

MINUTES OF THE MEETING  
TAXATION COMMITTEE  
HOUSE OF REPRESENTATIVES  
50TH LEGISLATIVE SESSION

January 26, 1987

The meeting of the Taxation Committee was called to order by Chairman Ramirez, on January 26, 1987, at 9 a.m. in Room 312B of the State Capitol.

ROLL CALL: All members were present. Also present was Dave Bohyer, Researcher, Legislative Council.

CONSIDERATION OF HOUSE BILL NO. 157: Rep. John Mercer, House District #50, sponsor of HB 157, said the bill would reduce the tax on tour boats in Montana, from Class 16 to Class 5. He explained that the 11 residents of Polson purchased the boat pictured in the brochure he provided (Exhibit #1) for \$150,000, and have operated a boat tour on Flathead Lake at a loss the past two years. Rep. Mercer explained that that tax on a boat valued at \$11,550 is \$3,578, and that the bill would exempt boats not less than 40' in length that are intended primarily for tourism promotion (Exhibit #2).

PROPOSERS OF HOUSE BILL NO. 157: Dick Wallin, Polson, representing Flathead Tour Operations and the Port of Polson Princess, said he anticipated it would take two or three years to operate at a profit. He advised there is a need to reduce fixed costs such as taxes, insurance and fees, which amount to 50% of operating costs (Exhibit #3).

Tim Crawford, Gates of the Mountains, stated that if HB 157 passes, it will keep operating expenses down for the three tour boats he operates now.

OPPOSERS OF HOUSE BILL NO. 157: There were no opposers of HB 157.

QUESTIONS ON HOUSE BILL NO. 157: Rep. Ellison asked how many tour boats operate in the state. Mr. Wallin replied he was only aware of those at Gates of the Mountain and at Bigfork.

Rep. Asay asked if those tour boats are for-profit operations. Mr. Wallin replied that so far, they are non-profit, but hope to make profits as Montana corporations.

CLOSING ON HOUSE BILL NO. 157: Rep. Mercer advised that Polson is a small community and is dependent upon tourists. He said a tax break would be appreciated.

TAXATION COMMITTEE

January 26, 1987

Page 2.

Rep. Ramirez advised he will hold HB 157, as it can be discussed with several other bills of its class. He added that information has been requested from DOR on property class changes.

CONSIDERATION OF HOUSE BILL NO. 150: Rep. John Cobb, House District #42, sponsor of HB 150, said the bill would delete the requirement that one acre of Class 14 property beneath agricultural improvements, be valued at market value. He said the bill provides an immediate effective date, and a retroactive applicability date. Rep. Cobb stated that at \$12 per acre, the valuation is not cost effective and said appraisers can only review about four such parcels of land per day.

PROPOSERS OF HOUSE BILL NO. 150: Dennis Burr, Montana Taxpayers Association, advised that the legislature decided this tax should be imposed and that the action was resisted by the DOR, then repealed the next legislative session. He stated HB 150 would put the legislature into the same situation, which originally pertained to wells and septic tanks on such property. He advised that wells and septic tanks are taken care of in the valuation of a house on such property, and asked the Committee to approve the bill.

Jo Bruner, Montana Grain Growers and Cattlefeeders Associations, read from a prepared statement in support of the bill (Exhibit #4). She said her organizations originally worked for passage of the "greenbelt bill" but had no intention of having that one acre of land valued the same as adjacent lands of greater value. Ms. Bruner stated she supports Rep. Cobb's efforts, and submitted a copy of written testimony from the Montana Cattlemen's Association (Exhibit #5).

Shirley Voll, WIFE, stated her support of the bill.

Kim Enkerud, Montana Stockgrowers and Cattlewomen, urged the Committee to support the bill.

Lorna Frank, Montana Farm Bureau, stated her support of the bill.

Oric Ellis, a Helena Valley farmer, stated his support of HB 150.

OPPOSERS OF HOUSE BILL NO. 150: There were no opposers of the bill.

TECHNICAL COMMENTS ON HOUSE BILL NO. 150: Greg Groepper, DOR, advised that the fiscal note doesn't address retroactive application of the bill. He explained that if the bill is to be effective this year, it would require funding to complete necessary work of assessing 22,000 farms by April, 1987.

QUESTIONS ON HOUSE BILL NO. 150: Rep. Asay asked about the effective date. Rep. Cobb replied that he would be amenable to a change in the effective date.

Chairman Ramirez asked what the savings in administrative costs would be, as they are not reflected in the fiscal note. Mr. Groepper replied he was uncertain, but that there would be some cost involved in making administrative changes.

Rep. Ream stated that the 1985 Legislature changed the agricultural definition for such land to \$1,500 in income and improvements, and required that it be taxed as Class 14 property. He asked if two ten-acre parcels were adjacent to each other and one brought in more than \$1,500, if it would be taxed at a greater rate. Greg Groepper replied that would be correct.

Rep. Williams asked if a similar home, on such acreage, which did not bring in more than \$1,500 (from a crop such as cherries), would be assessed differently. Greg Groepper replied that assuming the land is worth \$80,000, with one acre of cherries at \$80,000, would have four acres reduced by 40% and the remaining acreage assessed at full value.

CLOSING ON HOUSE BILL NO. 150: Rep. Cobb stated that the cost of administering the program now outweighs the benefits, and said the bill would result in time savings to DOR.

DISCUSSION OF OTHER BUSINESS: Chairman Ramirez advised that the Committee would meet at 8 a.m. on January 27, 1987, to take executive action on the gas tax bill.

Rep. Sands requested DOH information prior to a Committee vote.

Rep. Ellison advised that, according to information he received from DOH, costs of building highways has increased.

Rep. Koehnke added that Gary Wicks, Director DOH, had advised that bids were 10-15% less than they were two years ago.

ADJOURNMENT: There being no further business before the Committee, the meeting was adjourned at 10:45 a.m.

  
\_\_\_\_\_  
Representative Jack Ramirez,  
Chairman

DAILY ROLL CALL

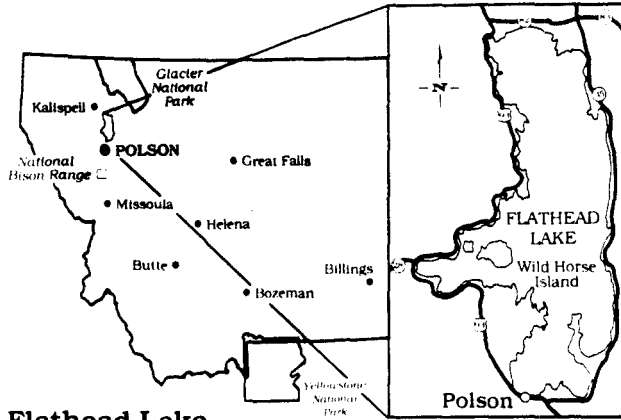
HOUSE TAXATION COMMITTEE

50th LEGISLATIVE SESSION -- 1987

Date 1-26-87

NAME	PRESENT	ABSENT	EXCUSED
REP. RAMIREZ	7		
REP. ASAY	7		
REP. ELLISON	7		
REP. GILBERT	7		
REP. HANSON	7		
REP. HARP	7		
REP. HARRINGTON	7		
REP. HOFFMAN	7		
REP. KEENAN	7		
REP. KOEHNKE	7		
REP. PATTERSON	7		
REP. RANEY	7		
REP. REAM	7		
REP. SANDS	7		
REP. SCHYE	7		
REP. WILLIAMS	7		

Port Polson Princess Tours  
 Departing from Downtown  
 Polson, Montana



**Flathead Lake**

Largest freshwater lake west of the Mississippi  
 28 miles long; 12 miles wide; 300 feet deep  
 Numerous islands

**Luxury Boat Tours**

Accommodates 40 inside and 10 on upper deck	41 feet in length
Twin diesel engines	Temperature controlled cabin
35 mph top speed	Handicapped welcome
15 to 25 mph cruise	Restroom

**Convenient Schedules**

Reservations suggested. Two-hour cruises daily, June through September.

**Departure Times**

**Rates**

10:30 a.m.	Adults	\$10
1:00 p.m.	Children (under 12)	\$ 5
3:30 p.m.	Children (under 6)	Free
7:00 p.m.	Families	\$25
	<i>(Parents and up to 3 children; additional children \$5 each)</i>	

**DISCOUNT TO SENIOR CITIZENS**

Groups and charter rates available. We're happy to make Flathead area tour arrangements for tour operators.

*For information or reservations contact:*

**Flathead Tours, Inc.,**  
 P.O. Box 185, Polson, Montana 59860  
 Phone (406) 883-2448

**The Navigator,**  
 Polson, Montana  
 Phone (800) 332-7148 Toll Free

**Montana Leisure,**  
 Kalispell, Montana  
 Phone (406) 755-1032

Tour Beautiful Flathead  
 Lake Area



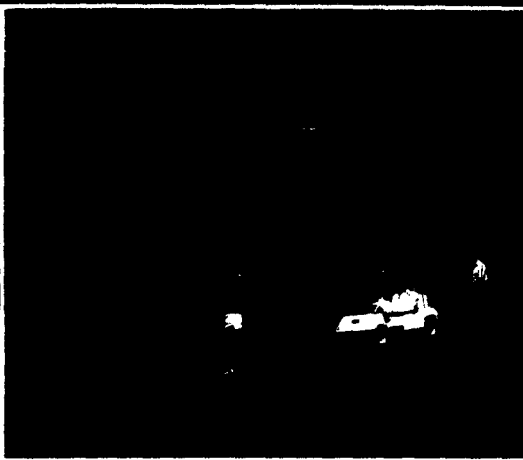
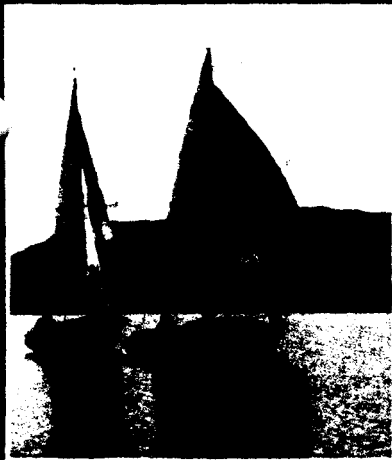
**PORT  
 POLSON  
 PRINCESS**



*See Famed  
 Wild Horse Island featured  
 on Marlin Perkin's  
 "WILD KINGDOM"!*

*Daily cruises June through  
 September departing from  
 downtown Polson, Montana  
 just south of  
 Glacier National Park*

# Welcome Aboard a Scenic Cruise on Flathead Lake



Flathead Lake, the largest natural freshwater lake west of the Mississippi is the crown jewel of the Montana Rockies. Centered in some of the most breathtaking scenery in the country, Flathead is bordered by the majestic Mission Mountains to the east, and Glacier National Park to the north. Its crystal clear waters stretch mile after mile in a magnificent setting of unsurpassed mountain beauty. Snowcapped peaks look down on the lush Mission Valley where temperatures are so mild that cherry orchards thrive along the lake's shores.

At the port city of Polson, it's time for a relaxing break from the confines of your car or motorcoach to board the Port Polson Princess cabin cruiser. You'll enjoy an exhilarating two-hour tour of spectacular sights and areas that are accessible only by boat. You'll cruise around famed Wild Horse Island Game Refuge recently featured on Marlin Perkin's "Wild Kingdom." Perhaps you'll glimpse the reclusive creatures through the complementary binoculars aboard the Princess. Then it's on to Bird Island — a natural sanctuary to osprey, eagles and great blue heron. Enjoy a view of the towering Mission Mountains, or ponder the existence

of the legendary "Flathead Monster." Some guests have even sighted a mermaid splashing in the blue or basking in the sun!

**Your tour guide will narrate your trip on the geological and ecological features of the area.** You'll learn how the Flathead was created during the glacial age as mammoth ice fields carved out the earth.

Your journey will take you to the easternmost shore of the Flathead and back in utmost comfort. The easy boarding Princess features a temperature-controlled cabin to accommodate 40 passengers with a restroom on board. For the adventuresome, experience the open air seating available on the Princess' upper deck. It's a trip you'll never forget!

After your Princess tour, take in a round of golf on Polson's Country Club Golf Course located right at the water's edge, or take a leisurely drive to the National Bison Range just 20 miles south. Overnight lodging is plentiful in Polson and luxury condos are available by the night, week or longer at Bear Harbor Resort.



-Y2  
HB 157  
1-26

#2  
DATE 1-26-87  
HB 157

THIS CERTIFICATE  
EXPIRES  
December 31, 1986

REGISTRAR'S BUREAU - MOTOR VEHICLE DIVISION  
DEER LODGE, MONTANA 59722

DECAL NUMBER  
E 34762  
BOAT NUMBER  
MT 153 6AC

OFFICIAL CERTIFICATE OF BOAT NUMBER

FILE COPY - KEEP FOR RE-REGISTRATION

TRANSFER  
 RENEWAL  DUPLICATE DECAL

1. HULL IDENT. NO.  
2. MANUFACTURER **RX Glacier Boat Builders**  
3. HULL LENGTH **41'**  
4. HULL MATERIAL **FBGL**  
5. MODEL NAME **Cruise Boat**  
6. YEAR BOAT BUILT **1985**  
7. USE OF BOAT **Commercial**  
8. TYPE OF PROPULSION **IB**  
9. FUEL **Diesel**  
10. MOTOR YEAR **MAKE**  
11. HORSE POWER **Twin Engine Total 500HP**  
12. STATE OF PRINCIPAL USE **Montana**

OWNER'S NAME AND ADDRESS  
**Flathead Tours Inc.,  
219 Main Street  
Polson, Montana 59860**

COUNTY TAX \$ **3536.48**  
BOAT DECAL **1.00**  
DUPLICATE DECAL  
TOTAL **3537.48**

NOT TRANSFERABLE

REGISTRATION FEE	MARKET VAL	TAXABLE VAL	REGISTRATION	VALIDITY	COUNTY	TREASURER	DATE	OWNER'S SIGNATURE
	105000	11550	23P	ERT	Lake	VL	9/10/86	<i>Dick W. Blinn</i> Flathead

OWNER COPY *W*

276445

FLATHEAD TOURS, INC.  
STATEMENT OF INCOME  
FOR THE YEAR ENDED DECEMBER 31, 1986

EXHIBIT #3  
1-26-87  
157

INCOME FROM OPERATIONS:

Tours	\$ 36,143	
Business Contribution	1,000	
Repair Reimbursement	1,000	
T-Shirt Sales	<u>282</u>	
Total Operating Income		\$ 38,425

OPERATING EXPENSES:

Advertising & Promotion	\$ 3,681	
Bad Checks	25	
Commissions	2	
Depreciation	15,257	
Dues	141	
Fees - Tribal	2,500	
Fuel & Oil	3,819	
Insurance - Business	6,653	
- Workers' Compensation	385	
Interest	12,179	
Legal & Accounting	73	
Office & Administrative	52	
Passenger Accidents - Ins. Deductible	250	
Rent	600	
Repairs & Maintenance	1,639	
Supplies	350	
Taxes - Payroll	829	
- Property	3,538	
Utilities	612	
Wages	<u>6,455</u>	
Total Operating Expense		<u>59,040</u>
NET (LOSS) FROM OPERATIONS		\$ (20,615)

OTHER INCOME:

Interest	<u>448</u>	
NET (LOSS) FOR YEAR ENDED DECEMBER 31, 1986		\$ <u><u>(20,167)</u></u>

See Notes to Financial Statements



FLATHEAD TOURS, INC.  
Income Statement  
For the Year Ended  
December 31, 1986

Gross Receipts	\$28,592	
Cost of Goods Sold	<u>93</u>	
Gross Profit		\$28,499
Expenses:		
Wages	7,509	
Repairs	1,835	
Taxes	5,460	
Interest	9,903	
Depreciation	21,375	
Advertising	1,122	
Legal & Professional	71	
Insurance	5,200	
Promotions	5,451	
Utilities	742	
Supplies	1,827	
Tribal Fees	2,507	
Fuel	6,179	
Miscellaneous	1,175	
Uniforms	<u>152</u>	
Total Expenses		<u>70,507</u>
Net Loss		(\$42,009)

EX 3  
HB 157  
-26-87

EXHIBIT EX 3  
DATE 1-26-87  
HB 157

FLATHEAD TOURS, INC.  
Income Statement  
For the Year Ended  
December 31, 1985

Gross Receipts	\$28,592	
Cost of Goods Sold	<u>93</u>	
Gross Profit		\$28,499
Expenses:		
Wages	7,509	
Repairs	1,835	
Taxes	5,460	
Interest	9,903	
Depreciation	21,375	
Advertising	1,122	
Legal & Professional	71	
Insurance	5,200	
Promotions	5,451	
Utilities	742	
Supplies	1,827	
Tribal Fees	2,507	
Fuel	6,179	
Miscellaneous	1,175	
Uniforms	<u>152</u>	
Total Expenses		<u>70,507</u>
Net Loss		(\$42,009)

FLATHEAD TOURS, INC.  
STATEMENT OF INCOME  
FOR THE YEAR ENDED DECEMBER 31, 1986

INCOME FROM OPERATIONS:

Tours	\$ 36,143	
Business Contribution	1,000	
Repair Reimbursement	1,000	
T-Shirt Sales	<u>282</u>	
Total Operating Income		\$ 38,425

OPERATING EXPENSES:

Advertising & Promotion	\$ 3,681	
Bad Checks	25	
Commissions	2	
Depreciation	15,257	
Dues	141	
Fees - Tribal	2,500	
Fuel & Oil	3,819	
Insurance - Business	6,653	
- Workers' Compensation	385	
Interest	12,179	
Legal & Accounting	73	
Office & Administrative	52	
Passenger Accidents - Ins. Deductible	250	
Rent	600	
Repairs & Maintenance	1,639	
Supplies	350	
Taxes - Payroll	829	
- Property	3,538	
Utilities	612	
Wages	<u>6,455</u>	
Total Operating Expense		<u>59,040</u>
NET (LOSS) FROM OPERATIONS		\$(20,615)

OTHER INCOME:

Interest		<u>448</u>
NET (LOSS) FOR YEAR ENDED DECEMBER 31, 1986		\$ <u><u>(20,167)</u></u>

See Notes to Financial Statements

# MONTANA STOCKGROWERS ASSOCIATION, INC.

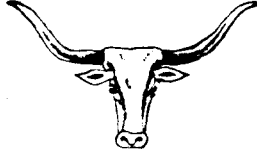
P. O. BOX 1679 - 420 NO. CALIFORNIA ST. - PHONE (406) 442-3420 - HELENA, MONTANA 59624

OFFICERS:

JACK EIDEL  
WM J. BROWN, JR.  
JAMES COURTNEY  
JEROME W. JACK  
KIM ENKERUD

GREAT FALLS  
SAND SPRINGS  
ALZADA  
HELENA  
HELENA

PRESIDENT  
FIRST VICE PRESIDENT  
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EXECUTIVE VICE PRESIDENT  
NATURAL RESOURCES COORDINATOR



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WORDEN	GREG RICE	HARRISON
GLASGOW	WALTER J. TAYLOR JR.	BUSBY
FORT BENTON	DAVID VOLDOSETH	MARTINSOALE

EXHIBIT 4  
DATE 1-26-87  
HB 150

## TESTIMONY

HB 150

My name is Kim Enkerud and I am representing the Montana Stockgrowers, Montana Cattlemen, and the Montana Association of State Grazing Districts.

We support this bill and urge the committee to recommend a do pass vote.

Thank you.



# MONTANA CATTLEMEN'S ASSOCIATION

EXHIBIT #5  
1-26-87  
ASSOCIATION NTL  
HB 150

WITH A LARGE "Steak" IN MONTANA'S FUTURE

P.O. Box 1234  
Helena, Montana 59624

## TESTIMONY CONCERNING HB 150

### HOUSE TAXATION COMMITTEE

Mr. Chairman, we support representative Cobb's bill to remove from Class 14 property 1 acre of land for agricultural improvements. The Department of Revenue has set the market value of this one acre so unfairly high that the law does not touch with justice.

While we do not oppose the intent and purpose of the "Marsh Rule" law (SB 101) of the 1971 Session, this one-acre provision has caused a great deal of protest from Montana ranchers. There are some good reasons why there has been protest:

- (1) Dept. of Revenue rules that the one acre to be valued at the price of the nearest subdivision. But such formulas are too far from the actual market value.
- (2) Land with the lowest market value actually has the lowest market value of any land. A farmer may have a few white grass and crops. Frequently, the buyer will never use the improvements because he intends to operate from another tract. The farmer will just get in his way.
- (3) Some farmers and ranchers have two or three old abandoned farmsteads on their place. They are useless and not used for anything. Yet they are being taxed under the one-acre provision for each of them.
- (4) There exists no conceivable use, even in agricultural areas near population centers, which would even come close to providing the incredibly high values placed on this property by Department rules.
- (5) In remote rural areas, values in the \$1000-2000-3000 dollar range are being reported. This includes farmsteads where the highest use, if the farmer were to sell out, would be to burn the buildings and turn the cattle in.

We hope this committee will move to correct this situation, either through HB 150 or some other means.

Thank you for this opportunity to comment.

VISITORS' REGISTER

House Taxation COMMITTEE

BILL NO HB 150

DATE Jan 26, 1987

SPONSOR Cobb

NAME (please print)	REPRESENTING	SUPPORT	OPPOSE
<i>Joe Brunner</i>	<i>Grange Cullman Chapter</i>	<input checked="" type="checkbox"/>	
<i>Kim [unclear]</i>	<i>McC. [unclear]</i>	<input checked="" type="checkbox"/>	
<i>Jim Crawford</i>	<i>Gates of Mountains</i>		
<i>Dennis Burr</i>	<i>MONTAX</i>	<input checked="" type="checkbox"/>	
<i>J. H. [unclear]</i>	<i>Self</i>	<input checked="" type="checkbox"/>	
<i>Marvin Barber</i>	<i>Mt. assessors assoc.</i>	<input checked="" type="checkbox"/>	
<i>Shirley Ball</i>	<i>W. I. F. E.</i>	<input checked="" type="checkbox"/>	
<i>Larry [unclear]</i>	<i>Mt. Farm Bureau</i>	<input checked="" type="checkbox"/>	
<i>Kay [unclear]</i>	<i>Farmers</i>	<input checked="" type="checkbox"/>	

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

PLEASE LEAVE PREPARED STATEMENT WITH SECRETARY.

VISITORS' REGISTER

House Taxation COMMITTEE

BILL NO. HB 157

DATE Jan 26, 1987

SPONSOR Mercer

NAME (please print)	REPRESENTING	SUPPORT	OPPOSE
Jim Crawford	Gates of Mountains	✓	
Dick Wellin	Flathead Tours	✓	
MIRRSWALL B. SMITH	FIRST NEWS TOWN	✓	

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

PLEASE LEAVE PREPARED STATEMENT WITH SECRETARY.