

MINUTES OF THE MEETING
TAXATION COMMITTEE
MONTANA STATE SENATE

February 20, 1985

The thirty-fifth meeting of the Senate Taxation Committee was called to order by Chairman Thomas E. Towe at 8:08 a.m. in Room 413-415 of the Capitol Building.

ROLL CALL: Senator Neuman was excused. All other members of the committee were present.

Vice Chairman Mazurek assumed the chair for the hearing on SJR 17. CONSIDERATION OF SJR 17: Senator Thomas Towe was recognized as chief sponsor of the resolution. He explained that the resolution related primarily to the valuation of railroad property, which in Montana meant the Burlington Northern. He said that greater reliance should be put on replacement costs and less on stock and debt. He said the net salvage value should be used as a floor. He said this was presented in the form of a resolution, not a bill, as nothing should be fixed in concrete. He then explained Exhibit 1 to the committee. He noted things from the exhibit like Kaiser Cement having less than a mile of track valued at \$132,560 when Burlington Northern track was valued at \$5,508 per mile in the same area. The exhibit also notes some figures on the salvage value of the rails.

PROPOSERS

Mr. Greg Groepper, Administrator of the Property Assessment Division of the Department of Revenue, said he supported the resolution because of the phrase approving of the Department's efforts.

OPPOSERS

Mr. Stan Kaleczyc, attorney for the Burlington Northern, said the short title ought to reflect that this was specifically directed to the railroads. He said the figures related to market value were "grossly inflated." He said that salvage value only is applicable if the railroad is not operational. He noted that all numbers in Senator Towe's exhibit were gross, not taking into account labor to remove track. He said if the market were flooded with the salvage its value would decline and cited Forbes magazine's February 26 issue discussing the efforts of the Milwaukee Railroad to sell pieces of their operation.

He cited what he saw as specific inaccuracies of the resolution suggesting that if the committee were to work with this subject, experts on valuation processes should be heard. He concluded saying that he also applauded the work of the Department of Revenue, but he felt the rest of the resolution was inappropriate, riddled with inaccuracy and conjecture. He urged its rejection.

Mr. Dennis Burr, representing Mountain Bell, also rose in opposition to the resolution saying that the rules involved address all utilities in

the state. He said the rule adopted by the Department does not use replacement cost as one of a number of factors. He presented the committee a copy of the rule adopted in 1975 (Exhibit 2). He said this makes it clear that the Department always had the opportunity to use replacement cost in its valuations. Exhibit 3 is a copy of the new rule promulgated by the Department. He discussed the impacts on Mountain Bell if replacement cost were used and noted that their assessment would increase approximately 23 percent (Exhibit 4). With a weighted cost indicator, that percentage could rise. He noted replacement costs would affect the phone company the least of any utilities because more of their equipment is new.

Mr. Burr then discussed the hearing process used to promulgate the new rules. He said previously the weighting formula used by the department was consistent for similar businesses. He was concerned that with the new rules that information would not be released by the Department. He said the companies involved did not want the rule changed and said that regulated companies differ from others. He noted for the committee that the hearings officer delivered his report to the Department on Friday, December 14 and the rules were adopted on Monday, December 17. He concluded saying if the assessments made are inflated, the additional taxes will be paid under protest and litigated. He told the committee that would be difficult for local government.

Questions from the committee were called for.

Senator Hager asked Senator Towe to provide the revenue and profit information for five years rather than one. He confirmed with Senator Towe that the scrap price on rails was a "delivered" price. Senator Towe noted the variety in the estimates he had been given.

Senator Lybeck asked why there is discrepancy in the value of Burlington Northern property. Senator Towe said that 1981 was included in the settlement. He said last year to 10, 50, 40 percent weighting was done, and 30, 35, 35 percent was used before that. He also said that Burlington Northern had a substantial increase in plant valuation during one year.

Senator Mazurek asked Mr. Groepper what has precipitated the rule change. Mr. Groepper said the deliberations of the Revenue Oversight Committee led to the concern that railroad property be treated similarly to other properties. He said that the Department had never before gathered information regarding replacement cost and that in fact the companies had not been cooperative in providing that kind of information.

Mr. Larry Huss representing Mountain Bell said the Department was acting on bad legal advice in going through a rule change procedure.

Senator Goodover asked Senator Towe about any inaccuracy and conjecture in the resolution. Senator Towe said that Mr. Kaleczyc didn't follow those charges through with substantive data.

Senator Lybeck asked Mr. Bob Quinn of Montana Power Company if he had a comment. He said, "you closed the gate before I got my horse in,"

indicating they had wanted to testify on the resolution. He said their testimony would be in line with that of Mountain Bell (Exhibit 5).

Senator Towe closed saying every single expert he had asked about salvage value said valuation should not fall below that floor. He said all other value indicators were guesses and that was a way of judging their accuracy. Stock and debt he said was referred to by many as the poorest of the three indicators used. He noted that Mountain Bell doesn't use it at all. He said that the salvage value estimates in Exhibit 1 are gross estimates. He said they did not account for ties, rolling stock or any other operating property. He said the argument of market flooding was without merit.

He said the real bottom line is replacement value, and they don't want the state to use the same value for themselves as is used for all other taxpayers. He referred to Exhibit 3 saying the utilities do not want us to use the same valuation numbers when they do want the same classifications used. Senator Towe closed and resumed the chair.

CONSIDERATION OF SB 432:

Senator Dorothy Eck of Senate District 40 said this bill would require the Department of Revenue to include in its biennial report kinds of data that would be useful in determining tax policy questions. She said the report also needs to come out earlier to be useful to the Legislature. She said the report should look at tax expenditures, changes in tax revenue, effects on local government, relationships between the federal tax law and state tax law, pension and tax exemption questions, preferential tax treatment and identification of its known purpose.

Senator Eck used SB 309, heard by this committee on February 19, 1985, as an example. Would this kind of incentive work? Had tax breaks given to increase employment worked?

The mechanics of the bill would include a plan to be presented by the Department within six months. This would be presented in a hearing where those individuals and groups wanting the information could make their needs known.

PROPOSERS

Mr. Dan Bucks, Deputy Director of the Department of Revenue, said they support SB 432. He said they wanted to provide necessary and useful information. He said the bill is written flexibly and recognizes that in certain areas data is simply not available. He did ask the committee for amendments that would allow the Department to supplement the report so some material could be prepared and distributed in advance. He also suggested that the Department should not be put in the position of making judgments that are the function of legislative prerogative. He said that within the resources available in the Department they would comply with the bill.

Mr. Ken Peres of the Montana Alliance for Progressive Policy said they supported this bill. He said that he had served as staff for the House Select Committee on Economic Development last session and that, as an economist, the information he needed was not always available, particularly as it related to tax expenditure. He said the Legislature needed more information of the type used by large businesses in its decision-making processes. He said that SB 432 would be cost effective and the start of comprehensive needed information.

OPPONENTS

None were heard.

Questions from the committee were called for.

Senator Towe noted that if the bill be amended to require information on centrally assessed properties, that would be helpful.

Senator Mazurek asked if it could be done with existing resources. Mr. Bucks answered that currently their Research Bureau does a quarterly plan in which this would be given priority.

Senator Eck closed saying the Department does have lots of information available when asked. She said the initial hearing could list the needs and direct their research.

FURTHER CONSIDERATION OF SB 72:

MOTION: Senator Hager moved that SB 72 do pass as previously amended and reported out by the committee. He said it was needed as now the first dollar of social security income was being taxed if married persons filed separately, and that the status quo was forcing people to make that decision or file jointly.

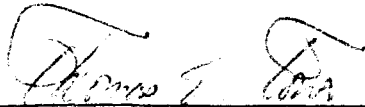
The motion carried unanimously.

CONSIDERATION OF SB 21: Senator Towe said it was now possible to act on this bill as the Governor's program was traveling in a House bill and the two could be blended. He said the Governor seeks only to take the surplus from the alternative energy resources for this biennium and that further funding could be provided by SB 21.

He suggested certain amendments that would allow for private monies to be blended with state monies for this purpose.

MOTION: Senator Mazurek moved that on lines 9 and 10, page four, following "studies"; the words "at Eastern Montana College" be stricken. With Senators Hager and Towe voting no; and all other committee members voting year; the motion carried.

Senator Towe agreed to prepare his amendments in writing and the meeting was adjourned at 10 a.m.


Chairman

ROLL CALL

SENATE TAXATION COMMITTEE

49th Legislative Session -- 1985

Date February 20, 1985

Location -- Room 413-415

Name Present Absent Excused

Senator Brown	✓		
Senator Eck	✓		
Senator Goodover	8:10		
Senator Hager	✓		
Senator Halligan	✓		
Senator Hirsch	✓		
Senator Lybeck	✓		
Senator Mazurek	✓		
Senator McCallum	✓		
Senator Neuman			✓
Senator Severson	✓		
Senator Towe	✓		

COMMITTEE ON

Voyation

DATE

February 20, 1985

VISITORS' REGISTER

NAME	REPRESENTING	BILL #	Check One	
			Support	Oppose
Keith Kowalski	Montana Power	SSR # 13		X
St. Kelly	BNS / BNS & R	SSR # 17		X

NAME Don Bucks BILL NO. SB 432

ADDRESS Mitchell Bldg, Helena, MT DATE 2/20/85

WHOM DO YOU REPRESENT Dept. of Revenue

SUPPORT ^{with} _{minor changes} OPPOSE _____ AMEND _____

PLEASE LEAVE PREPARED STATEMENT WITH SECRETARY.

Comments:

1. The bill is a good idea because it is step in the direction of insuring accountability for tax expenditures - just as the Legislature insures accountability for appropriations.
2. The Department will work with the Legislature in providing data that is ~~relevant~~ available on tax expenditures and that is relevant to the Legislature's needs. We are also happy to consult ~~idea~~ with the Legislature on plans for the biennial report.
3. The Department would like to see some adjustments in the bill:
 - a. To allow flexibility in the reporting format for the data, we suggest that in subsections 2 and 8 of section 1 the words "supplement to the biennial report" ~~be~~ be inserted after "report."
 - b. In subsection 5, after the words "comparable data" (line 1, page 3) insert "if available"
 - c. Subsection 4 should be changed to eliminate role of the Department in determining the effectiveness of tax expenditures.

Property Taxes Paid

Montana Power Company	# 23,737,000
Mountain States Telephone	# 17,773,575
Burlington Northern Railroad	# 9,000,000*
Taxes paid under Settlement	# 4,899,000 - 1981
	4,356,000 - 1982
	6,300,000 - 1983

Total Revenue (B.N.) 1984	# 2,200,000,000	- up 88%
Total Net Profit (B.N.) 1984	# 608,100,000	- up 47%

Value of BN Property

Used by Department ~~of~~ of Revenue: ~~_____~~

1979	1,436,994,000
1980	1,571,474,000
1981	2,538,268,000
1982	1,788,332,000
1983	1,963,608,000

~~Used by~~ Submitted to SEC - Form 10K (Replacement Cost Less Dep.)
8,710,291,000

1983 Value

Cost	# 3,659,487,000	x 10%	=	365,948,700
Income (Capitalized)	# 1,587,322,000	x 50%	=	783,661,000
Stock & Debt	2,009,994,000	x 40%	=	803,997,600
				<u># 1,953,607,300</u>

Allocated to Montana

	12.57%
<u># 248,778,000</u>	

Less equalization	61%
Less equalization	39%
Times Classification	15%
	<u>14,553,512</u>

Using AT&T Formula

Cost	# 3,659,487,000	x 40%	=	# 1,463,794,800
Income	1,587,322,000	x 60%	=	952,393,200
Stock & Debt	2,009,994,000	x 0	=	- 0 -
				<u># 2,416,188,000</u>
				x 12.57%
				<u># 303,714,830</u>

Results in \$1.4 million more tax

Kaiser Cement & Gypsum Corporation, Inc - (1979) STAB
 4600 ft of railway track - $\$132,560$ appraised.
 5280 ft of BN Track $\$5,508$

Rail - Side track -

115 lbs stamped on it - per yard (3 ft.)
 5280 ft. $\div 3 \times 115 \text{ lbs} \times 2 \text{ rails} = 404,800 \text{ lbs} \div 2000$
 $\times \$20.00$ per ton (Pacific Recycling, Helena) = $\$4,048.00$

Same rail is appraised by DOR using unitary method including all ties, bridges, right of way, depots, freight yards, repair shops, and rolling stock at $\$2500$

Rail - Main line -

132 lbs stamped on it - per yard
 5280 ft $\div 3 \times 132 \text{ lbs} \times 2 \text{ rails} \div 2000 \text{ lbs} \times \20.00 per ton
 = $\$4646.40$

Same rail is appraised by DOR using unitary method including all ties, bridges, right of way, depots, freight yds, repair shops, and rolling stock = $\$25,000$ to $\$30,000$

ORE THE STATE TAX APPEAL BOARD
OF THE STATE OF MONTANA

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KAISER CEMENT & GYPSUM)
CORPORATION, INC.,)
)
Appellant,)
)
vs.)
)
THE DEPARTMENT OF REVENUE)
OF THE STATE OF MONTANA,)
)
Respondent.)

No. PT79-2324

TRANSCRIPT OF
PROCEEDINGS

taken before the State Tax Appeal Board at 1230 Eleventh Avenue, City of Helena, State of Montana, on the 29th day of October, 1979, at the hour of 9:00 A.M., concluding at the hour of 5:30 P.M. on that same day, by Paula K. Gresens, Notary Public and a Certified Court Reporter. Board members present were: Helen Peterson, Chairman; Robert S. Raundal, Member, and James Steffek, Member. Witnesses present were: Fredrick Nelson, A. E. Steffe, Bob Holliday, and John J. Connolly, III.

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APPEARANCES

ATTORNEY APPEARING ON BEHALF OF THE APPELLANT, KAISER CEMENT CORPORATION, INC.:

Ward A. Shanahan, Esq.
GOUGH, SHANAHAN, JOHNSON & WATERMAN
Attorneys at Law
P.O. Box 1686
Helena, MT 59601

ATTORNEY APPEARING ON BEHALF OF THE RESPONDENT, THE DEPARTMENT OF REVENUE:

Bruce R. McGinnis, Esq.
Attorney at Law
DEPARTMENT OF REVENUE
Sam Mitchell Building
Helena, MT 59620

1 MR. STEFFECK: That's what I was going to
2 ask, percentage differences.

3 BY MR. SHANAHAN:

4 Q. Could you give me the valuation of the track according
5 to the appraisal by the Department of Revenue?

6 A. The value on the track, which is approximately 4600
7 feet, is \$132,560.

8 Q. What is the length of the track?

9 A. Approximately 4600 feet.

10 Q. And have you made an inquiry to determine the valuation
11 placed on the utility -- the utility valuation placed
12 on the Burlington Northern trackage which immediately
13 adjoins this?

14 A. Yes, I contacted the Tax Manager of the Burlington
15 Northern Railway, and he told me that their track on
16 that run is valued at \$5508 per mile.

17 Q. Okay. Now, on the decision by these --

18 MR. STEFFECK: Wait. I really have to write
19 that.

20 CHAIRMAN PETERSON: That's very interesting.

21 MR. STEFFECK: I have to write that down,
22 too. I hate to slow this thing down any more, but if I
23 don't get it right now, I'm never going to have it.
24 So, 4600 feet was valued at 32,560 --

25 THE WITNESS: 132,560.

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CHAIRMAN PETERSON: 132,560.

MR. STEFFECK: Oh, okay, 132,560. All right,
and the Burlington Northern track next to it is valued at-

THE WITNESS: 5508.

CHAIRMAN PETERSON: \$5,508. I'd like --

MR. STEFFECK: -- \$5,508 per mile, which is
going to be 5,000 --

MR. SHANAHAN: We'd ask the Board to take
administrative notice of the fact that the point is
that we raised the question about the change in classi-
fication from one class to another.

MR. STEFFECK: Oh, I see.

MR. SHANAHAN: If it's going to be changed to
Class 7, which is a utility classification, then there
should be some comparable valuation. We also ask the
Board to take administrative notice that the valuation
of the railroad trackage is made on the basis of a mileage-alloca-
tion formula which takes into consideration many factors besides
real estate and machinery. But we're making the point because of
the moving from one class to another.

MR. STEFFECK: Okay.

MR. SHANAHAN: All right.

CHAIRMAN PETERSON: Well, I don't --

MR. SHANAHAN: Any objection to that?

CHAIRMAN PETERSON: Well, I would feel it

42.22.111 VALUATION METHOD (1) The unit method of valuation will be used to appraise centrally assessed companies whenever appropriate. When applying this method, the department will use commonly accepted methods and techniques of appraisal to determine market value. The application of the unit method may include a cost indicator, capitalized income indicator, and a market indicator (stock and debt) of value when sufficient information is available. If the department determines that an individual indicator, the unit method of valuation or other method of valuation does not reflect a company's market value or that information is unavailable, it may adopt a different method or methods of valuation, including but not limited to net scrap, net salvage, corridor value in the case of railroads, or any combination of methods of valuation which reflect the company's market value.

(2) When the unit method of valuation is used with multiple indices of value, they will be combined into one (system) value. Combining of the indices shall require the department to review all available information including: reliability of the cost data, sufficiency of the depreciation allowed, frequency of full audit by a regulatory agency, quality of the income to be capitalized, level of income to be capitalized, accuracy of information used to set a capitalization rate, accounting principles used to report data from which the valuation is made, fluctuations in the stock market, methods used by other taxing authorities, and all other pertinent information. After thoroughly acquainting itself with the indices, the department shall determine the degree to which each indicator will influence the unit valuation.

(3) This rule shall be effective for all reporting years ending December 31, 1981 and thereafter. (History: Sec. 15-23-108 MCA; IMP, Title 15, chapter 23, part 1 MCA; NEW, Eff. 12/4/76; AMD, 1982 MAR p. 705-708, Eff. 4/16/82.)

42.22.112 COST INDICATOR (1) The cost indicator of value shall be derived from information contained in the company's report to the department, report to a regulatory agency, property descriptions submitted to the department, and any other reliable source of information. The department will include the cost of all operating properties which are taxable under Montana law. This includes properties both within and without the state.

- (2) The type of cost used may be one of the following:
- (a) replacement;
 - (b) replacement less depreciation;
 - (c) reproduction;
 - (d) reproduction less depreciation;
 - (e) historical (original); and
 - (f) historical less depreciation.

(3) The choice of cost shall depend upon which type best reflects market value of the property at the time of valuation. (History: Sec. 15-23-108 MCA; IMP, Title 15, chapter 23, part 1 MCA; NEW, Eff. 12/4/76.)

42.22.113 MARKET INDICATOR (1) A market or stock and debt indicator of value shall be derived from the company's outstanding liabilities. The department shall consider the market value of the company's preferred and common stocks, outstanding debt, and the net of current assets and current liabilities. The sum of these items represent an indicator of market value for all the company's property. When the sum represents both operating and nonoperating property, the department will deduct the market value of the nonoperating property.

(2) If a company's stock is not traded in the market place, the department may use a price earnings ratio from similar companies or other appropriate methods. (History: Sec. 15-23-108 MCA; IMP, Title 15, chapter 23, part 1 MCA; NEW, Eff. 12/4/76.)

42.22.114 INCOME INDICATOR (1) The income indicator will be determined by the capitalization of the company's operating income. The capitalization rate used by the department may be determined by the band of investment theory or any other generally accepted method. In determining a capitalization rate the department shall consider the level of income to be capitalized. The income which the department capitalizes will normally be a 2-year average; however, it may be a longer or shorter period, depending upon the department's analysis of future earning capacity. (History: Sec. 15-23-108 MCA; IMP, Title 15, chapter 23, part 1 MCA; NEW, Eff. 12/4/76.)

42.22.115 NOTIFICATION AND HEARING (1) On or before June 30 each year the department shall notify the centrally assessed companies of the proposed valuation of their Montana properties. Within 20 days of notification companies may meet with the department to review the valuation and provide additional information which is pertinent in arriving at a proper valuation. The department shall consider the company's suggestions and additional material and notify the company of its intended action.

(2) Within 10 days after receipt of the department's intended action, a centrally assessed company (except airlines) may request a hearing before the director of the department of revenue to show cause why the valuation should either be lowered or raised. Airlines are allowed 30 days to request a hearing. The request shall contain the specific points to which the company takes exception.

(3) If the company does not find the results of the

stations equipment and towers including back cost and the school and special districts in which they are situated. The information on the printouts shall be reported by county and taxing units in which they are situated. The situs printouts shall contain the following additional information for operating situs property:

- (a) complete description of the property; and
 - (b) installed cost and date of installation if required under 42.22.12(3). If additions have been made to operating property then there should be a breakdown of installed costs and dates under the property listing.
- AUTH: 15-23-108 MCA; IMP: 15-23-103, 15-23-701, 15-23-301, 15-23-402, 15-23-502, 15-23-602, and 15-23-701 MCA.

42.22.106 ADDITIONAL REPORTING REQUIREMENTS FOR CENTRALLY ASSESSED RAILROADS

(1) Each year all centrally assessed railroads shall submit by April 15 a report of operations for the preceding year containing in addition to that information required by 42.22.105 the following information and items:

- (a) copies of all Montana track charts;
 - (b) a statement setting forth by individual counties the total acreage of Montana real property and right-of-way;
 - (c) a statement setting forth by individual state the total acreage of all system real property and right-of-way;
 - (d) a statement of all track in Montana listing the pattern weight, number of miles, and location by railroad segment and milepost; and
 - (e) a statement of all agreements authorizing the longitudinal use of Montana right-of-way, including for each agreement the names of the parties to the agreement, a summary of its terms, the amounts paid thereunder, the longitudinal use contemplated, and the location and length of right-of-way covered.
- 197--e statement of all monthly bad order ratios for cars and locomotives in Montana
- 41--a statement by network segment of Montana gross and net tons hauled during the year and a copy of any chart setting forth this information
 - 41--a statement by network segment of Montana gross and net tons hauled during the year and a copy of any chart setting forth this information
 - 41--a copy of the company's freight car diagram book
 - 41--a statement setting forth all locomotive tonnage ratings
 - 41--a copy of Montana employee timetable for the year
 - 41--a copy of Montana operating rules
 - 41--a copy of freight train schedules for the year
 - 41--a list of all Montana equipment and repair shops and yards
 - (2) and (3) remain the same.
- AUTH: 15-23-108 MCA; IMP: 15-23-201 MCA.

42.22.111 VALUATION METHOD (1) The unit method of valuation will be used to appraise centrally assessed companies when ever appropriate. When applying this method, the department will use commonly accepted methods and techniques of appraisals to determine market value. The application of the unit method may include a cost indicator, capitalized income indicator, an interest indicator (stock and debt) of value when sufficient information is available. If the department determines that a individual indicator, the unit method of valuation or other method of valuation does not reflect a company's market value or that information is unavailable, it may adopt a different method or methods of valuation, including but not limited to net scrap net salvage, corridor value in the case of railroads, comparable market sales in the case of airlines, or any combination of methods of valuation which reflect the company's market value.

(2) When the unit method of valuation is used with multiple indices of value, they will be combined into one (system) value. Combining of the indices shall require the department to review all available information including: reliability of the cost data, sufficiency of the depreciation allowed, frequency of full audit by a regulatory agency, quality of the income to be capitalized, level of income to be capitalized, accuracy of information used to set a capitalization rate, accounting principles used to report data from which the valuation is made, fluctuations in the stock market, methods used by other taxing authorities, and all other pertinent information. After thoroughly evaluating itself with the indices the department shall determine the degree to which each indicator will influence the unit valuation-examination of the above information. The department shall correlate the indices into one system value.

(3) This rule shall be effective for all reporting years ending December 31, 1981 and thereafter.

AUTH: 15-23-108 MCA; IMP: Title 15, chapter 23, part 1 MCA.

42.22.112 COST INDICATOR (1) and (2) remain the same.

(3) The choice of cost shall depend upon which type best reflects market value of the property at the time of valuation. For taxable periods ending on or beginning after December 31, 1985, the cost indicator shall be consistent with the cost approach used in valuation of other commercial and industrial property.

AUTH: 15-23-108 MCA; IMP: Title 15, chapter 23, part 1 MCA.

42.22.114 INCOME INDICATOR (1) The income indicator will be determined by the capitalization of the company's operating income, cash flow analysis, or capital asset pricing models. The capitalization rate used by the department may be determined by the band of investment theory or any other generally accepted method. In determining a capitalization rate the department shall consider the level of income to be capitalized. The income which the department capitalizes will normally be a

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1984

MOUNTAIN STATES TELEPHONE & TELEGRAPH

REVISED

COST INDICATOR:

40

Plant Depreciated
Plant Held for Future Use
Materials & Supplies

\$ 6,449,499,000 BCGD
4,756,000
57,607,000
6,511,862,000 9,767,793,00

INCOME INDICATOR:

60

1982 1983
542,238,842 619,962,823
Avg. 581,100,833
Cap Rate 13%

4,470,006,000

CONCLUSION OF VALUE

Work in Progress

\$ 5,286,748,000 6,589,121,00
210,605,000
5,497,353,000 6,799,726,00

ALLOCATION 6.59%

\$ 362,276,000. 448,101,000

23% increase in
value as a result
of Replacement Cost

NAME Keith Kavash Montana Power Co. BILL NO. SSR #17

ADDRESS 40 East Broadway Boite DATE 2/20/85

WHOM DO YOU REPRESENT Montana Power Co

SUPPORT _____ OPPOSE X AMEND _____

PLEASE LEAVE PREPARED STATEMENT WITH SECRETARY.

Comments:

1) original cost depreciated is the basis for earning and therefore is appropriate for determining market value.

2) Replacement Cost Depreciated would increase MPO's taxes an estimated 40% or 9.4 million.

STANDING COMMITTEE REPORT

February 20,

19. 85

MR. PRESIDENT

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

having had under consideration..... **Senate Bill** No. **72**

second reading copy (yellow)
color

EXCLUDE SOCIAL SECURITY BENEFITS FROM STATE INCOME TAX LIABILITY.

Respectfully report as follows: That..... **Senate Bill** No. **72**

DO PASS

~~DO NOT PASS~~

.....
Thomas E. Towa,

Chairman.