

MINUTES OF THE MEETING
TAXATION COMMITTEE
49TH LEGISLATURE
SPECIAL SESSION III
HOUSE OF REPRESENTATIVES

June 24, 1986

The third meeting of the taxation committee was called to order in room 312-1 of the capitol by chairman Gerry Devlin on the above date at 8:00 a.m.

ROLL CALL: All members were present as were Dave Bohyer, researcher for the legislative council, and Alice Omang, secretary.

CONSIDERATION OF HOUSE BILL 35: Representative Menahan stated that the purpose of this bill is to establish a new class eighteen property for nonproductive mining claims that are outside of the incorporated cities or towns.

PROPOSERS: Peter Antonioli, an owner of some patented mining claim, gave testimony in support of this bill. See exhibit 1.

Ward Shanahan, a partner in a mining operation, said that he and his partners operate patented and unpatented mining claims and a patented claim was recently assessed at \$1,000 an acre and this is a twenty-acre claim that sits at 6300 feet above sea level with two ramshackled cabins that are not livable. He indicated that this is now in appeal.

Gary Langley, executive director for the Montana Mining Association, gave some history of what has happened to the classification of mining claims, going from being classed at government levels to being taxed as suburban land or subdivisions. He stated that they are not trying to protect people who have summer homes or lake shore property, but only want to receive this tax treatment for the legitimate miner.

Taxation Committee
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Frank Antonioli, representing himself and the Montana Mining Company, testified that they have been actively operating for thirty years and have not sold any land nor used any land except for mining purposes. He explained that on some property they had in Silver-Bow county, they had two appraisals and the first was for \$786 for 200 acres, but subsequently it was appraised at approximately \$1,000 an acre and the new appraisal came in at \$326,000.

George Richardson, an attorney from Butte, offered testimony in support of this bill. See exhibit 2.

Dennis Burr, representing the Montana Taxpayers' Association, said that they felt that the bill was sufficiently drawn so that they will not be allowing summer cabins and such.

Jo Bruner, representing the Montana Grange, stated that they support this bill and when the farm organizations pushed for a change in the green belt law, it was not with the intent that they do harm to other producers in the state.

David Rong, representing Plexus, Inc., informed the committee that his grandfather was a member of this same house in 1913 and they own 13 mining claims in Park county, which are at 10,000 feet altitudde where the season is extremely short. He advised that some of these claims are valued at \$100 an acre and other immediately adjacent are at \$150 an acre. He asked the committee to support this bill.

Margaret Reeb, owner of patented mining claims in Park county, submitted testimony as per exhibit 3.

Don Cowles, representing the Cowles Mining Company, said that he had patented mining claims along the Boulder River in Big Timber and that he was for this bill and against the classification of mining claims as suburban property. He indicated that he has paid taxes on these mining claims for 52 years

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and his father paid taxes ahead of him and anyone in his right mind wouldn't pay taxes for 52 years if he didn't think that somewhere down the line there might be a bonanza or at least they might produce, so he urged the committee to pass this bill.

There were no further proponents.

OPPONENTS: Gregg Groepper, administrator for the property assessment division of the department of revenue, contended that there may be a problem with constitutionality - the provision that requires that they be taxed at the market value wherein the market value may be the price that people paid for these claims over a long period of time wherein they might have bought a claim for \$10 and now, if you bought a patented mining claim, that price has gone up considerably over time, so you could have two parcels of land sitting side by side with two differing prices.

He noted that not all mining claims are in remote areas and he pointed out that out at Hauser Lake, there are a lot of sapphire mining claims there and prior to 1979, when the law was changed, it was a very convenient way to acquire recreational property. He insisted that the bill does not make a distinction between the use for mining and recreation.

There were no further opponents.

QUESTIONS ON HOUSE BILL 35: Representative Asay asked if the people with mining claims owned the land or was this public lands with a permit.

Mr. Groepper replied that he could have a patented mining claim in the city - it is an interest in the land as you do have a fee simple interest in the land and you can get a mining claim on forest service land

Taxation Committee
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and that land would be exempt property and the only way the department of revenue can reach that property is if it is exclusively used by that person under which they put up a fence and "keep-out" signs.

In response to a question by Representative Asay, Mr. Groepper advised that it would be more acceptable to him to see "vacant land that is unproductive and not used for any recreational or commercial or other purposes" and there are some mining claims that are out in the country that would qualify here that have luxury homes on them.

Representative Asay noted that the statute says "market value".

Mr. Groepper responded that there are other things in the statute, i.e., a 5-year reappraisal of the land; it also requires that they can't change anybody's value at once, but they have to bring everybody up at the same time valuating everything at the same year and you have to pick a year to start with and next time around, hopefully, they will use 1987 values.

Representative Devlin asked if he believed that there are mining claims in this state that have been valued too high such as those that are in the remote areas with no houses on them, etc.

Mr. Groepper replied that he thinks that is a possibility and they have made some mistakes on some mining claims; and in some cases, they have made adjustments.

Representative Devlin asked if he (Groepper) would be willing to work with the sponsor of this bill and get something out that would take care of this problem.

Mr. Groepper answered that if they have a specific situation, they will work with that and they would be happy to work with anybody.

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Chairman Devlin asked why the department did not bring in a piece of legislation that would take care of this discrepancy.

Mr. Groepper answered that this session was only to deal with the budget and when you are this late in the tax year for local government, there is very little that they can do to implement these changes without putting a pretty severe price tag on it.

Representative Harp noted that SB 431 was the green belt law and he asked how many protests has the department received statewide because of SB 431.

Mr. Groepper responded that of last Friday, they had only received notice of 837 appeals, of which there were about 100 because of the green belt law. He advised that the state tax appeal board did a survey last Friday and they indicated that they had approximately 4,000 appeals filed statewide, but they made no distinction as to how many were from the green belt law.

Representative Williams asked how many properties are assessed totally.

Mr. Groepper replied that there are 540,000 parcels of land that are subject to reappraisal and this did not count agricultural land.

In response to a question from Representative Harp, Ms. Reeb responded that she felt it is grossly unfair, as a patented mining claim in the state of Montana has more value than recreational land and she felt the committee would agree that the state needs to get the greatest revenue from mining rather than from recreation.

There were no further questions.

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Representative Menahan said that there are no rules established to allow for adjustments, that the cities and towns are excluded from this bill and if they have a sapphire claim that has a summer home on it, then let it be that.

Chairman Devlin asked the sponsor to work with the researcher on this bill to see if they could come up with some proper amendments for this bill.

The hearing on this bill was closed.

CONSIDERATION OF HOUSE BILL 38: Representative Williams, house district 85, stated that this bill puts a 12% cap on class 15 property, which, at the present time, is only railroad property. He indicated that this would put the department of revenue in a better position to defend themselves with the railroad, when they make their total reappraisal beginning this year.

He advised that in 1976, the railroads paid a total tax of about \$5 million and up to 1985, it was increased up to \$8 to \$9 million and that adjustment was made because of the increase in the true value of the railroads and also those limits were set under the 4-R act, which was passed by the federal government. He offered exhibit 3 to the committee.

PROPOSERS: There were none.

OPPOSERS: Leo Berry, representing Burlington-Northern, stated that the railroad appreciates the efforts of Representative Williams to bring the law into line with federal requirements, but they do not feel that the current bill will accomplish that.

Representative Williams noted that he asked John LaFaver to present status of the situation with the railroads.

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John LaFaver, director of the department of revenue, advised that the bill that had been recommended and proposed by the administration would have assured local governments \$11.7 million of revenue, but that bill did not make it out of the senate. Whether this bill would strengthen the state's case, he continued, it is not for them to judge, but for a court of law to judge, but this bill certainly narrows the difference between the positions held by the state and the position held by Burlington Northern.

There were no further opponents.

QUESTIONS ON HOUSE BILL 38: Representative Gilbert indicated that it was his understanding that the state still maintains that the amount of taxes placed on the railroad in HB 240 is the correct amount that they should owe and he asked if this was not right.

Mr. LaFaver responded that it was more complicated than that and he thought the objective of a number of people was to try and get Burlington Northern's tax rate in line with other major taxpayers and the amendment adding gross and net were the only vehicles available to do that, during the last days of the session. Since that time, they have lowered the airline's tax from 14% to 12% and his legal staff, at this point, looked at the law and they felt they would much rather go into court and defend the 12% rather than 14%.

Representative Gilbert contended that the department of revenue has somewhat changed their position since 1985.

Mr. LaFaver replied that he did not feel that way and the gross and net amendment was never an amendment from the department of revenue. They understood that this was to bring the Burlington Northern tax rate in line with other major taxpayers, he

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Page Eight

explained, and he feels that the view they are taking on this bill is consistent with that stand.

There were no further questions.

Representative Williams noted that the 12% puts this in the same category as other like property and they think the formula built in is the equalization factor and if they put that at the same percentage as they do other similar property, that the factor takes care of the issue on net proceeds and gross proceeds.

The hearing on this bill was closed.

CONSIDERATION OF HOUSE BILL 45: Representative Quilici, house district 71, Butte, advised that this bill funds the public service commission and frees up \$1.6 to \$1.7 million of general fund money. He stated that this bill does not give a blank check to the public service commission and he went over the bill with the committee.

PROPOSERS: Clyde Jarvis, chairman of the public service commission, distributed exhibit 4 to the committee, stating that they believe that this is a fair method of funding the commission as there are over 100,000 customers of rural electric and rural telephone systems who are being taxed who have no source of regulation from the public service commission, and there are also people who are on alternate fuels, such as coal, wood, oil and propane, who are also paying for the funding of the commission. He urged the committee to give concurrence to this bill.

Les Loble, representing the general telephone companies in Montana, testified that they pay a public service commission tax in Washington and Oregon and they support the bill.

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Gene Phillips, representing the Pacific Power and Light, informed the committee that they serve six western states and every state, but Montana, has the public service commission funded by this method. He said that it works very well and he thought it would be beneficial to the state of Montana.

John Lahr, representing the Montana Power Company, stated that this is basically a policy decision to follow the governor's recommendation to shift this money to the general fund and to finance the operations of the commission through a fee. They feel that this is a legitimate way to do it and urged passage of this bill.

John Scully, representing A.T. & T., stressed that this bill is an excellent management tool at a time when they need it, but he wondered if, during these times, the legislative finance committee needs to have another agenda item.

John Alke, representing the Montana-Dakota Utilities, testified that they support the concepts of this bill and the bill itself as drafted.

There were no further proponents.

OPPONENTS: Julie Hacker, representing the Missoula County Freeholders, indicated that they were opposed to this bill as it was not right to bill the regulations out of the rate base from the people who pay the rates and they see this bill just as a part of budget shuffling.

There were no further opponents.

QUESTIONS ON HOUSE BILL 45: Representative Zabrocki asked what the costs would be to the municipals.

Mr. Jarvis responded that this has not been figured in the interim, but if the committee wished, he could provide those figures. He advised that it would be the same percentage.

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Page Ten

Representative Sands asked why are motor carriers not included.

Mr. Jarvis replied that at the time this bill was drafted, there was a proposal by the legislative fiscal analyst to up the stamp fee for motor carriers from \$5 to \$10 per vehicle and the motor carriers, at the present time, are paying in over \$1 million a year to the general fund and \$10 would increase that to \$2 million.

Representative Asay asked if this would be marked up.

Mr. Jarvis responded that it would not be marked up. He explained that it is a line item of so much for rent, or whatever it is, and this will be so much for a public service commission tax and he advised that the Montana public service commission also receives some federal funds for their railroad safety program.

Representative Devlin asked if they set rates for railroads, to which Mr. Jarvis replied that it was only on intrastate traffic, from one point within this state to another.

Chariman Devlin asked if they would pay the full fee as other forms of transportation or utilities do on this.

Mr. Jarvis answered that they will and on station closings, consolidations, etc., they are in before them many, many times.

Representative Sands noted that he was concerned about how this process works as it turns the appropriation committee into a taxation committee.

Representative Quilici replied that is how the process has been done for the last thirteen years and there has never been any problem with that.

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He commented that it was his understanding that the department of revenue would like to put an amendment on this bill to clear this up and make this process a little more clear and he would have no objection.

Representative Williams suggested that they have the researcher work with the department on this.

Representative Gilbert asked if they have the intention of presenting an amendment, why don't they come up and be upfront about it. He insisted that the problem was if they come in with an amendment after they are in executive session, the people who testify on the bill do not have an opportunity to comment on that amendment and he did not think that was proper.

Representative Quilici clarified that he asked them (the department) how come they did not have any problem in funding over the last thirteen or fourteen years and they said they knew there was a little problem, but after this bill was proposed, they thought they better rectify it.

Chairman Devlin noted that they will certainly have to look for better answers than that.

There were no further questions.

Representative Quilici said that he could understand why the lady who was an opponent did not want any more taxes, but they have been here for two weeks and they have made some drastic, drastic cuts and he thought it was time that the legislature start looking at generating some revenue.


The hearing on this bill was closed.


EXECUTIVE SESSION:

Taxation Committee
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Page Twelve

DISPOSITION OF HOUSE BILL 38: Representative Williams moved that this bill DO PASS. The motion carried with a vote of 12 ayes and 8 nos. See roll call vote.

ADJOURNMENT: There being no further business, the meeting adjourned at 10:05 a.m.


GERRY DEVLIN, Chairman


Alice Omang, secretary

DAILY ROLL CALL

TAXATION

COMMITTEE

49th LEGISLATIVE SESSION -- 1986

Second Special

Date _____

NAME	PRESENT	ABSENT	EXCUSED
DEVLIN, Gerry, Chairman	✓		
WILLIAMS, Mel, Vice-Chairman	✓		
ABRAMS, Hugh	✓		
ASAY, Tom	✓		
COHEN, Ben	✓		
ELLISON, Orval	✓		
GILBERT, Bob	✓		
HANSON, Marian	✓		
HARRINGTON, Dan	✓	✓	
HARP, John	✓		
IVERSON, Dennis	✓		
KEENAN, Nancy	✓		
KOEHNKE, Francis	✓		
PATTERSON, John	✓		
RANEY, Bob	✓		
REAM, Bob	✓		
SANDS, Jack	✓		
SCHYE, Ted	✓		
SWITZER, Dean	✓		
ZABROCKI, Carl	✓		

STANDING COMMITTEE REPORT

June 24 1966

Mr. Speaker: We, the committee on TAXATION

report HOUSE BILL 35

do pass
 do not pass

be concurred in
 be not concurred in

as amended
 statement of intent attached


GERRY DEVLIN

Chairman

first reading copy (white color)

ROLL CALL VOTE

Taxation COMMITTEE

Date: 6/24 Bill # ^{HB} 38 Number 1

Motion: 16 Do Pass

Name	Aye	Nay
DEVLIN, Gerry, Chm.		✓
WILLIAMS, Mel, V.Chm.	✓	
ABRAMS, Hugh	✓	
ASAY, Tom		✓
COHEN, Ben	✓	
ELLISON, Orval		✓
GILBERT, Bob		✓
HANSON, Marian		✓
HARRINGTON, Dan	✓	
HARP, John	✓	
IVERSON, Dennis		✓
KEENAN, Nancy	✓	
KOEHNKE, Francis	✓	
PATTERSON, John		✓
RANEY, Bob	✓	
REAM, Bob	✓	
SANDS, Jack	✓	
SCHYE, Ted	✓	
SWITZER, Dean		✓
ZABROCKI, Carl	✓	
Totals	12	8

EXHIBIT 1
HB 35
6/24/86
Peter Antonidi

TESTIMONY OF PETER S. ANTONIOLI
JUNE 24, 1986

REESTABLISHMENT OF SEPARATE CLASSIFICATION FOR PATENTED
MINING CLAIMS

1986 represents the first time that new appraisals have been made on patented mining claims that reflect the provisions of enactments of the 1979 legislature that use the test of "productivity" or "market" as the mechanism for placing values on tracts of land for taxation purposes.

This has had a devastating impact on those owners of patented mining claims since the definition of "productivity" did not include the development and production of the mineral estate. They have seen their appraised values rise several thousand percent with an equally dramatic impact on their taxes.

As an example, a patented mining claim might have agriculture land on one side (valued at \$3.75 per acre if bona fide) and forestry on the other (valued at something less than \$50.00 per acre if bona fide) and find that because of the "market" test, the land on the patented mining claim is valued at from \$100.00 to \$5000.00 per acre.

Past legislatures have had the foresight to enact rules that the Department of Revenue must use when appraising land that is held for bona fide agriculture or forestry purposes. These rules ensure that those owners are protected from the impact of having their lands appraised for recreational or suburban purposes to insure that the true productive values of the land are not lost to some short term recreational benefit.

The time has come to extend this same protection to owners of patented mining claims who maintain their ownership for bona fide mineral production purposes. Agriculture and forestry represent a productive segment of Montana's economy. Minerals have in the past and will also in the future contribute to the productive capacity of Montana.

Owners of patented mining claims, and the mineral industry that they represent, need your help if we are to prevent the loss of this key source of productive capacity, tax revenue and potential for jobs for the State of Montana.

Draw the rules so that abuse cannot take place and if the owner has a cabin or other recreational retreat, value it according to the market test. For those who maintain their interest in these patented mining claims for the development of the mineral estate, however, please protect them as you have agriculture and forestry.

I urge your support of this bill.

Thank you.

(1)

LX 01011 2
HB 35
6/24/86
George Richardson

RICHARDSON & RICHARDSON P.C.

Attorneys at Law

GEORGE W. RICHARDSON

2000 HARRISON AVENUE
BUTTE, MONTANA 59701
PHONE: 406-782-3295

June 24, 1986

Honorable Committe of Taxation
Capital of Montana
Helena, Montana 59601

Dear Members:

We are having a nightmare in Silver Bow County with the extremely high and unreasonable appraisal value being placed on patented mining claims for 1986. Owners cannot pay the high taxes which will result from this, or they will face bankruptcy. Metals are so depressed in value, Butte has lost much of its taxable value with the closing down of mining. The few small gold mining ventures are struggling without high taxes (the water shortage may put them out of business). I am both owner and representative of owners.

There is no law covering appraisal of mining claims as such. We have production taxes on Net and Gross Proceeds. Most claims by nature are barren rocky surface. The Department of Revenue needs a reasonable guideline to appraise the value of mining property. Classification should consider the soil and productive capacity and if its major use is other than being held for mining that should be considered, but not arbitrarily and without reason.

Without guidelines, mining claims in Silver Bow County were arbitrarily and unreasonably classified-erroneously-Agricultural. This is being changed and without a new classification is given an confiscatory value of about \$1,000.00 per acre. I cite three claims to illustrate the inequity of these appraisals, random examples of the more than thirty appeals I now have.

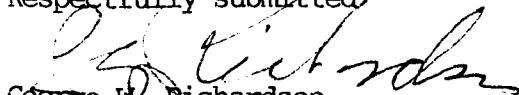
Sorrel Mike Lode 1548 Sec 1, T3N R8W, 19.59 acres appraised \$19,590.00- increased from \$74.00 last year.

Jumper Lode 2307. Sec. 10, T3N, R7W, 12.95 acres, appraised \$12,950.00- increased from \$48.00 last year.

Birdie Lode, 6076, Sec. 14, T3N, R7W, 15.68 acres, appraised \$15,680.00- increased from \$60.00 last year.

We could live with a reasonable increase, but without guidelines the Department of Revenue has no training nor experience to appraise mining claims, which are doubly taxed anyway. The Legislature should immediately fill this void and set guidelines. Please help us survive, and thank you for your consideration.

Respectfully submitted,


George W. Richardson

(2)

Exhibit 3

HB 35

June 24, 1986

Margaret Reeb

June 24, 1986

TESTIMONY ON HOUSE BILL 35

By Margaret I. Reeb

Box 301

Livingston, Montana 59047

Mr. Chairman and members of the committee: My name is Margaret Reeb, and I am the owner of patented mining claims in Park County. My family represents fifth generation ownership and taxes have been paid on these lands since the 1880's.

I strongly oppose the reclassification of patented mining claims as suburban tract lands, and urge that the legislature return them to their RIGHTFUL classification as patented mining claims under House Bill 35.

My group of patented mining claims in the NEW WORLD MINING DISTRICT of southern Park County carried a taxable valuation in 1985 of \$2,121.00. The 1986 taxable valuation which unfairly names them "suburban lands" has jumped their valuation from \$2,121.00 to \$315,165! I believe you would agree that this kind of increase is truly beyond reason.

These patented lands lie in a valid, historically important mining district that is a valuable asset to the state of Montana. They lie in an area that extends from 7,800 feet altitude to an altitude that rises over 10,000 feet. The area is accessible only from 2 to 4 months out of the year. They do not have an improved water system, a sewage system, or electricity at the present time - nor is there even a habitable cabin on one of them - they are mining claims. At the present time they are non-income producing but they have great potential. I urge and thank our legislators for returning them to their RIGHTFUL status as patented mining claims.

BURLINGTON NORTHERN INC.

Exhibit 3
HB 38
6/24/86
Rep. Williams

JOHN N. ETCHART
Vice President

June 23, 1986

The Honorable Mel Williams
State Representative
Capitol Station
Helena, MT 59620

Dear Mel:

I am aware that you have introduced legislation dealing with railroad property taxes in the special session. It is my understanding that this bill is similar to HB 15 from the March session which placed a cap of 12% on the applicable tax rate.

So that you will understand Burlington Northern Railroad's position, I have enclosed a copy of a letter sent to Governor Schwinden in April which addresses this matter. Our position has not changed: even with such legislation, Montana's tax laws will violate federal law regarding the taxation of railroads. BN will, however, pay all taxes it is legally obligated to pay. In 1986, barring statutory changes this payment will approximate the \$8.7 million paid in 1985. I am sure that you appreciate the need to contest the portion of the taxes believed to be invalid.

Sincerely,


John Etchart

cc: Governor Ted Schwinden
Senator Bill Norman
Senator Stan Stephens
Representative Bob Marks
Representative John Vincent

BURLINGTON NORTHERN INC.

JOHN N. ETCHART
Vice President

April 7, 1986

Governor Ted Schwinden
Governor's Office
Capitol Station
Helena, MT 59620

Dear Governor Schwinden:

I am writing to express my appreciation to you for making the effort to deal with the taxation of the Burlington Northern Railroad in last week's Special Session. I would particularly like to compliment and thank Terry Cohea and your staff who worked hard in the effort to reach a compromise in this very difficult problem.

BN's intentions in entering into negotiations which led to SB 8 are simple: We see the clear need to change our relationship with Montanans for the better, and the compromise in SB 8 was an effort to avoid the discord inherent in any legal battle. We looked hard for a way to avoid litigation.

For my part, I am disappointed that the initiative failed. And I must tell you that I think it was a mistake for the Legislature to pass up the opportunities provided in SB 8. I agree with the bill's sponsor, Senator Van Valkenburg, who said that "the critics of this bill understate the state's risks in litigation and overstate the financial gains."

We appreciate also the House efforts to improve upon HB 240. While I recognize that these bills were well-intentioned, unfortunately I am compelled to say that HB 15 and HB 19 failed to comply with the provisions of federal law and provide little basis for us to reach a mutually acceptable compromise. I think you understand that in its effort to accomplish fair and valid taxes, Burlington Northern cannot negotiate away its federally protected rights.

During the Special Session, some accused BN of dictating the amount of tax we would pay. You and your staff know that the negotiated compromise reached in SB 8 increased our taxes in Montana for 1986 by 20% and by millions of dollars over our interpretation of what the federal law requires.

Governor Ted Schwinden

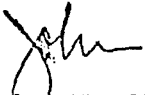
2

April 7, 1986

Others question whether Burlington Northern should protest and litigate its taxes. It is never improper for any taxpayer to seek relief from invalid taxation. So, if Burlington Northern does return to court on this issue, it will only be because we were unable to obtain compliance with the federal requirements for the taxation of railroads through the legislative process.

Despite what might be considered a setback, I remain committed to improving the relationship between Montana and BN and your efforts, along with those of the sponsors of SB 8, have aided that effort.

Respectfully,



John N. Etchart

6/17/86

COST FOR AVERAGE RESIDENTIAL CUSTOMER
MPSC Tax
@2.5X 1985 MCC Tax Rate

	<u>Month</u>	<u>Annual</u>
MPC Electric	\$.068	\$.8117
MPC Gas	\$.102	\$1.2206
MDU Electric	\$.092	\$1.11
MDU Gas	\$.106	\$1.27
PP&L	\$.067	\$.80
MBT	\$.088	\$1.06

(4)

HB015 AS INTRODUCED
 FIGURES IN THOUSANDS
 DATE: 02/26/86

HP-2-110

HP-3-B

HP-3-B

Railroads :		CURRENT						PROPOSED						DIFFERENCE					
Tax Year	Fiscal Year	Tax Rate	Taxable Value	Total Tax	Univ. 6 Mills	Found. 45 Mills	Loc. Gov. Tax	Taxable Value	Total Tax	Univ. 6 Mills	Found. 45 Mills	Loc. Gov. Tax	Total Tax	Univ. 6 Mills	Found. 45 Mills	Loc. Gov. Tax			
1986	1987	14.00%	69,237	16,617	415	3,116	13,086	59,346	14,243	356	2,671	11,216	(2,374)	(59)	(445)	(1,870)			
1987	1988	12.05%	61,636	14,783	370	2,774	11,649	61,301	14,731	368	2,762	11,601	(62)	(2)	(12)	(48)			
1988	1989	11.90%	62,887	15,093	377	2,830	11,886	62,887	15,093	377	2,830	11,886	0	0	0	0			
1989	1990	11.69%	63,759	15,302	383	2,869	12,051	63,759	15,302	383	2,869	12,051	0	0	0	0			
1990	1991	11.42%	64,223	15,414	385	2,890	12,138	64,223	15,414	385	2,890	12,138	0	0	0	0			
1991	1992	11.34%	65,696	15,767	394	2,956	12,417	65,696	15,767	394	2,956	12,417	0	0	0	0			

Airlines :		CURRENT						PROPOSED						DIFFERENCE					
Tax Year	Fiscal Year	Tax Rate	Taxable Value	Total Tax	Univ. 6 Mills	Found. 45 Mills	Loc. Gov. Tax	Taxable Value	Total Tax	Univ. 6 Mills	Found. 45 Mills	Loc. Gov. Tax	Total Tax	Univ. 6 Mills	Found. 45 Mills	Loc. Gov. Tax			
1986	1987	14.00%	4,500	1,409	27	203	1,269	3,857	1,284	23	174	1,086	(215)	(4)	(29)	(181)			
1987	1988	12.05%	3,873	1,290	23	174	1,092	3,857	1,284	23	174	1,086	(6)	0	0	(4)			
1988	1989	11.90%	3,825	1,274	23	172	1,079	3,825	1,274	23	172	1,079	0	0	0	0			
1989	1990	11.69%	3,757	1,251	23	169	1,059	3,757	1,251	23	169	1,060	0	0	0	1			
1990	1991	11.42%	3,671	1,222	22	165	1,035	3,671	1,222	22	165	1,035	0	0	0	0			
1991	1992	11.34%	3,645	1,214	22	164	1,028	3,645	1,214	22	164	1,028	0	0	0	0			

Totals :		CURRENT						PROPOSED						DIFFERENCE					
Tax Year	Fiscal Year	Tax Rate	Taxable Value	Total Tax	Univ. 6 Mills	Found. 45 Mills	Loc. Gov. Tax	Taxable Value	Total Tax	Univ. 6 Mills	Found. 45 Mills	Loc. Gov. Tax	Total Tax	Univ. 6 Mills	Found. 45 Mills	Loc. Gov. Tax			
1986	1987		73,737	18,116	442	3,219	14,355	63,203	15,527	379	2,845	12,304	(2,589)	(63)	(474)	(2,051)			
1987	1988		65,509	16,063	393	2,948	12,741	65,238	16,015	391	2,936	12,589	(68)	(2)	(12)	(52)			
1988	1989		66,712	16,387	400	3,002	12,965	66,712	16,387	400	3,002	12,965	0	0	0	0			
1989	1990		67,516	16,553	406	3,038	13,110	67,517	16,553	406	3,038	13,111	0	0	0	1			
1990	1991		67,894	16,636	407	3,055	13,173	67,894	16,636	407	3,055	13,173	0	0	0	0			
1991	1992		69,341	16,981	416	3,120	13,445	69,341	16,981	416	3,120	13,445	0	0	0	0			

NOTE: FIGURES MAY NOT ADD DUE TO ROUNDING

VISITORS' REGISTER

TAXATION

COMMITTEE

BILL NO. HB 45

DATE June 24, 1986

SPONSOR Representative Quilici

NAME (please print)	REPRESENTING	SUPPORT	OPPOSE
CLYDE JARVIS	PSC	✓	
Lester H Loble	Gen. Tel. Co of The Northwest, INC	✓	
MARCELINE COTTRELL	PSC	✓	
John Sully	AT&T	✓	
Dan Elliott	PSC	✓	
Bob Nelson	PSC	✓	
John Aale	MDU	✓	
Julie Harker	Mesa Co. Freeholders		X
GENE PHILLIPS	PACIFIC POWER & LIGHT	X	
RUSS BROWN	NORTHERN PLAINS RES CO		
Theresa Oshorn	Mesa Co Freeholders		X
John J. Johnson	Mesa Co Freeholders		X
John A. Labr	MPC	X	
Edward E. Beach	Mesa Co Freeholders		X
Howard L. Klein	Mr P. S. C.	X	

IF YOU CARE TO WRITE COMMENTS, ASK SECRETARY FOR WITNESS STATEMENT FOR

PLEASE LEAVE PREPARED STATEMENT WITH SECRETARY.

VISITORS' REGISTER

TAXATION

COMMITTEE

BILL NO. HB 35

DATE June 24, 1986

SPONSOR Representative Menahan

NAME (please print)	REPRESENTING	SUPPORT	OPPOSE
Ward Menahan	Emeralda Portues	X	
PETER S. ANTONIOLI	SELF	X	
Frank Antonid.	Contact Mining Co. & Self	X	
Dennis Buser	MONTAX	X	
Flora Lanaley	MONTANA MINING ASSN	✓	
T. M. Robbins	ASARCO, Inc	✓	
Jon C. Cowles	Cowles Mng. Co.	✓	
John Cowles	Self	✓	
Margaret Reeb	Reeb family	✓	
David B. Romo	Plexus Inc	✓	
Edward E. Beach	Missoula County Freeholder	✓	
Howard K. Ellis	MT P.S.C.	✓	

IF YOU CARE TO WRITE COMMENTS, ASK SECRETARY FOR WITNESS STATEMENT FORM.

PLEASE LEAVE PREPARED STATEMENT WITH SECRETARY.

VISITORS' REGISTER

TAXATION

COMMITTEE

BILL NO. HB 38

DATE June 24, 1986

SPONSOR Representative Williams

NAME (please print)	REPRESENTING	SUPPORT	OPPOSE
STAN KALECZYK	BURLINGTON NORTHERN		X

IF YOU CARE TO WRITE COMMENTS, ASK SECRETARY FOR WITNESS STATEMENT FOR
PLEASE LEAVE PREPARED STATEMENT WITH SECRETARY.

PUBLIC SERVICE COMMISSION

2701 Prospect Avenue • Helena, Montana 59620
Telephone: (406) 444-6199

Clyde Jarvis, Chairman
Howard Ellis, Vice Chairman
John Driscoll
Tom Monahan
Danny Oberg

June 25, 1986

Representative Gerry Devlin
Chairman, House Taxation Committee
Capitol Station
Helena, MT 59620

RE: HB45 (PSC Funding)

Dear Chairman Devlin:

During the recent hearing on HB45 (PSC funding), Representative Sands inquired as to the meaning and intent of a provision in the bill which states: "Any additional money required for operation of the department must be obtained from other sources in a manner authorized by the legislature." p. 2, ll. 18-21. The purpose of this letter is to follow up on the commitment made to provide further clarification of that provision. Also attached to this letter is a table of information in response to Representative Zabrocki's question concerning impact on commercial customers.

First, it should be noted that HB45 was designed as a virtual copy of the consumer counsel tax which has had a very successful history. Section 69-1-223(3), MCA, (funding of Consumer Counsel), currently contains language identical to that quoted above.

Second, this language provides for a response to extraordinary circumstances where, for example, some occurrence causes the Commission's expenses to exceed both its base and contingency appropriations. The Commission is then given the opportunity to seek a general fund supplemental appropriation, just as any other agency (including the Commission under current conditions) is able to do. The Commission may also seek authority to spend funds from other sources, such as the Federal government; testimony on HB301 in the 46th Legislature (when the provision was placed in the consumer counsel laws) explicitly refers to Federal funds in response to an identical question.

Representative Gerry Devlin
June 25, 1986
Page 2

Finally, this provision reinforces the proposition that, regardless of its method of funding, the PSC may not expend any money without legislative authorization. In this sense, it is a protection of strict legislative oversight, again a major rationale for this language in the 46th Legislature's review of HB301.

I hope this addresses Representatives Sands' and Zabrocki's questions. Thank you for your consideration of HB45, and please let me know if the Commission can provide further information.

Sincerely,



Robert A. Nelson
Chief Legal Counsel

RAN/dlc

cc: Committee Members
Representative Quilici

RICHARDSON & RICHARDSON P.C.

Attorneys at Law

GEORGE W. RICHARDSON

2000 HARRISON AVENUE
BUTTE, MONTANA 59701
PHONE: 406-782-3295

June 24, 1986

Honorable Committee of Taxation
Capital of Montana
Helena, Montana 59601

Dear Members:

We are having a nightmare in Silver Bow County with the extremely high and unreasonable appraisal value being placed on patented mining claims for 1986. Owners cannot pay the high taxes which will result from this, or they will face bankruptcy. Metals are so depressed in value, Butte has lost much of its taxable value with the closing down of mining. The few small gold mining ventures are struggling without high taxes (the water shortage may put them out of business). I am both owner and representative of owners.

There is no law covering appraisal of mining claims as such. We have production taxes on Net and Gross Proceeds. Most claims by nature are barren rocky surface. The Department of Revenue needs a reasonable guideline to appraise the value of mining property. Classification should consider the soil and productive capacity and if its major use is other than being held for mining that should be considered, but not arbitrarily and without reason.

Without guidelines, mining claims in Silver Bow County were arbitrarily and unreasonably classified--erroneously--Agricultural. This is being changed and without a new classification is given an confiscatory value of about \$1,000.00 per acre. I cite three claims to illustrate the inequity of these appraisals, random examples of the more than thirty appeals I now have.

Sorrel Mike Lode 1548 Sec 1, T3N R3W, 19.59 acres appraised \$19,590.00- increased from \$74.00 last year. *28⁰⁰*

Jumper Lode 2307. Sec. 10, T3N, R7W, 12.95 acres, appraised \$12,950.00- increased from \$48.00 last year. *39⁰⁰*

Birdie Lode, 6076, Sec. 14, T3N, R7W, 15.68 acres, appraised \$15,680.00- increased from \$60.00 last year. *# 48⁰⁰*

We could live with a reasonable increase, but without guidelines the Department of Revenue has no training nor experience to appraise mining claims, which are doubly taxed anyway. The Legislature should immediately fill this void and set guidelines. Please help us survive, and thank you for your consideration.



PUBLIC SERVICE COMMISSION

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June 25, 1986

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June 25, 1986
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Sincerely,



Robert A. Nelson
Chief Legal Counsel

RAN/dlc

cc: Committee Members
Representative Quilici

June 22, 1986

COST FOR COMMERCIAL CUSTOMERS (A)

MPSC Tax
@ 2.5 X 1985 MCC Tax Rate

	<u>Monthly</u>	<u>Annual</u>
MPC Electric	.38¢	\$4.51
MPC Gas	.55¢	\$6.61
MDU Electric	.51¢	\$6.17
MDU Gas	.57¢	\$6.88
PP&L	.33¢	\$3.97
MBT	.18¢	\$2.12

(A). Average of small and medium sized businesses. (50,000 Kwh; 650 Mcf; 2 telephone lines). This includes the majority of businesses. The impact on large businesses and industrial customers would be their monthly bill times 1/4 of 1%.

WITNESS STATEMENT

NAME Lester H Lovley, II BILL NO. 45
ADDRESS Box 176 Helena MT 59624 DATE 4/29/86
WHOM DO YOU REPRESENT? General Telephone Company of the Northwest, Inc
SUPPORT X OPPOSE _____ AMEND _____

PLEASE LEAVE PREPARED STATEMENT WITH SECRETARY.

Comments: Public Service Commissions in other states are funded by a mechanism similar to the one in this bill. General Telephone supports HB45

June 22, 1986

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MPSC Tax
@ 2.5 X 1985 MCC Tax Rate

	<u>Monthly</u>	<u>Annual</u>
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PP&L	.33¢	\$3.97
MBT	.18¢	\$2.12

(A). Average of small and medium sized businesses. (50,000 Kwh; 650 Mcf; 2 telephone lines). This includes the majority of businesses. The impact on large businesses and industrial customers would be their monthly bill times 1/4 of 1%.

WITNESS STATEMENT

NAME

Judi Hacker

BILL NO.

HB 45

ADDRESS

AR Box 335 Brainer

DATE

WHOM DO YOU REPRESENT?

Adla Co. Insulators

SUPPORT

OPPOSE

X

AMEND

PLEASE LEAVE PREPARED STATEMENT WITH SECRETARY.

Comments:

*1.6 million dollars passed on
to the consumer.*

WITNESS STATEMENT

NAME WARD SHANAHAN BILL NO. HB 35
ADDRESS 917 GILBERT - ALENDA DATE 6-24-86
WHOM DO YOU REPRESENT? ESMERALDA PARTNERS
SUPPORT X OPPOSE _____ AMEND _____

PLEASE LEAVE PREPARED STATEMENT WITH SECRETARY.

Comments:

Will make oral statement

WITNESS STATEMENT

NAME John Alke BILL NO. 45
ADDRESS 406 Fuller DATE 6/24
WHOM DO YOU REPRESENT? MOU
SUPPORT OPPOSE _____ AMEND _____

PLEASE LEAVE PREPARED STATEMENT WITH SECRETARY.

Comments:

WITNESS STATEMENT

NAME PETER S. ANTONIOLI BILL NO. 35
ADDRESS P.O. Box 791 BUTTE DATE 6/24
WHOM DO YOU REPRESENT? SELF
SUPPORT X OPPOSE _____ AMEND _____

PLEASE LEAVE PREPARED STATEMENT WITH SECRETARY.

Comments: Will submit written statement.

WITNESS STATEMENT

NAME Frank Antonicki BILL NO. _____
ADDRESS 724 So. Western Ave. D. Ho. DATE 6/24/86
WHOM DO YOU REPRESENT? Quartz Mining Co. & Self.
SUPPORT X OPPOSE _____ AMEND _____

PLEASE LEAVE PREPARED STATEMENT WITH SECRETARY.

Comments:

Will make Oral Statement

WITNESS STATEMENT

NAME DAVID B. RUVIL BILL NO. H1335
ADDRESS 510 Petroleum Bldg Billings 59101 DATE 6/24/86
WHOM DO YOU REPRESENT? Plexus Inc
SUPPORT OPPOSE AMEND

PLEASE LEAVE PREPARED STATEMENT WITH SECRETARY.

Comments:

and eval