

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

March 18, 1987

The meeting of the Taxation Committee was called to order by Chairman Ramirez on March 18, 1987, at 6:30 p.m, in Room 312B of the State Capitol.

ROLL CALL: All members of the Committee were present, except Rep. Keenan, who was excused. Also present was Dave Bohyer, Researcher, Legislative Council.

DISPOSITION OF HOUSE BILL NO. 885: Rep. Ellison made a motion that HB 885 be TABLED. The motion CARRIED unanimously.

DISPOSITION OF HOUSE BILL NO. 575: Rep. Harp made a motion that HB 575 DO PASS.

Greg Groepper provided copies of DOR amendments (Exhibit #1).

Chairman Ramirez advised there is a large barrier to freezing property taxes in the proposed amendments.

Rep. Harrington stated the agreement was that gross proceeds would increase to match the loss to schools, and that it would be ridiculous to lock in on 4 months of production, at the lowest rate, right now.

Rep. Williams commented it was his understanding that any new production is a new property.

Chairman Ramirez asked if the value of production is a new property. He stated there are two separate issues, one of which is the value.

Greg Groepper advised there is intent to limit taxing jurisdictions to limit taxing authority and, right now, a producer could only be taxed at the same level as last year.

Rep. Harp stated he believed the amendments should be dropped and the bill passed to the Senate, as written, for further work. Chairman Ramirez said he concurred with Rep. Harp, but felt comfortable voting on the amendment because he believed he understood the intent of K-105. He advised that if the Committee plays with net and gross proceeds too much, the state will end up in a law suit.

Rep. Ellison made a motion that the proposed amendments be approved. The motion CARRIED unanimously.

Rep. Ellison made a motion that HB 575 DO PASS AS AMENDED. The motion CARRIED with all members voting aye, except Reps. Gilbert, Harrington, and Keenan, who voted no.

DISPOSITION OF HOUSE BILL NO. 776: Rep. Harp made a motion that HB 776 DO PASS, and made a motion to approve proposed amendments (Exhibit #2). He said there was, originally, no tax on stripper wells and that the bill would lower the severance tax to 3 percent on stripper wells producing more than 5 barrels per day.

Rep. Ream asked what the fiscal impact would be. Rep. Harp replied he didn't know. Janelle Fallon, Montana Petroleum Producers, said she was uncertain of the fiscal impact, but another amendment included gas stripper wells averaging 2.5 million cubic feet (mcf). Doug Abelin, Cut Bank oilman, said that amendment would cost about \$260 annually per stripper well.

Chairman Ramirez asked Rep. Harp if his amendment excluded gas stripper wells. Rep. Harp replied the Governor's bill goes down to 1 barrel per day.

Chairman Ramirez asked how natural gas was treated in the bill, as originally drafted. Janelle Fallon replied that the bill originally addressed wells producing less than 60 mcf per day, which is a nationwide definition. She stated 10% of production in the state comes from oil stripper wells.

Janelle Fallon advised the Committee Rep. Gilbert had prepared a sunset amendment.

Rep. Gilbert advised that his amendment would provide a two year holiday from April 1, 1987 to March 31, 1989, for wells drilled after July 1, 1986, and before July 1, 1991. Rep. Gilbert made a motion that his amendment be approved (Exhibit #3), and said that, with new production, this time frame is necessary.

Rep. Ream told the Committee he had an article stating that oil prices would be back to \$25 per barrel by 1991.

Rep. Keenan asked Rep. Gilbert how he proposed to replace lost revenue and how the unitary tax would affect the bill. Rep. Gilbert replied the amendment would affect some larger operators, and said the unitary tax applies only to income.

The motion made by Rep. Gilbert CARRIED unanimously.

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Rep. Raney provided an amendment with figures he said he picked out of the air, and made a motion that his amendment be approved.

Rep. Asay asked how much difference there is between Montana and Texas. Janelle Fallon replied that the Montana posted price usually runs \$1.50-2.50 less than West Texas crude.

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

Rep. Harp made a motion to strike "\$20" in Rep. Raney's amendment and to insert "\$25". The motion CARRIED with all members voting aye, except Reps. Gilbert and Ramirez, who voted no.

Terry Johnson, OBPP, advised that natural gas is estimated at 1.2 million in CY88 and 1.4 million in CY 89 on the reverse of the fiscal note.

Rep. Ream asked how much of natural gas is new program. Terry Johnson replied it is 383,000 in CY86 and 427,000 in 87, strictly because of new production.

Chairman Ramirez stated those figures assume no production, and that two-fifths of the remaining balance must be deducted, leaving the Committee looking at a 1.5 percent tax, altogether. He suggested the Committee make the tax three-fifths of what it is right now.

Rep. Harp made a motion to set the tax at three-fifths of what it is today and to forgive two-fifths or 40%, on natural gas and oil stripper wells. The motion CARRIED with all members voting aye, except Rep. Asay, who voted no.

Rep. Harp made a motion that HB 776 DO PASS AS AMENDED. The motion CARRIED 9-7 on a roll call vote (attached).

DISPOSITION OF HOUSE BILL NO. 782: Rep. Sands made a motion that HB 782 DO PASS, and a motion that the proposed amendments be approved (Exhibit #4). He said the concept in the amendments raises the piggy-back option to 1 percent, and advised that if there is no general sales tax, a local option sales tax could supplement. Rep. Sands proposed, in his motion, to omit #2, to add to #7, "(vi) services", and to delete from #7, "items of tangible personal property" and to insert "goods and services". The motion made by Rep. Sands CARRIED unanimously.

Chairman Ramirez advised that the Montana League of Cities and Towns has unsuccessfully tried to get a bill like Rep. Addy's passed for the past several sessions, but has been

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unable to do so. He commented that HB 782 has a chance to pass, and is the result of a compromise with the League.

Rep Sands made a motion to delete "one-third" in (5) #7 of the proposed amendments. The motion CARRIED with all members voting aye, except Reps. Gilbert, Patterson, and Asay, who voted no.

Rep. Gilbert advised he purchased five new trucks in 1981, and didn't like the fact that, under this bill, such a purchase could be taxed.

Rep. Hanson made a motion to approve utilization of motor carriers. The motion CARRIED unanimously.

Rep Sands made a motion that HB 782 DO PASS AS AMENDED. The motion CARRIED with all members voting aye except Reps. Gilbert, Ream, Patterson, and Asay, who voted no.

Rep. Sands made a motion that the Statement of Intent be approved. The motion CARRIED unanimously.

DISPOSITION OF HOUSE BILL NO. 26: Rep. Raney made a motion that HB 26 DO PASS. Rep. Raney made a motion to amend the bill to include language that utilities not be taxed. The motion CARRIED unanimously.

Chairman Ramirez advised he would resist the motion, because he believed a related bill had a chance to pass.

Rep. Raney made a motion that HB 26 DO PASS AS AMENDED. The motion made by Rep. Raney FAILED 7-9 on a roll call vote (attached).

Rep. Patterson made a motion that HB 26 DO NOT PASS AS AMENDED. The motion CARRIED on a reverse vote from Rep. Raney's motion.

DISPOSITION OF HOUSE BILL NO. 520: Rep. Patterson made a motion that HB 520 DO NOT PASS.

Rep. Raney made a substitute motion that HB 520 be TABLED. The motion CARRIED with all members voting aye, except Reps. Asay, Ramirez, and Harp, who voted no.

DISPOSITION OF HOUSE BILL NO. 726: Chairman Ramirez made a motion that HB 726 DO PASS, and said the state needs a resort tax that is as broad as possible. He commented he believes the amendments narrowed the tax.

Chairman Ramirez made a motion to add "The petition or resolution may include luxuries and must include goods and

services ordinarily sold at the following establishments", on page 1, line 19, following "resolution", and that "(b)" be stricken. The motion CARRIED with all members voting aye, except Rep. Gilbert, who voted no.

Chairman Ramirez made a motion that HB 726 DO PASS AS AMENDED. The motion CARRIED with all members voting aye, except Rep. Gilbert, who voted no.

DISPOSITION OF HOUSE BILL NO. 851: Rep. Harp made a motion that HB 851 DO PASS, and made a motion to amend the bill to keep the Columbia Falls Aluminum Company (CFAC) at class 8 for taxable rates, and to set school funding at 8%.

Greg Groepper advised that of the 45 mills levied in the counties, one of those is a foundation program mill.

Rep. Ellison commented there are both state and local levies for equalization.

Chairman Ramirez advised the bill should be put back into subcommittee to check this information with the Office of Public Instruction (OPI), and be taken up again on March 19.

Greg Groepper advised that both Flathead and Cascade County have passed local option taxes, but don't allow 45 and 6 mills at a reduced tax rate.

Chairman Ramirez stated he is not speaking of incentives, and that if the Committee follows up on its intent, it will keep costing taxpayers more and more. He said he could empathize with the situation, because of Western Sugar, but he hoped the Legislature would not start chipping away at the foundation program. He stated he believed a lower percentage rate would mean money from the foundation program.

The motion to amend, made by Rep. Harp, carried unanimously.

Chairman Ramirez said the Committee needs to treat these issues in parallel ways, and stated he didn't believe the Committee had ever put one piece of property in two different classes. He advised the Subcommittee wanted to treat the situation similar to that in which a business has been closed for a period of time, and that HB 709, which addressed new manufacturing, would work that way.

Rep. Ellison asked if it would not be simpler to give local governments the authority to forgive all taxes except the 45 and 6 mills. Chairman Ramirez commented that is already done by giving local governments certain criteria.

Rep. Ellison said he believed the concept outlined in the bill could be unconstitutional.

Rep. Harp made a motion that HB 851 DO PASS AS AMENDED.

Rep. Asay made a substitute motion to consider the bill on March 19. The motion CARRIED with all members voting aye, except Reps. Schye, Harrington, Harp, Koehnke, Raney, Patterson, and Koehnke, who voted no.

DISPOSITION OF HOUSE BILL NO. 813: Greg Petesch, Director of Legal Services, Legislative Council, produced an amendment approved by Rep. Cohen.

Rep. Williams made a motion that HB 813 DO PASS, and made a motion that the amendment be approved.

Rep. Gilbert made a motion to further amend the bill to collect taxes on all ATV's, instead of a few, with a fee in lieu of taxes. The motion CARRIED unanimously.

Rep. Williams made a motion that HB 813 DO PASS AS AMENDED. The motion CARRIED with all members voting aye, except Reps. Hoffman and Asay, who voted no.


DISPOSITION OF HOUSE BILL NO. 741: Rep. Ream made a motion to take HB 741 OFF THE TABLE. The motion CARRIED unanimously.

Rep. Ream made a motion that HB 741 DO PASS.

Rep. Ellison made a motion that the proposed amendment to HB 741 be approved (Exhibit #7). The motion CARRIED unanimously.

Rep. Ream made a motion that HB 741 DO PASS AS AMENDED. The motion CARRIED unanimously.

ADJOURNMENT: There being no further business before the Committee, the meeting was adjourned at 8:45 p.m.

  
Representative Jack Ramirez,  
Chairman

# STANDING COMMITTEE REPORT

MARCH 18

19 87

Mr. Speaker: We, the committee on HOUSE TAXATION

report HOUSE BILL NO. 26

do pass  
 do not pass

be concurred in  
 be not concurred in

as amended  
 statement of intent attached

Representative Jack Ramirez, Chairman

1. Page 3, line 2

Following: line 1

Insert: "(7) No public utility subject to rate regulation by the Montana public service commission or owned by a governmental entity, including a rural cooperative organized under Title 35, chapter 18, is subject to a sales tax levied under [this act]."

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STATEMENT OF INTENT

A statement of intent is required for this bill because rulemaking authority is granted to the department of revenue in section 3.

It is intended that the rules promulgated by the department of revenue for administering the local option income tax will be as compatible as possible with rules adopted by the department for administering state income taxes. In achieving this goal, the department should strive for simplicity for taxpayers, and if burdens are necessary, the department should bear them. In administering the tax, the primary objective should be efficiency for both the state and the concerned local governments. It is contemplated that the rules will address reporting forms, payments to local governments, and other procedure necessary for proper administration of the local option income tax.

Representative Jack Ramirez,  
Chairman



# STANDING COMMITTEE REPORT

MARCH 16

19 87

Mr. Speaker: We, the committee on HOUSE TAXATION

report HOUSE BILL NO. 575

do pass  
 do not pass

be concurred in  
 be not concurred in

as amended  
 statement of intent attached

Be amended as follows:

Representative Jack Ramirez, Chairman

1. Page 3, line 6.

Following: "each"

Strike: "levy category"

Insert: "taxing unit"

2. Page 3, line 7.

Following: "each"

Strike: "levy category"

Insert: "taxing unit"

3. Page 3, line 9.

Following: "each"

Strike: "levy category"

Insert: "taxing unit"

4. Page 4, lines 23 and 24.

Strike: "levy category"

Insert: "taxing unit"

5. Page 5, lines 12 and 13.

Strike: "levy category"

Insert: "taxing unit"

Following: "year"

Insert: "unless the taxing unit's taxable valuation decreases by 5% or more from the previous tax year. If a taxing unit's taxable valuation decreases by 5% or more from the previous tax year, it may levy additional mills to compensate for the decreased taxable valuation, but in no case may the mills levied exceed a number calculated to equal the revenue from property taxes for the 1986 tax year in that taxing unit."

6. Page 5.

Following: line 22

Insert: "(e) tax increment financing districts;"

Renumber: subsequent subsections

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Amendments, HB 575

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# STANDING COMMITTEE REPORT

MARCH 17

19 37

Mr. Speaker: We, the committee on HOUSE TAXATION

report HOUSE BILL NO. 726

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 1, line 19  
Following: "and"  
Strike: "may"  
Insert: "must"
2. Page 1, line 23  
Following: ";"  
Insert: "and"
3. Page 2, line 1  
Following: "drink"  
Strike: "; and"  
Insert: "."
4. Page 2, line 2  
Following: "(b)"  
Insert: "The petition or resolution may include"

MARCH 18


19 37

Mr. Speaker: We, the committee on HOUSE TAXATIONreport HOUSE BILL NO. 741 do pass  
 do not pass be concurred in  
 be not concurred in as amended  
 statement of intent attachedRepresentative Jack Ramirez, Chairman

Be amended as follows:

1. Title, line 8  
Strike: "33-30-203"
2. Page 2, line 3  
Following: "corporations"  
Insert: "as prescribed in 33-30-102"
3. Page 3, lines 5 and 6  
Strike: "referred to in 33-1-102"  
Insert: "in the provisions listed in 33-30-102"
4. Page 4, line 8  
Strike: "title."  
Insert: "chapter. In addition to the provisions contained in this chapter, other chapters and provisions of this title apply to health service corporations as follows: 33-17-212, 33-17-213, and 33-17-214; and chapters 1, 15, 18, 19, and 22."
5. Page 6, lines 5 through 8  
Strike: section 5 in its entirety  
Re-number: subsequent sections
6. Page 10, line 18  
Following: "in"  
Strike: "chapter 17"  
Insert: "33-17-212, 33-17-213, and 33-17-214"
7. Page 13, line 2 through line 4, page 14  
Strike: section 12 in its entirety  
Re-number: subsequent sections

8. Page 14, lines 17 through 19  
Following: "Section" on line 17  
Strike: remainder of line 17 through "1938." on line 19  
Insert: "It applies to individuals appointed as enrollment  
representatives on or after the effective date of this  
act."

  
Representative Jack Ramirez,  
Chairman

# STANDING COMMITTEE REPORT

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Mr. Speaker: We, the committee on HOUSE TAXATION

report HOUSE BILL NO. 776

do pass  
 do not pass

be concurred in  
 be not concurred in

as amended  
 statement of intent attached

Be amended as follows:

Representative Jack Ramirez, Chairman

1. Title, line 4.  
Following: "EXEMPT"  
Insert: "CERTAIN"

2. Title, line 7.  
Following: "TAXES;"  
Insert: "TO LOWER THE SEVERANCE TAX RATE TO 3 PERCENT FOR  
CERTAIN STRIPPER WELLS;"

3. Title, line 8.  
Following: "15-23-612,"  
Insert: "15-36-101,"

4. Title, line 9.  
Following: "EFFECTIVE DATE"  
Strike: "AND"  
Insert: ", "  
Following: "APPLICABILITY DATE"  
Insert: ", AND A CONTINGENT TERMINATION DATE"

5. Page 3.  
Following: line 20  
Insert: "Section 3. Section 15-36-101, MCA, is amended to  
read:

"15-36-101. Definitions and rate of tax. (1) Every person engaging in or carrying on the business of producing petroleum, other mineral or crude oil, or natural gas within this state or engaging in or carrying on the business of owning, controlling, managing, leasing, or operating within this state any well or wells from which any merchantable or marketable petroleum, other mineral or crude oil, or natural gas is extracted or produced sufficient in quantity to justify the marketing of the same must, except as provided in 15-36-121, each year when engaged in or carrying on any such business in this state pay to the department of revenue for the exclusive use and benefit of the state of Montana a severance tax computed at the following rates:

(a) except as provided in subsections (1)(b) and (1)(c), and (1)(d), 5% of the total gross value of all the petroleum and other mineral or crude oil produced by such

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person from each lease or unit on or after April 1, 1981, and on or before March 31, 1983; 6% of the total gross value of all the petroleum and other mineral or crude oil produced by such person from each lease or unit on or after April 1, 1983, and on or before March 31, 1985; and 5% of the total gross value of all the petroleum and other mineral or crude oil produced by such person from each lease or unit thereafter; but in determining the amount of such tax there shall be excluded from consideration all petroleum or other crude or mineral oil produced and used by such person during such year in connection with his operations in prospecting for, developing, and producing such petroleum or crude or mineral oil;

(b) 2.65% of the total gross value of natural gas produced from each lease or unit; but in determining the amount of such tax there shall be excluded from consideration all gas produced and used by such person during such year in connection with his operations in prospecting for, developing, and producing such gas or petroleum or crude or mineral oil; and there shall also be excluded from consideration all gas, including carbon dioxide gas, recycled or reinjected into the ground;

(c) 2.5% of the total gross value of the incremental petroleum and other mineral or crude oil produced from each lease or unit in a tertiary recovery project after July 1, 1985. For purposes of this section, a tertiary recovery project must meet the following requirements:

(i) the project must be approved as a tertiary recovery project by the department of revenue. Such approval may be extended only after notice and hearing in accordance with Title 2, chapter 4.

(ii) the property to be affected by the project must be adequately delineated according to the specifications required by the department; and

(iii) the project must involve the application of one or more tertiary recovery methods that can reasonably be expected to result in an increase, determined by the department to be significant in light of all the facts and circumstances, in the amount of crude oil which may potentially be recovered. For the purpose of this section, tertiary recovery methods include but are not limited to:

- (A) miscible fluid displacement;
- (B) steam drive injection;
- (C) micellar/emulsion flooding;
- (D) in situ combustion;
- (E) polymer augmented water flooding;
- (F) cyclic steam injection;
- (G) alkaline or caustic flooding;
- (H) carbon dioxide water flooding;
- (I) immiscible carbon dioxide displacement;
- (J) any other method approved by the department as a tertiary recovery method;

Representative Jack Ramirez,  
Chairman

(d) 3% of the total gross value of all the natural gas, petroleum, and other mineral or crude oil produced by a stripper well, as defined in 15-36-121, that produces more than 5 barrels a day during the period beginning April 1, 1987, and ending March 31, 1989.

(2) For purposes of this section, the term "incremental petroleum and other mineral or crude oil" means the amount of oil, as determined by the department of revenue, to be in excess of what would have been produced by primary and secondary methods. The determination arrived at by the department must be made only after notice and hearing and shall specify through the life of a tertiary project, calendar year by calendar year, the combined amount of primary and secondary production that must be used to establish the incremental production from each lease or unit in a tertiary recovery project.

(3) Nothing in this part may be construed as requiring laborers or employees hired or employed by any person to drill any oil well or to work in or about any oil well or prospect or explore for or do any work for the purpose of developing any petroleum or other mineral or crude oil to pay such severance tax, nor may any work done or the drilling of any well or wells for the purpose of prospecting or exploring for petroleum or other mineral or crude oils or for the purpose of developing same be considered to be the engaging in or carrying on of any such business. If, in the doing of any such work, in the drilling of any oil well, or in such prospecting, exploring, or development work, any merchantable or marketable petroleum or other mineral or crude oil in excess of the quantity required by such person for carrying on such operation is produced sufficient in quantity to justify the marketing of the same, such work, drilling, prospecting, exploring, or development work is considered to be the engaging in and carrying on of such business within this state within the meaning of this section.

(4) Every person required to pay such tax hereunder shall pay the same in full for his own account and for the account of each of the other owner or owners of the gross proceeds in value or in kind of all the marketable petroleum or other mineral or crude oil or natural gas extracted and produced, including owner or owners of working interest, royalty interest, overriding royalty interest, carried working interest, net proceeds interest, production payments, and all other interest or interests owned or carved out of the total gross proceeds in value or in kind of such extracted marketable petroleum or other mineral or crude oil or natural gas, except that any of the aforesaid interests that are owned by the federal, state, county, or municipal governments shall be exempt from taxation under this chapter. Unless otherwise provided in a contract or lease, the pro rata share of any royalty owner or owners

will be deducted from any settlements under said lease or leases or division of proceeds orders or other contracts." Renumber: subsequent sections

6. Page 4, line 25.

Following: "1986"

Insert: ", and before July 1, 1991"

7. Page 5, line 6.

Following: "well"

Insert: "that produces 5 barrels or less a day"

8. Page 6, line 21.

Following: "applicability"

Insert: "-- contingent termination"

Following: "."

Insert: "(1)"

10. Page 6, line 24.

Following: line 23

Insert: "(2) Subsection (2) of 15-36-121, concerning new production, terminates on the date the governor by executive order certifies that the price of West Texas intermediate crude oil has reached \$25 a barrel as reported in the Wall Street Journal.

(3) Subsection (4) of 15-36-121, concerning stripper well production, terminates on the date the governor by executive order certifies that the price of West Texas intermediate crude oil has reached \$30 a barrel as reported in the Wall Street Journal."

~~70-20170-11~~  
~~Amendments, HB 776~~

Representative Jack Ramirez,  
Chairman



MARCH 18

19 87

Mr. Speaker: We, the committee on HOUSE TAXATIONreport HOUSE BILL NO. 782
 do pass  
 do not pass

 be concurred in  
 be not concurred in

 as amended  
 statement of intent attached

Be amended as follows:

Representative Jack Ramirez, Chairman

1. Title, lines 7 and 8.

Following: "IF" on line 7

Strike: "the remainder of line 7 through "AND" on line 8

2. Page 2, lines 2 and 3.

Following: "not" on line 2

Strike: the remainder of line 2 through "that" on line 3

Insert: "to exceed 3% if there is no statewide sales tax, or if"

3. Page 2, line 4.

Following: "statewide"

Insert: "at a rate not to exceed 1%"

Following: ";"

Strike: "or"

4. Page 2, line 8.

Following: "liability"

Strike: "."

Insert: "; or"

5. Page 2, line 9.

Following: line 8

Insert: "(c) as provided in 7-6-4461 through 7-6-4467.

(3) the proposal must state:

(a) the specific type of tax the local government proposes to impose;

(b) the proposed tax rate;

(c) proposed exclusions and exemptions, if any;

(e) the proposed duration of the tax; and

(e) the purpose for which the proceeds of the proposed tax would be used."

Re-number: subsequent subsections

6. Page 2, line 14.

Following: "(3)"

Strike: "(a)"

Following: "may be"

Strike: "remainder of line 14, through line 22 in its entirety."

Insert: "imposed:

(a) only by any one local government in conformance with [section 7];

(b) on the retail sale of items of tangible personal property or services, but the taxing proposal may exempt sales in the following categories:

(i) unprepared food;

(ii) prescription and nonprescription drugs;

(iii) agricultural machinery, equipment, and supplies;

(iv) any item costing more than \$500;

(v) basic necessities as specified in the taxing proposal under [section 2(2)]; or

(vi) services.

(5) A local government may pledge for repayment of bonds up to one-third of the revenues derived from a 3% sales tax or all of the revenue derived from a 1% sales tax. Such bonds do not constitute debt for purposes of any statutory debt limitation, provided that in the resolution authorizing the issuance of the bonds the local government determines that the sales tax revenues, special assessments levied for and revenues from such facilities, improvements or undertakings, or other sources of revenue, if any, pledged to the payment of the bonds will be sufficient in each year to pay the principal thereof and interest thereon when due."

Renumber: subsequent subsections

7. Page 2, line 23.

Strike: "(b)"

Insert: "(6)"

Renumber: subsequent subsections

8. Page 2, line 24.

Strike: "(i)"

Insert: "(a)"

9. Page 3, line 1.

Strike: "(ii)"

Insert: "(b)"

10. Page 7, line 24.

Following: "nonpayment."

Insert: "(1)"

11. Page 8, line 3.

Strike: "(1)"

Insert: "(a)"

12. Page 8, line 5.

Strike: "(2)"

Insert: "(b)"

Representative Jack Ramirez,  
Chairman

13. Page 8.

Following: line 7

Insert: "(2) A governing body may contract or enter into interlocal agreements with other local governments or state agencies for the administration of a tax authorized by [section 2]."

14. Page 9.

Following: line 4

Insert: "NEW SECTION. Section 8. Exemption from public utilities. No public utility subject to rate regulation by the Montana public service commission or owned by a governmental entity, including a rural cooperative organized under Title 35, chapter 18, is subject to a tax levied under [this act]."

Renumber: subsequent sections

Representative Jack Ramirez,  
Chairman

**STATEMENT OF INTENT**

A statement of intent is required for this bill because rulemaking authority is granted to the department of revenue in section 3.

It is intended that the rules promulgated by the department of revenue for administering the local option income tax will be as compatible as possible with rules adopted by the department for administering state income taxes. In achieving this goal, the department should strive for simplicity for taxpayers, and if burdens are necessary, the department should bear them. In administering the tax, the primary objective should be efficiency for both the state and the concerned local governments. It is contemplated that the rules will address reporting forms, payments to local governments, and other procedures necessary for proper administration of the local option income tax.

MARCH 19

19 87

Mr. Speaker: We, the committee on HOUSE TAXATIONreport HOUSE BILL NO. 313 do pass  
 do not pass be concurred in  
 be not concurred in as amended  
 statement of intent attachedRepresentative Jack Ramirez, Chairman

Be amended as follows:

1. Title, line 5  
Following: "PROVIDING FOR"  
Strike: "USE"  
Insert: "DISTRIBUTION"
2. Title, lines 6 and 7  
Following: "PROCEEDS" on line 6  
Strike: remainder of line 6 through "PUND" on line 7
3. Page 1, line 15  
Following: line 14  
Strike: "three-or-four-wheeled"
4. Page 2, line 12  
Following: ";"  
Insert: "or"
5. Page 2, lines 15 through 17  
Following: "days" on line 15  
Strike: remainder of line 15 through "owner" on line 17
6. Page 3, lines 3 through 9  
Following: "(2)" on line 3  
Strike: remainder of line 3 through line 9 in its entirety  
Insert: "The county treasurer shall distribute all fees in lieu of tax collected on off-highway vehicles pursuant to [section 3] in the relative proportions required by the levies for state, county, school district, and municipal purposes in the same manner as personal property taxes are distributed."
7. Page 3, line 16  
Following: "year."  
Insert: "The decal will be serially numbered and have the expiration date of December 31 of the appropriate year printed thereon."

8. Page 4, lines 18 and 19  
Following: "fine" on line 18  
Strike: remainder of line 18 through "\$50" on line 19  
Insert: "equal to five times the fee in lieu of tax that  
is due on the off-highway vehicle for the current year"

*JRS*

# STANDING COMMITTEE REPORT

MARCH 19

19 37

Mr. Speaker: We, the committee on HOUSE TAXATION

report HOUSE BILL NO. 951

do pass  
 do not pass

be concurred in  
 be not concurred in

as amended  
 statement of intent attached

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

DOR  
3-18-87  
EX  
6:30pm

#1  
3-18-87  
575

AMENDMENTS TO HOUSE BILL NO. 575

INTRODUCED COPY

1. Page 3, line 16.

Following: line 16

Insert: "(c) transfer of property into a taxing unit;

"(d) subdivision of real property;

"(e) reclassification of property;

"(f) increases in the amount of production or the value of production for property described in 15-6-131 or 15-6-132;"

RENUMBER SUBSEQUENT SUBSECTIONS

2. Page 4, line 3.

Following: line 3

Insert: "(b) transfer of the property into a taxing unit;

"(d) reclassification of the property;

"(e) increases in the amount of production or the value of production for property described in 15-6-131 or 15-6-132;"

RENUMBER SUBSEQUENT SUBSECTIONS

ilb/90  
amendhb575/2



away  
3-18-87  
3:30 pm

#2  
3-18-87  
776

Amendment to HB 776, Introduced (white) copy

1. Title, line 9  
Following: "EFFECTIVE DATE"  
Strike: "AND"  
Insert: ", "  
Following: "APPLICABILITY DATE"  
Insert: ", AND A CONTINGENT TERMINATION DATE"
  
2. Page 6, line 21  
Following: "applicability"  
Insert: "-- contingent termination"  
Following: "."  
Insert: "(1)"
  
3. Page 6, line 24  
Following: line 23  
Insert: "(2) Subsection (2) of 15-36-121, concerning new production, terminates on the date the governor by executive order certifies that the price of West Texas intermediate crude oil has reached \$20 per barrel as reported in the Wall Street Journal.  
(3) Subsection (4) of 15-36-121, concerning stripper well production, terminates on the date the governor by executive order certifies that the price of West Texas intermediate crude oil has reached \$25 per barrel as reported in the Wall Street Journal."

EX  
Billent amend  
HB 776  
6:30 pm ntg  
3-18-87

#3  
3-18-87  
776

To sunset the provisions of HB 776:

1. amend P. 4, line 25:

completion was made after December 31, 1986, and before July 1, 1991.

2. add to the 1% tax on stripper wells:

during the period beginning April 1, 1987 and ending March 31, 1989.

-18  
EX  
- lbc  
- amend  
- 30pm  
- mtg

#4  
3-18-87  
782

Amend House Bill 782, Introduced Copy

1. Title, lines 7 and 8.  
Following: "IF" on line 7  
Strike: "the remainder of line 7 through "AND" on line 8
  
2. Page 2, line 1.  
Following: "goods"  
Strike: "and services"
  
3. Page 2, lines 2 and 3.  
Following: "not" on line 2  
Strike: the remainder of line 2 through "that" on line 3  
Insert: "to exceed 3% if there is no statewide sales tax, or  
if"
  
4. Page 2, line 4.  
Following: "statewide"  
Insert: "at a rate not to exceed 1%"  
Following: ";"  
Strike: "or"
  
5. Page 2, line 8.  
Following: "liability"  
Strike: "."  
Insert: "; or"
  
6. Page 2, line 9.  
Following: line 8  
Insert: "(c) as provided in 7-6-4461 through 7-6-4467.  
(3) the proposal must state:  
(a) the specific type of tax the local government  
proposes to impose;  
(b) the proposed tax rate;  
(c) proposed exclusions and exemptions, if any;  
(d) the proposed duration of the tax; and  
(e) the purpose for which the proceeds of the proposed  
tax would be used."  
Renumber: subsequent subsections
  
7. Page 2, line 14.  
Following: "(3)"  
Strike: "(a)"  
Following: "may be"  
Strike: "remainder of line 14, through line 22 in its  
entirety."  
Insert: "imposed:  
(a) only by any one local government in conformance  
with [section 7];  
(b) on the retail sale of items of tangible personal  
property, but the taxing proposal may exempt sales in the  
following categories:  
(i) unprepared food;  
(ii) prescription and nonprescription drugs;

(iii) agricultural machinery, equipment, and supplies;  
(iv) any item costing more than \$500; or  
(v) basic necessities as specified in the taxing proposal under [section 2(2)].

(5) A local government may pledge for repayment of bonds up to one-third of the revenues derived from a sales tax. Such bonds do not constitute debt for purposes of any statutory debt limitation, provided that in the resolution authorizing the issuance of the bonds the local government determines that the sales tax revenues, special assessments levied for and revenues from such facilities, improvements or undertakings, or other sources of revenue, if any, pledged to the payment of the bonds will be sufficient in each year to pay the principal thereof and interest thereon when due."

Renumber: subsequent subsections

8. Page 2, line 23.

Strike: "(b)"

Insert: "(6)"

Renumber: subsequent subsections

9. Page 2, line 24.

Strike: "(i)"

Insert: "(a)"

10. Page 3, line 1.

Strike: "(ii)"

Insert: "(b)"

11. Page 7, line 24.

Following: "nonpayment."

Insert: "(1)"

12. Page 8, line 3.

Strike: "(1)"

Insert: "(a)"

13. Page 8, line 5.

Strike: "(2)"

Insert: "(b)"

14. Page 8.

Following: line 7

Insert: "(2) A governing body may contract or enter into interlocal agreements with other local governments or state agencies for the administration of a tax authorized by [section 2]."

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3-18-87  
3:30 pm  
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Amendment to HB 851 Introduced (white) copy  
(School Equalization and University Levy)

Title, line 7.

Following: "PROVIDING"

Insert: "SEVERABILITY,"

Page 4.

Following: line 2

Insert: "NEW SECTION. Section 2. School equalization and university levy -- exception. The taxable value of class five property, described in subsection (1)(e), will be determined by applying the tax rate for class eight property for purposes of levies described in section 15-10-105, 20-9-331 and 20-9-333.

NEW SECTION. Section 3. Severability. If a part of this act is invalid, all valid parts that are severable from the invalid part remain in effect. If a part of this part is invalid in one or more of its applications, the part remains in effect in all valid applications that are severable from the invalid applications."

Renumber: Subsequent sections.

Amendments to HB 813, Introduced (white) copy

1. Title, line 5  
Following: "PROVIDING FOR"  
Strike: "USE"  
Insert: "DISTRIBUTION"
2. Title, lines 6 and 7  
Following: "PROCEEDS" on line 6  
Strike: remainder of line 6 through "FUND" on line 7
3. Page 1, line 15  
Following: line 14  
Strike: "three-or-four-wheeled"
4. Page 3, lines 3 through 9  
Following: "(2)" on line 3  
Strike: remainder of line 3 through line 9 in its entirety  
Insert: "The county treasurer shall distribute all fees in lieu of tax collected on off-highway vehicles pursuant to [section 3] in the relative proportions required by the levies for state, county, school district, and municipal purposes in the same manner as personal property taxes are distributed."
5. Page 3, line 16  
Following: "year."  
Insert: "The decal will be serially numbered and have the expiration date of December 31 of the appropriate year printed thereon."
6. Page 4, lines 18 and 19  
Following: "fine" on line 18  
Strike: remainder of line 18 through "\$50" on line 19  
Insert: "equal to five times the fee in lieu of tax that  
is  
due on the off-highway vehicle for the current year"

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3-18-87  
6:30 pm  
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# 7  
3-18-87  
741

ADOPTED AMENDMENTS  
TO  
HOUSE BILL 741

- 1) Title, line 8  
Strike: "33-30-203,"
  
- 2) Page 2, line 3  
Following: "corporations"  
Insert: "as prescribed in 33-30-102"
  
- 3) Page 3, lines 5 through 6  
Strike: "referred to in 33-1-102"  
Insert: "in the provisions listed in 33-30-102"
  
- 4) Page 4, line 8  
Strike: "title."  
Insert: "chapter. In addition to the provisions contained in this chapter, other chapters and provisions of this title apply to health service corporations as follows: 33-17-212, 33-17-213, and 33-17-214; and chapters 1, 15, 18, 19, and 22."
  
- 5) Page 6, lines 5 through 8  
Strike: section 5 in its entirety  
Renumber: subsequent sections
  
- 6) Page 10, line 18  
Strike: "chapter 17"  
Insert: "33-17-212, 33-17-213, and 33-17-214"
  
- 7) Page 13, line 2 through line 4, page 14  
Strike: section 12 in its entirety  
Renumber: subsequent subsections
  
- 8) Page 14, lines 17 through 19  
Following: "Section" on line 17  
Strike: remainder of line 17 through "1988." on line 19  
Insert: "8 applies to individuals appointed as enrollment representatives on or after the effective date of this act."

3-18-87  
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amend  
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app'd  
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EX

Carried

**HB 848 - Introduced Bill**

**Amendments**

1. Page 1, line 14  
Following: "15-6-138(1)(g)"  
Insert: "on January 1 of the year for which the  
refund is due"