

MINUTES OF THE MEETING
TAXATION COMMITTEE
MONTANA STATE SENATE

February 6, 1985

The twenty-third meeting of the Taxation Committee was called to order by Chairman Thomas E. Towe at 8:41 am, in Room 413-415 of the Capitol Building.

ROLL CALL: With Senator Brown arriving at 8:48 am, all members of the committee were present.

FURTHER CONSIDERATION OF SB 48: Chairman Towe said that while the bill had been passed by the committee as amended it was at a point in the process where a motion by a committee member could bring it back for amendment if that were desirable.

Senator McCallum was still concerned about allowing the clearing of scrub timber to be classified as commercial timber. With Mr. Gregg Groepper, Administrator of the Property Tax Assessment Division of the Department of Revenue, he had prepared an amendment that would address that problem.

Mr. Groepper was recognized and said that Senator McCallum's intent was to allow scrub timber to be cleared and not taxed as commercial timber. The committee intent seems to be to protect a small harvester and at the same time not allow property that is clearly residential or recreational to be taxed as commercial timber.

Another area of concern the committee had about SB 48 was taxation of centrally assessed utilities in two separate classifications. Senator Mazurek said that Mountain Bell is being taxed on a basis different from other utilities and that simply isn't fair.

The committee discussed the legal implications of the separation of centrally assessed utilities. There was general agreement that the utilities were only tax collectors in this case and that the amendments were originally made to keep political heat from the bill.

Senator McCallum said that everybody has to use electricity and that while a phone was good it may not be a necessity so that it was okay to leave phones at the higher rate. He suggested bringing the phone rate back to 12 percent, but the committee discussion recognized that the fiscal impact of that would be too great.

Senator Mazurk said that it is a philosophical matter of imposing taxes on a rational basis and that similar folks should be treated similarly. The taxation he said, should relate to the nature of the business and the nature of the property that they hold.

Mr. Groepper was recognized to discuss the fiscal impacts of changes in utility company classification. Basically, at 15 percent and 12 percent, revenue is the same. If both are at 12.8 percent revenue is the same. If phones are dropped to 12 percent the state would experience a \$1.7 million loss.

MOTION: Senator Halligan moved that SB 48 be brought back to the

committee for amendment. The motion carried unanimously.

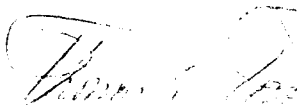
MOTION: Senator Halligan moved that the amendments in Exhibit 4 from the February 2 meeting of the committee be rejected. After discussion of the effect of the motion on pipeline companies, clarification of new plant and equipment purchase of the phone company, and the relationship between this bill and a district court funding bill, the question was called. With Senator McCallum voting no, and all other members of the committee voting yes, the motion carried.

Chairman Towe opened the committee to further discussion of the timber tax issue. Senator McCallum offered for discussion amendments which would lower the board footage required for timber tax from 30,000 to 10,000; and add new language that said if timber was being harvested to increase the agricultural use of the land it could not be taxed commercially if it was not sold commercially except as firewood.

The committee had another lengthy discussion in effort to understand exactly how timber is taxed and how the amendments specifically, and SB 48 generally, would change the status quo. The conflicting understandings arose because those currently taxed at agricultural classification do not want to go into timber classification if they harvest small amounts of timber and those currently taxed at market value do want to go into timber classification whether or not they harvest small amounts of timber.

Chairman Towe directed Mr. Groepper and Senator McCallum to work this out finally and return it to the committee at its next meeting.

Chairman Towe adjourned the meeting at 9:58 am.



Chairman

ROLL CALL

SENATE TAXATION COMMITTEE

49th Legislative Session -- 1985

Date February 6, 1985 9:41 am

Location -- Room 413-415

Name Present Absent Excused

Senator Brown	8:48a		
Senator Eck	✓		
Senator Goodover	✓		
Senator Hager	✓		
Senator Halligan	✓		
Senator Hirsch	✓		
Senator Lybeck	✓		
Senator Mazurek	✓		
Senator McCallum	✓		
Senator Neuman	✓		
Senator Severson	✓		
Senator Towe	✓		

ROLL CALL VOTE

SENATE TAXATION COMMITTEE
48th Legislative Session -- 1985

Time _____ Date 2-6-85 Room 413-415

Motion: Reverse Eck amendments passed on
February 4 which separated utilities into different
Classes. Passage of this amendment leaves utilities
Halligan in one class.

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	✓		