~~
 6 paid in quarterly monthly installments ~~for--the--quarterly~~
 7 ~~periods--ending,--respectively,--March-31,--June-30,--September~~
 8 ~~30,--and-December-31--of--each--year,--and--the.~~ THE amount of the
 9 tax for each quarterly monthly period shall be paid to the
 10 department of revenue within ~~60~~ 30 days after the end of
 11 each ~~quarterly-period~~ month.

12 (2) EVERY PERSON WHO DURING THE MONTH PRODUCES OIL IN
 13 QUANTITIES OF LESS THAN 8,000 BARRELS OR NATURAL GAS IN
 14 QUANTITIES OF LESS THAN 300,000 THOUSAND CUBIC FEET (MCF)
 15 SHALL PAY THE SEVERANCE TAX IN QUARTERLY INSTALLMENTS FOR
 16 THE PERIODS ENDING, RESPECTIVELY, MARCH 31, JUNE 30,
 17 SEPTEMBER 30, AND DECEMBER 31. THE AMOUNT OF THE TAX FOR
 18 EACH QUARTERLY PERIOD SHALL BE PAID TO THE DEPARTMENT OF
 19 REVENUE WITHIN 30 DAYS AFTER THE END OF THE QUARTERLY
 20 PERIOD."

21 Section 9. Section 15-36-105, MCA, is amended to read:

22 "15-36-105. Statement to accompany payment -- records
 23 -- collection of tax -- refunds. (1) (A) Each EXCEPT AS
 24 PROVIDED IN SUBSECTION (1)(B), EACH and every person must,
 25 within ~~60~~ 30 days after the end of each ~~following--quarter~~

1 month, make out on forms prescribed by the department of
2 revenue a statement showing the total number of barrels of
3 merchantable or marketable petroleum and other mineral or
4 crude oil or cubic feet of natural gas produced or extracted
5 by such person in the state during each the month ~~of--such~~
6 ~~quarter--and-during-the-whole-quarter,~~ and the average value
7 thereof during each the month, ~~and-the-total--value--thereof~~
8 ~~for-the-whole-quarter,~~ together with the total amount due to
9 the state as severance taxes for such ~~quarter~~ month, and
10 must within such 60 30 days deliver such statement and,
11 except as provided in 15-36-121, pay to the department the
12 amount of the taxes shown by such statement to be due to the
13 state for the ~~quarter~~ month for which such statement is
14 made.

15 (B) PERSONS DESCRIBED IN 15-36-102(2) SHALL FILE THE
16 COMPLETED STATEMENT AND PAY THE TAX 30 DAYS FOLLOWING THE
17 END OF THE CALENDAR QUARTER IN WHICH THE MINERAL OR CRUDE
18 OIL OR NATURAL GAS WAS PRODUCED.

19 (2) Such statement must be signed by the individual or
20 the president, vice-president, treasurer, assistant
21 treasurer, or managing agent in this state of the
22 association, corporation, joint-stock company, or syndicate
23 making the statement. Any such person engaged in carrying on
24 such business at more than one place in this state or
25 owning, leasing, controlling, or operating more than one oil

1 or gas well in this state may include all thereof in one
2 statement. The department shall receive and file all such
3 statements and collect and receive from such person making
4 and filing a statement the amount of tax payable by such
5 person, if any, as the same shall appear from the face of
6 the statement.

7 ~~(2)~~(3) It shall be the duty of the department to
8 examine each of such statements and compute the taxes
9 thereon, and the amount so computed by the department shall
10 be the taxes imposed, assessed against, and payable by the
11 taxpayer making the statement for the quarter month for
12 which the statement is filed. If the tax found to be due
13 shall be greater than the amount paid, the excess shall be
14 paid by the taxpayer to the department within 10 days after
15 written notice of the amount of the deficiency shall be
16 mailed by the department to such taxpayer. If the tax
17 imposed shall be less than the amount paid, the difference
18 must be applied as a credit against tax liability for
19 subsequent quarters months or refunded if there is no
20 subsequent tax liability."

21 Section 10. Section 15-36-107, MCA, is amended to
22 read:

23 "15-36-107. Procedure to compute tax in absence of
24 statement -- penalty and interest. If any such person shall
25 fail, neglect, or refuse to file any statement required by

1 15-36-105 within the time therein required, the department
2 of revenue shall, immediately after such time has expired,
3 proceed to inform itself as best it may regarding the number
4 of barrels of petroleum and other mineral or crude oil or
5 cubic feet of gas extracted and produced by such person in
6 this state ~~during-such-quarter-and~~ during each applicable
7 month ~~thereof~~ and the average value thereof during each such
8 month and shall determine and fix the amount of the
9 severance taxes due to the state from such person for such
10 ~~quarter~~ month and shall add to the amount of such severance
11 taxes a penalty of 25% thereof plus interest at the rate of
12 1% per month or fraction thereof computed on the total
13 amount of severance taxes and penalty. Interest shall be
14 computed from the date the severance taxes were due to the
15 date of payment. The department shall mail to the person
16 required to file a ~~quarterly~~ monthly OR QUARTERLY statement
17 and pay any severance tax, a letter setting forth the amount
18 of severance tax, penalty, and interest due, and the letter
19 shall further contain a statement that if payment is not
20 made, a warrant for distraint may be filed. The 25% penalty
21 herein provided may be waived by the department if
22 reasonable cause for the failure and neglect to file the
23 statement required by 15-36-105 is provided to the
24 department."

25 Section 11. Section 15-36-112, MCA, is amended to

1 read:

2 "15-36-112. Disposition of oil and gas severance
3 taxes. (1) Each year the department of revenue shall
4 determine the amount of tax collected under this chapter
5 from within each county.

6 (2) ~~The~~ Except as provided in [section 1], the
7 severance taxes collected under this chapter are allocated
8 as follows:

9 (a) 33 1/3% of the oil severance tax, not to exceed
10 \$42 million for the biennium ending June 30, 1985, is
11 deposited in the local government block grant account within
12 the state special revenue fund;

13 (b) the amount, if any, by which the tax collected
14 from within a county for any fiscal year exceeds the total
15 amount collected from within that county for the previous
16 fiscal year, by reason of increased production and not
17 because of increase in or elimination of federal price
18 ceilings on oil and gas, is allocated to the general fund of
19 the county for distribution as provided in subsection (3);

20 (c) any amount not allocated to the local government
21 block grant account or the county under subsection (2)(a) or
22 (2)(b) is allocated to the state general fund.

23 (3) (a) The county treasurer shall distribute the
24 money received under subsection (2)(b) of this section to
25 the county and to all the incorporated cities and towns

1 within the county in the following manner. The county
 2 receives the available money multiplied by the ratio of the
 3 rural population to the county population. Each incorporated
 4 municipality receives the available money multiplied by the
 5 ratio of the population of the incorporated municipality to
 6 the county population. The rural population is that
 7 population of the county living outside the boundaries of an
 8 incorporated municipality. Population shall be based on the
 9 most recent figures as determined by the department of
 10 commerce.

11 (b) The money distributed under this subsection may be
 12 used for any purpose as determined by the governing body of
 13 the county, city, or town."

14 SECTION 12. SECTION 15-38-105, MCA, IS AMENDED TO
 15 READ:

16 "15-38-105. Report of gross yield from mines. (1) A
 17 person who engages in or carries on the business of mining,
 18 extracting, or producing a mineral from any quartz vein or
 19 lode, placer claim, dump or tailings, or other place or
 20 source shall make out a ~~quarterly~~ statement of gross yield
 21 of the mineral from each mine owned or worked by that person
 22 during the ~~quarter~~ reporting period.

23 (2) This form shall be in the form prescribed by the
 24 department and shall be signed by the person or the manager,
 25 superintendent, agent, president, or vice-president of the

1 corporation, association, or partnership, if any, and shall,
2 except as provided in subsection (3), be delivered to the
3 department on or before the 60th day following the end of
4 the calendar quarter.

5 (3) A person who engages in the production of coal,
6 oil, or natural gas shall make the statement as provided in
7 this section and deliver the statement to the department at
8 the same time as the person's statement for severance tax is
9 to be delivered as provided in Title 15, chapters 35 and 36,
10 as applicable.

11 (4) The statement shall show the following:

12 ~~(1)~~(a) the name and address of the owner or lessee or
13 operator of the mine;

14 ~~(2)~~(b) the description and location of the mine;

15 ~~(3)~~(c) the quantity of minerals extracted, produced,
16 and treated or sold from the mine during the period covered
17 by the statement;

18 ~~(4)~~(d) the amount and character of the mineral and the
19 total yield of the mineral from the mine in constituents of
20 commercial value; that is to say, the number of ounces of
21 gold or silver, pounds of copper or lead, tons of coal,
22 barrels of petroleum or other crude or mineral oil, cubic
23 feet of natural gas, or other commercially valuable
24 constituents of the ores or mineral products or deposits
25 yielded to the person engaged in mining measured by standard

1 units of measurement;

2 ~~(5)~~(e) the gross yield or value in dollars and cents."

3 SECTION 13. SECTION 15-38-106, MCA, IS AMENDED TO

4 READ:

5 "15-38-106. Payment of tax -- records -- collection of
6 taxes -- refunds. (1) The tax imposed by this chapter shall
7 be paid by each person to which the tax applies, on or
8 before March 1, on the value of product in the year
9 preceding January 1 of the year in which the tax is paid.
10 The tax shall be paid to the department at the time the
11 statement of yield for the last calendar-quarter reporting
12 period is filed with the department.

13 (2) The department shall deposit the proceeds of the
14 tax in the resource indemnity trust fund of the
15 nonexpendable trust fund type. Every person to whom the tax
16 applies shall keep records in accordance with 15-38-105, and
17 the records are subject to inspection by the department upon
18 reasonable notice during normal business hours.

19 (3) The department shall examine each of the ~~four~~
20 quarterly statements required under 15-38-105 and compute
21 the taxes thereon, and the amount computed by the department
22 shall be the taxes imposed, assessed against, and payable by
23 the taxpayer. If the tax found to be due is greater than the
24 amount paid, the excess shall be paid by the taxpayer to the
25 department within 30 days after written notice of the amount

1 of deficiency is mailed by the department to the taxpayer.
2 If the tax imposed is less than the amount paid, the
3 difference must be applied as a tax credit against tax
4 liability for subsequent years or refunded if requested by
5 the taxpayer."

6 SECTION 14. SECTION 15-38-107, MCA, IS AMENDED TO
7 READ:

8 "15-38-107. Procedure in case of failure to file
9 statement. (1) If any person fails, refuses, or neglects to
10 make and file a statement and return it within the time
11 prescribed, the department shall immediately after such time
12 has expired determine, as nearly as may be possible from any
13 returns or reports filed with the state or from any other
14 information which the department may be able to obtain, the
15 gross yield of the mineral of such person from such business
16 during the calendar--quarter reporting period immediately
17 preceding the quarter-in time at which the statement is to
18 be filed and shall fix the amount of the tax that would be
19 due to the state if the tax were paid on-a-quarterly-basis
20 for the applicable reporting period from such person for
21 such calendar-quarter reporting period and shall add to the
22 amount of such tax a penalty of \$25 or 2%, whichever is
23 greater.

24 (2) If any person fails, refuses, or neglects to pay
25 the tax when due, the department shall immediately

determine, as nearly as may be possible from any information which the department may be able to obtain, the total gross value of product of the person from the business during the year for which the tax is due and shall fix the amount of tax due to the state and shall add to the amount a penalty of 8% plus interest at the rate of 1% a month or fraction thereof computed on the total amount of tax and penalty. Interest shall be computed from the date the tax was due to the date of payment.

(3) The department shall mail to the person failing to file a ~~quarterly~~ statement or pay any tax a letter setting forth the amount of tax, penalty, and interest due. The letter shall advise that if payment is not received, a warrant for distraint may be filed.

(4) Penalties may be waived by the department if reasonable cause for the failure and neglect to file the statement required by 15-38-105 or the failure to pay the tax required by 15-38-106 is provided to the department."

SECTION 15. SECTION 82-11-132, MCA, IS AMENDED TO
READ:

"82-11-132. Statements to treasurer and payment of tax. (1) Each producer of crude petroleum in the state shall, ~~not later than the last day of each of the calendar months of February, May, August, and November of each calendar year,~~ render a true statement to the state

1 treasurer, the department of revenue, and the board, duly
2 signed and sworn to, of all crude petroleum produced and
3 marketed by him in this state during the ~~preceding--quarter~~
4 appropriate reporting period as provided in 15-36-105 and
5 containing such other information as the board may require
6 and shall accompany the statement with the payment to the
7 state treasurer of the assessment provided for in
8 82-11-131(1) for the period covered by the statement.

9 (2) Each producer of natural gas in the state shall
10 render like statements to the state treasurer, the
11 department of revenue, and the board of all natural gas
12 produced and marketed by him in this state and shall make
13 payment of the assessment provided for in 82-11-131(1) at
14 such times and for such periods as may be prescribed by rule
15 of the board.

16 (3) Any producer carrying on business at more than one
17 place or location in this state may include all those places
18 of business in one statement.

19 (4) The assessment imposed herein shall be due at the
20 time the oil or natural gas is marketed. Oil or natural gas
21 shall be deemed marketed when it is removed from the
22 property from which it was produced."

23 NEW SECTION. Section 16. Extension of authority. Any
24 existing authority of the department of revenue to make
25 rules on the subject of the provisions of this act is

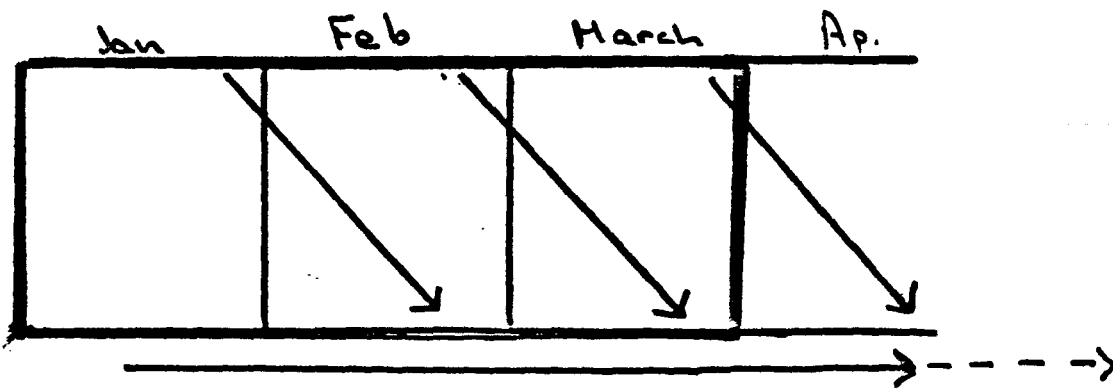
1 extended to the provisions of this act.

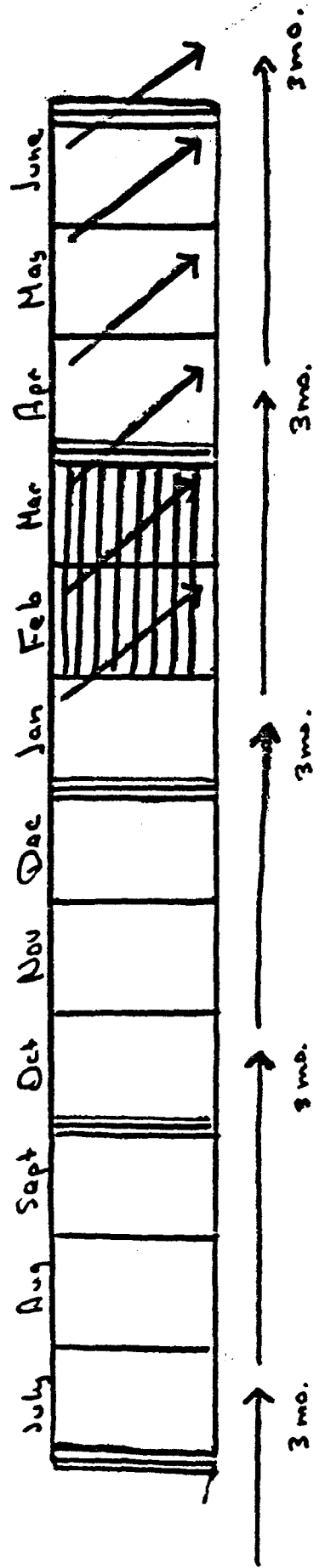
2 NEW SECTION. Section 17. Effective dates. (1)
3 Sections 1 through ~~11~~ 15 are effective ~~July~~ JANUARY 1, ~~1985~~
4 1986.

5 (2) Section ~~12~~ 16 and this section are effective on
6 passage and approval, but no rules adopted under section ~~12~~
7 16 may be made effective before ~~July~~ JANUARY 1, ~~1985~~ 1986.

-End-

Exh. b, t 3
HB 926
3/19/85
Rep. Bradley





DEPARTMENT OF REVENUE

Exhibit 4
HB 926
3/19/85
Rep. Bradley



TED SCHWINDEN, GOVERNOR

MITCHELL BUILDING

STATE OF MONTANA

HELENA, MONTANA 59620

March 15, 1985

Memo

To: Senator Towe
✓ Representative Bradley
Representative Keenan

From: Don Hoffman, Chief *DH*
Natural Resource and Corporation Tax
Department of Revenue

Subject: Payment of oil and gas production taxes in other
states.

Below is a list of various states having oil and gas production, which
neighbor Montana, as well as some other major producing states.
Included - also is a description of when production taxes are due.

North Dakota

oil - monthly reports and payments are due the 25th day of
the month succeeding the month of production.

gas - reports and payments are due the 15th day of the second
month succeeding the month of production (45 days).

Wyoming

oil & gas production tax - the tax must be paid monthly by
the 25th day of the month following the month in which the
charge accrued.

oil, gas & coal excise tax - is due quarterly as follows:

1st Qtr	May 15
2nd Qtr	August 15
3rd Qtr	November 15
4th Qtr	March 1

Utah

oil & gas conservation tax - monthly payments due by the 30th day of the month succeeding the month of production.

Texas

gas - reports and payments are due on or before the last day of each calendar month for the previous month's production.

oil - reports and payments are due on or before the 25th day of each month following the month of production.

The tax is withheld by the first purchaser.

Oklahoma

oil - tax is due by the end of the month immediately succeeding the month of production.

gas - payment must be made monthly when the total tax exceeds \$100,000.

cc: John LaFaver

DEPARTMENT OF REVENUE

RECEIVED

AUG 21 1984



TED SCHWINDEN, GOVERNOR

STATE OF MONTANA

MITCHELL BUILDING
DIRECTOR
DEPT. OF REVENUE

HELENA, MONTANA 59620

August 21, 1984

TO: Dan Bucks, Deputy Director
Operations

FROM: Steve Bender, Chief ^{SB}
Research Bureau
Research and Information Division

SUBJECT: Business Climate Impact of Accelerated Withholding

Montana's business climate ranking could be adversely affected by accelerated withholding payments. The negative influence would result from the one time shift in collections between fiscal years. This shift could reduce Montana's taxation ranking by inflating state and local tax collections per \$1,000 of personal income; and growth in taxes (variables used by Alexander Grant).

Any unilateral increase in state and local tax collections could conceivably affect business climates under Alexander Grant's methodology, regardless of the source. For example, the Corporate Tax Division has pending audit assessments of \$30 - \$40 million. The resolution of these assessments will result in greater tax collections and hence be detrimental to our business climate. The resolution of these audit assessments would have a larger impact on our business climate than accelerated withholding given the dollar amounts involved. Any action affecting tax collections can influence a state's business climate ranking within the methodology currently in use.

Given these considerations, would a \$17 million increase in tax collections affect our taxation ranking? The answer is mixed. Our taxation ranking would have remained the same in 1982. Montana was ranked 44 in 1982 with state and local tax collections per \$1,000 of personal income totaling \$129.45. Accelerated withholding would increase this figure to \$131.21. In 1982 Massachusetts was ranked 45 with a factor value of 132.78. Our ranking, therefore, would be unaffected.

Dan Bucks
August 21, 1984
Page 2.

On the other hand, our taxation ranking would have been affected in the 1983 study. Accelerated withholding would have increased Montana's state and local tax collections per \$1,000 personal income from \$128.68 to \$131.72. This increase would have been enough to reduce our rank from 45 to 46, exceeding New Mexico's factor value by \$0.32. This change in the taxation factor would have reduced Montana's overall rank. Montana would have been replaced by Oklahoma for the 20th slot, with Montana falling to 21 overall.

Two points must be kept in mind when the impact of accelerated withholding on our business climate is considered. First and most important, the current methodology keys on relative state and local tax burdens. One can not just look at Montana taxation in isolation and get an accurate assessment of the effects. Tax burdens of the other states must be considered. This fact is extremely important at this point in time. Our taxation ranking should improve in the near future due to the number of states that increased taxes recently. The impact of accelerated withholding therefore would be to (somewhat lessen our future improvement.)

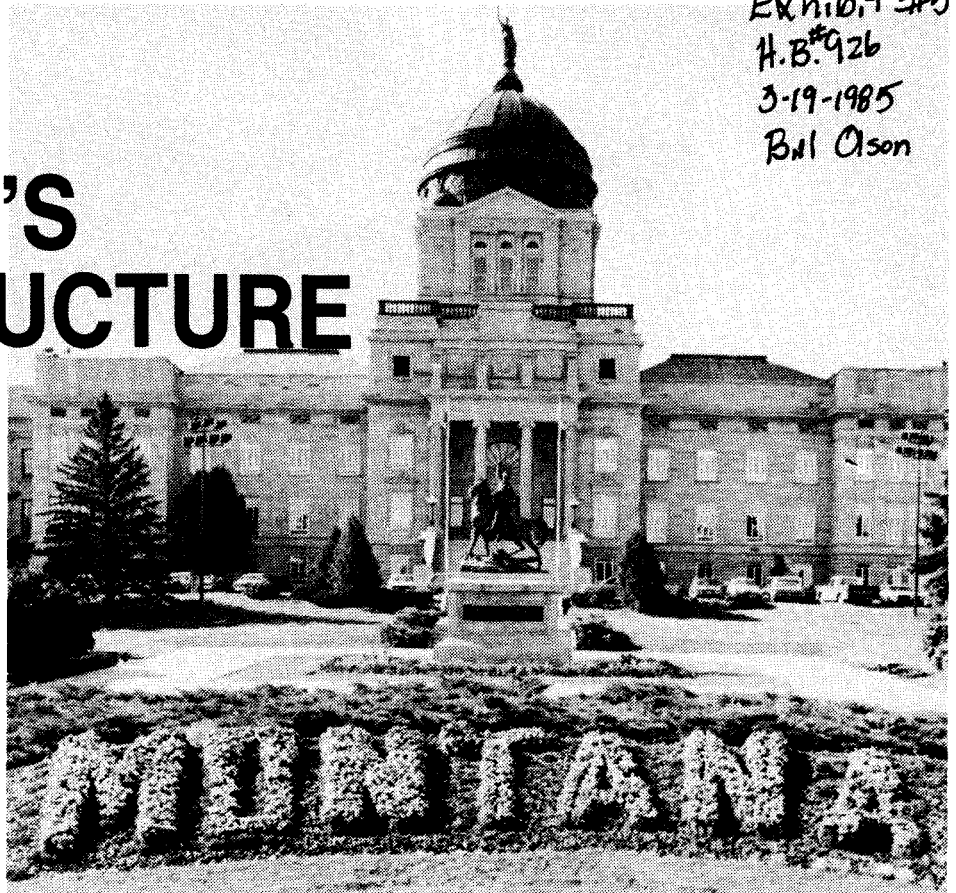
Second, there would be a significant time lag between the time collections are increased and the time the business climate studies are published. For example, the 1983 Alexander Grant study, published in 1984, uses taxation data from FY82. This implies that if accelerated withholding was instituted in FY85, then the impact of accelerated withholding on our business climate would not be published until 1987.

SB/mj

Exhibit #5
H.B. #926
3-19-1985
Bill Olson

MONTANA'S INFRASTRUCTURE CRISIS

A Report to the State



MONTANA TRAVEL PROMOTION PHOTO

More Montana people are hearing the phrase "infrastructure crisis," on the news and in statements by politicians wrestling with public budgets.

What is the so-called "infrastructure," and what "crisis" exists?

The term defines the totality of facilities, public and private, that serve basic transportation and utility functions.

Our perspective in examining the state's infrastructure is to consider these extensive facilities as an investment which, like a home or an automobile, deserves protection if only to prevent a decline in the dollar value they represent.

Then why haven't more funds been allocated for public works projects? An infrastructure crisis update published by the AGC (Associated General Contractors) reveals that "for the last 20 years or so, capital spending on public works — at all levels of government — has been competing with service spending — and losing."

Montana infrastructure is a problem needing immediate attention. Unaddressed it will continue to decline and the costs of replacing these vital systems will escalate beyond the limits of our funding capacity altogether.

What Does This Mean in Montana?

In January of 1984, Governor Ted Schwinden appointed a Task Force on Infrastructure to look into this question. The charge of the Task Force was:

"To look at ways to improve the quality and quantity of investment in capital facilities which are the responsibility of Montana counties, incorporated cities and towns."

"To compile information on the replacement and new construction needs of counties, incorporated cities and towns of Montana for basic public works and present this information to Montana citizens."

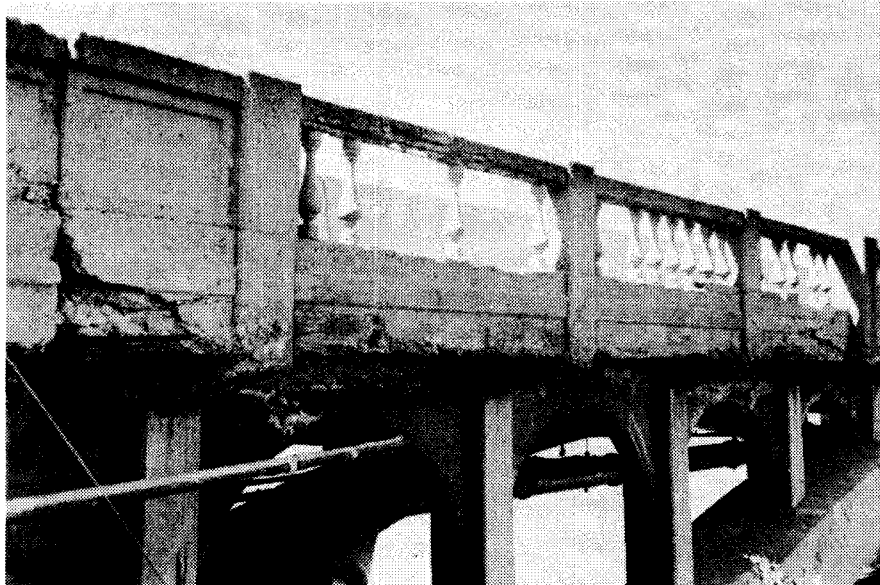
"To research administrative and legislative changes that could be made to facilitate flexibility in financing capital construction and good management in planning and operating capital facilities at the local level and bring these recommendations to the attention of the public and the appropriate government officials."

The Task Force is preparing its final report and recommendations through the fall of 1984, for presentation to the Governor and the Legislature prior to the 1985 session.

What is the status of Montana infrastructure? Consider these situations:

BRIDGES

Local governments are responsible for construction, reconstruction or rehabilitation of all bridges on all public roads and streets in Montana which are not under State or Federal jurisdiction. In addition, local governments are responsible for maintaining all bridges on public roads and streets in Montana which are not the maintenance responsibility of the State or Federal government.



There are 2,142 bridges located on city and county jurisdiction roads and streets, 919 of these are structurally deficient, and in need of replacement, 798 bridges are structurally obsolete and in need of rehabilitation.

At today's costs \$72.5 million will be needed to replace the 919 structurally deficient bridges and \$27.5 million to rehabilitate or replace the 798 structurally obsolete bridges. Therefore, it will cost \$100 million to meet today's needs for local jurisdiction bridge systems.

ROADS

Maintenance of streets and roads is largely the responsibility of local governments. These streets and roads are a vital portion of our transportation network.

There are approximately 78,000 miles of roads, streets and highways in Montana. Of this total, only 8,000 miles are the maintenance responsibility of the State Highway Department. The vast majority, or 70,000 miles, fall entirely to local governments to maintain. This amounts to almost 90 percent of our motor vehicle network.

This responsibility falls into two categories: roads, that are the responsibility of the counties; and streets, that are the responsibility of municipalities. It is estimated that the local share of county road responsibility for 63,546 miles is \$6.4 billion dollars. The local share for the 2,442 miles of streets has been estimated at \$1.1 billion. This makes the total amount of investment necessary from the local level for streets and roads \$7.5 billion dollars. Adding in State and Federal assistance, the total comes to over \$8 billion.

AIRPORTS

If Montana has one problem that is more significant than any others in completing airport improvement plans, it is that of land acquisition. Difficulties in acquiring land have resulted in the creation of a sort of endangered airports list.

Currently 55 percent (64 out of 116) of Montana's airports are in need of repairs or reconstruction. Capital improvement funds from state and federal sources are available to 58 percent of the Montana airports, while the remaining 42 percent must rely on self-funding for capital improvements. Local revenue sources include loan programs, parking lot fees, hangar rental, fuel flowage fees, and some larger airports collect landing fees from commercial airlines. In addition, local governments have authorized a two mill levy for airport maintenance and improvement.

Because only 5-10 projects per year are possible under the federal grant/state match program, it will take 6-12 years to address current (1984) needs, since the federal grant/state match program will provide only \$17,874,000 of the total \$19,819,000 needed. However, since it will take the program 6-12 years to meet current needs, presumably, any new needs identified in subsequent years will not be met.

JAILS

In Montana, the county government usually operates local jails. There are 53 county government detention facilities in Montana. The county sheriff is legally responsible for inspecting the jail and providing funds to assure the facility meets health, safety, fire, and separation requirements. All offenders who violate state law must, by law, be held in the county jail. All juveniles held for offenses must, by law, be held in county jails.

The current status of Montana jails is as follows:

- Out of a total of 53 county jails in the state, only one jail clearly meets current jail standards. Thus, the remaining 52 jails will need rehabilitation, expansion, or replacement.
- A total of 21 out of 53 county detention facilities were built or underwent a major renovation previous to 1955. Since a detention facility has a normal lifetime of 30 years, at least 21 facilities will need to be completely renovated or replaced.

- A recent study conducted by the Crime Control Division indicates that local government officials estimate that the current need for county jail rehabilitation, expansion or replacement is at least \$56,713,373. This figure is the aggregate need statewide for all Montana local governments.

- There are 16 municipal jails in Montana. Since most municipal jails are located in small cities and towns there is a possibility that those municipalities with sub-standard facilities might close the jails and contract with their county.

A total need of \$56,713,373 has been identified for county detention facilities. The financial cost for separate juvenile facilities is currently unknown. There is no total need figure available for the 16 municipal jails in the State. However, many planned jail upgrades have repeatedly stalled due to voter rejection of bond issues. For the foreseeable future it appears local governments will continue to provide the predominate share of the cost for jail upgrades.

SOLID WASTE

Local governments and private entities are responsible (and liable) for the financing, operation and maintenance of Montana's Waste Management Systems. Waste Management includes: landfills (fencing, equipment, equipment storage, etc.), transfer stations, and incineration systems. Most local governments own their landfill property; however, some are leased from private, state or federal owners.

This facility provides basic protection to human health and the environment by maintaining adequate waste management services statewide. This program also administers and enforces the legislative statutes and companion rules for solid waste disposal and septic tank pumpers.

Solid waste management disposal needs for the State of Montana are estimated at a cost of \$6,550,000. A national rule of thumb indicates that disposal costs are only 25 percent of the overall, therefore, an estimated \$19,650,000 is needed for collection which is totally a local responsibility.

Nine percent of Montana's population is being served by solid waste systems that are out of compliance with Department of Health and Environmental Sciences standards. It will cost \$1 million to bring these into compliance and another \$5.4 million to maintain all systems at a compliance level (includes operational costs). The total annual bill for statewide compliance is \$6.4 million. Ten Montana counties have not met the needs for solid waste planning studies at a cost of \$150,000.

COMMUNITY WATER SYSTEMS

The primary function of a water system is to provide a safe and convenient supply of water for drinking, fire protection and irrigation. The capacity of a system must be large enough to support "peak" personal and commercial demands, as well as accommodate community growth.



A total of 264 capital project needs have been reported by Montana's incorporated cities and towns. The physical needs are:

- 134 distribution projects
- 55 supply projects
- 45 storage projects
- 30 treatment projects

In addition, there are rural water systems. Thirty-five percent of the 279 rural water systems are in need of major upgrading to bring them into compliance with the "10" State Water Quality Standards. It is also felt that 55 percent of these rural systems have insufficient financial resources for repair or replacement of existing facilities, and that some daily financial obligations cannot be met.

Because there is no comprehensive database on the need for improvements to water systems in Montana it is impossible to arrive at an accurate estimate of need. However, we do know from the joint efforts of the Montana Contractors' Association, Inc. and the Montana League of Cities and Town's survey of incorporated cities/towns, that a minimum need of \$100 million has been identified.

DAMS

Dams in the Treasure State are regarded as the State's Life Line. They are the source of city water supply, and provide for

flood control and recreation, some generate hydro-electric power and many supply irrigation to ranchers and farmers and their livestock.

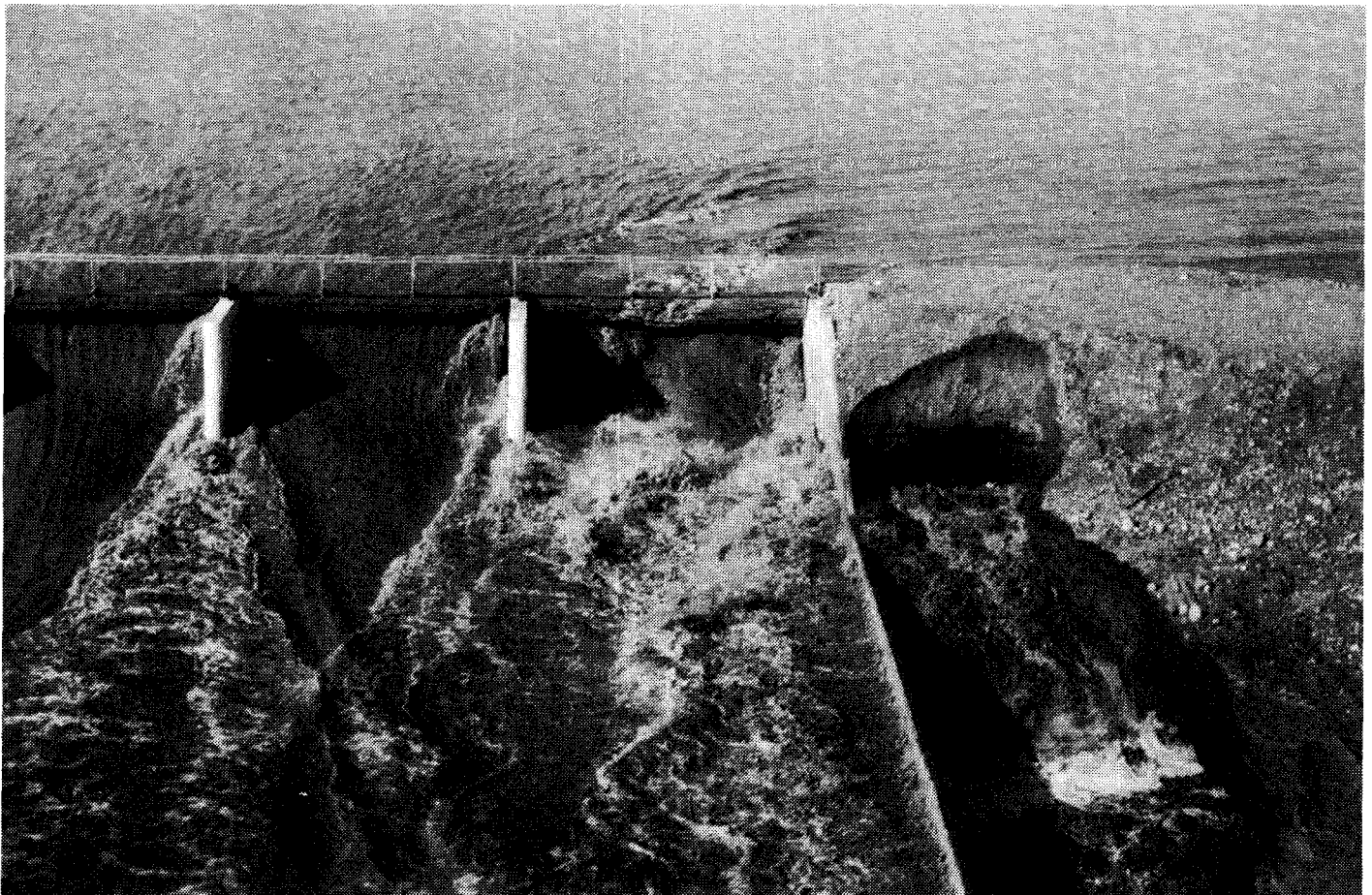
But the Life Line is about to be broken, in the case of many of our states dams.

Montana Department of Natural Resources and Conservation, with the Corps of Engineers, found that there are a total of 804 such structures in the state that show a potential for hazard. Of these, 672 are said to have significant hazard potential. That is, they pose some threat to human life, but mainly pose a threat for economic loss.

Of far greater concern are the 132 dams that are ranked as having a high hazard potential because a break or failure in any of these would claim more than a few human lives, and the economic losses would be excessive.

Montana's last fatal dam failure was in 1964 when the Swift and Two Medicine dams broke, killing 19 people and causing millions of dollars in damage. Unfortunately, it often seems the only interest for dam safety is when there is a loss of lives and property.

The State of Montana owns 36 significant hazard structures and 28 high hazard dams, while cities hold title to 13 dams that are significant hazards and 17 high hazard dams. Counties claim only two dams that are rated as significant hazards and three that fit the definition of high hazard dams.



WASTEWATER TREATMENT AND DISPOSAL

The local authority (city, county or sewer district) is charged with the physical and financial responsibility of operating and maintaining its wastewater facility. Depending upon what type of governing authority is present, the decision makers are the city council, county commissioners or a sewer board.

There are no universal figures which tell us how many public and private wastewater facilities exist in Montana. However, we do have some 1982 population data: 69 percent of the population reflected needs for construction of new systems or that of bringing old systems up to standards. The remaining 31 percent, according to the population study, had no existing need.

The 1984 evaluation of 203 public systems for which information exists illustrates a monetary need of \$231,276,000. This cost figure includes projected capacity demands, necessary for population growth of 20 years (2004).

WHO'S AT BAT?

There are two aspects of the problem we can improve in Montana. The first of these is to become more knowledgeable as citizens about our own local public facilities. Ultimately, it is the responsibility of each local community to determine



its own priorities and needs for capital investment. We can help by actively supporting our local officials in prioritizing local needs for replacement or rehabilitation, and recognizing our responsibility to help pay the costs involved. We need to find ways to ensure that local public facilities are operated in a cost efficient manner — including charging for a facility based on the amount of use (where charging is possible), and not deferring maintenance.

In many communities, Montana taxpayers are facing major capital expenditures. However, the alternative is clear. If we fail to reinvest in our public works now, costs in the future will only escalate as deterioration proceeds unchecked.

The second aspect of the problem that we can work to improve is the role that State government plays in planning and financing local public works. Local governments must comply with State statutes in planning and financing local public works. Many of these statutes are outmoded and actually add to the costs of replacing or maintaining local infrastructure by unnecessarily restricting local flexibility and authority. Many of the recommendations of the Task Force identify these statutes and propose changes in State law.

In addition, State government administers a number of grant, loan and bonding programs that actively contribute to local financing. State government also provides technical assistance for planning a broad range of public facilities. Unfortunately, most State and local officials are not aware of the full range of financial and technical assistance currently available. The Task Force has also recommended that all this information be pulled together into one place and made readily accessible to State and local officials.



For more information:

This publication is brought to you as a public service by the Montana Contractors' Association, Inc. For more information about Infrastructure, contact:

Community Development Division
Montana Department of Commerce
Cogswell Building, Room C211
Capitol Station
Helena, Montana 59620

Montana Contractors' Association, Inc.

P.O. Box 4519
HELENA, MONTANA 59604

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Exhibit 6
HB 926
3/19/85

PROPOSED AMENDMENT - HB926

1. Page 17
Following: line 12
Insert: "New Section. Section 12. Transfers from infrastructure trust fund. When the expenditure of an appropriation is necessary, and the cash balance in an account is insufficient due to the reallocation of taxes to the Montana infrastructure trust fund, the Department of Administration may authorize a permanent transfer from the Montana infrastructure trust fund to such account.
Renumber: subsequent sections

Handwritten signature and initials at the bottom right corner.

VISITORS' REGISTER

TAXATION

COMMITTEE

BILL NO. HOUSE BILL 926DATE March 19, 1985SPONSOR Representative Bradley

NAME (please print)	RESIDENCE	SUPPORT	OPPOSE
Jim Mockler	Helena - MT. Coal Council		✓
Tom Budewitz	Townsend, Mt.		✓
T.M. Rollins	Tray, Mt		✓
Ken Williams	Butte Western Energy		✓
Dave Ashley	Helena		✓
Tom Ebzery	Billings - Newcombing Co		✓
Dennis Burr	Clancy MT		✓
Pat Wilson Montco / Thermal Energy	Billings, MT		✓
GARY A LANGLEY	MT. MINING ASSN.		✓
JH Bales	MT Chamber of Commerce		✓

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

PLEASE LEAVE PREPARED STATEMENT WITH SECRETARY.

VISITORS' REGISTER

TAXATION

COMMITTEE

BILL NO. SENATE BILL 142DATE March 19, 1985SPONSOR SENATOR HALLIGAN

NAME (please print)	RESIDENCE	SUPPORT	OPPOSE
A.R. (Toni) Hagener	Hill County	✓	
Greg Jackson	Urban Coalition	✓	
G. Morris	MAC	✓	

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

PLEASE LEAVE PREPARED STATEMENT WITH SECRETARY.

VISITORS' REGISTER

TAXATION

COMMITTEE

BILL NO. SENATE BILL 307

DATE March 19, 1985

SPONSOR _____

[illegible]

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PLEASE LEAVE PREPARED STATEMENT WITH SECRETARY.

VISITORS' REGISTER

TAXATION

COMMITTEE

BILL NO. SJR 14

DATE March 19, 1985

SPONSOR SENATOR BROWN

[illegible]

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