

MINUTES OF THE MEETING
TAXATION COMMITTEE
MONTANA STATE SENATE

January 10, 1987

The third meeting of the Senate Taxation Committee was called to order at 8:00 A.M. on January 10, 1987 by Chairman George McCallum in Room 413/415 of the Capitol Building.

ROLL CALL: All members were present with the exceptions of Senators Crippen, Brown and Halligan.

CONSIDERATION OF SB 1: Senator Anderson, Senate District 37, presented this bill to the committee at the request of the Coal Tax Oversight Subcommittee. See attached Exhibit 1 for background for proposal of this bill. Senator Anderson stated that this bill would create a Beach-Wibaux plant impact assistance interstate compact and create an interstate commission to administer the compact. He went through the sections of the bill with the committee and advised that he did not see this going into effect until some time down the line as permits are necessary for siting of the plant and this must be approved under the North Dakota Energy Conversion and Transmission Facility Siting Act or the Montana Major Facility Siting Act.

PROPOSERS: None.

OPPOSERS: None.

QUESTIONS FROM THE COMMITTEE MEMBERS: Senator Neuman asked Senator Anderson why they were creating a new commission and couldn't the authority be extended to the Coal Board as they deal with the same types of issues.

Senator Anderson said he could not fully answer that question. The Coal Board could act with the North Dakota Board.

Senator McCallum referred to page 3, line 6, "have been approved and issued under the North Dakota Energy Conversion and Transmission Facility Siting Act or the Montana Major Facility Siting Act" and asked Senator Anderson if that meant that one state can approve it and the other has to follow.

Senator Anderson said his understanding is that they both have to approve it.

Jim Lear said his understanding is that the plant is inside Montana and only Montana would have to license it. The North Dakota Siting Act would be the area for getting the commission under way, starting the provisions of the compact and putting it into place.

Senator Neuman asked Senator Anderson what was the tonnage of coal they expected to use each year.

Senator Anderson said he did not have any figures on that but it would be quite an extensive operation.

Senator Eck told Paul Verdon that it would appear that it would be useful for the committee to have some of the data presented to the committee. Supposing the plant itself were built in North Dakota and not in Montana and the coal came from Montana.

Paul Verdon said he did not recall any discussion of the North Dakota local impact laws or anything being presented to the committee. For the committee's information this compact was presented to the committee by the North Dakota committee and the Coal Tax Oversight Committee sat on it for two years and made numerous minor changes in the language. In the interim, North Dakota enacted the compact and the Coal Tax Oversight Subcommittee decided to recommend that Montana do likewise.

Senator Anderson closed by stating that this could be a viable thing for our coal business in the state. He again mentioned that this would not happen for some time. This could be very beneficial to the people of Montana in the construction of a plant and the opening of jobs for Montana people.

CONSIDERATION OF SB 44: Senator Farrell, Senate District 31, presented this bill to the committee. He presented an amendment to the committee, attached as Exhibit 2, which would include trailers in the same category as larger trucks. He also stated that the fiscal note presented for the bill is not correct in that they did not include the trucks that were prorated that the Gross Vehicle Weights Division collects property tax on. He advised if the amendment is adopted it adds \$250,000 of fiscal impact to the bill for a total figure estimate of approximately 3.1 million dollars. The difference in trucks that were licensed between 1985 and 1986 is 1202 vehicles and this represents one driver per truck and one less job. He realizes the impact of the fiscal note will make the decision hard but hopefully we can do something to save some of these truck drivers.

PROPONENTS: Ben Havdahl, Executive Vice President, Montana Motor Carriers Association, gave testimony in support of this bill. A copy of his testimony is attached as Exhibit 3.

Keith Olson, Montana Logging Association, gave testimony in support of this bill. His organization represents 650 independent logging contractors, with about one-third involved in hauling. The vast majority of those hauling are small operations with one truck hauling. Our industry is typically seasonal and has approximately 10 months of operating time and sometimes from 0-6 months. A fixed cost, therefore, has a more dramatic effect on our operators.

Mons Teigen, Montana Stockgrowers Association, gave testimony in support of this bill. There are 2400 members of his association who own trucks but many of these trucks run only a few weeks of the year, yet they must have the trucks when they need them.

OPPONENTS: Alec Hansen, Montana League of Cities and Towns, gave testimony in opposition to this bill. He stated this is the first in a series of bills that will take away from the property tax system. This bill will reduce property tax revenue across the state by \$3.1 million and the impact on cities and towns in Montana will be \$100,000. This bill will not bankrupt the cities and towns in Montana but he would urge the committee to consider the cumulative effect of legislation that erodes the property tax base.

Gordon Morris, Montana Association of Counties, gave testimony in opposition to this bill. He stated we have a piecemeal approach to property tax reform with this bill. We need property tax reform but this is not the way to do it.

Greg Groepper, Administrator of the Property Assessment Division, gave testimony not as an opponent or a proponent to this bill, but for the committees information. His testimony is attached as Exhibit 4.

QUESTIONS FROM THE COMMITTEE: Senator Severson asked Mr. Groepper what the effective rate is on trailers.

Mr. Groepper said under the law based in 1985 the effective rate was 13.04%. The special session in June set a cap on that rate of 12%. For 86 that rate is 12%. He would expect it would be under 12% in 1987.

Senator Severson said to Senator Farrell we have lost 1200 trucks that were taxed in the state of Montana in the last year.

Senator Farrell said 1202 from 1985 to 1986.

Senator Severson asked Senator Farrell if this was telling the committee that there are truck companies moving out of the state into a less expensive tax area.

Senator Farrell said certainly not all of those vehicles moved because of that reason but yes there are many people that are already considering moving and probably have.

Senator Severson said what you are saying is we are not competitive with our neighboring states.

Senator Farrell said we are approximately 28% to 30% higher than the states that surround us. Some were a lot higher but they are trying to attract the trucking industry.

Senator Lybeck said there are a lot of trailers in the 10-12 thousand category and he questioned why they were not included if we were going to be fair with this legislation.

Jim Lear said in class eight right now trailers that are up to 18,000 are taxed at 11%. This amendment would allow those trailers that are taxed presently at 15% to be taxed at 11%. All trailers regardless of weight would be taxed at 11%.

Senator Eck said she would think that when the committee proceeds with this bill that it would be helpful to have the information on the taxes from the surrounding states. She asked Senator Farrell if he considered putting this into Senator Smith's bill.

Senator Farrell said it may be helpful but in Senator Smith's bill we are not included and are specifically exempted from it because of the commercial vehicles. He does not have any idea of the impact if included in Senator Smith's bill.

Senator Eck asked if prior to enacting the two systems, were all vehicles covered in one category in the law or separated out even then.

Senator Severson said back to 1977 this has been basically the same. He does not know before that time.

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Senator McCallum said this act applies to taxable years beginning after December 31, 1986 and all trucks must be licensed by February 15 of this year. He asked Mr. Groepper if there was a way retroactively to get that set back if this bill passes after the 15th.

Mr. Groepper said they have to be licensed by February 15 and they will be licensed before this bill goes through both houses and is signed by the Governor. The person would have to go back for a refund. If that is what you decide to do you would have to put it in the bill.


Senator McCallum asked if he had some experience with the refund mechanism in the past.

Mr. Groepper said it is a problem in terms of the workload. We would certainly like to see the bills not effective until December 30, 1987.

Senator Farrell closed.

ACTION ON SB 44: Senator Severson moved the amendment presented by Senator Farrell and attached as Exhibit 2. The motion carried unanimously with members present.

ADJOURNMENT: There being no further business the meeting adjourned at 8:57 A.M.


SENATOR GEORGE McCALLUM, CHAIRMAN

ah

ROLL CALL

TAXATION

COMMITTEE

50th LEGISLATIVE SESSION -- 1987

Date 1-10-87

NAME	PRESENT	ABSENT	EXCUSED
SENATOR CRIPPEN			✓
SENATOR NEUMAN	✓		
SENATOR SEVERSON	✓		
SENATOR LYBECK	✓		
SENATOR HAGER	✓		
SENATOR MAZUREK	✓		
SENATOR ECK	✓		
SENATOR BROWN			✓
SENATOR HIRSCH	✓		
SENATOR BISHOP	✓		
SENATOR HALLIGAN, VICE CHAIRMAN		✓	
SENATOR McCALLUM, CHAIRMAN	✓		

Each day attach to minutes.

NAME: Mary Tegen DATE: 1/10/87

ADDRESS: Helena

PHONE: 2/42-3420

REPRESENTING WHOM? Mont Stockgrowers Assn

APPEARING ON WHICH PROPOSAL: SB 44

DO YOU: SUPPORT? AMEND? OPPOSE?

COMMENTS: This should bring about more equity as far as agricultural vehicles are concerned, most of which are not used full time. In addition to this, this state must make it possible for a viable trucking industry to be maintained.

PLEASE LEAVE ANY PREPARED STATEMENTS WITH THE COMMITTEE SECRETARY.

Rosebud and Big Horn counties where the secondary effects of those layoffs have been most disruptive.

PROPOSED EDUCATION BUILDING AND INSURANCE LOAN FUND

An innovative proposal for utilization of the Permanent Coal Tax Trust was presented to the Subcommittee by the Office of Public Instruction, which proposed creation of a fund, using a portion of the trust, to provide money to local school districts at interest rates 1½ percent or 2 percent below market rates. The purpose would be to assist in financing construction projects that would otherwise demand interest rates beyond the repayment ability of local taxpayers.

An additional purpose of the proposal would be to establish an insurance fund to provide liability and comprehensive coverage at lower cost than from private insurers. The plan requires an investment from the permanent trust of up to \$10,000,000 a year, totaling about \$175,000,000 over 20 years. A return of 10 percent is guaranteed for each of the first three years, after which the interest rate drops 1 percent a year until it reaches the floor of 6 percent.

No final action was taken on the proposal, which was never formally presented to the Subcommittee, and OPI is continuing its work to refine the details.

BEACH-WIBAUX PLANT IMPACT INTERSTATE COMPACT

During the 1983-84 interim, the Coal Tax Oversight Subcommittee met jointly with a special interim committee of the North Dakota Legislature to weigh the needs for assistance to localities to mitigate impacts

of the coal gasification plant proposed by Tenneco at Wibaux.

A proposed interstate compact was drafted by the North Dakota committee and submitted to the Coal Tax Oversight Subcommittee with the request that it be enacted by both states. Opting for more time to study the proposal, the Coal Tax Oversight Subcommittee did not recommend the compact to the 1985 Legislature. Nevertheless, North Dakota enacted the compact, which cannot become effective unless also adopted by Montana. Approval of applications for the project under both states' plant siting laws is the trigger for implementation of the compact.

After the North Dakota Legislature approved the compact, Tenneco announced indefinite postponement of the project and suspension of all planning. Main reason for the shelving of the project is the unfavorable world energy market in which the natural gas price is below the profitability level for a coal conversion plant. *Nd. Tenneco Still hold leases*

Tenneco, however, has maintained its lease interests in the coal supplies for the plant.

Because the project could be resurrected on short notice in response to a sudden evaporation of the world energy glut, the Subcommittee agreed to recommend that the 50th Legislature approve the compact, after making several minor adjustments to the language of the North Dakota bill.

The Subcommittee informed the author of the North Dakota bill of its decision and respectfully requested

Amend Senate Bill No. 44
Introduced Copy

1. Title, line 5.

Following: "TRUCKS"

Insert: "AND TRAILERS"

2. Page 1, lines 20 and 21.

Following: "trailers" on line 20

Strike: "up to and including 18,000 pounds maximum gross
loaded weight"

Following: ", " on line 21

Insert: "including those prorated under 15-24-102 and"

3. Page 2, lines 17 through 20.

Strike: subsection "~~(e)~~ (d)" in its entirety

Renumber: subsequent subsections

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EXHIBIT NO. 2

DATE 1-10-87

BILL NO. SB 44

January 9, 1987

MMCA STATEMENT ON SB44

Mr. Chairman, members of the committee I'm Ben Havdahl, Executive Vice President of the Montana Motor Carriers Association and we would like to go on record in support of SB 44

MMCA has some 325 carrier members and 125 supplier members. All of whom are employers and the carriers range in size from a one-truck operation to medium size companies operating fleets of trucks up to 400 plus in numbers. 95% of our Montana based trucking companies operate in interstate commerce under ICC authority in several states, some in all 48 states.

SB44 would reclassify trucks having a rate capacity of more than 1 1/2 tons including those prorated from class 10 with a taxable value of 16% to class 8 with a taxable value of 11%. We would further support an amendment to include trailers exceeding 18,000 pounds into class 8. The way the bill is drafted only trucks would be affected and not including trailers appears to be an oversight. We would urge the adoption of an amendment.

The industry's support for this legislation is based solely in the economic benefit that would accrue from it at a time when the overall trucking industry's economic situation is anything but positive.

MMCA testified before the Special Legislative Committee in Highway Funding this week in opposition to any increase in the diesel fuel tax, not because we are not supportive of a soundly financed program, but because we cannot afford any additional tax increase. SB44 represents some tax relief to the industry and we support it.

Since 1983 state fuel taxes have increased 55%; federal fuel taxes increased 275%; the federal use tax on heavy trucks increased 162%; excise taxes on equipment 32% and excise taxes on tires 45%.

The impact of total increased state and federal highway taxes on a typical five axle semi is major: An 80,000 pound five axle tractor semitrailer combination paid approximately \$5,429 in Montana taxes, an increase of 36% over taxes prior to July, 1983, and with all the federal tax increases, paid an additional \$4,151 for a total of \$9,580 per year based on 70,000 miles of operation. Montana over-the-road trucks run closer to 100,000 miles and that would add another \$1,920 in federal and state fuel taxes for a total \$11,500 per year per truck.

Currently, the total state and federal taxes on a five-axle semi equates to a cost of 14 cents per mile and approximately \$.08 per bushel when transporting grain from Montana to the West Coast. Any additional tax increase will reflect in even higher transportation costs to the Montana farmer.

Montana Workers' Compensation premiums for truckmen increased 50% two years ago and were increased an additional 25% hike effective January 1, 1987.

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Prior to the rate increase, a truck driver earning \$20,000 a year costs \$3,400 a year for Workers' Compensation in Montana, but only \$832 in North Dakota, \$2,100 in Idaho, and \$1,800 in Utah, for example. The latest increase adds an additional \$850 per year for a total of \$4,250 in Montana. Its interesting to note that the increase is more than North Dakota's total rate.

Motor carriers currently pay the state's general fund over \$1 million per year in vehicle registration and identification stamps collected by PSC because we operate under a regulated system. In addition, motor carriers pay a 16% property tax rate on trucks and trailers. We simply can't afford any more taxes and remain economically sound and competitive with other major transportation modes.

As I said in Montana our economic situation has not improved. The Montana Department of Commerce recently completed a Montana Truck User Fee study at the request of the Montana Grain Growers Association. The purpose of the study was to determine at what level truck user fees became counter-productive to the intents of producing revenue for highway construction and maintenance. The economics for grain truck hauling concluded the following:

Truck Annual Profit Margin (excluding user fees with 10% backhaul rate)

- a. With a 7 axle grain truck hauling to Butte the motor carrier has a \$347.00 profit margin however when current user fees are subtracted the net result is a loss of -\$12,691.00.
- b. On a 5 axle truck hauling grain to Butte the profit margin was already at a loss of -\$13,347.00. When current user fees are added in the loss increases to -\$24,159.00.
- c. With a 7 axle grain truck hauling to Lewiston, Idaho the situation becomes worse. The operator already has a loss of -\$26,603.00 with normal costs. When current level user fee costs are added the deficit increases to -\$39,641.00.
- d. This same movement to Lewiston, Idaho for a 5 axle grain truck excluding user fee costs amounts to -\$33,567.00. Adding current level user fees causes the deficit to climb to -\$44,189.00.

The study also included a general commodity carrier with a 83.3% backhaul and a lumber hauler with a 50% backhaul and concluded that in both cases, with an ideal backhaul situation, that the operations are only modestly profitable.

A copy of the study's summary is enclosed and the completed detailed study is available.

Finally MMCA supports SB44 because this legislative body saw fit to reduce property taxes of other transportation modes in the past sessions.

Railroads and airlines property taxes were reduced in the past session to comply with federal law prohibiting discrimination in taxation.

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There has been no similar property tax relief afforded Motor Carriers by this body notwithstanding that we are afforded that same protection under the Federal Motor Carrier Act of 1980.

We are not asking this legislature to reclassify all motor carrier property into a special class as was done for the railroads and airlines. We do support this bill because it affords more equitable treatment of motor carrier property when compared to our competition, the railroads.

Thank you.

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MONTANA TRUCK USER FEE STUDY

December 30, 1986

(mggarep)

I. INTRODUCTION

A. OBJECTIVE

The purpose of this study, as defined by the Montana Grain Growers Association (MGGA) 1985-1986 Truck Transportation Resolution Item B., was for the Transportation Division of the Montana Department of Commerce to research Montana truck user fees to determine at what level truck user fees become counter-productive to the intents of producing revenue for highway construction and maintenance.

In other words at what level do Montana truck user fees become detrimental to the State's trucking industry and transportation service systems.

A truck user fee as defined for this study was: A fee charged a Montana motor carrier by a governmental entity for the use of government funded, constructed or maintained highway facilities. This also includes governmental fees charged for administrative purposes such as vehicle registration, title registration, recording of liens, etc.. Property taxes are not included under this definition.

B. BACKGROUND

MGGA's concern for the State's trucking industry can be easily understood when considering the importance of motor carriers to Montana particularly with respect to the following factors:

1. Our industries are highly resource oriented with many of our products being shipped from our State in a bulk, unfinished form such as grain, livestock, coal, ores, and lumber.
2. Due to Montana's distance from markets, transportation costs consume a significant portion of a product's dollar return when it is finally sold in a highly competitive market. This is particularly true of grain

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and lumber.

3. With a lack of water transportation, there are only two modes, truck and rail, to transport resource and agricultural products from Montana.
4. Due to a lack of rail competition, Montana has had to depend on the trucking industry to provide competition.
5. Rail abandonment of branchlines has required a greater dependence on trucking.
6. Many of the communities in Montana depend on motor carriers for their transportation services particularly with respect wholesale and retail goods. Without trucking services many of these communities could not survive since there are no other forms of transportation available. This dependency on motor carrier services continues to become more critical. A number of the communities along the Empire Builder route such as Cutbank and Glasgow have recently lost their Amtrak freight service. Amtrak anticipates continuing to cut ticket and freight services at passenger depots along the Empire Route.

The importance of the motor carrier industry to Montana is continuing to grow. However at this same time increased costs particularly with respect to truck user fees have begun to make motor carriers less able to compete or for that matter to even stay in business.

II. STUDY PROCEDURES

In order to understand the impact of truck user fees on a motor carrier it was necessary to develop a motor carrier costing model to establish costs associated with specific haul movements.

A. MOTOR CARRIER COSTING MODEL

The Transportation Division of the Montana Department of Commerce developed a motor carrier costing model on a computer spreadsheet program. Transportation Division staff in 1986 conducted research and interviewed several agencies and motor carriers in efforts to obtain the most recent data with respect to each cost parameter. Once this data was obtained all costs were developed on a per year basis

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(annualized) in order to permit evaluation on a average year basis. Figure 1 in the Appendices illustrates the relationship of actual costs as compared to annualized costs which were used in this study. The following presents the cost parameters and costing model procedure used to establish truck user fee impacts:

1. Truck Characteristics-

Truck Size
Tractor
Trailer
Purchase Price

2. Fixed Costs-

Tractor-trailer purchase price
Property tax
Insurance (vehicle and cargo liability)
Administrative (support personnel for record keeping, dispatch, secretarial, etc.)

3. Variable Costs-

Fuel Costs
Maintenance Costs
Tire Costs
Driver Costs

4. Truck User Fee Costs-

Presents 29 potential user fee costs administered by six (6) State and federal government agencies

5. Cost Per Vehicle-Mile and Ton-Mile -

6. Truck Income-

Grain Hauling Rates (wheat).
Potential for a backhaul

7. Profit Margin-

Difference between income and costs without user fee costs

8. User Fee Scenario-

Calculates user fees at +5%, +10%, +15%, and +20%

9. Profit Margin Scenario-

Scenario illustrates the impact of user fees on costs and revenues with user fees at their present

level, and when user fees are raised +5%, +10%, +15%, and +20%.

10. User Fee Costs Per Bushel, Mile, Costs and Revenues
Calculations of current user fee costs on a per bushel, mile, cost, and revenue basis.

B. VEHICLE TYPE SELECTION

Four truck vehicle type configurations were selected for analysis by the motor carrier costing model. These selected vehicle types represent the most common truck types found to be hauling grain, general commodity, and lumber loads and are listed as follows:

1. Grain - 7 axle-26 wheel-tractor, hopper trailer, dolly, and hopper pup trailer
2. Grain - 5 axle-18 wheel-tractor, hopper trailer
3. General Commodity - 5 axle-18 wheel-tractor, van trailer
4. Lumber - 5 axle-18 wheel-tractor, flatbed trailer

C. STUDY ASSUMPTIONS

The following assumptions were made with respect to the study and costing model:

1. The costs and revenues developed for use in the costing model reflect actual costs and revenues but represent a hypothetical motor carrier situation.
2. All costs and revenues are presented on a single truck basis which may be part of a small trucking firm fleet or that of a single owner-operator.
3. The motor carrier owner-operator is full time in the transportation business.
4. The truck equipment is highly utilized and low in the amount of accessories.
5. The motor carrier hauls to one destination and returns.

III. THE MODEL

Table I presents model data input and calculation results for both the 7 axle and 5 axle grain trucks. Destinations used in the model include Butte, Montana and Lewiston, Idaho with the origin for both grain trucks being Great Falls, Montana. The total 100,000 miles per year grain truck haul operations for both grain trucks were calculated relative to costs as occurring entirely within Montana.

Table II provides model results with respect to the selected general commodity and lumber truck configurations. The general commodity and lumber trucks each operate 115,200 miles per year between Missoula, Montana and Los Angeles, California. For purposes of this report the total 115,200 miles per year for both types of trucks were calculated with respect to costs as operating entirely within the State of Montana.

IV. FINDINGS

A. Grain Haul Motor Carriers

1. Total annual costs of a 7 axle two trailer grain hopper truck amounted to \$104,541.50 per year of which truck user fees amounted to \$13038.76 or 12.5% of total costs.
2. Relative to a 5 axle one trailer grain hopper truck total annual costs amounted to \$92,303.69 per year of which truck user fees amounted to \$10721.60 or 11.6% of the total costs.
3. Highest Grain Truck User Fees

	7 axle	5 axle
GVW Fees	\$1775.00	\$1653.00
Diesel Fuel Taxes		
State	\$4250.00	\$3400.00
Federal	\$3750.00	\$3000.00
Federal		
Truck Purchase Tax	\$2122.56	\$1795.20
Heavy Vehicle Tax	\$ 550.00	\$ 550.00
Tire Excise Tax	\$ 329.60	\$ 280.00
	<u>\$12,777.16</u>	<u>\$10,678.20</u>

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Percent of Total (User Fees)	98.0	99.6
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4. Truck Annual Profit Margin (excluding user fees with 10% backhaul rate)

- a. With a 7 axle grain truck hauling to Butte the motor carrier has a \$347.00 profit margin however when current user fees are subtracted the net result is a loss of -\$12,691.00.
- b. On a 5 axle truck hauling grain to Butte the profit margin was already at a loss of -\$13,437.00. When current user fees are added in the loss increases to -\$24,159.00.
- c. With a 7 axle grain truck hauling to Lewiston, Idaho the situation becomes worse. The operator already has a loss of -\$26,603.00 with normal costs. When current level user fee costs are added the deficit increases to -\$39,641.00.
- d. This same movement to Lewiston, Idaho for a 5 axle grain truck excluding user fee costs amounts to -\$33,567.00. Adding current level user fees causes the deficit to climb to -\$44,289.00.

5. Current User Fee Costs per:

	7 axle	5 axle
User fee costs/bushel		
To Butte	\$.0374	\$.0415
To Lewiston	\$.0930	\$.1032
User fee costs/mile (100,000 miles/year)	\$.1304	\$.1072
User fee costs/trip		
To Butte	\$40.42	\$33.23
To Lewiston	\$100.40	\$82.54
User fee costs as % of Annual Costs	12.47%	11.62%

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User fee costs as %
of Annual Revenues

To Butte	14.20%	15.73%
To Lewiston	20.09%	22.33%

B. General Commodity Motor Carriers

1. Total annual costs of a 5 axle one van trailer truck amounted to \$110,353.21 per year of which current truck user fees comprised \$11,903.89 or 10.8% of total costs.

2. Highest General Commodity Truck User Fees

	5 axle
GVW Fees	\$1718.53
Diesel Fuel Taxes	
State	\$3916.80
Federal	\$3456.00
Federal	
Truck Purchase Price	\$1824.00
Heavy Vehicle Tax	\$ 550.00
Tire Excise Tax	\$ 322.56
	<hr/>
	\$11,787.89
Percent of total	99.0%

3. General Commodity Truck Annual Profit Margin (excluding user fees with a 83.3% backhaul rate)

With a 5 axle general commodity truck hauling from Missoula to Los Angeles and back the operator has a profit margin of \$20,351. Subtracting out current user fees the net return amounts to \$8447.

4. Current User Fee Costs per:	5 axle
User fee costs/mile	\$.1033
User fee costs/trip	\$248.00
User fee costs as a % of Annual Costs	10.8%

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User fee costs as a %
of Annual Revenue 10.0%

C. Lumber Haul Motor Carriers

1. Total annual costs of a 5 axle one flatbed trailer truck amounted to \$108,860.68. Current user fees comprised of \$11,927.89 or 10.9% of total costs.

2. Highest Lumber Truck User Fees

	5 axle
GVW Fees	\$1718.53
Diesel Fuel Taxes	
State	\$3916.80
Federal	\$3456.00
Federal	
Truck Purchase Tax	\$1848.00
Heavy Vehicle Tax	\$ 550.00
Tire Excise Tax	\$ 322.56
	<hr/>
	\$11,811.89
Percent of Total (User Fees)	99.0%

3. Lumber Truck Annual Profit Margin (excluding user fees with 50% backhaul)

A 5 axle one trailer flatbed truck hauling from Missoula to Los Angeles roundtrip has a profit margin of \$19,707. After subtracting out current user fees the net return amounts to \$7,779.

4. Lumber Truck Current User Fee Costs per:

	5 axle
User Fee Costs/mile	\$.1035
User Fee Costs/trip	\$248.50

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User Fee Costs as a % of Annual Costs	11.0%
User Fee Costs as a % of Revenue	10.2%

V. CONCLUSIONS

1. Of the trucks selected whether for grain, general commodity or lumber the costs generally run between \$.92 and \$1.05 per mile. The 7 axle grain truck costs were the highest at \$1.045 with the three 5 axle trucks running between \$.923 and \$.958 per mile.
2. Truck user fee costs for the most part amount to between \$.10 and \$.13 (7 axle grain truck) per mile.
3. There does not appear to be a significant difference in truck user fees whether the commodity hauled is regulated or not.
4. The costing model suggests grain truck costs for both the 7 axle and 5 axle (without including current level truck user fee costs) for the most part exceed revenues regardless of the Butte, Montana or Lewiston, Idaho destinations. This in large part is due to the required use of specialized hauling equipment which in turn causes a reduced opportunity to obtain a backhaul. There is either a need to go to more versatile equipment to accommodate backhauls or develop backhauls for the specialized equipment currently being used.
5. General commodity and lumber truck costs do not exceed revenues even with the addition of current user fee costs. Study results suggest with general commodity and lumber truck operations profit margins of approximately \$8,000.00 remain after total costs (including current truck user fee costs) are subtracted from revenues.
6. Using study assumptions almost 20% of present annual grain hauling revenues are used to pay current truck user fees.
7. Without increased backhauls or an increase in freight rates grain haulers will continue to operate at a deficit.

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8. A possible solution may be the deregulation of types of commodities that could be used as a backhaul for grain motor carriers.
9. An increase in trucking costs and user fees tends to cost Montana more than the initial cost or user fee increase (refer to Figure 2 in the Appendices).
 - (a) An increase in a truck user fee or other operating costs raises the cost of trucking which in turn raises truck rates (line T1-T1 level rises to T2-T2 level) .
 - (b) A raise in truck rates justifies other transportation service modes to raise their respective hauling rates (line R1-R1 level rises to R2-R2 level.
 - (c) Producers and all Montanans end up paying more for both truck and rail transportation.
10. Study results suggest relative to grain haulers with specialized equipment that with a lack of backhauls almost all truck user fees at the current level are counter productive to the intents of producing revenue for highway construction and maintenance since the grain motor carrier is required to operate at a loss.

SENATE TAXATION

EXHIBIT NO. 3

DATE 1-10-87

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APPENDICIES

SENATE TAXATION

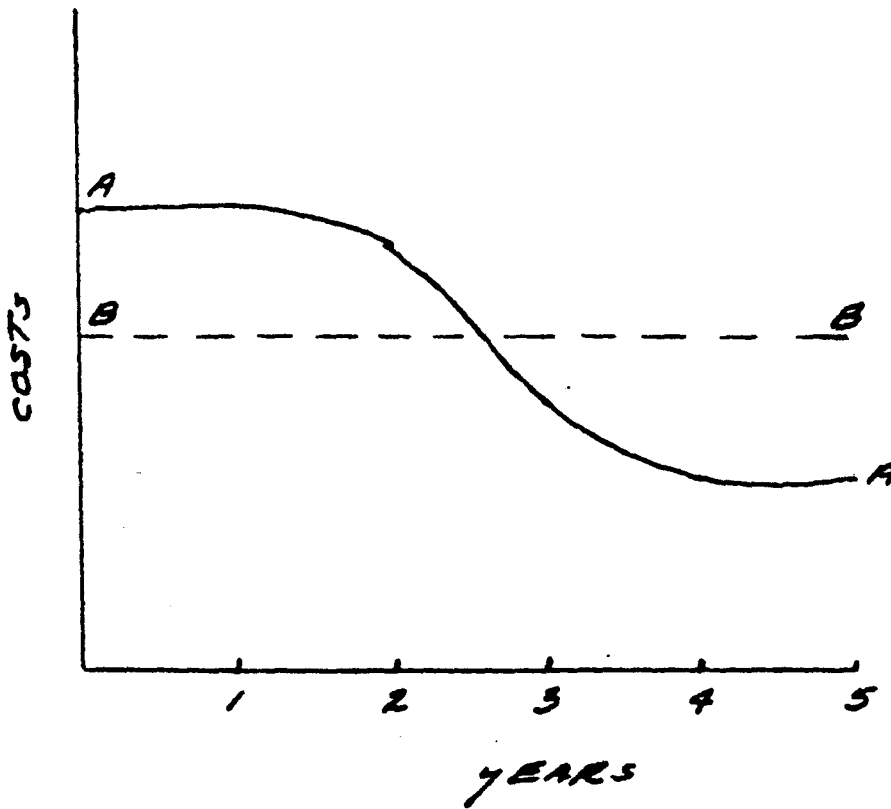
EXHIBIT NO. 3

DATE 1-10-87

BILL NO. 3B-44

Figure 1

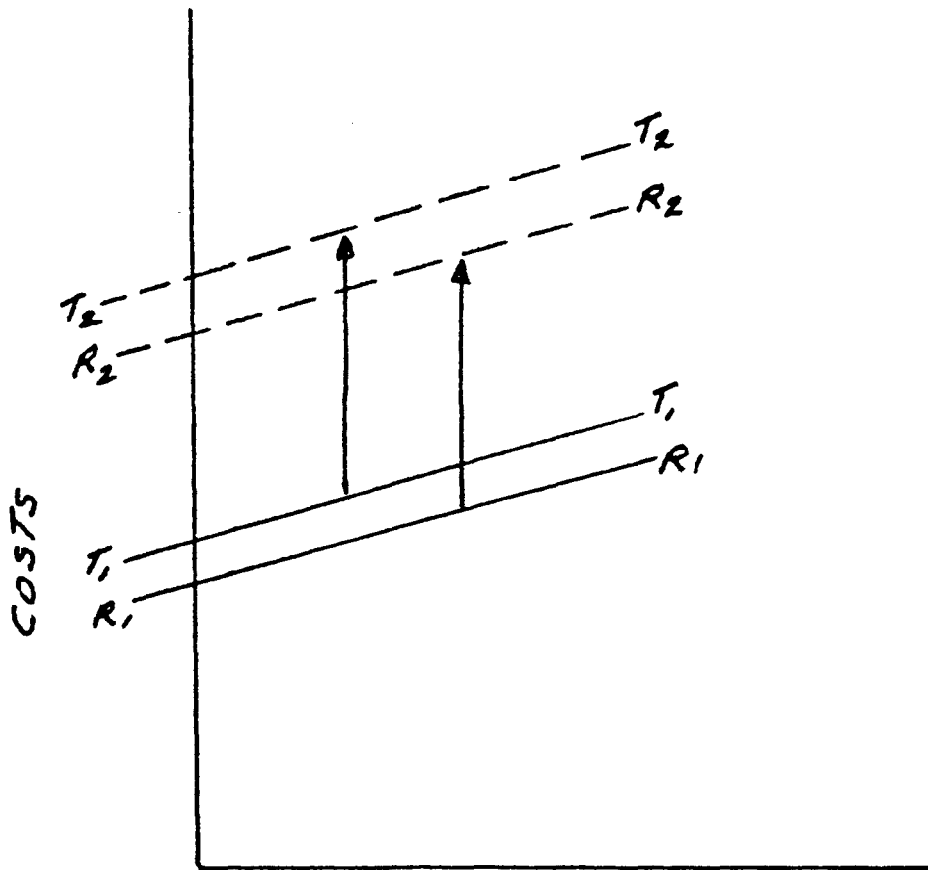
TRUCKING COSTS



SENATE TAXATION
EXHIBIT NO. 3
DATE 1-10-87
BILL NO. SB-44

Figure 2

TRANSPORTATION COSTS



SENATE TAXATION

EXHIBIT NO. 3

DATE 1-10-87

BILL NO. SB-44

SENATE BILL 44

This legislation probably comes closer to the intent of the protection afforded trucking firms under the Railroad Revitalization and Regulatory Reform Act for interstate carriers, which would include trucks in this class.

Passage of this bill will effectively lower the tax rate on railroads, however, not significantly.

To be consistent, if you decide to act favorably on this legislation you should consider moving buses and trucks above 3/4 ton but less than 1½ tons from class 9 property at a 13% tax rate to class 8 property.

SENATE TAXATION

EXHIBIT NO. 4

DATE 1-10-87

BILL NO. SB-44