

MINUTES OF THE MEETING
TAXATION COMMITTEE
MONTANA STATE SENATE

January 16, 1985

The seventh meeting of the Senate Taxation Committee was called to order at 8:06 am by Chairman Thomas E. Towe in Room 415 of the Capitol Building.

ROLL CALL: All members of the committee were present.

CONSIDERATION OF SB 67: Chairman Towe recognized Senator Del Gage, Senate District 5, chief sponsor of the bill. Senator Gage said the bill dealt with exempting sewer and water systems on agricultural land and down-hole oil and gas equipment from taxation. He indicated to the committee that he was aware of difficulties with the bill from people who wanted more included, less included or no bill at all. He asked the committee to disregard the fiscal note as its figures were based on erroneous information from an oil and gas publication. An amended fiscal note has been requested.

He said that very little of the value involved is currently taxed. The value of sewage and water systems is already reflected in the value of the farm home, he said. Of over 49,000 agricultural residences he said that only about 6,300 are now taxed on added sewage and water disposal systems. The others, he said, assume that value in the appraisal.

PROPOSERS

Senator Ed Smith was then recognized to support the bill. He said that to tax oil well equipment as property was to tax the surface owner when that person had nothing to do with mineral rights. He said that the casing on down-hole equipment should be taxed if it does have separate value independent from the well. He submitted written material (Exhibit 1) to further explain his testimony. He urged the committee to act in advance of an anticipated Attorney General's opinion. He said that currently water wells are taxed in some counties and not in others, and that the issue needs clarity and equity.

Terry Carmondy of the Montana Association of Realtors was recognized in support of the bill. He said that the bill should be expanded to include all homes with individual water and sewer systems, and that to tax those separately from the value of the home amounts to double taxation.

Alan Eck, Montana Farm Bureau Federation, also supported the bill. He submitted written testimony (Exhibit 2).

Jerry Croft of Croft Petroleum also supported SB 67 with written testimony (Exhibit 3).

Darwin Vandegraaff, Executive Director of the Montana Petroleum Association said that the market approach to taxing of down-hole

January 16, 1985

equipment had worked fine. He said that the down-hole casing is an integral part of the well. He cited court cases which agreed with that opinion. He said equipment of the same kind held in supply is taxed. He said that he supported the bill because the equipment has little resale value. He said they are not asking to have a tax removed, only to maintain the status quo.

Pat Melby representing the Montana Oil and Gas Association said that he supported the bill for the same reasons.

OPPONENTS

Gregg Groepper, Administrator of the Property Assessment Division, Department of Revenue, said that the issue of septic tanks and wells and the issue of down-hole equipment should be separated. Oil and gas wells are covered by an administrative rule for net and gross proceeds (Exhibit 4). He said that taxation has not been handled fairly and that the equipment must have a separate and independent value to be taxed. That is why the Department has asked for an Attorney General's opinion. He said that he expected that opinion to say that down-hole equipment would not be taxed and that machinery and equipment would be taxable. He said that his statement was not in opposition or support, but informational; and he validated that the current fiscal note is incorrect.

Regarding septic tanks and wells Mr. Groepper said that some counties currently assess them and some do not. He said that the Department will tax them unless there is further legislation and added that it would be confusing to have an effective date that required compliance in this tax year. He asked for an effective date after 1985.

Welden Summers, tax manager for Shell Oil, said that down-hole equipment has a very short life and is hard to remove. He said second hand equipment would not be run back into another well. He said that when a well is depleted its total value has been taxed. He urged the committee to pass SB 67.

Questions from the committee were called for.

In response to a question by Senator Eck, Mr. Vandegraaff said that there is one tax paid on a well in production and a separate tax for a well not in production. Senator Smith said there is no tax on abandon casing. Senator Eck asked what would happen if the Legislature did not act. Mr. Groepper responded that the Department would wait for an Attorney General's opinion which he expected to exempt casing and tax other inside parts of down-hole equipment.

Senator Eck asked if there was tax revenue on capped wells. Mr. Groepper said no. She then asked if under current law we can distinguish between farm and subdivision rural residences. Mr. Groepper said, no, and added that tighter definition was needed. Senator Eck asked if sewer and water portions of the bill amounted to double taxation. Mr. Groepper said, no, but explained that it was a confusing matter.

Senator Mazurek asked if a privately owned water system in a subdivision is exempt. Mr. Groepper responded that it would be taxed as improved or unimproved. Senator McCallum asked for clarification about the lead lines and Mr. Groepper said that would be reflected in the value of the lot.

Senator Mazurek asked what was intended by the language "any related improvements on agricultural land". Senator Gage said that he was uncertain and that his only concern was with the residence itself.

Welden Summers said that with a change in the rules from December 1984 the oil and gas people don't know whether they should return their own assessments and be taxed, or assume that they should not be taxed and risk the Department of Revenue doing the valuation.

In response to a question on net proceeds from Senator Towe, Mr. Summers said that equipment was a part of that. Mr. Summers said that all equipment capital should be deducted.

Senator Towe discussed with the oil and gas people whether or not any of the down-hole equipment has salvage value. Senator Gage said in conclusion to that discussion that it would cost \$5000 to get equipment out of a hole worth only \$2000 and that it would be in such bad shape it could only be sold for scrap.

Pat Montalban, an area supplier in Cut Bank, described to the committee the exact kinds of equipment in the hole. He said, further that if down-hole equipment was taxed, not just oil and gas wells should be subject to the tax, but water wells also.

Senator Towe asked if the effective date was postponed if the inequity amount counties would continue. Mr. Groepper said there was no problem with down-hole equipment and that he would guarantee the committee that the Department would reserve assessment until the committee had considered the issue. Mr. Summer pointed out, however, that the Attorney General's opinion would apply only to the casing and that if all other equipment isn't included the instruction wouldn't help. Mr. Groepper said the Department's instruction was to hold all assessment of down-hole equipment for the Attorney General's opinion but that the Department expected other equipment to be reported.

Senator Neuman said that the argument of "no separate and independent value" could also apply to surface farm equipment. Mr. Summers said no, surface equipment is taxed even in the oil and gas industry and that a combine can always be sold or traded in.

Senator McCallum asked what the value of wells and septic systems was. Mr. Groepper said that it averaged \$2,500 adjusted for the depth and age of the well. He said that a deeper well has more value than a shallow well regardless of its production.

Senator Gage closed on SB 67 asking that it be held in committee for amendments that would not alter the bill, but would make it easier for the Department of Revenue to administer. He stressed that he did not want to wait for an Attorney General's opinion when the Legislature might be out of session; that he wanted equal treatment for sewer and water systems on farm homes, and that oil, unlike milk, is taxed on net proceeds. He said that if non-profit water systems were exempt, then agricultural water systems qualified as agriculture had been nonprofit for several years.

(Two additional exhibits on SB 67, one in support (Exhibit 6) and one in opposition (Exhibit 7) were added to these minutes and distributed to the committee following adjournment.)

Vice Chairman Mazurek assumed the chair.

FURTHER CONSIDERATION OF SB 48: Senator Severson asked Senator Towe what changes he proposed in the bill. Senator Towe said there were several amendments to solve problems raised by earlier testimony. He discussed the amendments found in Exhibit 5. These amendments address the problems with the purpose section of the bill. There is an amendment that deletes "cooperatives" to make that more clearly defined in relationship to other utilities.

The major amendment is on page 26 which deletes reference to retail value based on national appraisal guides and strikes language on replacement cost. This would mean no change unless the Department made a sales ratio value study. He said this must be done or railroads will want a 20 percent reduction in their taxes.

Senator Severson said that market value to the taxpayer is the market value. Senator Towe agreed, saying middle book is the best guide. Senator Mazurek asked why the method was not defined by law. Senator Towe said that the statute should refer only to market value and the rest could be put in a statement of intent.

Senator Goodover asked what a sales ratio study would involve. Senator Towe answered that it applied mostly to real estate and that on personal property sales information was not required. Senator Goodover asked how many dollars the Department of Revenue would need to do the study. Senator Towe answered that without additional funding it would not be done. The purpose is in part to get the Department into a legally defensible position.

Senator McCallum asked how the sales ratio study could be done if there were no sales in the geographic area. Senator Towe said it could not and that the Department could not rely entirely on the sales ratio study.

Senator Severson asked if the bill should be changed to combine classes 7 and 9. Senator Towe said, no, that would only raise the legal questions that the bill attempts to circumvent.

Senator Towe continued discussion of the amendments saying that the language on page 26 concerning replacement cost would be addressed

separately. On page 37 the amendment makes an addition to the audit section to more closely approximate what federal law requires.

Senator Towe then referred to Exhibit 2 from January 15 and discussed some impacts of the bill. He said that the bill put all utilities in categories where they belong, pointed out other increases and offsetting decreases, and noted that the taxation on motorcycles and watercraft in page three applied only to those owned by businesses.

James Mockler of the Montana Coal Council said that he hoped any procedures would be set down in the administrative procedures act. Senator Towe agreed and Senator Mazurek said that some concerns could be addressed by a statement of intent.

Gary Langley said that the Towe amendments did solve many of the problems, but that on tools and machinery there would still be a substantial tax increase. Earl Lovick with W. R. Grace Corp., said that based on 1984 tax rates the amount of increase to his company would be \$14,000. He said the decrease on their ore haulers would be only about \$3,000, causing his company a net tax increase of \$10,578.

Senator Mazurek asked those present if the amendments generally satisfied their objections and problems.

Senator Severson said that the bill would freeze agricultural land at its 1963 value, but that would not be true for timber which was last appraised in 1968-1969. It was pointed out that the base price on the land includes its grazing value, but that timber is an additional value and both are taxed.

Bill Kirkpatrick of Champion International spoke to the issue of increased value and increased taxation. Senator Towe said the adjustment would bring the the tax back down.

Senator Mazurek asked where the adjustment feature was located. Senator Towe said it would apply to everything in the bill except the first three classes. He said that Representative Ramirez was introducing a bill in the House which would handle the adjustment.

Vice Chairman Mazurek said the hearing on SB 48 would continue tomorrow and inquired again about a fiscal note.

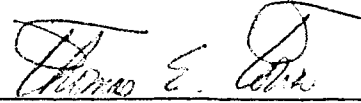
Senator Goodover asked that action be delayed until all bills were in the Senate committee. Senator Towe said that could not be done because the change is so substantial that it presents many difficulties with reference to other bills pertaining to property taxes if at least the intent of the Legislature is not clarified.

Senator Severson said he was pleased with changes made, and that he would like to at least look at another bill.

January 16, 1985

Senator Towe agreed to get that specific information and said that he also wanted to address the issue of decoupling residential and commercial property.

Vice Chairman Mazurek adjourned the meeting at 10 am.

A handwritten signature in cursive script, appearing to read "Thomas E. Towe".

Chairman

ROLL CALL

SENATE TAXATION COMMITTEE

49th Legislative Session -- 1985

Date 16 January 1985

Location -- Room 413-415

Name Present Absent Excused

Senator Brown	✓		
Senator Eck	✓		
Senator Goodover	✓		
Senator Hager	✓		
Senator Halligan	✓		
Senator Hirsch	✓		
Senator Lybeck	✓		
Senator Mazurek	✓		
Senator McCallum	✓		
Senator Neuman	✓		
Senator Severson	✓		
Senator Towe	✓		

DATE

16 January 85

COMMITTEE ON

Senate Taxation

VISITORS' REGISTER

NAME	REPRESENTING	BILL #	Check One	
			Support	Oppose
Greg Groepper	DEPT OF REVENUE	SB 48 SB 67	X	amend
Earl D. Lovick	W.R. GRACE & CO	SB 48		✓
Bill McCaig	W.R. GRACE & CO.	SB 48		✓
Gulf Air	Missoula Chamber	SB 48		✓
Alan Eck	Montana Farm Bureau	SB 67	✓	
Alan Eck	Montana Farm Bureau	SB 48		✓
Pat Melly	Mont. OFG Assn	SB 67	✓	✓
Quone Broadcast	Yellowstone Valley Electric	SB 48		✓
Ralph & McKelwell	" " "	" "		✓
James Kern Jackson	" " "	" "		✓
Greg Jackson	Urban Coalition	SB 48	✓	
GENE PHILLIPS	PACIFIC POWER & LIGHT	SB 48		X
Lavina Lubonis	WIFE	SB 67	X	
D. VANDEGRAFF	MPA	SB 67	✓	
J. Allan	YH Corp	SB 67		
W. SUMMERS	SHELL WESTERN EXP INC	SB 67	✓	
Ed Smith	St Senate	SB 67	✓	
WETA	WETA	SB 67	✓	
Montana Oil & Gas Assoc	Montana Oil & Gas Assoc	SB 67	✓	
MSR	MSR	"	"	
Jay Croft	Croft Petroleum Co.	SB 67	X	
D. H. Lee	Montana Oil & Gas Assoc.	SB 67	X	
Brian D. Hattel	Montana Oil & Gas Assoc	SB 67	X	
Lucia Ranch	Ranch Oil Inc.	SB 67	X	
Steve Palmbech	MSR Exploration & Refining Co	SB 67	X	
Jordan Morris	MACO.	SB 67		✓

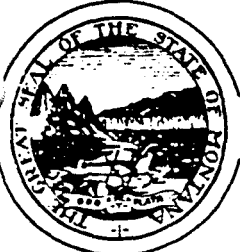
(Please leave prepared statement with Secretary)

VISITORS' REGISTER

NAME	REPRESENTING	BILL #	Check One	
			Support	Oppose
Daniel J Judge	Dye Tavern & Judge Inc.	SB 67	X	
Steve Browning	BNI	SB 48	✓	
W. M. HINDRICK	CHAMPION INTL	SB 48	AMEND	
Shirley Ball	WIFE	SB 67	✓	

DEPARTMENT OF REVENUE

also
KJ



TED SCHWINDEN, GOVERNOR

MITCHELL BUILDING

STATE OF MONTANA

HELENA, MONTANA 59620

April 27, 1984

10

TO: All County Assessors

FROM: R. Jesse Munro, Chief *RJM*
 Personal Property Bureau
 Property Assessment Division

RE: Down Hole Equipment

The attached opinion of our legal counsel, Larry G. Schuster, points out that "casing" of an oil well, by virtue of 15-1-101(1)(e), MCA, is an improvement to real property for purposes of taxation. As an improvement in class 4 property it will be appraised by the real property bureau. You should notify the appraiser in your county of the location of the wells so that he can incorporate the appraisal of them into his work plan. If you already have the footage this would also be beneficial to the appraiser.

If the casing is stored then you would assess it as supplies, Class 8, 11%.

All other down hole equipment such as tubing, sucker rods and down hole pumps will be assessed as Class 8, 11%.

If you have further questions, please contact me at 1-800-225-3468.

RJM:kcF
 Enclosure

EXHIBIT 1
 Senate Taxation Committee
 16 January 1985
 SB 67

DEPARTMENT OF REVENUE



TED SCHWINDEN, GOVERNOR

MITCHELL BUILDING

STATE OF MONTANA

HELENA, MONTANA 59620

November 13, 1984

2

Senator Ed B. Smith
Dagmar, MT 59219

Dear Senator Smith:

As we discussed in Wolf Point, when an oil well or gas well is drilled on agricultural land the operation is usually not sufficient in size or scope to require us to reclassify the land as nonagricultural. The situation in the Flathead valley was different however, in that the drill site was fenced off and removed from agricultural use entirely. As a general rule you should not expect to see us reclassifying agricultural land for the one or two months it takes to drill a well in the eastern part of the state, especially if the drill site is not fenced off and entirely removed from agricultural production.

On the issue of casing and downhole equipment, the downhole equipment is clearly taxable and has been covered by our administrative rule since 1974. The casing issue is a little more complex however, and we've asked for an attorney general's opinion to help us determine how that property should be treated in 1985. It clearly is an improvement to real property; the only question is whether or not it has value separate and independent from the well.

If you have any other questions, please give me a call.

Sincerely,

Ellen Feaver

ELLEN FEAVER
Director

GG:cr
gg4ld

cc: Gregg Groepper
Randy Wilke
Jesse Munro

7/10 #1 p 2

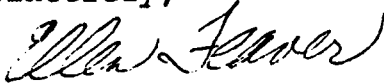
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On another issue, you state that "all water well casings will be taxed." That statement is misleading, incomplete and inappropriate.

1. During the required reappraisal of all real property, we discovered water wells and septic tanks have been taxed in some counties and not others. All taxpayers are entitled to equal treatment under the law, and the Department will continue to work toward that goal.
2. We propose no change in existing practices for water wells and septic tanks until January 1, 1986 at the earliest.
3. This issue has been brought to the attention of the Legislature so they may consider it in the 1985 session and vote to exempt this property from taxation if desired.

Your membership and the public are entitled to accurate tax information. I would be happy to provide that information at any time.

Sincerely,



ELLEN FEAVER
Director

cc: Agri News
The Circle Banner
The Fairview News
The Glendive Ranger-Review
The Jordan Tribune
The Sidney Herald
The Daniels County Leader
Chinook Opinion
Liberty County Times
Bear Paw Sentinel
Western Breeze

Bozeman Daily Chronicle
The Culbertson Searchlight
The Glasgow Courier
The Harlem News
The Plentywood Herald
The Herald News
Glacier-Reporter
Independent-Observer
Phillips County News
Shelby Promoter

Wolf Point.



502 South 19th

Bozeman, Montana 59715

Phone (406) 587-3153

TESTIMONY BY: Alan Eck

BILL # SB-67 DATE 1-16-85

SUPPORT X OPPOSE _____

Mr. Chairman and members of the committee. For the record my name is Alan Eck. I am representing the Montana Farm Bureau Federation. We would like to go on record as supporting Senate Bill #67. At the Montana Farm Bureau's annual meeting in December, our delegates submitted and approved a policy opposing the taxes addressed in this bill. We would like to see this committee give Senate Bill #67 a do pass recommendation.

Thank You.

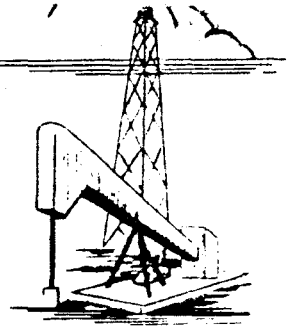
EXHIBIT 2
Senate Taxation Committee
16 January 1985
SB 67

Alan Eck
SIGNED



PETROLEUM CO.

PETROLEUM CENTER BUILDING
214 NO. CENTRAL AVE.
P. O. BOX 397
CUT BANK, MONTANA 59427
TELEPHONE (406) 873-5547



OIL AND GAS PRODUCERS

W. S. CROFT, PRESIDENT

In Support of Senate Bill #67
Exempting Below Ground Equipment from Taxation

Over the past few years we have witnessed the Department of Revenue usurp legislative authority to tax. I feel this is contrary to law and I am against it.

In this case specifically this equipment has been historically exempt from taxation because such a tax would chip away at the ability of the taxpayer to produce. In addition most of this equipment has no value except that of use. It would be uneconomic to recover it for use elsewhere. The cost of recovery, transporting, storing and reconditioning such equipment greatly exceeds any resale value.

The presence of a well, either water, oil, or gas, or the presence of a sewer system increases the value of a property and is reflected already in its taxable valuation. The separate treatment and taxation of these items would mean they would be taxed twice.

The time to raise taxes at the expense of the agricultural and oil and gas industries is long past. Both industries are suffering from a decline in product prices and substantially decreased cash flow. Any general improvement in the state's overall economy has not extended to these two industries and increasing their tax load would be counter-productive.

EXHIBIT 3
Senate Taxation Committee
16 January 1985
SB 67

"THE ABILITY COMPANY"

Senator Gage and the legislature should be commended for resisting this effort by the Department of Revenue. I thank you for the opportunity to express my opinion.


Jerry G. Croft

JC:jg

The attached graph show the general trend in the oil business.

	Jan., 1980	Jan., 1985	% change per year
Mill Levy for property and Net Proceeds taxes	<u>14.5</u>	<u>19.5</u>	+ 6.9
Workover rig rates, \$/hr.	75	110	+ 9.3
Oil price, \$/bbl.	37.50	25.00	- 6.7
Production Taxes, % of gross	2.9	6.58	+25.4

HILL LEVY
15 G.I. Co.

76 5570

Workover rig rates \$/hr.

PRICE

3788

prod
15.2%

105

35.2

6.54%

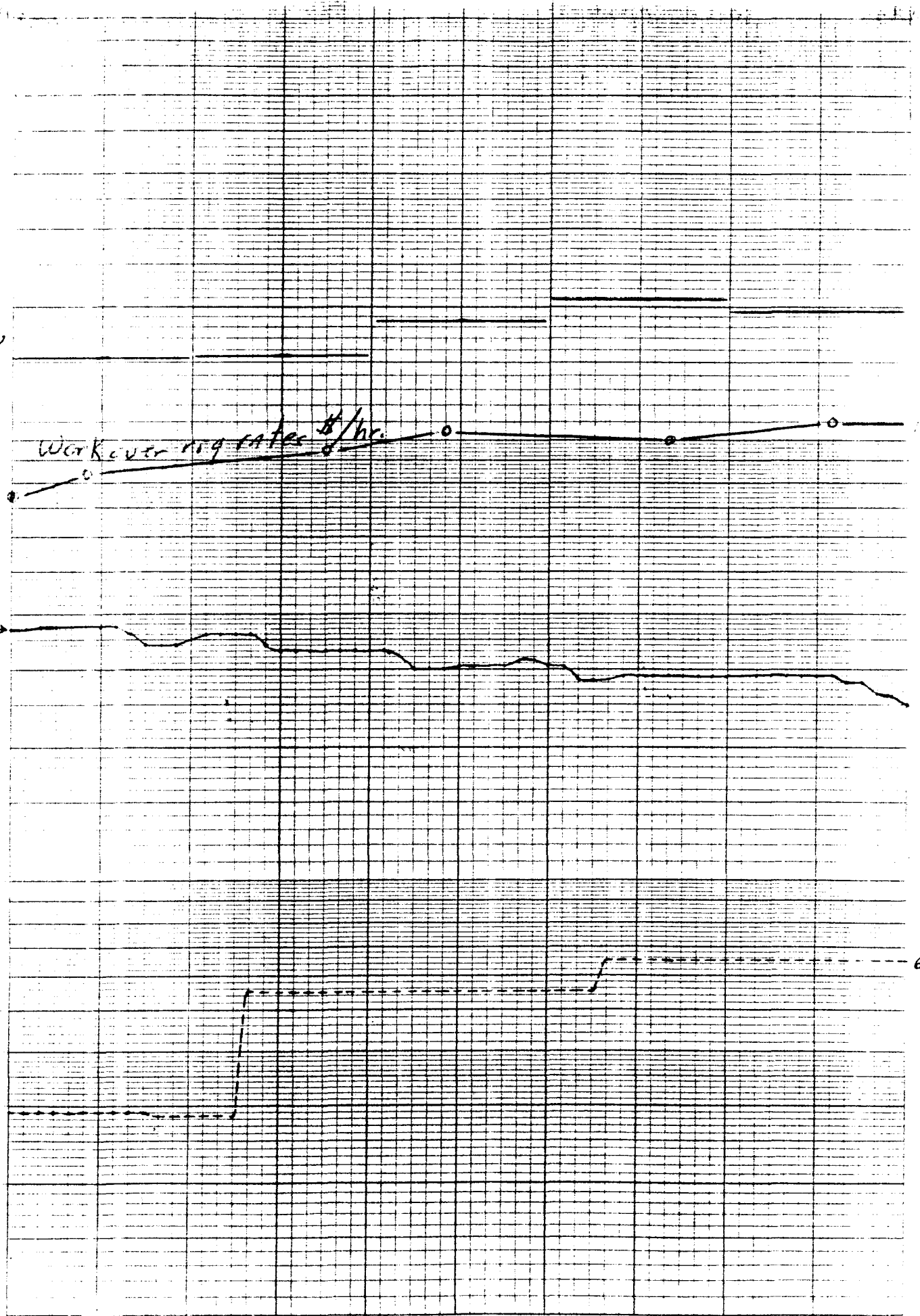
1980

1981

1982

1983

1984



42.22.1211 TREATMENT OF ROYALTIES (1) All royalties including those considered to be nontaxable.

(2) All taxable royalty payments shall be assessed at full cash value regardless of the net proceeds of the operator. Certain royalty interests are considered to be nontaxable. These nontaxable royalties are set forth in subsection (3).

(3) All royalties are subject to taxation with certain exceptions as defined below:

(i) Royalties paid to the U. S. government, state, county, city, school district, or other political subdivision of the state are considered to be nontaxable.

(ii) Royalties paid to Indian tribes from production on tribal land have been determined to be taxable, but royalties paid to the U. S. government from production on allotted Indian land have been determined to be nontaxable. (History: Sec. 15-23-108 MCA; IMP, Sec. 15-23-603 and 15-23-605 MCA; NEW, Eff. 12/31/74.)

42.22.1212 EXPENSES RELATED TO MACHINERY (1) All monies expended for machinery to the extent used in the development or production of a well, lease, or unit, except as provided in ARM 42.22.1215.

(2) Machinery shall include pumps and pumping equipment, motors, trucks, dozers, well-head equipment, storage tanks, meters, and other machinery, not to include machinery used beyond the point of sale.

(3) Monies expended for lease or rental of machinery or equipment used at well, lease, or unit.

(4) No monies invested in machinery including leased and rented equipment shall be allowed as a deduction unless the property represented by such money is returned to the county assessor of the county in which such well is located for assessment purposes. (History: Sec. 15-23-108 MCA; IMP, Sec. 15-23-603 MCA; NEW, Eff. 12/31/74.)

42.22.1213 LABOR COSTS (1) All monies expended for labor to the extent used in the development or production of a well, lease, or unit, except as provided in ARM 42.22.1215.

(2) Labor shall include all monies expended for labor in the development or production of gas or oil.

(3) Salaries of engineers, geologists, and other technical personnel are a deductible item only to the extent that such personnel devote time to the specific well, lease, or unit.

(4) Superintendents shall be meant to include only the persons or officers actually engaged directly in the working of the well, lease, or unit or superintending the management thereof. This deduction is not meant to include any personnel in a corporate or headquarters office who are not involved in the actual on site operations. (History: Sec. 15-23-108 MCA; IMP, Sec. 15-23-603 MCA; NEW, Eff. 12/31/74.)

Based on the reappraisal work we have completed to date, our findings are as follows:

1. Mobile Homes: The value of the improvement (septic tanks and wells) for mobile homes would show up in the land value for the tract under the mobile home. The improvements for these properties are treated the same way as they are for lots and tracts below. This is true statewide.
 (54,035 parcels)

2. Residences: The value of the improvement (septic tank, well, hookup to city water and sewer) would be reflected in an increased land value of these properties. That increase is treated the same way as lots and tracts below. This is true statewide.
 (233,966 parcels)

3. Vacant Lots and Tracts: If the lot is improved ie. water and sewer have been brought into the lot from the street, or if the lot or tract has a septic tank or well on it, the appraised value of the land has been increased to reflect that improvement. This is true statewide and would include what we refer to as improved suburban tracts. (Those lots or acreages outside of city limits which have water and/or sewer service.) Unimproved lots would not have a well or septic tank and, correspondingly, would not be assessed for that improvement.
 a. 92,939 Improved
 b. 216,858 Unimproved

4. Farmsteads: Our findings to date are that septic tanks and wells providing service to farmsteads (residences on agricultural land) were generally not appraised in any county except Flathead, Missoula and Lincoln (see farmsteads, following sheets, approximately 4,300). However, County and State Tax Appeal Board decisions under the Greenbelt law, 15-7-201 through 15-7-213, MCA, have directed us to value an acre of agricultural land at market value in many contested Greenbelt cases. In those cases, the septic tanks and wells are treated the same as lots and tracts above. Counties with multiple properties treated in this fashion are: Gallatin, Sanders, Lake, Park, Mineral and Ravalli. This would amount to approximately 2,000 properties.

Total potential parcels with water well, septic tank or city hook-ups.

[1+2+3a+4]	430,380
Estimated number assessed	
[1+2+3a+6,300]	387,240

20 +
10 SR 1

Amendments to Senate Bill 48
Amend SB 48, Introduced Copy

1. Title, line 6.

Following: "TO"

Insert: "IMPLEMENT THE MONTANA CONSTITUTION AND TO"

2. Page 6, line 1.

Following: "chapter"

Insert: "to implement the Montana Constitution and"

3. page 6, lines 19 and 20.

Following: "land" on line 19

Strike: ", including, for farm homes, 1 acre
of agricultural land at market value,"

4. Page 20, line 3.

Strike: "cooperative"

5. Page 20, line 4.

Strike: "cooperative"

6. Page 26, lines 15 through 22.

Following: "is" on line 15

Strike: remainder of subsection (c) and subsection (d)
in its entirety

Insert: "to be determined in the same manner that market
value was determined before [effective date of
this act] except to the extent that a sales ratio
study indicates that a different value would more
closely approximate market value."

7. Page 31, line 6.

Following: "value."

Insert: "If the department determines
that a sales-assessment ratio study
is applicable, helpful in determining
true market value, and reasonably
available, it may use such study as
an audit tool."

WITNESS STATEMENT

Name Phil Campbell Committee On Taxation
Address 1232 E. 6th Avenue, Helena Date January 16, 1985
Representing Montana Education Association Support _____
Bill No. SB 67 Oppose X
Amend _____

AFTER TESTIFYING, PLEASE LEAVE PREPARED STATEMENT WITH SECRETARY.

Comments:

1. Attachment

2.

3.

4.

EXHIBIT 6
Senate Taxation Committee
16 January 1985
SB 67

Itemize the main argument or points of your testimony. This will assist the committee secretary with her minutes.

MONTANA · EDUCATION · ASSOCIATION

proud of our past...confident in our future

January 16, 1985

TO: Senate Taxation Committee
FROM: Montana Education Association
RE: SB 67

The Montana Education Association is opposed to SB 67 because of the adverse effect to school funding.

Over the biennium the school foundation program will be decreased by \$2,295,815 and \$4,423,106 would be lost for local school funding if SB 67 were passed.

The Montana Education Association urges the committee to vote "No" on SB 67.

WHEREAS, Agriculture in Montana is in the midst of tough economic times; and

WHEREAS, the Legislature and the people of Montana do not want to add to an already distressed agricultural economy; and

WHEREAS, the taxation of wells and septic tanks on agricultural properties would add to the plight; and

WHEREAS, specific definition is required to exempt wells and septic tanks from taxation on agricultural ownerships; and

WHEREAS, state tax policy is best determined by the state's primary policy making body, which is the Legislature; and

WHEREAS, temporary relief from well and septic tank taxes is sought for agricultural properties during these distressed times.

Be it resolved that wells and septic tanks on agricultural farmsteads be exempt from taxation.

Agricultural residences are defined as residential improvements situated on lands upon which the owner can provide proof of:

- (a) "field crop production", which means production by the land of 520 bushels of wheat or its equivalent or 15 tons of alfalfa or its equivalent;
- (b) "grazing utility" which means the land supports 40 animal unit months or its equivalent;
- (c) "gross income" which means production from the land of at least \$1500, adjusted for inflation; or

zs53b