MINUTES OF THE MEETING
TAXATION COMMITTEE
MONTANA STATE SENATE

March 11, 1987

The thirty-ninth meeting of the Senate Taxation Committee was called to order at 8:00 A.M. on March 11, 1987 by Chairman George McCallum in Room 325 of the Capitol Building.

ROLL CALL: All committee members were present.

CONSIDERATION OF SB 333: Senator Crippen, Senate District 45, presented this bill to the committee. He noted that there were a lot of signers on this bill but not all of them approve of the bill in total, he is sure. They are signed on the bill because they approve of the concept. This bill presents the problem in an entirely different light and manner than the bill introduced by Representative Ramirez, HB 377. He said this is good because it shows an alternative. Ten months ago he made a public statement that a sales tax should be considered as part of the solution to the economic problem of our state. He immediately received a reaction to that statement. The fact still remained that Montana was in the midst of an economic recession, which was in part due to circumstances beyond our control. The General Fund had a substantial deficit, which was realized in June, 1986. Cuts were made across the board. Then came CI-27 and I-105 and the message was clear, tax relief, tax reform and cut spending. We are still in a deficit position, going up as high as $170 million or more. The Education Foundation Program for the next biennium will need an additional $94 million to break even at 0-0. We can relate state expenditure as an out-of-balanced three legged stool, income tax, property tax and severance tax but we don't use all the severance tax in our biennium and so the severance tax leg is half gone. We need a new leg to balance the pressure. The new leg he would propose is a general, statewide sales and use tax. A sales tax is not the solution. He furnished the committee with an Index of SB 333 by Section; Summary of SB 333; First Set, Technical Amendments; Second Set, Proposed Technical Amendments; and Set Three, Proposed Amendments, all attached as Exhibit 1. He reviewed this information with the committee. This is substantial relief of approximately $253 million in response to I-105. He noted there is not a fiscal note although it is estimated that 1% equals $60 million and 5% equals

$300 million.

PROPONENTS: Gordon Morris, Montana Association of Counties, gave testimony in support of this bill. He wants to make it very clear that the Montana Association of Counties does go on record in suport of a sales tax proposal, as is presented in SB 333, from the standpoint it is tied directly to substantial property tax relief. He does have some concerns in the bill and would like to address those. On page 43 of the bill he has a simple comment. In looking at authorizing an additional 1% local option tax, he would simply have to assume that would have no bearing on the current 3% local option tax authorized by way of a resort tax. On page 58 of the bill, a technical comment, we are dealing with a section that addresses county classification and he would suggest that in the drafting of the bill a mistake has been made on line 8 as he thinks they have gone in the wrong direction. You are talking about leaving county taxable value as is for purposes of classification and yet you reduce it to 46.5% of taxable value on December 31. Either you take that section out of the bill entirely and leave taxable valuation for purposes of county classification as is or you develop another approach entirely that would be to take taxable value based upon the effective date of the bill and the subsequent reductions in taxable value and you adjust it. If the taxable value in county A is $54,000 before the bill, you want to put a mechanism in that will allow the county to be $54,000 after the bill. He would suggest that the figure would be approximately 1.6% based upon the exemptions set forth in the bill by Senator Crippen. On page 56 (a), which he understands has been reduced to 40.5% to the state special revenue fund for state equalization aid to public schools, he does not see the repealer in the bill for the equalized levy. If that was not intended, 40.5% would represent far too much money going to that particular program. His real concern is with item (c), which he believes Senator Crippen has indicated is reduced to 32% for the government block grant account. He thinks this is the wrong mechanism to try and achieve the intent of the legislation. The block grant program is a mechanism set up for purposes of distributing the motor vehicle reimbursements relative to the loss of ad valorem revenues when motor vehicles were taken off. What we are really talking about, on a statewide basis, relative to every taxing jurisdiction, is taking the certification of the value of a mill that the Department of Revenue prepares every year before the exemptions and the value of the mill after the exemptions. Then the difference between the two is what dollars can be identified in terms of full replacement value for the exemptions on property in the state of Montana. He would suggest that would be a more equitable approach. On page 84, there is not a repealer in the bill against class 5 and class 6 property. On page 96, beginning on line 10, if this is the 45 mills school equalization foundation program, if we are leaving this intact and still levying 45 mills, he thinks this should be eliminated the same as the university levy. We might be giving the school foundation program a double bonus. He furnished the committee with a briefing paper from the Montana Association of Counties in relation to a "Retail Sales Tax in Montana and Related to Property Tax Relief Measures", attached as Exhibit 2.

Dennis Burr, Montana Taxpayers Association, gave testimony in support of this bill. He supports this bill as probably the best drafted sales tax bill he has looked at so far. What he likes about the bill is that it is very broad based, allowing very few exemptions. He approves of the method of extending negative income tax to low income people to reimburse for sales taxes paid, rather than the other concept of exempting the necessities of life. Under the exemptions, it is not unusual to consider exempting some of the purchases people make that are already subject to a relatively high sales tax. Fuels in this case. With the 20 cent tax on gasoline and a 5% sales tax, that is equivalent to an additional 1 cent per gallon on motor fuels. You may want to consider exemptions for some things that carry a relatively high sales tax now. There should be consideration given to exempting utility bills. The taxation of the purchase of electrical energy would probably close down the Columbia Falls Aluminum Plant. Utility rates, set by the Public Service Commission, are probably one of the more regressive regulations in the state. A sales tax on utility bills is an extremely regressive tax. There is no relation between the income that a person earns and the amount of utilities that they consume. He is not in favor of the provision that eliminates the tax on residential property completely. There is a direct relationship between property ownership and the major services provided by local government. Another problem, this will allow people who do not own property to be in a position to vote on local mill levies. There will be no statistics for those properties. He realizes there has to be some deductions as a result of I-105 and other things but he would suggest continuing a property tax at a lower rate. This will provide a mechanism whereby you could exactly replace revenue to local governments. Reduction in classification for personal property is a step in the right direction. He would rather see all personal property at the same rate rather than reducing them by percentages. He agrees with Gordon Morris that the concept of the bill with regard to the foundaton program and

and block grant program is probably not optimum.

Jim Koch, President, University of Montana, gave testimony in support of this bill. This bill is powerful and flexible. Powerful enough to satisfy some major needs and to be responsive to the public in property tax relief, help for higher education and as a substitute for other taxes that stifle economic growth. Flexible in rate and coverage, providing the possibility of exemptions, deductions and credits to make the tax something that will be acceptable to the public; one element of a balanced and sound revenue structure for the state.

Alex Hansen, Montana League of Cities and Towns, gave testimony in support of this bill. He said our organization has never taken an official position on a retail sales tax in Montana. We do have a deep interest in this legislation and the other bills that have come before this committee and the tax committee in the House. We have consistently argued that dramatic property tax reduction without fair replacement will destroy the cities. There are hundreds of bills that will reduce property tax in one way or another. If these bills are passed and the cities have no way to get a reasonable finance structure, they will not be able to do their job in the state of Montana. This bill addresses two problems we are looking at in Montana. It significantly reduces property taxes and on the other hand provides fair replacement revenues lost to the cities.

Jim Van Arsdale, Mayor of the City of Billings, gave testimony in support of this bill. The City Council of Billings believes that diversification of the tax base is necessary in Montana. Adoption of a statewide sales tax, with proceeds dedicated, in large part, to property tax relief, is a desirable goal as long as fair replacement revenue to local government is provided.

Carrol Krause, Commissioner of Higher Education, gave testimony in support of this bill. He does support this bill as it provides some stability and funding for the university system. On page 56, the information is that 8.6% of the amount of money would go to offset the 6 mill levy. The figure of $12 million was quoted as the amount of income estimated by the fiscal analyst. He would say that the 6 mill levy has produced generally $14 million and it is just this year it has been reduced to that amount. He would suggest that a different approach be used. The bill indicates the university system and other institutions that are subject to control of the Board of Regents. We may get the Vo-Tech Institutions assigned to the Board of Regents this year. He is not sure of that but it is possible. The Vo-Tech Centers are now funded by local property taxation and it would be just as surely property tax relief if consideration would be given to increasing that figure to 10% and including the possibility of local funding for Vo-Tech Education. He does encourage the increase in revenues as the university systems have some very severe budget problems.

Kay Foster, representative of the Billings Area Chamber of Commerce, gave testimony in support of this bill. The Billings Area Chamber of Commerce has studied state and local tax structures and in 1986 published a position paper calling for general tax reform, which would include a statewide sales tax. The system requirement that we asked for is that the system be balanced, broadly based, equitable, simple and that revenue must be adequate to fund necessary services. The balance should be achieved through the use of income tax, property tax and sales taxes. Five states do not levy a sales tax and less than 2% of the nation's population lives in these states. We feel this broadly based sales tax must provide significant property tax relief. That to the extent property taxes are reduced, the state must provide more tax revenue for education and local government and that serious consideration should be given to local option taxes. We feel there should be income tax credits on tax rebates allowed to low income persons rather than the many exemptions for retail sales taxes. This bill before the committee very closely follows the recommendations made.

George Anderson, Montrec, and author of I-105, gave testimony in support of this bill. He supports this bill because he thinks there is little doubt that it addresses the concerns of the voters and taxpayers of Montana when they voted for I-105 at the election in November. It addresses property tax relief, that was required by I-105, and also addresses replacing the income to the local government.

Stuart Doggett, Montana Chamber of Commerce, gave testimony in support of the concept of SB 333. This provides for a sales tax with substantial property tax relief. We feel that it provides real tax reform and he thinks this bill addresses I-105.

John LaFaver, Director, Department of Revenue, gave testimony concerning SB 333. He said the Administration has proposed a referendum on the proposition that significant property tax relief be funded by a broad based sales tax and our proposal will be heard tomorrow. As you work to develop a sales tax proposal, he would urge that the tax base be kept as broad as possible. A sales tax should be placed on virtually all final or consumption sales. This bill exempts most services. SB 395 exempts food and medicine. Whatever version is finally arrived at, it should be a sales tax that would very clearly tax most final sales. To go further with special exemptions and loopholes will erode the tax base at the outset and will set the stage for further erosion over time. From the provisions of the bill and the comments by Senator Crippen, Senator Crippen expects the receipts, or the money, to start coming in more rapidly than is possible to accomplish. This is a very major tax and there will be as many as 35,000 separate accounts they will be working with. Rules for operating such a tax will be a very complex matter. We will have to develop a new, comprehensive, automated system to account and administer these receipts. From that standpoint, he thinks it is absolutely unrealistic to think they can make such a comprehensive tax effective any earlier than a year from the time that final approval is made. He would urge that whatever version is finally arrived at that it would include a referendum at the next general election.

Tom Ebzery, attorney from Billings, and a member of the Montana Forward Coalition, gave testimony in support of this bill. The Coalition had a comprehensive tax study completed by Miller and Associates and they made a number of recommendations, including a 4% sales tax to be devoted fully for property tax relief. Senator Crippen's bill accomplishes much of what the Montana Forward Coalition study attempts to do.

Senator Eck, Senate District 40, gave testimony in support of this bill. She came to this session convinced that early in the session we would start addressing the fact that we need a couple of major tax packages and one should be based on a sales tax and another based on income tax. She had never been a proponent of a sales tax but has always argued it would be possible to develop a sales tax that is not regressive. She doesn't think this quite hits the mark but she still thinks it is possible. She thinks the question of what to tax has been addressed fairly. She is sure they will have a lot of requests for exemptions and is not sure if you put this to the people, if you can really get by with taxing food. She thinks that needs to be addressed. The property tax relief still has a good deal of regressivity in that it proposes two-fifths or 40% of the tax relief to household residences, whereas those are the people that pay most of the tax. She agrees with Dennis Burr, where it is attractive to take off all the residential relief, you do have a problem and will especially have a problem with school elections. She agrees personal property is best addressed in one class. Her biggest issue is with the credits. She doesn't think they are enough and that the most appropriate way of addressing regression is through a system of rebates where every taxpayer, no matter what the income, would be given rebates equal to the amount that a poverty level person would pay.

OPPONENTS: Don Judge, representing the AFL-CIO, gave testimony in opposition to this bill. He said the vast majority, 90%, of Montana's economy is uncontrollable by the state of Montana. If we were in the position we were in in 1980, we would not be facing a sales tax. This bill would provide approximately $253 million in property tax relief. Of that property tax relief, $149 million goes to business, commercial and other property. Residential property taxpayers would be receiving 40% of the property tax relief that is being granted in this bill, with total elimination of residential property taxes. But, in fact, this is a cleverly disguised bill to provide industrial property tax relief and to shift the burden of that relief to the residential taxpayers of this state. As an example, in 1985 the property tax on a $50,000 home in Missoula was $603. A 5% sales tax, excluding drugs and food, would cost a family of four $696. You would not be reducing tax on that family, you would be raising taxes on that family by close to $100. Adding the fact this bill is taxing food and drugs, there are higher increases on the tax burden on that individual family. As we address the bill, it does provide some exclusions; it excludes things like services of lawyers, doctors, stockbrokers, etc. It does include the services people have to do like laundry, dry cleaning, and things of that nature. The AFL-CIO has long stood in opposition to a sales tax as we do not believe you can design a sales tax that is progressive, particularly when the intention is to shift the burden from business and industry over to the people who are just average working taxpayers. 83% of the sales tax would be paid by the working people in Montana. He would agree that any issue of a sales tax should go to the people for a vote. This is not a 5% sales tax bill, but with the 1% local option and the other 3% that has already passed out of this house, there are some areas of this state that could end up with a 9% sales tax. If this bill passes, he would suggest that any measure go to the voters in 1988 as it is the most appropriate time to do that. The turnout of the voters will be the best, and it will save the expense of going to an earlier vote on this issue.

Chester Kinsey, representing the Montana Senior Citizens Assn., a member of the Montana Low Income Coalition and the Montana Farmers Union, gave testimony in opposition to this bill. In all cases, the unions he belongs to and the associations he belongs to, have taken a stand against a general sales tax, a sales tax that affects daily living. He objects to this on the grounds that it is regressive. His operation is one that spends a lot of money and does not make much money. In addition to that, he would have to figure out how to collect a sales tax and pay it out of a U-Pick operation. It will be a tremendous increase in taxes. A sales tax will affect our whole operation because most of the things we buy are included in this sales tax. This gives a huge tax break to many businesses. Railroads will get a tremendous break out of this and the railroads have never been very good to Montana.

QUESTIONS FROM THE COMMITTEE: Senator Neuman said the problem that occurs to him with a sales tax is there is a significant shift from the areas of the state that are presently paying the tax, which is the rural counties with property tax, to the urban counties. Somewhere in excess of 65% of the sales tax will be paid in counties like Mr. Van Arsdale's county. He asked Mr. Van Arsdale how will the people of your county feel about now paying for services in rural counties to the tune of 60%, which is about what the shift will be for those people.

Jim Van Arsdale said the redistribution of the tax load has to be equitable. They would be dissatisfied if they didn't get a fair shake. They all realize the overwhelming load and as was indicated by I-27, they expect and want some property tax relief. That has to be addressed by this legislative group.

Senator Mazurek would like to ask about the credit proposal. He referred to page 3 of the summary furnished by Senator Crippen, attached as Exhibit 1. The total rationale for exemption of food is to try to eliminate some of the regressivity people with lower income will experience with paying more per income on food and drugs and so forth. He has heard of the credit idea being used in the past. The example given on page 3, a family of 4, with an income of $10,000, which he would assume would spend all of their income on necessities, will get a $96 tax credit, having paid $1900 in taxes. It does not seem like a fair trade off and possibly we should be looking at exemptions as opposed to credits. He asked Senator Crippen to respond.

Senator Crippen said the credit is designed primarily for low income. What we should look at in the area of the credit method, is after determining what the level should be, that people at that level and below would be at least a wash, that they wouldn't pay. The point he wanted to get through a credit,was as we go along up the ladder of income, that the credit diminishes because the more income that you have, the more you can spend on the non-necessities and those are the people that should be able to afford the tax. As far as the exemptions are concerned, we have a bill like that and he wanted to give this bill an entirely different approach.

Senator Mazurek said we are hearing a lot of economists talking these days about the shift to a service-oriented society. Why is it, given that, you have not included this tax on services as well as retail sales. Professional services may be an appropriate subject of a sales tax.

Senator Crippen said that is a good question. Certainly you can add that. Some states do. From our research, most states do not and the reason is the complexity of administration.

Senator Mazurek asked if he had any idea of what the inclusion of services might do to this in terms of a dollar amount.

Senator Crippen said roughly you are looking at about $10 million.

Senator Hirsch said workers and businesses are leaving the state of Montana and the statistics do bear that out. Assume those workers and those businesses are going to states that have a sales tax, because 45 states do have a sales tax now, how do you explain that fact. He asked Don Judge to respond.

Don Judge said the fact of the matter is there are at least 30 other states in this nation going through the same type of problems Montana is going through. Most of the states have a sales tax and their economy is just as bad as Montana. The fact of the matter is a national trend, established by Congress and the administration, has shifted our employment to foreign countries.

Senator Hirsch said he realized that but nevertheless workers and businesses are leaving this state and probably are going to a state with a sales tax.

Don Judge said the coastal area is doing better but the central part of this country is falling apart.

Senator Crippen closed.

<u>ADJOURNMENT</u>: The meeting adjourned at 10:00 A.M.

George McCallum

SENATOR McCALLUM, Chairman

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ROLL CALL

TAXATION COMMITTEE

50th LEGISLATIVE SESSION -- 1987 Date 3-11-87

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.

DATE 3-11-87

COMMITTEE ON Taxation

VISITORS' REGISTER SB 333

NAME	REPRESENTING	BILL #	Check One Support	Oppos
Gordon Morris	MACo	333	✓	
Don Judge	MT STATE AFL-CIO	SB 333		X
Jim Van Arsdale	City of Billings	333	✓	
Marvin Barber	Mt assessors assoc	333	✓	
Connie Clarke	MT Forward Coalition	333	✓	
Dennis Burr	MonTax	333	✓	
George D Anderson	Chamber of Comm Montana	333	✓	
Kay Foster	Billings Chamber	333	✓	
[illegible]	MLIC	333		X
Claudia [illegible]	United Food & Commercial W.	333		X
Stuart Doggett	Mt Chamber of Commerce	333	✓	
Lynn Chenoweth	Dept. of Revenue	333		
Carrol [illegible]	Comm of H.E.	333	✓	
Kelly Holmes	MT College Coalition	333	X	
George Allen	Mt. Retail Assn	333	✓	

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DATE 3-11-87
BILL NO. S.B. 333

SENATE TAXATION
EXHIBIT NO. 1
DATE 3-1
BILL NO. SB 333

SECTION	PAGE	TITLE
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92	92	Amend section 15-6-148,MCA--Class eighteen property --description--taxable percentage.
93	93	Amend section 15-6-149,MCA--Class nineteen property --description--taxable percentage.
94	93	Amend section 20-1-208,MCA--Educational impact statements.
95	94	Amend section 20-9-343,MCA--Definition of and revenue for state equalization aid.
96	96	Amend section 2-9-212,MCA--Political subdivision tax levy to pay premiums.
97	97	School Insurance budget.
98	97	Amend section 81-6-104,MCA--Levy--special fund.
99	97	Amend section 81-6-204,MCA--Levy--deposit of proceeds.
100	98	Amend section 81-6-209,MCA--Levy--deposit of proceeds.
101	99	Amend section 81-7-201,MCA--County levy for bounties on predatory animals.
102	99	Amend section 81-7-202,MCA--Signers of petitions--time for presenting--limitation on bounties--bounty inspectors.
103	100	Amend section 81-7-303,MCA--County commissioners permitted to require per capita license fee on sheep.
104	101	Amend section 81-7-305,MCA--Duty of county commissioners--petition of sheep owners--refunds.
105	103	Amend section 81-8-804,MCA--Assessments--refunds.
106	104	Repeal section 15-10-105,MCA--Tax levy for the university system.
107	104	Repeal section 20-9-105,MCA--Insurance fund cash reserve.
108	104	Repeal section 20-9-407,MCA--Industrial facility agreement for bond issue in excess of maximum.

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SECTION	PAGE	TITLE
109	104	Nonseverability.
110	104	Saving clause.
111	104	Codification instructions.
112	105	Extension of Authority.
113	105	Effective dates.

AMENDMENTS TO SECTION 106:

Repeal sections 15-6-135 and 15-6-136--Class five and six property--description--taxable percentage.

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52	52	Renters' property tax credit--form of relief.
53	53	Renters' property tax credit--computation of relief.
54	54	Renters' property tax credit--limitations.
55	54	Renters' property tax credit--proof of claim.
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59	58	Amend section 7-3-1321,MCA-Authorization to incur indebtedness--limitation.
60	58	Amend section 7-6-2211,MCA--Authorization to conduct county business on a cash basis.
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64	61	Amend section 7-7-108,MCA--Authorization for additional indebtedness for water or sewer systems.
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66	63	Amend section 7-7-2203,MCA--Limitation on amount of bonded indebtedness.
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77	71	Amend section 7-31-107,MCA--Authorization for municipality to issue bonds--election required.
78	72	Amend section 7-34-2131,MCA--Hospital district bonds authorized.
79	73	Amend section 20-9-406,MCA--Limitations on amount of bond issue.
80	74	Amend section 15-1-101,MCA--Definitions.
81	78	Amend section 15-6-133,MCA--Class three property--description--taxable percentage.
82	80	Amend section 15-6-134,MCA--Class four property--description--taxable percentage.
83	84	Amend section 15-6-137,MCA--Class seven property--description--taxable percentage.
84	85	Amend section 15-6-138,MCA--Class eight property--description--taxable percentage.
85	86	Amend section 15-6-139,MCA--Class nine property--description--taxable percentage.
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90	91	Amend section 15-6-144,MCA--Class fourteen property--description--taxable percentage.

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<u>SUMMARY OF SENATE BILL NO. 333</u>

<u>Allocation of Revenue: Section 57, pp. 55-56.</u>

The allocation of sales and use tax revenue collected under SB accomplished several things:

1. The costs associated with the administration of the sales and use tax are funded with sales and use tax revenues. (About $5 million total: includes $1.25 million for administration; $3.75 million for refunds for returns, breakage, etc.)

2. Elementary and high schools are "made whole" by replacing property tax revenues likely to be lost with the reduction in taxable value due to the reduction in tax rates or exemption of certain property. In addition, sales and use tax revenue are added to the school equalization program in sufficient amounts that the gap between existing revenues and the revenue needed for "zero and zero" schedules will be closed or eliminated. (About $119 million. This amount replaces the loss from property tax reductions (about $50 million annually), makes up the estimated $94 million shortfall for "0 and 0" schedules, and replaces the estimated $5 million loss to state equalization through the renter's and general credits.)

3. The revenue from the statewide university levy of 6 mills -- repealed in the bill -- is replaced with sales and use tax revenue. In addition, sales and use tax revenues are added that should put university funding at the level set during the 1985 legislative session --

before the cuts! (About $22 million. That's about $7 to $9 million in addition to the amount already approved by the appropriations subcommittee, accounting for the 6 mill revenue estimated.)

4. Revenue lost to cities and counties through the property tax reductions and exemptions is replaced with sales and use tax revenues allocated to the local government block grant program. (About $94 million.)

5. All remaining revenue is allocated to the state general fund to be appropriated as the wisdom of the House and the Senate demands. (About $60 million in addition to the $5 million appropriated to the Department of Revenue for administration and refunds.)

Special Purpose Local Option: Sections 36-43, pp. 43-47

SB allows for local governments -- cities, counties, and consolidated governments -- to levy a special purpose local option sales tax. The rate may not exceed 1%. The revenue must be used for a special purpose (other than general government operations) and must be approved at an election.

Exemptions: Section 6, pp. 12-15

Exemptions are limited in SB. The purposes of limiting the exemptions are to make the tax base as broad as possible (thereby closing as many "loopholes" as possible), to make the administration of the tax as easy and efficient as possible, and to generate sufficient revenue to accomplish meaningful property tax reform and reductions. Basically, exemptions are limited to sales of tangible personal property used in the production or manufacture of other property, which other property is subject to sales taxation at a subsequent sale.

General Credit: Section 47, pp. 48-49

A general credit is provided to offset or partially offset sales taxes paid. The general credit is based on a graduated scale, declining as income declines. The credit is based on Hawaii's credit and is intended to reduce the perceived regressivity of a sales tax. Under this proposal, a low-income family of 4 with an income of $10,000 would receive a tax credit of $96. At the 5% rate, that credit amount to taxable purchases of $1,920.

Renter's Credit: Sections 48-56, pp.49-55

A renter's credit is allowed in this bill as an effort to provide property tax relief to renters as well as property owners. While residential property is exempted under the bill as written (and amended), it is the assumption that renters will not see a significant reduction in rents due to the property tax reduction. Therefore, a credit of 15% of gross rent paid is allowed on individual income tax returns, up to a maximum of $400. (A renter with a $400 credit would pay rent of $2,267 per year or $222 per month.)

Bonding and Debt Limits: Sections 58-79, pp.56-74

Because approximately 43% of the state's taxable valuation has been eliminated, taxing jurisdictions' bonding and debt limitations have to be adjusted to reflect the reduction. Otherwise, those jurisdictions that were at or near their legal limit for bonding and debt prior to the reduction in taxable value would exceed, through no fault of their own, the limits the reduction in value.

County classification also must be adjusted for the same reasons. Without adjustment, counties would face reclassification. The results would affect county officials salaries, mill levies, and other aspects of county finance.

Property Tax Reductions: Sections 80-105, pp. 74-104

Property tax reductions are effected by two means: (1) reductions in taxable rates applicable to the various classes of property, and (2) exemption of certain types of property. Changes are as follows:

Class 3:	Taxable rate reduced from 30% to 15%
Class 4:	Residential property exempt Commercial realty rate reduced from 3.86% to 1.93%
Class 5:	Exempt
Class 6:	Exempt
Class 7:	Taxable rate reduced from 8% to 4%
Class 8:	Taxable rate reduced from 11% to 5.5%
Class 9:	Taxable rate reduced from 13% to 6.5%
Class 10:	Taxable rate reduced from 16% to 8%
Class 11:	Taxable rate reduced from 12% to 6%
Class 12:	Residential mobile homes exempt Commercial mobiles reduced from 3.86% to 1.93%
Class 13:	Taxable rate reduced from 3.84% to 1.92%
Class 14:	Residential improvements exempt Other improvements reduced from 3.088% to 1.544%
Class 15:	Rate reduced according to 4-R Act formula
Class 16:	Rate reduced from 11% to 5.5%
Class 17:	Rate reduced according to 4-R Act formula
Class 18:	Rate reduced from 30% to 15%
Class 19:	Rate reduced from 2% to 1%

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Revenue estimates

Based on information compiled by the Bureau of Business and Economic Research at the University of Montana, a 5% general retail sales tax, on goods and services and with no exemptions, would generate about $352.21 million in 1987. In 1988 the figure would rise to $376.37 million, and in 1989, revenues would be about $404.325 million.

This bill, however, exempts certain types of goods, and most services. Additionally, the Bureau anticipates personal income growth in excess of 5% per year, somewhat greater than we are experiencing or that the Joint Revenue Estimating Subcommittee has concluded. Therefore, some reduction in estimated revenues must be made.

The revenue expected from the bill is about $300 million annually. With that expectation, property taxes can be replaced, schools can be made whole, education funding schedules can be maintained at "0 and 0", local governments will be protected, the university system will be maintained, and even the general fund will benefit in an amount of some $40 million annually.

SUMMARY

The impetus behind the imposition of a general retail sales tax is a reduction in property taxes on real and personal property. This bill achieves that goal. The reductions and exemptions listed above total approximately $250 in property taxes payable, (assuming constant statewide taxable value and constant statewide average mill levies.)

The distribution of the sales tax revenues makes those entities dependent on property taxes "whole" in most instances. For some entities, the universities for example,

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additional revenues from the sales tax will restore funding eliminated from the necessary budget reductions of the last biennium.

The state's general fund is also a beneficiary. It will receive about $60 million under the proposal. That will cover the estimated $20 million in credits taken under the general credit and the renter's credit, and still leave something in the neighborhood of $40 million for other general government services.

db/Crippen

First Set
Technical Amendments

These amendments correct an oversight in the original draft. Specifically, property in classes 5 and 6 was supposed to be exempt in the bill. Therefore, sections 15-6-135 and 15-6-136 in the code should have been repealed, but were not. This amendment accomplishes that repealer.

The reason that the amendments look as extensive as they do is because the two sections being repealed affect several other sections of the code. Consequently, those sections need to be amended as well.

In addition, because class 5 and 6 property is exempt, property that was in those classes must be specifically exempted elsewhere in the code. That is taken care of in the two new sections, i.e. 114 and 115, and the amendments to 15-6-201 and 15-6-207.

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TECHNICAL AMENDMENT
SENATE BILL NO. 333
First Reading (White) Copy
Prepared by Dave Bohyer, Legislative Council

1. Title, line 16.
Following: "15-6-149,"
Insert: "15-6-201, 15-6-207, 15-8-111,"

2. Title, line 17.
Following: "20-9-406,"
Insert: "20-9-407,"

3. Title, line 19.
Following: "SECTIONS"
Insert: "15-6-135, 15-6-136,"

4. Page 104, line 8.
Following: "Repealer."
Strike: "Section"
Insert: "Sections 15-6-135, 15-6-136, and"

5. Page 105, line 20.
Following: "106,"
Strike: "and"
Following: "108"
Insert: ", and sections 114 through 119"

6. Page 106.
Following: line 13
Insert: "NEW SECTION. **Section 114. Air and water pollution control equipment exemption.** (1) Air and water pollution control equipment is exempt from taxation.

(2) (a) "Air and water pollution control equipment" means facilities, machinery, or equipment used to reduce or control water or atmospheric pollution or contamination by removing, reducing, altering, disposing, or storing pollutants, contaminants, wastes, or heat. The department of health and environmental sciences shall determine if such utilization is being made.

(b) The department of health and environmental sciences' determination as to air and water pollution equipment may be appealed to the board of health and environmental sciences and may not be appealed to either a county tax appeal board or the state tax appeal board.

NEW SECTION. **Section 115. New industrial property exemption.** (1) New industrial property is exempt from taxation as provided in this section.

(2) "New industrial property" means any new industrial plant, including land, buildings, machinery, and fixtures, used by new industries during the first 3 years of their operation. The property may not have been assessed within the state of Montana prior to [the applicability date of

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this section].

(3) (a) "New industry" means any person, corporation, firm, partnership, association, or other group that establishes a new plant in Montana for the operation of a new industrial endeavor, as distinguished from a mere expansion, reorganization, or merger of an existing industry.

(b) New industry includes only those industries that:

(i) manufacture, mill, mine, produce, process, or fabricate materials;

(ii) do similar work, employing capital and labor, in which materials unserviceable in their natural state are extracted, processed, or made fit for use or are substantially altered or treated so as to create commercial products or materials; or

(iii) engage in the mechanical or chemical transformation of materials or substances into new products in the manner defined as manufacturing in the 1972 Standard Industrial Classification Manual prepared by the United States office of management and budget.

(4) New industrial property does not include:

(a) property used by retail or wholesale merchants, commercial services of any type, agriculture, trades, or professions;

(b) a plant that will create adverse impact on existing state, county, or municipal services; or

(c) property used or employed in any industrial plant that has been in operation in this state for 3 years or longer.

Section 116. Section 15-6-201, MCA, is amended to read:

"**15-6-201. Exempt categories.** (1) The following categories of property are exempt from taxation:

(a) the property of:

(i) the United States, the state, counties, cities, towns, school districts, except, if congress passes legislation that allows the state to tax property owned by an agency created by congress to transmit or distribute electrical energy, the property constructed, owned, or operated by a public agency created by the congress to transmit or distribute electric energy produced at privately owned generating facilities (not including rural electric cooperatives);

(ii) irrigation districts organized under the laws of Montana and not operating for profit;

(iii) municipal corporations; and

(iv) public libraries;

(b) buildings, with land they occupy and furnishings therein, owned by a church and used for actual religious worship or for residences of the clergy, together with adjacent land reasonably necessary for convenient use of

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such buildings;

(c) property used exclusively for agricultural and horticultural societies, for educational purposes, and for hospitals;

(d) property that meets the following conditions:

(i) is owned and held by any association or corporation organized under Title 35, chapter 2, 3, 20, or 21;

(ii) is devoted exclusively to use in connection with a cemetery or cemeteries for which a permanent care and improvement fund has been established as provided for in Title 35, chapter 20, part 3; and

(iii) is not maintained and operated for private or corporate profit;

(e) institutions of purely public charity;

(f) evidence of debt secured by mortgages of record upon real or personal property in the state of Montana;

(g) public art galleries and public observatories not used or held for private or corporate profit;

(h) all household goods and furniture, including but not limited to clocks, musical instruments, sewing machines, and wearing apparel of members of the family, used by the owner for personal and domestic purposes or for furnishing or equipping the family residence;

(i) a truck canopy cover or topper weighing less than 300 pounds and having no accommodations attached. Such property is also exempt from the fee in lieu of tax.

(j) a bicycle, as defined in 61-1-123, used by the owner for personal transportation purposes;

(k) automobiles and trucks having a rated capacity of three-quarters of a ton or less;

(l) motorcycles and quadricycles;

(m) fixtures, buildings, and improvements owned by a cooperative association or nonprofit corporation organized to furnish pootable water to its members or customers for uses other than the irrigation of agricultural land;

(n) the right of entry that is a property right reserved in land or received by mesne conveyance (exclusive of leasehold interests), devise, or succession to enter land whose surface title is held by another to explore, prospect, or dig for oil, gas, coal, or minerals;

(o) property owned and used by a corporation or association organized and operated exclusively for the care of the developmentally disabled, mentally ill, or vocationally handicapped as defined in 18-5-101, which is not operated for gain or profit; ~~and~~

(p) all farm buildings with a market value of less than $500 and all agricultural implements and machinery with a market value of less than $100~~.~~;

(q) all property used and owned by cooperative rural electrical and cooperative rural telephone associations organized under the laws of Montana, except property owned by cooperative organizations described in subsection (1)(c) of 15-6-137;

(r) any personal or real property used primarily in the production of gasohol during construction and for the first 3 years of its operation;

(s) all residential improvements, improvements ancillary to a residence, and land upon which the residential and ancillary improvements are sited, not exceeding 1 acre. For the purpose of this section, all single-family dwellings and any mobile home used as a residence are residential property; and

(t) items of personal property intended for lease in the ordinary course of business provided each item of personal property satisfies all of the following:

(i) the full and true value of the personal property is less than $5,000;

(ii) the personal property is owned by a business whose primary business income is from rental or lease of personal property to individuals wherein no one customer of the business accounts for more than 10% of the total rentals or leases during a calendar year; and

(iii) the lease of the personal property is generally on an hourly, daily, or weekly basis.

(2) (a) The term "institutions of purely public charity" includes organizations owning and operating facilities for the care of the retired or aged or chronically ill, which are not operated for gain or profit.

(b) The terms "public art galleries" and "public observatories" include only those art galleries and observatories, whether of public or private ownership, that are open to the public without charge at all reasonable hours and are used for the purpose of education only.

(3) The following portions of the appraised value of a capital investment made after January 1, 1979, in a recognized nonfossil form of energy generation, as defined in 15-32-102, are exempt from taxation for a period of 10 years following installation of the property:

(a) $20,000 in the case of a single-family residential dwelling;

(b) $100,000 in the case of a multifamily residential dwelling or a nonresidential structure. (Subsection (1)(p) applicable to taxable years beginning after December 31, 1985--sec. 4, Ch. 463, L. 1985.)"

Section 117. Section 15-6-207, MCA, is amended to read:

"15-6-207. **Agricultural exemptions.** (1) The following agricultural products are exempt from taxation:

(a) all unprocessed, perishable fruits and vegetables in farm storage and owned by the producer;

(b) all nonperishable unprocessed agricultural products~~, except livestock, held in possession of the~~

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~~original-producer-for-less-than-7-months-following-harvest~~ and;

(c) ~~except-as-provided-in-subsection-(1)(d),-livestock which-have-not-attained-the-age-of-9-months-as-of-the-last day-of-any-month-if-assessed-on-the-average-inventory-basis or-on-March-1-if-assessed-as-provided-in-15-24-911(1)(a); and~~

~~(d)--swine-which-have-not-attained-the-age-of-3-months as-of-January-1~~ all livestock, poultry, bees, and other species of domestic animals and wildlife raised in domestication or a captive environment, except for cats, dogs, and other household pets not raised for profit, and the unprocessed products of such animals and wildlife.

(2) Any beet digger, beet topper, beet defoliator, beet thinner, beet cultivator, beet planter, or beet top saver designed exclusively to plant, cultivate, and harvest sugar beets is exempt from taxation if such implement has not been used to plant, cultivate, or harvest sugar beets for the 2 years immediately preceding the current assessment date and there are no available sugar beet contracts in the sugar beet grower's marketing area."

Section 118. Section 15-8-111, MCA, is amended to read:

"15-8-111. **Assessment -- market value standard -- exceptions.** (1) All taxable property must be assessed at 100% of its market value except as provided in subsection (5) of this section and in 15-7-111 through 15-7-114.

(2) (a) Market value is the value at which property would change hands between a willing buyer and a willing seller, neither being under any compulsion to buy or to sell and both having reasonable knowledge of relevant facts.

(b) Except as provided in subsection (3), the market value of all motor trucks; agricultural tools, implements, and machinery; and vehicles of all kinds, including but not limited to aircraft and boats and all watercraft, is the average wholesale value shown in national appraisal guides and manuals or the value of the vehicle before reconditioning and profit margin. The department of revenue shall prepare valuation schedules showing the average wholesale value when no national appraisal guide exists.

(3) The department of revenue or its agents may not adopt a lower or different standard of value from market value in making the official assessment and appraisal of the value of property in 15-6-134, 15-6-137 through 15-6-140 and 15-6-145 through 15-6-149, except:

(a) the wholesale value for agricultural implements and machinery is the loan value as shown in the Official Guide, Tractor and Farm Equipment, published by the national farm and power equipment dealers association, St. Louis, Missouri; and

(b) for agricultural implements and machinery not listed in the official guide, the department shall prepare a supplemental manual where the values reflect the same depreciation as those found in the official guide.

(4) For purposes of taxation, assessed value is the same as appraised value.

(5) The taxable value for all property in classes four, seven through eleven and fifteen through nineteen is the percentage of market value established for each class of property in 15-6-134, 15-6-137 through 15-6-141 and 15-6-145 through 15-6-149.

(6) The assessed value of properties in 15-6-131 through 15-6-133 is as follows:

(a) Properties in 15-6-131, under class one, are assessed at 100% of the annual net proceeds after deducting the expenses specified and allowed by 15-23-503.

(b) Properties in 15-6-132, under class two, are assessed at 100% of the annual gross proceeds.

(c) Properties in 15-6-133, under class three, are assessed at 100% of the productive capacity of the lands when valued for agricultural purposes. All lands that meet the qualifications of 15-7-202 are valued as agricultural lands for tax purposes.

(d) Properties in 15-6-143, under class thirteen, are assessed at 100% of the combined appraised value of the standing timber and grazing productivity of the land when valued as timberland.

(7) Land and the improvements thereon are separately assessed when any of the following conditions occur:

(a) ownership of the improvements is different from ownership of the land;

(b) the taxpayer makes a written request; or

(c) the land is outside an incorporated city or town.

(8) The taxable value of all property in 15-6-131 and classes two, three, and thirteen is the percentage of assessed value established in 15-6-131(2), 15-6-132, 15-6-133, and 15-6-143 for each class of property. (Subsections (3)(a) and (3)(b) applicable to tax years beginning after December 31, 1985--sec. 4, Ch. 463, L. 1985. Subsection (6)(d) and references in (8) to class thirteen and 15-6-143 terminate January 1, 1991--sec. 10, Ch. 681, L. 1985.)"

Section 119. Section 20-9-407, MCA, is amended to read:

"**20-9-407. Industrial facility agreement for bond issue in excess of maximum.** (1) In a school district within which a new major industrial facility ~~which-seeks-to-qualify for~~ that will be temporarily exempt from taxation ~~as-class five-property~~ under ~~15-6-135~~ [section 115] is being constructed or is about to be constructed, the school district may ~~require,-as-a-precondition-of-the-new-major industrial-facility-qualifying-as-class-five-property,~~

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request that the owners of the proposed industrial facility enter into an agreement with the school district concerning the issuing of bonds in excess of the 45% limitation prescribed in 20-9-406. Under such an agreement, the school district may, with the approval of the voters, issue bonds which exceed the limitation prescribed in this section by a maximum of 45% of the estimated taxable value of the property of the new major industrial facility ~~subject-to taxation~~ when ~~completed~~ it becomes subject to taxation. The estimated taxable value of the property of the new major industrial facility subject to taxation shall be computed by the department of revenue when requested to do so by a resolution of the board of trustees of the school district. A copy of the department's statement of estimated taxable value shall be printed on each ballot used to vote on a bond issue proposed under this section.

(2) Pursuant to ~~the~~ an agreement, if entered into, between the new major industrial facility and the school district ~~and-as-a-precondition-to-qualifying-as-class-five property~~, the new major industrial facility and its owners shall pay, in addition to the taxes imposed by the school district on property owners generally, so much of the principal and interest on the bonds provided for under this section as represents payment on an indebtedness in excess of the limitation prescribed in 20-9-406. After the completion of the new major industrial facility and when the indebtedness of the school district no longer exceeds the limitation prescribed in this section, the new major industrial facility shall be entitled, after all the current indebtedness of the school district has been paid, to a tax credit over a period of no more than 20 years. The credit shall as a total amount be equal to the amount which the facility paid the principal and interest of the school district's bonds in excess of its general liability as a taxpayer within the district.

(3) A major industrial facility is a facility subject to the taxing power of the school district, whose construction or operation will increase the population of the district, imposing a significant burden upon the resources of the district and requiring construction of new school facilities. A significant burden is an increase in ANB of at least 20% in a single year.""

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STATEWIDE TAXABLE VALUE---1986 BY PROPERTY CLASS

			TAXABLE VALUE		TAXES AVERAGED @ 256 MILLS	EFFECTIVE TAX RATE		CRIPPEN E TAXABLE VALUE	@256 MILLS	DIFFERENCE	EFFECTIVE TAX RATE
CLASS 1											
	NET PROCEEDS	560,268,212	560,268,212		143,428,662	25.60%		560,268,212	143,428,662	0	25.60%
CLASS 2											
	GROSS PROCEEDS	400,437,981	144,795,713		37,067,703	9.26%		144,795,713	37,067,703	(0)	9.26%
CLASS 3											
	AGRICULTURAL LAND			30%			15%				
	IRRIGATED	46,187,635	13,857,798		3,547,596	7.68%		6,928,145	1,773,605	1,773,991	3.84%
	NON-IRRIGATED	267,979,728	83,397,779		21,349,831	7.97%		40,196,959	10,290,422	11,059,410	3.84%
	GRAZING	128,261,918	38,500,672		9,856,172	7.68%		19,239,288	4,925,258	4,930,914	3.84%
	WILD HAY	18,437,322	5,532,443		1,416,305	7.68%		2,765,598	707,993	708,312	3.84%
CLASS 4											
	LAND AND IMPROVEMENTS										
	RESIDENTIAL	10,326,822,923	397,676,463	3.86%	101,805,175	0.99%	EXEMPT	0	0	101,805,175	0.00%
		217,482,523	4,971,432	3.474%	1,272,687	0.59%	EXEMPT	0	0	1,272,687	0.00%
	COMMERCIAL	4,466,755,410	172,413,631	3.86%	44,137,890	0.99%	1.93%	86,208,379	22,069,345	22,068,544	0.49%
	INDUSTRIAL	685,144,602	26,445,162	3.86%	6,769,961	0.99%	1.93%	13,223,291	3,385,162	3,384,799	0.49%
	NEW MANUFACTURING	1,463,301	34,957	1.93-3.474	8,949	0.61%	1.93%	28,242	7,230	1,719	0.49%
	GOLF COURSES	28,174,976	564,187	1.93%	144,432	0.51%	1.93%	543,777	139,207	5,225	0.49%
	WATER WORKS	498,541	19,243	3.86%	4,926	0.99%	1.93%	9,622	2,463	2,463	0.49%
	REMODELED	7,294,690	174,121	.772-3.86	44,575	0.61%	1.93%	140,788	36,042	8,533	0.49%
	IMPROVE. AG/TIMBER LAND	18,105,661	698,863	3.86%	178,909	0.99%	EXEMPT	0	0	178,909	0.00%
CLASS 5											
	RURAL ELECT./TEL.	314,553,894	9,435,422	3%	2,415,468	0.77%	EXEMPT	0	0	2,415,468	0.00%
	NEW INDUST. PROP.	311,579,670	9,347,391		2,392,932	0.77%		0	0	2,392,932	0.00%
	POLLUTION CONTROL	391,667,412	11,771,823		3,013,587	0.77%		0	0	3,013,587	0.00%
CLASS 6											
	LIVESTOCK	574,821,208	24,741,696	4%	6,333,874	1.10%	EXEMPT	0	0	6,333,874	0.00%
	AG PRODUCTS	153,696,900	6,147,888		1,573,859	1.02%		0	0	1,573,859	0.00%
	LEASED/RENTED	4,419,600	176,784		45,257	1.02%		0	0	45,257	0.00%
CLASS 7											
	TOOL, IMPLE/MACH	61,449,754	4,916,522	8%	1,258,630	2.05%	4%	2,457,990	629,245	629,384	1.02%
	INDEP. TELE	36,213,310	3,952,156		1,011,752	2.79%		1,448,532	370,824	640,928	1.02%
CLASS 8											
	FARM MACH	586,498,356	64,516,503	11%	16,516,225	2.82%	5.5%	32,257,410	8,257,897	8,258,328	1.41%
	MINING M/M	955,888,584	105,147,617		26,917,790	2.82%		52,573,872	13,458,911	13,458,879	1.41%
	AIRCRAFT	41,788,739	4,715,980		1,207,291	2.89%		2,298,381	588,385	618,905	1.41%
	OTHER	250,894,026	27,597,683		7,065,007	2.82%		13,799,171	3,532,588	3,532,419	1.41%
CLASS 9											
	LIGHT M/V	0	0	13%	0	0.00%	6.5%	0	0	0	
	BUSES/TRUCKS	33,342,188	4,335,254		1,109,825	3.33%		2,167,242	554,814	555,011	1.66%
	FURNITURE/FIXTURES	329,231,188	42,931,109		10,990,364	3.34%		21,400,027	5,478,407	5,511,957	1.66%
	OTHER	1,170,621	152,368		39,006	3.33%		76,090	19,479	19,527	1.66%
CLASS 10											
	BROADCASTING/THEATER	17,632,335	2,821,152	16%	722,215	4.10%	8%	1,410,587	361,110	361,105	2.05%
	TRUCKS/TRAILERS	121,182,882	19,396,506		4,965,506	4.10%		9,694,631	2,481,825	2,483,680	2.05%
	OTHER	47,158,171	7,325,829		1,875,412	3.98%		3,772,654	965,799	909,613	2.05%
CLASS 11											
	UTILITIES	2,839,632,550	340,547,997	12%	87,180,287	3.07%	6%	170,377,953	43,616,756	43,563,531	1.54%
CLASS 12											
	MOBILE HOMES	378,998,559	15,082,260	3.86%	3,861,059	1.02%	EXEMPT	0	0	3,861,059	0.00%
		12,028,897	282,915	0-3.474%	72,426	0.60%		0	0	72,426	0.00%
CLASS 13											
	TIMBER LAND	171,873,768	5,600,120	3.84	1,433,631	0.83%	3%	5,156,213	1,319,991	113,640	0.77%
CLASS 14											
	ONE ACRE FARMSTEADS	1,782,868,438	55,060,426	3.088	14,095,469	0.79%	3%	53,486,053	13,692,430	403,039	0.77%
		6,050,485	116,376	0-2.779	29,792	0.49%		181,515	46,468	(16,675)	0.77%
CLASS 15											
	RR PROPERTY	698,690,259	83,847,680	12%	21,465,006	3.07%	9.64%	67,353,741	17,242,558	4,222,448	2.47%
CLASS 16											
	WATERCRAFT/ATV	44,146,411	4,854,753	11%	1,242,817	2.82%	5.5%	2,428,053	621,581	621,235	1.41%
CLASS 17											
	AIRLINE	33,634,675	4,056,518	12%	1,038,469	3.09%	9.64%	3,242,383	830,050	208,419	2.47%
EXEMPT		321,368,221	0		0	0.00%		0	0	0	0.00%
STATEWIDE TOTAL		27,695,786,524	2,308,229,404		590,906,727	2.13%		1,319,930,511	337,902,211	253,004,516	1.22%

253,004,516

RAIL ROAD / AIRLINE R=A/B 9.64%

SENATE TAXATION

EXHIBIT NO. 1

DATE 3-11-87

#1

Second Set

Proposed Technical Amendments

These amendments adjust the allocations in Section 57 of the bill (p. 56) made to the various entities as property tax replacement revenue, as in the case of local governments, or as funding to bring the entity to a previous level, as in the case of the university system.

The reason adjustments are advisable is twofold. First, in developing this bill, early drafts had different exemptions and exclusions from the sales tax. Second, the original rate was 4%; in the bill, the rate is now 5%. Changing the exemptions resulted in a broader tax base; changing the rate resulted in additional revenue.
Consequently, the allocations originally in the bill need to be adjusted to account for the changes in exemptions and the rate.

Somewhat more specifically, the allocations are based on the following estimates of revenue needs:

1. Department of Revenue administrative expenses associated with the sales tax are estimated to be about $1.5 million annually. Therefore, 1/2 of 1% of total collections will cover the administrative costs.

2. The bill contains provisions to retailers for items sold but returned to purchasers. It is difficult to know what the effect of returns will be, but the estimate is about $3.75 million annually. This is also accounted for in the bill.

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DATE 3-11-87
BILL NO. H.B. 333

3. Because one of the primary feature of this bill is the replacement of property taxes through rate reductions and exemptions, those entities that depend on property taxes as a principal revenue source -- primarily schools and local governments -- need a substitute source of revenue. That too is accomplished in this bill.

Schools will directly receive about $119 million annually in sales tax revenues. This amount will replace the approximate $50 million foregone to the foundation program in property tax reductions, the estimated $5 million foregone in income taxes accruing to the general and renters' credits contained in the bill, enough to compensate for the school insurance levies repealed in the bill, and enough to bring the schools to the "0 and 0" level for the education schedules.

Local governments will annually receive about $94 million of sales tax revenue. This will compensate those jurisdictions for property tax revenue lost through the rate reductions and exemptions. The mechanism used to get the revenue back to local governments is the local government block grant program.

4. The university system also has some reliance on property taxes through the 6-mill university levy. The approximate $22 million channelled directly to the university system will not only make up the revenue lost from the repeal of the 6-mill levy, it also will bring funding for the university system back to where it was when the Legislature left Helena in April of 1985.

5. Finally, there is the ailing state general fund. Whatever money is left over after everybody else is taken care of will go to the general fund for the support of general government. The estimate is about 20% of total collections, or about $60 million. That will take care of the estimated $20 million that will be lost in individual income tax collections due to the general credit and the renter's credit. It will also leave about $40 million for other funding needs.

db/dw3\amends\s333na

SENATE TAXATION
EXHIBIT NO. 1
DATE 3-11-87

PROPOSED AMENDMENT
SENATE BILL NO. 333
Introduced (White) Copy

1. Page 56, line 8.
Following: "(a)"
Strike: "46.8%"
Insert: "40.5%"

2. Page 56, line 10.
Following: "(b)"
Strike: "8.6%"
Insert: "7.5%"

3. Page 56, line 15.
Following: "(c)"
Strike: "38.4%"
Insert: "32%"

7069e/C:JEANNE\WP:jj

Set Three

Proposed Amendments

This set of amendments makes the allocations in Section 57 statutory appropriations. A statutory appropriation is what used to be called "earmarking".

As the bill is written, the revenues are only allocated to the specified entities. They must be separately appropriated by the legislature.

The reason the bill is written that way is because an appropriations bill can only be introduced in the House. A statutory appropriation must also be introduced in the House.

Consequently, the House Taxation Committee will be asked to attach these amendments to the bill, thereby making the allocations in Section 57, "statutory appropriations".

db/dw3\amends\s333na

SENATE TAXATION

EXHIBIT NO. 1

DATE 3-11-87

BILL NO. S.B. 333

PROPOSED AMENDMENT
SENATE BILL NO. 333
Introduced (White) Copy

1. Title, line 16.
Following: "15-6-149,"
Insert: "17-7-502,"

2. Page 56, line 20.
Following: "(3)"
Strike: "may be specifically appropriated by the legislature"
Insert: "are statutory appropriations as described in 17-7-502"

3. Page 105, line 20.
Following: "106,"
Strike: "and"
Following: "108"
Insert: ", and section 114"

4. Page 106.
Following: line 13
Insert: "Section 114. Section 17-7-502, MCA, is amended to read:

"17-7-502. Statutory appropriations -- definition -- requisites for validity. (1) A statutory appropriation is an appropriation made by permanent law that authorizes spending by a state agency without the need for a biennial legislative appropriation or budget amendment.

(2) Except as provided in subsection (4), to be effective, a statutory appropriation must comply with both of the following provisions:

(a) The law containing the statutory authority must be listed in subsection (3).

(b) The law or portion of the law making a statutory appropriation must specifically state that a statutory appropriation is made as provided in this section.

(3) The following laws are the only laws containing statutory appropriations:

(a) 2-9-202;
(b) 2-17-105;
(c) 2-18-812;
(d) 10-3-203;
(e) 10-3-312;
(f) 10-3-314;
(g) 10-4-301;
(h) 13-37-304;
(i) 15-31-702;
(j) 15-36-112;
(k) 15-70-101;
(l) 16-1-404;
(m) 16-1-410;
(n) 16-1-411;

SENATE TAXATION
EXHIBIT NO. 1
DATE 3-11-87
BILL NO. S.B. 333

MONTANA
ASSOCIATION OF
COUNTIES

1802 11th Avenue
Helena, Montana 59601
(406) 442-5209

BRIEFING PAPER

RETAIL SALES TAX IN MONTANA AND
RELATED PROPERTY TAX RELIEF MEASURES

The following report is the result of a meeting held at the MACo office on February 28th with Commissioners Toni Hagener, Ann Mary Dussault, Jim Campbell, Doug Schmitz, and Fritz Tossberg attending. Also present were Howard Schwartz, Executive Officer Missoula County and Gordon Morris, Executive Director of the Association.

Further, a telephone conference call with the MACo Executive Committee was held at 11:15 a.m., Monday, March 1.

The working group was convened primarily to discuss sales tax options and property tax relief efforts that might be undertaken on behalf of the Association in the critical weeks ahead in the legislative session.

Retail Sales Tax Assumptions:

Various groups have endeavored to make an assessment of revenue to be generated from a sales tax. For purposes of this discussion several assumptions were made (see Appendix I). It was accepted that a 1% sales tax would generate $47,800,000.

This was based upon estimated gross retail sales of $6,643,000,000 in 1987. Exemptions have been identified in the categories: groceries as 13.4% of gross, prescription drugs @ .70% of gross, and ag goods in process @ 13%. Total exemptions are thus identified as $1,862,163,000 leaving a net for sales tax purposes of $4,780,837,000 per year.

Tax Relief Assumptions:

Sales tax revenue must be identified in terms of the level of property tax relief to be attained and possible consideration for a portion to relieve the state general fund in the coming biennium. It is assumed that any sales tax proposal could not be revenue neutral and would therefore have to generate additional revenue. This is true from the standpoint that the coal trust allocation to the state general fund, some $85 million, would appear to be in trouble. It is understood, however, that the legislature has within its means the ability to balance the state budget without new revenue. This would therefore reserve a sales tax entirely for property tax relief.

SENATE TAXATION
EXHIBIT NO. 2
DATE 3-11-87
BILL NO. SB 323

Implementation Schedule Assumptions:

The committee then discussed the implementation schedules that would be coupled with any sales tax consideration by the legislature. The discussion identified the following possible implementation schedule.

The legislature would enact a sales tax before they adjourn which would be effective beginning January 1, 1988. The fiscal effects of the sales tax by way of property tax relief would begin effective July 1, 1988. Further, the issue would be presented to the voters in the general election in November of 1988 with the question being raised and the tax proposed for continuance or repeal effective June 30, 1989. Based upon the discussion held among the participants it was believed that if legislature passed such a tax that the sponsors of any initiative efforts then would basically be preempted until the November 1988 elections from putting anything on the ballot that would repeal the sales tax itself and there would be no other option by initiative efforts.

Subsequent to the working group meeting an Executive Conference call held Monday, March 2 at 11:15, disclosed that any act referred to the people could be suspended by petitions signed by at least 15% of the qualified electors in the majority of the legislative representative districts. If that was to happen it would then become inoperative until such time as it had been approved at a general election.

As a consequence, recognizing the fact that if it was to be implemented effective January 1 prior to an election of the people it could in fact be repealed by the petition process it is recommended that the legislature put the question on the ballot prior to its enactment. The legislature would have the option of doing that prior to July 1987 or to wait until November 1987.

In any event the implementation schedule to be proposed must take into consideration the petition process. Finally it is not likely that the legislature would enact a sales tax without submitting it to the voters of the state.

Property Tax Relief Options:

The committee discussed various property tax relief options (see Appendix II). There are many avenues to property tax relief. MACo's early position in regard to the Foundation Program and University Levy, while straightforward and mechanically uncomplicated, has lost momentum. Legislators are currently looking at several scenarios which reduce, combine, or eliminate taxes on the several classes of property.

It was recognized that the Principles: Representative Ramirez and Senator Crippen are interested in restructuring the classification system and the ratios. This has been a longstanding position of the association and could therefore be supported.

A review of various scenarios leads to negotiable conclusions as illustrated in Appendix III. Referred to as "Ramirez 5", the proposal consists of reductions in Classes 3, 4, 5, 7, 8, 9, 10, 12, 13, 14 and 16, with an exemption on Class 6 property. Further, the proposal contains a $20,000 homestead provision on Class 4 residential property.

This approach would appear to achieve a high degree of equity among the classes. It should be realized that no justification could be found for retaining relativity in classes 7 through 10. For instance, there is no justification for class 10 property to be taxed at 16% in comparison to class 7 property at 8%.

As a consequence, collapsing the several classes and bringing them together at a tax ratio of 5% was acceptable.

A subsequent discussion on Monday, March 2 with Representative Ramirez, lead to his requesting yet another scenario. (Appendix IV: "Ramirez 6". The principal differences are identified in regard to returning class 3 to 30% on production, and exempting Class 7, tools and implements, exempting class 8, aircraft and exempting class 16, watercraft and ATV's

Ramirez 5 is projected to have a $120,225,033 price tag, while Ramirez 6 comes in at $115,437,117. Both should be reviewed from the standpoint that negotiations based upon "other legislation" and sponsor goals have begun.

The two proposals "Ramirez 5" and "Ramirez 6" would require a sales tax of 2.51% and 2.41%, respectively at $47,800,000 per each percent. Therefore, a 3% tax would generate either $46,349,934 or $55,925,766 each biennium for the State General Fund.

<u>Assumptions of Distribution:</u>

Perhaps the most difficult part of this equation is the mechanism to ensure full dollar replacement from the sales tax for the lost property tax revenue.

The discussion did not generate a preferred approach. The following is offered for consideration as a possible suggestion.

First, lost property tax revenue will be identifiable in every taxing jurisdiction with the implementation of the program. The exemptions however, present the problem of not being able to track "full replacement dollars" in subsequent years. Perhaps a problem we could learn to live with.

The first step would be to "cap" the distribution among the several jurisdictions in terms of a specified year, perhaps FY 1987. Each jurisdiction would receive that same amount annually adjusted relative to sales tax earning up to a possible maximum cap equivalent to the 105% limit on county levies.

SENATE TAXATION
EXHIBIT NO. 2
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This would possibly eliminate the erosion problem as a result of ever increasing school levies.

Illustration - Per County Distribution

FY '87	State Average	County A Actual
Counties	21.2%	20
Cities and Towns	7.7	8
SIDS	4.7	5
Fire Districts	5.7	4
Schools	58.1	60
State	2.6	3
	100.0%	100%

Growth would be limited to sales tax earnings being spread proportionally to all counties on the basis of the 1987 ratio, and internal distribution would likewise be spread on the county distribution schedules. Likewise, shortfalls would be spread similarly.

You would therefore, start with the statewide tax matrix and levies for all jurisdictions. This would be the basis for calculating the FY' 87 property tax dollars lost pursuant to relief legislation.

This would be the "base year" used then for subsequent distributions with each county. Such an approach should be tied to a fixed percentage of any sales tax going to the local government taxing jurisdictions and being spread relative to the '87 base year. This would provide a constant and stable revenue with the opportunity for local governments to share in growth.

Using "Ramirez 5" the sales tax could be distributed, based upon 3%, 86% to local government property tax relief and 14% to the state general fund.

APPENDIX I

FILE NAME—SALESTAX

MONTANA ASSOCIATION OF COUNTIES
SALES TAX ANALYSIS

ESTIMATED GROSS RETAIL PURCHASES TAXABLE

1987 GROSS RETAIL PURCHASES		$6,643,000,000
EXEMPTIONS:		
GROCERIES @ 13.4% OF GROSS	$890,162,000	
DRUGS @ .70% OF GROSS	$46,501,000	
AG GOOD IN PROCESS @ 13% OF GROSS	$925,500,000	
TOTAL EXEMPTIONS	$1,862,163,000	
1987 NET RETAIL PURCHASES SUBJECT TO TAXATION		$4,780,837,000
EACH PERCENT ASSESSED WOULD GENERATE		$47,808,370

NOTE: NO ASSUMPTION IS MADE AS T60 THE PERCENT OF PURCHASES ATTRIBUTABLE TO NON-RESIDENTS

COMPARISONS:

FISCAL NOTE HB 377—1%	$41,325,000
1983 MONTAX STUDY—1%	$46,500,000
1984 TAX RELIEF PROPOSAL	$46,600,000
1985 SALES TAX PROPOSAL	$45,900,000

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APPENDIX II

SALES TAX ISSUES

1. Revenue Neutrality versus New Revenue

Should a sales tax be 100% neutral relative to property tax replacement or should some portion be identified in terms of new revenue?

2. How should property tax relief be achieved?

- Eliminate tax on personal property
- Eliminate tax on residential property
- Eliminate tax on commercial property
- Combine reductions on various classes
- Eliminate or reduce levies and fund directly from a sales tax, i.e.

- Foundation Program (45 mills)	111,681,501
- School Transportation	27,800,000
- School Retirement	47,553,272
- Police and Fire Retirement	6,000,000
- in lieu of property tax for cities and counties	

APPENDIX III

STATEWIDE TAXABLE VALUE---1986 BY PROPERTY CLASS			TAXABLE VALUE	RAMIREZ 5	TAXES AVERAGED @ 256 MILLS	EFFECTIVE TAX RATE		TAXABLE VALUE	@256 MILLS	DIFFERENCE	EFFECTIVE TAX RATE
CLASS 1											
	NET PROCEEDS	560,268,212	560,268,212		143,428,662	25.60%		560,268,212	143,428,662	0	25.6
CLASS 2											
	GROSS PROCEEDS	400,437,981	144,795,713		37,067,703	9.26%		144,795,713	37,067,703	(0)	9.2
CLASS 3											
	AGRICULTURAL LAND			30%							
	IRRIGATED	46,187,635	13,857,798		3,547,596	7.68%	25%	11,546,909	2,956,009	591,588	6.4
	NON-IRRIGATED	267,979,728	83,397,779		21,349,831	7.97%		66,994,932	17,150,703	4,199,129	6.4
	GRAZING	128,261,918	38,500,672		9,856,172	7.68%		32,065,480	8,208,763	1,647,409	6.4
	WILD HAY	18,437,322	5,532,443		1,416,305	7.68%		4,609,331	1,179,989	236,317	6.4
CLASS 4											
	LAND AND IMPROVEMENTS						3%				
	RESIDENTIAL	10,326,822,923	398,615,365	3.86%	102,045,533	0.99%		200,791,810	51,402,703	50,642,830	0.5
		217,482,523	4,971,432	3.474%	1,272,687	0.59%		6,524,476	1,670,266	(397,579)	0.7
	COMMERCIAL	4,466,755,410	172,413,631	3.86%	44,137,890	0.99%		134,002,662	34,304,682	9,833,208	0.7
	INDUSTRIAL	685,144,602	26,445,162	3.86%	6,769,961	0.99%		20,554,338	5,261,911	1,508,051	0.7
	NEW MANUFACTURING	1,463,301	34,957	1.93-3.474	8,949	0.61%		43,899	11,238	(2,289)	0.7
	GOLF COURSES	28,174,976	564,187	1.93%	144,432	0.51%		845,249	216,384	(71,952)	0.7
	WATER WORKS	498,541	19,243	3.86%	4,926	0.99%		14,956	3,829	1,097	0.7
	REMODELED	7,294,690	174,121	.772-3.86	44,575	0.61%		218,841	56,023	(11,448)	0.7
	IMPROVE. AG/TIMBER LAND	18,105,661	698,863	3.86%	178,909	0.99%		543,170	139,051	39,857	0.7
CLASS 5							3%				
	RURAL ELECT./TEL.	314,553,894	9,435,422	3%	2,415,468	0.77%		9,435,422	2,415,468	0	0.7
	NEW INDUST. PROP.	311,579,670	9,347,391		2,392,932	0.77%		9,347,391	2,392,932	0	0.7
	POLLUTION CONTROL	391,667,412	11,771,823		3,013,587	0.77%		11,771,823	3,013,587	0	0.7
CLASS 6							EXEMPT				
	LIVESTOCK	574,821,208	24,741,696	4%	6,333,874	1.10%		24,741,696	0	6,333,874	0.0
	AG PRODUCTS	153,696,900	6,147,888		1,573,859	1.02%		6,147,888	0	1,573,859	0.0
	LEASED/RENTED	4,419,600	176,784		45,257	1.02%		176,784	0	45,257	0.0
CLASS 7							5%				
	TOOL, IMPLE/MACH	61,449,754	4,916,522	8%	1,258,630	2.05%		3,072,488	786,557	472,073	1.2
	INDEP. TELE	36,213,310	3,952,156		1,011,752	2.79%		1,810,666	463,530	548,222	1.2
CLASS 8											
	FARM MACH	586,498,356	64,516,503	11%	16,516,225	2.82%	5%	29,324,918	7,507,179	9,009,046	1.2
	MINING M/M	955,888,584	105,147,617		26,917,790	2.82%		47,794,429	12,235,374	14,682,416	1.2
	AIRCRAFT	41,788,739	4,715,980		1,207,291	2.89%		2,089,437	534,896	672,395	1.2
	OTHER	250,894,026	27,597,683		7,065,007	2.82%		12,544,701	3,211,444	3,853,563	1.2
CLASS 9											
	LIGHT M/V	0	0	13%	0	0.00%	5%	0	0	0	0.0
	BUSES/TRUCKS	33,342,188	4,335,254		1,109,825	3.33%		1,667,109	426,780	683,045	1.2
	FURNITURE/FIXTURES	329,231,188	42,931,109		10,990,364	3.34%		16,461,559	4,214,159	6,776,205	1.2
	OTHER	1,170,621	152,368		39,006	3.33%		58,531	14,984	24,022	1.2
CLASS 10											
	BROADCASTING/THEATER	17,632,335	2,821,152	16%	722,215	4.10%	5%	881,517	225,694	496,521	1.2
	TRUCKS/TRAILERS	121,182,882	19,396,506		4,965,506	4.10%		6,059,144	1,551,141	3,414,365	1.2
	OTHER	47,158,171	7,325,829		1,875,412	3.98%		2,357,909	603,625	1,271,788	1.2
CLASS 11											
	UTILITIES	2,839,632,550	340,547,997	12%	87,180,287	3.07%		340,547,997	87,180,287	0	3.0
CLASS 12											
	MOBILE HOMES	378,988,559	15,082,260	3.86%	3,861,059	1.02%	3%	11,369,657	2,910,632	950,426	0.7
		12,028,897	282,915	0-3.474%	72,426	0.60%		360,867	92,382	(19,956)	0.7
CLASS 13											
	TIMBER LAND	171,873,768	5,600,120	3.84	1,433,631	0.83%	3%	5,156,213	1,319,991	113,640	0.7
CLASS 14											
	ONE ACRE FARMSTEADS	1,782,868,438	55,060,426	3.088	14,095.469	0.79%	3%	53,486.053	13,692,430	403,039	0.7
		6,050,485	116,376	0-2.779	29,792	0.49%		181,515	46,468	(16,675)	0.7
CLASS 15											
	RR PROPERTY	698,690,259	83,847,680	12%	21,465,006	3.07%	11.98	83,703,093	21,427,992	37,014	3.0
CLASS 16											
	WATERCRAFT/ATV	44,146,411	4,854,753	11%	1,242,817	2.82%	5%	2,207,321	565,074	677,743	1.2
CLASS 17											
	AIRLINE	33,634,675	4,056,518	12%	1,038,469	3.09%	11.98	4,029,434	1,031,535	6,933	3.0
EXEMPT		321,368,221	0		0	0.00%		0	0	0	0.0
STATEWIDE TOTAL		27,695,786,524	2,309,168,306		591,147,086	2.13%		1,870,605,638	470,922,053	120,225,033	1.7
										120,225,033	

RAIL ROAD / AIRLINE R=A/B 11.98%

RESIDENTIAL EXEMPTION @ $20,000 6,693,060,331

SENATE TAXATION

EXHIBIT NO. 2

DATE 3-11-87

APPENDIX IV

RAMIREZ 6

STATEWIDE TAXABLE VALUE---1986 BY PROPERTY CLASS			TAXABLE VALUE		TAXES AVERAGED @ 256 MILLS	EFFECTIVE TAX RATE		TAXABLE VALUE	@256 MILLS	DIFFERENCE	EF[illegible]TIVE [illegible]X RATE
CLASS 1											
	NET PROCEEDS	560,268,212	560,268,212		143,428,662	25.60%		560,268,212	143,428,662	0	25.6
CLASS 2											
	GROSS PROCEEDS	400,437,981	144,795,713		37,067,703	9.26%		144,795,713	37,067,703	(0)	9.2
CLASS 3											
	AGRICULTURAL LAND			30%			30%				
	IRRIGATED	46,187,635	13,856,291		3,547,210	7.68%		13,856,291	3,547,210	0	7.6
	NON-IRRIGATED	267,979,728	80,393,918		20,580,843	7.68%		80,393,918	20,580,843	0	7.6
	GRAZING	128,261,918	38,478,575		9,850,515	7.68%		38,478,575	9,850,515	0	7.6
	WILD HAY	18,437,322	5,531,197		1,415,986	7.68%		5,531,197	1,415,986	0	7.6
CLASS 4											
	LAND AND IMPROVEMENTS						3%				
	RESIDENTIAL	10,326,822,923	398,615,365	3.86%	102,045,533	0.99%		200,791,810	51,402,703	50,642,830	0.5
		217,482,523	4,971,432	3.474%	1,272,687	0.59%		6,524,476	1,670,266	(397,579)	0.7
	COMMERCIAL	4,466,755,410	172,413,631	3.86%	44,137,890	0.99%		134,002,662	34,304,682	9,833,208	0.7
	INDUSTRIAL	685,144,602	26,445,162	3.86%	6,769,961	0.99%		20,554,338	5,261,311	1,508,051	0.7
	NEW MANUFACTURING	1,463,301	34,957	1.93-3.474	8,949	0.61%		43,899	11,238	(2,289)	0.7
	GOLF COURSES	28,174,976	564,187	1.93%	144,432	0.51%		845,249	216,384	(71,952)	0.7
	WATER WORKS	498,541	19,243	3.86%	4,926	0.99%		14,956	3,829	1,097	0.7
	REMODELED	7,294,690	174,121	.772-3.86	44,575	0.61%		218,841	56,023	(11,448)	0.7
	IMPROVE. AG/TIMBER LAND	18,105,661	698,863	3.86%	178,909	0.99%		543,170	139,051	39,857	0.7
CLASS 5							3%				
	RURAL ELECT./TEL.	314,553,894	9,435,422	3%	2,415,468	0.77%		9,435,422	2,415,468	0	0.7
	NEW INDUST. PROP.	311,579,670	9,347,391		2,392,932	0.77%		9,347,391	2,392,932	0	0.7
	POLLUTION CONTROL	391,667,412	11,771,823		3,013,587	0.77%		11,771,823	3,013,587	0	0.7
CLASS 6							EXEMPT				
	LIVESTOCK	574,821,208	24,741,696	4%	6,333,874	1.10%		24,741,696	0	6,333,874	0.0
	AG PRODUCTS	153,696,900	6,147,888		1,573,859	1.02%		6,147,888	0	1,573,859	0.0
	LEASED/RENTED	4,419,600	176,784		45,257	1.02%		176,784	0	45,257	0.0
CLASS 7											
	TOOL, IMPLE/MACH	61,449,754	4,916,522	8%	1,258,630	2.05%	EXEMPT	0	0	1,258,630	0.0
	INDEP. TELE	36,213,310	3,952,156		1,011,752	2.79%	5%	1,810,666	463,530	548,222	1.2
CLASS 8											
	FARM MACH	586,498,356	64,516,503	11%	16,516,225	2.82%	5%	29,324,918	7,507,179	9,009,046	1.2
	MINING M/M	955,888,584	105,147,617		26,917,730	2.82%		47,794,429	12,235,374	14,682,416	1.2
	AIRCRAFT	41,788,739	4,715,980		1,207,291	2.89%	EXEMPT	0	0	1,207,291	0.0
	OTHER	250,894,026	27,597,683		7,065,007	2.82%		12,544,701	3,211,444	3,853,563	1.2
CLASS 9											
	LIGHT M/V	0	0	13%	0	0.00%	5%	0	0	0	0.0
	BUSES/TRUCKS	33,342,188	4,335,254		1,109,825	3.33%		1,667,109	426,780	683,045	1.2
	FURNITURE/FIXTURES	329,231,188	42,931,109		10,990,364	3.34%		16,461,559	4,214,159	6,776,205	1.2
	OTHER	1,170,621	152,368		39,006	3.33%		58,531	14,984	24,022	1.2
CLASS 10											
	BROADCASTING/THEATER	17,632,335	2,821,152	16%	722,215	4.10%	5%	881,617	225,694	496,521	1.2
	TRUCKS/TRAILERS	121,182,882	19,396,506		4,965,506	4.10%		6,059,144	1,551,141	3,414,365	1.2
	OTHER	47,158,171	7,325,829		1,875,412	3.98%		2,357,909	603,625	1,271,788	1.2
CLASS 11											
	UTILITIES	2,839,632,550	340,547,997	12%	87,180,287	3.07%		340,547,997	87,180,287	0	3.0
CLASS 12											
	MOBILE HOMES	378,988,559	15,082,260	3.86%	3,861,059	1.02%	3%	11,369,657	2,910,632	950,426	0.7
		12,028,897	282,915	0-3.474%	72,426	0.60%		360,867	92,382	(19,956)	0.7
CLASS 13											
	TIMBER LAND	171,873,768	5,600,120	3.84	1,433,631	0.83%	3%	5,156,213	1,319,991	113,640	0.7
CLASS 14											
	ONE ACRE FARMSTEADS	1,782,868,438	55,060,426	3.088	14,095,469	0.79%	3%	53,486,053	13,692,430	403,039	0.7
		6,050,485	116,376	0-2.779	29,792	0.49%		181,515	46,468	(16,675)	0.7
CLASS 15											
	RR PROPERTY	698,690,259	83,847,680	12%	21,465,006	3.07%	11.98	83,703,093	21,427,992	37,014	3.0
CLASS 16											
	WATERCRAFT/ATV	44,146,411	4,854,753	11%	1,242,817	2.82%	EXEMPT	0	0	1,242,817	0.0
CLASS 17											
	AIRLINE	33,634,675	4,056,518	12%	1,038,469	3.09%	11.98	4,029,434	1,031,535	6,933	3.0
EXEMPT		321,368,221	0		0	0.00%		0	0	0	0.0
STATEWIDE TOTAL		27,695,786,524	2,306,139,595		590,371,736	2.13%		1,886,279,723	474,934,619	115,437,117	.7
									115,437,117		

RAIL ROAD / AIRLINE R=A/B 11.98%

RESIDENTIAL EXEMPTION @ $20,000 6,693,060,331