

MINUTES OF THE MEETING  
TAXATION COMMITTEE  
MONTANA STATE SENATE

March 20, 1985

The fifty-fourth meeting of the Senate Taxation Committee was called to order at 8:05 am by Vice Chairman Joe Mazurek in Room 413-415 of the Capitol Building.

ROLL CALL: Senator Hirsch arrived at 8:15, Senator Lybeck at 8:20, Senator Towe at 9:40. All other members were present for roll call.

CONSIDERATION OF HB 469: Representative Carl Zabrocki, House District 26, rose as chief sponsor of the bill. He said it was a simple little bill and that the fiscal note was incorrect. He said the bill would change the method of prorating taxes following the destruction of property by fire or other occurrence. It lines out the correct administrative chain of events.

PROPOSERS

Mr. Charles Gravely representing the assessors and treasurers said the responsibility properly belongs with the Department of Revenue.

OPPOSERS

None were heard.

Questions from the committee were called for.

Representative McCallum asked if the county had refused to prorate taxes after the Pattee Canyon fire in Missoula. Mr. Gravely said he thought not. He said the law has been on the books for an extended period of time. He added that if the taxes were delinquent at the time of the disaster then no proration would occur.

Representative Zabrocki closed on the bill. He asked that Senator Hirsch carry the bill if it passed the committee.

MOTION: Senator Severson moved that HB 469 be concurred in. The motion carried unanimously. Vice Chairman Mazurek said that Senator Hirsch would be assigned to carry the bill on the floor.

CONSIDERATION OF HB 518: Representative Jerry Driscoll, House District 92, Billings, was recognized as chief sponsor of the bill. The bill would not allow Montana to tax health insurance premiums or worker's compensation benefits regardless of what the federal laws do. Currently these things are not taxed by the federal government and Montana piggybacks on that system. This would divorce Montana from the federal statute.

PROPOSERS

Mr. Don Judge, AFL-CIO, said that those on worker's compensation receive no increase over the duration of the benefit. He said by not taxing that income the state could help these people a bit.

OPPONENTS

None were heard.

Questions from the committee were called for.

Senator Eck noted that the CPAs were not opposing the bill as extra bookkeeping.

Senator McCallum asked if the federal government considered health insurance premiums as income. He was told that is not the case currently, but they are considering it.

Senator Halligan clarified that interest income would still be taxed.

Representative Driscoll closed without comment.

CONSIDERATION OF HB 544: Representative Dennis Iverson, House District 12, said this bill would levy a 7 cent tax on compressed natural gas. He said the fuel has previously been used in stationery engines, but that now the utility companies are experimenting with its use in internal combustion motor vehicles. He said the compression required to do this is great and makes its use not always practicable, but that it is a very clean fuel. He said Montana Power Company is currently paying a tax voluntarily and this would clarify that the fuel is to be taxed.

PROPONENTS

Mr. Bob Quinn, Montana Power Company, said they currently have a fleet of 70 to 75 vehicles using this fuel. He said there is no way to properly pay the tax now and this legislation would base the tax on amount of the fuel that was used.

Mr. Don Copely, Department of Highways, said they support the bill.

Mr. Norris Nichols, Motor Fuel Tax Division, Department of Revenue, said the fee is currently being assessed under the LPG act. He said this bill would bring the system under the equivalent of the special fuels act.

Mr. John Braunbeck, Montana-Wyoming LP Gas Association, submitted written testimony in support of the bill (Exhibit 1).

Mr. John Alke, Montana Dakota Utilities, said the effective rate of 7 cents per 125,000 cubic feet was averaged for the varying BTU content of the compressed gas. He said usefulness of the fuel is directly related to BTU content.

OPPONENTS

None were heard.

Questions from the committee were called for.

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Senator Neuman asked if the Public Service Commission considered BTU content. Mr. Alke answered that Montana price was on an MCF basis, with a minimum number of BTUs required per MCF. Mr. Quinn added that the industry standard is 1000 BTUs per MCF, but that in practice it ran between 900 and 1000 BTUs.

Senator Eck asked about the difference between compressed gas and propane. Representative Iverson said that propane is a gas condensed and cooled into a very heavy liquid that gives a large amount of energy for its volume. He said that condensed gas remains in a gaseous state, that it is mostly methane with some inert gases like nitrogen and argon also present. He said it is odorless and colorless. He said it cannot be readily used in a motorized vehicle as three stage compression is necessary to get enough volume to actually be functional. He said it is the cleanest fuel available and that an engine run 100,000 hours with compressed natural gas would have no carbon. Basically, he said, it doesn't stink.

Senator Neuman asked Mr. Norris if he was comfortable with the fiscal note. Mr. Norris deferred to the utility company representatives. Mr. Quinn said that MPC is running data on the current fleet to see if it can be economically justified. He noted again that they would not have to pay the amount they are now paying voluntarily.

Senator Lybeck asked if use of this fuel would be expanded. Representative Iverson said, yes. Senator Severson asked if the per mile tax was comparable to other fuels. Representative Iverson said, yes, that is what was attempted in computation of the 7 cent figure.

Some questions were raised about a related bill, House Bill 33. It was reported to the committee that HB 33 would be heard by the Senate Highways Committee on March 21.

Senator Mazurek asked if this tax should be put in that bill. Mr. Norris said that some law is needed and he did not indicate a strong preference. He said all alternative fuels should be treated the same.

Representative Iverson closed. He said it would be appropriate to handle this as a special bill rather than incorporating it back into HB 33 from which it had been stricken.

MOTION: Senator Goodover moved that HB 544 be concurred in.

MOTION: Senator Eck moved as a substitute motion that the committee delay action on HB 544 until HB 33 had been heard by the Highways and Transportation Committee. The committee did not think that necessary and Senator Eck withdrew her motion.

In response to a question by Senator Eck, Mr. Norris said that if the alternate fuels were all handled together they would also be handled similarly.

Question was called and the motion carried unanimously.

CONSIDERATION OF HB 101: Vice Chairman Mazurek called for a report from the subcommittee. Senator Severson called it an exercise in

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how to make a bad bill a little bit better. He gave the committee Exhibit 2 which contained two options for developing a more equitable fee system for motorcycles. Senator Severson recommended the second option as it did not raise the lower end of the current system so greatly.

Senator Eck asked how much a large bike would pay now. In answer to the question Senator Severson provided the committee with Exhibit 3.

Senator Goodover suggested that the fees should be higher than those in Senator Severson's recommendations.

Senator Eck asked if the bill applied to all terrain vehicles. Senator Severson said, yes.

MOTION: Senator Halligan moved that HB 101 be amended as follows:

1. Page 2.

Strike: lines 14 through 17 in their entirety

Insert: "	under 200cc	200-750cc	over 750cc
less than 4 years old	\$16	\$40	\$80
4-8 years old	\$ 8	\$20	\$40
over 8 years old	\$ 4	\$10	\$20"

The motion carried unanimously. Vice Chairman Mazurek said the amendments would be delivered to the President's office with a request for an amended fiscal note on the bill.

CONSIDERATION OF HB 54: The committee discussed that a study resolution request on this subject had already passed through the committee. Senator Eck said there was a bill on a similar subject in Local Government.

MOTION: Senator Neuman moved that HB 54 be tabled. The motion carried unanimously.

MOTION: Senator Hager moved that the committee reconsider its action in concurring in HB 625. The motion carried unanimously.

CONSIDERATION OF HB 625: Senator Hager explained the bill to those who were absent at the time of its hearing. Mr. Lear, committee staff, said that the current law has some problems because of the protest provisions. Senator McCallum asked about the votes allowed a condominium unit. Interpretation of that was not clear, the committee's lawyers agreed.

MOTION: Senator Hager moved to amend HB 625 per Exhibit 4.

Senator Eck said that one person with 40 percent could force the others. Senator Mazurek questioned the use of the words "ordinance" and "improvements". Mr. Lear said that this was the only protest section for this part of the code.

Senator Brown observed that the matter was confusing and the discussion could wait one more day.

Mr. Lear was directed to check into these areas of concern with reference to a similar amendment in a Local Government bill and also to amendments to lighting district legislation.

Senator Hager withdrew his motion.

CONSIDERATION OF HB 177: Senator McCallum said that the interest rate was the issue as it allowed taxpayers to use the local governments as a bank, making more from not paying the tax and investing the money elsewhere or allowing scalpers a high return.

Senator Eck said that the extra money would help counties with administrative costs.

MOTION: Senator Eck moved that HB 177 be concurred in. The motion carried unanimously.

CONSIDERATION OF HB 346: The committee recalled that Representative Gilbert had called attention to deletion of subsection 3 of the bill. Without this amendment the Aeronautics Division would be twice credited with the money.

MOTION: Senator Hirsch moved to amend HB 346 by deletion of that section and appropriate title changes. The motion carried unanimously.

MOTION: Senator Hirsch moved that HB 346 be concurred in as amended. The motion carried unanimously. Senator Hirsch agreed to carry the bill on the Senate floor.

Senator Towe resumed the chair.

MOTION: Senator Eck moved that the committee reconsider its action in tabling SB 460. Senators Eck, Halligan, Hirsch, Lybeck, Mazurek, Neuman and Towe voted yes; Senators Brown, Goodover, Hager, McCallum and Severson voted no. The motion carried.

Senator Towe suggested the bill be amended to limit it to real property and to collapse the categories on page five.

Senator Brown asked if the fiscal impact of the amendments was known. Senator Towe said no, but that it would probably decrease the revenue by half.

Senator Mazurek asked if this was basically an anti-sod busting bill or a revenue measure.

The committee discussed at length the effective date of the bill in concern to allow those counting on the current system some time to make investment decision before the law was changed.

MOTION: Senator Eck moved to amend SB 460 as follows:

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1. Page 4, line 19.  
Following: "gains"  
Insert: "on real property"

Question was called. Senators Goodover, McCallum and Hager voted no; all other members voted yes. The motion carried.

MOTION: Senator Eck moved to amend SB 460 by striking January 1, 1985 and inserting January 1, 1986 on page five, line 23.

Committee discussion concerned whether or not the amendment would allow revenue increase during this biennium.

Senator Neuman said the bill was ten years too late. He said that if this is done now, farmers who have to sell part of their land to keep operating will not be able to take the capital gains write off and at the same the time the interest of investment buyers will decline making it harder to find a buyer.

Senator Eck withdrew the motion.

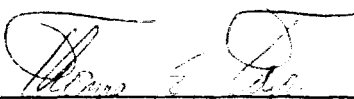
MOTION: Senator Eck moved that SB 460 be amended as follows:

1. Page 5, line 22.  
Following: "to"  
Insert: "sales made after December 31, 1985, and is applicable to"
2. Page 5, line 23.  
Following: line 22  
Strike: "1984"  
Insert: "1985"

Question was called. Senators McCallum, Hager and Goodover voted no; all other members voted yes. The motion carried.

MOTION: Senator Eck moved that SB 460 do pass as amended. Senators Eck, Halligan, Lybeck, and Towe voted yes; Senators Brown, Goodover, Hager, Hirsch, Mazurek, McCallum, Neuman and Severson voted no. The motion failed.

Chairman Towe adjourned the committee meeting at 10:02 am.

  
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Chairman

# ROLL CALL

## SENATE TAXATION COMMITTEE

49th Legislative Session -- 1985

Date March 20, 1985 8:05am

Location -- Room 413-415

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Name Present Absent Excused

Senator Brown	✓		
Senator Eck	✓		
Senator Goodover	✓		
Senator Hager	✓		
Senator Halligan	✓		
Senator Hirsch	8:15		
Senator Lybeck	8:20		
Senator Mazurek	✓		
Senator McCallum	✓		
Senator Neuman	✓		
Senator Severson	✓		
Senator Towe			

For the record, my name is John Braunbeck. For purposes of HB-33/544 I represent the Montana-Wyoming LP Gas Association.

As some of the Committee members may recall, addressing a taxing mechanism for vehicles under 10,000 GVW for both diesel and alternate fuels has been around for a long time. Our organization believed that the intent of HB-33 was to remove liquid petroleum gas (propane), compressed natural gas, hydrogen, and electricity when actually sold as a motor vehicle fuel; from the current special fuels licensing requirements and create a separate category within Chapter 15-70-MCA relating to alternative fuels. Then it would be a simple matter to issue permits for the alternate fuel category based on equivalency taxing of a gallon of gasoline. We further understood that the Department of Revenue has requested this bill to simplify bookkeeping procedures in the alternative fuels category.

Originally, our Association opposed the introduced copy of HB-33. However, upon further review it was suggested that HB-33 be amended to correct a problem with tourist permits, allow an expanded permit purchase time-frame (quarterly, semiannually, annually), and the correction of temporary permits under Section 15-71-102, MCA. We also recommended that the Committee consider reducing the permitting fee for item #c (GVW 18,000 lbs or more) from the proposed \$270 to \$250. On second reading, HB-33 was amended to reflect the tourism permit problem and permitting dates time-frames. The third reading copy reflects an amendment removing compressed natural gas from HB-33.

We would like to point out to the Committee, at this time, that the procedure under the current law works very well and is admirably administered by Mr. Norris Nichols. Please keep in mind that liquid petroleum gas (propane) is currently listed under the special fuels designation. Again, we understood that the intent of HB-33 was to remove the above mentioned motor fuels from the special fuel category to the alternate fuel category for a simple permitting process. However, after review of the third reading copy, elimination of compressed natural gas amendment simply takes this fuel and transfers it back to the special fuels category and out of the proposed HB-33 alternative fuels designation. HB-544 is the transference vehicle and is scheduled for taxation hearing on 3/20. It would appear that HB-544 proposed a natural gas/gasoline BTU conversion equivalency at a 7¢/120 c.f. taxing rate.

In summary, we understood that HB-33 created a special alternative fuel category for simplification of taxing these fuels (motor vehicle) under a simple permitting procedure. After review of the third reading copy, it would appear that an exemption is already being considered for the proposed alternative fuels category. If this is allowed, under HB-544, then our Association respectfully requests that the entire idea of alternative fuels permitting be abandoned. As mentioned above, the current permitting procedure under the special fuels category presently works exceedingly well, is administered well and is equitable. We recommend, therefore, that HB-33 be given a do-not-pass recommendation. The net result of this action, overall, would be (should HB-544 pass) simply another permitting process under the present special fuels category.



# option 1

## Proposed motorcycle for B.I.L.

	up to 4 years	over 4 years
under 200cc	10 <sup>00</sup>	5 <sup>00</sup>

200 <sup>up</sup> to 750	30 <sup>00</sup>	15 <sup>00</sup>
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750 & up.	60	25
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# Option 2

	up to 4 years	over 4 years & under 8	over 8
under 200cc	12 <sup>00</sup>	8 <sup>00</sup>	4 <sup>00</sup>

200cc & under 750cc	40	20	10
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750cc & up.	65 <sup>00</sup>	40 <sup>00</sup>	25
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3 wheelers & 4 wheelers to be based the  
HB101 Same way on no of cc engine

5250	3250
2750	1750
over 500cc	under 500cc

Signature

# Motorcycle Fee Bill

	High	Tax Value	Tax at 1.1% 250 miles	Fee	for
1977 CT90	63.00	6.93	1.73	17.50	+ <del>4.00</del> 15.77
1984 CT110	482.00	53.00	13.25	32.50	+ <del>5.72</del> 19.30
3 wheel 1984 Rtc 200X	943.00	103.00	25.93	32.50	+ 6.57
Kawasaki 77 Km100	90.00	9.90	2.47	17.50	+ 15.03
Kawa 84 KX80	509	60.00	13.99	32.50	+ 18.60
84 3 wheel AT 200 C2	874	96.00	24.00	32.50	+ 8.50
1984 Honda F500 C 1984 Gold 1200 wing Honda 1984 CZ 550	1480	162.00	40.00	52.50	+ 12.50
	2733	300.00	75.00	52.50	- 22.50
	1567	172.00	43.00	52.50	+ 9.50
Law 1984 N 1100	2735	300.00	75.00	52.50	- 22.50
777 Honda L 1000	822	90.00	22.60	27.50	+ 4.90
77 Kawa 3 1000	254	83.00	20.73	27.50	+ 6.77
984 Harley - 1/2 spec with sidecar	8117	892.00	223.00	52.50	- 170.50

Amend HB 625, third reading copy, as follows:

1. Title, line 6.

Following: "DISTRICTS;"

Insert: "REVISING THE METHOD OF MEASURING PROTEST VOTES;"

Following: "SECTIONS"

Insert: "7-12-4407,"

2. Page 3.

Following: line 25

Insert: "Section 5. Section 7-12-4407, MCA is amended to read:

"7-12-4407. Protest against ordinance for improvements.

~~If 40%-or-more-of-the-abutting-property-owners-protest-in writing-to-said-city-or-town-council-against-the-passage-of said-proposed-ordinance~~ a written protest against passage of the proposed ordinance is filed by owners of property within the proposed maintenance district having a taxable valuation, when aggregated, representing not less than 40% of the total taxable valuation of property within the district, then no further action shall be taken upon the proposed district for 1 year." "

Renumber: subsequent sections

# ROLL CALL VOTE

## SENATE TAXATION COMMITTEE 49 th Legislative Session -- 1985

Time ~~10~~ 9:48am Date March 20, 1985 Room 413-415

Motion: that SB 460 action of Tabling be reconsidered.

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	✓		

# ROLL CALL VOTE

## SENATE TAXATION COMMITTEE 49 th Legislative Session -- 1985

Time 10am Date March 20, 1985 Room 413-415

Motion: that SB 460 do pass as  
amended - Eck

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

March 20

19 85

MR. PRESIDENT

Taxation

We, your committee on.....

having had under consideration..... House Bill No. 177

third reading copy ( blue )  
color

(Senator Halligan)

INCREASED INTEREST ON PROPERTY TAX PAID BY REDEMPTIONER.

Respectfully report as follows: That..... House Bill No. 177

BE CONCURRED IN

~~ISSUANCE~~

~~XXXXXXXXXX~~

Senator Thomas E. Towe,

Chairman.

# STANDING COMMITTEE REPORT

March 20, 1985

MR. PRESIDENT

## Taxation

We, your committee on.....

having had under consideration..... House Bill 346 No. 346

third reading copy ( blue color )  
(Senator Hirsch)

**ALLOWING REFUND OF TAX ON AUTOMOTIVE FUEL USED IN AIRCRAFT.**

House Bill 346

Respectfully report as follows: That..... No.....

**be amended as follows:**

1. Title, lines 5 through 8.

Following: "PROVIDING" on line 5

Strike: remainder of line 5 through "PROVIDING" on line 8

2. Title, lines 11 and 12.

Following: "SECTION" on line 11

Strike: "SECTIONS 15-70-221 AND"

Insert: "SECTION"

3. Page 1, line 15 through line 13, page 2.

Strike: section 1 in its entirety

Renumber: subsequent sections

AND AS AMENDED  
BE CONCURRED IN

~~XXXXX~~  
DO PASS

~~XXXXXXXXXX~~  
DO NOT PASS

Senator Thomas E. Towe, Chairman.

# STANDING COMMITTEE REPORT

March 20, 19 85

MR. PRESIDENT

We, your committee on Taxation

having had under consideration House Bill No. 469

Third reading copy ( blue )  
color

(Senator Hirsch)

**DESTROYED PROPERTY; CHANGING METHOD OF AND RESPONSIBILITY FOR  
ASSESSMENT.**

Respectfully report as follows: That House Bill No. 469

BE CONCURRED IN

~~XXXXXX~~  
DO PASS

~~XXXXXXXXXX~~

Senator Thomas E. Towe, Chairman.



# STANDING COMMITTEE REPORT

March 20, 1985

MR. PRESIDENT

We, your committee on **Taxation**  
having had under consideration **House Bill** No. **544**  
**third** reading copy ( **blue** )  
(Senator Neuman) color  
**REVISING THE DEFINITION OF AND TAX LEVIED ON SPECIAL FUELS.**

Respectfully report as follows: That **House Bill** No. **544**

BE CONCURRED IN

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~~XXXXXXXXXX~~

Senator Thomas E. Towe,

Chairman.