

MINUTES OF THE MEETING
TAXATION COMMITTEE
MONTANA STATE SENATE

April 13, 1985

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

ROLL CALL: All members of the committee were present except Senator McCallum who was excused.

CONSIDERATION OF HB 701: Senator Severson spoke in favor of the bill with reservations. He said that the study was a good idea, but he felt it was a bad precedent to allow the Department of Revenue to make a legislative decision. He said the amendments he would propose would place a cap on the amount Revenue had to negotiate with and would require them to return to the next Legislature with a recommendation for a decision at that time.

Chairman Towe proposed language to the committee that would accomplish that purpose. He said that on page 7, line 6, following "applied" the words "not to exceed \$250,000" could be included.

Senator Lybeck asked if more than one building was involved. Senator Severson explained that several buildings were involved and their total appraisal was at \$47,000. Senator Severson said the amendments should not discuss acre limitations.

Senator Brown said that if the inheritance tax is higher than the cap he wanted to know if Senator Severson would reject the acquisition. Senator Severson said that he looked at the acquisition as if it were being made with his own dollars and that the mansion would require at least another \$250,000 to restore. He said that beyond that figure it would not be a good investment for the state.

Senator Brown said that his interest is in the history and that the cap should not be too low. He said that functional use of the building is not the only consideration. Senator Severson noted to the committee that the building was built by Daly's widow and was never occupied by Daly himself. He said it was built in 1910 which is not old by Bitterroot standards.

Senator Towe said that it was good to be cautious, but that we are not in a position to make the determinations about dollar figures at this time. He said he was also nervous about delegation of the authority to the Department of Revenue. He said that this would be a \$250,000 appropriation from the general fund.

Senator Eck said that normally this kind of maneuver is normally done with income tax rather than inheritance tax. She said that her discomfort was with the cumbersome process, but that if those who had to follow it were satisfied, she had no problem with the bill.

April 13, 1985

Senator Lybeck said that he was looking down the road at the value of the mansion as a historical site. He questioned its location in terms of volunteer effort and tourist traffic.

Representative Bob Thoft, House District 63, was recognized and said that he also had problems with the precedent, but was not unduly concerned because there were so many hoops established in the bill. He said he felt the \$250,000 figure was too low and would effectively do away with the project. He wanted the committee to give the parties room to negotiate. He said the person on the spot would be Mr. Archibald of the Historical Society. He said that Revenue Oversight or the Board of Examiners could stop it if it were unreasonable.

MOTION: Senator Severson moved to amend HB 701 by adding a new subsection 5 to Section 4 which would read: "The Department may not accept an in-kind payment of more than \$250,000."

Representative Fritz was recognized to speak to the amendment. He said that if the dollar value was known there would be no need for this kind of bill. Its purpose, he said, is to allow the state to acquire the property by negotiation to be concluded in the probate period. He said a cap is okay, but that \$250,000 is too low. He said that delay would hazard the project. Senator Towe asked how that would be. He said that it would likely take more than 18 months to probate the estate. Representative Fritz said that if things go according to law the estate would be settled before the next session. He said the amendment defeats the purpose of the bill.

Senator Hager drew a comparison between this purchase and the long process involved in acquiring Lake Elmo as a state park in Billings. He said that he would want to see definite figures before making the decision.

Senator Neuman also questioned the policy being established by the bill.

Mr. Bob Archibald, Montana Historical Society, said that he had dealt with the estate representatives more than anyone. He said that he is impressed that they do not care whether the state acquires the property or not, that they are only making it available. He said they are consistent and vocal that to delay for two years would not mesh with their estate plans.

Senator Towe said the committee would not be so leveraged. Senator Severson said if he were selling it, that would be his line too.

Senator Towe said that the committee is not just acquiring this mansion, but setting policy. He said that the bill could be amended to set policy and then to provide for this specific acquisition.

Senator Eck asked Representative Fritz what he saw as an appropriate cap. He said that if he knew, the bill wouldn't be here. He said that if a cap was set it should be at least three-fourths to one million dollars.

April 13, 1985

MOTION: Senator Eck moved to amend the proposed amendment to HB 701 by striking the figure \$250,000 and inserting \$750,000.

Senator Severson resisted this motion saying that it was "flat over the dollar value of the property."

Senator Towe suggested keeping a cap on at a low figure but providing for a mechanism to ask for more.

Chairman Towe directed committee staff, Mr. Jim Lear, to prepare amendments to draw a tight policy measure and to provide for an in-kind acquisition of the Daly mansion, to allow 180 rather than 90 days for the review committee, and to acquire an appraisal to be on file.

Representative Thoft said that met with his approval as it provided flexibility for the negotiations.

Chairman Towe then asked Senators Eck and Severson to withdraw their motions. They withdrew the motions.

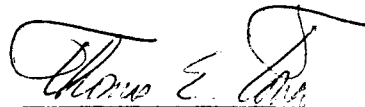
CONSIDERATION OF HB 704: Chairman Towe called the attention of the committee to a proposal handed out yesterday. He said these amendments clearly need clarification of the phrase "economic detriment".

Senator Mazurek asked why the Department should be involved. Senator Towe said that he had serious concern about discretion given to the local officials with a windfall. Senator Mazurek said he appreciated the concern but he thought that could be handled at the local level.

Representative Marks said that he also was concerned about that control and he felt it was much better left in the hands of elected officials than with revenue bureaucrats. He said control should be left at the local level.

Mr. Bob Laumeyer, Superintendent of Schools in Jefferson County, said the amendments dealt with old and new money in a difficult way.

Chairman Towe adjourned the meeting at 9:02 am.



Chairman

ROLL CALL

SENATE TAXATION COMMITTEE

49th Legislative Session -- 1985

Date April 13, 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	✓		