

MINUTES OF THE MEETING
TAXATION COMMITTEE
MONTANA STATE SENATE

April 18, 1985

The seventy-sixth meeting of the Senate Taxation Committee was called to order by Chairman Thomas E. Towe at 8:06 am in Room 413-415 of the State Capitol.

ROLL CALL: At roll call all members of the committee were present except Senator Brown who arrived at 8:21 am and Senator Hager who arrived at 8:25 am.

CONSIDERATION OF HB 826: Representative Bob Ellerd was recognized as chief sponsor of the bill. He said that the bill defines a resort community and then allows them to establish a resort tax. He said that the title adequately explains the bill. He said that he does not currently represent West Yellowstone, but that for 14 years he did. He said that allowing them this option was a last resort in solution to the community's fiscal problems.

PROPOSERS

Senator John Anderson, Senate District 37 which includes West Yellowstone, spoke in favor of the bill. He said that it would be a good experiment for other towns and cities. He said it was absolutely necessary for West Yellowstone which is dependent on tourism. He said it would be an opportunity for a group of dedicated and sincere people to help themselves.

Mr. Cal Dunbar, West Yellowstone, provided the committee with Exhibit 1. He said that the cost of services in West Yellowstone is five to six times higher than that of other communities. He said that they have tried all kinds of things. He said that they have applied for grants and had the grants denied. He said the situation has become worse. He said they tried the room use fee and that was disallowed by the courts. He said the alternatives have run out. "We need help," he concluded.

Mr. Pete Lineberger, City Attorney from Bozeman, said that he was involved in the court cases as the City Attorney from West Yellowstone. He said that this bill would remedy the statutory problems with the room use tax. He said that local governments are allowed all the powers granted them by the Legislature and that there would be no constitutional problems with this bill. He said that the state can delegate taxing authority to its municipal arm and that is not giving away the taxing power. He said that the room use ordinance was the last gasp from a city that has tried everything. He said basic services must be delivered and there is no other place to go. The town has a serious problem, he concluded.

Senator Paul Boylan, Senate District 39, said that he also has represented these people for many years. He said they have tried for winter tourism. He said they began to see a flicker of hope when this bill left the House. He said these people bring a lot into the state but that their low population doesn't allow block grant

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money to flow back. He said that the bill will not affect other areas because West Yellowstone is an isolated community.

Mr. Bob Jacklin, President of the West Yellowstone City Council, Past President of the Chamber of Commerce, said that a town of about 750 people is unable to support the impact of 2.5 million visitors in the summer. He provided the committee with Exhibit 2. He said that volunteer service and available funds for local services can no longer do the job. He said the roads are in horrible repair, there is no storm sewer system. He said that people come into the state and leave quickly because of these signs.

Mr. Joe Eagle said he has lived in West Yellowstone all his life. He submitted his testimony in writing in Exhibit 3.

Ms. Andie Withner of West Yellowstone said that she has assumed many roles in the community, from social service work, to job service work, to her current place as general manager of the Stage Coach Inn. She said she was president of the Chamber of Commerce for 3 years. She said she is often asked why the town looks "this way". She said that they cannot afford anything else. She said there is not even one public restroom in the town. She said the room use tax was voted in three to one by the residents. She said if the economy and appearance of the town were improved it would generate revenue to the state. She said they promote tourism between Teton and Glacier Parks and that all of this would be helpful to all of Montana.

Mr. Irvin Dellmiger said that he has lived in West Yellowstone for 10 years and been on the city council for six. He said that little is returned through the liquor and gas taxes to the community. He said that the community is not asking for money, but only for a vehicle to help themselves.

Mr. Lewis Robinson, a five-year resident and developer of the Madison subdivision in West Yellowstone, said they have invested \$6 million in a 160 acre subdivision. He said they donated all of the water, sewer and streets to the city free of encumbrances. He said those things will require maintenance. He said that he also sits on the Governor's Council of Economic Development.

Mr. Alex Hansen, Montana League of Cities and Towns said that his 122 members all support this bill. He said it is not possible for a few people to support the services necessary for the vast numbers that tour through West Yellowstone each season.

Representative Gary Spaeth, House District 84, said that the Chamber of Commerce in Red Lodge also supports the bill. He said he wanted the record to reflect, however, that he was not in favor of a sales tax.

Ms. Kay Foster, President of the League of Cities and Towns, said that this bill won't solve all the problems but that it would help.

Mr. Dennis Burr, representing Mountain Bell, said that he appeared neither as a proponent nor an opponent. He wanted the committee,

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however, to consider amendment in Section 3 of the bill to exempt public utilities.

Representative Ellerd said that he had no objection to that amendment and that he would also exempt gasoline which is already taxed.

OPPONENTS

Senator Dave Fuller, Senate District 22, said that a sales tax is a terrible and insidious thing. He provided the committee with a copy of an editorial from The Butte Standard (Exhibit 4).

Mr. Phil Strobe, representing the Montana Innkeepers and Montana Tavern Owners Associations, said that this kind of legislation would create a hodge podge of taxing jurisdictions. He said the mandates in the constitution say that the Legislature cannot give away the power to create taxes. He said this kind of legislation would be a slide off vehicle for other taxation. He said that he is fundamentally opposed to giving away the state's taxing authority. He said this kind of tax is always put on the group least able to defend itself. He said that "Harsh facts make bad law." He said once the power to tax is given away it cannot be captured back. He said that the real decisions being made in this bill involve that principle.

Mr. Roland D. Pratt, Executive Director of the Montana Restaurant Association, said that he understands and sympathizes with West Yellowstone. He said he has good members there, but that his association maintains a principle against a selective sales tax.

Mr. George Allen, Montana Retail Association, said that he appeared neither as a proponent nor an opponent. He said he felt that the bill should address the problem of when a retailer transmits the tax to the state. He suggested that it be done quarterly. He said he is concerned that this will open the door but that the people of West Yellowstone need something.

Questions from the committee were called for.

In response to a question from Senator Towe it was clarified that the members of the Montana Tavern Owners Association and the Montana Innkeepers Association who are from West Yellowstone support the bill. Representative Ellerd said that even the campground owners support the bill. Ms. Withner said that innkeepers in the community support the bill. Mr. Pratt said that restaurants in West Yellowstone support the bill.

Senator Mazurek asked about the inclusion of "food stuffs". Mr. Lineberger said that provision was inserted at the ordinance stage.

Senator Halligan asked about the 2,500 population limit. Representative Ellerd said that was raised so that the bill could also cover Red Lodge.

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In response to a question from Senator Mazurek, Representative Ellerd said that the bill would cover absolutely no other industry than tourism and that the Department of Commerce would be making that determination.

In response to a question from Senator Neuman, Mr. Dunbar said that the current mill levy in West Yellowstone is 75. He said that West Yellowstone has no fringe communities as the Department of Agriculture and the Park border the city limits. He said the physical limits of the city prohibit businesses from going outside the city limits to avoid the tax.

In response to a question from Senator Goodover, Mr. Robinson said that the development he is involved with does not yet significantly affect tax collections in the community.

Senator Towe asked if Representative Ellerd would accept limiting the tax to meals, lodging and luxuries. Representative Ellerd said that this was not a sales tax. Mr. Dunbar said that the objection to that was its selectivity. He said that the community wanted to all carry the same weight in their individual packs. He said one of the litigants in the case against the bed tax was now supporting this bill because of its equitable distribution.

Mr. Dunbar said that they all want to cooperate and help and that to single out something would divide the community. He said that a one percent tax would raise about \$140,000 for the community per season. He said that when Judge Barz had required a referendum it passed 155 to 56. "There are 56 people who will vote against gravity," he added.

In response to a question from Senator Eck, Mr. Lineberger said that he would write the ordinance exempting utilities and gas.

Senator McCallum asked about the budget of the city now. He was referred to the exhibits.

Senator Goodover asked if this was a test case on a sales tax. Representative Ellerd said that he hoped it was not seen that way because that would kill the bill. He said this is a very serious thing for the people involved and he hoped that issue would not hurt the bill.

Representative Ellerd closed saying that he seriously appreciated the fair hearing on the bill.

CONSIDERATION OF HB 915: Representative Ed Grady appeared as chief sponsor of the bill. He said that the Department of Revenue had removed the 20 percent reduction on the valuation of farm homes and that the 20 percent reduction more accurately reflected market value. He said that the bill would be revenue neutral unless the Department was allowed to collect the increase.

PROPOSERS

Mr. Dennis Burr, representing the Montana Taxpayers Association,

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said that the bill was to simply change the Department rule to what it had been for a good number of years. This measure, he said, would restore the discount.

Mr. Gene Chapel, Montana Farm Bureau Federation, said that they had participated in the law suit against the Department on this subject in behalf of 4000 farm families. He said that the city cousins can move their property more easily. He said that this is not a loss to the state, but an equitable tax method.

Ms. Jo Brunner, representing the Montana Grange, Montana Cattle-feeders and the Montana Cattlemen submitted her testimony in writing (Exhibit 5).

Ms. Lavina Lubinus, Women Involved in Farm Economics, said the 20 percent adjustment simply compensated for value. She submitted her testimony in writing (Exhibit 6).

Ms. Carol Mosher, Montana Cowbells, asked that the bill be held until SB 431 passed. SB 431 would adequately define "farm residence" she said. She submitted her testimony in writing (Exhibit 7).

Mr. Terry Murphy, President of the Montana Farmers Union, said that there was a serious connection between SB 431 and this bill. He said that the definition is not in this bill and that the discount should not be given to suburban dwellers. He said that he supported HB 915 hoping that SB 431 would also pass.

Mr. Stuart Dogget of the Stockgrowers and Wool growers also supported the bill.

OPPONENTS

Mr. Greg Groepper, Administrator of the Property Tax Assessment Division for the Department of Revenue, said that in concept they have no position on the bill. He said that he was speaking only to the legal issues involved. He said that the committee has no statutory authority to make a rule or amend a rule. He said that SB 431 was the correct way to handle the problem and that without it this bill would have no force of law. He said that if the committee wanted to do this they would have to enact SB 431. He suggested that the advice of the proponents be followed and that this bill be held until the outcome of SB 431 was determined.

Questions from the committee were called for.

Senator Towe asked if the court had ruled on this case. Mr. Groepper said that the farm home discount had been grandfathered in, but had not been handled evenly and fairly. He said there was an abuse of the market value standard. He said that SB 431 shows a reasonable exercise of public authority.

Senator Hirsch said that he was chairing the conference committee on SB 431 which would be meeting the next day.

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Senator McCallum said that HB 915 wouldn't fit into the statute. Senator Towe said that the bill would amend a rule. Mr. Groepper said that the bill would be the Legislature saying that language should be added to the administrative code. He said that statutory authority was needed to back up the rule, or the Department would revert to the Constitution which says that all like property would be treated alike.

Representative Grady closed saying that he was not aware of the tie to SB 431. He said the bill should not be held.

MOTION: Senator Goodover moved that the committee reconsider its action in tabling HB 493 and HB 494. He said that would allow the state to use new coal tax money. He submitted Exhibit 8 and said that the full Senate should be allowed to determine whether this issue would go to the people.

Senator Mazurek said that especially with the coal tax incentive the Legislature should wait before going into this program.

Senator Goodover said that the Governor's bill was gone and that there was no political ramification in allowing the people to decide.

Senator Lybeck said that all that is left is the trust fund and that should not be tampered with.

Question was called. Senators McCallum, Hager and Goodover voted yes. All other members voted no. The motion failed.

CONSIDERATION OF HB 901: Chairman Towe said that Senator Lynch had asked the committee to look at it again. Senator Lynch said that the bill was trying to put Montana in a competitive field for federal grants. He said that the bill had come out of the Senate Business and Industry Committee unanimously and that it would benefit Billings and the state by increasing the possibility of federal dollars.

Mr. Bill Bermingham, representing Mountain States Energy Inc., said that it took years of advance work that has already been done. He said that Illinois, Tennessee and California are also in the market for the research facility in question. He said that Butte has realized \$70 million in wages and other benefits from the MHD plant there. He said that this law is an impediment to getting the facility located in Montana. He said the project is worth \$400 million and that local contractors are in favor of it. He submitted Exhibit 9 to the committee which discusses the opinion of Department of Energy lawyers on the subject.

Senator Towe asked if a waiver would satisfy the Department of Energy. Mr. Bermingham said he didn't know, but would be willing to try anything.

MOTION: Senator McCallum moved that HB 901 be taken from the table.

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Exhibit 10 was presented to the committee and discussed by Chairman Towe. This would allow the Department of Revenue to grant a waiver to a federal contractor.

Senator Hager spoke against the amendment saying that the research funds were a boon.

Senator Eck said that the application was very limited and that diligence on the part of assessors could solve the problems.

MOTION: Senator Goodover moved that HB 901 be amended per Exhibit 10.

Senator Towe said he had concern about the precedent. He said that this could place the contractor's entire tax bill in question.

Senator Goodover asked Mr. Bermingham if he had problems with the amendment. Mr. Bermingham said that he would rather not have it, but that he would take what he could get. He said that they are concerned about the future negotiations.

Senator Goodover withdrew the motion to amend.

MOTION: Senator Hager moved that HB 901 be concurred in.

Mr. Jim Lear, committee staff, asked if subcontractors should be included in the bill.

After discussion the committee said that the same exemption should be allowed for subcontractors.

MOTION: Senator Eck moved that the proper amendment to HB 901 be drawn to exempt subcontractors.

MOTION: Senator Mazurek moved as a substitute motion that HB 901 be concurred in. Senator Lybeck voted no and all other committee members voted yes. The motion carried.

CONSIDERATION OF HB 701: Seantor Severson noted that the amendments had already been adopted per Exhibit 11. Senator Goodover again questioned the repair costs on the buildings. Mr. Archibald, Historical Society, said that his Board of Trustees retained veto power and that they would look carefully into the costs.

MOTION: Senator Severson moved that HB 701 be concurred in as amended. Senators Brown, Eck, Halligan, Hirsch, Lybeck, Mazurek, Neuman, Severson and Towe voted yes. Senators Goodover, Hager and McCallum voted no. The motion carried.

Chairman Towe adjourned the meeting at 10 am.



Chairman

ROLL CALL

SENATE TAXATION COMMITTEE

49th Legislative Session -- 1985

Date April 18, 1985

8:06 am

Location -- Room 413-415

Name Present Absent Excused

Senator Brown	8:21		
Senator Eck	✓		
Senator Goodover	✓		
Senator Hager	8:25		
Senator Halligan	✓		
Senator Hirsch	✓		
Senator Lybeck	✓		
Senator Mazurek	✓		
Senator McCallum	✓		
Senator Neuman	✓		
Senator Severson	✓		
Senator Towe	✓		

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 show us there is real grass-roots interest among our municipalities.



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 voided 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 grant enabling legislation for local option taxation to municipalities to permit "Tailor-made" local option taxation. 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? The people vote to suit their local needs.

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: Communities with problems should have the ability to deal with them effectively.

"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
 $\$14,000,000 \times 2\% = \$280,000.00/\text{year}$
 Each 1% = \$140,000.00/year in revenue
 5% = \$700,000.00/year

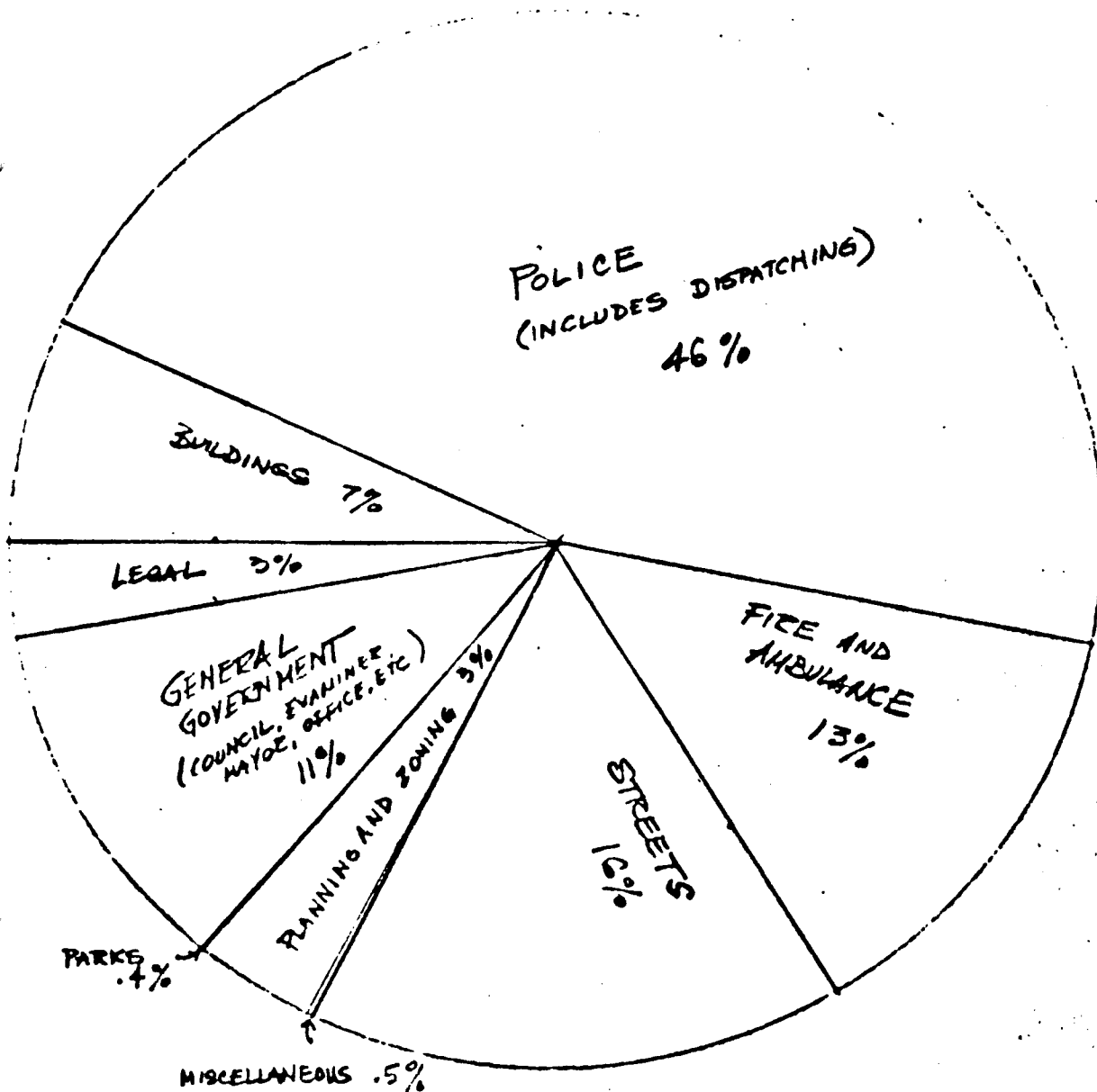
Montana League of Cities & Towns, Resolution #1985-4 : State-wide

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
				<u>202,100 (units)</u>
200 (hookups)	x 62	x .95	=	11,780
200	x 60	x .50	=	6,000
200	x 243	x .05	=	2,430
				<u>20,210 (units)</u>
(\$30.00/room)				
202,100	x \$3.00 (10%)		=	606,300.
(\$10.00/hookup)				
20,210	x \$1.00 (10%)		=	<u>20,210</u>
				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

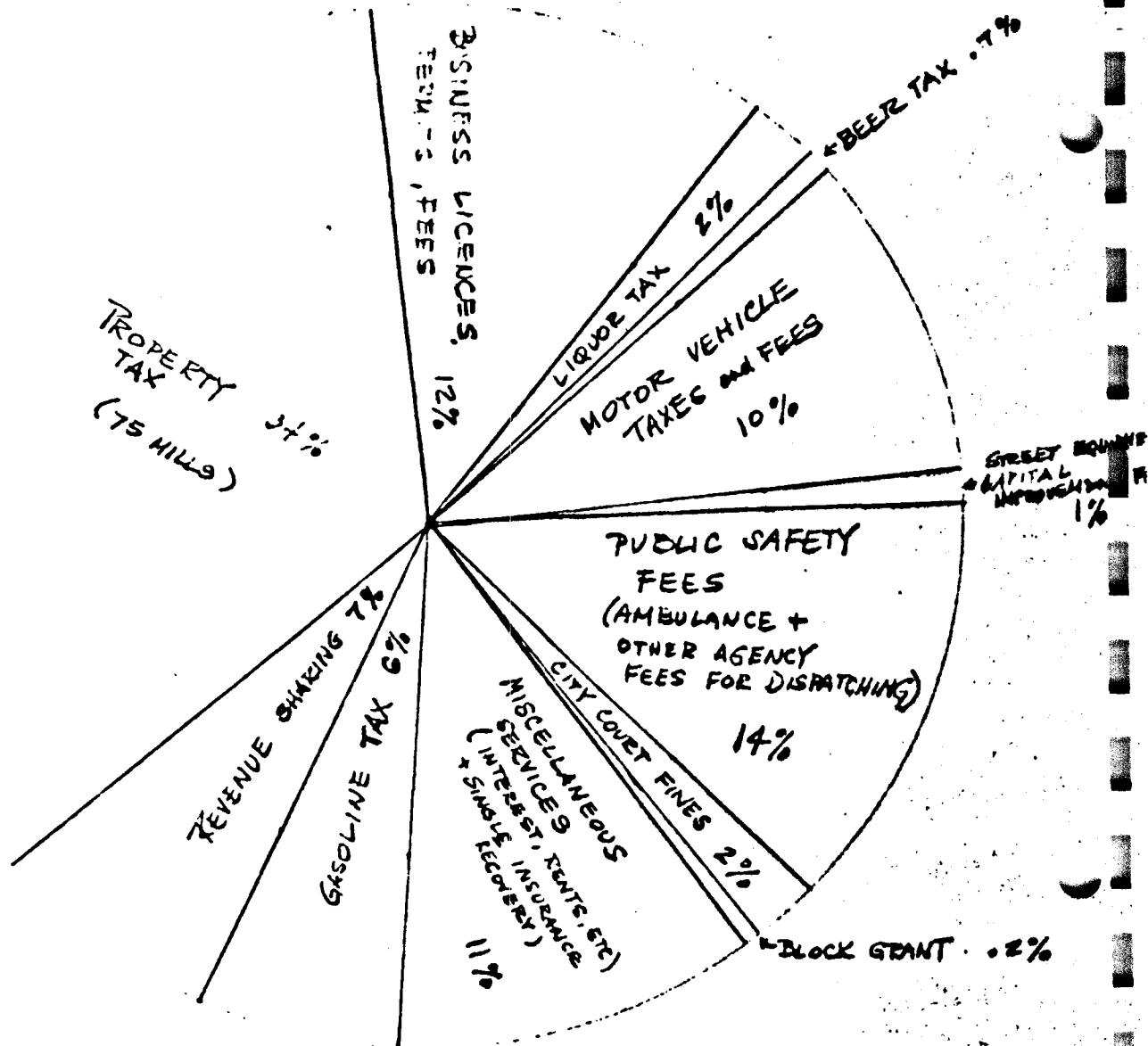
(5%)	\$313,255	less \$62,651 (20%)	=	250,604/year
(10%)	\$626,510	less \$125,302 (20%)	=	502,208/year

WEST YELLOWSTONE EXPENDITURES 1983-1984 FISCAL YEAR



EXPENDITURES

General Government	\$ 34,625.54
Town Council	
Elections	
State Examiner	
Mayor	
Court	
Town Offices	
Water	
Legal	8,597.15
Buildings	21,353.99
Police	145,695.25
Fire/Ambulance	39,838.62
Street	51,622.12
Parks	1,343.15
Planning & Zoning	8,770.43
Miscellaneous	1,667.74
	<u>\$313,524.04</u>

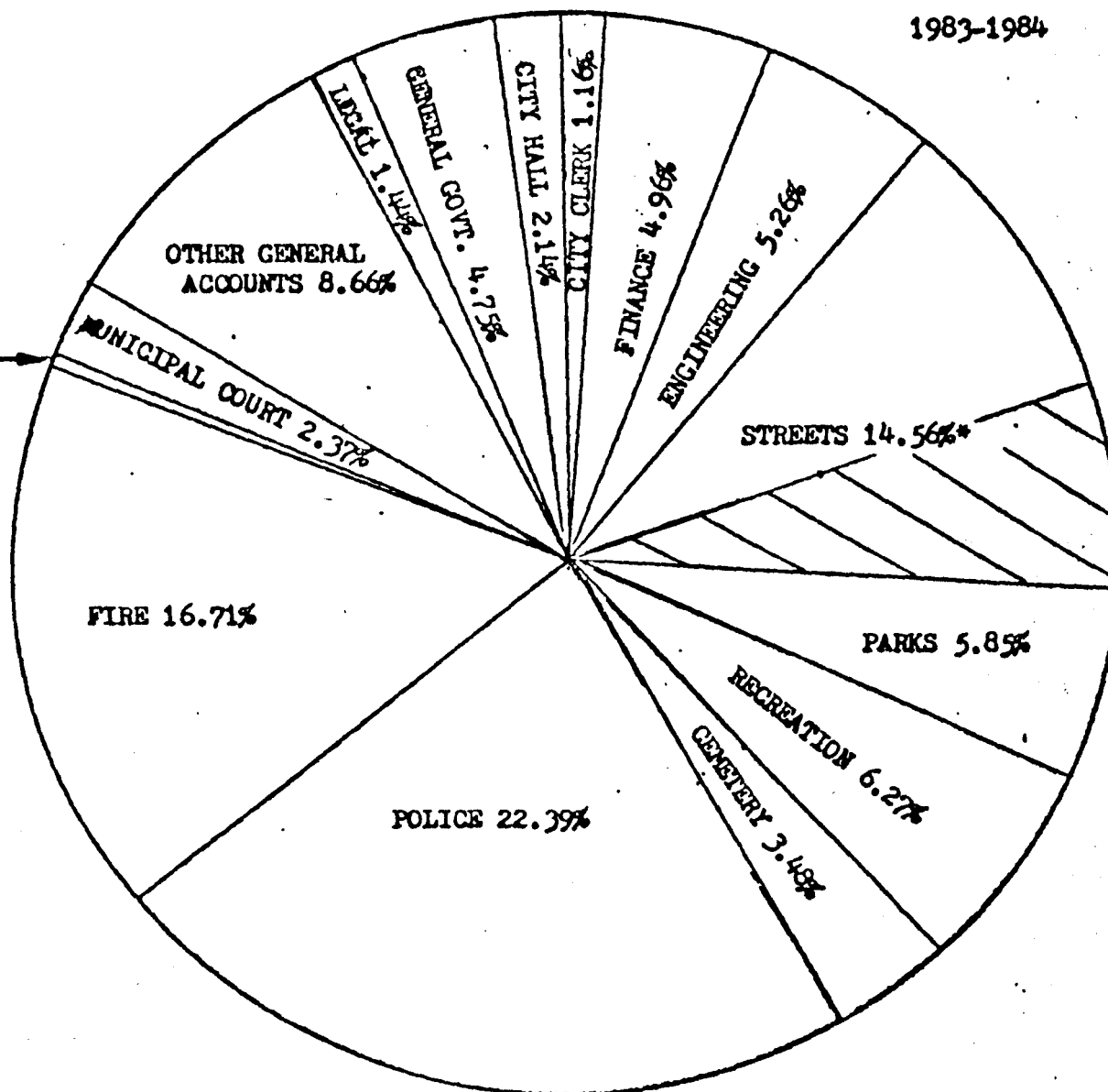
REVENUE

General Property Tax (75 mills) (75 mils * 1,544,771)	\$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	
Cas Tax	18,223.00
Revenue Sharing	19,647.03
Capital Improvement (Street Equipment)	4,243.16

\$296,524.33

1983-1984

HEALTH
.08%



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

Figure 7. Bozeman.

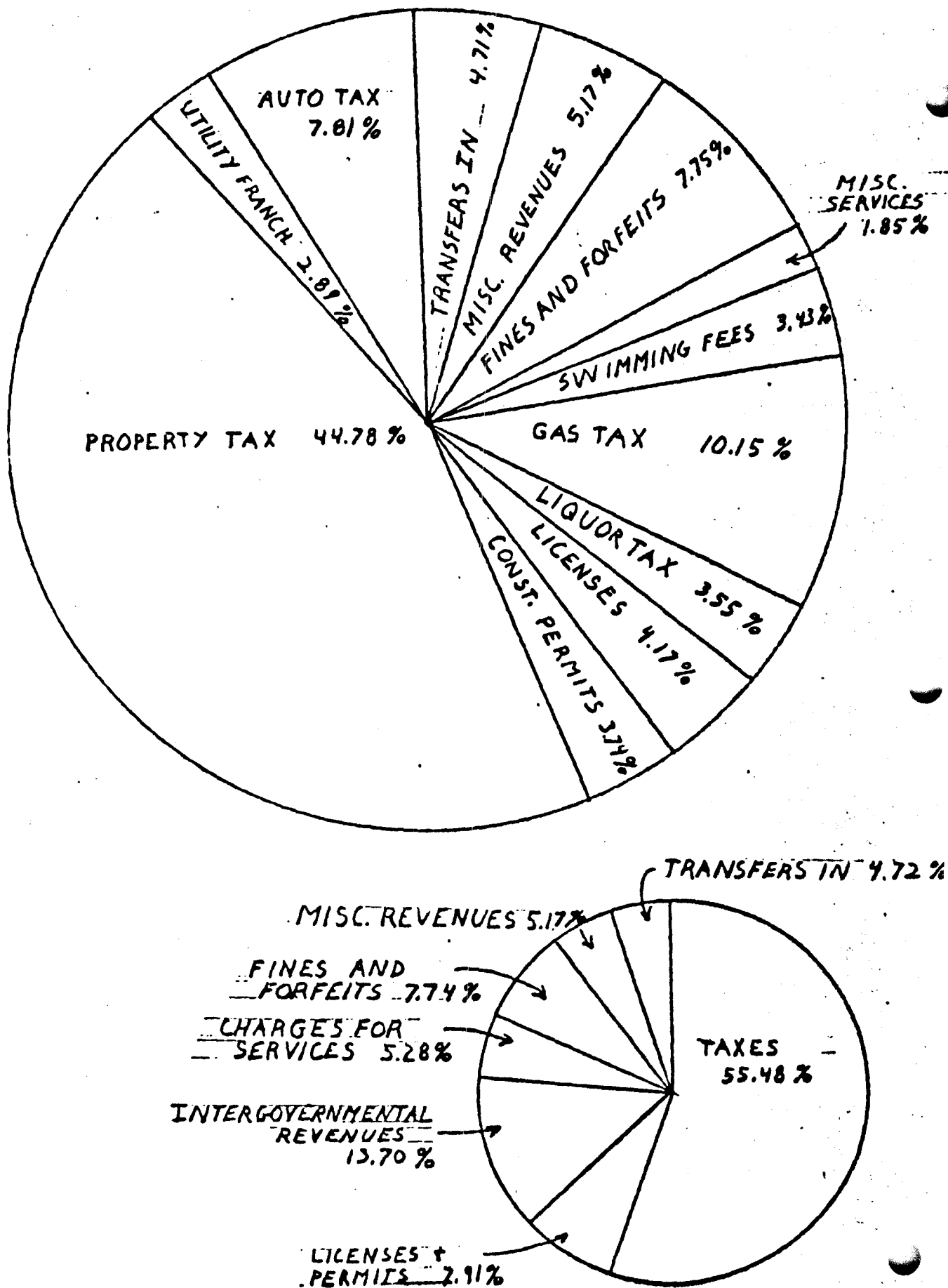
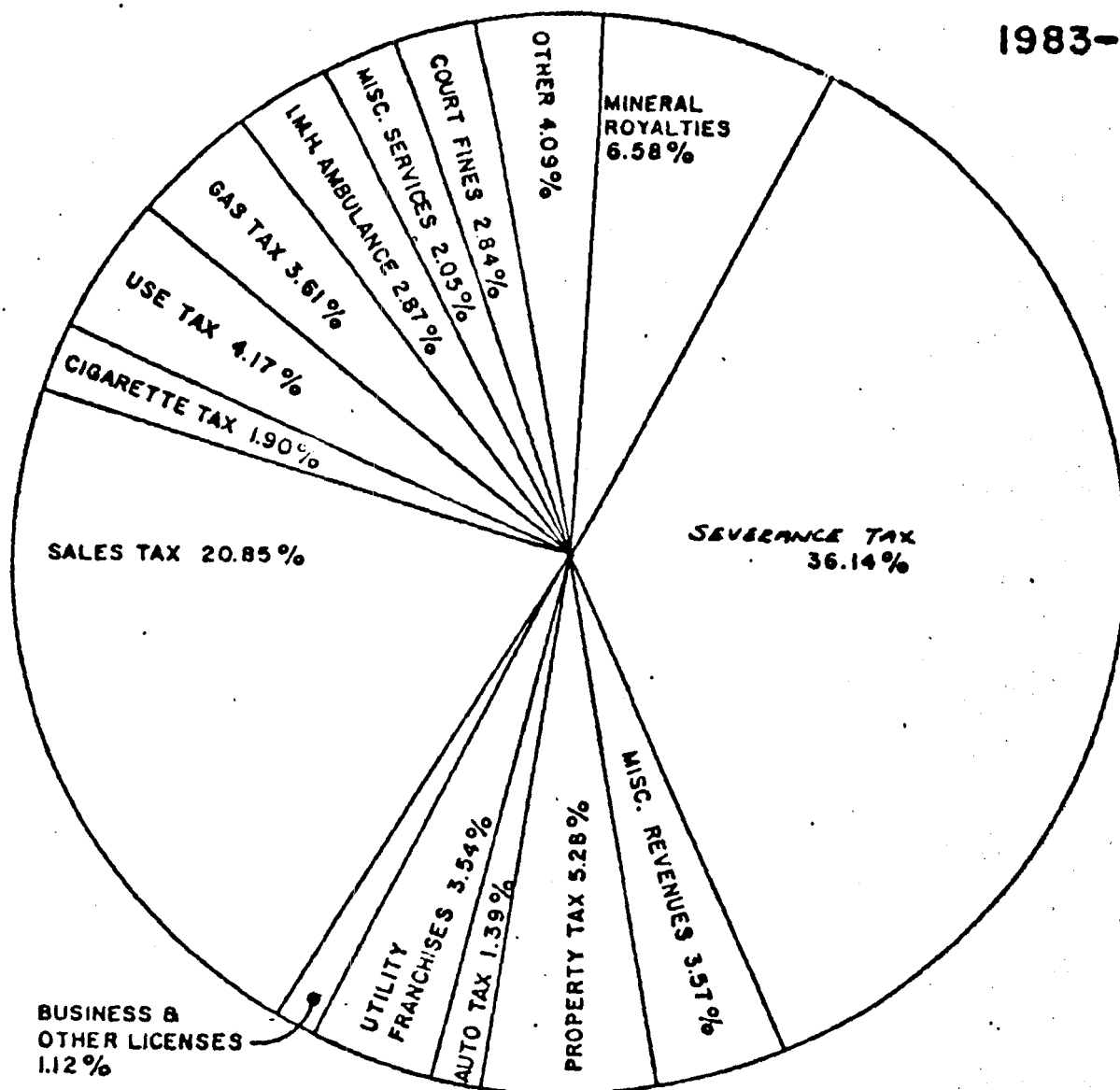


Figure 5.

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

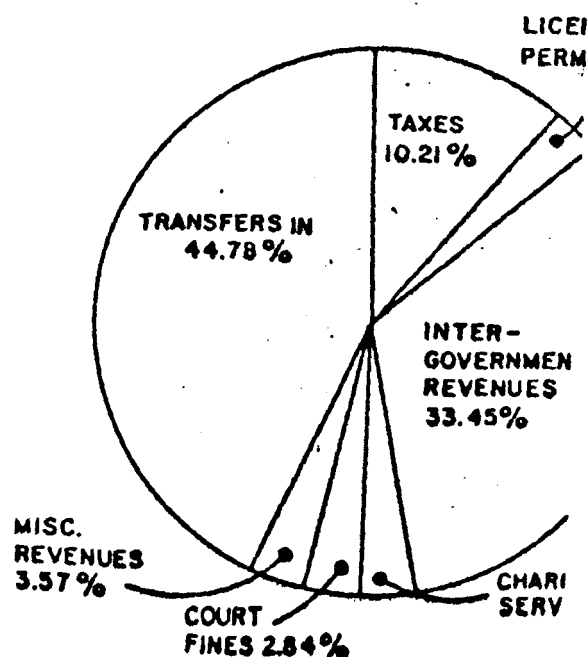
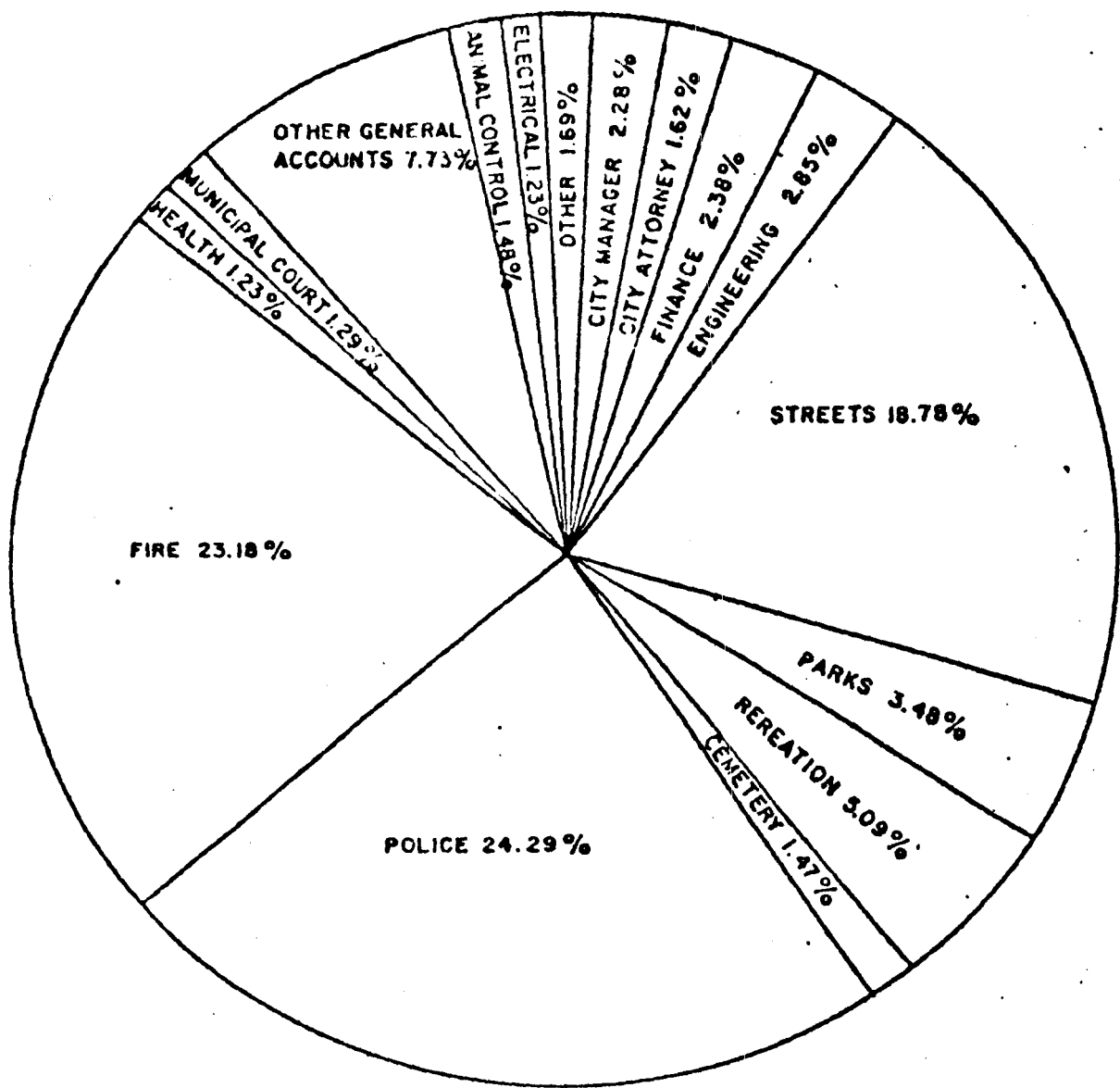


Figure 6 - Revenues - Laramie.

1983-1984



CATEGORY

OTHER

CITY HALL	.40%
MOSQUITO CONTROL	.44%
CITY CLERK	.85%

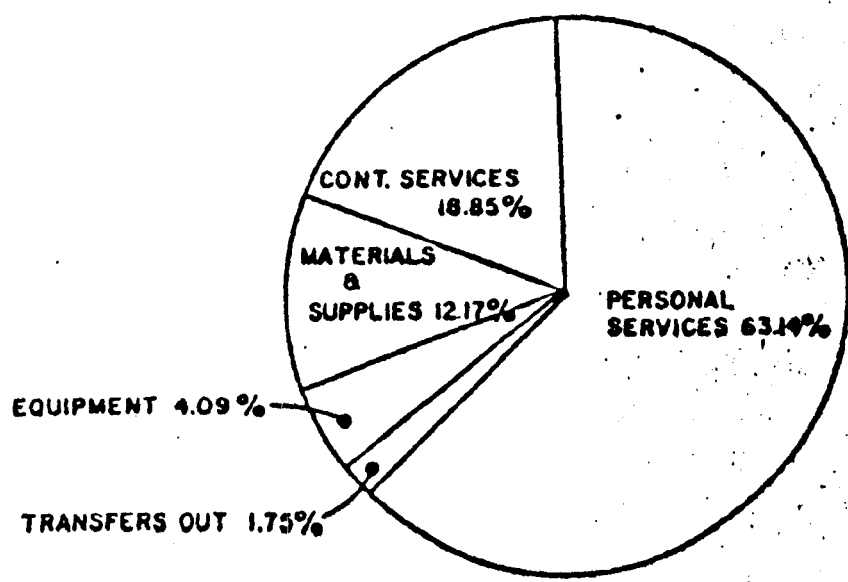


Figure 8. General Fund Expenditures of Laramie.

OUTLINE OF WEST YELLOWSTONE RESORT TAX POSITION TESTIMONY
BEFORE SENATE TAX COMMITTEE ON HB 826

1. West Yellowstone needs HB 826 resort tax enabling legislation
2. West Yellowstone, population 760, must support municipal services 5 to 6 times greater than comparable Montana towns.
3. Recognizing this revenue shortfall, West Yellowstone chartered in 1980 HB 109, which failed in 1981 before the House Tax Committee. West Yellowstone then tried Room Use Fee (Bed Tax #1) in January 1982. It was followed by the Montana Innkeepers suit. District Court (Billings) ruled that fee was unlawful as there was no referendum before the citizens of West Yellowstone.
4. Referendum (before the citizens of West Yellowstone) passed 3 to 1 in May 1983. Bed tax #2 started.
5. Bed tax #2 operated summer 1983. Supreme Court ruled it unlawful in September 1983, as it was a tax without authorization from the legislature to impose same.
6. Attempts for grants from Department of Natural Resources and Department of Commerce, for streets, have all failed.
7. Block grant program gave West Yellowstone only \$650.00.
8. West Yellowstone is actually a "collection agency" for state government.
9. Nightly impact of 6,000 to 10,000 tourists per night in 100 day season overdraws West Yellowstone's ability to raise revenue to provide for their health/safety/welfare.
10. West Yellowstone needs ability to have these tourist "users" contribute their fair share for these public services. Economics in 1985 look even more bleak; loss of federal revenue sharing appears imminent. West Yellowstone has explored all alternatives without success. Therefore, we NEED HB 826. The West Yellowstone people will use it wisely. A one to three percent resort tax will generate sufficient funds to provide essential public services.

PLEASE give us an opportunity to PROVE that we can GENERATE the funds and use them WISELY.

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EAGLE'S STORE

WEST YELLOWSTONE
MONTANA 59758
PHONE (406) 646-9300

April 8, 1985

Testimony in support of Resort Tax HB 826

My name is Joe Eagle and I have lived in West Yellowstone all my life except for the time I was away to attend school and for three years of military service. My father established one of the first businesses in West Yellowstone when the town started in 1908. Our family business is the only business in town which has operated continuously since that time. By the time I was 10 years old I was working in one way or another in this business. I enrolled in engineering at Montana State University (then Montana State College) in 1942 but I entered the military service before completing a year of school. During the time I was in the service I decided I wanted to live in West Yellowstone even though I knew this may not be financially rewarding. I graduated from college in 1950 and within a year I became general manager of our family business because of the death of my father.

During all this time I have managed our business and during which time I have been active in community affairs it has been evident there were some town needs which our very limited tax base could not handle. An adequate drainage and street system are much too expensive to be financed by the small property tax base.

I was elected to the first town council of West Yellowstone and for two additional terms of office. During this time of serving as a councilman it was very frustrating to consider the critical community needs and not to have the financial means to take care of these problems. In reviewing a list of community goals prepared during the mid-sixties, I note many of these things have been accomplished. An example is the establishment of a

local bank for which I have been a director for the 19 years it has been in existence. A number of other worthy goals have been achieved by much hard work by dedicated residents of the West Yellowstone area. These improvements have been items which could be taken care of without overwhelming costs.

It became apparent that to qualify for town grants and participating programs it was important to put together a town master plan. I became a member of the first planning board for West Yellowstone and what we feel is a good master plan has been prepared. Grant moneys have not been available for the major items identified in the town master plan.

While I spend less than two weeks a year away from the West Yellowstone area, during the past 35 years I have been to many resort communities in the Rocky Mountain and Pacific Coast areas. Residents in these resort towns are amazed that West Yellowstone is a resort community without provision for the visitors to the town helping pay the cost of the services provided for the visitors.

In the past businessmen in West Yellowstone have provided financial help for various needs beyond what seems reasonable. However, most West Yellowstone businesses are not making a satisfactory return for the investment. Those of us here today are what I refer to as one of the 'survivors'. There have been many West Yellowstone businesses which have changed hands a number of times because owners learn it is difficult to show a reasonable return on their investment.

Before West Yellowstone was incorporated I recall several of us discussing a town problem with the county attorney. During the conversation he asked "Why don't you people from West Yellowstone take care of your own problems?". We have very diligently been trying to take care of our own problems. However, to do so, we very desperately need legislation such as resort tax HB 826 to be passed into law. We earnestly ask your muchly needed support.

Joe Eagle

Sales tax study is nonsense

The Legislature's long list of proposed interim studies now includes a request for a sales tax study.

Sen. Les Hirsch, D-Miles City, proposed the study Tuesday.

Using legislative resources for an interim examination of a sales tax seems even more pointless than studying income tax revision. Breathes there a soul in the Legislature who doesn't know exactly how he or she feels about sales taxes?

Of course, there are some legislators who don't just want to study a sales tax, they want to enact one. Some observers suspect the patchwork budget-balancing act in the capital this year is aimed at engineering a "crisis" in 1987 that will make a sales tax seem inevitable.

One observer (Democratic and partisan, we'll admit) told us the other day that the bill to allow West Yellowstone and Red Lodge to enact local-option, gouge-the-tourist sales taxes also is aimed at securing a general sales tax for Montana. It's a foot in the door, this observer claims.

Perhaps. At least, the voters still must approve the sales taxes. And while voters in small towns that are dependent on tourists might vote for a sales tax, there's little evidence that most Montanans have changed their minds about a sales tax since voting one down in 1972.

Some Treasure Staters still like to say that "there's no sales tax in good old Montana." It's a bragging point when talking to residents of other states, nearly all of which do have sales taxes. The out-of-staters are often envious.

Maybe the tourist promotion arm of the Build Montana program should make more use of that fact. Maybe Montana should make the absence of a sales tax a selling point for the state. Let's tell tourists how they can get more bang for their buck in Montana, instead of creating sales taxes just to skim off more of their money.

But, back to that study proposal. Montanans have debated sales taxes until they're blue in the face. The disagreements seem to be set in concrete. Proponents say they'll provide property tax relief. They could, for a while, although large corporations would get the most relief. Foes say they're regressive, which they are. Everybody knows they're an easy way to raise gobs of money, although careful adjustments in the progressive income tax would do the same thing.


It's doubtful that a study can accomplish much besides softening up the public for the eventual imposition of such a tax. Not that the public, which has the power of initiative, has to put up with it.

Finally, Gov. Ted Schwinden, at last report, was on record as saying he'd veto any general sales tax bill passed by the 1985 Legislature. If that resolve remains unchanged in 1987, a sales tax study would become even more pointless.


The Legislature, in the final days of its 1985 session, should stop proposing all these studies.

It should devote its energies to finishing its business, getting out of Helena and leaving the rest of us alone.

It's beginning to tax our patience.

 Jo Brunner

AGRICULTURE LEGISLATIVE WORK

 Helena, Montana 59410

NAME	JO BRUNNER	COMMITTEE	Senate Taxation
			HB 915
ADDRESS	1426 Kodiak Road, Helena	DATE	April 18, 1985
REPRESENT	Montana Grange - <i>Cattlemen</i>	BILL NO.	HB 915
	<i>Cattlemen</i>		
SUPPORT	X	AMEND	CROSS

Mr. Chairman, members of the committee, for the record, my name is Jo Brunner and I represent the Montana Grange here today.

Cattlemen Cattlemen

Mr. Chairman, we wish to support Representative Grady and HB 915. We Appreciate this move to bring into perspective our rural property compared with similar property within or close into the more urban areas.

But, Mr. Chairman, Senator Eck, and gentlemen of the committee, we wish to ask your consideration for further legislation that will put some teeth into HB 915.

As this bill stands, and without the definition of bona-fide agriculture, operations, it will do no more than is already being done.

HB 915, alone, will continue to allow the 15 acre tract, high in a mountain meadow, that has not, within memory, carried even a horse, nor cut a bale of hay, nor ever planted one strip of grain to be assessed as agriculture simply because that's the way it has always been.

Alone, HB915, will let the checkerboard of 5-10-15-20 acre plots to be carried as agriculture, or non-agriculture, for any number of reasons, without continuity in that reasoning, simply because there is not a bona-fide definition of what constitutes agriculture.

Without accompanying legislation those acreages can simply claim agriculture status by adhering to the existing Green Belt law--15 tons of hay, OR so many bushels of grain OR 24 animal units OR 15% of income OR any number of reasons, none which actually qualify that acreage for agriculture production, except its outside of city limits. Consequently, those of you who do not meet, or have never bothered to request agriculture status and those of us who are bona-fide agriculture producers must pay a higher tax.

With only HB 915, and without SB 431, the Green Belt law now in conference committee, developers will continue to receive agriculture status on land they have platted and subdivided until they sell off the very last parcel even though they never seed or pasture it again, and though they continue to develop it little by little it may sit there for years. I'm sure that many of you have seen developments on the edges of towns, partially finished, sometimes with streets roughly put in, often with water and sewage pipes

2.

sticking up above the ground to designate where the homes will be, occasionally portions not under development are cropped or pastures, but still getting agriculture definition, simply because it was farmed or ranched before it was platted and sub-divided.

Members of the committee- again, the Grange is in support of HB 915-- however again, we are of the very firm opinion that without its companion bill SB431, we will continue on just as we have been in the past-- the

department of Revenue will have no instructions as to what is bona-fide agriculture, the counties and local governments will not be able to correctly assess proper taxes to care for those who require town and city conveniences but do not pay the same price for them as others, often their immediate neighbors, because they are improperly receiving an agriculture definition.

We ask your strong consideration for the--enabling--legislation that will put some teeth into proper evaluation of bona-fide agriculture, both with HB 915 and SB 431.

Thank you.

NAME Lavina Lubinus BILL NO. HB 915
ADDRESS 1501 Chestnut Helena DATE 4/18/85
WHOM DO YOU REPRESENT Women Involved in Farm Economics
SUPPORT X OPPOSE _____ AMEND _____

PLEASE LEAVE PREPARED STATEMENT WITH SECRETARY.

Comments:

WIFE would like to go on record in Support of HB 915.

We feel that this 20% adjustment to ~~Land~~ Farm Homes is to compensate for the decreased value

Most Farm Homes are surrounded by the tools of the profession, Bams, Feed lots, machine shops, Granaries and various other small buildings. What ever it takes to contain the tools of the agriculture profession makes the home difficult to separate and sell.

We urge your support of HB 915

Thank You

MONTANA
CowBelles

NAME Carol Mosher BILL NO. HB 915
ADDRESS Augusta DATE _____
WHOM DO YOU REPRESENT Montana Cow Belles
SUPPORT X OPPOSE _____ AMEND _____

PLEASE LEAVE PREPARED STATEMENT WITH SECRETARY.

Comments:

I support the concept of this bill. I also support the other agriculture groups in their recognition that this bill needs to be held in committee until we see if we can get SB 431 passed, since that bill adequately defines what is a farm residence.

THE MONTANA INFRASTRUCTURE TRUST

The state of Montana is throwing away the coal severance tax trust. In the last decade, when our tax policy generated more revenue than the state could spend, few noticed the decay of the trust fund. With the current budget crunch, however, more attention is being focused on the use of trust monies to see if the state is truly fulfilling its trust responsibilities to present and future generations of Montanans. I believe the state is violating its duties as trustee, foolishly wasting the trust funds, and ignoring simple economic truths and sound investment opportunities.

The coal severance tax was adopted in 1975 and implemented in 1976. Money collected from the 30% tax is divided between a permanent trust fund and other designated state programs. The trust is designed "to compensate future generations for the loss of a valuable and depletable resource. . . ." Fifty percent of the tax is deposited to the permanent trust, which presently has a balance of \$203,000,000.

Numerous attempts have been made since 1976 to tap the trust for current needs. Several such proposals have been introduced this legislative session. House Bills 368 and 369 introduced by Representative Paul Pistoria (D-Great Falls) propose a constitutional amendment to allocate 5% from the coal severance trust directly to local governments. House Bill 199 appropriates monies from the trust fund to construct four needed University System buildings. Many other bills regarding coal tax earnings and trust revenues have been introduced.

Those whose efforts led to the creating of the trust look upon these proposals as "raids" -- as a violation of the purpose of the trust -- as an evil to be avoided at all costs. Until recently, this has been the politically popular view, but it has begun to lose favor with those who have analyzed what is actually happening to the value of the trust.

From the beginning, the trust funds have been placed in paper investments to "preserve" the principal for future generations. In fact, these paper investments, in loans, bonds, and other similar securities, do NOT preserve the trust principal at all. On the contrary, the value of the principal is being substantially diminished by inflation. The promise made to future generations for a piece of the coal tax pie is being broken.

According to the Montana Economic Development Board, a board created as part of the Build Montana program and appointed by Governor Schwinden, the initial deposit to the trust account for the year 1978 has already lost 39.4% of its purchasing power. The \$203 million placed in the account since 1978, a period of just six years, has lost \$25 million in purchasing power as of the end of 1984. The Board calculates, using a very conservative inflation rate, that the present trust balance of \$203 million will be worth only \$79 million by the year 2000 -- a whopping 61% devaluation by the turn of the century.

There is a better choice. Capital expenditures and investments in tangible assets -- are a superior alternative to paper assets. Tangible assets not only retain their original value, they often appreciate in worth.

The University of Montana's Main Hall demonstrates the practical economics of capital investments. The structure was completed in 1899 at a cost of \$49,500. Today, the building has an insured value of \$1.6 million and would cost between \$3.5 and \$5 million to replace. This economic appreciation does not reflect the 85 years of use that students have gained from the facility. Had the initial \$49,500 been placed in paper assets in 1899, the dollars invested then would have just a fraction of their purchasing power today.

Capital expenditures would also help the state meet a significant need. According to the recent report of the Governor's Task Force on Infrastructure, Montana now needs over \$8 BILLION for water systems, sewer systems, streets, roads, jails, and other public facilities -- the "infrastructure" of our state.

In addition, the state of Montana presently holds many capital assets in trust for future generations. Many of these structures and facilities are deteriorating from lack of funds for permanent maintenance. Maintenance is also a trust responsibility.

This data presents quite an anomaly. The permanent coal severance trust fund has and will continue to lose considerable value with its present investments. At the same time, we have incurred an \$8 billion infrastructure debt -- not an enviable inheritance for future Montana generations.

There are several ways to deal with the problem. The legislature could simply begin to appropriate funds from the coal tax trust for capital expenditures. This approach, however, is both difficult and haphazard. It requires a three-fourths vote of the legislature for each expenditure and does not provide a consistent system for insuring that Montana's infrastructure needs are met.

The legislature could also allow the interest income from the coal tax trust fund to compound, thus generating a positive return for future generations. The interest produced from the permanent trust, however, has become an integral component of the state budget. Only 15% is put back into the trust. During the past biennium the interest income from the trust produced over \$40 million for Montana's general fund -- a substantial sum that cannot be replaced without massive tax increases.

A better approach is presented in House Bills 493, 494, and 495, a package which makes an allocation of one-half of the coal tax trust for infrastructure expenditures. These bills would equally divide the permanent trust beginning July 1, 1987. One-half would be dedicated to Montana's declining infrastructure.

House Bills 493 and 494 would submit to the voters of Montana a constitutional amendment and enabling act creating a Montana Infrastructure Trust. Half of this infrastructure fund would be allocated to the preservation and maintenance of public facilities and the construction of needed state and university buildings. Additionally, up to 25% of this fund would be provided for highway construction and for a local government infrastructure grant program. House Bill 495 establishes a bonding program to help fund projects from the proposed trust.

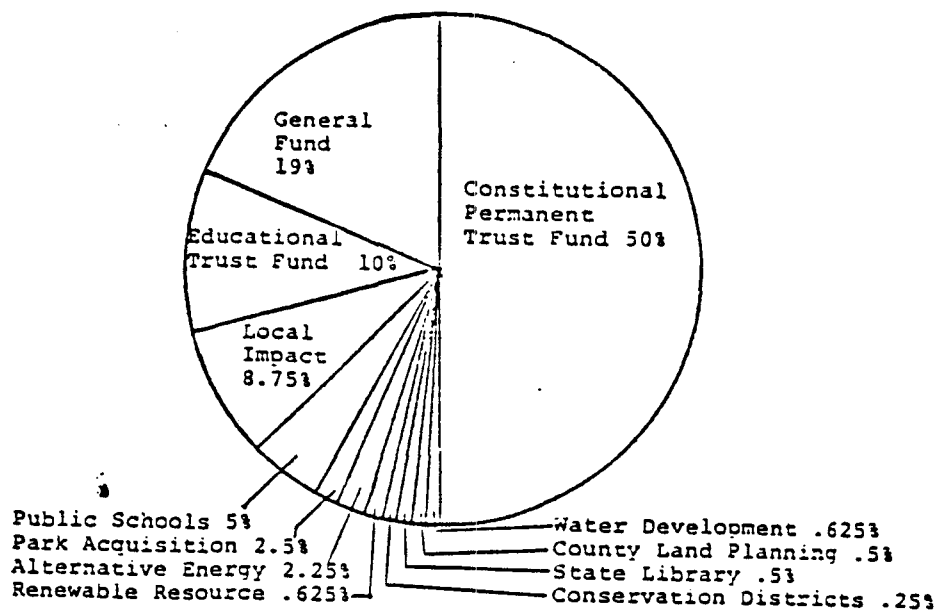
These measures affect only future coal tax revenues, leaving intact the present trust balance of \$203 million. The present trust income would be available for current state operations. Only half as much coal tax revenue would be added to the current trust in the future. An equal amount would flow to the newly formed Infrastructure Trust.

This is a bipartisan effort which reflects Montana's needs in the mid-1980's. Studies show that the present trust principal is being devalued while our state infrastructure is crumbling. These developments demand attention now! We must respond with progressive action to halt this wasteful drift.

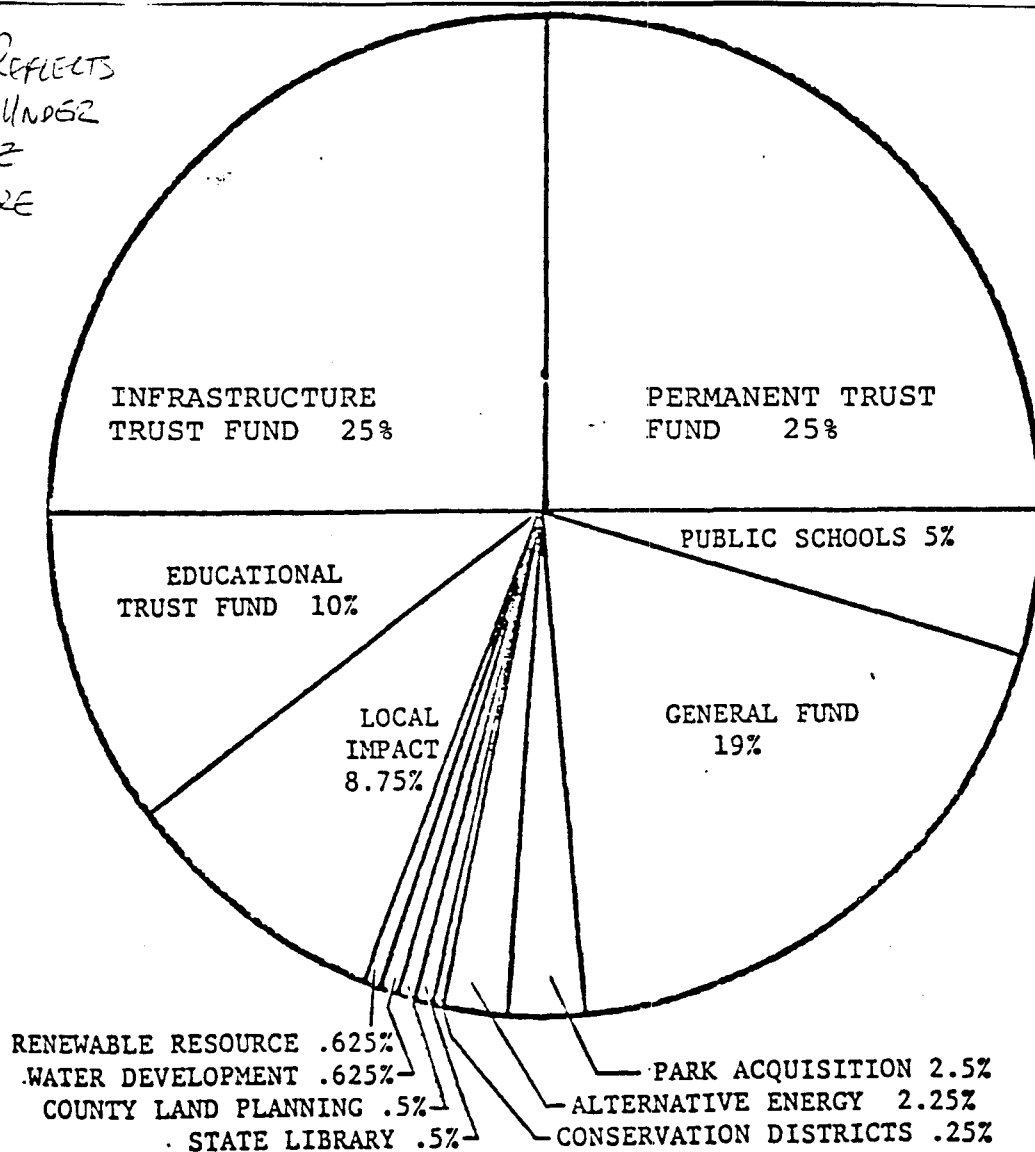
Representative Jack Ramirez

STATUS Quo
DISTRIBUTION
OF COAL TAX
REVENUES

MONTANA'S SEVERANCE TAX
DISTRIBUTION FORMULA



THIS GRAPH REFLECTS
DISTRIBUTION UNDER
THE RAMIREZ
INFRASTRUCTURE
PROPOSAL

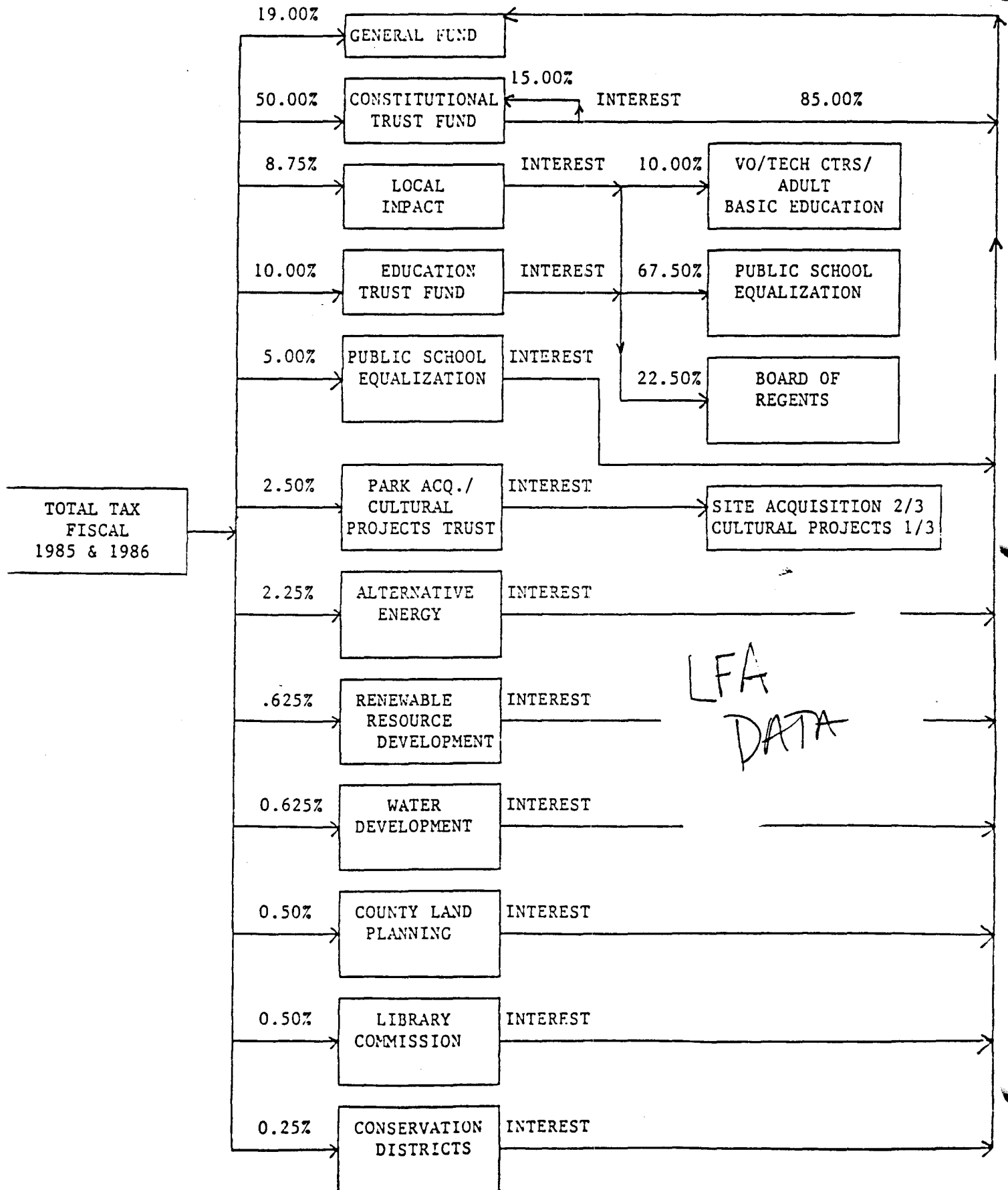


OFFICE OF BUDGET & PROGRAM PLANNING
COAL SEVERANCE TAX REVENUE

COAL SEVERANCE TAX COLLECTIONS

ACCT ENTITY	ACCOUNT NAME	ACTUAL FY 76	ACTUAL FY 77	ACTUAL FY 78	ACTUAL FY 79	ACTUAL FY 80	ACTUAL FY 81	ACTUAL FY 82	ACTUAL FY 83	ACTUAL FY 84	CUMULATIVE TOTALS
01100	GENERAL FUND	10,586,335	14,362,422	11,241,695	12,806,812	20,222,579	13,378,906	16,375,501	15,208,546	15,736,452	129,919,248
02403	PUBLIC SCHOOL EQUALIZATION	2,203,181	3,590,606	2,810,392	3,201,679	5,210,070	3,520,751	4,309,342	4,002,249	4,141,112	32,989,442
02403	STATE LIBRARY	0	0	0	0	383,568	332,075	430,934	400,223	414,117	1,980,919
02434	CONSERVATION DISTRICTS	0	0	0	0	0	0	99,325	200,112	207,059	506,496
02437	ALTERNATIVE ENERGY RESEARCH	550,795	897,651	702,598	800,420	1,514,667	1,760,376	2,055,346	1,801,012	1,863,327	11,946,392
02444	COUNTY LAND PLANNING	220,318	359,061	281,039	320,168	521,007	352,075	430,934	400,223	414,117	3,298,944
02445	LOCAL IMPACT	3,855,567	6,283,560	4,798,525	5,399,195	9,030,162	6,161,314	7,541,349	7,003,936	7,247,050	57,320,658
04008	RENEWABLE RESOURCES BOND	550,795	897,651	702,598	800,420	1,302,518	880,188	1,077,336	1,000,562	624,224	7,836,292
04011	WATER DEVELOPMENT	0	0	0	0	0	0	0	0	411,069	411,069
09001	PERMANENT TRUST	0	0	6,268,016	10,672,277	23,024,226	35,207,511	43,093,423	40,022,491	41,411,716	199,699,660
09004	PARK ACQUISITION TRUST	275,398	448,826	351,299	400,210	2,089,639	1,760,376	2,154,671	2,001,125	2,070,565	11,552,109
09005	EDUCATION TRUST	2,203,181	3,590,606	2,742,014	3,085,254	8,995,772	7,041,502	8,618,685	8,004,498	8,282,343	52,563,855
	ACQUISITION OF SITES & AREAS	275,398	448,826	351,299	400,210	171,799	0	0	0	0	1,647,532
	COAL AREA HIGHWAY IMPROVEMENT	2,203,181	3,590,606	3,374,514	4,162,103	1,786,708	0	0	0	0	15,117,192
	COUNTIES	1,040,493	1,436,242	748,076	640,336	872,294	0	0	0	0	4,737,441
	TOTAL TAXES	23,964,642	35,906,057	34,372,065	42,689,164	75,125,009	70,415,074	86,186,046	80,044,981	82,823,411	531,527,249

COAL SEVERANCE TAX AND INTEREST DISTRIBUTION
FISCAL 1985 AND 1986





Mountain States Energy Inc.

POST OFFICE BOX 3787
BUTTE, MONTANA 59702

(406) 484-7100
FTS 587-7100

Date: April 17, 1985

To: Representative Dave Brown and Senator J. D. Lynch

Thru: _____

Copies: _____

From: W. C. Bermingham

Subject: Question by Senator Tom Towe

Would the Department of Energy be sympathetic toward setting up a Bond in Lieu of the 1% withholding additional license tax?

The Department of Energy Lawyer feels that insisting on a Bond would be much the same as the additional license tax and would probably make our position equally difficult in obtaining research projects. However, he did feel that we would be in a position to point out very strongly and definitely to the contractors and subcontractors their obligation and responsibility to pay all just taxes.

9-14B901

Amend HB 901, Third Reading Copy

1. Title, line 4.

Following: the second "ACT"

Strike: "EXEMPTING"

Insert: "TO PROVIDE THAT"

2. Title, line 6.

Following: "FACILITY"

Strike: "FROM"

Insert: "MAY APPLY FOR WAIVER OF"

3. Page 1, line 12.

Following: "imposed"

Insert: "--waiver"

4. Page 1, lines 14 and 15.

Following: "contractor"

Strike: "unless he constructs or works on a federal research facility,"

5. Page 1, line 18.

Following: "issued"

Insert: "unless granted a waiver under subsection (3)"

(continued)

6. Page 1.

Following: line 22

Insert: "(3) A public contractor who constructs or works on a federal research facility may apply to the department for a waiver of the additional license tax imposed under this section. The department shall grant a waiver if it finds that:

(i) the applicant has provided accurate information regarding personal property of the public contractor within the state;

(ii) the applicant is willing and able to pay personal property taxes, light vehicle license fees, income taxes, corporation license taxes, and withholding taxes; and

(iii) the affected taxing jurisdiction would not be adversely affected by the waiver."

7. Page 2, lines 4 through 6.

Following: "act" on line 4

Strike: remainder of line 4 through "contractor" on line 6

be amended as follows:

1. Title, line 9.

Following: "COMMITTEE"

Insert: "AND APPROVAL BY THE LEGISLATURE"

2. Title, line 14.

Following: "~~AUTHORITY~~,"

Insert: "APPROVING ACCEPTANCE BY THE DEPARTMENT OF IN-KIND
PAYMENT OF THE DALY MANSION;"

3. Page 2, line 7.

Following: "ARE"

Strike: "RECEIVED"

Insert: "recommended"

4. Page 3, line 25.

Following: line 24

Insert: "a certified appraiser selected by"

5. Page 5, lines 10 and 11.

Following: "TO" on line 10

Strike: "APPROVE OR DISAPPROVE THE APPLICATION"

Insert: "recommend that the legislature approve the in-kind
payment"

(continued)

6. Page 5, line 12.

Following: "HAS"

Strike: "90"

Insert: "180"

7. Page 5, lines 24 and 25.

Following: "may" on line 24

Strike: remainder of line 24 through "donor" on line 25

Insert: "recommend that the legislature approve acceptance by the department"

8. Page 6, lines 12 and 13.

Following: "accept" on line 12

Insert: "an"

Following: "payment" on line 12

Strike: "only when"

Insert: "if"

9. Page 6, line 15.

Following: line 14

Strike: "\$250,000"

Insert: "\$100,000"

Following: ";

Strike: "AND"

10. Page 6, line 16.

Following: line 15

Insert: "(b) the value of the in-kind payment does not exceed \$400,000; and"

11. Page 6, lines 16 and 17.

Following: line 15

Strike: "(B) AFTER"

Insert: "(c)"

Following: "OF THE" on line 16

Strike: "BOARD OF EXAMINERS"

Insert: "legislature"

12: Page 6, lines 22 through 25.

Strike: subsection (4) in its entirety

13. Page 7, lines 1 through 7.

Following: "payment" on line 1

Strike: remainder of line 1 through "(2)" on line 7

(continued)

14. Page 7.

Following: line 24

Insert: "Section 7. Approval of Daly Mansion for in-kind payment. The department of revenue is authorized to receive in-kind payment of the Daly Mansion for a portion of the estate and inheritance taxes due the state in the matter of the Bessingye estate, if:

(1) the total estate and inheritance taxes due exceed \$100,000; and

(2) the value of the in-kind payment does not exceed \$400,000."

Renumber: subsequent sections

15. Page 8, lines 4 through 9.

Following: "act" on line 4

Insert: "."

Strike: remainder of line 4 through line 9

ROLL CALL VOTE

SENATE TAXATION COMMITTEE 49 th Legislative Session -- 1985

Time _____ Date April 18, 85 Room 413-415

Motion: that HB 701 be as amended
Severson

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

April 18, 19 85

MR. PRESIDENT

We, your committee on Taxation

having had under consideration House Bill No. 901

third reading copy (blue)
color

(Senator J. D. Lynch)

**EXEMPTS CONTRACTORS WHO WORK ON FEDERAL FACILITIES FROM ADDITIONAL
LICENSE TAX.**

Respectfully report as follows: That House Bill No. 901

BE CONCURRED IN

~~DO PASS~~

~~DO NOT PASS~~

Senator Thomas E. Towe, Chairman.

STANDING COMMITTEE REPORT

Page 1 of 3.

April 18, 1985

MR. PRESIDENT

Taxation

We, your committee on

House Bill

having had under consideration

No. 701

third reading copy (blue color)

(Senator Severson)

PAYMENT OF INHERITANCE TAX WITH PROPERTY OF HISTORIC OR CULTURAL VALUE.

House Bill

Respectfully report as follows: That

No. 701

be amended as follows:

1. Title, line 9.

Following: "COMMITTEE"

Insert: "AND APPROVAL BY THE LEGISLATURE"

2. Title, line 14.

Following: "AUTHORITY,"

Insert: "APPROVING ACCEPTANCE BY THE DEPARTMENT OF IN-KIND PAYMENT OF THE DAILY MANSION;"

3. Page 2, line 7.

Following: "ARE"

Strike: "RECEIVED"

Insert: "recommended"

4. Page 3, line 25.

Following: line 24

Insert: "a certified appraiser selected by"

5. Page 5, lines 10 and 11.

Following: "TO" on line 10

Strike: "APPROVE OR DISAPPROVE THE APPLICATION"

Insert: "Recommend that the legislature approve the in-kind payment"

(continued)

~~DEPARK~~

~~DEPARK~~

continued

Chairman.

6. Page 5, line 12.

Following: "HAS"

Strike: "90"

Insert: "180"

7. Page 5, lines 24 and 25.

Following: "may" on line 24

Strike: remainder of line 24 through "donor" on line 25

Insert: "recommend that the legislature approve acceptance by the department"

8. Page 6, lines 12 and 13.

Following: "accept" on line 12

Insert: "an"

Following: "payment" on line 12

Strike: "only when"

Insert: "if"

9. Page 6, line 15.

Following: line 14

Strike: "\$750,000"

Insert: "\$100,000"

Following: ";

Strike: "AND"

10. Page 6, line 16.

Following: line 15

Insert: "(b) the value of the in-kind payment does not exceed \$400,000; and"

11. Page 6, lines 16 and 17.

Following: line 15

Strike: "(B) AFTER"

Insert: "(c)"

Following: "OF THE" on line 16

Strike: "BOARD OF EXAMINERS"

Insert: "legislature"

12. Page 6, lines 22 through 25.

Strike: subsection (4) in its entirety

13. Page 7, lines 1 through 7.

Following: "payment" on line 1

Strike: remainder of line 1 through "(2)" on line 7

(continued)

continued

April 18,

85

19.....

14. Page 7.

Following: line 24

Insert: "Section 7. Approval of Daly Mansion for in-kind payment. The department of revenue is authorized to receive in-kind payment of the Daly Mansion for a portion of the estate and inheritance taxes due the state in the matter of the Bessenyey estate, if:

(1) the total estate and inheritance taxes due exceed \$100,000; and

(2) the value of the in-kind payment does not exceed \$400,000."

Re number: subsequent sections

15. Page 8, lines 4 through 9.

Following: "act" on line 4

Insert: "."

Strike: remainder of line 4 through line 9

AND AS AMENDED
BE CONCURRED IN

.....
Senator Thomas E. Towe, Chairman

STANDING COMMITTEE REPORT

Page 1 of 5.

April 19, 1985

MR. PRESIDENT

Taxation

We, your committee on

House Bill

704

having had under consideration

No.

third

reading copy (**blue**)
color

(Senator Towe)

**EXCLUDE PROTESTED PROPERTY VALUATION FOR COUNTY
AND SCHOOL LEVIES.**

Respectfully report as follows: That

House Bill

704

No.

be amended as follows:

1. Title, line 7.

Following: "COUNTY"

Insert: ", MUNICIPALITY,"

2. Title, line 8.

Following: "LEVIES"

Insert: "IF THE TAXABLE VALUE OF SUCH PROPERTY UNDER
PROTEST EXCEEDS 5% OF THE TAXING JURISDICTION'S TAXABLE
VALUATION"

3. Title, line 9.

Following: "COUNTY"

Insert: ", MUNICIPALITY,"

4. Title, line 11.

Following: "LEVIES;"

Insert: "REQUESTING THE REVENUE OVERSIGHT COMMITTEE TO
CONSIDER THE ADVISABILITY OF CREATING A STATEWIDE PROTEST
FUND;"

5. Title, line 12.

Following: line 11

Insert: "7-6-4232,"

(continued)

~~XXXXXX~~
DO PASS

~~XXXXXXXXXX~~
DO NOT PASS

continued

Chairman.

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19.....

6. Page 1, line 23.

Following: "year."

Strike: "The"

Insert: "Except as provided in subsection (2), the"

7. Page 2, lines 6 and 7.

Following: "which" on line 6

Strike: remainder of line 6 through line 7

Insert: "is the subject of a protest"

8. Page 2, line 10.

Following: "valuation"

Insert: "if the taxable value of such property remaining under protest exceeds 5% of the county's taxable valuation"

9. Page 2, line 21.

Following: "protest"

Strike: "..."

Insert: ", except for statewide education and university mill levies. The county shall calculate such levies by crediting the revenue from released protest funds directly to the revenue section of the budget and not to the cash reserves. If the crediting of such revenue reduces to zero the amount necessary to be raised by tax levy, the county treasurer shall refund any excess protest fund revenue to the taxpayers. If a taxpayer is delinquent in the payment of prior taxes, the county may offset the delinquency rather than make a refund. A copy of the calculations made in fixing the tax levies under this subsection and calculations of any refunds must be delivered to the legislative auditor, the office of public instruction, and the department of revenue."

10. Page 2, line 24.

Following: line 23

Insert: "Section 2. Section 7-6-4232, MCA, is amended to read:

(continued)

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*7-6-4232. Fixing of tax levy. (1) On the second Monday in August and after the approval and adoption of the final budget, the council shall fix the tax levy for each fund at a rate, not exceeding limits prescribed by law, which will raise the amount set out in the budget as the amount necessary to be raised by tax levy for that fund during the current fiscal year. The Except as provided in subsections (2) and (4), the taxable valuation of the city for the current fiscal year shall be the basis for determining the amount of the tax levy for each fund, and each tax levy shall be at a rate no higher than is required on that basis, without including any amount for anticipated tax delinquency, to raise the amount set out in the budget.

(2) If the council considers that a levy made for a bond sinking or interest fund will not provide a sufficient amount to pay all bond principal and interest becoming due during the current fiscal year or within 6 months after the current fiscal year because of anticipated tax delinquency, the council may fix the levy at a rate it considers necessary to raise the amount for making the payments of principal and interest over and above the anticipated tax delinquency.

(3) Each levy shall be made in the manner provided by 15-10-201.

(4)(a) The taxable value of property which is the subject of a protest and which remains under protest on the first Monday in August of the current year must be excluded from the city's taxable valuation if the taxable value of such property remaining under protest exceeds 5% of the city's taxable valuation in computing mill levies to fund the amounts necessary to be raised under the provisions of subsection (1).

(b) If tax money that was collected on property excluded under subsection (4)(a) is not required to be refunded to the taxpayer from the protest fund at the conclusion of a protest proceeding, such money shall be used to reduce subsequent property tax levies of the appropriate funds or levies from which it was previously withheld in protest. The city shall calculate such levies by crediting the revenue from released protest funds directly to the revenue section of the budget and not to the cash reserves. If the crediting of such revenue reduces to zero the amount necessary to be raised by tax levy, the city shall refund any excess protest fund revenue to the taxpayers. If a taxpayer is delinquent in the payment of prior taxes, the city may offset the delinquency rather than make a refund.

(continued)

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A copy of the calculations made in fixing the tax levies under this subsection and calculations of any refunds must be delivered to the legislative auditor, the office of public instruction, and the department of revenue.

Renumber: subsequent sections

11. Page 3, line 9.

Following: "the district"

Insert: ", except as provided in subsection (2),"

12. Page 3, lines 11 and 12.

Following: "which" on line 11

Strike: remainder of line 11 through line 12

Insert: "is the subject of the protest"

13. Page 3, line 15.

Following: "valuation"

Insert: "if the taxable value of such property remaining under protest exceeds 5% of the district's taxable valuation"

14. Page 3, lines 23 and 24.

Following: "levies" on line 23

Strike: "and may not be added to district reserves"

Insert: ". The district shall calculate such levies by crediting the revenue from released protest funds directly to the revenue section of the budget and not to the cash reserves. If the crediting of such revenue reduces to zero the amount necessary to be raised by tax levy, the county treasurer shall refund on behalf of the district any excess protest fund revenue to the taxpayers. If a taxpayer is delinquent in the payment of prior taxes, the county treasurer may offset the delinquency rather than make a refund. A copy of the calculations made in fixing the tax levies under this subsection and calculations of any refunds must be delivered to the legislative auditor, the office of public instruction, and the department of revenue."

15. Page 4, lines 12 and 13.

Following: "which" on line 12

Strike: remainder of line 12 through "15-8-115" on line 13

Insert: "is the subject of a protest"

(continued)

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16. Page 4, line 14.

Following: "year"

Insert: "if the taxable value of such property remaining under protest exceeds 5% of that taxing jurisdiction's taxable valuation"

17. Page 4, line 22.

Following: line 21

Insert: "NEW SECTION. Section 5. Revenue oversight committee consideration of advisability of statewide protest fund. The revenue oversight committee is requested to consider the advisability of creating a statewide protest fund for taxes paid under protest and to suggest procedures for payment into the fund, administration of the fund, payment of litigation costs associated with protests based on state law, and satisfaction from the fund of judgments against taxing jurisdictions. If the revenue oversight committee accepts this request, it shall report its findings and recommendations and any proposed legislation to the 50th legislature."

Renumber: subsequent section

AND AS AMENDED
BE CONCURRED IN

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Senator Thomas E. Towe, Chairman