

MINUTES OF THE MEETING
TAXATION COMMITTEE
MONTANA STATE SENATE

March 6, 1985

The forty-second meeting of the Senate Taxation Committee was called to order by Chairman Thomas E. Towe at 8:04 am, in Room 413-415 of the Capitol Building.

ROLL CALL: Senator Mazurek was excused until 8:15 am. All other members of the committee were present.

MOTION: Senator Hager moved that SB 346 be tabled. He explained that he had this bill drafted as a back-up to SB 72, should it not pass. SB 346 was no longer necessary. The motion carried unani-
mously.

CONSIDERATION OF SB 386: Senator Ed Smith was recognized as chief sponsor of the bill. He said the bill would move motor vehicles back into the property tax base and remove them from the flat fee system. He submitted his testimony in writing (Exhibit 1). He said he has always opposed taking anything out of the property tax base. He said the value of older vehicles makes the fee higher than their taxes would be. All property owners should be sharing that burden, he said. He discussed the drop in block grant program funding resulting from decreased property tax revenues. He discussed the charts in his hand-out. He said in comparison to other kinds of property, motor vehicles are used the most and taxed the least.

PROPOSERS

Mr. John Shontz, representing Richland County, said that the state had made a mistake by becoming an "oil revenue junkie". He said the bill is necessary to cover a revenue short fall. He submitted his testimony in writing (Exhibit 2).

Mr. Alex Hansen, representing the Montana League of Cities and Towns, said the problems in local government funding go back to 1981 when the Legislature took the most progressive of taxes and froze it into a fee system. He said something must be done to avoid further increases in property taxes. He suggested that the committee pass this bill, reinstate the business inventory tax and "go home".

Mr. Gordon Morris, Montana Association of Counties, said that equity is the compelling argument for the bill.

Mr. Phil Campbell, Montana Education Association, said passage of this bill would be consistent with the MEA position of funding the school foundation program. He said he is not sure this bill is the best way, and knows many of his members would oppose it individually, but the bill should not be dismissed.

OPPOSERS

Mr. Jim Manion of the Montana Automobile Association said the fee system was more than politically expedient. He said that motorists

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are already the most over-taxed. He said well over 64 percent of the membership opposes return of the motor vehicle to the property tax system. He said bills proposing increased taxes and fees on the motorist are numerous and that this single segment should not be expected to fund these programs.

Mr. Tom Harrison, representing the Montana Automobile Dealers Association, said excessive taxation impacts that industry. He said this bill would cost \$500 to maintain a moderately priced vehicle. One area people felt overtaxed in excess of other areas is with automobiles, he said. He said if the bill is not passed, possible some of the money would not be spent. He added that the press is favorable to the fee system.

Mr. Dennis Burr, Montana Taxpayers Association, said that return to the old system would not be fair as people would again register their vehicles in low mill levy areas.

Questions from the committee were called for.

Senator Lybeck asked why certain counties were excluded from the per capita distribution. Senator Smith said that they receive no dollars back because of high oil tax revenues in those counties.

Senator Smith closed saying this tax shift will benefit property owners. He said the tax base can be equalized by this bill. He said that additional taxes on the oil industry would not be acceptable. He said it would be a hard decision to make, but encouraged the committee to pass the bill.

Vice Chairman Mazurek assumed the chair.

CONSIDERATION OF SB 455: Senator Tom Towe was recognized as chief sponsor of the bill. He first gave the committee an amendment to the bill (Exhibit 3). After explaining the amendments he said that the bill would do three things: First, it would redistribute the taxation from financial institutions. Second, it would eliminate the 243 dividend deduction for corporations. Third, it would bring more equity to local businesses by allowing them to file a consolidated return.

Senator Towe explained that the 243 dividend deduction allowed taxation only once of dividends paid from one corporation to another. He said that was okay for federal law, but that it left a state at a disadvantage when the second corporation or the shareholder was living in another state.

Currently he said Montana law has very limited provisions for the filing of a consolidated return. He said to disallow this deduction, and broaden the scope of the consolidated return would bring about a more equitable situation.

The balance of the bill adds to the allocation of local revenues.

He noted that the fiscal note suggested a more administrable effective date. He said the fiscal note indicated a positive effect on

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revenues for the state. While the block grants will come out nearly the same, the general fund increase will be about \$2 million a year.

Senator Towe said that he would like local government funding tied to all corporate taxation, rather than solely to the bank shares tax. He felt this would eliminate some of the fluctuation in local government financing.

PROPONENTS

Mr. John LaFaver, Director of the Department of Revenue, spoke in favor of SB 455. He said they had opposed SB 203 because of reduced revenue, but this bill is structured with a wash for local governments. He said this would give local government a predictable and dynamic revenue source. He distributed Exhibit 3a which showed distribution of the block grant funding by county.

SB 455, he said, closes an unintended loophole. He said that 243 dividends should be taxed by the state.

Mr. Phil Campbell of the Montana Education Association said that while the foundation program percentage decreased with this bill, the combining of all corporate taxes would increase the revenue to that program.

Ms. Louise Kunz, Montana Low Income Coalition, said they supported the bill and felt it was time to direct attention to individual rather than corporate welfare. She submitted a written statement (Exhibit 4).

Mr. George Bennett of the Montana Bankers Association said they support the bill with the amendment offered by Senator Towe. He said that to piggyback on the federal system allows certainty for the Department and the taxpayer in addition to taking advantage of the resources of federal codes, regulations, case law and audit capability. He said that the status quo is discriminatory to the banking industry particularly when consolidated returns are not allowed.

Mr. Tom Harrison, representing the Montana Society of CPAs, said the bill needs the amendments. He said an attempt to decouple from the federal system would require corporations to keep two sets of books. He said the more computations that are the same for federal and state returns, the less unnecessary work and hours will be spent by accountants in behalf of their clients.

Mr. Don Judge of the AFL-CIO spoke in favor of the bill. He did not necessarily favor the amendment, however. He said that it was important to maintain the state's integrity and not to let the federal government be making these decisions for the state. He submitted written testimony (Exhibit 5).

Mr. Gordon Morris, the Montana Association of Counties representative, spoke to the differences between SB 203 and SB 455. First, he said that SB 203 would adversely affect about 30 counties and that only 16 counties would show a loss under SB 455. He said that would be offset by the fact that the local governments would be offered a more stable source of revenue.

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Second, Mr. Morris said that the bill would remove a threat of taxes paid under protest. He said that that had been a problem for some of the counties in the past with the "Schwinden vs. BN" case which put local governments in the position of making refunds.

Mr. Alex Hansen of the Montana League of Cities and Towns said that local government funding had been very difficult to anticipate and budget ever since the connection to the bank tax was established. He said it was important to note, however, that SB 455 had winners and losers. He suggested that the committee consider a "hold harmless" provision at least for the first biennium.

Mr. John Cadby of the Montana Bankers Association said they support the bill for three reasons: First, he said banks now pay 11 percent of all total tax paid by corporations. He said that as the rural banks are adversely affected by the agricultural economy local governments would be on a more solid basis with this bill. Second, he said that banks have lost about 40 percent of their market to competitors and that at least 80 percent of these currently do not support local government. Third, he said the distribution of the money would be more fair on a per capita basis than it is currently.

Mr. Ken Parris, an economist for the Montana Alliance, said that a tax deduction is an incentive to a certain behavior and that now the incentive allows a benefit to flow to corporations whether or not they are in Montana.

OPPONENTS

Mr. John Alke, representing Montana Dakota Utilities, said that Senator Towe's amendments cure 90 percent of the problems with the bill. He said that MDU has a great deal of tax accounting work and as the cost of that is passed on to the customer, it was essential that the deductions be coupled. He did not think the coupling should be fixed to the January 1, 1985, date. He said that as federal code and regulation changed it would decouple from itself and create the same problem. He said the mass of federal law, case law and regulations should be useful material to the Montana piggybacking.

Mr. Mike Zimmerman of the Montana Power Company said that they opposed the bill for the same reason as Mr. Alke.

Questions from the committee were called for.

When asked if piggybacking was a delegation of legislative prerogative, Mr. Alke said there would be no problem with tracking federal law. He said that a regulated utility already has a nightmarish problem with tax accounting and that decoupling would compound that.

Mr. Zimmerman agreed that there would be no problem if the amendments were amended to strike the January 1, 1985, date.

Senator Brown said that if the bill would increase revenue by \$2 million, where would those dollars come from. He was curious that no one was opposing the bill on that basis. Senator Towe explained that

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the 243 dividend deduction was currently used by very large corporations and that would account for the increased revenue.

Senator Hirsch asked about the losses to counties in eastern Montana. Senator Towe said that if the agriculturally dependent banks had decreased earnings that would also result in even more loss to those counties. Senator Hirsch said that, nonetheless, when one mill raises only \$6,000, the impact is substantial.

Mr. Cadby said the earnings would be less in 1985 than in 1984 for those banks as revenues are down.

Senator Goodover asked if a formula could compensate those counties. Senator Towe said, yes.

Senator Goodover asked if credit unions were included here. Mr. Bennett said that federal law exempted credit unions.

Senator Towe closed saying that he did not want to decouple from the ACRS. He said the bill would redistribute financial institution income, eliminate the 243 dividend deduction and give more equity to Montana business needed to file consolidated returns.

Vice Chairman Mazurek asked Senator Towe about the amendment proposed by MDU. Mr. LaFaver answered that it is better to look at federal law and piggyback where appropriate, than to piggyback and have to fix what does not work. He said that it is easier to kill a bill than to pass one. He said the question is, who shall have primary guidance over Montana tax laws? He said the state, not the federal government, should retain that control.

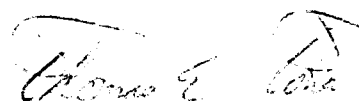
CONSIDERATION OF SB 67: Senator Towe presented the committee with amendments discussed during the last consideration of the bill. Mr. Lear, committee staff, explained that the substantive amendment was number four which defined and exempted down-hole equipment.

There was some discussion on the salvage value of down-hole equipment. Senator Goodover asked if the amendment was worth it. Senator Towe said that currently there is discrepancy from county to county and that without this bill there would not be uniform taxation within the state.

MOTION: Senator Halligan moved that SB 67 be amended per Exhibit 6. With Senators Goodover and Hirsch voting no, and all other members voting yes, the motion carried.

MOTION: Senator Mazurek moved that SB 67 do pass as amended. With Senator Severson abstaining and all other members of the committee voting yes, the motion carried.

The meeting was adjourned at 9:55 am.



Chairman

ROLL CALL

SENATE TAXATION COMMITTEE

49th Legislative Session -- 1985

Date 8 March 1985, 8:04am

Location -- Room 413-415

Name	Present	Absent	Excused
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Senator Brown	✓		
Senator Eck	✓		
Senator Goodover	✓		
Senator Hager	✓		
Senator Halligan	✓		
Senator Hirsch	✓		
Senator Lybeck	✓		
Senator Mazurek	8-16		
Senator McCallum	✓		
Senator Neuman	✓		
Senator Severson	✓		
Senator Towe	✓		

DATE: March 6, 1965

COMMITTEE ON

VISITORS' REGISTER

[illegible]

(Please leave prepared statement with Secretary)

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

NAME: GEORGE T. BENNETT DATE: 3/6/85

ADDRESS: P.O. Box 1705

PHONE: 442-8950

REPRESENTING WHOM? MONT. BANKERS ASS'N

APPEARING ON WHICH PROPOSAL: S. B. 455

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

COMMENT: _____

PLEASE LEAVE ANY PREPARED STATEMENTS WITH THE COMMITTEE SECRETARY.

Mr. Chairman, Members of the Committee, for the record I am Senator Ed Smith, representing the people of District 10, sponsor of Senate Bill 386.

I have several reasons for sponsoring this piece of legislation. I expected to get a lot of opposition to this proposal - but believe it or not I only saw one letter to the editor criticizing the bill after my answer. I received many favorable comments and several letters in support of the bill.

I am sure some of you on this committee remember four years ago when legislation was introduced to remove vehicles from the tax base I opposed it, and I voted against it. I said then that it was a mistake and I look at this bill as a way to correct that mistake. Sure it was politically popular when we had the money to do it, but now it is a different story.

I have always opposed taking any personal property out of the tax base--especially after the State Department of Revenue was directed to reappraise all other property in the State and make the value more equitable.

We spent millions of dollars to do that and at the same time took vehicles out and put them on a very low flat fee and I will point out later how that was unfair to not only the people who had older, less expensive vehicles--but also other personal property.

We all must realize that it cost a certain amount of money to fund education and provide services to the people who live in our cities and counties. In most counties, over 60% of the property taxes go to educate our children. Cities and towns need a considerable amount of property tax revenue to repair streets, provide police and fire protection and many other services. Counties also need property tax dollars to provide a variety of services. All of these services benefit everyone. Why then shouldn't all property owners including vehicles pay their fair share of property taxes.

I have with me an article from the Sunday edition of the Independent Record. Read comments made before Senate Local Government Committee. Read.

If the city and county officials (and I might add schools) want some funding I am sure this is the only way they are going to get it.

I serve on the Senate Finance and Claims Committee. I also serve on the Legislative Finance and Claims Committee. I know funding from the General Fund is in even worse shape than anyone wants to admit.

Montana cities and counties depend on oil revenue to fund the motor vehicle replacement fees as called for in the Local Government Block Grant program which was set up to reimburse cities, counties and school districts for tax loss.

It is projected that that program will be short approximately \$10 million dollars for the biennium. This was caused when oil income dropped and it may even go down further. This not only affected the Block Program, but had an even greater impact on the General Fund, which is predicted to be over \$30 million dollars out of balance.

I am sure we are going to see cuts in federal block grant programs for cities, counties and education.

Let's be realistic--we just don't have the money to fund the Local Government Block Grant Program.

The question is--does this legislature and this committee want to say to the local school officials to cut out educational programs, or tell the cities and towns to cut out such things as police and fire protection and other services. Or better yet, tell the local taxpayers that you are going to shift a greater burden of taxes onto their homes and other property so vehicle owners can get by with a low flat fee.

I have a hand-out just to show you how unfair and unreasonable the flat fee system is compared to other property. I also have a sheet which shows approximately what each city and county will receive in property tax base if SB 386 passes. Approximately \$32 million dollars over the biennium.

MOTOR VEHICLE FEE SYSTEM
SCHEDULE OF REIMBURSEMENTS
DUE COUNTIES ON MARCH 1, 1984

	Total Certified	Reimbursement	1984
County	County Vehicles	Rate County	Reimbursement Amount
Beaverhead	7,528	\$ 13.88	\$ 104,488.64
Big Horn	5,562	0	0.00
Blaine	4,365	0	0.00
Broadwater	3,105	12.29	38,160.45
Carbon	7,739	18.33	141,855.87
Carter	1,702	14.84	25,257.68
Cascade	59,193	28.09	1,662,731.37
Chouteau	6,924	5.10	35,312.40
Custer	9,653	31.77	306,675.81
Daniels	2,713	9.74	26,424.62
Dawson	10,476	25.60	268,185.60
Deer Lodge	9,492	45.50	431,886.00
Fallon	3,282	0	0.00
Fergus	11,210	25.00	280,250.00
Flathead	50,242	23.58	1,184,706.36
Gallatin	35,170	33.66	1,183,822.20
Garfield	1,555	12.10	18,815.50
Glacier	5,844	14.59	85,263.96
Golden Valley	1,000	5.87	5,870.00
Granite	2,632	11.84	31,162.88
Hill	14,004	16.50	231,066.00
Jefferson	6,037	30.30	183,102.21
Judith Basin	2,688	6.65	17,875.20
Lake	14,039	12.94	181,664.66
Lewis and Clark	37,121	30.21	1,121,425.41
Liberty	2,376	.30	712.80
Lincoln	13,870	13.03	180,726.10
Madison	5,691	10.91	62,088.81
McCone	2,933	7.62	22,349.46

MOTOR VEHICLE FEE SYSTEM
SCHEDULE OF REIMBURSEMENTS
DUE COUNTIES ON MARCH 1, 1984

<u>County</u>	<u>Total Certified County Vehicles</u>	<u>Reimbursement Rate County</u>	<u>1984 Reimbursement Amount</u>
Meagher	2,111	21.34	45,048.74
Mineral	2,851	35.13	100,155.63
Missoula	54,653	43.40	2,371,940.20
Musselshell	4,232	8.34	35,294.88
Park	12,344	19.38	239,226.72
Petroleum	678	0	0.00
Phillips	4,582	2.27	10,401.14
Pondera	5,830	13.33	77,713.90
Powder River	2,835	0	0.00
Powell	5,305	23.26	123,394.30
Prairie	1,821	11.80	21,487.80
Ravalli	19,188	11.44	219,510.72
Richland	11,938	0	0.00
Roosevelt	6,416	9.07	58,193.12
Rosebud	0	0	0.00
Sanders	7,149	18.85	134,758.65
Sheridan	5,919	0	0.00
Silver Bow	26,502	47.26	1,252,484.52
Stillwater	5,820	11.61	67,570.20
Sweet Grass	3,147	17.89	56,299.83
Teton	6,695	17.94	120,108.30
Toole	6,547	7.81	51,132.07
Treasure	1,014	7.64	7,746.96
Valley	8,204	33.40	274,013.60
Wheatland	2,404	23.10	55,532.40
Wibaux	1,367	4.66	6,370.22
Yellowstone	<u>97,402</u>	30.61	<u>2,981,475.22</u>
	645,100		<u>\$16,141,739.11</u>

1981	Market Value	Market Value	Market Value	1984	1984	Flat Fee	Flat Fee	Flat Fee
Royal Royce	\$75,200	\$37,600	\$16,800	Market Value	Flat Fee	Flat Fee	Flat Fee	Flat Fee
1984 Average Rural Levy 218.84	2,134.84		Most Cars	\$84.00	\$80.00	102.00	102.00	102.00
1984 " City Levy 285.68			Fall in line					
Machinery Class 8 11%								
Auto's - Trucks Class 9 13%								
Residential Class 4 8.55%								
(Farm Improvements) - 8.55%								
Store & Grain 8.55%								
1/2 Ton Pickup								
1 Ton Light Truck								
20 cows 42300 a.u. = \$8460								
Home Rural								
Home City								
Grain Drill 1st								
Harley Davidson Motor Cycle								
Boat								
Boat								
3360bu 8203 Grain - Barley								
Bin								
Grain								
CAR 1984 Hwy								
CAR 1984 Light								

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

NAME: John Shontz DATE: 3-6-85

ADDRESS: 844 S Ave Helene

PHONE: 443-0463

REPRESENTING WHOM? Richland County

APPEARING ON WHICH PROPOSAL: SB 386

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

COMMENT:

Is it fair that ^{\$9,000 equal age \$20,000 CADILLAC} Chevy and ~~other~~ pay the same? We think not.

Have counties ever received 100% reimbursement for dollars lost under the flat fee system?

No, not really.

~~0.1~~ ^{ESTIMATES} revenue are barely 1/2 what they were in 1982. Fee increases are needed to make up the million.
Fee Increase??

STATE REVENUE SHORTFALL = TO LOSE IN OIL REVENUE
DUE TO DECLINE IN PRICE & PRODUCTION.

PLEASE LEAVE ANY PREPARED STATEMENTS WITH THE COMMITTEE SECRETARY.

Proposed Amendments to Senate Bill 455

1. Amend Title, Line 15.
Following: "MCA"
Insert: "AND THOSE DEDUCTIONS PROVIDED FOR IN THE INTERNAL REVENUE CODE AS OF JANUARY 1, 1985, EXCEPT FOR CERTAIN DEDUCTIONS FOR DIVIDENDS"
2. Page 2, line 23.
Following: "MCA"
Insert: "and those deductions provided for in the Internal Revenue Code as of January 1, 1985 except for certain deductions for dividends"
3. Page 2, line 24
Following: "income"
Strike: the remainder of lines 24 and 25 in their entirety
Insert: "."
4. Page 3, line 1
Strike: "31 MCA."
5. Page 8, line 14.
Following: "15-31-114"
Strike: "the remainder of lines 14 and 16 in their entirety."
Insert: "and for deductions not included in 15-31-114, those deductions provided for in the Internal Revenue Code as of January 1, 1985, except for the special dividend deductions provided for by Section 243 a(1) and (3), 244, and 245 of the Internal Revenue Code, (or as those sections may be amended or renumbered), which are specifically denied as deductions. Those deductions in 15-31-114 that reference the Internal Revenue Code shall use the Internal Revenue Code in effect for the taxable year."

Exhibit 3a -- SB 455
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	AUG FY83-84 DISTRIBUTION	FY86 110%	DIFF.	FY87 110%	DIFF.
BEAVERHEAD	34964	49794	14830	53548	18584
BIG HORN	60805	66781	5926	71763	10958
ELAINE	38534	40635	2101	43699	5165
BROADWATER	2734	19570	16836	21045	18311
CARBON	35002	49219	14217	52930	17928
CARTER	21641	9997	-11644	10751	-10890
CASCADE	330141	469073	138932	504440	174299
CHOUTEAU	60750	35695	-25055	38987	-22363
CUSTER	101031	78073	-22958	83959	-17072
DANIELS	17644	16277	-1367	17504	-140
DAWSON	72648	72603	-45	78077	5429
DEER LODGE	34790	66459	31669	71469	36679
FALLON	48824	22352	-26472	24037	-24787
FERGUS	68380	75432	7052	81119	12739
FLATHEAD	210442	307963	97521	331182	120740
GALLATIN	111849	266123	154274	286188	174339
GARFIELD	12180	9898	-2282	10644	-1536
GLACIER	44480	64836	20356	69725	25245
GOLDEN VALLEY	0	6322	6322	6799	6799
GRANITE	13200	15656	2456	16837	3637
HILL	75690	107693	32003	115813	40123
JEFFERSON	5667	45463	39796	48891	40224
JUDITH BASIN	25688	15787	-9901	16977	-8711
LAKE	53529	114933	61404	123598	70069
LEWIS AND CLARK	134573	260614	126041	180264	143691
LIBERTY	20	13793	13773	14833	14813
LINCOLN	11295	104719	93424	112615	101320
MADISON	22386	15752	-6634	16940	-5446
MCCONE	11238	33452	22214	33974	22736
MEACHER	16519	13392	-3127	14401	-2118
MINERAL	8530	20205	11675	21729	13199
MISSOULA	107889	435627	327738	468473	360584
MUSSELSHELL	46331	27498	-18833	29572	-16759
PARK	77161	78972	1811	84927	7766
PETROLEUM	0	4023	4023	4326	4326
PHILLIPS	43029	32636	-10393	35096	-7933
PONDERA	79816	41068	-38748	44164	-35652
POWDER RIVER	40	14369	14329	15452	15412
POWELL	8617	38597	29980	41508	32891
PRAIRIE	36880	11306	-25574	12159	-24721
RAVALLI	64358	138613	74255	149064	84706
RICHLAND	86029	85987	-642	91823	5796
ROOSEVELT	88403	67021	-21382	72074	-16329
ROULDIS	63319	78849	15530	84794	19473
SANDWICH	30639	52621	21982	56389	25950
SHERIDAN	46907	34975	-11932	37612	-9293
SILVER BOW	125219	209365	84146	223151	99932
STILLWATER	34755	34848	93	37476	2721
SWEET GRASS	24700	19055	-5645	20492	11957
TETON	73349	37617	-35732	40453	15753
TOOLE	2548	34103	31555	36675	-36674
TREASURE	18595	5774	-3226	6210	3662
VALLEY	17777	37093	19316	61398	42803
WHEATLAND	6670	18405	-11735	14416	-3361
WIBAUX	589805	8691	-589714	9346	2676
YELLOWSTONE	3362545	677405	-2685140	728479	144674
		6727480		5083868	

NAME: JOSE KUNZ DATE: 3/1/85

ADDRESS: 107 LAWRENCE

PHONE: 449-8801

REPRESENTING WHOM? MT. Low Income Coalition

APPEARING ON WHICH PROPOSAL: SB 455

DO YOU: SUPPORT? X AMEND? OPPOSE?

COMMENT: We wish to be on record as supporting S.B. 455.
It's no secret that the St of MT is hard pressed to find
funds and that human services are suffering because
of this lack of funding.

The fiscal note attached to this bill anticipates a
revenue of \$4,000,000.- ; \$2,331,772 of which goes
to the general fund.

We have the opportunity with this bill to address
the problem of welfare to individuals and decrease
some of the corporate welfare we are now providing.

PLEASE LEAVE ANY PREPARED STATEMENTS WITH THE COMMITTEE SECRETARY.

NAME: Don Judge DATE: 3/6/85

ADDRESS: P.O. Box 1176 Helena 59624

PHONE: 442-1708

REPRESENTING WHOM? Montana State AFL-CIO

APPEARING ON WHICH PROPOSAL: SB 455

DO YOU: SUPPORT? ☒ AMEND? ☐ OPPOSE? ☐

COMMENT:

1) Montana law should be decoupled from the federal codes to assure that tax increases and/or creation of tax loopholes is decided upon by the state, not the federal government.

2) MT is hurting for revenue to fund needed public services --- SB 455 allows Montanans a way to recoup some of the tax revenue lost through our passive acceptance of the federal tax codes applicable to MT by virtue of our state codes

- Exhibit 5 -- SB 455
March 6, 1985

3) local property taxpayers cannot continue to bear the brunt of funding needed public services: education, streets, water, sewer, police, fire, etc. The small amount of money raised in SB 455 is a step towards equality in our tax system.

4) SB 455 is one of a number of bills introduced in this session intended to revamp our tax codes, providing relief to local property taxpayers and closing tax loopholes which have allowed profitable corporations and wealthy individuals

4- to avoid paying on the basis of progressive income.

5) Most tax loopholes created in the last few years were touted as needed to spur corporate investment and create jobs... A study done by the Citizens for Tax Justice of over 230 profitable corporations ^{operating} in the country over a two year period of time (I believe it was 1982-1983)

found: a.- These corporations received over \$90 billion in tax breaks in this two year period of time.

b.- These same corporations had a net reduction of more than 15% in their reinvestments into the creation of jobs, expansion of business, etc.

6) Congress is now considering the closure of many business tax breaks, primarily because there is a growing realization that middle income taxpayers cannot fund the needed government services, growth in military spending and reduction of the huge federal debt without assistance. They are also becoming increasingly aware that ~~incentive~~ tax incentives to expand industry have been a dismal failure.

Montana should be allowed to make its own mistakes... we don't need Congress doing it for us.

We urge your adoption of SB 455 as a measure to provide business and state control of our tax system --- and as one step in avoiding the spectre of a sales tax.

Thank you

Amend SB 67, introduced copy:

1. Title, line 6.

Before: "DOWN-HOLE"

Insert: "EXEMPTING CERTAIN"

2. Page 1, line 18.

Following: "."

Strike: "All down-hole"

Insert: "Down-hole"

3. Page 1, line 19.

Following: "taxation"

Insert: "as provided in 15-23-611"

4. Page 1.

Following: line 19

Insert: "Section 3. Section 15-23-611, MCA, is amended to read:

"15-23-611. Surace ground and improvements not exempt --down-hole equipment exempt. (1) Nothing in this part must be construed so as to exempt from taxation the surface ground, improvements, buildings, erections, structures, or machinery placed upon any mine oil or gas well or supplies used in connection therewith.

"(2) Down-hole equipment in oil or gas wells constituting casing installed in the ground and machinery installed below ground in the casing of a producing oil or gas well, except that machinery which has a salvage value upon extraction from the casing, is not considered to have a value separate and independent of the well and is excempt." "

Renumber: subsequent sections

Insert: "NEW SECTION." as appropriate

STANDING COMMITTEE REPORT

Page One of Two

March 6,

85

19.....

MR. PRESIDENT

Taxation

We, your committee on.....

Senate Bill

No. 67

having had under consideration.....

No. 67

first

reading copy (white)
color

**EXEMPT SEWER, WATER SYSTEMS ON AGRICULTURAL LAND AND DOWN-HOLE OIL
AND GAS EQUIPMENT.**

Respectfully report as follows: That.....
be amended as follows:

Senate Bill

No. 67

1. Title, line 4.

Strike: "EXEMPTING ALL"

Insert: "CLARIFYING THE TAXATION OF"

2. Title, line 6.

Following: "DWELLINGS"

Strike: "ON AGRICULTURAL LAND AND ALL"

Insert: "; EXEMPTING CERTAIN"

3. Title, line 8.

Following: line 7

Insert: "AMENDING SECTION 15-23-611, MCA;"

4. Page 1, lines 12 and 13.

Following: "systems" on line 12

Strike: "on agricultural land exempt"

5. Page 1, lines 14 through 16.

Following: "dwellings" on line 14

Strike: through "taxation" on line 16

Insert: "may not be appraised, assessed, and taxed separately from
the land in which they are located"

6. Page 1, line 18.

Following: "."

Strike: "All down-hole"

Insert: "Down-hole"

~~XXXX~~

DO PASS

~~XXXXXXX~~

DO NOT PASS

continued

Chairman.

March 6,

85

19.....

7. Page 1, line 19.

Following: "taxation"

Insert: "as provided in 15-23-611"

8. Page 1, line 20.

Following: line 19

Insert: "Section 3. Section 15-23-611, MCA, is amended to read:

"15-23-611. Surface ground and improvements not exempt --down-hole equipment exempt. (1) Nothing in this part must be construed so as to exempt from taxation the surface ground, improvements, buildings, erections, structures, or machinery placed upon any mine oil or gas well or supplies used in connection therewith.

"(2) Down-hole equipment in oil or gas wells constituting casing installed in the ground and machinery installed below ground in the casing of a producing oil or gas well, except that machinery which has a salvage value upon extraction from the casing, is not considered to have a value separate and independent of the well is exempt."

Renumber: subsequent sections

Insert: "NEW SECTION." appropriately before Sections 1 and 2 and 4 through 6

9. Page 1, lines 24 and 25.

Following: "instruction." on line 24

Strike: "Sections 1 and 2 are"

Insert: "Section 1 is"

10. Page 2, line 1.

Following: "chapter"

Strike: "6"

Insert: "7"

Following: "to"

Strike: "sections"

Insert: "section"

11. Page 2, line 2.

Following: "1"

Strike: "and 2"

Following: "."

Insert: "Section 2 is intended to be codified as an integral part of Title 15, Chapter 6, and the provisions of Title 15 apply to Section 2."

12. Page 2, line 5.

Strike: "1984"

Insert: "1985"

AND AS AMENDED
DO PASS

Thomas L. Towe, Chairman