

MINUTES OF THE MEETING
TAXATION COMMITTEE
MONTANA STATE SENATE

February 1, 1985

The nineteenth meeting of the Senate Taxation Committee was called to order by Vice Chairman Mazurek at 8:10 am in Room 413-415 of the Capitol Building.

ROLL CALL: All members of the committee were present except Senator Neuman who joined the committee at 8:15 am.

CONSIDERATION OF SB 203: Senator Tom Towe, chief sponsor of the bill, was recognized. Senator Towe said that when bank stock tax had been replaced with income tax it had been distributed in a way that insured the resulting deficit of property tax collections at the local level would be made up. Local government entities, he said, are dependent on that income. This bill would require the banks to pay a corporate license tax, as all other corporations pay and would take a percentage of that total collection and distribute it to counties on a per capita basis. The county government would be responsible for redistribution to other local government entities based on the percentage of the total mill levy that each receives. Other changes in the bill make necessary amendments to existing codes.

The fairness in the bill, said Senator Towe, is that it distributes the dollars to all those who have contributed to the bank's income and not just to those who live in the same geographic location as the bank. He also felt that the corporate license tax was less likely to fluctuate in coming years and thus would be a more stable source of revenue to local governments.

PROPOSERS

John Cadby of the Montana Banker's Association rose to support the bill. He said the bill suggests that all corporations should be treated in the same way. He said that it makes sense to share that revenue with local governments. He noted that banks and savings and loans are not the only financial institutions in the market place.

Mr. Pat Hooks, of the Montana Savings and Loan League, rose to support SB 203. He said that in 1981 and 1982 only one or two savings and loan institutions actually contributed money to local government. This bill, he said, would stabilize that income.

OPPOSERS

John LaFaver, Director of the Department of Revenue, said that the initial estimate had a cost of \$3 million general fund dollars. The Department he said, would oppose the bill based on that alone. He said that the bill may not resolve and could increase litigation between the banks and the state. He said the public may not be served by this melding, and that keeping bank tax in the limelight could be in the public interest.

He also challenged the claim that corporate license tax would be more stable saying that historically that would not be true. He concluded by saying that no distribution formula would fit perfectly and that there would be winners and losers at the local level further complicating the life of the bill.

Gloria Paladichuk rose to speak against the bill. She submitted written testimony attached here with the witness statements.

Alex Hanson representing the Montana League of Cities and Towns said they are undecided on the bill, but have problems with the proposal. He said they must know what the bill would mean to individual communities. He suggested allocation of \$3 million general fund could be difficult. He said the money could not come through the block grant program as it is currently structured.

Questions from the committee were called for.

Senator Eck asked Mr. LaFaver to elaborate on "winners and losers". Under the block grant program increases and decreases would be greater. The per capita approach would distribute the funding more evenly. Basically those communities with a thriving financial community would lose some funding and those without banks at all, or with troubled financial institutions, would gain funding.

Senator Towe pointed out that the bill requires per capita allocation on page 3, line 12; and that the bill has no connection to the current block grant program. The increase or decrease is a relationship of the profitability of the financial institutions and the population.

There was some discussion of the insertion of a "hold harmless" provision in the bill for counties that would lose a substantial amount. Daniels County was mentioned as one of these.

Senator Towe closed by reemphasizing that the percentage figure in the bill would be changed according to corporate license tax income. He said the effects of the bill would be updated to look at any necessary adjustments. He felt the amounts involved would be small. He again stated that cities and counties would benefit from the bill.

FURTHER CONSIDERATION OF SB 86:

MOTION: Senator Mazurek moved that SB 86 do not pass.

Senator Eck asked if any amendments needed to be addressed before a decision on the bill could be made. The amendments addressed technical and not substantive flaws in the bill.

Senator Lybeck said that some areas were having problems, others were not; and Senator Eck suggested that perhaps the exemption could be written as an option of the individual county commissions.

The committee clarified that cable companies carry translator district signals only when required to by the FCC.

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Senator Halligan supported the motion saying that the bill is poorly drafted to address the problems and that it would take too much to deal with the bill in its current form.

The question was called. With Senators Hager and Lybeck voting no, and all other members of the committee voting yes, the motion that SB 86 do not pass was carried.

FURTHER CONSIDERATION OF SB 48: Senator McCallum asked if the problems raised by the 4R act can be handled by administrative rule. Senator Towe answered, possibly; but that classification is a separate matter which cannot be handled that way. He explained that the current court settlement under which Burlington Northern and the State are now operating will expire in 1986. Something, he said, needs to be clarified before then or the matter will be back in court.

Chairman Towe asked the committee to address the amendments proposed by the gray copy of SB 48. He explained to Senator Goodover how the fiscal note is affected by the amendments.

The committee had a long discussion about the language in the bill regarding assessment of commercial timber. It was determined that the bill's test for whether or not land was taxed for its timber value was the combination of a use (i.e. harvest threshold) and ownership consideration.

Senator Mazurek returned the discussion to the amendments saying that they have broad-based support and should be dealt with. Senator Towe said that basically the amendments: 1) take out farm residences; 2) take out wholesale-retail value; 3) take out replacement value, and 4) put in necessary adjustments.

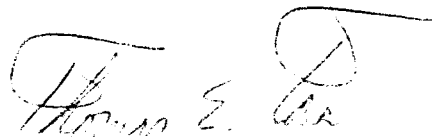
MOTION: Senator Hirsch moved that the amendments to SB 48 attached here in Exhibit 1 be adopted. These amendments were also reflected in a "gray bill" given to the committee.

Senator Severson asked about the formula in SB 48 as it relates to SB 33 and was reassured that both bills are necessary and are not in conflict.

Senator Towe indicated his willingness at a later date to create a separate class for electric utilities as not to impact revenue any more than necessary with the bill.

Question was called on Senator Hirsch's motion to amend. With Senators Goodover and Hager voting no, Senator Halligan excused, and all other Senators voting yes, the motion carried.

Senator Towe adjourned the meeting at 10:00 am.


Chairman

ROLL CALL

SENATE TAXATION COMMITTEE

49th Legislative Session -- 1985

Date February 1, 1985 *8:10 AM*

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	8:15 ✓		
Senator Severson	✓		
Senator Towe	✓		

VISITORS' REGISTER

NAME	REPRESENTING	BILL #	Check One	
			Support	Oppose
GEORGE E. T. BENNETT	MONT. BKTS ASS'N	SB203	X	
MEYSHA H. HUMPHREYS, CPA	MT. BANKERS ASS'N.	SB203	X	
JOHN GADBY	MT BANKERS ASSN	SB203	X	
Jim Bennett	First Citizens Bank-Bldg	SB203	X	
Don Inghs	Mt. Chamber of Commerce	SB203		
JOHN LAFAVER	DEPT OF REVENUE	SB203		X
Marie McLean	MACO	SB203	X	
Margaret Haves	League of Women Voters			

(Please leave prepared statement with Secretary)

NAME Gloria Paladichuk BILL NO. SB 203

ADDRESS Sidney MT 59270 DATE 2-1

WHOM DO YOU REPRESENT _____

SUPPORT _____ OPPOSE AMEND _____

PLEASE LEAVE PREPARED STATEMENT WITH SECRETARY.

Comments:

I do not think this is a fair distribution.

The corp. tax the banks pay should stay within their own countries.

I believe the banks have always been very concerned with local economy and would like to see what they pay benefit ^{primarily} their own areas.

NAME JOHN CADBY ^{SENATE} BILL NO. 203

ADDRESS #1 N. LAST CHANCE GULCH DATE 2-1-85

WHOM DO YOU REPRESENT MT BANKERS ASSN

SUPPORT OPPOSE AMEND

PLEASE LEAVE PREPARED STATEMENT WITH SECRETARY.

Comments:

NAME PAT HOOKS BILL NO. SB 203
ADDRESS 1269 TOWNSEND, MT DATE 2/1/95
WHOM DO YOU REPRESENT HOWT GARDENS & LEAD LEADER
SUPPORT OPPOSE _____ AMEND _____

PLEASE LEAVE PREPARED STATEMENT WITH SECRETARY.

Comments:

NAME NEYSHA A. HUMPHREYS BILL NO. SB 203

ANDERSON ZURMUEHLEN & CO.
ADDRESS P.O. BOX 1147, HELENA, MT. 59624 DATE 2-1-85

WHOM DO YOU REPRESENT ~~AMT.~~ MT. BANKERS ASSN.

SUPPORT X OPPOSE _____ AMEND _____

PLEASE LEAVE PREPARED STATEMENT WITH SECRETARY.

Comments:

Financial institutions income fluctuates a lot during these times of economic fluctuation - in direct relation to the profitability & economy of the area the institution operates in. This bill will help to protect the local governments from drastic impacts. People do not always bank in their home county. eg - North Jefferson County people often bank in Lewis & Clark County.

This would help balance the distribution of income where the people live, that are generating the income.

This would help balance earnings for local government.

5th Draft
Includes DOR revisions
1/21/85

PROPOSED AMENDMENTS

Senate Bill No. 48
Introduced Copy

1. Title, line 6.

Following: "TO"

Insert: "IMPLEMENT PROVISIONS OF THE MONTANA CONSTITUTION
AND TO"

2. Title, line 14.

Following: "15-6-101,"

Insert: "15-6-133,"

3. Page 6, line 1.

Following: "chapter"

Insert: "to implement provisions of the Montana constitu-
tion and"

4. Page 6, lines 19 and 20.

Following: "land" on line 19

Strike: ", including, for farm homes, 1 acre of agricul-
tural land at market value,"

5. Page 8, line 13.

Following: "at"

Strike: "8.55%"

Insert: "the taxable percentage rate "P""

6. Page 8, line 15.

Following: "at"

Strike: "8.55%"

Insert: "the taxable percentage rate "P""

7. Page 9, lines 6 and 7.

Following: "percentage" on line 6

Strike: "established in subsection (2)(a), or 4.275%."

Insert: "rate "P".

(3) For taxable years beginning January 1, 1986, and thereafter, the taxable percentage rate "P" applicable to class four property is $8.55\%/B$, where B is the certified statewide percentage increase to be determined by the department of revenue as provided in subsection (4). The taxable percentage rate "P" shall be rounded downward to the nearest 0.01% and shall be calculated by the department of revenue before July 1, 1986.

(4)(a) Prior to July 1, 1986, the department shall determine the certified statewide percentage increase for class four property using the formula $B = X/Y$, where:

(i) X is the appraised value, as of January 1, 1986, of all property in the state, excluding new construction, additions, or deletions of property during the preceding year, classified under class four as class four is described in this section; and

(ii) Y is the appraised value, as of January 1, 1985, of all property in the state that, as of January 1, 1986, would be classified under class four as class four is described in this section.

(b) B shall be rounded downward to the nearest 0.0001%.

(5) After July 1, 1986, no adjustment may be made by the department to the taxable percentage rate "P" until a revaluation has been made as provided in 15-7-111."

8. Page 14, line 6.

Following: "~~11%~~"

Strike: "8.55%"

Insert: "the taxable percentage rate "P""

9. Page 14, line 7.

Following: "value."

Insert: "(3) For the taxable year beginning January 1, 1986, the taxable percentage rate "P" applicable to class eight property is $8.55\%/B$, where B is the certified state-wide percentage increase to be determined by the department of revenue as provided in subsection (4). The taxable percentage rate "P" shall be rounded downward to the nearest 0.01% and shall be calculated by the department before July 1, 1986.

(4) (a) Prior to July 1, 1986, the department shall determine the certified statewide percentage increase for class eight property using the formula $B = X/Y$, where:

(i) X is the appraised value, as of January 1, 1986, of all property in the state, excluding new construction, additions, or deletions of property during the preceding year, classified under class eight as class eight is described in this section; and

(ii) Y is the appraised value, as of January 1, 1985, of all property in the state that, as of January 1, 1986, would be classified under class eight as class eight is described in this section.

(b) B shall be rounded downward to the nearest 0.0001%.

(5) For taxable years beginning January 1, 1987, and for every taxable year thereafter, the department shall, before July 1 of each year, determine the taxable percentage rate "P" applicable to class eight property. The determination shall be made as provided in subsection (6).

(6) $P = A/B$, where:

(a) P is the taxable percentage rate applicable to class eight property for the calendar year beginning January 1 in the year in which P is calculated. The taxable percentage rate "P" shall be rounded downward to the nearest 0.01%.

(b) A is the taxable percentage rate P applicable to class eight property as established by the department for the immediately preceding year; and

(c) B is the certified statewide percentage increase to be determined by the department using the formula $B = X/Y$, where:

(i) X is the appraised value, as of January 1 of the year for which P is being calculated, of all property in the state classified, excluding new construction, additions, or deletions of property during the preceding year, under class eight as class eight is described in this section; and

(ii) Y is the appraised value, as of January 1 of the year preceding the year for which P is being calculated, of all property in the state that, as of January 1 of the year for which P is being calculated, would be classified under class eight as class eight is described in this section.

(d) B shall be rounded downward to the nearest 0.0001%.

10. Page 17, line 25.

Following: "percentage"

Insert: "rate "P""

11. Page 20, line 3.

Following: "by"

Strike: "cooperative"

12. Page 20, line 4.

Following: "and"

Strike: "cooperative"

13. Page 21, line 25.

Following: "at"

Strike: "30%"

Insert: "the percentage rate "P""

14. Page 22, line 2.

Following: "property."

Insert: "(4) For taxable years beginning January 1, 1986, and thereafter, the taxable percentage rate "P" applicable to class twelve property is $30\%/B$, where B is the certified statewide percentage increase to be determined by the department of revenue as provided in subsection (5). The taxable percentage rate "P" shall be rounded downward to the nearest 0.01% and shall be calculated by the department before July 1, 1986.

(5)(a) Prior to July 1, 1986, the department shall determine the certified statewide percentage increase for class twelve property using the formula $B = X/Y$, where:

(i) X is the appraised value, as of January 1, 1986, of all property in the state, excluding use changes occurring during the preceding year, classified under class twelve as class twelve is described in this section; and

(ii) Y is the appraised value, as of January 1, 1985, of all property in the state that, as of January 1, 1986, would be classified under class twelve as class twelve is described in this section.

(b) B shall be rounded downward to the nearest 0.0001%.

(6) After July 1, 1986, no adjustment may be made by the department to the taxable percentage rate "P" until a revaluation has been made as provided in 15-7-111."

15. Page 26, lines 15 through 22.

Following: "is" on line 15

Strike: the remainder of line 15 through line 22

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-assessment ratio study indicates that a different value would more closely approximate market value."

16. 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."

17. Page 31.

Following: line 8

Insert: "Section 19. Section 15-6-133, MCA, is amended to read:

"15-6-133. Class three property - description - taxable percentage. (1) Class three property includes agricultural land as defined in 15-7-202.

(2) Class three property is taxed at 30% the percentage rate "P" of its productive capacity.

(3) For taxable years beginning January 1, 1986, and thereafter, the taxable percentage rate "P" applicable to class three property is 30%/B, where B is the certified statewide percentage increase to be determined by the department of revenue as provided in subsection (4). The taxable percentage rate "P" shall be rounded downward to the nearest 0.01% and shall be calculated by the department of revenue before July 1, 1986.

(4) (a) Prior to July 1, 1986, the department shall determine the certified statewide percentage increase for class three property using the formula $B = X/Y$, where:

(i) X is the appraised value, as of January 1, 1986, of all property in the state, excluding agricultural use changes occurring during the preceding year, classified under class three as class three is described in this section; and

(ii) Y is the appraised value, as of January 1, 1985, of all property in the state that, as of January 1, 1986, would be classified under class three as class three is described in this section.

(b) B shall be rounded downward to the nearest
0.0001%.

(5) After July 1, 1986, no adjustment may be made by
the department to the taxable percentage rate "P" applicable
to class three property until a revaluation has been made as
provided in 15-7-111."

Renumber: subsequent sections

18. Page 31, line 24.

Following: "except section"

Strike: "19"

Insert: "20"

19. Page 32, line 1.

Following: "Section

Strike: "19"

Insert: "20"

ROLL CALL VOTE

SENATE TAXATION COMMITTEE
48th Legislative Session -- 1985

Time 9:55a Date February 1 Room 413-415

Motion: Amendments to SB48 ~~on~~ by Towe.
Motion by Hirsch

Name	Yes	No	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	✓		

STANDING COMMITTEE REPORT

February 1, 1985

MR. PRESIDENT

Taxation

We, your committee on.....

Senate Bill 86

having had under consideration..... No.....

first reading copy (white)
color

END CABLE TV SUBSCRIBERS' EXEMPTION FROM TV DISTRICT TAX LEVY

Respectfully report as follows: That..... Senate Bill 86 No.....

~~XXXXXX~~

DO NOT PASS

.....
Thomas E. Towe,

Chairman.

ROLL CALL VOTE

SENATE TAXATION COMMITTEE
48th Legislative Session -- 1985

Time 9:23a Date February 1, 85 Room 413-415

Motion: That SB86 do not pass. Motion
by Mazurek.

Name	Yes	No	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	✓		