

MINUTES OF THE MEETING
TAXATION COMMITTEE
MONTANA STATE SENATE

February 2, 1987

The fourteenth meeting of the Senate Taxation Committee was called to order at 8:00 A.M. on February 2, 1987 by Chairman George McCallum in Room 413/415 of the Capitol Building.

ROLL CALL: All committee members were present.

CONSIDERATION OF SB 183: Senator Regan, Senate District 14, presented this bill to the committee. She said this bill would provide, through a statewide levy and the use of 1/3 of the lottery revenue, state aid to assist the counties in equalizing the teachers retirement fund for elementary and high school districts. She reviewed the different sections of the bill to the committee. The effective date for the bill is July 1, 1988. The reason for the delayed effective date is because the lottery will not be in place long enough to know really what the revenue from the lottery will be for certain. She said this bill came from the Legislative Finance Committee through a study conducted by a group of people that dealt with education. She furnished the committee with a System of Equalizing Retirement Costs, attached as Exhibit 1. She said the percent of cost being equalized is 63% of what is being spent. She would prefer to see at least an 80% figure being used for what we fund the equalization program at. She also furnished the committee with a list of the counties and the effect of Senate Bill 183 on those counties. This list is attached as Exhibit 2.

PROPOSERS: Eric Feaver, Montana Education Association, gave testimony in support of this bill. He said what we are talking about with this bill is simple property tax equalization. Mandated retirement revenues that counties must pay for retirement benefits for teachers dramatically demonstrates how unequal it is to do business in public education in this state. One county levied 2.54 mills and collected \$313,000 in order to pay its obligation. Another county levied 65.36 mills to collect \$611,000 for the same public obligation. This bill would effect property tax relief for the vast majority of the property taxpayers in the state. It would be, in a way, a partial response to I-105. The 63% factor is not based on anything that is concrete. He would propose it would be much more to the advantage of the taxpayers of the state to make that factor 80%.

Terry Minow, Montana Federation of Teachers, gave testimony in support of this bill. She said this is a fair bill which addresses tax inequity in the retirement system. She is in agreement with Senator Regan that 63% may be too low.

Jesse Long, School Administrators of Montana, gave testimony in support of this bill. He supports this legislation but would agree that the 63% figure is too low and would request the committee to consider highering that percentage for that portion of the calculations. He said the equalization factor is certainly a consideration considering the suit in front of the state of Montana. Any equalization would be an improvement.

Bruce Moerer, Montana School Board Association, gave testimony in support of this bill. He said it is very important to support the concept of equalization of retirement.

OPPONENTS: Dennis Burr, representing the Montana Taxpayers Association, gave testimony in opposition to this bill. He said equalization of these retirement accounts is something that really needs to be done. He would rather see this type of matter picked up by funds other than property tax. While it is true there may be only a few counties where taxes will increase as a result of this bill, he thinks any increase of this type probably violates I-105. He furnished the committee with a copy of a list by counties of Public School Retirement Levies, attached as Exhibit 3.

Gordon Morris, Montana Association of Counties, gave testimony in opposition to this bill. He said while equalization is an idea that has come, he would prefer they look to find another source of revenue other than property taxes.

QUESTIONS FROM THE COMMITTEE: Senator Neuman asked Senator Regan how she would respond to the I-105 comments.

Senator Regan said her understanding is that if there is property tax relief this session then I-105 is no longer in place. She said when the legislature is finished accounting here, there will be some property tax relief as well as some equalization.

Senator Eck said the opponents said to fund this from another source. We would need from another source about \$22.5 million.

Senator Regan agreed with the figures on the fiscal note.

Senator Regan closed.

ACTION ON SB 60: Senator Neuman made a motion that SB 60 BE TABLED. The motion carried.

DISPOSITION OF SB 22: Senator Halligan made a motion that SB 22 DO PASS.

Senator Crippen said this bill sunsets in two years and he thinks the committee should consider a longer period of time, maybe 4 years.

Senator Halligan would agree with that.

Senator Crippen made a substitute motion to amend SB 22, on page 7, line 3, from 1989 to 1991 and wherever else that adjustment may be appropriate in the bill. The motion carried unanimously.

Jim Lear noted that the caps on page 5 would only go through 1989 and questioned whether the committee would want to change that to June 30, 1991.

Senator Crippen wondered if the caps should be increased. He thinks you would have to cap the \$3 million at this point in time and in the next two year period add another \$3 million for the additional two year period.

Jim Lear said without doing anything further on page 5, the effect then would be to say nothing about what the caps would be after 1989. One might assume that there are no caps after 1989.

Senator Halligan said he thinks it is time to give economic development an opportunity to raise the investment money.

Senator Crippen said we will be here two years from now and if we had a staggered cap and that wasn't enough, you can bet they will be back in to try to raise the cap. With that in mind, Senator Crippen made a motion that SB 22 be amended on page 5, line 17 to include an additional \$3 million cap for the period from July 1, 1989 to June 30, 1991.

Senator Mazurek said by then extending that two more years do you need to go back and look at the total credits available to a single qualified company of \$1.5 million on page 5, line 5.

Senator Crippen said this will give them an incentive to continue to work for a four year period.

Senator Eck asked if the stricken language on page 6, line 25, "of 1954" should be reinserted in the bill.

Jim Lear said if you look at section two of the Federal Tax Reform Act of 1986 it has a cross reference proviso of 1954 to 1986 and back and forth. There is no need to insert that language in this bill.

Senator Crippen's motion carried with the committee.

Senator Halligan made a motion that SB 22 DO PASS AS AMENDED.

Senator Neuman said he would vote against the bill because he does not think it is a good idea to take another \$3 million out of the general fund and the cost of the credits when the testimony demonstrated that all that benefit goes out of the state anyway. He does not want to overload the benefits for one particular type of investment capital company.

Senator Eck said with all the discussion she has heard in the last two years, it always comes back to what Montana needs is economic development. She thinks it is not really a \$3 million loss if those credits result in new business and industry in Montana.

Senator Crippen said we have to keep in mind we are not talking about debt financing, we are talking about equity financing. There just isn't the ability among the people in Montana to raise that much money anyway.

Senator Halligan's motion that SB 22 DO PASS AS AMENDED carried with Senator Neuman opposed.

DISPOSITION OF SB 45: Senator Hirsch said this is a complicated bill and he would move that SB 45 DO NOT PASS. He can see the application to the Yogo Sapphire Mine near Lewistown, but the testimony from small miners that this bill will effect was enough for him to oppose the bill.

Senator Lybeck said in talking with a local jeweler in his area, when the mine was first opened he received a lot of gems from them and now the source has dried up. He wonders if they are high-grading the good gems out of the area. Senator Lybeck made a substitute motion that SB 45 DO PASS.

Senator Crippen said he would probably tend to agree with him more than not. The testimony was enough to convince him that by doing this we will cause a lot of unnecessary headaches and probably put a lot of small mines out of business. He thinks we should not do that.

Senator Severson said if they are high-grading their gems what is this bill going to do. How will you stop somebody from high-grading the gems.

Senator Eck asked Greg Groepper how they would determine the value of the gravel sold.

Greg Groepper said he thinks what they had in mind with this bill was not to get at the person who sold a bucket of gravel, but to get at the company that did the commercial mining. In looking at a bucket of gravel you are looking at the taxable product that you sell, less the expense.

Senator Eck said then you would not consider that as a sale of sapphires.

Greg Groepper said that is not a sale of sapphires, that is a different kind of mine. If you are mining gravel and selling gravel that is one thing. His understanding is that is not the intent of this bill. The intent is to get the larger companies coming in who extract valuable materials.

Senator Lybeck's motion that SB 45 DO PASS failed with a vote of 10-2, with Senator Halligan and Senator Lybeck in favor of this motion. The committee voted to reverse the vote. SB 45 went out on a DO NOT PASS with Senator Halligan and Senator Lybeck opposed.

DISPOSITION OF SB 155: Senator Halligan made a motion that SB 155 DO NOT PASS. The motion carried with Senator McCallum opposed.

DISPOSITION OF SJR 7: Senator Neuman questioned whether there is a demand for this resolution as the Department of Revenue is doing this now.

Senator Eck said this resolution was in the nature of urging them to do that. She does not think that the resolution is necessary but thinks a letter urging them to move in that direction is in order.

Senator Mazurek made a motion that SJR 7 be tabled and that the chairman be authorized to write a letter to the Department requesting the substance of what this resolution says. The motion carried. See attached Exhibit 3 for the letter written to the Department.

DISPOSITION OF SB 71: Senator Neuman said he looked over the amendments that Senator Gage proposed on the floor. He thinks what happens if you pass this bill, then you compound the problem of I-105. It won't make it any better.

Senator Brown said he did not think we needed to pass this bill. The I-105 people made law with this initiative on the property tax reforms they voted on. When the people passed it during the election that is what they voted for, the property included in I-105.

Senator Mazurek asked if anyone knew why the drafters of I-105 left out the other property that is addressed in Senator Gage's bill.

Senator Eck said she thought they wanted to come out with a property tax relief for the state that would effect more of the people and not so much of the industry. Also, she said there is a lot of natural fluctuation in the property in Senator Gage's bill that would not be appropriate to freeze.

Senator Brown made a motion that SB 71 BE LAID ON THE TABLE. The motion carried unanimously.

ADJOURNMENT: The meeting adjourned at 9:25 A.M.


SENATOR GEORGE McCALLUM, Chairman

ah

ROLL CALL

TAXATION

COMMITTEE

50th LEGISLATIVE SESSION -- 1987

Date 2-2-87

| 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.

SYSTEM OF EQUALIZING RETIREMENT COSTS

| | | |
|---|---------------------|---------------------|
| Retirement Costs for Year | \$47,553,272 | \$47,553,272 |
| Percent of Cost Being Equalized | <u>.63</u> | <u>.63</u> |
| Amount to be Equalized | \$29,958,561 | \$29,958,561 |
| Less Lottery Revenue | <u>7,463,225</u> | <u>9,120,500</u> |
| Dollars to be Collected by Statewide Mill Levy | <u>\$22,495,336</u> | <u>\$20,830,061</u> |
| Statewide Mill Levy* | <u>9.5</u> | <u>8.8</u> |

*Varies slightly from figures used by OPI as OPI used slightly higher retirement costs than the fiscal note shows.

JR1A:kj:serc.

SENATE TAXATION

EXHIBIT NO. 1

DATE 2-2-87

BILL NO. SB-183

COUNTY RETIREMENT-SB183-1/31/87
1985-86 BUDGET DATA

-----SB 183-----

| COUNTY NAME | ANB | STATE WIDE MILL LEVY | COUNTY MILL LEVY | TOTAL MILLS | CURRENT MILLS | MILLS DIFFERENCE |
|---------------|-------|-------------------------|---------------------|----------------|------------------|---------------------|
| BEAVERHEAD | 1543 | 8.9 | 10.4 | 19.3 | 31.3 | -12.0 |
| BIG HORN | 2326 | 8.9 | 2.8 | 11.7 | 6.5 | 5.3 |
| BLAINE | 1584 | 8.9 | 5.4 | 14.3 | 12.5 | 1.8 |
| BROADWATER | 694 | 8.9 | 1.5 | 10.4 | 13.6 | -3.2 |
| CARBON | 1647 | 8.9 | 7.5 | 16.4 | 18.4 | -2.0 |
| CARTER | 267 | 8.9 | 6.0 | 14.9 | 12.6 | 2.4 |
| CASCADE | 13733 | 8.9 | 19.0 | 27.9 | 48.8 | -20.9 |
| CHOUTEAU | 1157 | 8.9 | 4.5 | 13.5 | 12.1 | 1.4 |
| CUSTER | 2128 | 8.9 | 12.8 | 21.7 | 35.6 | -13.9 |
| DANIELS | 540 | 8.9 | 15.1 | 24.0 | 28.4 | -4.4 |
| DAWSON | 2234 | 8.9 | 7.5 | 16.4 | 22.6 | -6.2 |
| DEER LODGE | 1980 | 8.9 | 21.8 | 30.7 | 63.9 | -33.2 |
| FALLON | 794 | 8.9 | 1.4 | 10.3 | 2.7 | 7.6 |
| FERGUS | 2184 | 8.9 | 13.6 | 22.5 | 33.1 | -10.6 |
| FLATHEAD | 11508 | 8.9 | 8.2 | 17.2 | 33.9 | -16.7 |
| GALLATIN | 7131 | 8.9 | 9.4 | 18.3 | 32.1 | -13.8 |
| GARFIELD | 333 | 8.9 | 6.0 | 14.9 | 14.7 | 0.2 |
| GLACIER | 2815 | 8.9 | 11.2 | 20.1 | 22.7 | -2.6 |
| GOLDEN VALLEY | 191 | 8.9 | 9.8 | 18.7 | 16.9 | 1.7 |
| GRANITE | 567 | 8.9 | 11.6 | 20.5 | 31.6 | -11.2 |
| HILL | 3153 | 8.9 | 11.0 | 19.9 | 23.7 | -3.8 |
| JEFFERSON | 1556 | 8.9 | 7.6 | 16.5 | 25.4 | -8.9 |
| JUDITH BASIN | 484 | 8.9 | 8.1 | 17.0 | 18.3 | -1.4 |
| LAKE | 4153 | 8.9 | 12.7 | 21.6 | 43.2 | -21.7 |
| LEWIS & CLARK | 8813 | 8.9 | 13.1 | 22.0 | 41.4 | -19.4 |
| LIBERTY | 470 | 8.9 | 3.3 | 12.2 | 7.5 | 4.6 |
| LINCOLN | 3966 | 8.9 | 11.3 | 20.2 | 33.3 | -13.1 |
| MADISON | 1008 | 8.9 | 8.6 | 17.5 | 19.9 | -2.3 |
| McCONE | 514 | 8.9 | 6.3 | 15.2 | 15.7 | -0.5 |
| MEAGHER | 371 | 8.9 | 6.6 | 15.5 | 15.7 | -0.2 |
| MINERAL | 852 | 8.9 | 29.2 | 38.1 | 65.6 | -27.5 |
| MISSOULA | 12378 | 8.9 | 12.1 | 21.0 | 31.9 | -10.8 |
| MUSSELSHELL | 943 | 8.9 | 3.8 | 12.7 | 10.3 | 2.5 |
| PARK | 2404 | 8.9 | 16.8 | 25.7 | 42.0 | -16.3 |
| PETROLEUM | 128 | 8.9 | 10.3 | 19.2 | 18.9 | 0.3 |
| PHILLIPS | 1095 | 8.9 | 4.3 | 13.2 | 9.9 | 3.2 |
| PONDREA | 1365 | 8.9 | 9.9 | 18.9 | 21.0 | -2.2 |
| POWDER RIVER | 518 | 8.9 | 1.2 | 10.2 | 3.2 | 6.9 |
| POWELL | 1164 | 8.9 | 10.2 | 19.1 | 26.5 | -7.3 |
| PRAIRIE | 366 | 8.9 | 5.6 | 14.5 | 16.5 | -2.0 |
| RAVALLI | 4852 | 8.9 | 8.2 | 17.1 | 47.3 | -30.2 |
| RICHLAND | 2755 | 8.9 | 1.7 | 10.6 | 6.5 | 4.1 |
| ROOSEVELT | 2713 | 8.9 | 5.1 | 14.0 | 11.8 | 2.1 |
| ROSEBUD | 2849 | 8.9 | 2.6 | 11.5 | 5.0 | 6.5 |
| SANDERS | 1899 | 8.9 | 9.1 | 18.0 | 27.1 | -9.1 |
| SHERIDAN | 1026 | 8.9 | 2.0 | 10.9 | 4.2 | 6.7 |
| SILVER BOW | 6285 | 8.9 | 23.7 | 32.6 | 51.8 | -19.2 |

SENATE TAXATION

EXHIBIT NO. 2

DATE 2-2-87

COUNTY RETIREMENT-SB183-1/31/87
1985-86 BUDGET DATA

-----SB 183-----

| COUNTY NAME | ANB | STATE WIDE MILL LEVY | COUNTY MILL LEVY | TOTAL MILLS | CURRENT MILLS | MILLS DIFFERENCE |
|---------------|--------|-------------------------|---------------------|----------------|------------------|---------------------|
| STILLWATER | 1237 | 8.9 | 9.4 | 18.3 | 25.4 | -7.1 |
| SWEET GRASS | 622 | 8.9 | 7.3 | 16.2 | 25.2 | -9.0 |
| TETON | 1248 | 8.9 | 6.7 | 15.6 | 18.6 | -3.1 |
| TOOLE | 1020 | 8.9 | 3.1 | 12.1 | 7.3 | 4.7 |
| TREASURER | 191 | 8.9 | 7.1 | 16.0 | 15.2 | 0.8 |
| VALLEY | 1929 | 8.9 | 7.8 | 16.8 | 15.4 | 1.3 |
| WHEATLAND | 440 | 8.9 | 7.6 | 16.5 | 19.8 | -3.3 |
| WIBAUX | 298 | 8.9 | 2.1 | 11.0 | 4.4 | 6.6 |
| YELLOWSTONE | 21137 | 8.9 | 10.3 | 19.2 | 30.2 | -11.0 |
| *** Total *** | 151558 | | | | | |

SENATE TAXATION

EXHIBIT NO. 2
DATE 2-2-87

**Public School Retirement Levies
1985-86**

| COUNTY MILL LEVIES | AMOUNT |
|-----------------------|------------------|
| BEAVERHEAD | 32.55 \$ 477,552 |
| BIG HORN | 6.91 883,007 |
| BLAINE | 13.98 619,166 |
| BROADWATER | 17.76 201,926 |
| CARBON | 20.50 615,897 |
| CARTER | 12.30 99,755 |
| CASCADE | 46.45 4,256,851 |
| CHOUTEAU | 13.31 406,492 |
| CUSTER | 37.85 701,934 |
| DAMIELS | 30.21 244,044 |
| DAWSON | 21.87 642,140 |
| DEER LODGE | 65.36 611,067 |
| FALLOM | 2.54 313,655 |
| FERGUS | 32.02 713,187 |
| FLATHEAD | 38.17 3,409,873 |
| GALLATIN | 32.13 2,009,140 |
| GARFIELD | 14.19 107,900 |
| GLACIER | 32.69 1,596,089 |
| GOLDEN VALLEY | 18.66 98,921 |
| GRANITE | 26.47 148,628 |
| HILL | 26.20 1,297,685 |
| JEFFERSON | 27.57 479,585 |
| JUDITH BASIN | 19.52 182,838 |
| LAKE | 40.00 1,079,840 |
| LEWIS & CLARK | 44.54 2,755,140 |
| LIBERTY | 6.81 149,336 |
| LINCOLN | 22.88 820,534 |
| MADISON | 22.87 407,246 |
| MCCONE | 15.42 167,063 |
| MEIGHER | 17.10 138,657 |
| MINERAL | 20.92 97,216 |
| MISSOULA | 31.84 3,970,961 |
| MUSSELSHELL | 8.87 258,593 |
| PARK | 43.43 822,095 |
| PETROLEUM | 20.20 59,987 |
| PHILLIPS | 11.42 437,536 |
| PONDERA | 21.51 526,145 |
| PONDER RIVER | 3.23 169,325 |
| POWELL | 27.33 388,978 |
| PRAIRIE | 16.39 109,518 |
| RAVALLI | 30.37 748,766 |
| RICHLAND | 4.47 504,783 |
| ROOSEVELT | 13.05 1,040,994 |
| ROSEBUD | 4.39 1,044,181 |
| SANDERS | 23.83 500,924 |
| SHERIDAN | 4.82 454,322 |
| SILVER BOW | 49.75 2,211,644 |
| STILLWATER | 20.08 309,054 |
| SWEET GRASS | 26.11 180,498 |
| TETON | 19.35 401,264 |
| TOOLE | 8.76 425,146 |
| TREASURE | 17.16 79,996 |
| VALLEY | 14.08 711,177 |
| WHEATLAND | 20.57 146,883 |
| WIBAUX | 4.95 125,434 |
| YELLOWSTONE | 29.35 6,192,706 |
| TOTAL AMOUNT | \$47,553,272 |
| AVERAGE LEVY | 20.06 |

SENATE TAXATION

EXHIBIT NO. 3

DATE 2-2-87



The Big Sky Country

MONTANA STATE SENATE

February 3, 1987

John D. LaFaver, Director
Department of Revenue
Room 455, Sam W. Mitchell Bldg.
Helena, Montana 59620

Dear John:

After consideration of Senate Joint Resolution 7, the Senate Taxation Committee requested that in lieu of further action on this resolution, a letter be directed to your department for consideration.

The committee requests the Department of Revenue to institute procedures for processing tax return information using computer generated data, such as that stored on magnetic tapes or diskettes on computers of taxpayers.

Your consideration of this matter would be appreciated.

Sincerely,

SENATOR GEORGE McCALLUM, Chairman
Senate Taxation Committee

GM/ah

SENATE TAXATION
EXHIBIT NO. 4
DATE 2-2-87

STANDING COMMITTEE REPORT

February 2

19. 87

MR. PRESIDENT

SENATE TAXATION

We, your committee on.....

having had under consideration..... **SENATE BILL** No. **22**

first reading copy (white)
color

GENERALLY AMEND CAPITAL COMPANY ACT; AUTHORIZE TAX CREDITS FOR 2 MORE YEARS

Respectfully report as follows: That..... **SENATE BILL** No. **22**

be amended as follows:

1. Title, line 9.
Following: line 8
Strike: "1989"
Insert: "1991"

2. Page 5.
Following: line 17
Insert: "The total credits authorized for all companies between July 1, 1989, and June 30, 1991, may not exceed \$3 million plus any portion of the credits available for authorization before June 30, 1989, that is allocated to qualified companies."

3. Page 7, line 3.
Following: "5"
Strike: "2"
Insert: "4"

AND AS AMENDED

DO PASS

~~DO NOT PASS~~

.....
SENATOR GEORGE McCALLUM, Chairman.

STANDING COMMITTEE REPORT

February 2, 1937

MR. PRESIDENT

We, your committee on SENATE TAXATION

having had under consideration SENATE BILL No. 155

first reading copy (white)
color

**ALLOCATING TO THE GENERAL FUND COAL TAX LEFT AFTER
TRUST HIGHWAY DEPOSITS**

Respectfully report as follows: That SENATE BILL No. 155

~~DO PASS~~

DO NOT PASS

SENATOR GEORGE McCALLUM, Chairman.

STANDING COMMITTEE REPORT

February 2, 1937

MR. PRESIDENT

SENATE TAXATION

We, your committee on

SENATE BILL

having had under consideration No. 45

first reading copy (white)
color

SUBJECT THE GROSS PROCEEDS OF GEMSTONE MINES
TO TAXATION

Respectfully report as follows: That SENATE BILL No. 45

~~DO PASS~~

DO NOT PASS

SENATOR GEORGE McCALLUM, Chairman.