

MINUTES OF THE MEETING
TAXATION COMMITTEE
50TH LEGISLATURE

March 6, 1987

The meeting of the House Taxation Committee was called to order by Chairman Jack Ramirez on March 6, 1987, at 8:00 a.m. in Room 312B of the State Capitol.

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

CONSIDERATION OF HOUSE BILL NO. 739: Rep. Loren Jenkins, House District #13, sponsor of HB 739, said the bill would exempt certain class fourteen improvements and any addition to or expansion, remodeling, or reconstruction of improvements to class fourteen or class four property (residential and commercial). He explained that the improvements would become fully taxed in ten years.

PROPOSERS OF HOUSE BILL NO. 739: There were no proponents of the bill.

OPPOSERS OF HOUSE BILL NO. 739: There were no opponents of the bill.

TECHNICAL COMMENTS ON HOUSE BILL NO. 739: Greg Groepper, DOR, advised that there may be a constitutional problem if the Committee does not consider the exclusion in 1504-1521 on university mills for the education trust.

Todd Hudak, Associated Students of Montana State University, provided a table showing the combined effects of various property tax exemptions on education revenues (Exhibit #1).

CLOSING ON HOUSE BILL NO. 739: Rep. Jenkins asked the Committee to give the bill a favorable recommendation.

CONSIDERATION OF HOUSE BILL NO. 736: Rep. Ray Peck, House District #13, sponsor of HB 736, said the bill was originally introduced to exempt small, non-profit Christian radio stations, but the exemption would include more than just radio.

PROPOSERS OF HOUSE BILL NO. 736: Ed Matter, KXEI Radio, Havre, said that although the station has received an exemption under federal code, 501 (3) (c), it falls between the cracks with DOR. He advised that the station does not air advertisements.

Pastor Don Kelley, Mount Helena Community Church, and former Havre resident, told the Committee he saw an improvement in the attitude of the community in Havre, as a result of the Christian radio station.

Iva Kolstad, Chester, told the Committee she enjoys the educational dramas, as well as the spirituality, which stresses the importance of families. She said the station also provides childrens' programs and asked the Committee to support the bill.

Karen Sirenar, former Great Falls resident, stated her support of the bill.

Ron Upham, KXEI, said the bill is an opportunity for radio to help persons with drug problems, or who are suicidal, etc.

Don Jackson, Board member, Hi-line Radio Fellowship, read from a prepared statement in support of the bill (Exhibit #2).

Pastor Tom Brooks, Deliverance Tabernacle, Helena, asked the Committee to support the bill.

Doug Kelly, KXEI attorney, told the Committee this particular issue is nonpartisan and won't have much impact to the state. He asked the Committee to support the bill.

OPPONENTS OF HOUSE BILL NO. 736: There were no opponents of HB 736.

QUESTIONS ON HOUSE BILL NO. 736: Rep. Ellison asked if there were a logical reason for the radio station to be taxed. Greg Groepper replied there is no exemption for personal property of religious organizations.

Rep. Ellison asked if the bill included public broadcasting stations, and if they are taxed at this time. Greg Groepper replied that no public broadcasting stations have applied for exemptions.

Rep. Williams asked if nonprofit organizations are covered under exemptions for personal property tax purposes. Greg Groepper replied there are very few nonprofit organizations that are exempt from personal property taxes under current law.

Rep. Williams asked about exemptions on page 3, line 15 of the bill. Greg Groepper replied that if more broadcasting stations of this nature were to start up, they could qualify for the same exemption.

Rep. Williams asked if a propaganda radio station could start up and receive the exemption. Greg Groepper replied it could.

Rep. Harrington asked if a station could be used for political purposes. Rep. Peck replied there are no such problems with KXEI, and that the station has three and one-half years of good performance.

Rep. Koehnke asked if the bill could be amended. Doug Kelly replied the problem has been that the station also plays music, and is prohibited by its charter with the state and IRS from any political activity.

Rep. Sands asked if the radio station at Northern Montana College were exempt. Greg Groepper replied that if it is owned and used exclusively by an educational institution, it is probably exempt.

Rep. Ramirez asked why nonpublic broadcasting station language was included in the bill, and said it seems to be a colloquial term. Doug Kelly replied the language provides for any public radio in the future.

Rep. Patterson asked what kind of ads the station runs. Ed Matter replied that the station exists on donations and runs no ads.

CLOSING ON HOUSE BILL NO. 736: Rep. Peck made no closing comments.

CONSIDERATION OF HOUSE BILL NO. 756: Rep. Ben Cohen, House District #3, sponsor of HB 756, said the bill would provide property tax credit for Montana homeowners paying income tax in Montana, of up to \$200 on property taxes paid. He said the fiscal impact is considerable, and that OBPP estimates it would cost the state about \$32 million per year. Rep. Cohen added he believes that figure is in the "ball park", but should be less.

PROPOSERS OF HOUSE BILL NO. 756: Alec Hansen, Montana League of Cities and Towns, said the bill would provide meaningful tax reduction and doesn't force cities and towns to pay for this tax relief. He provided a copy of a statistical profile of where cities and towns in the state stand, financially, right now. Mr. Hansen commented that severe cuts to municipal governments would cause problems.

OPPONENTS OF HOUSE BILL 756: Phil Campbell, Montana Education Association, said the concept of the bill is good, but it would cost schools about \$16 million over the biennium.

TECHNICAL COMMENTS ON HOUSE BILL NO. 756: Ken Morrison, DOR, advised the Committee the program will have administrative costs.

QUESTIONS ON HOUSE BILL NO. 756: Rep. Williams asked how the bill would affect I-105. Alec Hansen replied that the cities would have a very serious problem and would need to resort to local option taxes.

CLOSING ON HOUSE BILL NO. 756: Rep. Cohen told the Committee HB 756 is a good bill and provides an opportunity for the Montana League of Cities and Towns to provide vital information to the Committee. He commented he would trust the bill to the judgment of the Committee.

CONSIDERATION OF HOUSE BILL NO. 751: Rep. Cal Winslow, House District #89, sponsor of HB 751, said the bill would exempt from property taxation nonproducing manufacturing improvements to real property that would otherwise be demolished, rather than be subject to property tax, and that may be returned to production in the future.

PROPONENTS OF HOUSE BILL NO. 751: Rep. Dennis Nathe, House District #19, said Rep. Winslow has an excellent idea and that he would like to see the bill amended to include abandoned branch railroad lines.

John Raberberg, Wolf Point Chamber of Commerce, said the bill would allow county commissioners to give tax relief to plants or industries closed for a period of time as a result of economic conditions.

Stuart Doggett, Montana Chamber of Commerce, said he would support the bill and a sunset date for 1989.

Brian Enderle, Missoula Chamber of Commerce, stated his support of the bill.

Rep. Bob Raney, advised the Committee that the City of Livingston has a federal grant to pursue other uses for Burlington Northern shops, and for use of the abandoned rail line from Livingston to Wilsall.

TECHNICAL COMMENTS ON HOUSE BILL NO. 751: Greg Groepper, DOR, stated that for administrative purposes, the Department needs a qualifying period for being shut down, and needs language concerning university levy mills. He explained that based on statutes, the bill can't read both ways.

Mr. Groepper advised that the Winslow bill includes machinery and equipment not considered to be improvements to real

property, and that the Committee may want to address this language.

QUESTIONS ON HOUSE BILL NO. 751: Rep. Hoffman asked why values were not dropping, in an effort not to destroy business. Greg Groepper replied that the rule is that a business must be shut down for twelve consecutive months, and language in the statutes states market value must be used. He explained that DOR can't take this into consideration fast enough to meet industry needs, in a volatile industry.

Rep. Hoffman asked if it could be done on an annual basis. Greg Groepper replied it could be, but DOR must be careful as economic obsolescence could carry over to a plant still in operation. He advised that machinery and equipment are valued on an annual basis, but DOR has no authority to go as far as the bill requires, right now.

Rep. Patterson asked if the bill would affect the Pierce Packing Plant in Billings. Rep. Winslow replied it would.

Rep. Williams asked how one could account for helping a business that is not doing well, and not helping the more successful of two companies in competition with each other. Rep. Winslow replied that Montana is going through tough times now and the bill is only effective for two years.

Rep. Williams asked if it were fair to help Pierce Packing Plant now, when a new meat packing plant near Laurel is just getting off the ground. There was no response.

Rep. Ellison asked Rep. Winslow if he would be willing to have all mail regulated by county commissioners, except state-imposed mill levies. Rep. Winslow replied he would be willing to do so.

Chairman Ramirez asked what three facilities were listed on the fiscal note. Greg Groepper replied he would get that information prior to executive action on the bill.

Chairman Ramirez asked Rep. Winslow if he would work on the proposed amendments and report back to the Committee. Rep. Winslow replied he would.

CLOSING ON HOUSE BILL NO. 751: Rep. Winslow advised the Committee the two-year proposal would help business through the current economic situation.

DISPOSITION OF HOUSE BILL NO. 156: Rep. Raney made a motion that HB 156 be TABLED. The motion CARRIED unanimously.

DISPOSITION OF HOUSE BILL NO. 643: Rep. Raney made a motion that HB 643 DO PASS.

Rep. Asay commented he believes the bill is redundant and made a motion to TABLE the bill. Rep. Asay's motion CARRIED on a roll call vote (attached).

DISPOSITION OF HOUSE BILL NO. 678: Rep. Connelly provided copies of proposed amendments and an explanation thereof (Exhibit #3).

Chairman Ramirez asked Rep. Connelly if she were saying that whatever year in which the delinquency occurs, the interest rate for that year would apply. Rep. Connelly replied she would use the prime rate existing in the year owed, no matter what year the taxes were paid.

Chairman Ramirez advised Rep. Connelly she was making a change to interest rates, from a penalty, that could cause substantial administrative problems. Rep. Connelly replied that Rep. Marks suggested the penalty be based on the prime interest rate, and a discounted flat 1% per month.

Rep. Keenan made a motion to approve amendment #1 (Exhibit #2), to tie interest rates to the prime rate in the year of delinquency, which would apply until the taxes were paid.

Rep. Hoffman asked if it were the general object to provide a different penalty for different years. Chairman Ramirez advised that the way in which the bill is written could encourage the abuse of low interest rate periods.

Dave Bohyer advised that the Committee needs to make a decision that will apply to all delinquencies outstanding.

The motion made by Rep. Keenan FAILED on a tied roll call vote (attached).

Rep. Ream made a motion to amend the penalty to 1% per month. The motion CARRIED with all members voting aye, except Rep. Asay who voted no.

Rep. Keenan made a motion to approve a 4% penalty for all taxes more than 10 days delinquent, and said major business are not paying taxes because they get a better rate on their investments.

Rep. Sands stated he would prefer the bill the way it is written or in incremental interest rates, and made a motion to leave the penalty at 2%. The motion CARRIED with all members voting aye, except Reps. Raney, Harrington, Ream, Keenan, and Williams, who voted no.

Chairman Ramirez commented that a two-step penalty creates a problem for county treasurers and their computer systems.

Rep. Gilbert commented that the Committee may need to strike the new language on the bottom of page three.

Rep. Sands made a motion that HB 678 DO PASS AS AMENDED. The motion CARRIED unanimously.

DISPOSITION OF HOUSE BILL NO. 703: Rep. Keenan stated the Committee needs to hear the Governor's bill, SB 307, in addition to hearing from the Society of CPA's.

Chairman Ramirez advised he is attempting to be fair, but believes the Committee cannot wait for SB 307.

Rep. Keenan asked why it appears to be so urgent that SB 703 pass right now. Chairman Ramirez replied the bill is not in a subcommittee.

Rep. Keenan stated that local option taxes and revisions in child and dependent care have not been assigned to subcommittees, but it appears that in dealing with major tax relief issues, they must come about in piecemeal legislation.

Rep. Raney advised that his bill, HB 138, was heard six weeks ago and hasn't even been discussed in subcommittee, nor have the property tax relief issues been discussed.

Rep. Keenan stated that is an income tax issue and should be referred to income tax subcommittee, the same as any related issue. Rep. Gilbert replied he was unaware of any bills related to the unitary tax issue.

Rep. Gilbert made a motion that HB 703 DO PASS.

Rep. Williams said he was concerned that the bill would reduce revenue by \$2.5 million without replacing other revenue and could not support the bill right now.

Rep. Harrington advised he had no problem with the unitary tax, but with where it would go.

Rep. Ellison commented that it is the prerogative of the Chairman to determine how bills will be heard and discussed, and that it is the Chairman who gets the blame if the situation is not handled properly.

Rep. Raney stated that he had no doubt everyone accepts the concept of unitary tax reform, and added that everyone is aware the Governor has his own ideas on the issue.

Chairman Ramirez explained that the Committee needs to begin to take action, because hearings are scheduled every day until transmittal.

Rep. Keenan stated that in FY 88 the state is looking at a \$70 million deficit, and \$30 million in FY 89, and said she believes the Committee is being irresponsible if it passes HB 703 without replacing lost revenue. She said the Governor's bill addresses revenue replacement.

Rep. Williams made a substitute motion that HB 703 be TABLED. The motion failed on a roll call vote (attached) and the vote was reversed to give the bill a DO PASS recommendation.

DISPOSITION OF HOUSE BILL NO. 714: Rep. Raney made a motion that HB 714 DO PASS.

Chairman Ramirez asked Greg Groepper, DOR, if language on page 2, line 8 of the bill would be a problem. Mr. Groepper replied he didn't think so, as the figures would remain until the next cycle is completed.

Chairman Ramirez asked if coordinating instructions were necessary. Dave Bohyer replied they were not.

The motion made by Rep. Raney CARRIED, with all members voting aye except Reps. Hoffman, Gilbert and Ellison, who voted no.

DISPOSITION OF HOUSE BILL NO. 794: Rep. Williams made a motion that HB 794 DO PASS and provided amendments to the bill. He made a motion that the amendments be approved.

Dave Bohyer advised that the amendment makes all nonprofit, licensed health care facilities exempt from property tax.

Greg Groepper advised that the district court still needs to decide the issue of the facility in Bozeman. Rep. Williams replied that HB 794 would nullify that suit.

The motion made by Rep. Williams CARRIED, with all members voting aye except Rep. Ramirez, who voted no.

Rep. Williams made a motion that HB 794 DO PASS AS AMENDED.

Rep. Sands stated he was concerned about the effective date. Greg Groepper replied the bill should be made effective this year.

Rep. Williams commented the bill doesn't affect any corporations now and only closes the door on what could happen.

Dave Bohyer advised that the date makes the bill applicable for the entire tax year 1987.

Rep. Williams withdrew his motion in order that the situation with nursing homes might be checked out. Chairman Ramirez agreed to take up the bill on Monday, March 9.

DISPOSITION OF HOUSE BILL NO. 817: Rep. Patterson made a motion that HB 817 DO PASS and made a second motion that the proposed amendments to the bill be approved (Exhibit #4). The motion CARRIED unanimously.

Rep. Patterson made a motion that HB 817 DO PASS AS AMENDED. The motion CARRIED unanimously.

ADJOURNMENT: There being no further business before the Committee, the meeting was adjourned at 12:00 noon.


Representative Jack Ramirez,
Chairman

DAILY ROLL CALL

HOUSE TAXATION COMMITTEE

50th LEGISLATIVE SESSION -- 1987

Date March 6, 1987

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

STANDING COMMITTEE REPORT

EXHIBIT

DATE 3-5-87

HB 703

March 6 19 87

Mr. Speaker: We, the committee on HOUSE TAXATION

report HOUSE BILL NO. 703

☒ do pass
☐ do not pass

☐ be concurred in
☐ be not concurred in

☐ as amended
☐ statement of intent attached

Representative Jack Ramirez Chairman

FIRST reading copy (WHITE)
color

STANDING COMMITTEE REPORT

DATE 3-6-87
HB 714

March 6 19 87

Mr. Speaker: We, the committee on HOUSE TAXATION
report HOUSE BILL NO. 714

- | | | |
|---|--|---|
| <input checked="" type="checkbox"/> do pass | <input type="checkbox"/> be concurred in | <input type="checkbox"/> as amended |
| <input type="checkbox"/> do not pass | <input type="checkbox"/> be not concurred in | <input type="checkbox"/> statement of intent attached |

Representative Jack Ramirez, Chairman

FIRST reading copy (WHITE)
color

STANDING COMMITTEE REPORT

EXHIBIT

DATE

3-6-87

March 6

HB

817

19 87

Mr. Speaker: We, the committee on

HOUSE TAXATION

report

HOUSE BILL NO. 817

☒ do pass
☐ do not pass

☐ be concurred in
☐ be not concurred in

☒ as amended
☐ statement of intent attached

Representative Jack Ramirez, Chairman

Be amended as follows:

1) Page 2, line 3
Strike: "17"
Insert: "19"

2) Page 2, line 19
Strike: "state"
Insert: "Montana individual income tax, corporate license tax, or corporate"

3) Page 2, line 30
Strike: "returns"
Insert: "return"

4) Page 4, line 21
Following: "Montana"
Insert: "individual"

5) Page 4, line 22
Strike: "fiscal"
Insert: "taxable"

6) Page 4, line 23
Following: Line 22
Insert: "Section 10. Tax deductibility. The amount of contributions made by a small business to its independent liability fund as defined in (this act) are deductible to that small business on its Montana corporate license tax or corporate income tax return for the taxable year in which the contributions are made to the fund."

Renumber: subsequent sections

7) Page 5, lines 2 and 3
Following: "with" on line 2
Strike: the remainder of line 2 and line 3 through "31"
Insert: "the applicable provisions of this chapter"

SECOND

reading copy (YELLOW)

color

8) Page 5, line 7

Strike: "12"

Insert: "13"

9) Page 5, line 8

Strike: "15"

Insert: "17"

10) Page 5, line 10

Strike: "must"

Insert: "may"

11) Page 5, line 21

Following: "costs"

Insert: "--exception"

12) Page 5, line 22

Strike: "[section 12(1)]"

Insert: "[section 13(1)], except those paid from the
principal of an independent liability fund,"

13) Page 5, line 23

Following: "Montana"

Strike: "state"

Insert: "individual"

14) Page 5, line 25

Following: line 24

Insert: "Section 15. Tax deductibility of administrative
costs. Administrative costs under [section 13(1)],
except those paid from the principal of an independent
liability fund, are deductible on Montana corporate
license tax or corporate income tax return for the
taxable year in which they are paid or accrued."

Renumber: subsequent sections

15) Page 7, line 1

Strike: "15"

Insert: "17"

16) Page 7, line 2

Strike: "15(2)"

Insert: "17(2)"

17) Page 7, line 3

Following: "persons"

Insert: "under the applicable provisions of this chapter"



March 6, 1987

18) Page 7, line 12

Following: line 11

Insert: "Section 30. Extension of authority. Any existing authority of the department of revenue to make rules on the subject of the provisions of this act is extended to the provisions of this act; however, any rules made by the department of revenue must be consistent with rules promulgated under [section 19]."

Re-number: subsequent sections

19) Page 7, line 19

Strike: "11, 12, 14, 15, and 17"

Insert: "12, 13, 16, 17, and 19"

20) Page 7, lines 21 and 23

Strike: "11, 12, 14, 15, and 17"

Insert: "12, 13, 16, 17, and 19"

21) Page 7, line 23

Strike: "10, 13"

Insert: "11, 14"

Strike: "16"

Insert: "18"

22) Page 7, line 24

Strike: "chapters"

Insert: "chapter"

Strike: "and 31"

23) Page 7, line 25

Strike: "chapters"

Insert: "chapter"

Strike: "and 31"

24) Page 8, line 1

Strike: "10, 13"

Insert: "11, 14"

Strike: "16"

Insert: "18"

25) Page 8, line 2

Following: line 1

Insert: "(3) Sections 10, 11, 15, and 18 are intended to be codified as an integral part of Title 15, chapter 31, and the provisions of Title 15, chapter 31, apply to sections 10, 11, 15, and 18."

Representative Jack Ramirez,
Chairman

EXHIBIT

3-6-87
643

ROLL CALL VOTE

HOUSE TAXATION

COMMITTEE

DATE

3-6

BILL NO.

HB 6-63

NAME	ABSTAIN	AYE	NAY
RAMIREZ, REP. JACK		✓	
ASAY, REP. TOM		✓	
ELLISON, REP. ORVAL		✓	
GILBERT, REP. BOB		✓	
HANSON, REP. MARION		✓	
HARP, REP. JOHN		✓	
HARRINGTON, REP. DAN			✓
HOFFMAN, REP. ROBERT		✓	
KENNAN, REP. NANCY			✓
KOEHNKE, REP. FRANCIS	✓		
PATTERSON, REP. JOHN		✓	
RANEY, REP. BOB			✓
REAM, REP. BOB			✓
SANDS, REP. JACK		✓	
SCHYE, REP. TED			✓
WILLIAMS, REP. MEL			✓
TALLY	1	9	6

Joann Banschbach

Secretary

Rep. Jack Ramirez

Chairman

Motion:

Asay - table

ROLL CALL VOTE

EXHIBIT

DATE 3-6-87

678

HOUSE TAXATION

COMMITTEE

DATE

3-6

BILL NO.

HB 678

NAME	ABSTAIN	AYE	NAY
RAMIREZ, REP. JACK			✓
ASAY, REP. TOM			✓
ELLISON, REP. ORVAL			✓
GILBERT, REP. BOB			✓
HANSON, REP. MARION			✓
HARP, REP. JOHN		✓	
HARRINGTON, REP. DAN		✓	
HOFFMAN, REP. ROBERT			✓
KENNAN, REP. NANCY		✓	
KOEHNKE, REP. FRANCIS		✓	
PATTERSON, REP. JOHN			✓
RANEY, REP. BOB		✓	
REAM, REP. BOB		✓	
SANDS, REP. JACK		✓	✓
SCHYE, REP. TED		✓	
WILLIAMS, REP. MEL		✓	
TALLY		8	8

Joann Banschbach
Secretary

Rep. Jack Ramirez
Chairman

Motion:

Kenan

ENHED
DATE 3-6-87
HB 703

ROLL CALL VOTE

HOUSE TAXATION

COMMITTEE

DATE 3-6 BILL NO. HB 703

NAME	ABSTAIN	AYE	NAY
RAMIREZ, REP. JACK			✓
ASAY, REP. TOM			✓
ELLISON, REP. ORVAL			✓
GILBERT, REP. BOB			✓
HANSON, REP. MARION			✓
HARP, REP. JOHN			✓
HARRINGTON, REP. DAN		✓	
HOFFMAN, REP. ROBERT			✓
KENNAN, REP. NANCY		✓	
KOEHNKE, REP. FRANCIS		✓	
PATTERSON, REP. JOHN			✓
RANEY, REP. BOB		✓	
REAM, REP. BOB		✓	
SANDS, REP. JACK			✓
SCHYE, REP. TED		✓	
WILLIAMS, REP. MEL		✓	
TALLY		7	9

Joann Banschbach
Secretary

Rep. Jack Ramirez
Chairman

Motion:

Wino - Table - Failed
+ reverse vote to Gilbert's
motion to DP

3X #1
-687
3739
dack



ASUM
Student Legislative Action
University Center 105
University of Montana
Missoula, Montana 59812
(406) 243-2451



EXHIBIT #1
DATE 3-6-87
HB 739

ASSOCIATED STUDENTS MONTANA STATE UNIVERSITY • BOZEMAN, MT 59717 • (406) 994-2933



March 6, 1987

Mr. Chairman and Members of the House Taxation Committee,

The Associated Students of the University of Montana and Montana State University would like to supply you with a table which shows the combined effects that various property tax exemptions have on education revenues. We are not coming before you to debate the merits of any particular proposal. We would also like to stress that ASUM and ASMSU realize the importance of addressing property tax relief this session.

However, we oppose property tax reform that is not done in a comprehensive manner, and ask the committee to recognize the need to offset accumulative losses due to property tax exemptions. As representatives of the University students, it is our responsibility to track any legislation effecting stable funding and therefore, the quality of education.

Please find attached an updated list of revenue losses due to various property tax exemptions. This list does not include several bills that reduce education revenues due to property tax exemptions because the amounts of the losses were not determinable.

Thank you for your consideration.

Sincerely,

Matt Thiel, ASUM Lobbyist

Todd Hudak, ASMSU Lobbyist

ASSOCIATED STUDENTS OF MONTANA STATE UNIVERSITY
ASSOCIATED STUDENTS UNIVERSITY OF MONTANA

March 5 1987

COMBINED LOSSES IN EDUCATION REVENUES OVER THE NEXT BIENNIUM DUE TO
PROPOSED PROPERTY TAX EXEMPTIONS.

<u>H/S BILL</u>	<u>UNIV. LEVY</u>	<u>SCHOOL EQUAL.</u>	<u>UNIV./SCHOOL COMB.</u>
SB 12	\$ 73,774	\$ 553,310	\$ 627,084
44	130,208	976,554	1,106,762
87	58,908	441,844	500,752
90	198,450	1,438,375	1,636,825
129	832	6,246	7,078
340	213,634	1,602,258	1,815,892
381	816,251	6,121,882	6,938,133
HB 96	58,998	442,486	501,484
138	673,254	5,049,407	5,722,661
150	13,886	104,138	118,024
157	208	1,560	1,768
245	355,829	2,743,714	3,109,543
260	3,627,909	27,209,317	30,837,226
285	136,779	1,025,994	1,162,773
314	1,101,696	8,262,728	9,364,424
318	736,966	5,527,248	6,264,214
494	45,540	341,542	387,082
512	205,366	206,773	412,139
525	1,356,000	10,175,000	11,531,000
556	13,734	103,002	116,736
658	1,842	13,591	15,433
701	11,002	82,524	93,526

733	1,390	10,422	11,812
736	84	631	715
739	162,840	1,221,300	1,384,140
759	2,229,320	16,719,902	18,949,222
813	168	1,203	1,371
848	95,350	715,118	810,468
851	<u>49,582</u>	<u>372,618</u>	<u>422,300</u>
TOTAL LOSSES	<u>\$12,379,898</u>	<u>\$91,520,687</u>	<u>\$103,900,585</u>

ALL FIGURES COME FROM FISCAL NOTES PREPARED BY THE OBPP.

THIS LIST INCLUDES ALL INTRODUCED PROPERTY TAX EXEMPTION BILLS WITH
FISCAL NOTES THAT ARE STILL ALIVE IN COMMITTEE.

EXHIBIT #
DATE 3-6-87
HB 756

STATISTICAL PROFILE OF MONTANA MUNICIPAL GOVERNMENT

SOURCE: ADVISORY COMMISSION ON INTERGOVERNMENTAL
RELATIONS

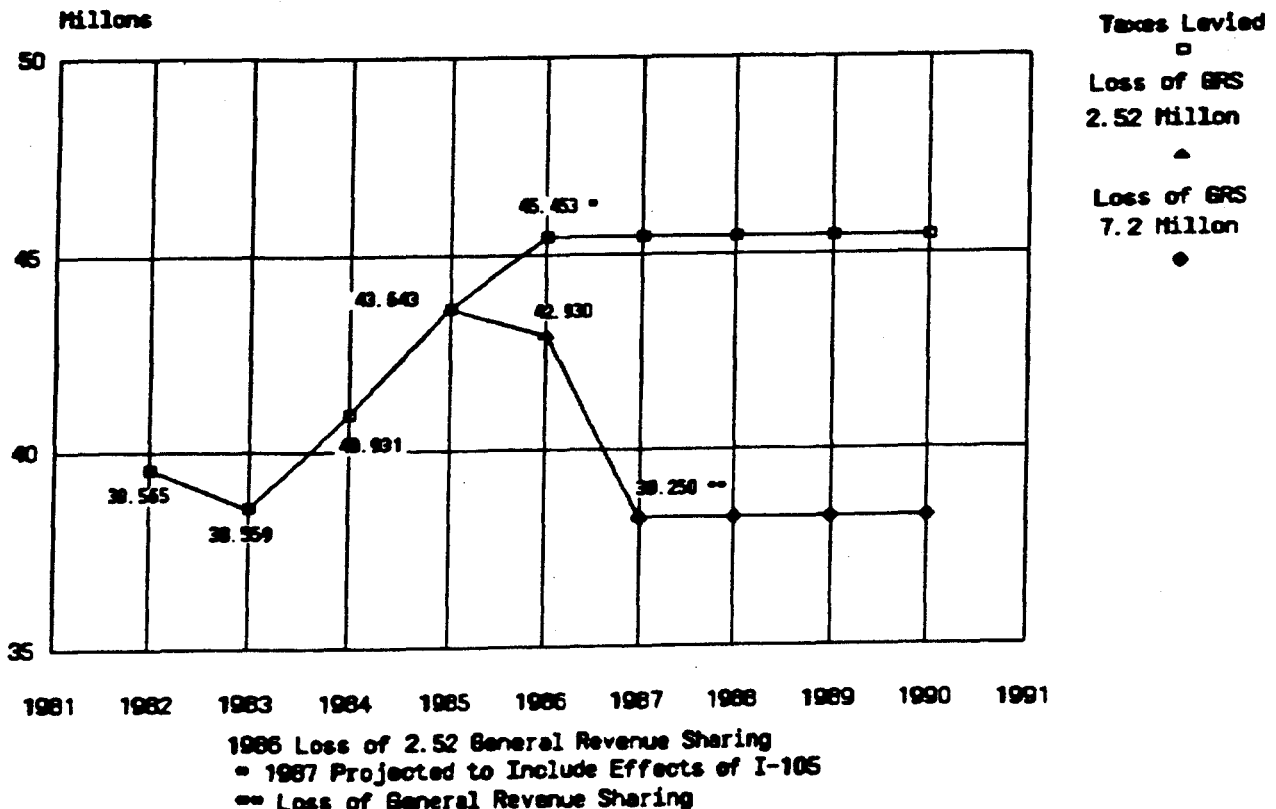
THE CRISIS OF GOVERNMENT FINANCE IN THIS COUNTRY REACHES FROM THE FEDERAL CONGRESS TO THE STATE LEGISLATURE AND DOWN TO THE TOWN HALLS OF MONTANA. THERE THERE IS A NATIONAL MOVEMENT, COMPELLED BY PUBLIC OPINION AND ECONOMIC CONDITIONS, TO REDUCE AND REFORM TAXES AND CONTROL GOVERNMENT SPENDING.

CITIES AND TOWNS ARE AT THE BOTTOM OF THE STAIRS ON ISSUES OF FINANCE POLICY, AND DECISIONS IN WASHINGTON AND HELENA HAVE DIMINISHED THE CAPACITY OF MUNICIPAL GOVERNMENTS TO DELIVER ESSENTIAL PUBLIC SERVICES.

BUDGET PRESSURES IN CONGRESS FORCED A TWO-STEP CANCELLATION OF FEDERAL REVENUE SHARING. IN FY-86 CITIES AND TOWNS LOST 35 PERCENT OF THEIR FEDERAL REVENUE SHARING PAYMENTS, AMOUNTING TO \$2.5 MILLION. THIS YEAR, THE ENTIRE PROGRAM WAS TERMINATED AT AN ANNUAL COST OF \$7.2 MILLION, WHICH IS 16 PERCENT OF TOTAL PROPERTY TAX COLLECTIONS FOR CITIES AND TOWNS IN THIS STATE.

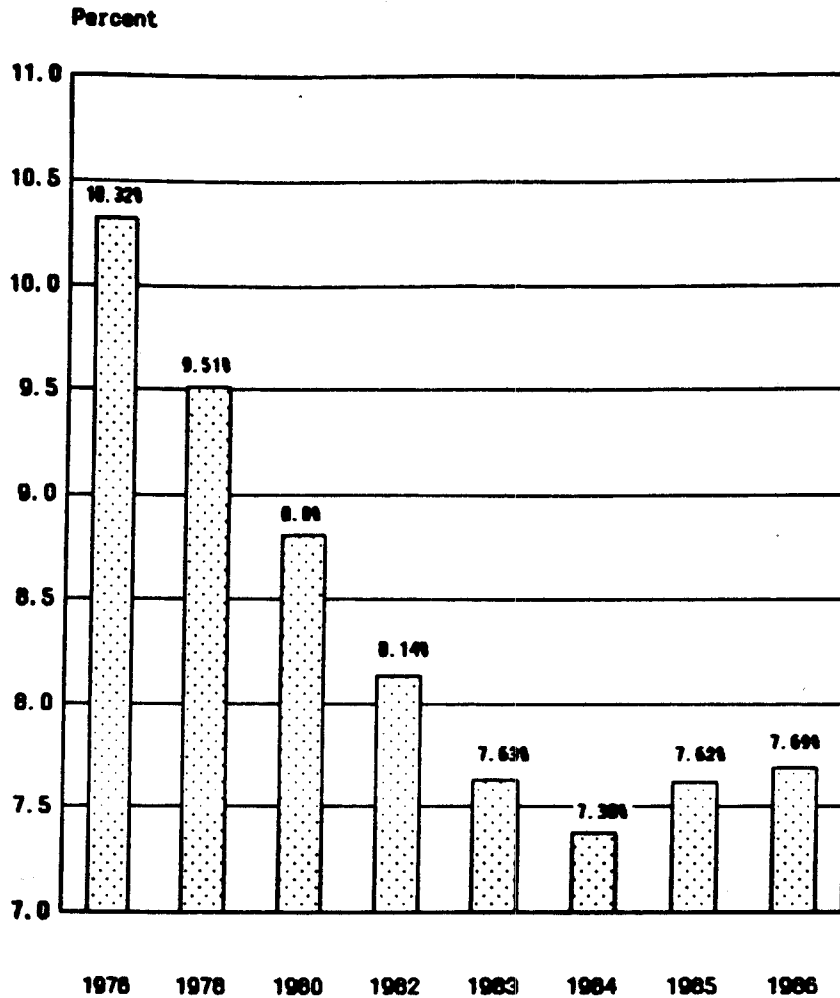
IN 1982, THE COMBINATION OF MUNICIPAL PROPERTY TAXES AND FEDERAL REVENUE SHARING PROVIDED MONTANA CITIES AND TOWNS WITH \$46.76 MILLION. THIS YEAR, THE SAME COMBINATION WILL PRODUCE \$45.45- MILLION, AND THIS DOES NOT ACCOUNT FOR A 13.5 PERCENT INCREASE IN THE CONSUMER PRICE INDEX OVER THE PERIOD.

Municipal Property Taxes (1982 - 1990)
and Federal Revenue Sharing
(Including the Effects of I-105)



Municipal Property Taxes

As a Percentage of Property Tax Collections



IN RECENT YEARS, CITIES HAVE BEEN DRIVEN INTO A FINANCIAL CORNER.

MUNICIPAL GOVERNMENTS DERIVE ABOUT 50 PERCENT OF THEIR REVENUES FROM ASSESSMENTS ON PROPERTY, AND THIS TAX BASE HAS BEEN CONSTRICTED BY LEGISLATIVE ACTION, LEGAL DECISIONS AND ECONOMIC CONDITIONS.

CITY SPENDING HAS BEEN LIMITED BY STATIC VALUATION, CEILINGS ON MILL LEVIES AND PUBLIC RESISTANCE TO PROPERTY TAXES. IN THIS "NO GROWTH" SITUATION, EVERY MUNICIPAL TAX DOLLAR HAS TO WORK HARDER, AND COST EFFECTIVE MANAGEMENT HAS BECOME A CONDITION OF SURVIVAL.

IN 1986, CITIES AND TOWNS COLLECTED 10.32 PERCENT OF ALL THE PROPERTY TAXES LEVIED IN MONTANA. IN 10 YEARS, MUNICIPAL COLLECTIONS DECLINED TO 7.69 PERCENT OF THE STATEWIDE TOTAL. THIS IS A STATISTICALLY SIGNIFICANT 25 PERCENT REDUCTION.

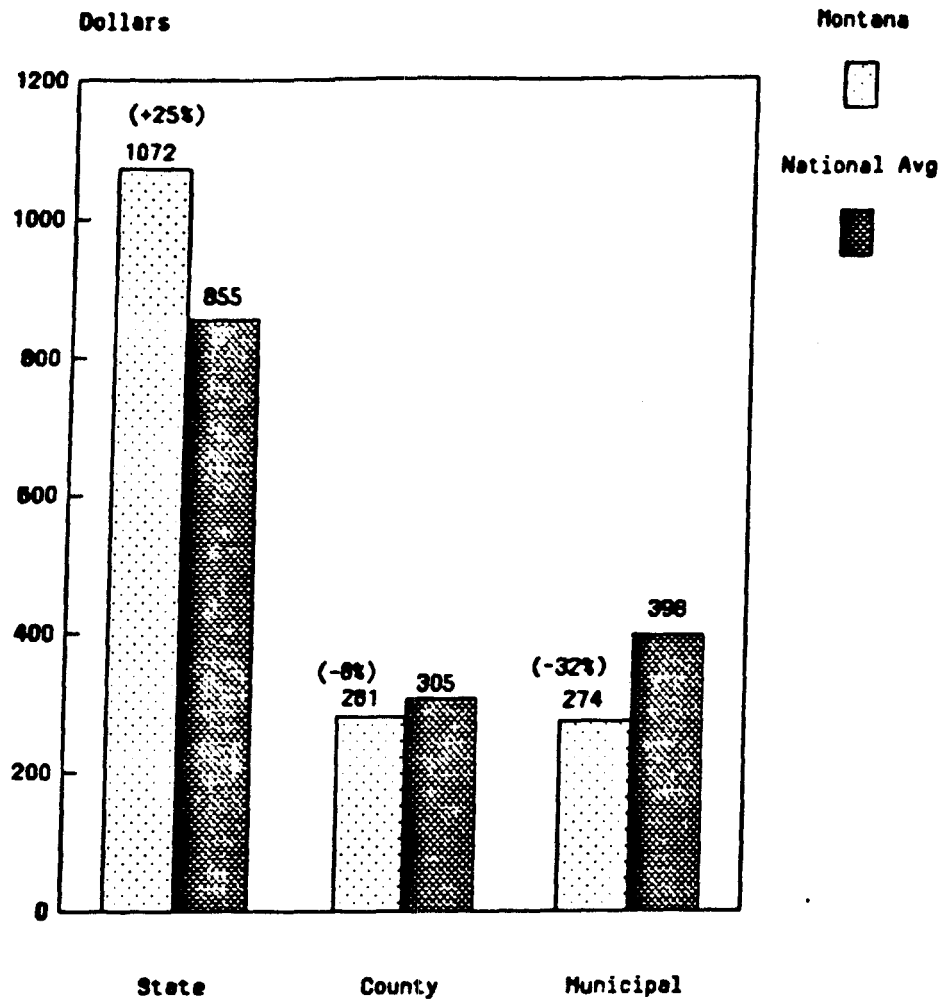
THE RATE OF INCREASE IN MUNICIPAL PROPERTY TAXES HAS BEEN THE LOWEST AMONG ALL LEVELS OF GOVERNMENT IN MONTANA.

PATTERNS OF PUBLIC SPENDING IN MONTANA

	1976	1986	INCREASE
MUNICIPAL PROPERTY TAX	\$28.9-M	\$45.5-M	57.5%
COUNTY PROPERTY TAX	62.5	125.0	100.0
SCHOOL PROPERTY TAX	122.7	343.1	179.6
STATE GENERAL FUND	166.3	366.8	120.0
CONSUMER PRICE INDEX	181.5	328.3	80.8

CITIES AND TOWNS HAVE DONE THE JOB OF CONTROLLING SPENDING THROUGH COST EFFECTIVE MANAGEMENT. IF CITIES ARE FORCED TO REDUCE BUDGETS THAT HAVE ALREADY BEEN KNOCKED DOWN TO THE SUBSISTENCE LEVEL, CUTS WILL HAVE TO BE MADE IN POLICE AND FIRE PROTECTION, STREET MAINTENANCE, SANITATION AND OTHER SERVICES THAT ARE THE LIFE LINE OF SAFE AND DECENT COMMUNITIES.

Expenditures Per Capita By Category



Direct General Expenditures

THE PER CAPITA COST OF MUNICIPAL GOVERNMENT IN MONTANA IS 32 PERCENT LESS THAN THE NATIONAL AVERAGE. THE COST OF COUNTY GOVERNMENT IS EIGHT PERCENT BELOW THE MEDIAN, WHILE STATE SPENDING IS 25 PERCENT ABOVE THE NATIONAL AVERAGE.

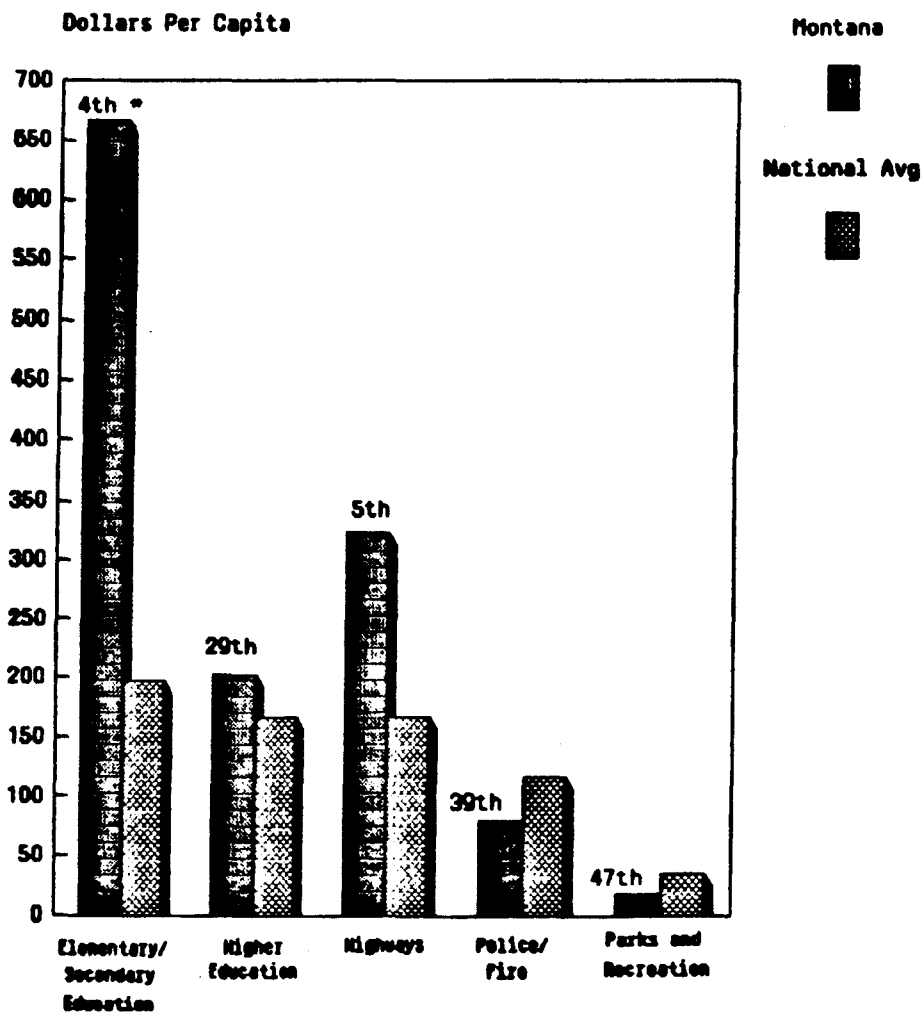
THE LEVEL OF SERVICES OBVIOUSLY AFFECTS THESE STATISTICS, BUT MONTANA CITIES AND TOWNS ARE TYPICAL. THEY PROVIDE POLICE AND FIRE PROTECTION, WATER, SEWER AND SANITATION SERVICE, STREET CONSTRUCTION AND MAINTENANCE AND RECREATION AND CULTURAL PROGRAMS.

THESE STATISTICS INDICATE THAT MUNICIPAL GOVERNMENT IN MONTANA IS COST EFFECTIVE. THEY ALSO SUGGEST THAT CITIES ARE OPERATING ON A NARROW MARGIN, AND DO NOT HAVE THE CAPACITY TO COMPENSATE FOR THE LOSS OF ADDITIONAL REVENUES.

COMPARED WITH OTHER STATES ACROSS THE NATION, MONTANA CONCENTRATES ITS FINANCIAL RESOURCES IN EDUCATION AND HIGHWAYS. IN EACH OF THESE CATEGORIES, THE STATE RANKS HIGHER THAN THE NATIONAL AVERAGE.

THE TYPICAL CITY OR TOWN IN MONTANA SPENDS ABOUT HALF OF ITS OPERATING BUDGET ON POLICE AND FIRE PROTECTION. IN THIS CATEGORY, PER CAPITA SPENDING IN MONTANA IS SUBSTANTIALLY BELOW THE NATIONAL AVERAGE, AND THERE ARE ONLY 11 STATES THAT SPEND LESS MONEY ON THESE CRITICAL PUBLIC SAFETY SERVICES.

State and National Expenditures In
Selected Government Service Categories

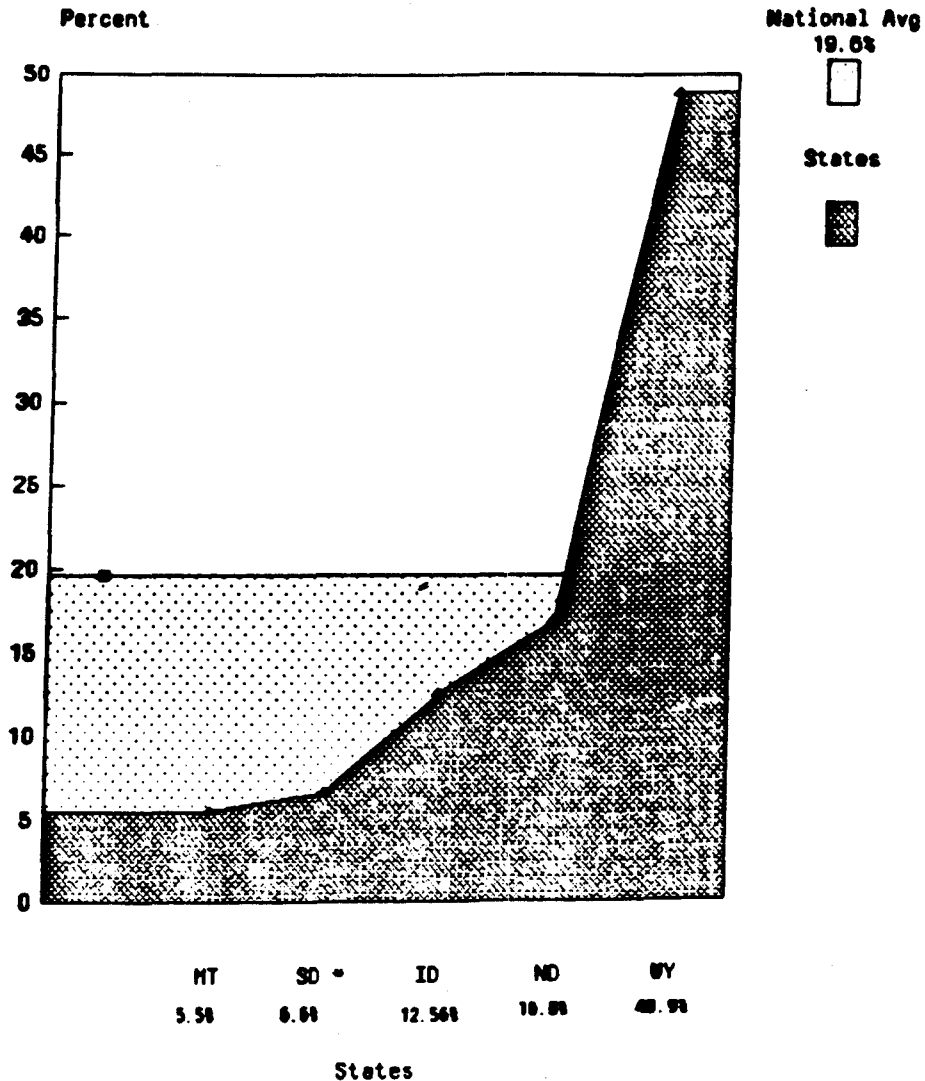


State Services

* Montana National Ranking

State Support of Municipal Governments

Rocky Mountain Region



* South Dakota - Local Option Taxes

IN MOST STATES ACROSS THE COUNTRY, CITIES AND COUNTIES DEPEND ON A COMBINATION OF MILL LEVIES, LOCAL OPTION TAXES AND STATE ASSISTANCE PROGRAMS TO FUND THEIR OPERATIONS. IN MONTANA, LOCAL OPTION TAX AUTHORITY HAS NOT BEEN APPROVED, AND THE LEVEL OF STATE ASSISTANCE IS ABOUT 25 PERCENT OF THE NATIONAL AVERAGE. IN THIS SITUATION, CITIES AND COUNTIES HAVE BECOME HEAVILY DEPENDENT ON PROPERTY ASSESSMENTS. LOCAL OPTION AUTHORITY AND OTHER FUNDING ALTERNATIVES ARE NECESSARY TO BUILD A MORE BALANCED AND EQUITABLE SYSTEM OF FINANCE AT EVERY LEVEL OF GOVERNMENT IN MONTANA.

EXHIBIT #3
DATE 3-6-87
NO. 678

Explanation of Amendments to House Bill 678
Rep. Connelly

The amendments provide two basic changes to present law:

First: The interest rate for delinquent taxes is changed from 5/6 of 1% per month (10% per annum) to 160% of the prime rate reported by the Wall Street Journal in its first November edition. The prime today is 7.5% and 160% of that equals 12% if the rate were figured today. The rate could be on the amount owed...the rate at the date of delinquency is the amount owed, no matter how many years it remains unpaid, or the rate for each year governs, no matter when the amount became delinquent.

Second: The penalty provision is increased to 4% from 2%, but it doesn't apply unless the payment is more than 10 days delinquent.

Plus, in an effort to provide uniformity, just one section, rather than 4 subsections in two sections, contain the details of the penalty and interest provisions, so one change governs it all.

Connolly
EX

EXHIBIT #3
DATE 3-6-87
HB 678

Amend HB 678, Second Reading (yellow) Copy
Rep. Connolly

1. Title, line 5.
Strike: "CHANGING"
Insert: "INCREASING"

2. Title, line 6.
Strike: "FOR A"
Insert: "AND INTEREST ON"

3. Title, lines 6 and 7.
Strike: "PAYMENT" on line 6 through "TAX" on line 7.
Insert: "PAYMENTS"

4. Page 1, line 19.
Following: "that"
Insert: ", as provided in [section 3],"

5. Page 1, lines 20 and 21.
Strike: "at" on line 20 through "delinquency" on line 21.

6. Page 1, line 22.
Strike: "until paid"
Strike: "the"
Insert: "be subject to a"
Following: "penalty"
Strike: "provided in [section 3]"
Insert: ", both of which"

7. Page 2, line 2.
Following: "that"
Insert: ", as provided in [section 3],"

8. Page 2, lines 3 and 4.
Strike: "at" on line 3 through "until" on line 4.

9. Page 1, line 22.
Strike: "paid"
Strike: "the"
Insert: "be subject to a"
Following: "penalty"
Strike: "provided in [section 3]"
Insert: ", both of which"

10. Page 3, line 22.
Strike: "Unless"
Insert: "As provided in [section 3], unless"

11. Page 3, line 25.
Strike: "at the rate of 5/6 of 1% per month from and after such"

12. Page 4, line 1.
Strike: "delinquency until paid"
Strike: "the"
Insert: "be subject to a"

Following: "penalty"
Insert: ", "
Strike: "provided in"

13. Page 4, line 2.
Strike: "[section 3]"
Insert: "both of which"

14. Page 4, line 10.
Following: "Penalty"
Insert: "and interest"

15. Page 4, line 11.
Following: "taxes."
Insert: "(1)"
Following: "to"
Strike: "the"

16. Page 4, line 12.
Strike: "delinquent"
Following: "taxes"
Insert: "that are more than 10 days delinquent"
Following: "penalty"
Insert: "of 4%."
Strike: "based"

17. Page 4, lines 13 and 14.
Strike: "on" on line 13 through "schedule and" on line 14
Insert: "The penalty shall be"

18. Page 4, line 15.
Strike: ":"
Insert: "."

19. Page 4, lines 16 through 19.
Strike: "Delinquent" on line 16 through "increment" on line 19

20 Page 4.
Following: line 20
Insert: "(2) A delinquent amount draws interest at an annual rate of 160% of the prime rate at large U.S. money center commercial banks as published in the first November edition of the Wall Street Journal. The department shall notify each county of the rate chargeable. The rate is effective on November 30 and applies to all [delinquencies then outstanding.] or [amounts becoming delinquent after November 29 until such amount is paid.]

21. Page 5, lines 2 and 3.
Strike: "during the 1987 fiscal year and thereafter"
Insert: "or are delinquent after November 29, 1987"

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EXHIBIT

DATE **3-6-87**
BY **794**

PROPOSED AMENDMENTS
House Bill No. 794
Introduced (White) Copy

1. Title, line 5.

Following: ""AN ACT"

Strike: "CLARIFYING THE"

Insert: "REPLACING THE PROPERTY TAX EXEMPTION FOR HOSPITALS
BY ESTABLISHING A"

2. Title, lines 6 and 7.

Following: "NONPROFIT" on line 6

Strike: "HOSPITALS AND OUTPATIENT SURGICAL CENTERS"

Insert: "HEALTH CARE FACILITIES"

3. Page 2, lines 11 and 12.

Following line 10

Strike: "licensed, nonprofit hospitals and licensed,
nonprofit outpatient surgical centers"

Insert: "health care facilities licensed by the department
of health and environmental sciences and exempt
from taxation under 26 U.S.C.A. 501(c)(3)"

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EXHIBIT #4
DATE 3-6-87
HB 817

HOUSE BILL 817 - YELLOW COPY
AMENDMENTS

1. Page 2, line 8.

Strike: "17"

Insert: "19"

2. Page 2, line 19.

Strike: "state"

Insert: "Montana individual income tax, corporate license tax,
or corporate"

3. Page 2, line 20.

Strike: "returns"

Insert: "return"

4. Page 4, line 21.

Following: "Montana"

Insert: "individual"

5. Page 4, line 22.

Strike: "fiscal"

Insert: "taxable"

6. Page 4, line 23.

Following: Line 22

Insert: "Section 10. Tax deductibility. The amount of
contributions made by a small business to its independent
liability fund as defined in [this act] are deductible to
that small business on its Montana corporate license tax or
corporate income tax return for the taxable year in which
the contributions are made to the fund."

Renumber: subsequent sections

7. Page 5, lines 2 and 3.

Following: "with" on line 2

Strike: the remainder of line 2 and line 3 through "31"

Insert: "the applicable provisions of this chapter"

8. Page 5, line 7.

Strike: "12"

Insert: "13"

9. Page 5, line 8.

Strike: "15"

Insert: "17"

10. Page 5, line 10.

Strike: "must"

Insert: "may"

11. Page 5, line 21.
Following: "costs"
Insert: "--exception"

12. Page 5, line 22.
Strike: "[section 12(1)]"
Insert: "[section 13(1)], except those paid from the principal
of an independent liability fund,"

13. Page 5, line 23.
Following: "Montana"
Strike: "state"
Insert: "individual"

14. Page 5, line 25.
Following: line 24
Insert: "Section 15. Tax deductibility of administrative costs.
Administrative costs under [section 13(1)], except those
paid from the principal of an independent liability fund,
are deductible on Montana corporate license tax or corporate
income tax return for the taxable year in which they are
paid or accrued."
Renumber: subsequent sections

15. Page 7, line 1.
Strike: "15"
Insert: "17"

16. Page 7, line 2.
Strike: "15(2)"
Insert: "17(2)"

17. Page 7, line 3.
Following: "persons"
Insert: "under the applicable provisions of this chapter"

18. Page 7, line 12.
Following: line 11
Insert: "Section 20. Extension of authority. Any existing
authority of the department of revenue to make rules on the
subject of the provisions of this act is extended to the
provisions of this act; however, any rules made by the
department of revenue must be consistent with rules
promulgated under [section 19]."
Renumber: subsequent sections

19. Page 7, line 19.
Strike: "11, 12, 14, 15, and 17"
Insert: "12, 13, 16, 17, and 19"

20. Page 7, lines 21 and 22.
Strike: "11, 12, 14, 15, and 17"
Insert: "12, 13, 16, 17, and 19"

21. Page 7, line 23.

Strike: "10, 13"

Insert: "11, 14"

Strike: "16"

Insert: "18"

22. Page 7, line 24.

Strike: "chapters"

Insert: "chapter"

Strike: "and 31"

23. Page 7, line 25.

Strike: "chapters"

Insert: "chapter"

Strike: "and 31"

24. Page 8, line 1.

Strike: "10, 13"

Insert: "11, 14"

Strike: "16"

Insert: "18"

25. Page 8, line 2.

Following: line 1

Insert: "(3) Sections 10, 11, 15, and 18 are intended to be codified as an integral part of Title 15, chapter 31, and the provisions of Title 15, chapter 31, apply to sections 10, 11, 15, and 18."

VISITORS' REGISTER

EXHIBIT

DATE 3-6-87HB 736HOUSE TAXATION

COMMITTEE

BILL NO.

HB 736

DATE

3-6-87

SPONSOR

PECK

NAME (please print)	REPRESENTING	SUPPORT	OPPOSE
ED MATTER	KX EI	✓	
Don Buzz Jackson	KX ET	✓	
VERN H. OLSON	KX EE	✓	
Hazel A. Olson	KX EI	✓	
RAY LIPP	KX EI, ^{INDEPENDENT} CITIZEN	✓	
DONALD P. KELLEY	SELF	✓	
Law Kolstad	KX ET	✓	
Bon Upham	KX EI	✓	
MARY ESAS	Independent Citizen	X	
Larry Truman	Self	✓	
Thom Brosh	Self	✓	

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

PLEASE LEAVE PREPARED STATEMENT WITH SECRETARY.

COMMITTEE

DATE 3-6-87

[illegible]

PLEASE LEAVE PREPARED STATEMENT WITH SECRETARY.

COMMITTEE

HB 751

3-6-87

WINSLOW

[illegible]

PLEASE LEAVE PREPARED STATEMENT WITH SECRETARY.

HB 756

VISITORS' REGISTER

HOUSE TAXATION

COMMITTEE

EXHIBIT
DATE 3-6-87
756

BILL NO. HB 756

DATE 3-6-87

SPONSOR COHEN

NAME (please print)	REPRESENTING	SUPPORT	OPPOSE
MARY WESTWOOD	SELF	✓	
Phil Campbell	MEA		✓
Alec Hansen	MLCT	✓	

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