MINUTES OF THE MEETING
TAXATION COMMITTEE
MONTANA STATE SENATE

February 22, 1985

The thirty-seventh meeting of the Senate Taxation Committee was called to order at 7:44 a.m. by Chairman Thomas E. Towe in Room 413-415 of the State Capitol.

ROLL CALL: Senators Hirsch and Neuman were excused. Senator Halligan was absent. All other members of the committee were present.

CONSIDERATION OF SB 284:

MOTION: Senator Eck moved that SB 284 be amended by striking line 25 on page 1, through line 14, on page 2. She said that would keep the provision of the bill that would allow repayment made from fees, rentals, etc; and delete other provisions. The motion carried unanimously.

MOTION: Senator Hager moved that SB 284 be amended by striking the effective date. The motion carried unanimously.

MOTION: Senator Eck moved that SB 284 do pass as amended. Including Senator Neuman, and excusing Senator Hirsch, all members voted yes.

CONSIDERATION OF SB 156: Senator Towe said this bill does not do as much as SB 4, but it does allow the designation changes. He said it would allow the coal board to grant money in designated areas tied to the impact of coal development.

MOTION: Senator Eck moved that the effective date be stricken from the bill. The motion carried unanimously.

MOTION: Senator Eck moved that SB 156 do pass, as amended. The motion carried unanimously.

CONSIDERATION OF SB 21:

MOTION: Senator Mazurek moved the amendments in Exhibit 1. The motion carried unanimously.

(Senator Halligan joined the committee at 7:55 a.m.)

Senator Goodover said he did not think coal tax money should be taken for research because it won't accomplish anything and because coal has already been researched for 100 years. He indicated that coal companies should be involved. Senator Towe responded that all MSU research has been coal company paid. He said the amendments requiring private funding would insure their involvement.

MOTION: Senator Lybeck moved that SB 21 do pass as amended. With Senator Goodover voting no; Senator Hirsch leaving a no vote with Chairman Towe; and all other members of the committee voting yes, the motion carried.

FURTHER CONSIDERATION OF SB 388:

MOTION: Senator McCallum moved that SB 338 do pass.

Senator Towe said the bill sets a bad precedent as it is a back-door appropriations bill.

Senator Severson said the coal tax was to be used for future generations and this bill would help them.

Senator Halligan said the bill spent over $1 million and the program wasn't clear. He said the money was found, but the mechanics had not been discussed. He said it was a tremendous emotional appeal without specifics.

Senator Eck suggested that the bill should be reviewed by the appropriations people, and they should make a recommendation in light of the other budget considerations.

Chairman Towe asked for a roll call vote. With Senators Brown, Eck, Goodover, Hager, Halligan, Lybeck, McCallum and Severson voting yes; Senators Mazurek, Neuman and Towe voting no; and Senator Hirsch excused, the motion carried.

CONSIDERATION OF SB 390: Chairman Towe recognized Senator Joe Mazurek as chief sponsor of the bill. He first presented amendments (Exhibit 2). He explained the bill was introduced so that new production of oil and gas would be subject to gross proceeds tax in a stable and predictable manner. He explained the mechanism of the bill for doing that. It would compute the average across all school districts and would stop the variance in tax rates currently experienced. He said now some are taxed at less than 1 percent and others at more than 22 percent. He said the bill was revenue neutral although some counties would receive less. He said Montana's effective tax rate would be about 12 percent with implementation of the bill and that compared to North Dakota at 12.7 percent, and Wyoming at 11 to 12.5 percent. He felt passage of the bill would stimulate new production in the state.

<u>PROPONENTS</u>

Mr. Tucker Hill, director of Project 85, said they support SB 390. He submitted testimony in writing (Exhibit 3).

Montana International had also done a study of oil and gas taxation which Mr. Hill presented to the committee (Exhibit 4).

He also entered into the record a variety of letters received from exploration companies which further illustrate the relationship of taxes and exploration investment (Exhibit 5).

Mr. Pete Madison of the North American Resource Company said their business is to find and produce natural gas. They are a subsidiary of Montana Power Company. He said they spent $7.5 million developing oil and natural gas in the last year, but that most of the money is spent outside of the state. He said they had only two of 31 prospects in the state and six of 63 wells. He said, we are a Montana corporation of Montana people and we want to do business at home. But he said Montana prospects are penalized terribly by the tax system of this state. He submitted written testimony (Exhibit 6).

Mr. William W. Ballard of Balcron Oil Company submitted written testimony in Exhibit 7. He said the current system requires many manhours in computation and auditing. He said only about 2 percent of the hydrocarbon potential is developed in Montana and there is a tremendous geological case for investment here.

Mr. Bill Vaughey of Havre said he represents a small firm exploring for oil and gas in Montana and that he is chairman of Project 85. "This bill would revolutionize the environment for petroleum exploration," he said. A letter from Mr. Vaughey is included in Exhibit 5.

Mr. John Johnson of Glendive Forward submitted his testimony in writing (Exhibit 8).

Mr. Ken Kubish, Glendive realtor, read a letter from Boedecker Resources into the record (Exhibit 9). He added that the PCA was just lost in Glendive because of farmers' inability to pay. He said many farmers would be unable to borrow to plant in the spring and no jobs are now available for them. He said 270 houses, a three-year supply under normal economic conditions, are currently for sale in Glendive. He felt this bill would benefit the agricultural community by giving them a bonus for selling leases and allowing seismographic runs.

Senator Goodover rose to speak saying this is the kind of positive image we have to send outside of the state to invite investment here. He said Saskatchewan had a good experience with encouraging increased oil speculation.

OPPONENTS

Mr. Bill Jones, Chairman of the Oil and Gas Counties group, said that as long as this is a property tax state, the property tax base must be left intact. He said the bill is not really tax neutral as there are many counties that would be adversely affected individually. He said it is to affect only new production, but after time that would include all producing wells. He concluded saying local government depends on the property tax base and it should not be further eroded.

Mr. Mike Stephens, also representing oil and gas producing counties, said this bill tinkers with a great percent of the property tax base of counties. He said the proponents talked about "stablizing and predicting" things for the industry, and he thought school districts also had a right to know what to expect. He said if farmers need a break it should be given directly. He said many counties are below the tax figure proposed in the bill and yet there is not a rush of rigs into those counties. He said the real problem is decline in oil price, not in the taxation.

He concluded saying the status quo should be maintained as the state cannot afford to make up the losses to school districts.

Mr. Ed McCaffrey, county commissioner for Rosebud County, said he thought the committee should look at supply and demand, not taxation. He said his county would actually gain from passing the bill, but could not support the bill because the flat tax would not be tied to the county mill levy.

Mr. John Shontz, Richland County Commissioner, submitted his testimony in writing (Exhibit 10). He said if we are to compete with neighboring states this bill would not do the job. He noted that North Dakota is considering passing a bill which would forgive all taxes on new production for three years. Wyoming, he said, is exempting or substantially lowering tax on wildcat operations. Saskatchewan is not in a comparable situation, he said, because the provincial government owns all the royalties and they were simply forgiven.

Questions from the committee were called for.

Senator Towe asked the proponents to respond to the problem the bill would create for individual counties, such as Roosevelt, where 57 percent of the tax base is in oil and gas production. Mr. Hill said the fiscal note assumes no new production. Senator Towe also inquired about the technical administration of the education state-wide levies. Mr. John Fitzpatrick said a percentage factor would be used, and the same percentages would come into play year after year.

Senator Eck asked if local income would be affected by increased local production. Mr. Hill said it would be fairly balanced across the state. He said the bill did not contemplate funneling dollars into the areas of need.

Senator Lybeck asked if exploration would be stimulated by reduction of other taxes. Mr. Hill said this had been chosen as the most realistic alternative. Senator Lybeck asked about results in other states and was told the changes were too new to allow judgment.

Senator Severson asked why exploration was no better in counties with lower mill levies. Mr. Hill said that a low mill levy did not necessarily mean there was oil in the county. Senator Towe then inquired if the location of the oil was not the real issue.

Senator Eck asked if the industry would compare the net proceeds tax and the severance tax. Mr. Hill said net proceeds tax was too high and too variable.

Senator Goodover said a sunset provision would only increase the unpredictability of the Montana situation. It was pointed out that it would not be variable for the life of the wells drilled in that time and it could provide useful information about increased explorations in relationship to taxation.

Senator Mazurek closed saying no one claims this bill alone would stimulate new production. He said that was a marketplace function, and this bill would make Montana more attractive than it is now. He said the change was only for new production, and local governments could not lose something they never had.

CONSIDERATION OF SB 434: Senator Dorothy Eck of Senate District 40 was recognized as chief sponsor of the bill. She said the plight of local government is legislatively created and despite repeated requests for alternative sources of revenue, none has been forthcoming. She said all other levels of government are increasing in size, except local governments. She said local government block grants have never been adequately funded, and this session it will be even worse.

This bill, she said, gives local governments the latitude to take to the people a local option tax. She said the rates, methods, and type would all be proposed at the local level. They could opt for special sales taxes, luxury taxes, income taxes, payroll taxes. She said the bill is a message to local governments of trust that they will devise these taxes properly. She said it is only throwing them a crumb, but at least it would allow them the ability to address their own problems.

PROPONENTS

Senator Mike Halligan, Senate District 29, rose as a proponent of the bill. He said it leaves local matters in local hands and provides for a vote of the electorate. He supported the bill. (Senator Halligan was excused for the remainder of the meeting.)

Ms. Mary Vant Hall, City Commissioner from Bozeman, said she had previously written to the committee in support of the bill.

She said local government is more careful than any other level of government with tax dollars, and as the bill required the voters to approve of the tax it was a supportable position.

Ardie Aiken, city commissioner from Great Falls, said financing is the fundamental problem of local government. She said they cannot be expected to provide required programs and not be allowed the fiscal responsibility. She cited statistics on the inflexibility of Montana's systems of financing local governments in comparison to that of other states. The bill is not a panacea but does at least allow some discretion, she said. She submitted Exhibit 11 to the committee.

Mr. Cal Dunbar of West Yellowstone said they are running out of alternatives. He said this is enabling legislation that would see that funds did not escape the community. Tax return should follow tax generation, he said. The people of West Yellowstone have already demonstrated their willingness to try new programs. He submitted Exhibit 11 to the committee.

Mr. Bob Jacklin, past president of the West Yellowstone Chamber of Commerce, said people will not be scared away by the taxes this bill might allow. He presented Exhibit 12 to the committee.

Mr. Greg Jackson of the urban coalition asked the committee to refer to Exhibit 5 from the preceding day's minutes. He said they have heard the innkeepers' arguments so many times, and the innkeepers theirs, that they could trade places. He noted that Representative Kadas polled 2,000 of his constituents and 60 percent of them supported local option taxation.

Mr. Alex Hansen of the Montana League of Cities and Towns said the Bureau of Business and Economic Research had information that showed property tax increase as the least acceptable. Hotel/motel user taxes were the most acceptable, right after increasing corporate taxation. He said these tax policy questions are decided here on the day when legislators are tired. At the local level, he said, they would be given serious and thorough consideration and better decisions could be made.

Mr. Mike Young, an independent businessman and president of the West Yellowstone Chamber of Commerce, said that given the ability, West Yellowstone would do well. Let us help ourselves, he said (Exhibit 14).

Mr. Walt Herman, a West Yellowstone Campground owner, presented written testimony. (Exhibit 15).

Mr. Bill Howell, West Yellowstone, said that local governments should be able to decide what is right and wrong. He said the tourists should help pay for the services they use and not leave the locals holding the bag. He said if something is not done, the state will face an initiative of the Proposition 13 nature.

OPPONENTS

Mr. Alan Elliot of the Thrifty Scott Motel in Billings was allowed to speak. He said if this would not hurt his industry, then why were all the industry people taking the time to be at the committee. He said the plight of local municipalities is appreciated. He said they want dollars to use for advertising. He said the multitude of bills and shortness of time make it frustrating and difficult to know what is best.

Chairman Towe said the hearing would be continued at 8 a.m. tomorrow morning and adjourned the meeting at 10:09 a.m.

Chairman

ROLL CALL

SENATE TAXATION COMMITTEE

49th Legislative Session -- 1985

Date February 22, 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 Feb 22, 85

COMMITTEE ON TAXATION

VISITORS' REGISTER

NAME	REPRESENTING	BILL #	Check One: Support	Check One: Oppose
Mary Vant Hull	Bozeman City Cmsn	434	✓	
Mike Ward	Gallatin Co. Study Cmsn	434	✓	
Bob Jacklin	W. Yellowstone	434	✓	
Al Dunbar	" "	434	✓	
Walter [illegible]	Wy Mt.	434	✓	
Gary Schoen	West Yellowstone	434	✓	
Gregg Jackson	Urban Coalition	434	✓	
Don Judge	MT STATE AFL-CIO	434		X
Ardi Aiken	Great Falls Commission	434	✓	
Janelle Fallan	Mt Chamber	434		X
Eric Feaver	MEA			
[illegible]	[illegible]	[illegible]	✓	
W.L. Bolton	Bozeman	390	X	
Mike Young	Missoula	434	✓	
WM VAUGHEY JR	HAVRE	390	✓	
John N. Johnson	Glendive MT	390	X	
Ken Kubesh	" "	390	X	
Bill Howell	West Yellowstone	434		
Scott [illegible]	Self	390	X	
John Fitzpatrick	Mountain International Inc	390	X	
Jeff Martin	Mt. Intl	390	X	
Mildred Angell	Bozeman, MT	390	X	
Shirley [illegible]	Fairview		X	
Roland Pratt	MT Optometric Assoc, Restaurant Assoc, Funeral Directors Assoc	434		X
John Shontz	Richland County	390		X
Gloria Paladichuk	Richland County	390		X

(Please leave prepared statement with Secretary)

DATE *January 22, 1985*

COMMITTEE ON *Taxation*

2nd register

VISITORS' REGISTER

NAME	REPRESENTING	BILL #	Check One: Support	Check One: Oppose
Jerome Anderson	*Shell Oil — E&P*	*390*	✓	
Mike Stephen	*MT Assoc. of Oil & Gas*	*390*		X
Gloria Paladichuk	*Richland Co Taxes*	*390*		X
Ed McCaffree	*MT Assoc. of Oil & Gas*	*390*		✓
[illegible]	*MIKA*	*434*		✓

(Please leave prepared statement with Secretary)

(This sheet to be used by those testifying on a bill.)

NAME: Ken Kubosh DATE: 2-22-85

ADDRESS: Box 287 Glendive MT

PHONE: 406 365 2023

REPRESENTING WHOM? Glendive Forward

APPEARING ON WHICH PROPOSAL: 390

DO YOU: SUPPORT? X AMEND? ___ OPPOSE? ___

COMMENT:

PLEASE LEAVE ANY PREPARED STATEMENTS WITH THE COMMITTEE SECRETARY.

Amendments to Senate Bill No. 21
Amend SB 21, introduced copy

1. Title, line 4.
Following: "ESTABLISHING A"
Strike: "COAL"

2. Page 3, line 22.
Following: "of the"
Strike: "coal"

3. Page 3, line 25.
Following: "the"
Strike: "coal"

4. Page 4, lines 3 and 4.
Following: "by"
Strike: ". . . . . Bill No. . . . (LC . . . . .)"
Insert: "[section 3 of HB 812]"
Following: "for"
Strike: "use in the competitive coal research program"
Insert: "technology investments in technology development projects as provided for in [section 6 of House Bill 812]"

5. Page 4, line 8.
Following: "products"
Insert: ", provided at least one-third of the total program funds is made available from private and other sources"

6. Page 4, line 21.
Following: line 20
Strike: "_______ Bill No. _____ (LC _______)"
Insert: "House Bill 812"

EXHIBIT 1 -- SB 21
February 22, 1985

Proposed Amendments

Senate Bill No. 390

Introduced Copy

1. Page 12, line 9.
   following: line 8
   Insert:

"<u>NEW SECTION.</u> Section 11. Disposition of taxes in lieu of net proceeds taxes.

The County Treasurer shall credit all taxes on new oil or gas production, as provided for in Section 15-23-607 in the relative proportions required by the levies for state, county, school district, and municipal purposes in the same manner as property taxes were distributed in the year preceding the budget year.

<u>NEW SECTION.</u> Section 12. Codification instruction. Section 11 is intended to be codified as an integral part of Title 15, chapter 23, part 6, and the provisions of Title 15, chapter 23, part 6, apply to section 11."

Renumber: subsequent sections

2. Page 12, line 14.
   following: "through"
   Strike: "10"
   Insert: "11"

3. Page 12, line 14.
   Following: "1985".
   Strike: "Section"
   Insert: "Sections"

4. Page 12, line 15.
   Following: line 14
   Strike: "11" "and"
   Insert: "12 through"

5. 5. Page 12, line 16.
   Following: "Section"
   Strike: "11"
   Insert: "13"

Exhibit 2 -- SB 390
February 22, 1985

PROJECT 85 LEGISLATIVE PROPOSAL

SENATE BILL 390

SITUATION

Net proceeds taxes are property taxes paid on oil or gas production.

Net proceeds are Class I property which means oil or gas is taxed at 100% of its net value. Only oil and gas are taxed in this class.

Net proceeds are paid to county governments. In 1984 thirty-one Montana counties received over $75 million.

The rate of net proceeds paid varies widely from county to county, school district to school district, and from year to year because oil and gas is subject to local mill levies.

Each of nearly 3000 of Montana's total oil or gas leases has a different tax rate and each of those 3000 leases change every year. Rates vary from 1% to over 20% for net proceeds taxes alone.

WHAT DO WE PROPOSE?

New production from leases will be taxed at the statewide average for net proceeds --6.3% of gross for oil and 9.2% for natural gas.

All taxes on new production will be paid to county governments just as current net proceeds taxes are.

Existing production will be taxed as it is. No changes for existing production.

Exhibit 3 -- SB 390
February 22, 1985

WHAT WILL SENATE BILL 390 DO?

Averaging net proceeds taxes at 6.3% for oil and 9.2% for gas will make state taxes paid for oil or gas predictable and comparable to rates paid in North Dakota and Wyoming.

WHY DO WE WANT THIS CHANGE?

A predictable tax rate at a reasonable level allows investors to predict after tax rate of return. We want two rates rather than 3000 rates.

IS THIS A TAX REDUCTION?

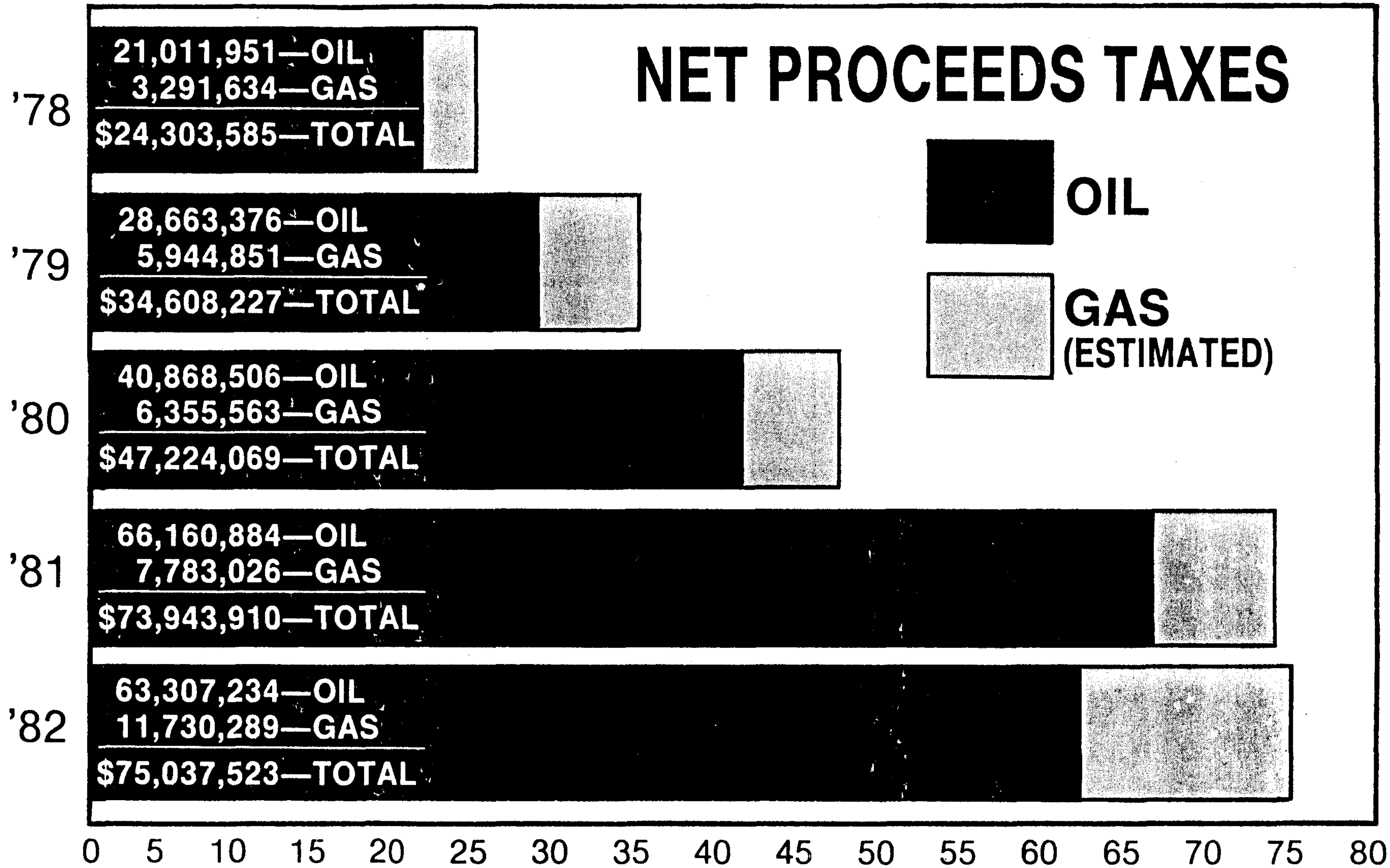
No. We are asking for a rate that is equal to the statewide average.

WILL THIS CHANGE ENCOURAGE ADDITIONAL INVESTMENT?

Yes. Certainly. I will provide copies of letters from several individuals and corporations which support the idea that additional investment, and therefore additional production, will follow passage of Senate Bill 390.

WHAT PERCENTAGE OF MONTANA'S PRODUCTION WOULD COME UNDER THIS UNIFORM TAX SYSTEM EACH YEAR?

New oil production in Montana, as defined in Senate Bill 390, in 1984 was approximately 700,000 barrels or about 3% of Montana's total oil production. If Senate Bill 390 is passed, new production will increase.


NET PROCEEDS TAXES
OIL
GAS
(ESTIMATED)
'78
21,011,951—OIL
3,291,634—GAS
$24,303,585—TOTAL
'79
28,663,376—OIL
5,944,851—GAS
$34,608,227—TOTAL
'80
40,868,506—OIL
6,355,563—GAS
$47,224,069—TOTAL
'81
66,160,884—OIL
7,783,026—GAS
$73,943,910—TOTAL
'82
63,307,234—OIL
11,730,289—GAS
$75,037,523—TOTAL
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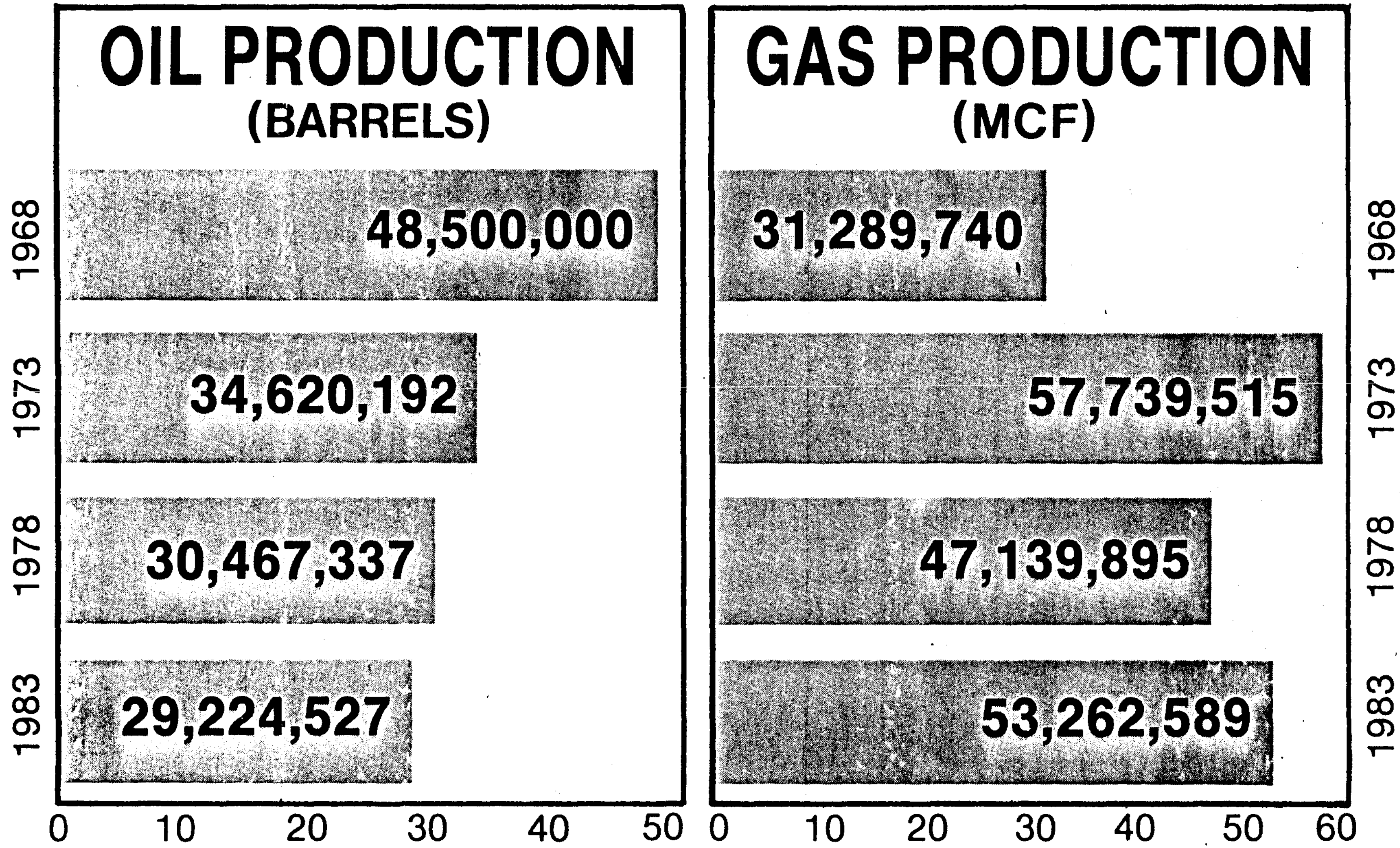
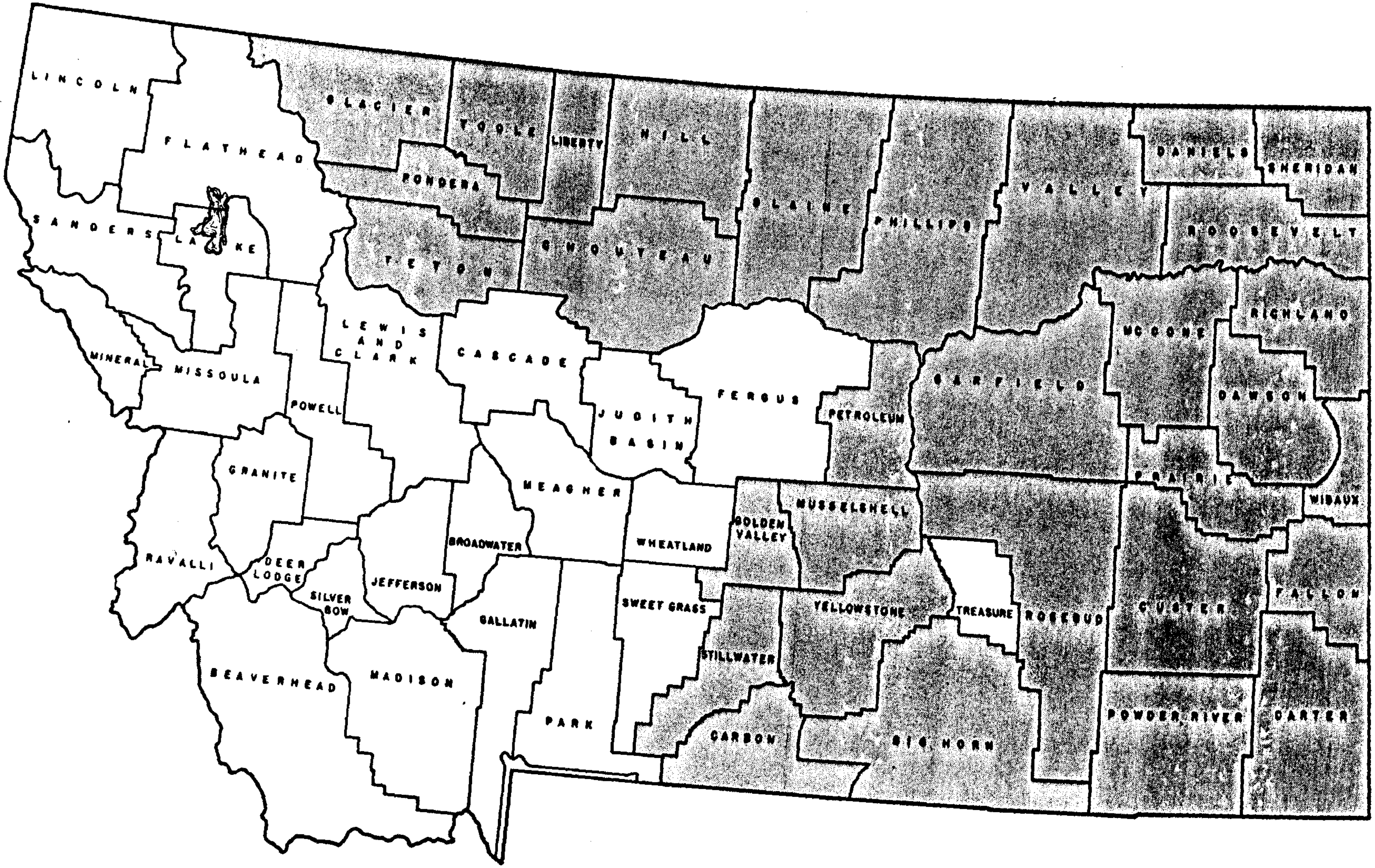


OIL PRODUCTION
(BARRELS)
1968
48,500,000
1973
34,620,192
1978
30,467,337
1983
29,224,527
0
10
20
30
40
50
GAS PRODUCTION
(MCF)
1968
31,289,740
1973
57,739,515
1978
47,139,895
1983
53,262,589
0
10
20
30
40
50
60



LINCOLN
FLATHEAD
SANDERS
LAKE
MINERAL
MISSOULA
GLACIER
TOOLE
LIBERTY
HILL
BLAINE
PHILLIPS
VALLEY
DANIELS
SHERIDAN
ROOSEVELT
PONDERA
TETON
CHOUTEAU
LEWIS AND CLARK
POWELL
CASCADE
JUDITH BASIN
FERGUS
PETROLEUM
GARFIELD
MCCONE
RICHLAND
DAWSON
PRAIRIE
WIBAUX
GRANITE
RAVALLI
DEER LODGE
SILVER BOW
JEFFERSON
BROADWATER
MEAGHER
WHEATLAND
GOLDEN VALLEY
MUSSELSHELL
SWEET GRASS
GALLATIN
YELLOWSTONE
TREASURE
ROSEBUD
CUSTER
FALLON
STILLWATER
BEAVERHEAD
MADISON
PARK
CARBON
BIG HORN
POWDER RIVER
CARTER

Net Proceeds No. 3

STATE OF MONTANA

ASSESSMENT OF NET PROCEEDS OF MINES

(Chapter 15 M. C. A.)

RETURN AND STATEMENT OF NET PROCEEDS

For Year Ending Dec. 31, 19 ....

OIL AND GAS PRODUCTION

NOTICE: This statement must be filed with the Department of Revenue, Natural Resource and Corporation Tax Division, Helena, Montana, on or before April 15.

THIS STATEMENT MUST BE COMPLETED IN ITS ENTIRETY OR FORM WILL BE RETURNED

Name of Owner or Operator ....

Address .... City .... State .... Zip Code ....

Name of Lease .... Section .... Twp. .... Rge ....

County .... School Dist. No. ....

If Lease Was Purchased During Period Covered by This Statement; Purchased from ____________

____________ **Date Purchased** ____________

NOTICE

ANY PERSON, Corporation or Association engaged in producing oil, natural gas or liquids must annually file a return on this form with the Department of Revenue, Natural Resource and Corporation Tax Division, Helena, Montana. This return must be filed on or before April 15, each year. A group of leases may not be included in one return. A sparate return must be filed for each lease.

Total number of Barrels Crude Oil or MCF of Natural Gas or Gallons of Liquids sold during year ended December 31, 19 ....

________	barrels oil	@	________	per barrel,	$ ________
________	MCF	@	________	per MCF,	$ ________
________	gallons propane	@	________	per gallon,	$ ________
________	gallons butane	@	________	per gallon,	$ ________
________	gallons nat. gasoline	@	________	per gallon,	$ ________
________	Other	@	________	per gallon,	$ ________
				Total Gross Value	$ ________

Name of Purchaser(s) ____________

Number of Producing Wells on Lease at Close of Year ________

GROSS PROCEEDS

Total Gross value in dollars and cents

Of above Products .... $..........

Total Deductions .... $..........

Net Proceeds .... $..........

DEDUCTIONS

NOTE: These deductions must be itemized in accordance with the schedules on the back of this report.

1. Cost of extracting or mining .... $..........

2. Windfall Profits Tax (Working Interest Portion) $..........

3. Capital Expenditures .... $..........

4. Other expenditures .... $..........

5. .... $..........

Total Deductions .... $..........

Dated at ...., the .... day of ...., 19 ....

STATE OF ss. ....

County of ....

....

.... being first duly sworn according to law, on oath, deposes and says .... that he has read the foregoing return and knows the contents thereof, and that the statements, and all thereof, contained therein are true.

....

Subscribed and sworn to before me this .... day of ...., 19 ....

....

Notary Public for State of .... residing at ....

Commission expires ...., 19 ....

1. COST OF EXTRACTING OIL OR GAS, ELIMINATING UNALLOWABLE EXPENSE ITEMS. STATEMENT SHOULD SHOW LEDGER ACCOUNTS.

Ledger Account Number		Totals Charged In Costs	Eliminated As Not Allowable	Net Allowable Mining Costs
	Labor	$	$	$
	Tools, Materials, Supplies			
	Operating Repairs			
	Equipment Rental			
	Pumping			
	Salt Water Disposal			
	Workover Costs			
	Superintendence			
	Fire Insurance			
	Workers' Compensation Insurance			
	ROYALTIES (total Gross Royalties per royalty schedule)			
	Total #1	$	$	$

NOTICE:

Superintendence shall be meant to include on[illegible] the persons or officers actually engaged dire[illegible] in the working of the well, lease, or unit, or superintending the management thereof. [illegible] deduction is not meant to include any pe[illegible] in a corporate or headquarters officer who ar[illegible] not included in the actual on site operation.

No moneys, expended for land lease, rental or for land lease holding may be used.

Depletion is not allowable as a deduction.

No miscellaneous items will be allowed. All deductions must be itemized.

Royalty schedules must be attached and mus[illegible] be completed in their entirety.

No payment for taxes other than the Windfall Profits Tax may be used as a deduction.

Report the Working Interest portion of the Wind[illegible] fall Profits Tax under Deductions on the front [illegible] this form.

Report the Royalty Owners portion of the Windfall Profits Tax on the Royalty Schedules.

2. WINDFALL PROFITS TAX (Working Interest Portion)
Only 70 PERCENT of the Windfall Profits Taxes withheld and paid by operator can be deducted in computing Net Proceeds Taxes on Oil and Gas.

100% of Windfall Profits Tax (working interest portion) $________

X.70

Total Amount Deductible WPT (working interest portion) $________

Report the Total Amount Deductible On The Front Of This Return. (Line 2 under DEDUCTIONS)

WINDFALL PROFITS TAX (Royalty Owners Portion)
Only 70 PERCENT of The Windfall Profits Taxes withheld and pai[illegible] by operator can be deducted in computing Net Proceeds Tax[illegible] Oil and Gas.

100% WPT (Royalty Owners Portion)............... $________

Total Amount Deductible (Royalty Owners Portion). . $________

Report The Total Amount Deductible On The Royalty Schedules.

3. Capital Expenditures

NOTICE: Capital Expenditures other than drilling costs may include buildings, equipment and tanks permanently installed on the lease. The amortization period for deduction of these capital expenditures shall begin with the year of actual expenditure and not the year when lease or unit went into production. Capital Expenditures on wells over 3000 ft. must be amortized over a period of TEN years. If the well is less than 3000 ft., capital expenditures may be amortized over a period of TWO years or TEN years

CAPITAL EXPENDITURES	COLUMN 1 New Capital Expenditures For Year Covered by This Return	COLUMN 2 Previous Years Capital Expenditures remaining to be amortized	COLUMN 3 Total Capital Expenditures To Be Amortized Per This Return	COLUMN 4 10% of Column 3 or 50% if 2 years Amortization
Current Year Total 19	$		$	$
Previous Years Totals 19				
19				
19				
19				
19				
19				
19				
19				
10th year 19				
Past 10 year period—EXPIRED XXX		XXX	XXX	XXX
COLUMN TOTALS	$	$	$	$

TAXATION OF OIL AND GAS

IN MONTANA

Mountain
International

Exhibit 4 -- SB 390
February 22, 1985

PROJECT 85 Members

Aikins Drilling Co.
Amoco Production Co.
ARCO Exploration Co.
BWAB Inc.
Balcron Oil Co.
Beren Corp.
C. Brewer Inc.
CENEX
Champlin Petroleum Co.
Chevron USA Inc.
Church, Harris, Johnson & Williams
Cities Service Oil & Gas Corp.
Citizens Bank of Montana
Clark Bros. Contractors
Conoco Inc.
Consolidated Oil & Gas, Inc.
Cotton Petroleum Corp.
Croft Petroleum Co.
Crowley, Haughey, Hanson, Toole and Dietrich
D.A.S. Resource Ventures Inc.
Deister, Ward & Witcher, Inc.
E-Line Oil Field Services
Elenburg Exploration Co. Inc.
Energy Reserves Group
Exxon Co. USA
Fox Oil Co.
Fuel Resources Development Co.
Gary Williams Oil Producer Inc.
Getter Trucking, Inc.
Getty Oil Co.
Grace Petroleum Corp.
Hancock, Warren J. Operator
Hannah Drilling Co.
Hawley & Desimon, Inc.
Heringer, Charles Jr.
Hi-Line Trucking, Inc.
Huckabay, E. Doyle Ltd.
Kennecott Minerals Co.
LYTM Co. Inc.
Ladd Petroleum Corp.
Livingston & Courdin Exploration, Inc.
Lynes, Inc.
Midlands Energy Co.
Milestone Petroleum Inc.
Montana Dakota Utilities Co.
Montana Eskimo Pet. Inc.
Montana Oil Well Cementers, Inc.
Mountain & Plains Oil Co.
Murphy Oil USA, Inc.
NRG Co., The
Nance Petroleum Corp.
Narco-Montana Power
Okerman, Mike
O'Toole, Loren
Petrocarbons, Ltd.
Phillips Petroleum Co.
Post Rock Oil Co.
Prairie Wireline Services
Quadra Oil & Gas, Inc.
Red River Royalty Corp.
Schaenen, David
Selah Land Co.
Shell Western E & P Inc.
Soap Creek Associates, Inc.
Sohio Petroleum Co.
Southland Royalty Co.
Sun Co. Inc.
Superior Oil Co.
T Bar S, Inc.
Texaco USA
Texas Oil & Gas Corp.
Torgerson, Ronald K.
Tricentrol
True Oil Co.
Vaughey & Vaughey
Vesta, Inc.
Watkins Engineering & Assoc.
Williams, Langdon G.
Zeno Inc.

Exhibit 5 -- SB 390
February 22, 1985

Great Falls
Jan 31

Greater incentive is needed to spur oil & gas production

In general, the Tribune supports efforts by the oil and gas industry to establish a uniform method of taxing oil and gas production on new leases beginning July 1.

The industry has a three-point legislative package that it says, over the long run, would accomplish two things: (1) It would make Montana competitive with neighboring states in promoting additional exploration and (2) Over the long haul it would increase tax revenue from oil and gas sources.

In 1983, Montana realized about $135 million in taxes from the oil and gas industry. The same year, in Wyoming, the amount received was about $840 million. What has held back production in this state has been a tax climate that drillers claim is excessive. And, compared to Wyoming, we have yet to see a big strike in the Overthrust belt. Compared to North Dakota, our share of Williston Basin production remains in second place.

What the industry people want to do is establish a uniform net proceeds tax of 11.88 percent on new oil and 12.43 percent on new natural gas.

This is not a radical scaling-down from present tax levels except that it would average out (and stabilize) the net proceeds tax collected at the county level. At present, the net proceeds tax is tied to each county's tax levy and is excessive in some instances. In Cascade County, for instance, the county tax alone would be almost $9 per barrel at today's prices.

The proposal also would mandate no change in the 1983 legislative decision to lower the state's oil-gas severance tax from 6 to 5 percent.

The drillers have two other plans to lower oil and gas taxation. They would reduce the severance tax on stripper wells (those that produce less than 10 barrels a day) and reduce the tax on tertiary production (oil obtained by injection of steam or carbon dioxide). The incentives are designed to extend the life of fields that are becoming depleted. Northcentral and central Montana have a number of such fields.

If the legislative goals are enacted, according to W.M. Vaughey Jr. of Havre, chairman of the industry's legislative committee, "the environment which Montana offers to petroleum exploration would be revolutionized."

It should be remembered that oil and gas taxation is sort of a chicken-or-the-egg proposition: Taxes are not collected unless production occurs. Production does not occur if taxes are too high or the risk too great.

As a result, we agree that better incentives should be offered, even if it results in a short-haul decrease in tax revenue. All indications point to just the opposite occuring — an increase in exploration, an increase in production and an increase in tax proceeds.

This, too, could be one of those "put up or shut up" challenges. Gov. Ted Schwinden recently offered the coal industry a tax rebate if it could drum up additional business. Extending the same offer to the oil-gas industry would be another window of opportunity.

CofC adopts oil legislation program

2-3 Gt. Falls Trib.

A four-point proposed legislative program which could revolutionize Montana's petroleum exploration environment has been adopted by the executive committee of the Great Falls Area Chamber of Commerce. It was proposed by the chamber's Energy Committee.

The four proposed points include:

- Establish a uniform net proceeds tax on oil and gas produced as a result of drilling on new leases beginning July 1, 1985;
- Create an economic incentive to produce tertiary oil by reducing the severance tax on third-level produced oil;
- Reduce the severence tax on stripper production and;
- Oppose any efforts which might be mounted to keep the state severance tax on oil from being reduced from 6 percent to 5 percent on April 1 this year as prescribed by the 1983 Legislature.

Keith Haugland headed a subcommittee which reviewed positions constituting the legislative agenda of "Project '85," a program of the Montana Petroleum Association, which predicts that, if the legislation passes, drilling levels on a permanent basis will be increased across the state.

Haugland said the first recommended point, if approved, would provide net proceeds taxes on future oil production of 6.3 percent of gross with no deductions.

Net proceeds for natural gas would be taxed at 9.2 percent of gross with no deductions. The tax would be paid directly to county governments.

Severance taxes paid to the state would remain at the April 1, 1985 level — 5 percent on oil and 2.65 percent on natural gas. Haugland said this change would establish a predictable tax on oil at 11.88 percent.

Project '85 explains that the rates — 6.3 percent for oil and 9.2 percent for natural gas — are averages of net proceeds paid statewide for the past three years.

Haugland said enactment of the legislation would make new production taxes in Montana comparable to North Dakota and Wyoming levels and should, therefore, increase oil industry investment in Montana.

Haugland said arguments for the second proposed point are many: Tertiary production, the final stage of recovery in a field reaching depletion, is expensive and the technology is new but it could extend the life of some producing fields for 30 years or more.

It extracts more oil from a field that otherwise would be abandoned, leaving much oil in the ground.

It could maintain tax revenue from these older fields for many years.

The third proposed point is based on the fact that one-half of the oil wells in Montana — 2,000 in 1983 — are stripper wells that produce fewer than 10 barrels of oil per day, Haugland said. That amounts to about 9 percent of the state's total production.

If the severance tax for stripper wells were reduced from 5 to 4 percent, if a well operated an additional year because of the reduction, revenue from it would more than offset the reduction in tax revenue, according to a Project 85 study.

Haugland said the severance tax reductions would not only help existing oil-producing areas, but potential areas such as Great Falls.

More drilling activity could only increase the Great Falls area's chances of gaining its first oil and gas production, he said.

Haugland speculated that school districts or county governments in oil-producing counties would oppose the legislation, particularly the change in the net proceeds tax.

"From Cascade County's perspective, half of something is better than 100 percent of nothing," Haugland said.

Independent Petroleum Association of Mountain States

1214 DENVER CLUB BLDG • DENVER, COLORADO 80202-4167 • (303) 623-0987

RESOLUTION

WHEREAS, the State of Montana presently has one of the highest combined tax burdens on the oil and gas industry, including a "net proceeds" tax which is not applied on a uniform and consistent basis; AND

WHEREAS, the State has recently acted to increase this tax burden through a retroactive change to the deductibility of windfall profit taxes and overhead/administrative expenses; AND

WHEREAS, this situation has contributed to a reduction of industry interest in exploring and drilling in the State of Montana; AND

WHEREAS, IPAMS, as well as the Montana Petroleum Association (MPA) and Project '85, has identified a need to stimulate industry interest and activity by developing a more favorable tax climate; THEREFORE

BE IT RESOLVED, that IPAMS supports an effort by its Montana Vice President and members, as well as by Project '85, MPA, the Montana Association of Petroleum Landmen and other interested parties, to obtain a more favorable tax climate, including, but not limited to, capping the net proceeds tax and making it uniform, and providing incentives for enhanced recovery and stripper production.

Approved by IPAMS Tax Committee December 18, 1984

Approved by IPAMS' Tax Quick Response Group January 14 1985

FREDERICK A. F. BERRY
CONSULTING GEOLOGIST

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SANTA FE, NEW MEXICO 87501
(505) 982-4149

951 CRAGMONT AVENUE
BERKELEY, CALIFORNIA 94708
(415) 524-0555

February 13, 1985

William W. Ballard
Balcron Oil Company
Box 20174
Billings, Montana 59104

Dear Bill,

You have asked that I convey in writing to you my own opinion and the reaction I have received from various oil and gas operators concerning the State and County production taxes in Montana. I am a geologist with some thirty years of experience. I have worked extensively during this period with oil and gas exploration problems in the Rocky Mountain region, Canada, and California. I am the editor of the book, Geology of Petroleum, by A. I. Levorsen, published by W. H. Freeman & Co.

The current high production taxes in Montana are self-defeating in my opinion. These taxes now are the highest production taxes anywhere in the United States. Montana continues to be interesting geologically for the probability of finding new accumulations--but the accumulations probably will be neither very large nor easy to find. Undiscovered Montana accumulations thus do not appear to be so attractive geologically as to offset the negative impact of these taxes. The net result is that the interest in petroleum exploration in Montana has decreased significantly and will continue to decrease in the future.

I have had the occasion over the past year to discuss certain exploration possibilities in Montana with a number of different companies. There is not one where the aspect of the high Montana production taxes was not a factor. A number of very substantial groups, such as Jordan Oil Co. (Tom Jordan, Pres.), have simply decided that they will not explore in Montana under any circumstances as long as the current production tax schedule remains in existence. There are others, still willing to explore in Montana, who remain exceptionally cautious--a Montana prospect now must be significantly better than it need be in other states for such groups to commit to a Montana exploration program.

It is regrettable that this situation has come to pass. Less exploration means less discoveries, which means less production. As production decreases, the tax revenue, even at such high rates, will decrease. A short-term view might be to increase the production tax rates still higher in order to obtain the desired income or at least to maintain the rates at their present level.

A more enlightened view might be to lower the production taxes and to provide, if possible, still other income tax incentives to encourage rather than discourage petroleum exploration in Montana. It is my personal opinion that 12% is the highest total production tax that can be tolerated today in the Rocky Mountain region, without serious adverse effects on petroleum exploration.

The State of Montana is needlessly working against its own best interests by maintaining these production taxes at their current level.

Sincerely yours,

Frederick A. F. Berry

Frederick A. F. Berry

Warren Bloomdahl

OIL & GAS LEASES

P. O. Box 262
406/265-5496
Havre, Montana
59501

EXPLORATION

February 14, 1985

The Honorable Stan Stephens, Minority Leader
Montana State Senate
Capitol Station
Helena, MT 59620

RE: I Support Senate Bill 390

Dear Stan:

I am writing to you about Senate Bill 390, and I strongly support the changes this bill will bring about for my industry. (I am a petroleum landman in Havre and my job depends on a healthy oil and gas industry.)

Passage of SB 390 will bring a needed change to the petroleum industry in Montana. It will bring additional exploration investment dollars to Montana to help find more oil and gas. And when there is more exploration activity, I benefit because there is greater opportunity for me to work in Montana.

Put simply, SB 390 stabilizes net proceeds taxes on new production of oil or gas. It does not affect the tax on oil being produced now, and it is not a tax reduction. This tax will still be paid to local governments as it is now.

I know you are very busy and therefore don't expect you to write me a response.

I do urge you to strongly support passage of SB 390.

Sincerely,

Warren Bloomdahl

cc: Senate Taxation Committee Members
State Senator Joe Mazurek
State Senator Allen C. Kolstad
State Senator Gary Aklestad
State Senator Swede Hammond

bcc: ✓ Tucker Hill

Member:
Independent Petroleum Association of America
[illegible]

FARMERS UNION CENTRAL EXCHANGE, INC.

CENEX ® Where the customer is the company

1601 Lewis Ave • Post Office Box 21479
Billings, Mont. 59104 • (406) 245-4747

February 20, 1985

Senator Tom Towe, Chairman
Senate Taxation Committee
Capitol Station
Helena, MT 59620

RE: Senate Bill 390 Net Proceeds Tax

Dear Mr. Chairman and Committee Members:

CENEX is an independent oil producer with a 40-year history of operations in the State of Montana. Our only exploration and production office is located in Billings where we employ approximately 85 people. CENEX is the 8th largest oil producer in the State of Montana and operates approximately 50 oil and gas producing properties.

As operator, we are responsible to prepare and file various annual reports for the purpose of assessing the Net Proceeds Tax. With the imposition of the Windfall Profit Tax by the federal government in 1980, our administrative cost of preparing the Net Proceeds Tax reports has almost tripled.

Under the present Net Proceeds Tax law, it is difficult for us as operator and owner to establish the economic limit of our existing production. We encounter the same problem in analyzing the economics of proposed drilling prospects. The item in the current Net Proceeds Tax formula that makes economic analysis difficult is the variable mill rate. Since the mill rate is established annually, we lack the factors necessary to perform an accurate economic projection.

Senate Bill 390 as proposed would resolve the two major problems we are experiencing. This bill would reduce the administrative costs and allow us to accurately predict the Net Proceeds Tax on all future production.

In view of the above, CENEX supports Senate Bill 390 and respectfully urges your favorable consideration and adoption in order to encourage continued oil and gas development in the State of Montana.

Thank you.

Sincerely,

Thomas J. Feda

THOMAS J. FEDA
Manager, Exploration & Production Accounting

TJF:mm

W. M. VAUGHEY, JR.
P.O. BOX 46
HAVRE, MONTANA 59501-0046
(406) 265-5421

February 20, 1985

The Honorable Joe Mazurek, Vice Chairman
Montana State Senate Taxation Committee
Capitol Station
Helena, MT 59620

RE: In support of Senate Bill 390

Dear Senator Mazurek:

Through 17 years of being a resident explorer for oil and gas in Montana I have never had the chance to write in support of such a positive, pro petroleum exploration measure as is represented by Senate Bill 390. Passage of this bill would in and of itself revolutionize the environment Montana offers the petroleum exploration dollar.

Senator Mazurek, I don't have to tell you that 95 cents out of every exploration dollar spent in Montana comes from outside the state. I also don't have to tell you the sad fact that Montana's high total tax burden on oil or gas production has actually caused some of our state' most successful exploration companies - independent and major companies, alike - to discontinue exploring for new fields in the state. It is this phenomenon, made worse by the fact that that tax burden varies from school district to school district, that is at the heart of the fact that oil production in Montana has steadily declined since 1968. This fact, in turn, bodes ill for our school systems in that they have come to rely heavily on tax revenues generated by oil production.

Your measure, if passed, would literally turn Montana around in the sense that it would make us fully competitive for the exploration dollar with Wyoming, North Dakota and the other producing states. I am completely convinced that the heightened exploration levels in Montana which would follow passage of SB 390 would result in oil and gas discoveries which would reverse the state's oil production decline.

Just as important, these heightened exploration levels would constitute Montana's best hope of creating new, long-term, high-paying jobs. My own area of Northcentral Montana classically demonstrates what heightened exploration levels can do. While I can be said to have been the first member of my industry to move to Havre in 1968 following the discovery of Tiger Ridge Gas Field, there are now 500-600 families in the Havre-Chinook-Big Sandy area who look to petroleum exploration, production, or transmission as the primary source of family income. Senator Mazurek, that story could be told many times over in the future if SB 390 is passed, and I am thinking here particularly of Western Montana because of its Overthrust and Disturbed Belt potential.

I commend you for sponsoring Senate Bill 390, and I wholeheartedly urge passage of this excellent piece of legislation.

Sincerely,

Bill Vaughey

W. M. Vaughey, Jr.

cc: The Honorable Ted Schwinden
Governor of Montana

The Honorable Dennis Hemmer
Montana State Land Commissioner

All members of the Montana State Senate Taxation Committee

Livingston & Courdin Exploration, Inc.

February 14, 1985

Ken Wonstolen
Assistant Executive Director
IPAMS
1214 Denver Club Building
Denver, Colorado 80202

Dear Ken:

At your request, I am providing information on Livingston & Courdin Exploration's activities in the State of Montana. Since 1982, we have been active in the Western Williston Basin specifically in the counties of Valley and Daniels. We have, to date, purchased over 25,000 gross acres of oil and gas leases (20,000 net) at a cost of $1,500,000 in bonuses. About 20% of the total dollars expended were for state leases, with the remaining 80% for fee leases. On the fee lease portion, 95% of the funds were paid to people living in Montana. We also participated in the shooting of over 150 miles of seismic at a cost to our interest of over $250,000 (total cost $500,000). A portion of this amount was paid to surface owners in the form of permit fees. During the summer of 1984, we drilled two wells at a cost of close to $600,000.

Since we began the project in 1982, Livingston & Courdin Exploration, Inc. has geologically mapped a large area in this part of the basin. We have identified numerous geological leads and possible drillable prospects. During the last six months, we have spent considerable time and money economically analyzing this play. We have found that, with the high net proceeds tax on the books in the areas we are working, the economics become questionable. To further support this conclusion, two of our joint venture partners have decided not to continue on this project because of the high tax rate.

Since we are a small company, it is important that we have other partners in our prospects. During the last few months, I have shown or attempted to show this project to over twenty different companies. Five told me directly that they were not interested in even reviewing the geological data because of the poor economics caused by high taxes in that part of Montana. The majority of the other companies complimented us on our geological work, but declined to join with us because their economic models did not compare with similar prospects in other states. As one

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Denver, Colorado 80202
(303) 294-0987

Mr. Ken Wonstolen
February 14, 1985
Page Two.

company stated, "we like the geology, but, in times like these, we cannot afford to explore in areas where the tax rate is at least three times higher than in other areas with comparable reserves." If you would like, I can furnish you with the names of these companies.

As a result of our economic studies and our failure to attract other partners because of the same reasons, we have currently placed on hold any further activities in this part of Montana.

In summary, Livingston & Courdin Exploration, Inc. would like to continue our activities in Montana. However, we find that in the area we are currently working, the net proceeds tax damages the economics of our geological prospects making them financially unattractive in comparison with similar prospects in other parts of the country.

Sincerely,

LIVINGSTON & COURDIN EXPLORATION, INC.

Alan Livingston

Alan N. Livingston
President

ANL/tm

NARCO - 1984 ACTUAL PRODUCTION TAXES

Prospect	State	1984 Revenues ($)	1) 1984 Production Taxes ($)	Production Taxes % of Rev.
Dry Creek	Montana	219,827	100,376	45.7
Cut Bank	Montana	2,252,127	479,908	21.3
Reagan	Montana	2,861,705	744,513	26.0
Bowdoin	Montana	531,527	15,415	2.9
Brush Lake	Montana	127,052	17,611	13.9
Gumbo Ridge	Montana	91,605	7,228	7.9
Whitlash	Montana	20,514	3,604	17.6
Heart Mountain	Wyoming	15,948	1,429	9.0
Thorson	Wyoming	295,190	38,434	13.0
Finn Shirley	Wyoming	72,300	8,980	12.4
Art Creek	Wyoming	19,580	2,577	13.2
Poydras	Louisiana	32,963	4,086	12.4
Cowden Ranch	Texas	7,655	352	4.6
Wilkens	Utah	86,456	10,875	12.6
Moore	Colorado	2,243	248	11.1
Bellwether	Colorado	272,131	30,099	11.1
Lind	Colorado	73,987	5,626	7.6
Monument Butte	Wyoming	728,694	69,689	9.6
Dobie Creek	Wyoming	16,524	1,112	6.7
Wolf Springs	Montana	138,087	39,700	28.7
Brandt Farms	Kansas	28,400	2,272	8.0

1) Does not include Windfall Profit Taxes.

Exhibit 6 -- SB 390
February 22, 1985

TELEPHONE 259-7860
AREA CODE 406

845 12TH STREET WEST
P. O. BOX 20174

BALCRON OIL COMPANY

BILLINGS, MONTANA 59104

W W BALLARD W R CRONOBLE

February 15, 1985

TO: TAXATION COMMITTEE

Re: Establishment of Uniform
Net Proceeds Tax

I consider this the single most important piece of legislation affecting the oil and gas industry (producers and mineral owners, as well). The proposal does not change the tax on existing production; therefore, County revenues will not change on oil or gas already found. Having a uniform statewide net proceeds on new production is important for the following reasons:

(1) The level of total taxation will then make us competitive with North Dakota and Wyoming;

(2) Computation of the tax will be much simpler, thus saving many man-hours and considerable money. Computations based on the present system are very cumbersome for both the producer and the state who audits them;

(3) This will remove the most often-quoted objection to investing in Montana oil and gas ventures, which should increase exploration activity in the state. Some incentive is necessary in this day of declining profits.

Looking at the problem from our standpoint might interest you. Balcron is a small independent who operates almost exclusively in Montana. We do geologic research and when we find an area that looks prospective, we negotiate a lease position. Generally, if the prospect involves shallow drilling (less than 2500 feet), we will drill it ourselves. However, for the deeper, more expensive holes, we have to bring in outside investors, which means that I spend a great deal of my time in Denver, Oklahoma City and Houston attempting to interest other companies in spending money in Montana. This is an extremely difficult task because of the net proceeds tax. The companies who operate in several states are naturally reluctant to come here when the taxes are so much less elsewhere. Furthermore, our state is so sparsely drilled that most new prospects are rated as rank wildcats with high risk factors. This adds to reluctance when the companies realize that their net profit, if successful, will be much less than for a similar prospect in another state, so they prefer to take those risks where the return is greater.

Exhibit 7 -- SB 390
February 22, 1985

Cash flow projections are very difficult to derive with the present tax which makes economic projections much more difficult. The proposed net proceeds tax will greatly aid in this area also.

I believe, without question, that exploration activity will significantly increase if this proposal passes, and this will benefit mineral owners, producers and counties alike.

Very truly yours,

BALCRON OIL COMPANY

W. W. Ballard

W. W. Ballard

WWB/lm

Glendive Forward Of Montana

February 21, 1985

Senator Tom Towe, Chairman
Senate Taxation Committee
Capitol Building
Helena, Montana 59601

Dear Mr. Chairman:

There are a number of indicators which show that the economic well-being of the Glendive area has suffered and is threatened with more potential loss.

Low prices for agricultural commodities, high interest rates, and drought have hurt the agricultural sector. Production is down, and the threat of farm foreclosures is becoming more imminent. The January 1985 liquidation of the Glendive Production Credit Association not only signifies credit losses, but also eventual displacement of 12-member PCA staff and the loss of future trading as PCA borrowers will take their shopping to other communities.

Although Glendive has expanded and contracted according to boom and bust cycles, the population loss suggests a decline more acute than what might normally occur during a boom slowdown. Some population indicators are:

- Grade 5 in 1981-82 had a total of 189 pupils. This same grade in 1984-85 had 163 students - a decrease of 26 individuals for one class alone.

- West Glendive trailer court sewer assessments show a 74-unit decline since 1982.

- MDU electrical customers show a decrease of 164 residences and 28 commercial establishments since 1982.

- Mountain Bell Glendive Exchange telephone connections have decreased for homes by 340 since 1981, and by 60 businesses since 1982.

- An estimated 270 housing units are for sale.

The latest population estimate for Dawson County, according to the Department of Commerce Census and Economic Information Center, is 12,100. The peak population estimate for July 1st, 1982 is 12,700.

Exhibit 8 -- SB 390
February 22, 1985

P.O. Box 930 • Glendive, Mon

The Job Service in Glendive estimates that 1008 workers left Dawson County between October 1983 and October 1984. For this reason, the 5.5% unemployment rate of September 1984 is not a realistic expression of the employment situation in Glendive.

Under classic construction boom growth, it is reasonable to expect a decline in population and economic well-being once the boom has ended. However, it appears that the decline in the Glendive area is more severe than is normal. Not only have the more transient workers emigrated, but other employers have transferred workers out, for reasons such as centralization of operations. Examples include the Mountain Bell transfer of 70 persons in 1982-83, and an estimated railroad work force reductions of about 200 persons in the last few years.

It is emstimated that at least 30% of the decline is attributable to a decline in oil and gas exploration and drilling. One oil related firm transferred over 200 members of its work force.

Agricultural interests are becoming more and more willing to sell mineral rights rather than lease as they need the cash flow to prevent complete disaster.

Glendive Forward, Mr. Chairman, supports Senate Bill 390 because its provisions will bring about a revived oil and gas industry. Glendive Forward recommends a "do pass" for Senate Bill 390.

Very truly yours,

John H. Johnson

John H. Johnson
Executive Administrator

JJ/tlh

BOEDECKER RESOURCES
P. O. BOX 777
GLENDIVE, MONTANA
59330

BRETT A. BOEDECKER
BRICE G. BOEDECKER

TELEPHONE (406) 365-6091

LEASE ACQUISITION
TITLE
CURATIVE

February 20, 1985

Senator Tom Towe, Chairman
Senate Taxation Committee
Capitol Building
Helena, Montana 59601

Dear Mr. Chairman:

The reason why I am writing you today is in support of Senate Bill 390.

Boedecker Resources has been involved in the oil and gas leasing and exploration business in the Williston Basin since 1979. Prior to this time, I, Brett A. Boedecker, President of Boedecker Resources, have been involved in oil and gas leasing and exploration since 1972.

As I hope everyone on the committee is aware of, the oil and gas industry has been in the doldrums for the last 2½ years. There are numerous reasons for this decline in the industry but one of the most serious reasons for the lack of oil and gas exploration in the state of Montana is the extreme volatility as to taxes in the state. If the committee is not already aware of, the tax assessments in the state of Montana depend on what county the well is being drilled in and more specifically, what school district it falls into. The taxes can vary anywhere from a low of 7½% to a high of 25%. When you add in the fact that the landowner will receive a 12½% royalty and that the company still is subject to the aboveforementioned tax, plus the state and federal income taxes added to it, it becomes extremely questionable as to who you are actually drilling the well for.

Many of the oil companies in which I have been involved with in the past were not aware of the tax variances and now question why they ever drilled these wells without first checking into the eventual tax liability that they would be faced with.

In the past 2½ years Boedecker Resources has been actively seeking oil and gas companies who would be willing to reinvest in oil and gas leasing and exploration in the state of Montana. To date, we have not been able to identify any company willing to do so. Their primary reason for not entering into any oil and gas leasing is the serious problem that they perceive as being a tax issue. Montana is the only state in the northern great plains that is subject to these variable tax rates. The other states have a fixed tax rate which is easily able to be calculated into their exploration program. The seriousness of this attitudinal approach is unquestionable.

Exhibit 9 -- SB 390
February 22, 1985

One of the serious side effects in regards to the lack of interest is that the farming and ranching industry in our state has not been able to have their oil and gas leases renewed as they have been in the past. If Montana were to be able to attract oil and gas industry back into this state, the immediate result would be a strong renewed lease acquisition program. This would directly benefit the farmers and ranchers in our state and create a capital infusion to them which is sorely needed at this time. Without a potential capital infusion a majority of these farmers and ranchers will not be with us in the next few years, some within the next eleven months.

This bill will not affect any of the income presently flowing into the state from existing wells and only will affect new wells which come on line after this legislation has been enacted. Without this change my perception of the oil and gas industry in the state of Montana is bleak to say the least.

In my working career I have been through numerous up and down markets in the oil and gas industry. I have not experience one that has maintained itself so long as it has in the past 2½ years. Without some change on our part, I do not perceive that it will change on its own.

We, in Montana, have lost numerous oil and gas companies that were established in this state along with many service companies who in the past have paid their share of the taxes which have generated numerous employment opportunities and income to the state. We are losing these enterprises faster than I have ever seen in my tenure in the industry. This is not the same environment as I see in North Dakota and in Wyoming.

In closing, Mr. Chairman, it is my firm belief that if we are able to enact this piece of legislation we will have an opportunity to turn this situation around and at the same point in time have a potential to save many farming and ranching enterprises that would otherwise be lost. In addition to this we will also have the opportunity of having a renewed exploration program which will generate additional capital infusion which has been sorely missed for the past 2½ years. As we sit and wait, other states are receiving these benefits and Montana is being left in the shadows.

Boedecker Resources is in firm support of Senate Bill 390 and recommends a "do pass".

Very truly yours,

Brett A. Boedecker

Brett A. Boedecker

BAB/jc

FEBRUARY 22, 1985

Mr. Chairman, Members of the Committee

I am John Shontz, representing the Richland County Commission.

During the past two years Montana's second largest industry, the petroleum industry has badly slumped. The reasons are many, including lower prices, better economics in other areas for drilling and development, and competition from foreign producers.

Montana's growing dependence on extraction tax revenues to fund public services has subjected all of us, local governments, state government and the education community to the roller-coaster of world economics and related pricing and tax squeezes.

In October 1981, Richland County had a labor force totaling 7,400 persons. In October 1984, Richland County had a labor force totaling 5,600. A drop of nearly two thousand jobs in three years or a 24% decline.

The unemployment rate in our County during this period, like other Montana Counties was in double digit numbers most of the reported months.

The property tax base, which is particularly important to our University and School Foundation programs is also in rapid, and I do mean rapid decline. The County's valuation dropped $17,041,000 between 1894 and 1985...in one year. I leave it to the committee to determine the loss to education alone in Montana because of that reduction. The decline is totally due to a decline in oil and gas production.

The decline in oil production continues not only in Richland County, but across Montana. In addition, to dropping production, the slump in the price of oil continues. Good for the driver but not so healthy for our state's budget. This week gasoline dipped under a dollar a gallon in Helena. For the past month, crude oil prices have hovered around the $26.00 per barrel price on the New York Spot market, dipping as low as $25.32 per barrel for top grade domestic crude.

Traders on the New York Exchange expect the decline to continue.

Montana needs to look at rational and serious proposals to stabilize, as much as we can, production in the State if for no other reason than to stabilize revenue supporting public services. We cannot provide the total answer or solution but we need to do what is in our power to do least thousands more jobs (for primarily young Montana blue collar workers) and millions more tax dollars for education (visavi the net proceeds tax base) are lost.

We have followed the development of Senate Bill 390 closely for the past several months, hoping it could assist stabilize our local and state-wide revenue plummet.

Although the impact in Richland County alone is negligible, the fiscal note would indicate that if fully implemented, the bill may not achieve the goal intended state-wide. This concerns us greatly.

We are concerned about the impact the bill would have on other taxpayers in Montana's oil producing areas, particularly the elderly, those on fixed incomes, and agriculture. Contrary to popular understanding, the majority of those tilling the surface of the land, do not share in the mineral production and corresponding wealth of that land.

The bill, as we understand it, reduces the bonding ability of state and local governments and school districts when that bonding depends on property taxes for repayment.

More importantly, the bill compresses mill levies, would force stable mill levies (such as the 45 and 6 mills levied by the state) to take smaller and smaller portions of the flat percentage as other mill levies rose. Local governments who worked to increase efficiency and reduce levies would be penalized also in favor of jurisdictions who raised levies to meet needs or even just wants. It should be mentioned that over half of all Montana counties enjoy some oil or gas production in their boundaries. In addition, there is exploration and development occurring in many of the remaining counties...with hopefully more planned.

We would ask the committee to consider adding a sunset provision to Senate Bill 390 if you chose to pass out the bill. If the proposal functions as it should results should be forthcoming and they should be measurable. Montana governments need to evaluate the results and feel assured forward progress for all of us is actually occurring.

The Richland County Commission wishes you to consider what we perceive as major problems with Senate Bill 390's ability to meet it intended goal.

Thousands of blue collar jobs in Montana refineries are at stake as well the thousands of jobs in the oil patch itself. Hundreds of millions of tax dollars which every Montanan depends on are at stake.

We applaud Senator Mazurek for bringing this bill and the troubles it addresses before this Legislature. However, we reserve judgement as to whether Senate Bill 390, as drafted, will help or hurt.

Thank you

SENATE BILL 434

Testimony submitted by Ardi Aiken, Great Falls City Commission

\- - - - -

WHAT ARE THE PROBLEMS RELATED TO LOCAL GOVERNMENT FINANCE?

- Property tax largest source of revenue.
- Significant erosion of property tax base.
- Tax base no longer does the job for all competing interests (i.e., Cities, Counties, School Districts, Special Districts, and the State).
- Declining mill value.
- Legal ceiling on number of mills which can be levied.
- Public resistance to paying increased property taxes.
- State law allows no other local taxing authority.
- Diminished purchasing power due to inflation.

HOW HAS LEGISLATIVE ACTION UNDERMINED THE PROPERTY TAX BASE? *

Category	1981 ACTION	ANNUAL LOSS
Livestock Tax	50% decrease	$6.5 million
Inventory Tax	Eliminated	$8.5 million
Farm Machinery/ Equipment Tax	Changed from average retail to average wholesale	$7.5 million
Motor Vehicle Ad Valorem Tax	Changed to a flat fee	$15 million
	1979 ACTION	**ANNUAL LOSS**
12% Rollback on Commercial/Industrial Property	Court Order	$6 million
Change in method of taxing banks	Exemption	$2.1 million

These losses are being partially subsidized by increased mills levied on other classifications, principally residential property.

* (Figures provided by State Department of Revenue)

Exhibit 11 -- SB 434
February 22, 1985

Under State Law, the $15 million loss resulting in the change from motor vehicle ad valorum tax to a flat fee, is to be replaced. The block grant program enacted by the 1983 legislature was intended for that purpose.

However, with the decrease in the oil severance tax from 6% to 5% and the reduction in the price of oil the block grant will not meet that intended purpose.

WHAT HAVE LOCAL GOVERNMENTS DONE TO ALLEVIATE THEIR FINANCIAL PROBLEMS?

- Implemented stringent cost controls.
- Cut budgets.
- Cut back, combined or terminated programs.
- Reduced the number of employees (by more than 100 in Great Falls).
- Held down salary increases.
- Attached user fees and licenses where possible.

However, good management has not been enough to offset the continued erosion of our tax base. We have reached the point of diminishing return.

WHY SHOULD THE SENATE TAXATION COMMITTEE PASS SENATE BILL 434?

* Eleven states gave municipalities less financial and functional discretion than Montana.
* Municipalities in all but five states have greater financial discretion than Montana.
* Only six states have more mandates to local government than Montana.
* Thirty-two states, not including Montana, authorize local option taxes to alleviate property taxes.
* Issues handled by City ordinance in other states are addressed every two years by the State legislature in Montana.
* Local governments in Montana need to be given greater financial and functional discretion.

TOWN OF WEST YELLOWSTONE

Box 579

WEST YELLOWSTONE, MONTANA 59758

Telephone 406 646-7795

December 12, 1984

Governor's Economic Development Summit
and Small Business Conference
Sheraton Hotel
Great Falls, Montana

"Tailor Made Local Option Taxation"

The 1985 Legislature needs to address directly our current need throughout the State for local option taxation, that is, local taxation by consent of the community through referendum.

This need for enabling legislation to permit local option taxation of any constitutional type at the discretion of the individual community is crucial. The forthcoming Legislature should address this need now. It is long overdue.

Admittedly, the anticipated bed tax bills from the Montana League of Cities and Towns for either statewide or local option taxation are long overdue and worthy of support.

However, West Yellowstone believes the true answer to the ever deepening fiscal problems of Montana's municipalities require broad local option taxation powers. Current tax formulas, do not suffice. Special interest taxation bills do not address the basic issues of taxation formulas.

We have addressed local option taxation issues with this Council last July, with the City Council of Billings in September, and our coverage in the media has shown us there is real grass-roots interest among our municipalities.

Exhibit 12 -- SB 434
February 22, 1985

Briefly, here is West Yellowstone's experience with current taxation formulas which just do not do the job for us:

West Yellowstone originated in 1907, incorporated in 1966 and chartered in 1980.
Year round population: 760 in Town, 1100 in Hebgen Lake Basin.
Seasonal population June - September: 1,300 with nightly tourist transients: 5,000 additional.
West Entrance to Yellowstone National Park: 800,000/yr plus "cross-back traffic"
Estimated commerce for West Yellowstone is $14 Million dollars/year.

However, all is not well.

"Tourism West Yellowstone and Its Effect on Ability of the Town to Deliver Municipal Services" Harry W. Conard, Jr. December 1979. Funded by $15,000.00 grant, Old West Regional Commission. Study shows:

West Yellowstone costs are 5X to 6X higher than other five Montana Towns of comparable size: Belt (683), Bridger (768), Manhattan (934), Twin Bridges (685), Valier (676).
West Yellowstone spent 105% more than locally generated funds in 1978.

Therefore, West Yellowstone chartered, to follow study recommendations. Wrote HB 109 "Resort Tax" bill. Denied by House Tax Committee, March 1981 by 18/1 vote.

West Yellowstone Council passed Occupancy Fee Ordinance #90, (Bed Tax #1) January 1982, @ 25¢ per head per night. Collected $64,000.00 June 1982-February 1983. Montana Innkeepers suit. Tax is illegal because had no referendum. Referendum May 31, 1983-passed 155/56.

Ordinance #98 (Bed Tax #2) Occupancy Fee reinstated @25¢ per head in motels and 50¢ per vehicle in campgrounds. Collected $33,000.00 June 1983-September 1983. State Supreme Court vioded Billings bed tax, our collections ended.

Right now, West Yellowstone government services costs continue at 5 to 6 times greater than Towns of our permanent population in Montana.

1983-1984 Budget: Total $313,524.00 ($100,163.00 @75 mills 34%)
Police Dept @46% ($145,695.00) Street Dept. @ 16% ($51,622.00)
Total funds allocated per person per night: January (760) $1.15
July (6,300) 14¢.

Not only does West Yellowstone suffer under current taxation formulas, but other cities as well. Examine study of Bozeman, Montana vs Laramie, Wyoming. Short Changed in Bozeman : A Look at Revenue, CE 454, Transportation Planning, MSU, Fall Quarter, April 1984. Laramie has total revenue 2.26 times greater than

Bozeman. Bozeman is forced to property taxes nearly four times greater than Laramie. The difference in the two municipal tax structures is the revenue from severance and sales tax sources. West Yellowstone case follows Bozeman's pattern. How about your Town?

Therefore, present Montana taxation formulas are not helping us. Formulas based on population or length of streets do not allow for our cost impaction by tourists or other factors. The formulas for beer tax, liquor tax, gasoline tax and even the State Block Grant program do not face up to the situation for us. In fact, we have to sell 300 gallons of gasloine to get back one dollar, while the average for the five towns in Conard's study is only 117 gallons. (We receive twice as much under the tax increase enacted after Conard's study, but the discrepancy remains the same). Federal Revenue Sharing was $19,600.00 (7%). PILT funds for Gallatin County were $449,832.00 with 0% to West Yellowstone.

West Yellowstone's experience with grants has been equally unrewarding.

Our previous grants have been denied. In March 1975, our HUD grant for water mains was denied with a 94 out of 96 rating, using the 1970 census poverty and substandard housing levels as criteria. We were advised not to resubmit our application.

In 1984, we have been denied first a $20,000.00 planning grant for domestic water, street, and storm drain improvement. We have been denied also a Community Development Block Grant for $454,000.00 for our water, street, storm drain overhaul. We had intended to use our $64,000.00 from our Bed Tax #1 for matching funds. So, grants are not the answer either. Grants cannot be budgeted either as they are unpredictable. We have present urgent need for major street repairs and extensive storm drainage systems and down the road we can see central water and sewer facility expansions - all well beyond our ability to fund by present formulas.

Due to the high seasonality of our tourist industry here, with only 100 days of true economic activity, proposed SIDs against real property units become astronomical when evaluated into payout amortizations. Real property revenue generation, again, is already overburdened. A look at the pie charts in the appendix shows that West Yellowstone is not unique among its Montana sibling communities in this respect. We all must look elsewhere for revenue.

Therefore, West Yellowstone believes that the 1985 Legislature should <u>grant enabling legislation for local option taxation to municipalities to permit "Tailor-made" local option taxation.</u> The type of taxation to be determined at the local level by referendum with property tax relief and voter review built into the enabling legislation. What can be more democratic and basically American? <u>The people vote to suit their local needs</u>.

West Yellowstone supports the Montana League options, particularly the Local Option Hotel/Motel Tax, Resolution #1985-4. Resolution #1985-4 (local bed tax) would bring West Yellowstone $250,000.00 per year versus $156,628.00 under #1985-2 (see table).

Conard's study calculated $140,000.00/year at 1% retail sales tax; so, 2% would generate $280,000.00.

Obviously, local governments give up a lot on the proposed bed taxes against a local retail sales tax.

What do we want the 1985 Legislature to do?

1. We want comprehensive enabling legislation to permit local option taxation of a broad scope, with referendum and voter review.

2. We mean local option taxation could be on retail sales, on beds, on wheels, on income, on whatever the voters approve locally for their municipal needs. The burden the municipality is receiving by impact should have the corresponding relief by means of off setting local revenue generations. The Urban Coalition at their November meeting at Helena supported this position. There is grass roots support, regardless of the size of the municipality.

3. West Yellowstone would much prefer to see cooperation on a comprehensive local option taxation enabling act rather than to reactivate a defensive, parochial, restricted special interest "resort tax" again. Special interest legislation does not address the real issue here: <u>Communities with problems should have the ability to deal with them effectively.</u>

"Tailor-made Local Option Taxation is the answer for 1985."

Thank you.

CALCULATION TABLE

Conard's Retail Sales Tax: (pg. 12, Phase II of his study) :

West Yellowstone business volume: $14 Million/year
$14,000,000 x 2% = $280,000.00/year
Each 1% = $140,000.00/year in revenue
5% = $700,000.00/year

Montana League of Cities & Towns, Resolution #1985-4 : State-wide

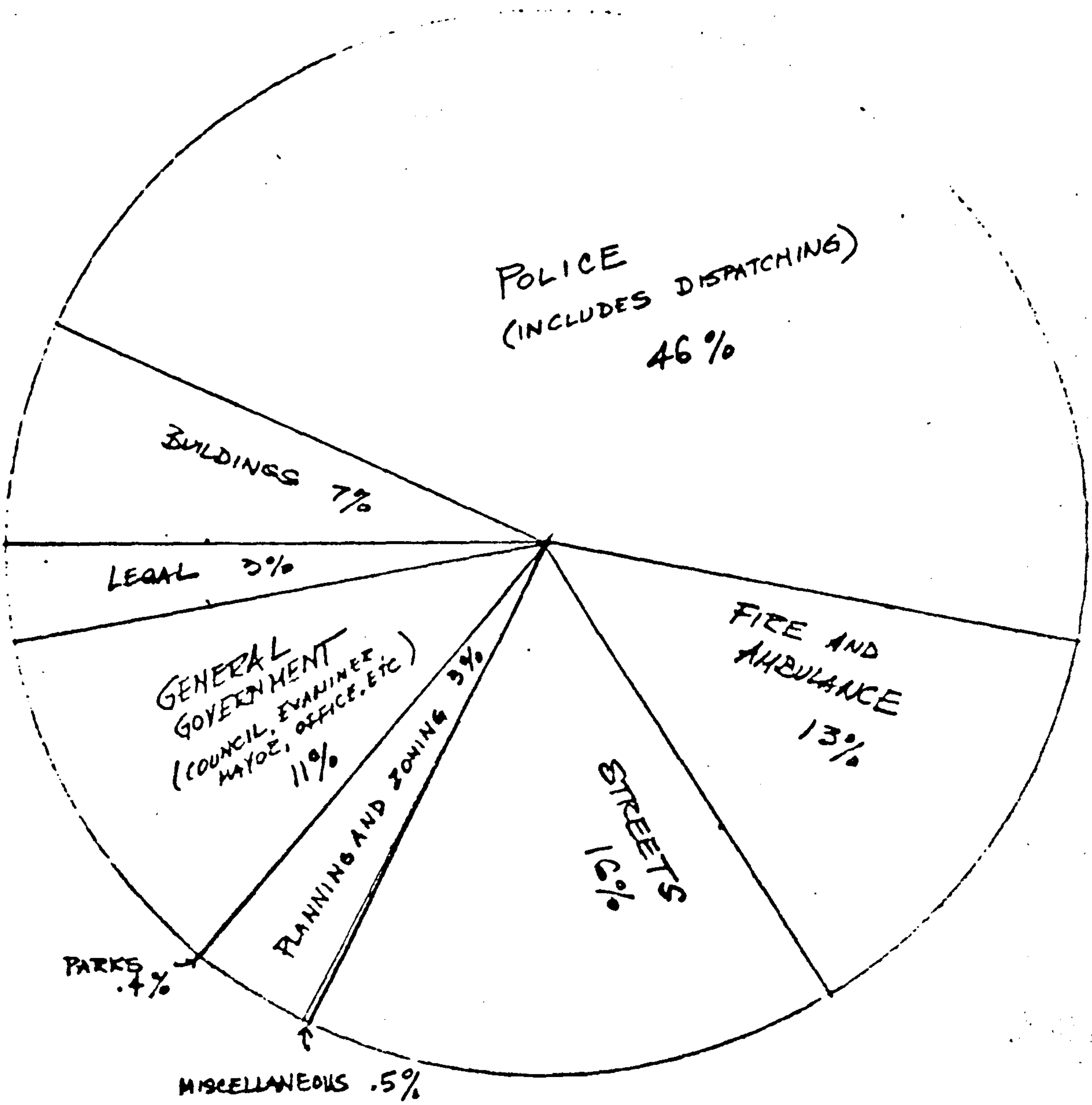
2,000 (rooms)	x 62 (days)	x.95 (occupancy rate)	=	117,800 (units)
2,000	x 60	x.50	=	60,000
2,000	x 243	x.05	=	24,300
				202,100 (units)
200 (hookups)	x 62	x .95	=	11,780
200	x 60	x .50	=	6,000
200	x 243	x .05	=	2,430
				20,210 (units)

($30.00/room)		
202,100 x $3.00 (10%)	=	606,300.
($10.00/hookup)		
20,210 x $1.00 (10%)	=	20,210
		626,510
626,510 x .5 (5%)	=	313,255
313,255.x .50 (local Town rate)	=	156,628
West Yellowstone share		156,628

Montana League of Cities & Towns Resolution #1985-2: Local Option

(5%)	$313,255	less $62,651 (20%)	=	250,604/year
(10%)	$626,510	less $125,302 (20%)	=	502,208/year

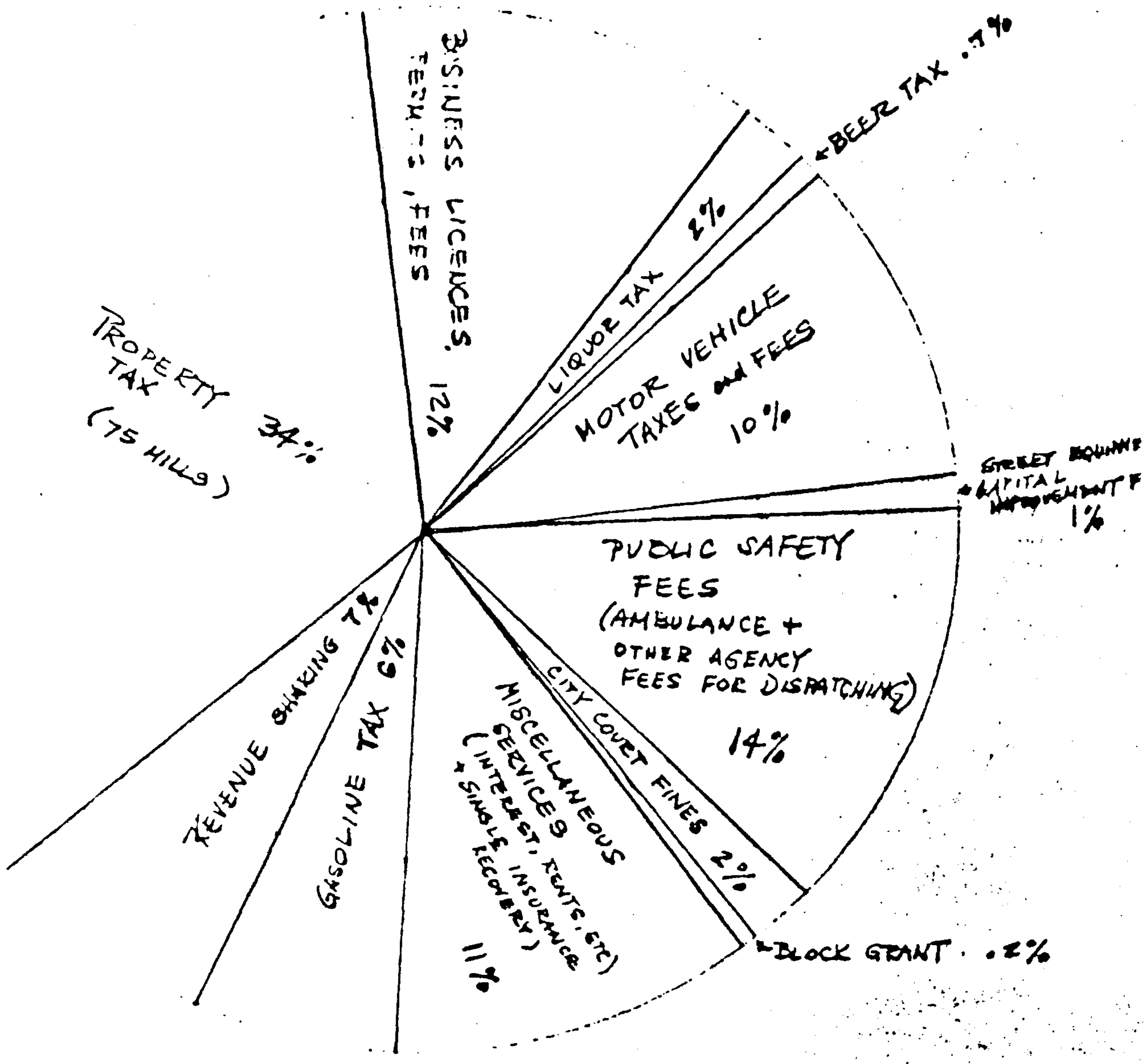
WEST YELLOWSTONE EXPENDITURES 1983-1984 FISCAL YEAR



EXPENDITURES

General Covernment	$ 34,625.54
Town Council	
Elections	
State Examiner	
Mayor	
Court	
Town Offices	
Water	
Legal	8,597.15
Buildings	21,358.99
Police	145,695.25
Fire/Ambulance	39,838.62
Street	51,622.12
Parks	1,348.15
Planning & Zoning	8,770.48
Miscellaneous	1,667.74
	$313,524.04

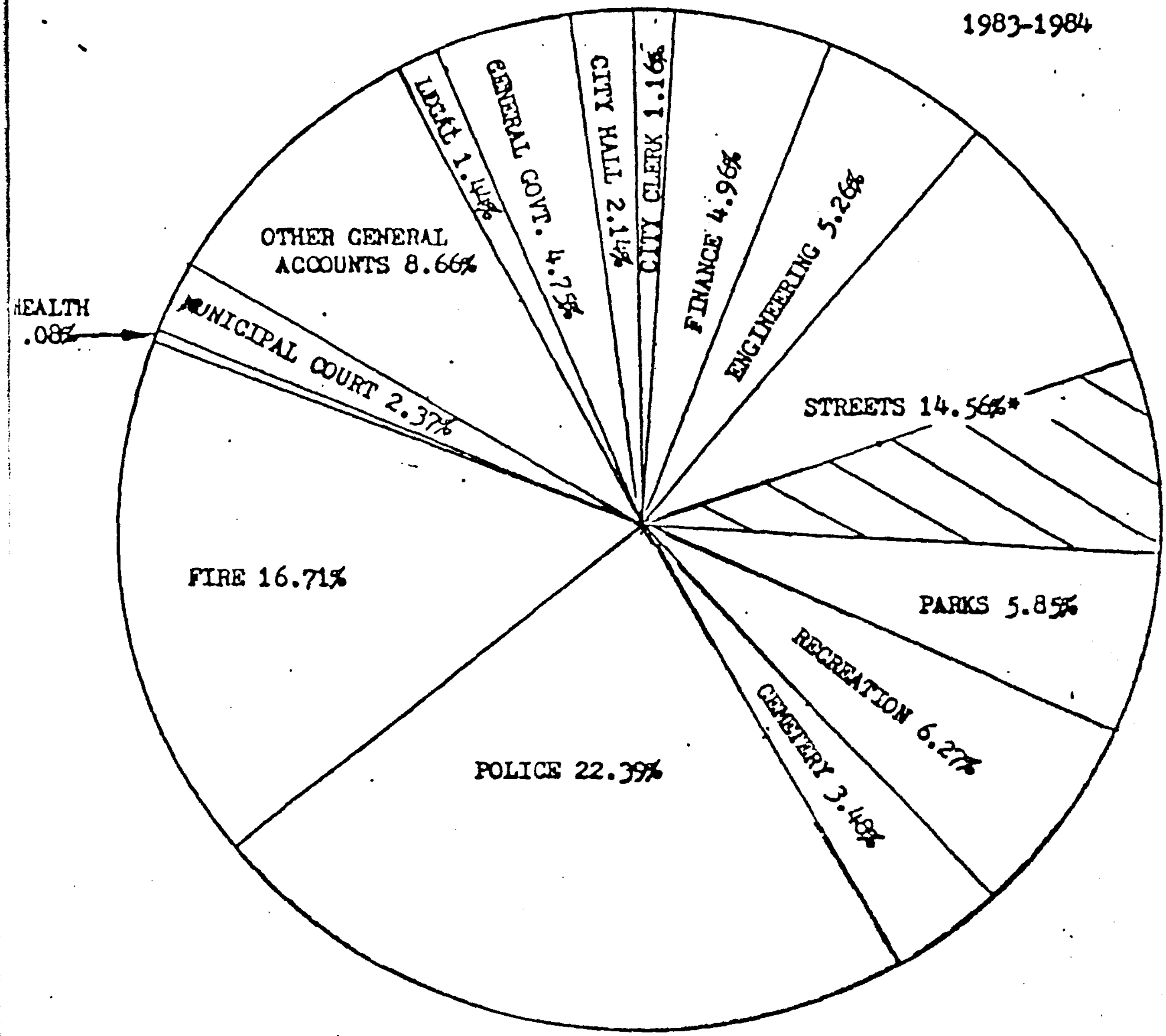
WEST YELLOWSTONE REVENUE



REVENUE

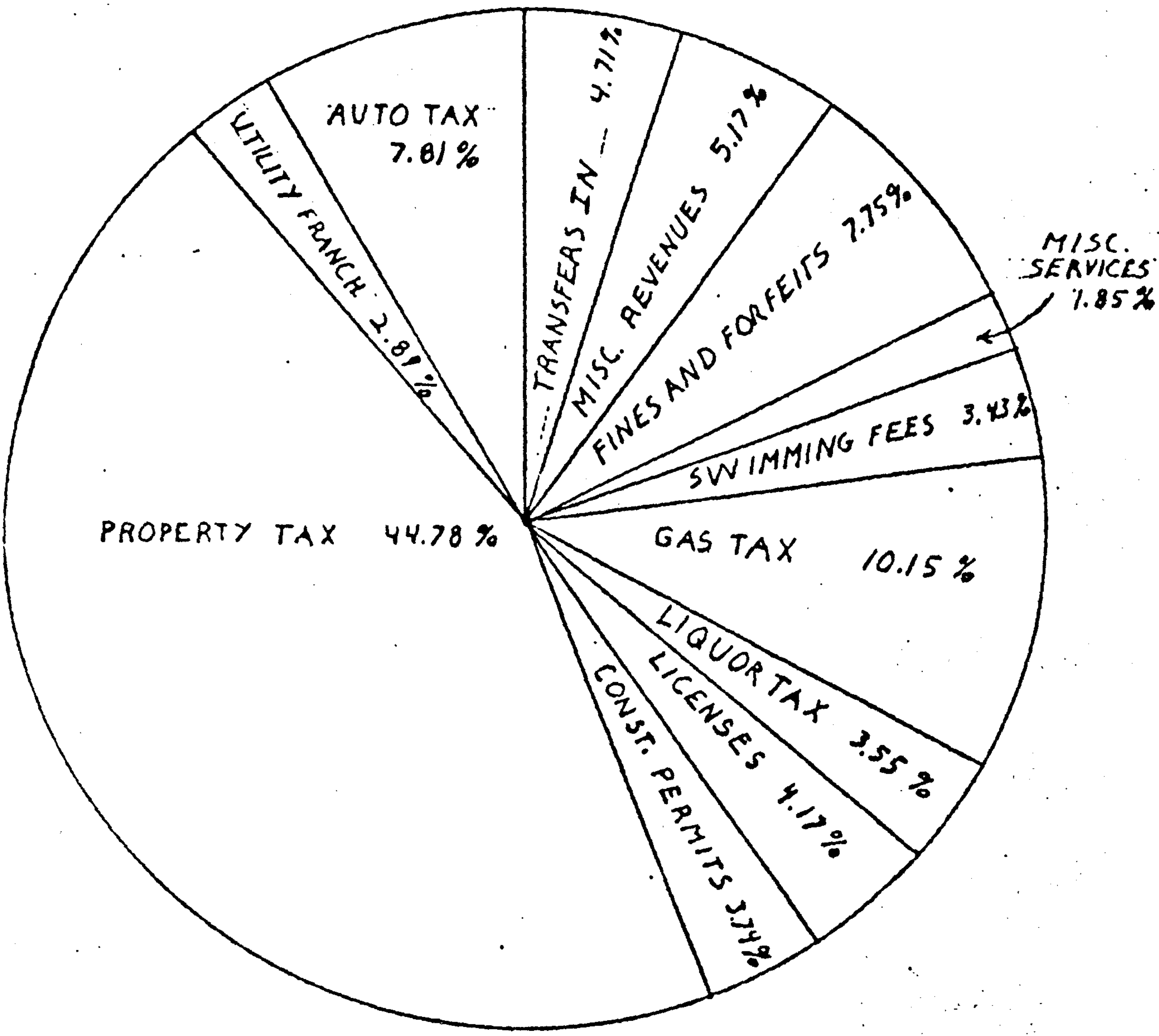
General Property Tax (75 mils) (Taxable* 1,504,771)	$100,162.71
Business Licenses, Permits, Fees	35,942.51
Liquor Tax	7,165.38
Beer Tax	2,023.54
Motor Vehicle Taxes & Fees	29,360.28
Public Safety Fees	42,436.80
Dispatch Fees	
Ambulance Fees	
Court Fines & Forfeits	4,325.00
Block Grant	658.79
Miscellaneous Services	31,335.58
Interest	
Rents	
Insurance Recoveries	
Gas Tax	18,223.00
Revenue Sharing	19,647.08
Capital Improvement (Street Equipment)	4,243.16
	$296,524.33

GENERAL FUND EXPENDITURES



* The cross-hatched area represents the $ 200,000 gas tax allotment.

Figure 7. Bozeman.


AUTO TAX
7.81 %
UTILITY FRANCH 2.81 %
TRANSFERS IN 4.71%
MISC. REVENUES 5.17 %
FINES AND FORFEITS 7.75%
MISC. SERVICES 1.85 %
SWIMMING FEES 3.43%
GAS TAX 10.15 %
LIQUOR TAX 3.55 %
LICENSES 4.17%
CONST. PERMITS 3.74%
PROPERTY TAX 44.78 %

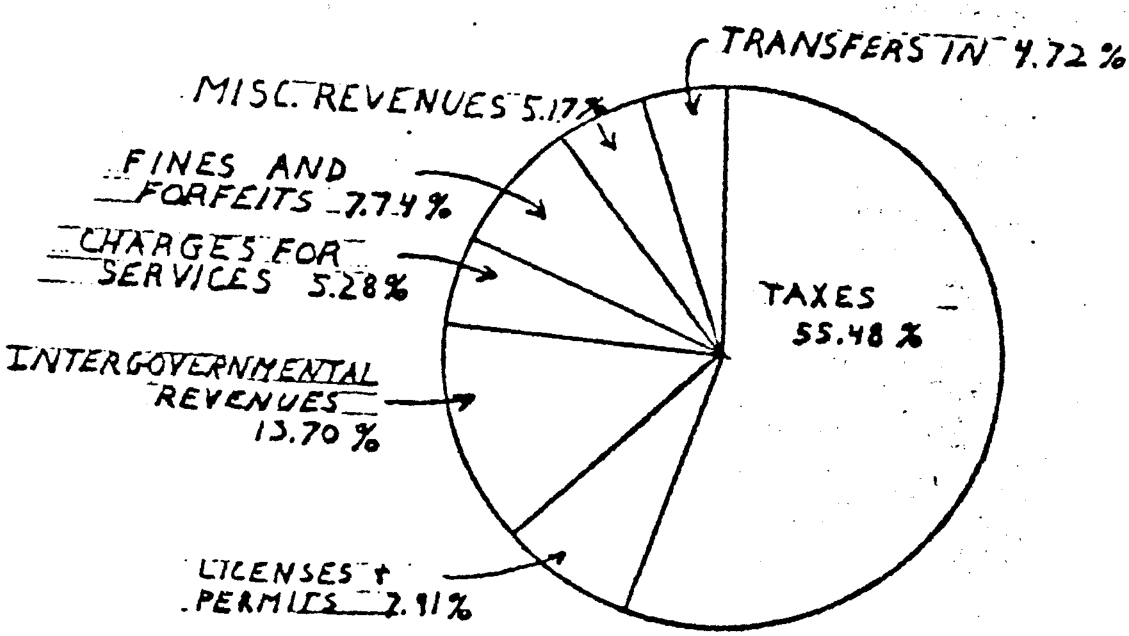
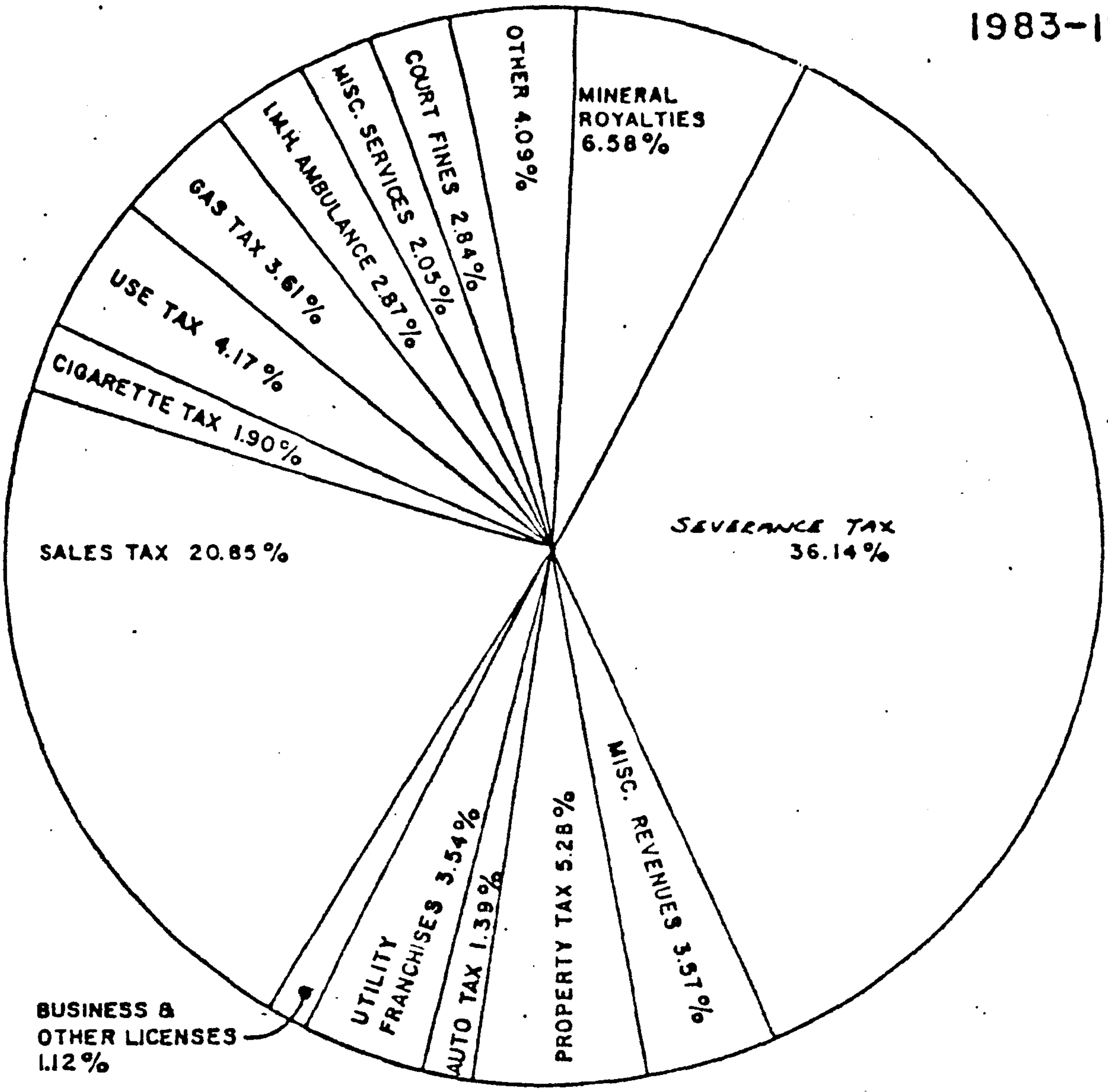

TRANSFERS IN 4.72 %
MISC. REVENUES 5.17%
FINES AND FORFEITS 7.74 %
CHARGES FOR SERVICES 5.28 %
INTERGOVERNMENTAL REVENUES 13.70 %
LICENSES + PERMITS 7.91 %
TAXES
55.48 %

Figure 5.

1983-1984



OTHER

WEED & PEST	.13%
L.I.D. REVOLVING FUNDS INTEREST	.06%
WATER SERVICE CHARGE	.41%
PERPETUAL CARE & TRUST	.62%
CONSTRUCTION PERMITS	.97%
RURAL FIRE PROTECTION	.97%

CATEGORY

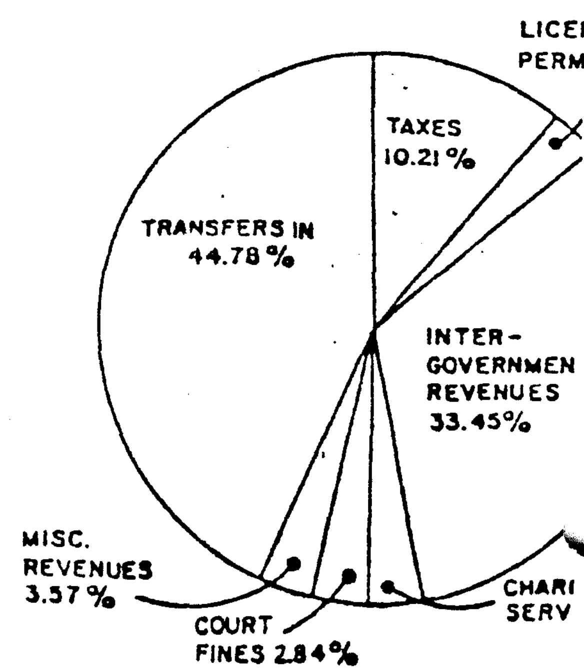
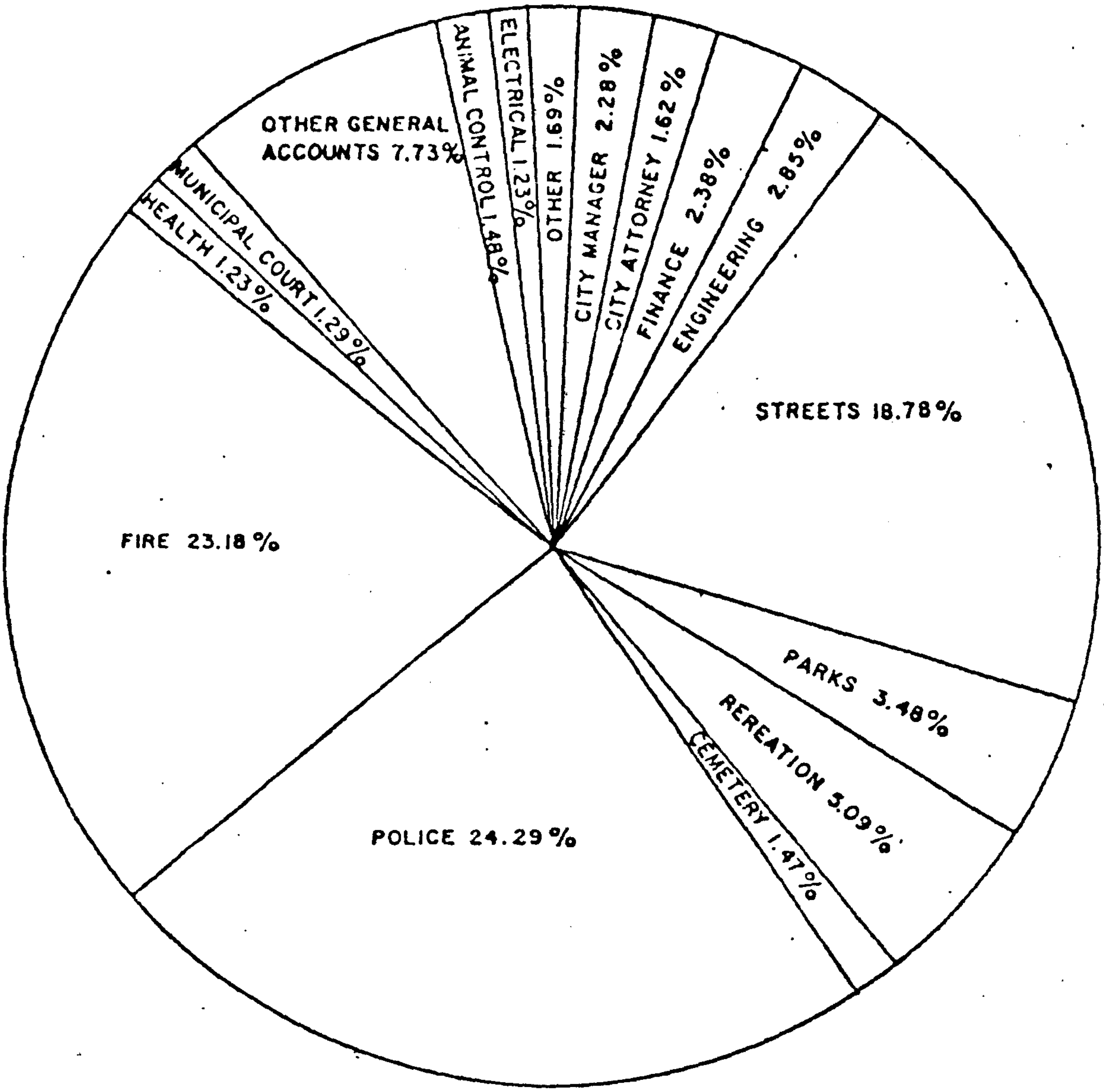


Figure 6 - Revenues - Laramie.

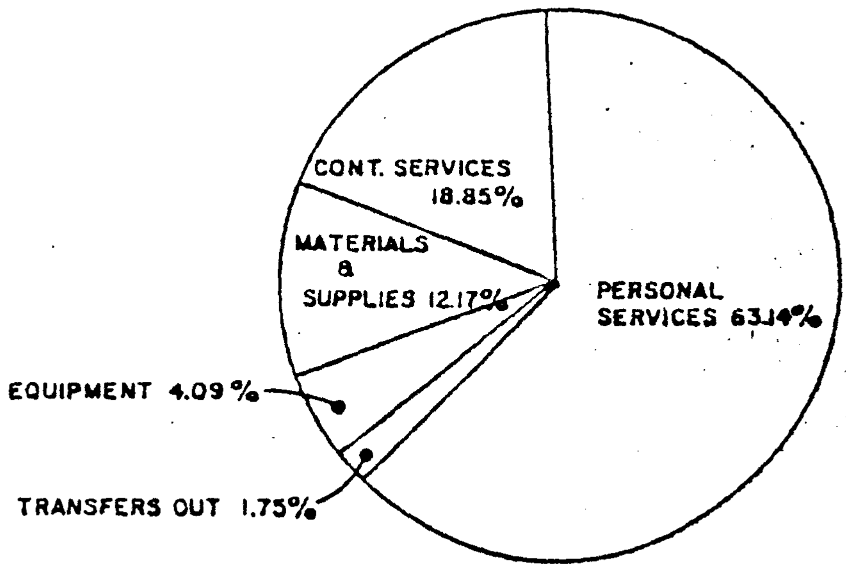
1983–1984



OTHER

·ITY HALL	.40%
·IOSQUITO CONTROL	.44%
CITY CLERK	.85%

CATEGORY



gure 8. General Fund Expenditures of Laramie.

TESTIMONY BEFORE THE SENATE [redacted] COMMITTEE

LOCAL OPTION TAX - SENATE [redacted] BILL 434 [redacted]

February 21, 1985 - Helena, Montana

by Bob Jacklin, West Yellowstone, Montana

1. THE FINANCIAL SITUATION OF WEST YELLOWSTONE IS ONE OF REAL NEED

West Yellowstone is impacted by 2.5 million people each summer season (West entrance to Yellowstone National Park data). West Yellowstone provides needed services to these 2.5 million people plus helps to cover portions of the Yellowstone National Park and nearby Idaho with fire, ambulance, medical help and some police services when needed.

2. WEST YELLOWSTONE'S ABILITY TO PAY FOR THESE NEEDED SERVICES

There are 750 year round residents of West Yellowstone that are asked to pay the major portion of all the services provided by the town. The towns needs at this time are far too great and our ability to pay, as we have in the past, is no longer possible. West Yellowstone, and other small towns must be able to provide Montana's visitor with adequate services and safe streets on which to drive.

3. WEST YELLOWSTONE'S TOTAL REVENUE IS APPROXIMATELY $300,000.00

The major portion of our city's income is from local sources.
34% is from local property taxes.
12% is from local business licenses
8% is from local liquor and gas taxes
10% is from local motor vehicle taxes and licenses

4. GAS TAX AND LIQUOR TAX

Some sources of revenue such as the gas tax and the liquor tax work against small towns like West Yellowstone.
We collect the money. We have the impact and the problems. What we get back from the state and county is a very small portion of the revenue collected. State wide distribution programs are on a per capita basis and not on a percentage of collection.

Exhibit 13 -- SB 434
February 22, 1985

5. WEST YELLOWSTONE'S EXPENDITURES

Because West Yellowstone suffers such a high impact by tourists and transient people, our city services are used to a much higher percentage than local taxes can accomodate.
46% for police services
13% for fire and ambulance
16% for street maintanence
11% for general government

6. WE ARE ASKING FOR YOUR HELP

What we need is for you, our representatives, to provide us with the vehicle of Local Option.

7. WEST YELLOWSTONE IS A TOWN IN MONTANA

West Yellowstone is not just my town, it is a town in Montana. West Yellowstone is the first impression of the state of Montana that millions of people see. Our streets are in a horrible state of disrepair, our ambulance services are not adequate for the amount of use required, we have no storm drainage system and our ability to pay for what we have now, is marginal. We must have additional revenue to provide the visiting public with adequate services and a good impression of Montana.

SENATE Bill 434
8. ~~HOUSE BILL~~ [redacted]

House bill 804 will enable West Yellowstone and other towns to provide needed services, keep our cities in good repair and give a good lasting impression of Montana to all our visitors.

9. I ask your support of ~~House~~ Bill 804. I also support House Bill 826 and Senate Bill 434.

Thank you.

(This sheet to be used by those **testifying** on a bill.)

NAME: Gary Schoer DATE: 2-22-85

ADDRESS: Box 716 West Yellowstone, Mt. 59758

PHONE: 646-7885

REPRESENTING WHOM? West Yellowstone Chamber of Commerce

APPEARING ON WHICH PROPOSAL: SB 434

DO YOU: SUPPORT? X AMEND? ____ OPPOSE? ____

COMMENT: We are in favor of SB 434. Because of geographical location, West Yellowstone is a special case and in dire need of legislation enabling the collecton and expenditure of revenues on a local basis. The local option proposal would not only enable the city government the ability to provide services to the public but also provide businesses the opportunity to operate in a faverable atmosphere and thusly an opportunity to prosper. West Yellowstone Should and could be a show place for Montana and Montana's tourism industry but this is not presently the case. Help us help ourselves and you by passing SB 434

PLEASE LEAVE ANY PREPARED STATEMENTS WITH THE COMMITTEE SECRETARY.

If given the ability to do so, and even if no other city would pass the local option, I tell you West Yellowstone Montana Will

Exhibit 14 -- SB 434
February 22, 1985

(This sheet to be used by those testifying on a bill.)

NAME: Walter Herman DATE: 2-22-85

ADDRESS: Box 608 W.Y. MT

PHONE: 406-646-7387 west yellowstone MT

REPRESENTING WHOM? ~~Camp~~ Rustic Campground west yellowstone MT

APPEARING ON WHICH PROPOSAL: SB 434

DO YOU: SUPPORT? Yes AMEND? ______ OPPOSE? ______

COMMENT: I support ~~House bill~~ SB 434 to give City a way to come up with relief money to get rid of some of their problems.

I think if you are going to put a tax just make it fair to everyone not just pick on one or two business

Each Town has its problems, but what effects one town might not effect the others. Like in west yellowstone 80% percent of our business Comes from Tourist which impacts our town. So if we Could put 2 or 3 percent tax on our businesses and keep that money in west yellowstone that would solve our problems thank you

PLEASE LEAVE ANY PREPARED STATEMENTS WITH THE COMMITTEE SECRETARY.

Exhibit 15 -- SB 434
February 22, 1985

STANDING COMMITTEE REPORT

February 22, 19 85

MR. PRESIDENT

We, your committee on Taxation

having had under consideration Senate Bill No. 338

first reading copy (white)
color

COAL TAX MONEY FOR LAW ENFORCEMENT IN FISCAL 1985, 1986, 1987.

Respectfully report as follows: That Senate Bill No. 338

DO PASS

~~DO NOT PASS~~

Senator Thomas E. Towe, Chairman.

ROLL CALL VOTE

SENATE TAXATION COMMITTEE
49 th Legislative Session -- 1985

Time 8:04 am Date 2/22/85 Room 413-415

Motion: McCallum moves that SB 338 do pass.

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 22, 19 85

MR. PRESIDENT

We, your committee on Taxation

having had under consideration Senate Bill No. 284

first reading copy (white)
color

CHANGING REPAYMENT PROVISIONS FOR COAL BOARD LOANS.

Respectfully report as follows: That Senate Bill No. 284

be amended as follows:

1. Title, lines 5 and 6.
Following: "AMENDING" on line 5
Strike: "SECTIONS 7-3-1321, 7-6-2211, 7-6-4121, 7-7-2101, 7-7-2402, 7-16-2327, AND"
Insert: "SECTION"

2. Title, line 7.
Following: "MCA"
Strike: "; AND PROVIDING AN IMMEDIATE EFFECTIVE DATE"

3. Page 1, lines 19 and 20.
Following: "No" on line 19
Strike: "Except as provided in subsection (2)(a)(ii), no"
Insert: "No"

4. Page 1, line 22.
Following: "from"
Strike: ":"

5. Page 1, line 23.
Strike: "(i)" [illegible]"
Following: "charges,"
Insert: "and"

6. Page 1, line 24.
Following: "assessments"
Strike: "; and"
Insert: "."
[illegible]

[illegible]

continued
Chairman.

February 22, 1985

7. Page 1, line 25 through line 14, page 2.
Strike: subsection (ii) and subsections (b) and (c) in their entirety
Renumber: subsequent subsections

8. Page 3, line 17 through line 14, page 8.
Strike: sections 2 through 7 in their entirety
Renumber: subsequent sections

9. Page 8, lines 19 and 20.
Strike: section 9 in its entirety

<u>AND AS AMENDED</u>
<u>DO PASS</u>

Senator Thomas E. Towe, Chairma

STANDING COMMITTEE REPORT

February 22, 1985

MR. PRESIDENT

We, your committee on Taxation

having had under consideration Senate Bill No. 156

first reading copy (white)
color

REVISION OF DESIGNATION CRITERIA FOR COAL BOARDS LOANS AND GRANTS.

Respectfully report as follows: That Taxation No. 156

be amended as follows:

1. Title, lines 6 and 7.
Following: "MCA" on line 6
Strike: "; AND PROVIDING AN IMMEDIATE EFFECTIVE DATE"

2. Page 4, lines12 and 13.
Strike: section 2 in its entirety

AND AS AMENDED
DO PASS

~~DO NOT PASS~~

Senator Thomas E. Towe, Chairman.

STANDING COMMITTEE REPORT

February 22, 1985

MR. PRESIDENT

We, your committee on Taxation

having had under consideration Senate Bill No. 21

first reading copy (white)
color

CREATING A COAL RESEARCH AND DEVELOPMENT ACCOUNT FROM COAL SEVERANCE TAX.

Respectfully report as follows: That Senate Bill No. 21

be amended as follows:

1. Title, line 4.
Following: "ESTABLISHING A"
Strike: "COAL"

2. Page 3, line 22.
Following: "of the"
Strike: "coal"

3. Page 3, line 25.
Following: "the"
Strike: "coal"

4. Page 4, lines 3 and 4.
Following: "by"
Strike: ". . . . . Bill No. . . . (LC . . . .)"
Insert: "[section 3 of HB 812]"
Following: "for"
Strike: "use in the competitive coal research program"
Insert: "technology investments in technology development projects as provided for in [section 6 of House Bill 812]"

5. Page 4, line 8.
Following: "products"
Insert: ", provided at least one-third of the total program funds is made available from private and other sources"

~~DO PASS~~

~~DO NOT PASS~~

continued

Chairman.

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6. Page 4, lines 9 and 10.
Following: "studies" on line 9
Strike: "at Eastern Montana College"

7. Page 4, line 21.
Following: line 20
Strike: "__________ Bill No. ________ (LC ________)"
Insert: "House Bill 812"

AND AS AMENDED
DO PASS

Senator Thomas E. Towe, Chairman