

MINUTES OF THE MEETING  
TAXATION COMMITTEE  
MONTANA STATE  
HOUSE OF REPRESENTATIVES

March 26, 1985

The forty-ninth meeting of the Taxation Committee was called to order in room 312-2 of the state capitol by Chairman Gerry Devlin at 8:02 a.m.

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

CONSIDERATION OF HOUSE BILL 848: Representative Remirez stated that this is a bill addressing property tax indexing and it has a very expensive fiscal note and he thought they had enough problems with property tax reclassification and recommended that the committee table this bill.

PROPOSERS: There were none.

OPPOSERS: There were none.

QUESTIONS ON HOUSE BILL 848: There were none.

EXECUTIVE SESSION:

DISPOSITION OF HOUSE BILL 848: Representative Iverson moved that they TABLE this bill. The motion carried with Representative Patterson voting no.

CONSIDERATION OF SENATE BILL 462: Senator Gage informed the committee that this bill, which would revise the allowable deductions in determining oil and gas net proceeds for property tax purposes, will help the Department of Revenue in administering the net proceeds law and he explained the bill.

PROPOSERS: Marc Buyske, representing the Montana Oil and Gas Association, stated that this bill, in its present form, will eliminate some areas of contention between the small operators and the Department of Revenue. He indicated that they would have preferred the bill to have been adopted in its original form, but they will accept the changes.

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There were no further proponents.

OPPONENTS: There were none.

QUESTIONS ON SENATE BILL 462: Representative Asay asked about the fiscal note and Senator Gage indicated that the biggest supposition that the Department of Revenue made in building this fiscal note was #6, which was the cost in an operating agreement and their contention was that every operator of 5,154 wells would enter into an operating agreement, which would say that they will charge them \$500.00 a month to operate the well and he thought that was ridiculous. He continued that every owner of a local well is not going to enter into an operating agreement to begin with and certainly are not going to enter into a \$500.00-a-month one.

Representative Asay asked for the response from the Department of Revenue.

Don Hoffman, representing the Department of Revenue, stated that the way the bill was drafted, it talked about an operating agreement and then went on to say that in lieu of that operating agreement, the operators could take 10% or 25% of the cost depending on the type of well as an allowance for clerical and office and managerial costs. He explained that because of the language on page 2, line 5, they felt that many of the operators would be trying to deduct for their out-of-state offices and this is something that they are continually discussing with the major producers in the state of Montana.

Chairman Devlin asked if this would be more or less of a wash with these amendments.

Mr. Hoffman answered that they estimated that the fiscal impact of the bill would be about \$90,000.00 in taxes statewide.

Chairman Devlin asked about the local property taxes and Mr. Hoffman replied that that is included - some would be for local government and some for the foundation program.

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Representative Williams asked how this compares with the procedure they had been using before this bill was introduced.

Mr. Hoffman replied that they attempted not to allow the bonds and other types of insurance, but, as far as the insurance was concerned, they were always trying to figure out what portion of the policy was for fire and what portion was for casualty. He explained that, as far as the vehicles go, that is basically a clarification and they have been attempting to do that all along.

Representative Sands asked in section 2, page 6, how they basically were doing this before.

Mr. Hoffman responded that in the past, they, particularly with the way the law was written, required that the amortization period would begin when that well became a producible well but not necessarily hooked up to a distribution system and if it could be hooked up, then the amortization period would begin at that time.

Representative Sands asked if they would pay if they were not hooked up to a natural gas system and were not pumping into a tank and were basically capped.

Mr. Hoffman answered no - that this was talking about the deduction of drilling costs and capital expenditures and, under a normal situation, drilling costs and capital expenditures are amortized over a ten-year period on a straight-line basis. He explained that the amortization period would begin when that well became producible.

Senator Gage advised that each year stands on its own and that they cannot carry costs from one year to another and if they have an operating loss, that is tough.

There were no further questions.

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Senator Gage concluded by saying that this bill does clarify some situations and the operator has the elective to amortize over 10 years or 2 years, whichever he chooses.

The hearing on this bill was closed.

CONSIDERATION OF HOUSE BILL 410: Representative Harp, District 7, Kalispell, stated that this bill was introduced early in the session and was a safety valve if things did not occur during the session. He explained that there are certain properties in class 11 that are presently being taxed at 15% and are being treated inequitably. He continued that he is asking for a reduction in that class from 15% to 12% and this basically affects telephone lines and pipe lines.

PROPOSERS: Jim Hughes, representing Mountain Bell, informed the committee that if a telephone pole is being used by them, it is taxed at 15%; if hanging on a power line, it is taxed at 12%; if a cooperative, it would be 4% and if you put it along a railroad line for their own telecommunications, it would be taxed at a different rate. He indicated that this would not solve all the problems but it is designed to take care of the serious problem of class 11.

John McDonald, representing the Northwestern Telephone System, Kalispell, told the committee that they appear in support of this bill and they definitely agree with what Mr. Hughes offered.

Mike Zimmerman, representing the Montana Power Company, stated that they felt that the telephone property rate should be the same as the natural gas property rate and the electricity companies rate.

Gregg Groepper, Administrator of the Property Assessment Division of the Department of Revenue, testified that the concept that is suggested in this bill is what they have strongly recommended and the Revenue Oversight Committee came to that conclusion also.

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There were no further proponents.

QUESTIONS ON HOUSE BILL 410: Representative Zabrocki asked about the telephone lines that are underground.

Mr. Hughes replied that about 90% of them are underground, but he was just using this as an example.

Representative Williams asked, since the impact of this bill was so great, would they be willing to just sit on this until they see what they can do with the other reclassification revenue bills.

Representative Harp replied that he would sit on this until the 69th day .

Representative Williams commented that if they pass this bill, there will be about a \$5½ million loss to local government and he did not think they could tolerate that.

Representative Harp answered that he hoped that these other bills would do the job, but it is getting down to the last two or three days and that is the only reason he brought it up. He indicated that he thought these people were being discriminated against and they either abide by this or they are going to be in litigation and he felt that this is the time it is going to occur as it has been four years that this has been going on.

Representative Sands asked why it was important to have property in the same class taxed at the same rate.

Mr. Groepper responded that they have to go back to the Montana constitution, which says that property be appraised, assessed and equalized in a similar fashion and, in addition, there are some Montana supreme court rules that say the same class should have the same tax rate.

Representative Sands asked if they would remove those constitutional questions if they just put them in a different class.

Mr. Groepper replied that according to the rulings he has seen, it infers that property within that class not

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only has to be taxed at the same rate, it has to be taxed in a similar fashion and this requires equal treatment for the purposes of valuation.

There were no further questions; Representative Harp closed; and the hearing on this bill was closed.

EXECUTIVE SESSION:

DISPOSITION OF SENATE BILL 249: Representative Keenan moved that this bill BE CONCURRED IN. The motion carried with Representative Hanson and Representative Devlin voting no.

DISPOSITION OF SENATE BILL 334: Representative Cohen moved that this bill BE CONCURRED IN. The motion carried with Representative Hanson voting no.

DISPOSITION OF SENATE BILL 309: Representative Keenan moved that this bill BE CONCURRED IN. Representative Ream made a substitute motion that this bill BE NOT CONCURRED IN.

Representative Williams moved to amend this bill on page 1, line 6, following "emissions" insert "fossil fuel". There was considerable discussion and a vote was taken on the amendment and it failed with 6 voting aye and 12 voting no. See Roll Call Vote.

Representative Cohen moved to amend the bill on page 2, line 13, following "furnace" by inserting "or a catalytic converter added to a stove or furnace". He advised that these are on sale for under \$200.00 and they are highly recommended. The motion carried unanimously.

There was considerable discussion about the merits of the bill and Representative Keenan declared that if people are moving to wood, they better take care of the air pollution problem.

A vote was taken on the motion BE CONCURRED IN AS AMENDED and it carried with a vote of 13 ayes and 6 noes. See Roll Call Vote.

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CONSIDERATION OF SENATE BILL 461: Senator Fuller, District 22, Helena, explained that there are periods during the year when counties and cities have a short fall and have to file warrants during these low periods. He said that this bill will allow the Montana Economic Development Board to purchase revenue notes to cover these short falls and the effect would be that they could get these notes and save the interest costs they are paying the banks for these loans.

PROPOSERS: Dale Harris, Deputy Administrator of the Economic Development Board, testified that the 1983 legislature created the Economic Development Board and part of that legislation allowed them to pool municipal bonds with the idea that it could be a tax savings and this bill will amend that legislation. He indicated that these municipalities could continue to register their warrants if they want to, but this gives them an option. He stated that there would be a \$200,000.00 savings to local government.

Bill Werewolf, representing the City of Helena, stated that this would change the borrowing method to one that is much more efficient than right now.

Alec Hanson, representing the Montana League of Cities and Towns, noted that this bill would provide help where it is needed most and in those cities and towns where they do not keep cash reserves, such as Butte-Silver Bow, it is estimated that they can save several thousand dollars a year in interest payments.

Greg Jackson, representing the Urban Coalition, stated that they were in support of this bill for the reasons mentioned.

There were no further proponents.

OPPOSERS: There were none.

QUESTIONS ON SENATE BILL 461: Representative Sands asked if they were, in effect, selling their tax assessments and making money on it.

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Mr. Harris responded that that was correct - it is arbitrage.

Representative Sands asked what would keep a local government from selling hundreds or thousands of these, since the debt limit does not apply.

Mr. Harris answered that it would have to be done within their annual appropriation and they would have to borrow the month of the greatest deficit plus the expenditures for the following month and that is the limit of how much they can borrow.

Representative Asay asked if he said that local governments would save thousands of dollars in interest.

Mr. Harris reiterated that in Butte-Silver-Bow, they estimate that they will save several hundred thousand dollars in interest in a year - they are required to register warrants and pay 10% in interest and, under this, they would pay 2% or possibly 0% and if they register sufficient amount of warrants, they will save all this.

Representative Patterson asked what would happen if any of these cities or towns would default.

Mr. Harris answered that they have discussed lending money to pay for any short-fall at the market rate of interest and if the local government cannot meet their obligations, they will lend money at a taxable rate of interest to cover the payment until local government can make up the short-fall.

There were no further questions.

Senator Fuller stated that the main thing to remember is that this is not a deficit spending bill - the budget is set and they cannot spend more money and, secondly, it is a workable tool for local governments and the notion that they would default is quite remote.


The hearing on this bill was closed.



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ADJOURNMENT: There being no further business, the meeting adjourned at 9:48 a.m.

  
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GERRY DEVLIN, Chairman

  
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Alice Omang, Secretary

## DAILY ROLL CALL

HOUSE TAXATION

COMMITTEE

49th LEGISLATIVE SESSION -- 1985

Date March 26, 1985

NAME	PRESENT	ABSENT	EXCUSED
DEVLIN, GERRY, Chrm.	✓		
WILLIAMS, MEL, V. Chrm.	✓		
ABRAMS, HUGH	<del>✓</del>		
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 26, 19 85

MR. SPEAKER:

We, your committee on TAXATION

having had under consideration SENATE Bill No. 249

third white  
~~first~~ reading copy ( white )  
color

AN ACT TO TAX CIGARETTES SOLD IN PACKAGES OF MORE THAN  
20 CIGARETTES ON A PER CIGARETTE BASIS;

Respectfully report as follows: That SENATE Bill No. 249

BE CONCURRED IN

~~DO PASS~~

*in 3/25*

# STANDING COMMITTEE REPORT

..... March 26 ..... 19 85 .....

MR. SPEAKER: .....

We, your committee on ..... TAXATION .....

having had under consideration ..... SENATE ..... Bill No. 334 .....

third ..... reading copy ( blue )  
color

AN ACT REVISING THE NONGAME WILDLIFE CHECKOFF PROVISIONS OF THE  
STATE INCOME TAX FORM, ALLOWING THE DEPARTMENT OF REVENUE TO  
DEDUCT FROM COLLECTIONS FROM THE CHECKOFF FOR THE NONGAME WILDLIFE  
PROGRAMS THE ADMINISTRATIVE COSTS OF THE PROGRAMS FOR FISCAL YEARS  
1986 AND 1987;

Respectfully report as follows: That ..... SENATE ..... Bill No. 334 .....

BE CONCURRED IN

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# STANDING COMMITTEE REPORT

March 26, 1985

MR. SPEAKER:

We, your committee on TAXATION

having had under consideration SENATE Bill No. 309

third reading copy ( blue )  
color

AN ACT ALLOWING A TAX CREDIT FOR THE INSTALLATION OF LOW EMISSION  
WOOD OR BIOMASS COMBUSTION DEVICES;

Respectfully report as follows: That SENATE Bill No. 309

Be amended as follows:

1. Page 2, line 13.

Following: "furnace"

Insert: ", or a catalytic converter added to a stove or furnace,"

AND AS AMENDED  
BE CONCURRED IN

~~XXXX~~  
DO PASS

# ROLL CALL VOTE

HOUSE COMMITTEE TAXATION

DATE 3-26-1985 BILL NO. SB#309 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		✓

Secretary Alice Omang

Chairman Gerry Devlin

Motion: To Adopt Rep. Williams Amendment - S.B. #309

## VISITOR'S REGISTER

HOUSE                      TAXATION                      COMMITTEE

BILL SB 462

DATE March 26, 1985

SPONSOR                      Senator Gage

[illegible]

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

WHEN TESTIFYING PLEASE LEAVE PREPARED STATEMENT WITH SECRETARY.

## VISITOR'S REGISTER

HOUSE TAXATION

COMMITTEE

BILL HB 410

DATE 3/26/85

SPONSOR Rep. HARP

[illegible]

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

WHEN TESTIFYING PLEASE LEAVE PREPARED STATEMENT WITH SECRETARY.



## VISITOR'S REGISTER

HOUSE TAXATION COMMITTEE

BILL SB 461

DATE March 26, 1985

SPONSOR Senator Fuller

[illegible]

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

WHEN TESTIFYING PLEASE LEAVE PREPARED STATEMENT WITH SECRETARY.