

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

March 30, 1987

The meeting of the Taxation Committee was called to order by Chairman Ramirez on March 30, 1987, at 8 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 JOINT RESOLUTION NO. 48: Rep. Gary Spaeth, House District #84, sponsor of HJR 48, said the bill would require the Revenue Oversight Committee to study the reappraisal system, because it has as many problems as state finance and taxation have.

PROPOSERS OF HOUSE JOINT RESOLUTION NO. 48: Dennis Burr, Montana Taxpayers Association, stated his support of the resolution.

Greg Groepper, told the Committee the resolution is a far more rational approach to addressing the problem, than many other bills pertaining to the issues, and that DOR would support the bill.

OPPOSERS OF HOUSE JOINT RESOLUTION NO. 48.: There were no opposers of the bill.

QUESTIONS ON HOUSE JOINT RESOLUTION NO. 48: There were no questions on the bill.

CLOSING ON HOUSE JOINT RESOLUTION NO. 48: Rep. Spaeth simply asked the Committee to support the bill.

CONSIDERATION OF SENATE BILL NO. 340: Sen. Elmer Severson, Senate District #32, sponsor of SB 340, said the bill would eliminate the tax on producer-held grain, livestock, and poultry. He explained that he met with a group of economists in the state, to discuss improving the business climate, and that it was recommended agricultural inventories be exempted, with the exception of the fee funding the Department of Livestock. Sen. Severson advised the Committee he would like to see the Senate amendment at the end of the bill removed.

PROPOSERS OF SENATE BILL NO. 340: Mons Tiegen, Montana Stock Growers Association, stated his support of the bill.

Ginger DeCock, Rosebud, asked whether livestock is part of inventory or factory, and read from a prepared statement in support of the bill, as originally drafted (Exhibit #1).

George Vogt, Ravalli County, said he would support the bill, as it repeals a discriminatory tax on livestock and other agricultural products. He stated that, in past years, household goods were removed, then capital surplus in banks, and, finally, all taxes on all inventories except agriculture. Mr. Vogt advised that the Dakotas, Idaho, and Wyoming have had no inventory tax for several years, and urged the Committee to support the bill.

Henry Weschenfelder, Shepherd, owner-operator, Western Montana Feeders, told the Committee that, prior to 1986, he ran 50,000 head of cattle through his plant, and during 1986, took a severe loss. He stated he anticipated running only 35,000-40,000 cattle through this year. Mr. Weschenfelder advised that cattle, to a feeder, is the same as inventory, and that he believes an inventory tax is unfair. He asked the Committee to support the bill.

Norm Haaland, Shepherd, President, Montana Cattle Feeders, told the Committee he owned a custom feed yard in Shepherd, and that he, too, believes the inventory tax is unfair, as it hurts the economy of the state, affecting jobs, trucking, and all agriculturally related business (Exhibit #2).

Kay Norenberg, Women Involved in Farm Economics, stated her support of the bill, as it was introduced.

Jo Bruner, Montana Grange, Montana Cattle Feeders, and Montana Cattlemens Association, read from a prepared statement in support of the bill (Exhibit #3).

Steven Page, Glasgow rancher, stated his support of the bill.

John Duncan, Joplin, representing Farm Bureau, said he believed it was discriminatory for the legislature to remove all inventory tax, except that on agriculture, during the 1981 session. He commented that it is no wonder livestock producers are going broke and asked the Committee to support the bill.

Craig Winterburn, Helena rancher, stated his support of the bill to make Montana more competitive with surrounding states. He said anything the Legislature can do to add value to agricultural commodities needs to be done, and soon.

Carol Mosher, Montana CattleWomen, and Agriculture Coalition, stated her support of the bill (Exhibit #5).

Members of the Montana Dairymens Association, Wool Growers, State Grazing Association, and Grain Growers, asked to be shown as supporters of the bill, but did not testify.

Donald Berg, Martinsdale, told the Committee it is time to worry about Montana's number one industry, and to quit worrying about new industry.

Stuart Doggett, Montana Chamber of Commerce, stated his support of the bill.

Rep. John Patterson, House District #97, said the Committee has already tabled two bills addressing this situation, and that the only way to use surplus grain in Montana is to feed cattle. He advised that, otherwise, cattle will be shipped outside the state.

OPPONENTS OF SENATE BILL NO. 340: Gordon Morris, Montana Association of Counties, told the Committee that if section 24 were retained in the bill, he would oppose SB 340 for the same reasons he opposed HB 377.

Eric Feaver, Montana Education Association, explained he shared Mr. Morris' point of view, and said he believes the tax on agricultural inventory is discriminatory, illustrating the gross inequities in the state property tax system. He advised that the property tax base is so narrowed that some taxpayers feel singled out, and that there is a need for reform of the entire tax system.

QUESTIONS ON SENATE BILL NO. 340: Rep. Hoffman asked if the tax would no longer be assessed at 80 mills. Sen. Severson replied that matter would be taken care of in the Appropriations process.

Rep. Sands asked how section 24 would be resolved. Sen. Severson replied he supposed a sales tax, or any other shift in taxation, would resolve the matter.

Rep. Williams asked if taxes would not be paid for nine months on a new born calf, as well as for grain harvested and sold the same year. Sen. Severson replied that would be correct.

CLOSING ON SENATE BILL NO. 340: Sen. Severson urged the Committee to pass the bill in its original form, and said all of agriculture supports the bill.

DISPOSITION OF HOUSE JOINT RESOLUTION NO. 48: Rep. Raney made a motion that HJR 48 DO PASS.

Rep. Ream made a motion to insert "accomplish" and to strike "accomplished" on line 12, page 2 of the bill. The motion CARRIED unanimously.

Rep. Raney made a motion that HJR 48 DO PASS AS AMENDED. The motion CARRIED unanimously.

CONSIDERATION OF SENATE BILL NO. 12: Sen. Gary Aklestad, Senate District #5, sponsor of SB 12, said the bill exempts producer-held grain from taxation. He explained the Committee already heard SB 340, which would not take effect unless countered with a revenue replacement measure, and said he believes DOR is using figures that are about one year out of date. Sen. Aklestad commented that the price of grain has dropped about \$1.00 per bushel, or about 30-40%. He advised that farm storage grain will still be taxed, and that he could support SB 340, if it were to pass.

PROPOSERS OF SENATE BILL NO. 12: Bob Stephens, Montana Grain Growers, stated his support of the bill.

Jo Bruner, Montana Grange, Cattlemen and Cattle Feeders Associations, stated her support of the bill.

Kay Norenberg, Women Involved in Farm Economics, stated her support of the bill.

OPPOSERS OF SENATE BILL NO. 12: Gordon Morris, Montana Association of Counties, stated his opposition to the bill.

Eric Feaver, Montana Education Association, said he opposed the bill for the same reasons he opposed SB 340.

QUESTIONS ON SENATE BILL NO. 12: There were no questions on SB 12.

CLOSING ON SENATE BILL NO. 12: Sen. Aklestad said he realized the counties' objections to the bill, but believes farmers need this break, and asked the Committee to support the bill.

DISPOSITION OF HOUSE BILL NO. 8: Rep. Hoffman made a motion that HB 8 be TABLED. The motion CARRIED unanimously.

DISPOSITION OF HOUSE BILL NO. 26: Rep. Hoffman made a motion that HB 26 be TABLED. The motion CARRIED unanimously.

DISPOSITION OF HOUSE BILL NO. 883: Rep. Williams made a motion that HB 883 be TABLED. The motion CARRIED unanimously.

CONSIDERATION OF SENATE BILL NO. 325: Sen. George McCallum, Senate District #26, said the bill would require DOR to set property appraisals at market value, and to consider things that cause market value to be less than replacement cost. He advised that the fiscal note indicates no additional cost to the Department.

PROPOSERS OF SENATE BILL NO. 325: Dennis Burr, Montana Taxpayers Association, read from a page in the Internal Revenue Service Valuation Guide on replacement costs (Exhibits #6 and #6a). He told the Committee the bill would require that DOR look at functional and/or economic obsolescence, which can also affect value.

Don Allen, Montana Wood Products Association, told the Committee the comments made by Sen. McCallum and Dennis Burr outlined the reason for the bill, and added his support.

Robert Holding, Montana Association of Realtors, stated his support of the bill (Exhibit #7).

Stuart Doggett, DOR, stated his support of the bill.

TECHNICAL COMMENTS ON SENATE BILL NO. 325: Greg Groepper, DOR, requested a statement of intent to give the Department direction in making adjustments.

OPPOSERS OF SENATE BILL NO. 325: There were no opposers of SB 325.

QUESTIONS ON SENATE BILL NO. 325: There were no questions on SB 325.

CLOSING ON SENATE BILL NO. 325: Sen. McCallum said he had no objection to a statement of intent.

CONSIDERATION OF SENATE BILL NO. 389: Sen. Ray Lybeck, Senate District #4, sponsor of SB 389, said the bill would provide for a 255 percent increase in the annual license tax fee for vehicles powered by liquified petroleum gas, because it is only about 75 percent as efficient as other fuels. He commented that a 30 percent reduction was amenable to the industry, and that the Senate amended the bill to leave school buses running on liquified petroleum gas at \$60.

PROPOSERS OF SENATE BILL NO. 389: Ronna Alexander, Montana Petroleum Markets, stated her support of the bill.

Jack Brown, Cut Bank Gas Service, told the Committee he would like to see the effective date amended from January 1, 1988, to July 1, 1987 (Exhibit #8).

Jesse Munro, DOH, said the bill can be adjusted to allow for quarterly payments, and that changing the effective date would make the bill cleaner.

OPPONENTS OF SENATE BILL NO. 389: There were no opponents of the bill.

QUESTIONS ON SENATE BILL NO. 389: There were no questions on Senate Bill no. 389.

CLOSING ON SENATE BILL NO. 389: Sen. Lybeck asked Rep. Williams to carry the bill, if it passes out of committee.

CONSIDERATION OF SENATE BILL NO. 228: Sen. Fred Van Valkenburg, Senate District #30, sponsor of SB 228, said the bill revises allocation of coal severance tax proceeds. He explained that 15 percent of the flow to the educational trust would be plowed back into the permanent trust fund after the 1989 biennium, and that the remaining 15 percent would go to the general fund.

Sen. Van Valkenburg advised the Committee that, in 1983, the Legislature changed 15 percent of interest earned to go back to the permanent trust fund, and that he believes the action proposed in the bill is the most appropriate area in which to take temporary action to meet state budgeting needs. He said the bill would, secondly, transfer local impact dollars to the general fund, which is amenable to the Coal Board, and commented that transferring funds to the education trust fund is clearly justified. Sen. Van Valkenburg stated some type of tax increase is necessary before the session ends, and provided proposed amendments to the bill (Exhibit #9).

PROPOSERS OF SENATE BILL NO. 228: Dave Hunter, OBPP, told the Committee SB 228 is a major piece of the Governor's legislation to balance the budget, and represents about \$38 million. He said science and technology funding is already appropriated in HB 2, and commented that there have been two sessions of highway funding problems, with coal mined in April, May, and June, for which payment is not made until August. He stressed the intent of the bill needs to be clearly stated in the law, and that although the bill means no major policy changes, it provides for more dollars to the general fund without a tax increase.

Murdo Campbell, Chairman Montana Coal Board, told the Committee he was appearing at the request of members of the Board, who felt obligations to large-scale operators in the

state had lessened, and that there would be adequate funding to meet current obligations, as well as meet the funding transfer requested by the Governor. Mr. Campbell asked the Committee to support the bill.

OPPONENTS OF SENATE BILL NO. 228: Eric Feaver, Montana Education Association, said he was opposed to the bill in principle, but held a lukewarm position on the bill. He said he would quibble with the notion that the bill is temporary, as "a cap on the educational trust is tantamount to the education trust".

Gary Fjelstad, Treasurer County Sheriff, told the Committee Eastern Montana received a grant five years ago to work undercover drug and crime operations and have made more than 300 felony cases, as well as confiscating millions of dollars in illegal drugs and goods. He said county officials fear that if SB 228 passes, he won't continue to receive matching funds at 25 percent from the Coal Board, and that he would hate to see the program disbanded.

QUESTIONS ON SENATE BILL NO. 228: Rep. Asay asked how much the counties needed to meet the federal match. Mr. Fjelstad replied they need about \$76,000 annually. Murdo Campbell advised that the Board has about \$271,000 remaining, less \$150,000 in administrative expenses, leaving more than \$100,000 for such requests. He commented a year ago, the Board saved about \$40,000 in administrative costs. Dave Hunter added that any dollars not used by the Coal Board revert to the education trust.

Rep. Sands said there was no reallocation in the title of the bill for money going to highways, and asked how the Committee can transfer those funds as originally proposed, with a new gas tax increase. Dave Hunter replied that by leaving coal dollars in the highway fund, additional dollars are provided for that purpose.

Rep. Raney asked how badly the highway reconstruction trust fund (RTF) would be hurt. Dave Hunter replied that amount is estimated to be 12 percent of receipts in FY88, or about \$9 million annually, and said total coal tax collections are anticipated to be about \$80 million annually. He advised that the education trust fund is primarily for the foundation program, WICHE, and WAMI.

Rep. Asay asked how often the Coal Board meets. Murdo Campbell replied the Board must meet at least quarterly to address administrative situations.

Rep. Williams asked if local impact and education trust dollars would be transferred to the educational trust. Sen.

Van Valkenburg replied that would be correct, and said it was being done to reduce economic stress to schools.

Rep. Sands asked why the same proposal was not used with alternative energy resources. Sen. Van Valkenburg replied he would have to ask the Governor's Budget Director, Dave Hunter.

Rep. Gilbert asked for an explanation of the second proposed amendment. Sen. Valkenburg replied that line 16, page 1, clarifies the lag between the time when severance taxes are due, and when they are collected, to keep the highway program whole.

Rep. Asay asked how much funding would remain with the Coal Board. Sen. Van Valkenburg replied it would remain at 1.25% until July, 1989.

Rep. Raney asked if the bill were not taking interest from both the educational trust and the permanent trust. There was no response.

CLOSING ON SENATE BILL NO. 228: Sen. Van Valkenburg was recalled to the Senate chambers and made no closing comments.

ADJOURNMENT: There being no further business before the Committee, the meeting was adjourned at 11:50 a.m.

  
Representative Jack Ramirez,  
Chairman



## DAILY ROLL CALL

## HOUSE TAXATION COMMITTEE

50th LEGISLATIVE SESSION -- 1987

Date March 30, 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   | ✓       |        |         |
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# STANDING COMMITTEE REPORT

MARCH 30

19 37

Mr. Speaker: We, the committee on HOUSE TAXATION

report HOUSE JOINT RESOLUTION NO. 48

☒ 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 12  
Following: "successfully"  
Strike: "accomplished"  
Insert: "accomplish"

3-30-87  
340

TESTIMONY ON SENATE BILL 340

Mr. Chairman, and members of the House Taxation Committee:

My name is Ginger DeCock. My husband and I ranch in Treasure and Rosebud County in Southeastern Montana. When SB340 was heard in the Senate, I brought over 500 signed statements supporting this bill. That day at the hearing, a question was raised and I would like to address my remarks to that question. The question raised, was "Is a cow part of your business inventory or is she your factory?"

On our ranch we sell our steer calves & about 1/3 of the heifer calves in the fall. I'm sure you are familiar with the process they go thru before they reach the consumer. What commodity reaches the consumer-RED MEAT.

We also have another source of income from our cows. Every spring and fall we sell cull cows, those that have lost their calves, have physical problems or for some other reason have not measured up to our standards. What commodity do these cows end up as? RED MEAT.

We also have another way we generate income on our ranch. The remainder of our heifer calves are raised to maturity on our ranch. About 1/2 of these heifers will go into our producing herd. The rest of the heifers will be sold as stock cows, perhaps as first calf heifers or as 3 or 4 yr. old cows. Their marketing will depend on the market, the rain and the grasshoppers. The income from the sale of these cows is an important part of the financial management of our ranch giving us

flexibility in marketing. One more way cows are part of our "business inventory".

Do you remember the fuss over the Dairy Cow Buyout? The plan was to eliminate milk, but what was really sold was RED MEAT.

A simple cow plays a complex role in producing income for a ranch. While she is a producing unit, she is always in our "inventory" ready to be sold as the only commodity we sell. RED MEAT.

A cow is an investment, which is responsible for producing income to cover her depreciation and maintenance. This cow also must provide income for depreciation, maintenance and taxes on the real estate unit on which she exists. She must also produce income to provide feed for herself.

Since the commodity we sell is RED MEAT, all forms of livestock should be considered as "business inventory", therefore, I urge your support of SB340 as it was originally written with no admendments.

Thank you,

Ginger DeCock  
Rt. 2 Box 3028  
Forsyth, Mt. 59327

Ed Norm Healand  
3-30-87

Jo Brunner

SB340

March 30, 1987

Support

#2  
3-30-87  
SB 340

Mr. Chairman, members of the committee for the record, my name is Jo Brunner and I am the lobbyist for the Montana Grange, for the Montana Cattlefeeders Association and the Montana Cattlemen Association and I appear in that capacity here today.

Mr. Chairman, your committee will hear, or has heard, today a great many reasons that the agriculture community needs this bill passed. I will not belabor most of those points. I do however, want to express a great concern my people have on not only this bill, but others that effect our continuing survival in this state.

Mr. Chairman, you are well aware that agriculture people are not selfish people. When we have money to spend, we spend it, and most of it goes into our local community economy. Most of us would thoroughly enjoy paying a hefty income tax, but we do not appreciate being the only business in the state of Montana to still be burdened with an inventory tax, and we do ask that you eliminate that inconsistency from our laws. We also protest the last little additional thought on this bill--- that it will go into effect only when other means are available to fill the gap.

Mr. Chairman, I have attended several--to say the least--other committee meetings that have addressed the lowering of taxes for industry--and I may have perhaps missed any reference to an amendment that would tie those tremendous tax reductions to the accelerated business they supposedly will bring into the state to replace the tax decrease. This legislature is bending over backwards to entice out of state, and huge state businesses back into Montana and you are completely ignoring established, working businesses that are having trouble within the state .

Agriculture continues to be the foremost employer and revenue producing business in spite of our difficult times, but we will continue into our depressed condition unless we are given the consideration this legislature is supplying other businesses. We ask that you do pass this legislation, and that you consider the benefit to the local economies by eliminating the reference tying the effective date to replacement funds.

March 30, 1987

#3  
3-30-87  
SB 340

Mr. Chairman, members of the committee for the record, my name is Jo Brunner and I am the lobbyist for the Montana Grange, for the Montana Cattlefeeders Association and the Montana Cattlemen Association and I appear in that capacity here today.

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1987

518-15

EXHIBIT

#4

DATE

3-30-87

SB

340

Ex 4

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More, Chairman Jack Ramirez, & Committee I  
 thank all of you for this opportunity to talk  
 to you about this situation.

I John W. Treuman of Joplin, Mont. Pres of  
Duncan Ranch Co. & Fair Bureau - Herbula  
 We raise foundation seed stock as well as  
 grain.

We support S.B. 340 all of us  
 Therefore I respectfully request your support  
 to remove the unfair tax burden placed on  
 livestock & grain in Montana.

I believe that the 1981 Legislature removing of  
 all the inventory taxes on businessmen, except that  
 on livestock & grain, from Class 6 Property tax  
 was a discriminatory act, against the  
 livestock & grain businessmen in Montana in  
 1981

The 80 Million that our own livestock based put on  
 us, should adequately support our share of  
 industries lost to Government in Montana.

Liberty County has a total tax \$78.66 million  
 A hidden tax of 199.66 million This is in  
 School District 29 Liberty County a very unfair  
 tax.

and further more we have to compete  
 with our neighboring states N.D., S.D.,  
 Wyoming & Idaho they pay no livestock tax

Property tax at all.

A very unfair situation.

No. Wonder Livestock Producers & Grain Farmers are going Broke Right.

Why is the Montana Legislature so damn slow, to correct these mistakes, and still they expect us to compete with Imports.

needs some attention. An other by of Warmer that  
J endorse Bill 340

John W. Duncan. Pres.  
Duncan Ranch. Co.



EX-5  
3-30  
SB 340

#5  
3-30-87  
SB 340

WITNESS STATEMENT

NAME Carol Mosher BILL NO. SB 340  
ADDRESS P.O. Box DATE 3-30-87  
WHOM DO YOU REPRESENT? Mont. Cattle Women and The Ag Coalition  
SUPPORT ✓ OPPOSE          AMEND ✓

PLEASE LEAVE PREPARED STATEMENT WITH SECRETARY.

Comments:

We are in support of SB 340 and would like to call your attention to the fact that all of the members of the Ag Coalition are in support of this bill. Some of these organizations have already testified today. However we would like to list all of these organizations who are members of that Ag Coalition. They are: Montana Stockgrowers, Cattle Women, Dairywomen, Woolgrowers, Grange, Cattlemen, Cattle Feeders, Assoc. of State Grazing Districts, Women Involved in Farm Economics, Farm Bureau and Grain Growers, Farmers Union.

SENATE BILL 325

#6  
3-30-87  
SB 325

2 Burr  
ut Taxp  
SB 325  
EX 6  
3-30-87

ALTHOUGH MARKET VALUE IS THE STANDARD FOR PROPERTY ASSESSMENTS IN MONTANA, THE MONTANA DEPARTMENT OF REVENUE USUALLY USES CONSTRUCTION COSTS LESS DEPRECIATION AS THE BASIS FOR ASSESSMENTS. THE DEPARTMENT HAS ADOPTED DEPRECIATION SCHEDULES THAT ARE USED TO ADJUST 1982 CONSTRUCTION COSTS TO THE AGE OF THE PROPERTY BEING ASSESSED.

THERE ARE THREE COMPONENTS OF DEPRECIATION: 1) PHYSICAL DETERIORATION, 2) FUNCTIONAL OBSOLESCENCE AND 3) ECONOMIC OBSOLESCENCE. WHILE PHYSICAL DETERIORATION MAY BE ADEQUATELY ACCOUNTED FOR WITH DEPRECIATION TABLES, FUNCTIONAL AND ECONOMIC OBSOLESCENCE CAUSE A LOSS IN VALUE THAT CANNOT BE ANTICIPATED BY PHYSICAL DEPRECIATION TABLES.

FUNCTIONAL DEPRECIATION MAY BE CAUSED BY A POORLY DESIGNED PRODUCTION FACILITY OR BY ADAPTING AN EXISTING PLANT TO PRODUCE SOMETHING NOT ORIGINALLY INTENDED. IN EITHER CASE, THE MARKET VALUE OF THE FACILITY WILL BE LOWER THAN ITS REPLACEMENT COST LESS PHYSICAL DEPRECIATION. A RESIDENCE WITH 5 BEDROOMS AND ONLY ONE BATHROOM IS AN EXAMPLE OF FUNCTIONAL OBSOLESCENCE. THE HOME WILL NOT SELL FOR ITS REPLACEMENT COST LESS PHYSICAL DEPRECIATION.

ECONOMIC OBSOLESCENCE IS A LOSS IN VALUE DUE TO FACTORS FROM OUTSIDE THE PROPERTY. A CAFE IN A SMALL TOWN WHICH HAS BEEN BY-PASSED BY AN INTERSTATE HIGHWAY WILL EXPERIENCE ECONOMIC OBSOLESCENCE AS A PORTION OF ITS BUSINESS WILL NOT PASS THE CAFE AGAIN. NEW TECHNOLOGY WHICH REPLACES A PRODUCT OR PRODUCTION METHOD WILL CAUSE ECONOMIC OBSOLESCENCE. THE FACILITY WILL NO LONGER SELL FOR REPLACEMENT COST LESS DEPRECIATION.

THE DEPARTMENT OF REVENUE RECOGNIZES THAT FUNCTIONAL AND ECONOMIC OBSOLESCENCE ARE PART OF DEPRECIATION AND THE DEPARTMENT MAINTAINS THAT THEY ARE ALLOWED WHERE APPLICABLE. SENATE BILL 325 MAKES IT EXPLICIT THAT OBSOLESCENCE AS WELL AS PHYSICAL DEPRECIATION MUST BE CONSIDERED IN ESTIMATING MARKET VALUE BY THE COST APPROACH. IT IS NOT SUFFICIENT TO SAY THAT OBSOLESCENCE IS ACCOUNTED FOR IN THE DEPRECIATION SCHEDULES. THE DEPARTMENT MUST ACCOUNT FOR IT SEPARATELY OR SHOW HOW IT IS INCLUDED IN THE DEPRECIATION TABLES. SENATE BILL 325 WILL ALLOW THE PROPERTY OWNER TO RECEIVE AN EXPLANATION OF THE TREATMENT OF THESE ITEMS, SOMETHING SOME PROPERTY OWNERS FEEL HAS BEEN NEGLECTED IN THE PAST.

2/23/87

EX 6a  
3-30-87  
D Burr

6a  
3-30-87  
SB 325

SENATE BILL 325

MONTANA TAX LAWS REQUIRE THE DEPARTMENT OF REVENUE TO ASSESS PROPERTY AT MARKET VALUE. THAT SECTION IS FOUND ON PAGE ONE, LINE 14 OF SENATE BILL 325. IN MAKING THEIR APPRAISALS, THE DEPARTMENT OF REVENUE USUALLY USES REPLACEMENT COSTS OR CONSTRUCTION COSTS AS A MEANS OF ESTIMATING MARKET VALUE. SENATE BILL 325 REQUIRES THE DEPARTMENT TO FULLY CONSIDER THINGS THAT CAUSE MARKET VALUE TO BE LESS THAN REPLACEMENT COST. THESE FACTORS, LISTED ON THE BOTTOM OF PAGE ONE ARE PHYSICAL DEPRECIATION, FUNCTIONAL OBSOLESCENCE AND ECONOMIC OBSOLESCENCE. THESE ARE THREE THINGS THAT WILL CAUSE MARKET VALUE TO BE LESS THAN REPLACEMENT COST AND THEY MUST BE CONSIDERED IN APPRAISING RESIDENTIAL AND COMMERCIAL PROPERTY.

THE FISCAL NOTE SAYS THERE IS NO COST TO THIS BILL BECAUSE THE DEPARTMENT OF REVENUE ALREADY CONSIDERS DEPRECIATION AND OBSOLESCENCE. THE TERMS ARE DESCRIBED IN THEIR RULES AND REGULATIONS.

THIS BILL RECOGNIZES THE DIFFERENCE BETWEEN MARKET VALUE AND REPLACEMENT COST AND REQUIRES THE DEPARTMENT TO CONSIDER ADJUSTMENTS WHERE THEY ARE NEEDED. THE BILL PLACES IN LAW WHAT ALREADY EXISTS IN THE DEPARTMENTS RULES.

I ASK FOR YOUR SUPPORT ON SENATE BILL 325.

X 8  
3-30-87  
SB 389

8  
3-30-87  
SB 389

WITNESS STATEMENT

NAME W. A. (Jack) Brown BILL NO. SB 389  
ADDRESS 1329 Ave F Bldg 117, Office 2 DATE 9/3/87  
WHOM DO YOU REPRESENT? Evangelical NT Association, Hattiesburg, MS  
SUPPORT X OPPOSE \_\_\_\_\_ AMEND X

PLEASE LEAVE PREPARED STATEMENT WITH SECRETARY.

Comments: We would like to have the effective date amended from Dec 1, 1987 to Jan 1, 1988. It is a large increase (\$602) at one time. The impact on ourselves + our customers would be somewhat less with this amendment.

3-30  
EX 9  
V. Vack.  
+OBPP

#9  
3-30-87  
SP 228

AMENDMENTS TO SENATE BILL NO. 228  
(3rd Reading Copy)

1. Title, line 12.  
Following: line 11  
Insert: "AN"  
Following: "APPLICABILITY"  
Strike: "DATES"  
Insert: "DATE"  
Following: "AND"  
Strike: "AN IMMEDIATE"  
Following: "EFFECTIVE"  
Strike: "DATE"  
Insert: "DATES"
2. Page 1, line 16.  
Following: "taxes."  
Insert: "Severance taxes collected under this chapter must be allocated according to the provisions in effect on the date the tax is due pursuant to 15-35-104."
3. Page 4, line 15.  
Following: "1983"  
Strike: "1990"  
Insert: "1989"
4. Page 15, line 2.  
Following: "the"  
Strike: "The"  
Insert: "Beginning July 1, 1989, the"
5. Page 16, lines 13 through 16.  
Following: "Applicability." on line 13  
Strike: subsection 1 in its entirety
6. Page 16, line 17.  
Following: line 16.  
Strike: "(2)"
7. Page 16, lines 19 through 21.  
Following: "date." on line 19  
Strike: remainder of line 19 through "LATER" on line 21  
Insert: "(1) Sections 2, 8, 14, and this section are effective on passage and approval.  
(2) All other sections are effective on July 1, 1987"

EX 10  
-50  
MURDO  
SB 228

10  
3-30-87  
SB 228

TESTIMONY IN SUPPORT  
OF SENATE BILL 228

House Taxation Committee

Monday, March 30, 1987

Mr. Chairman and Members of the Committee.

My name is Murdo A. Campbell and I am the Administrative Officer of the Montana Coal Board.

I am appearing before the committee this morning in support of Senate Bill 228 at the request of Chairman Hershel Robbins and the other members of the Montana Coal Board.

On November 21, 1986 the Montana Coal Board passed a resolution, a copy of which is attached with my submitted written testimony, which recommended to Governor Schwinden that he propose a decrease in the amount of coal severance tax funding available to the Coal Board from 6.65% to 1.25% for FY'88 and FY'89. This action, which would free up some \$8.6 million dollars to help alleviate state revenue shortfalls over the next biennium, was based on two conditions existing after the Coal Board assessed its program. First, it was felt that the Board's obligation to assist local governments, especially for major projects, that were currently impacted by large scale coal development had lessened due to a lull in coal production in Montana and secondly, the

remaining funds would allow the Board to meet current obligations and still fund some viable coal impacted grant requests. The Governor incorporated this recommendation into his executive budget and Senate Bill 228 is the measure that accomplishes this funding transfer. The Montana Coal Board is confident that with the passage of this bill to supplement state government in its time of financial need it will still provide sufficient funding for the Board to operate efficiently and effectively over the next biennium. The Montana Coal Board respectfully seeks your favorable endorsement of this measure. Thank you.



**A RESOLUTION OF THE MONTANA COAL BOARD RECOMMENDING THE DECREASE OF  
FUNDING FOR THE IMPACT ASSISTANCE PROGRAM FOR FY '88 AND '89  
AND PLACING THESE FUNDS AT THE DISCRETION OF THE GOVERNOR  
TO HELP MEET THE STATE'S REVENUE NEEDS**

WHEREAS, the Montana Coal board members are duly appointed by, and serve at the pleasure of, the Governor and are confirmed by the Montana Senate; and

WHEREAS, the Montana Coal Board's purpose is to administer the Local Impact Assistance Program; and

WHEREAS, the purpose of the Local Impact Assistance Program is to assist local governmental units which have been required to expand the provision of public services as a consequence of large scale coal development; and

WHEREAS, the Montana Coal Board believes the impact of decline issue is a future major concern, and a provision for its consideration should be adequately addressed to resolve this vital issue; and

WHEREAS, the Montana Coal Board shall award grants and loans from the revenue paid into the Local Impact and Education Trust Fund Account for FY '88 and FY '89; and

WHEREAS, the Montana Coal Board's obligation to assist the local governments in Montana impacted by large scale coal development has lessened due to the current reduction in coal production due to various nationwide and worldwide economic factors; and

WHEREAS, the Montana Coal Board is statutorily mandated to meet quarterly during FY '88; and FY '89 and is obligated for a final single payment of \$712,650 to the Yellowstone County jail project from FY '88 funds; and anticipates future consideration of viable funding requests for continuation of ongoing projects and programs; and

WHEREAS, the Montana Coal Board recognizes the very real need for revenue to supplement the state general fund during the coming biennium.

NOW, THEREFORE, BE IT RESOLVED, that the Montana Coal Board recommend that the Governor propose a decrease in the amount of funding available to the Coal Board from 6.65% to 1.25% which will provide approximately \$4 million for FY '88 and \$4.7 million for FY '89, for a total of \$9.3 million of relief for the general fund, for use in facing anticipated revenue shortfalls in the upcoming biennium.

The remaining projected receipts available to the Coal Board will be \$1.8 million to fund current obligations and to consider future grant requests.

PASSED, ADOPTED, AND APPROVED by the Montana Coal Board on this 21st day of November, 1986.

MONTANA COAL BOARD

\_\_\_\_\_  
HERSHEL M. ROBBINS, Chairman

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NELL KUBESH, Vice-Chairman

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DARCY GALASSO

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JACK G. STEVENS

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MONTY LONG

\_\_\_\_\_  
DR. PAUL PALM

\_\_\_\_\_  
DR. DALE TASH

## VISITORS' REGISTER

House Taxation COMMITTEEBILL NO. SB 12DATE March 30, 1987SPONSOR Aklestad

| NAME (please print) | RESIDENCE              | SUPPORT | OPPOSE |
|---------------------|------------------------|---------|--------|
| Dennis Burr         | MONTAX                 | ✓       |        |
| Bob Stephens        | Tr. Train Drivers      | ✓       |        |
| Adam Morris         | MIACO                  |         | ✓      |
| Eric Fleav          | MEA                    |         | ✓      |
| A. Danner           | Tr. C.F. & C.M.        | ✓       |        |
| Stuart Daggett      | Mr. Charles F. Conance | ✓       |        |
| Terry Conance       | Off. Furman Strim      | ✓       |        |
| Marvin Balber       | mt assessors           |         | X      |
| Kay Humberg         | W. FE                  | ✓       |        |
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IF YOU CARE TO WRITE COMMENTS, ASK SECRETARY FOR WITNESS STATEMENT FORM.

PLEASE LEAVE PREPARED STATEMENT WITH SECRETARY.

228

DATE March 30, 1987

SPONSOR Van Valkenburg

PLEASE LEAVE PREPARED STATEMENT WITH SECRETARY.

325

## House Taxation

BILL NO.

DATE \_\_\_\_\_

SPONSOR

[illegible]

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PLEASE LEAVE PREPARED STATEMENT WITH SECRETARY.

## VISITORS' REGISTER

House Taxation COMMITTEEBILL NO. SB 340DATE March 30, 1987SPONSOR Severson

| NAME (please print)        | RESIDENCE               | SUPPORT | OPPOSE |
|----------------------------|-------------------------|---------|--------|
| Lois Gorman - John Skelton | Dept. of Livestock      | ✓       |        |
| Jenna Burr                 | Montana                 | ✓       |        |
| Henry Weschenfelder        | Shepherd                | ✓       |        |
| William Poole              | Hamilton                | ✓       |        |
| George Vogt                | Hamilton                | ✓       |        |
| Norma Hestland             | Shepherd                | ✓       |        |
| Art Littlejohn             |                         | ✓       |        |
| Lil Weschenfelder          | Shepherd MT.            | ✓       |        |
| Kim Erickson               | MT. County, E.C.        | ✓       |        |
| David Menden               | Mont. Co. W. House      | ✓       |        |
| Wendy Teigen               | Int. Stockgrowers Assn. | ✓       |        |
| Luigi Lahl                 | Husley                  | ✓       |        |
| John Farnham               | Jeffrey, Mont.          | ✓       |        |
| David Valchert             | Martinsdale, MT         | ✓       |        |
| Donald Berg                | Martinsdale, MT         | ✓       |        |
| Bab Stephens               | Int. Grain Growers      | ✓       |        |
| Conley Winterton           | Blaine MT. Ranch        | ✓       |        |
| Ted J. Dovey               | Mont. Dairymen's Assn.  | ✓       |        |
| Gordon Morris              | MACO                    |         | ✓      |

Eric Leaver ✓ MEA ✓  
 IF YOU CARE TO WRITE COMMENTS, ASK SECRETARY FOR WITNESS STATEMENT FORM

PLEASE LEAVE PREPARED STATEMENT WITH SECRETARY.

## House Taxation

BILL NO

DATE March 30, 1987

SPONSOR Sevens.

[illegible]

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PLEASE LEAVE PREPARED STATEMENT WITH SECRETARY.

SB  
389

VISITORS' REGISTER

House Taxation COMMITTEE

BILL NO. SB 389

DATE March 30, 1987

SPONSOR McCallum

| NAME (please print)                              | RESIDENCE     | SUPPORT | OPPOSE |
|--|---------------|---------|--------|
| Rene Alexander / Montana Petroleum Marketing     |               | X       |        |
| W. A. (Jack) Brown / Montana Petroleum Marketing |               | X       |        |
| JESSE Munro                                      | MDCH          | X       |        |
| Marvin Barber                                    | MT. Assessors | X       |        |
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PLEASE LEAVE PREPARED STATEMENT WITH SECRETARY.