

MINUTES OF THE MEETING  
TAXATION COMMITTEE  
MONTANA STATE SENATE

March 19, 1985

The fifty-third meeting of the Senate Taxation Committee was called to order at 8:05 am by Chairman Thomas E. Towe in Room 413-415 of the Capitol Building.

ROLL CALL: Senators Goodover, Hager, Hirsch, Lybeck, Mazurek, McCallum, Neuman, Severson and Towe were present. Senators Brown and Halligan joined the committee after 9 am. Senator Eck was excused.

CONSIDERATION OF HB 580: Representative Paula Darko, House District 2, was recognized as chief sponsor of the bill. She said that the bill was introduced at the request of her local search and rescue unit in Libby. She said it would allow the county to levy up to one mill for use of search and rescue groups that were approved by their county's sheriff.

PROPOSERS

No additional proposers were heard.

OPPOSERS

None were heard.

Questions from the committee were called for.

In response to questions by Senator Lybeck, Representative Darko said that the amount levied would be at county option and that these operations have been previously financed by fund raising. She said those efforts have become particularly difficult with the depressed economy.

Senator Hager asked if the volunteer effort would continue. She said that all the time spent is volunteer time and this bill would help cover other kinds of expenses.

Senator Neuman asked if the sheriff would be responsible for this if there were no volunteer search and rescue. Representative Darko said, yes, that in her county one deputy is actually in charge of search and rescue.

Representative Darko closed saying that if the committee passed the bill, Senator Mohar would carry it on the Senate floor.

CONSIDERATION OF HB 625: Representative Ben Cohen, Whitefish, was recognized as chief sponsor of the bill. He said after attending city council meetings on a regular basis, and protesting the unfairness of the frontage foot or square footage method of assessing for street maintenance districts, he decided legislative action was needed to offer other options to more fairly deal with the problem.

March 19, 1985

Representative Cohen gave the committee Exhibit 1 to indicate the inequities in the current method of figuring these assessments. He noted that a lot with 12 condos was paying only twice as much as the single family dwelling next door, while their wear on the streets was 12 times as great. He noted lot C in the middle of a block with no frontage feet at all. He said there were another set of obvious problems with assessment of corner lots. He urged the committee to deal favorably with the bill.

#### PROPONENTS

Mr. Bill Verwolf, City of Helena and the Montana Municipal Clerks, Treasurers and Finance Officers Association said that taxable value would be more equitable than square footage. He said that was particularly true in smaller towns.

Mr. Alec Hansen, Montana League of Cities and Towns, said that this bill would set up the most equitable method of street maintenance. He said the bill was directed at fairness and at giving the city necessary options.

#### OPPONENTS

None were heard.

Questions from the committee were called for.

Senator McCallum asked what the average assessment was. Representative Cohen said that in one case it was originally around 9 cents, then to 27 cents, up to 54 cents. He said one street maintenance district was levying \$2.00 per frontage foot to avoid borrowing at a high interest rate.

Senator Towe asked about the repealer. Representative Cohen said that some House members had wanted the taxable valuation option taken out of the bill. He said he got the language back in the bill by calling financial managers of cities and getting them to lobby the bill. He said the repealer is to clean up language so that all the references to this matter would be found in one section of the codes.

In discussion with Mr. Hansen, Senator Towe clarified that a combination of options could be used depending on how the local governing body wanted to structure them.

Senator Hager said he had carried a bill like this previously that had asked for even more options.

Senator Mazurek questioned whether taxable value was related to the impact on the streets. Mr. Verwolf said that it may not be perfect but that it represents a fairer allocation of the costs than can occur under existing law. He noted that the business districts have the greatest disparity with frontage feet in one case representing a hotel, another a parking lot.

Senator Goodover asked about the local input provisions. Senator Towe and Representative Cohen clarified that public notice and hearing

were required.

In closing Representative Cohen said that the advantages of the bill include creation of equity for property tax payers and flexibility for local government to meet their own needs.

CONSIDERATION OF HJR 21: Representative Harry Fritz, chief sponsor, said the bill called for reformation of the federal income tax system. He said that it takes him a solid week to even begin to figure his taxes. He said that instructions are far too complicated for a system in which everyone must participate. He said the system was created by and for accountants and tax attorneys. He said the resolution seeks fairness, equity and simplicity.

PROPONENTS

Ms. Margaret MacDonald representing the farm families of the Northern Plains Resource Council submitted her testimony in writing (Exhibit 2).

OPPONENTS

None were heard.

Questions from the committee were called for.

Senator Hager said that some tax shelters are beneficial for all involved and described an instance of a rancher being able to keep going in this way. Representative Fritz said he had no objection to changing the bill.

Representative Fritz closed saying that the resolution is not offered in a partisan sense, but in a spirit of reform.

MOTION: Senator Hager moved to amend HJR 21 per the Standing Committee Report attached here. The motion carried unanimously.

MOTION: Senator Hager moved that HJR 21 be concurred in as amended. With Senator Neuman voting no; Senators Brown, Eck and Halligan excused and all other present members voting yes, the motion carried.

CONSIDERATION OF HB 625:

MOTION: Senator Hager moved that HB 625 be concurred in.

Senator Hirsch questioned whether the bill should allow for street rebuilding as well as maintenance. Senator Hager responded that it was a local option bill.

Senator Mazurek said that not only the assessment method, but the continuing flexibility for local government was an issue.

Senator McCallum said that valuation would be subject to local political pressures. Senator Lybeck responded saying the issue is fairness in taxation.

March 19, 1985

Senator Hirsch said the increase from 7 cents to \$2.00 is a significant one and flagged his concern about the bill.

Question was called. Senators McCallum, Hirsch, Goodover and Mazurek voted no. Senators Towe, Neuman, Severson, Lybeck and Hager voted yes. The motion carried. Chairman Towe agreed at the request of Senator Hager and with no objection from the committee to hold HB 625 in committee for one more day so that absent members could vote.

CONSIDERATION OF HB 580:

MOTION: Senator McCallum moved that HB 580 be concurred in. Senators Lybeck, Mazurek, McCallum, Severson and Towe voted yes; Senators Goodover, Hager, Hirsch and Neuman voted no. The chairman agreed to hold the bill for the vote of the absent members, but temporarily, the motion carried.

CONSIDERATION OF HB 26: Amendments to the bill were distributed and discussed by Mr. Jim Lear, committee staff, at the request of Senator Brown. The amendments he said, give all taxing jurisdictions authority over the granting of a tax break for their own mill levies. They also assure that nothing can affect the state imposed levies. The amendments are found in Exhibit 3.

In response to a question by Senator McCallum, Mr. John Shontz said that the more people involved, the more cluttered the process gets. He said they prefer the bill in its current form.

Senator Mazurek asked if there was any comparable situation. Mr. Gregg Groepper, Department of Revenue, said that the only similar process leaves the decision to the county commission which can then bind other taxing jurisdictions with their decisions.

Senator Towe noted that the existing bill still has problems with ambiguity regarding buildings outside a city.

In response to a question Mr. Groepper said that the bill does not preclude the city or county from offering the incentive separately. He said that there would be no more administrative problem with the bill than currently exists.

(Senator Halligan joined the committee at 9 am, Senator Brown at 9:10 am.)

Senator Brown said that school boards should be in the position of control over their own mills. He said one entity should not be able to give a tax break that would affect another.

Senator Hirsch said that major expansion would result in an influx of people and that the school district would not want to give a tax break in that instance.

Senator Brown responded that state aid to schools would help, even though it is not commensurate with expenses. The local people are elected to handle that, he said.

March 19, 1985

MOTION: Senator Brown moved that HB 26 be amended per Exhibit 3.

Mr. Shontz said that amendment 4 did clarify the bill and he had no objection to that. Historically, he said, no one operates in a vacuum. He said the school districts would be able to impact the other units of government. He said that he was uncomfortable with the expansion of taxing authority into school districts.

Senator Brown said the bill already separates the county from the city and by the same logic, he wanted the school district separated as well.

Senator Halligan noted that the city and county are general purpose governments and that the school district is not. Senator Lybeck agreed saying that the logic of extension would affect many other groups as well.

Question was called. Senators Brown, Mazurek and Towe voted yes on the amendments; Senators Halligan, Severson, Neuman, McCallum, Hirsch, Lybeck, and Goodover voted no. The motion failed.

The committee agreed that some amendment was necessary to clarify the problems in the bill. The committee discussed the necessary amendments which appear in the Standing Committee Report attached here.

MOTION: Senator Halligan moved that the amendments as reflected in the Standing Committee Report be made to HB 26. The motion carried unanimously.

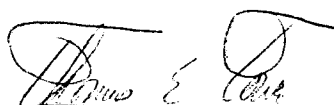
MOTION: Senator Brown moved that HB 26 be concurred in as amended. Senators Neuman and Severson voted no; Senators Goodover, Halligan, Brown, Lybeck, McCallum, Hirsch, Mazurek and Towe voted yes; the motion carried. Senator Towe said that Senator Tveit would carry the bill on the Senate floor.

CONSIDERATION OF HB 101: Mr. Lear, committee staff, said that the definition of quadricycle would need to be clarified. After discussion and confusion about how to do that, Senator Severson said that if the bill were going to pass it should include three classes of motorcycles at different fees. He said it was a poorly drafted bill, being way too high at the bottom end and way too low at the top end. He said in its present form, the bill would have to be killed.

Senator Hirsch said the bill shouldn't be killed when some motorcycles have to pay more tax than four-wheel drive pick up trucks.

Vice Chairman Mazurek, in the chair, said the bill would be assigned to subcommittee for amendment purposes. He appointed Senator Halligan, chairman; Senators Hirsch and Severson to the subcommittee on HB 101.

Vice Chairman Mazurek adjourned the meeting at 9:40 am.

  
Chairman

# ROLL CALL

## SENATE TAXATION COMMITTEE

49th Legislative Session -- 1985

Date March 19, 1985 8:04 am

Location -- Room 413-415

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

COMMITTEE ON

Taxation

DATE

March 19, 1985

## VISITORS' REGISTER

NAME

REPRESENTING

BILL #

Check One

Support

Oppose

Bill Venust

City of Helena

685

✓

Margaret Ann Donald

NPRC

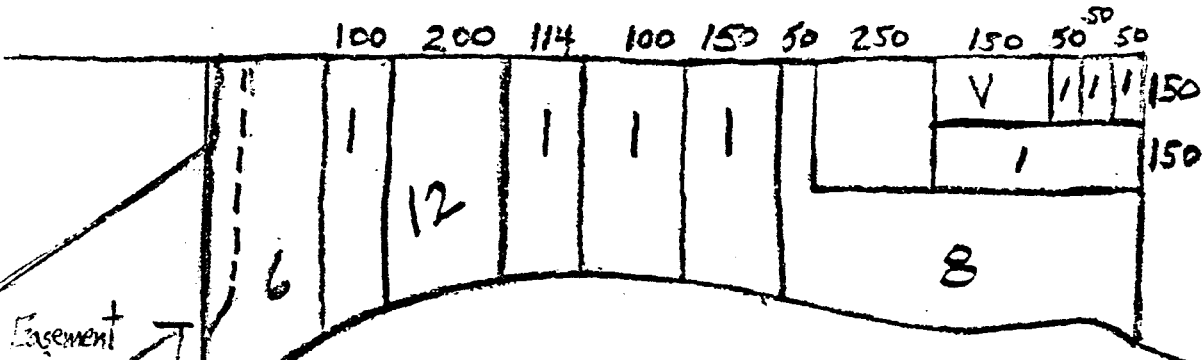
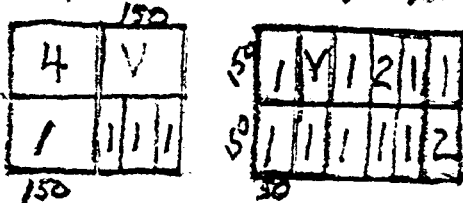
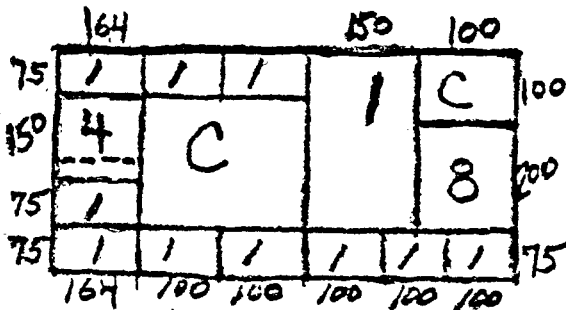
HJR21

✓

(Please leave prepared statement with Secretary)

House Bill 625

## Options for Financing Street Mt. Dist.'s



Easement  
for  
Access

220

Lake

NAME: Margaret MacDonald DATE: 3/19/85

ADDRESS: 419 Stapleton Bldg, Bldgs, NT 59101

PHONE: 248-1154

REPRESENTING WHOM? Northern Plains Resource Council

APPEARING ON WHICH PROPOSAL: HJR 21

DO YOU: SUPPORT? ☒ AMEND? ☐ OPPOSE? ☐

COMMENT: Federal tax policy ~~is~~ has turned agriculture into a tax haven for off farm investors to shelter profits earned elsewhere. It ~~has~~ is detrimental to agriculture because it is contributing to overproduction and such practices are ~~exhausting~~ - ASU researchers have documented how seedbusters' break even prices ~~costs~~ are lower than ~~are~~ other producers who do not fall in a 50% tax bracket - which is the most family owned & operated farms & ranches. That example is illustrative of how tax policy is motivating investments that are not fundamentally sound.

PLEASE LEAVE ANY PREPARED STATEMENTS WITH THE COMMITTEE SECRETARY.

Amend HB 26, third reading copy, as follows:

1. Page 1, lines 22 and 23.

Following: "applied" on line 22

Strike: "ONLY AS PROVIDED IN SUBSECTION (3) AND ARE LIMITED"

2. Page 2, line 7.

Strike: "receive"

Insert: "confer"

3. Page 2, line 8.

Strike: "a"

Insert: "the affected"

Strike: "or"

Insert: ", the boards of trustees of the affected high school district and elementary school district, and, if the construction will occur within an"

4. Page 2, line 9.

Following: "town"

Insert: ", the governing body of such incorporated city or town"

Strike: "have approved"

Insert: "approve"

Strike: "SEPARATE"

5. Page 2, line 10.

Following: "EACH"

Insert: "remodeling, reconstruction, or expansion"

6. Page 2, line 11.

Strike: "for their respective jurisdiction"

7. Page 2, lines 12 through 17.

Following: "(3)" on line 12

Strike: through "MAY" on line 17

8. Page 2, line 18.

Following: "(1)"

Insert: "does not"

# STANDING COMMITTEE REPORT

March 19, 1985

MR. PRESIDENT

We, your committee on Taxation  
having had under consideration House Joint Resolution No. 21  
third reading copy ( blue )  
color  
(Senator Hager)

## RESOLUTION IN SUPPORT OF FEDERAL INCOME TAX REFORM.

Respectfully report as follows: That House Joint Resolution No. 21

be amended as follows:

1. Page 1, line 14.

Following: "which"

Strike: "are"

Insert: "may"

Following: "not"

Insert: "be"

2. Page 1, line 19.

Following: "speculation"

Strike: "undercuts"

Insert: "may undercut"

AND AS AMENDED  
BE CONCURRED IN

~~XXXXXX~~

~~XXXXXXXXXX~~

Senator Thomas E. Towe,

Chairman.

# STANDING COMMITTEE REPORT

Page 1 of 2.

March 19, 1985

MR. PRESIDENT

Taxation

We, your committee on

House Bill

26

having had under consideration

No.

third

reading copy ( blue )  
color

(Senator Tveit)

## ALLOWING PROPERTY TAX BENEFITS FOR RECONSTRUCTION OR EXPANSION OF BUILDINGS.

House Bill

26

Respectfully report as follows: That

No.

be amended as follows:

1. Page 2, line 7.

Following: "to"

Strike: "receive"

Insert: "confer"

2. Page 2, line 8.

Following: "of"

Strike: "a"

Insert: "the affected"

3. Page 2, line 9.

Following: line 8

Insert: ", if the construction will occur within an"

Following: "town"

Insert: ", the governing body of such incorporated city or town"

Following: "must"

Strike: "have approved"

Insert: "approve"

Following: "by"

Strike: "SEPARATE"

4. Page 2, line 10.

Following: "EACH"

Insert: "remodeling, reconstruction, or expansion"

5. Page 2, line 11.

Following: "(1)"

Strike: "for their respective jurisdiction"

XXXXXX

XXXXXXXXXX

continued

Sancton

Chairman.

March 19, 1985

6. Page 2, line 16.

Following: line 15

Insert: "local"

Following: "~~BENEFIT~~"

Strike: "OVER WHICH THE"

7. Page 2, line 17.

Following: line 16

Strike: "GOVERNING BODY HAS SOLE DISCRETION"

8. Page 2, line 18.

Following: "TO"

Insert: "statewide"

Following: "LEVIES"

Strike: "OR"

9. Page 2, line 19.

Following: line 18

Strike: "ASSESSMENTS REQUIRED UNDER STATE LAW"

AND AS AMENDED  
BE CONCURRED IN

Senator Thomas E. Towe, Chairman