

MINUTES OF THE MEETING
TAXATION COMMITTEE
MONTANA STATE SENATE

March 24, 1987

The forty-eighth meeting of the Senate Taxation Committee was called to order at 8:05 A.M. on March 24, 1987 by Chairman George McCallum in Room 413/415 of the Capitol Building.

ROLL CALL: All committee members were present.

CONSIDERATION OF HB 512: Representative Ream, House District 54, presented this bill to the committee. A copy of his written testimony is attached as Exhibit 1.

PROPOSERS: Mike Strand, Kalispell, a member of the Board of Aeronautics of the state of Montana, gave testimony in support of this bill. Ray Thompson, a member of the Aeronautics Board, requested that Mr. Strand say a few words for him. Mr. Thompson is the president of Semi-Tool, a nationwide industry. There is no market for his product in Montana. He maintains a small fleet of aircraft in Kalispell and travels to his offices on the east coast, Texas and California. He also brings potential customers into Kalispell. His aircraft is the key for maintaining his particular business. His annual fee would be somewhere in the neighborhood of \$70,000 a year. He does not have to base his aircraft in Montana at all. He has offices in others states, which gives him the opportunity to base those aircraft in other states to avoid the current method of taxation. He is a citizen of Montana and wants to pay his fair share of taxation and does support this bill. Mike Strand is President, operator, owner, of Strand Aviation. The taxation impact on aircraft in Montana is very heavy and moving the aircraft out of the state of Montana, would be exporting the revenue and tax base, the aircraft itself. If his aircraft leaves Montana, Montana would be losing the purchase of gasoline, parts and crewing of those aircraft in Montana. All of that goes out of state. They have to compete with out-of-state bidders on contracts for the Forest Service. Being based in Montana, they have to pay the tax for registration of their aircraft that people competing from out-of-state do not.

Mike Biggerstaf, President of Montana Aviation Trades Association, gave testimony in support of this bill. HB 512, if passed, keeps aircraft in Montana, jobs in

Montana and allows the aviation business in Montana to compete with operators in neighboring states. This bill is not revenue neutral but neither is the current law. If this bill is passed it will keep business in Montana.

John Dove, President of the Montana Pilots Association, gave testimony in support of this bill. There are 750 members of the Montana Pilots Association that are eagerly seeking support of this bill. They feel it will mean jobs for pilots that want to stay in Montana and work in Montana; jobs for pilots, mechanics, fixed base operators and many other related jobs.

John Crowley, Property Development Manager for Washington Corporation in Missoula, gave testimony in support of this bill. This corporation is involved in heavy construction and a large part of the annual revenue is derived from outside the state of Montana. It is necessary for his corporation to own aircrafts and at the present time they own two private jets that are in use virtually all the time. Commercial air travel in this state is extremely difficult and the nature of his business requires quick and easy access to jobs on the west and east coasts and other markets in Canada. One of their airplanes is 19 years old and they pay in excess of \$17,000 a year in annual taxes. They were able to get the taxes down to \$17,000 after appealing to the county and state appeal boards. The other airplane is 14 years old and they pay in excess of \$13,000. By comparison, in Idaho they would pay \$100 per plane versus what they are paying in Montana. They have to look at the possibility of establishing an aviation base in Idaho.

Steve Vold, General Manager of Aerotronics Inc., gave testimony in support of this bill. A copy of his written statement is attached as Exhibit 2.

Bill Rogers, representing the Montana Aviation Trades Helicopter Committee, gave testimony in support of this bill. The commercial operators of Montana need some relief or the 30% that remain will go the way of the other 70% and leave. Aircraft taxes are much too high compared to neighboring states. Aircraft operators from neighboring states are bidding contracts in our county for the Forest Service and it is impossible for us to compete against them.

Mike Rice, Transystems, Inc., gave testimony in support of this bill. He has been in Montana for 40 some years and they use incorporated aircraft to fly some 127,000 miles a year to principally remote areas. Unless something

like this bill passes, they will be out of the state before long. They will probably base their operation in Salt Lake where most of their people are now. He would urge that some consideration be given to the business person in Montana, who is attempting to maintain his headquarters in Montana while his business is elsewhere.

Bob Dorn, Chief Pilot, United Industries, gave testimony in support of this bill. If nothing is done in the state to lower the taxes, they will have to leave the state. The state is losing aviation and service support, we are losing jobs. We need an equitable tax.

Mike Ferguson, Administrator of the State Aeronautics Division, gave testimony in support of this bill. With the provisions provided in this bill, aeronautics would do an effective job of investment in Montana.

Steve Brown, representing the Montana Pilots Association and Montana Aviation Trades Association, gave testimony in support of this bill. This bill should be enacted for tax equity.

Guy Wilson, Lewistown, gave testimony in support of this bill. There is a common perception that farmers and ranchers fly around the sky endangering the neighbors and having fun. That is not the case. We use our airplanes as job items and they should be taxed as such. We don't mind paying our fair share of taxes. There are a number of owners of airplanes that do not register their airplanes and do not pay any tax on them at all. The rest of us are footing the bill for those people. This bill would help to stop that.

Bob Johnson, attorney, gave testimony in support of this bill. While the statute dealing with aviation taxes is straightforward, the Department of Revenue has preferred to construe it differently every year. This has resulted in tax appeals and potential lawsuits. If the law is changed, that will eliminate the problem.

Bill Bartlett, Sr. Manager for Operations and Safety, Corporate Air, furnished the committee with testimony in support of this bill, attached as Exhibit 3.

OPPONENTS: None.

QUESTIONS FROM THE COMMITTEE: Senator Mazurek asked Representative Ream if he considered something similar to Senator Smith's bill, an ad valorem tax based on 2% of market value

Representative Ream said we did consider that. The fee schedule was set up in a similar bill last session.

Senator Mazurek asked if there was anyone else that could shed some light on why this was set up to go to a fee system.

Mike Rice said many alterations can be made in airplanes, and although it may be the same year, make and model, the appraised value increases substantially with each improvement made.

Senator Lybeck asked Guy Wilson if he had a percentage of the number of airplanes that are not registered and not paying any tax in the state of Montana.

Guy Wilson said he could make a guess of somewhere in the neighborhood of 10%.

John Dove said the number is almost 50% are not paying taxes. Whether those airplanes are being based in Idaho, although their registered address is in Montana, that is something that we do not know.

Senator Severson said he is the biggest opponent of a fee system that there is in the Senate and always has been. Many of you have testified that you are being over taxed. You are being taxed exactly the same as an agriculture tractor, a piece of furniture; exactly the same as that personal property.

John Dove said aircraft do not depreciate as everything else in class A property. An airplane 25 years old could have a current value that exceeds its new purchase price. The tax is regressive, it never goes away.

Senator Severson said if that is the case, if you were to sell that airplane could't you get that dollar value for that.

John Dove said every 11 years on that airplane you are buying it again from the state.

Senator Eck asked Greg Groepper if he could translate the fee charge into a tax, an ad valorem tax on wholesale value.

Greg Groepper said he does not have the people in the assessing offices with the knowledge of what a particular airplane is worth.

Senator McCallum asked if a fee system is deductible on income tax.

Greg Groepper said a fee system on cars is not deductible on federal income tax but an adjustment was made on Montana state income tax that allows them to be deductible.

Senator Severson said we are talking about putting cars on 2% of wholesale value and doing away with the fee system and now we are asking to put airplanes on a fee system.

Representative Ream said the beauty of this system is in the administration of it and the enforcement. This allows for simplicity and ease of administration.

Senator Severson asked why airplanes were any different than any other piece of equipment. They have a book value.

Representative Ream said all of the gear that can be added to an aircraft may be worth more than the value of the main airplane.

Representative Ream closed.

DISPOSITION OF HB 512: Senator Halligan made a motion that HB 512 BE CONCURRED IN. The motion carried with Senator Bishop opposed.

CONSIDERATION OF HB 714: Representative Connelly, House District 8, presented this bill to the committee. This bill requires for an adjustment for inflation to the income requirements applicable to the low-income property tax reduction provisions for owner-occupied residences. They now use this to adjust on motor vehicles as the procedure. It is based on the income and there is a schedule in the bill that shows how it is based.

PROPOSERS: None.

OPPOSERS: None.

QUESTIONS FROM THE COMMITTEE: Senator Halligan asked how this would tie with the Governor's low income elderly credit form.

Jim Lear said the Governor's bill would extend the residence credit for elderly to low income people, that is 15-30-171, and also in the Governor's bill it would increase in this section \$35,000 to \$80,000, which this bill does not do.

Senator Eck asked if the Governor's bill has an inflator provision.

Jim Lear does not recall that it does.

Senator Halligan asked why we couldn't just say market value.

Greg Groepper said you can set that level at whatever you want. What Representative Connelly is trying to do, that nobody has addressed, is to take into consideration inflation.

Representative Connelly closed.

FURTHER CONSIDERATION OF HB 583: Senator Mazurek made a motion to amend HB 583 on page 1, line 19 and page 7, line 12, by striking "THIS ACT TERMINATES JULY 1, 1989". There was agreement from the sponsor, the commission and the utilities, that this act does not need to sunset. The motion carried.

Senator Mazurek made a motion that HB 583 BE CONCURRED IN AS AMENDED.

Senator Neuman said there was a problem with rulemaking authority and we need an amendment to take care of that.

John LaFaver said he does not understand the opposition to rule making authority in this bill. If someone challenges this piece of legislation, the court will say that without rulemaking authority, without rules, the law is not effective. There is a case law, right to that point, where the legislature has passed a law, did not give the agency rulemaking authority and the court says the law is not effective unless there is rule-making authority.

Senator Mazurek asked where does that arise.

John LaFaver said in order to implement the law, we have to have rules that spell out how we will collect and assess whatever the details of the bill are. If we don't have rules the law is not effective.

Senator Eck asked if this was different than the Consumer Counsel.

John LaFaver said if someone were to challenge the consumer tax the same thing would happen. We had some additional concern here from the potential area of controversy by the taxpayer as to who pays what share. If one of the taxpayers doesn't like the way the tax bill comes out and challenges that bill in court, the reality is that the law will be void.

Senator Mazurek withdrew his motion to allow time to review the specific case mentioned by John LaFaver.

DISPOSITION OF HB 565: Senator Crippen made a motion that HB 565 BE NOTCONCURRED IN, The motion carried with Senators Mazurek and Bishop opposed.

DISPOSITION OF HB 606: Senator Halligan made a motion that this bill be amended on page 3, following the word "land" to insert "owned by and".

Senator Mazurek said there are two issues. You obviously have to have the owned by and used for, but it seems to him this could extend to anything.

Senator Eck made a substitute motion to strike lines 21-23, insert "land", and leave the language the same as it came to the House.

Greg Groepper said if you go back to the original language in the bill that means all land owned by the cooperative water group is exempt regardless of what it is owned for. He believes the words "owned by and used for" should be amended into the bill.

Senator Eck's motion carried 9-3, see attached roll call vote.

Senator Brown made a motion that HB 606 BE CONCURRED IN AS AMENDED.

The motion carried 8-4, see attached roll call vote.

CONSIDERATION OF HB 666: Representative Ramirez, House District 87, was not at the hearing to present this bill. John Lawton, Assistant City Director of the City of Billings, presented this bill to the committee. This bill allows cities to pledge non-property tax revenues to the payment of bonds issued to finance tax increment projects. The reason this bill comes up is really the whole question of tax reform and I-105, which has created a negative climate for tax increment financing in the city of Billings. The bond insurers, bond underwriters, have developed a case because of I-105. The insurers have refused to insure the bond triple-A rating. The bond insurers are worried there won't be enough revenue to pay off the bonds. He does not believe that is a legitimate concern, there is more than enough revenue to pay off those bonds, but in order to issue bonds we have to satisfy their concerns. This simply allows cities

to pledge non-property tax revenues as a secondary source of income to pay the bonds. This will allow underwriters and bond insurers to go ahead and issue bonds. This gives a little more freedom in issuing bonds.

FURTHER PROPONENTS: None.

OPPONENTS: None.

QUESTIONS FROM THE COMMITTEE: Senator Crippen said this will allow cities to pledge other revenue, revenue that is generally acquired city wide. They will now go outside the boundaries of the tax increment district. He has a problem with that.

John Lawton said that is correct, it would allow us to pledge revenues beyond the tax increment district, non-property revenue. It would help the entire city in the long run by increasing the value of the tax increment district.

Senator Crippen said he does not think the school districts would agree with him.

John Lawton said the revenue over and above the amount to pay off the bond, will be returned to the taxing jurisdiction beginning in two years. It does expand the tax base for the entire jurisdiction. In order to issue bonds we have to have revenues in the tax increment district at a level of at least 130% of the amount required to pay off the bonds. We always will have the tax increment revenue to pay off the bonds. This secondary revenue pledge, will, in fact, never be used.

Senator Crippen said if you pledge a certain amount in revenue which would normally be used in other operations, how will that affect the budgetary process of the city when looking at those funds for availability use for governmental operations when you have a loan on them from the bonding company. Would the council be somewhat hesitant in using those funds because they are tied up with the bonds.

John Lawton said the revenues would be pledged if they were needed. If we ever lost that revenue, if the tax rate was reduced to the point where we didn't have enough money, we would face default. Under this provision what would happen the city council could divert a certain amount of revenue to pay that debt.

Hearing closed.

Senate Taxation
March 24, 1987
Page Nine

CONSIDERATION OF HB 361: Representative Ramirez, House District 87, presented this bill to the committee. He said if we continue the revaluation cycle, then one of the big problems is putting the new values on and then trying to make the adjustments immediately. What this bill would do is to simply delay that process for one year before it goes into effect. The appraisals would be done and this would allow one year for everything to be sorted out before they see any impact.

PROPOSERS: John LaFaver, Director, Department of Revenue, gave testimony in support of this bill. If we had this in place a year ago, we would probably not have the hassle we have now.

OPPOSERS: None.

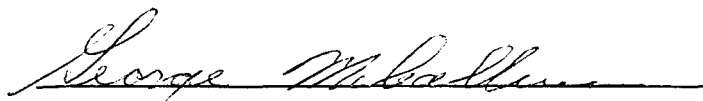
QUESTIONS FROM THE COMMITTEE: Senator Crippen asked what is the status of the ratio study bill in the House.

Representative Ramirez said it is up for second reading today. We will have to see what happens.

Representative Ramirez closed.

DISPOSITION OF HB 361: Senator Brown made a motion that HB 361 BE CONCURRED IN. The motion carried.

ADJOURNMENT: The meeting adjourned at 10:05 A.M.


SENATOR GEORGE McCALLUM, Chairman

ah

ROLL CALL

TAXATION

COMMITTEE

50th LEGISLATIVE SESSION -- 1987

Date 3-24-87

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 March 24, 1987

COMMITTEE ON

Senate Taxation

VISITORS' REGISTER

HB'S 361, 666, 512, 714

NAME	REPRESENTING	BILL #	Check One	
			Support	Oppose
Mike Rice	TRANSYSTEMS, INC	HB512	X	
John Lawton	City of Billings	HB666	✓	
John Sample	M.A.T.A.	HB512	✓	
Bob Doran	COOP ADIATION	HB512	✓	
John Crowley	Washington Corp	HB512	✓	
Rick Jansons	Fixed Base Op	HB512	✓	
Bob Brown	Howard + Assoc	HB512	✓	
Michael Biggerstaff	MATA	HB512	✓	
Dona Wilhelm	MPA			
Christopher Kelly	EAA	HB512	✓	
John T. Evers	Montana Pilots Assn	HB512	✓	
Isaac Krieg	Philipsburg Mt	512	✓	
Marilyn Lewis	Helen-Mont. Flying Forum	512	✓	
Bob Becker	Butte mt.	512	✓	
Dale Warner	"	512	✓	
Burton D. Kinnon	BUTTE MONT.	512	✓	
Robert Schaeffer	Butte, Mont.	512	✓	
Shawn Eckert	Butte, Mont	512	✓	
John Francis	Butte mt	512	✓	
Russell Sartow	Great Falls	HB512	✓	
Donna Sartain	Great Falls	512	✓	
Steve Brown	MPA/MATA	512	✓	
Jack Smith	Butte, Mont	512		

Rep. Kean.

MONTANA AVIATION TRADES ASSOCIATION
MONTANA PILOTS ASSOCIATION

SUMMARY OF TESTIMONY BEFORE THE SENATE TAXATION COMMITTEE ON HB512,
MARCH 24, 1987

House Bill 512 will result in everyone who owns an aircraft in Montana paying an equitable annual fee. This bill is much more than a revenue bill it addresses a very serious commerce issue, the ability of corporations to operate from Montana. Passage of this bill will:

1. Keep aircraft and jobs in Montana.
2. Allow aviation business in Montana to compete with operators in neighboring states.
3. Foster and promote additional aircraft to base in Montana.
4. Be equitable to all aircraft owners.
5. Be easier to enforce.

HB512 is not revenue neutral but neither is the current law. Aircraft are leaving the state and lowering the tax base. For example, the taxable value of aircraft in Cascade county has gone from \$662,000 in 1983 to \$356,000 in 1985. In Yellowstone county it went from \$1,419,000 in 1984 to 1,115,000 in 1985.

The legislature can take action now and by imposing realistic fees on aircraft keep the aircraft and jobs in Montana or do nothing and lose the revenue by losing the tax base.

HISTORY:

In 1978 an attempt was made to lower taxes on aircraft when the tax on Class 8 property was changed from 20% to the current 11%. At the same time the way aircraft were appraised was changed. This change increased the appraised value of aircraft by 268%. The net result was that in 1978, 180 fewer aircraft were on the tax rolls but the taxable value of those aircraft increased by more than 1-million dollars.

Department of Revenue figures show that the taxable value of aircraft has remained relatively unchanged since 1978, although there were 251 more aircraft paying taxes in 1985 than in 1978. This is the issue. Aircraft of higher value are being registered in adjoining states where registration and/or taxes are significantly lower.

<u>YEAR</u>	<u>NUMBER</u>	<u>APPRAISED VALUE</u>	<u>TAXABLE VALUE</u>
1975	1,400	\$12,343,952	\$2,468,781
1976	1,527	13,909,967	2,781,993
1977	1,708	16,637,630	3,327,526
1978	1,528	39,896,057	4,388,569
1979	1,520	40,613,239	4,467,456
1980	1,455	39,058,875	4,296,476
1981	1,515	44,695,436	4,916,503
1982	1,511	43,187,348	4,750,608
1983	1,410	42,416,996	4,624,342
1984	1,783	49,990,719	5,499,157
1985	1,789	41,829,770	4,601,855

SENATE TAXATION
 EXHIBIT NO. 1
 DATE 3-24-87
 BILL NO. H.B. 512

PROBLEM WITH CURRENT TAX STRUCTURE:

Montana Businesses cannot compete: Operators bidding on contracts using aircraft based in adjacent states have a very real advantage over Montana operators.

Example 1. An operator using an turbine helicopter registered in Idaho, Oregon or Washington would have an operating cost of \$79 per hour less than the operator using a similar helicopter registered in Montana. (Based upon the the \$750,000 value of a Bell Jet Ranger flying 300 hours per year)

Example 2. A corporation operating a jet aircraft could save up to \$100,000 per year by basing that aircraft in Washington, Idaho or Oregon and flying it in and out of Montana.

Montana not only loses the taxes but it also loses the maintenance business on that aircraft plus the revenue provided by the two flight crew members if they lived in Montana. For every jet or large corporate aircraft that leaves Montana the state loses at least two jobs.

Depreciation: Aircraft, unlike any other items in Class 8, have a very slow depreciation rate. A person could own an aircraft for 10 or even twenty years without any relief from the tax burden.

Two diverse examples are the single engine Cessna 172 Skyhawk and the Gulfstream II corporate jet.

A seventeen year old Cessna 172 is today valued at 82% of its new value; and a seventeen year old Gulfstream is valued at 105% of its new value. (Source: General Aviation News - January 19, 1987)

The net effect is that under the current tax a owner buys his aircraft back from the state every 11 years.

Mobility of Aircraft: Aircraft can fly great distances in short periods of time. They do not have to be based in Montana. The savings to a company establishing their flight department in an adjoining state could well pay the operating costs of that flight department.

Washington, Oregon and Idaho which have adjoining borders recognized this when they set the fee or tax on aircraft which have simular net costs to owners.

For a new corporate jet the fee in Idaho would be about \$125 per year; in Oregon \$190; and in Washington \$130. That same aircraft could cost in excess of \$100,000 if based in Montana. (Source: Survey of aircraft

Taxation in Surrounding States conducted by the Montana Department of Aeronautics February 1986)

Current Tax Structure Inequitable: Currently only about 57% of Montana aircraft owners are paying taxes. Federal Aviation Administration records indicate that 3,800 aircraft are registered in Montana. Although some of these aircraft might have been sold or have left the state, the Department of Aeronautics estimates that there are between 3,000 and 3,200 aircraft in the state.

Department of revenue figures show that 1,825 aircraft were taxed last year.

Enforcement: Current law is not enforceable as evidenced by the fact that almost half of the aircraft registered in Montana are not being taxed and the cost of enforcement under current law is excessive considering the amount of tax generated. County assessors had to prepare for appeal hearings involving almost one third of the aircraft assessed last year.

HB512 transfers responsibility for enforcement from the Department of Revenue to the Department of Aeronautics. The Department of Aeronautics has access to the information necessary to find and bill current aircraft owners.

HB512 also provides for the paying of a fee by transient aircraft which will enable Montana businesses to compete on the same basis with out of state operators

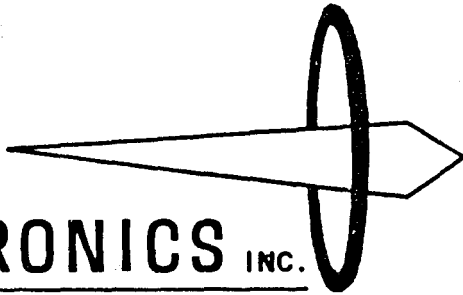
SENATE TAXATION

EXHIBIT NO. 1

DATE 3-24-87

BILL NO. H.B. 512

AEROTRONICS INC.



FAA CERTIFIED STATION 3167
AREA CODE 406 PH. 259-5006
LOGAN FIELD
BILLINGS, MONTANA ZIP 59105

3-23-87

Senator George McCallum

Dear Senator:

I am writing you to urge your support for H.B. 512 " An act imposing a fee in lieu of tax on aircraft.

I own several Aircraft Avionics Repair Centers in Montana and had operations in Billings, Great Falls, and Missoula.

The amount of private and especially business owned aircraft leaving this state has cause a 40% loss of sales and service revenue and has resulted with the closure of our Great Falls office with a reduction of personnel in Missoula by one-half.

The most common comment of past aircraft owners and those in jeopardy of of relocating or selling their aircraft is "The unreasonable tax on the aircraft and a continuing depressed economy has caused unbearable fixed costs with little improvement in the future." These comments are common to the private and business General Aviation aircraft in Montana.

The high tax on aircraft is currently eroding our chance of survival in Montana. It more importantly is impairing any future development of General aviation. I again urge your enthusiastic support for the much needed tax relief provided in H.B. 512.

Sincerely,

AEROTRONICS, INC.

Steve Vold
General Manager

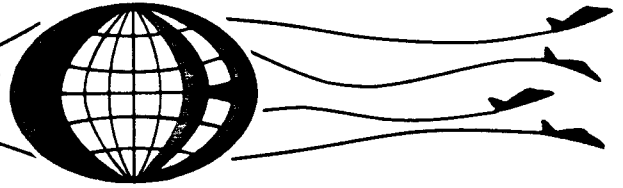
SENATE TAXATION
EXHIBIT NO. 2
DATE 3-24-87
BILL NO. H.B. 512

(((RYAN))))
STORMSCOPE



RADIO AND NAVIGATION SYSTEMS AND SERVICE
BRANCHES IN GREAT FALLS AND MISSOULA, MONTANA

CORPORATE AIR



March 23, 1987

Mr. George McCallum, Chairman
Senate Taxation Committee
Capitol Station
Helena, MT 59620

Re: Senate Hearing on aircraft property taxes

Dear George,

Regretfully I am not able to appear before your committee to give testimony, but I must honor a prior commitment, in a neighboring state, that will bring more business to Montana.

Enclosed is a copy of the oral testimony that I gave at the hearing on HB 512 on February 16, 1987.

We at CORPORATE AIR are very concerned about the rising operating costs in the aviation industry and must find ways to reduce those costs in order to be competitive with commercial operators in neighboring states. Presently we have operators from as far away as California and Connecticut flying airfreight routes into and within Montana. Additionally, we must be competitive when we pursue work in neighboring states. We presently operate in seven states outside Montana with very good prospects to expand more in the near future, but we must be competitive in the marketplace. Every state that we can expand into means more outside dollars into Montana and a better economy at home.

Please help us in part by eliminating the property tax on commercial use aircraft.

If I may be of any other assistance to you or to any of your committee members, in any manner, either testimony or trade information, please feel free to call upon me.

Please find enclosed copies of this testimony for distribution to the other members of your committee.

Sincerely,

CORPORATE AIR

A handwritten signature in black ink, appearing to read "Bill Bartlett", is written over the typed name.

Bill Bartlett
Sr. Manager for Operations
and Safety

Corporate Offices
Logan International Airport
P.O. Box 30998
Billings, MT 59107-0998
Phone 406/248-1541

SENATE TAXATION

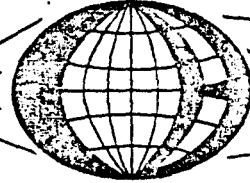
EXHIBIT NO. 3

DATE 3-24-87

BILL NO. H.B. 512

Helena Branch Office
2710 Airport Road
Helena, MT 59601
Phone 406/443-4543

CORPORATE AIR



TESTIMONY GIVEN BY BILL BARTLETT, SENIOR MANAGER FOR OPERATIONS,
CORPORATE AIR, BILLINGS/HELENA, MONTANA.

Corporate Air is an air taxi operating under FAR Part 135. We do not fly pleasure craft as would say a doctor, but rather the aircraft that we operate are tools of our trade. These aircraft are for the most part old aircraft, configured for freight and in many cases have an excess of 10,000 hrs. on the airframes. (The equivalent of circumventing the globe at the equator some 68 times.) Many were built in the early to mid 60's.

The taxes as assessed don't consider age, time on engines that have to be replaced every 1000 to 1500 hours for part 135 operations, nor does it consider that the majority of Corporate Air's aircraft have no plush interiors or fancy equipment in them, an \$8,000.00 to \$15,000.00 item. Believe me, we do not fly fancy state of the art aircraft. We fly aircraft to generate revenue. Merely freight trucks that go in the sky.

You must also consider the nature of our business. Most of the work done by Corporate Air is obtained through the bid process. For example, the mail routes that we fly have been awarded on a strickly low bid basis as has been our work for the Federal Reserve Bank and some of the small package carriers that we serve. We bid unsuccessfully on the MSO/HLN/BIL mail run and that revenue is going to Wyoming.

We feel we have the cost analysis down to a science and certainly don't go for outlandish profits, but rather to cover our direct operating costs plus overhead - our costs are simply too high.

Some of the expenses that we incur relating directly to aviation and paid to aviation entities are:

1. Landing Fees, \$7,000.00 per month
2. Fuel Flowage Fees, .04¢ gal. in Helena
.08¢ gal. in Billings

These fees are paid not only on sales but also on internal consumption.

3. Fuel Excise taxes, MFR and Retail

Corporate Offices

Logan International Airport
P.O. Box 30998
Billings, MT 59107-0998
Phone 406/248-1541

SENATE TAXATION

EXHIBIT NO. 3
DATE 3-24-87
BILL NO. H.B. 512

Helena Branch Office

2710 Airport Road
Helena, MT 59601
Phone 406/443-4543

In addition we pay Property Tax on the facilities we operate in Billings and Helena in excess of \$9,000.00 per year. We also pay leases to both the cities of Billings and Helena of approximately \$125,000.00 per year. Corporate Air builds and supports Montana, by bringing new business to Montana and by creating Montana jobs. Corporate Air supports approximately 125 full time employees with an annual payroll in excess of 1.2 million dollars having an estimated impact of approximately \$8 million on the state and community. We purchase every item possible at the local level. We contribute to SUTA, Workers Compensation and Unemployment and pools many times greater than the amounts we draw on them.

We contribute through state and federal income taxes, the benefits of which are shared by both community and state alike.

We have registered the bulk of our equipment in Yellowstone County almost creating a windfall profit for the county, once again for the purpose of doing business at home.

We feel that aircraft used as tools of the trade are a far cry from those used for pleasure and should be taxed on a fee basis rather than on an Arbitrary Book value that may or may not, more than likely not, reflect a true and just market value, but rather an inflated trade in price at a geographic location other than in Billings, Montana.

We need your help with a reduction in our property taxes if we are continue to build our community and Montana. Consider that Burlington Northern moved, largely due to this same issue.

Aircraft are being moved out of state or hidden on farms, ranches and in small towns due to the excessive property taxes levied on the owners/operators.

The purchase of new aircraft in Montana is almost out of the question due to high taxes.(As indicated by Mr. Pickens testimony.)

When aircraft are moved out of state, Montana loses not only the tax/fee, but the revenues from fuel sales, maintenance, hangar rental, parking, and line services. These are all economy building jobs. Corporate Air operates in eight states, and in the past have done all of our maintenance in Montana (Billings

and Helena). In order to do that, we rotate our aircraft through the main facilities by assigning them to our Montana routes, thus registering and paying taxes on those aircraft. Ladies and Gentlemen, due to high tax rates we are being forced to open maintenance facilities in other states to keep the equipment out of Montana, supporting the economies of those other states, instead of Montana.

We fly 24,000+ hours per year and pay Montana taxes at the rate of \$3 to \$4 for each flight hour.

In 1986, we protested our property taxes and suggested a registration on a fee basis similar to buying a license plate for an automobile.

We urge you to give us and the commercial operators the help and relief we need. Lets build Montana together.

ROLL CALL VOTE

SENATE COMMITTEE TAXATION

Date March 24, 1987 Bill No. HB 606 Time 9:47 A.M.

NAME	YES	NO
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	✓	

Aggie Hamilton
Secretary

Senator George McCallum
Chairman

Motion: Senator Eck's motion to strike lines 21-23, insert
"land", and leave the language the same as it came to the
House. The motion carried 9-3.

ROLL CALL VOTE

SENATE COMMITTEE TAXATION

Date March 24, 1987 Bill No. HB 606 Time 9:50 A.M.

NAME	YES	NO
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	✓	

Aggie Hamilton
Secretary

Senator George McCallum
Chairman

Motion: Senator Brown's motion that HB 606 BE CONCURRED IN
AS AMENDED. The motion carried 8-4.

STANDING COMMITTEE REPORT

March 24,

19 07

MR. PRESIDENT

We, your committee on..... SENATE TAXATION.....

having had under consideration..... HOUSE BILL..... No. 512

third reading copy (blue)
color

REAM (HALLIGAN)

**IMPOSING A FEE IN LIEU OF TAX ON AIRCRAFT; EXEMPTING
AIRCRAFT FROM PROP. TAX**

Respectfully report as follows: That..... HOUSE BILL..... No. 512

BE CONCURRED IN

~~DO PASS~~

~~DO NOT PASS~~

.....
SENATOR GEORGE McCALLUM, Chairman.

STANDING COMMITTEE REPORT

March 24,

1937

MR. PRESIDENT

We, your committee on SENATE TAXATION

having had under consideration HOUSE BILL No. 565

third reading copy (blue)
color

PISTORIA (CRIPPEN)

**NONEXEMPT STATUS FOR PRIVATE VEHICLES OPERATED FOR
PROFIT & USED BY SCHOOL**

Respectfully report as follows: That HOUSE BILL No. 565

BE NOT CONCURRED IN

~~RO RASSK~~

~~RO NOI RASS~~

SENATOR GEORGE McCALLUM, Chairman.

STANDING COMMITTEE REPORT

March 24,

1937

MR. PRESIDENT

We, your committee on SENATE TAXATION

having had under consideration HOUSE BILL No. 606

third reading copy (blue)
color

GLASER (HAGER)

**CERTAIN LAND HELD BY COOPERATIVE ASSOCIATION IS TAX
EXEMPT**

Respectfully report as follows: That HOUSE BILL No. 606

be amended as follows:

1. Page 3, line 16.

Following: "land,"

Strike: "(I)"

Insert: "land,"

2. Page 3, lines 21 through 23;

Strike: subsection (ii) in its entirety

AND AS AMENDED

BE CONCURRED IN

ENCLOSURE

ENCLOSURE

SENATOR GEORGE McCALLUM, Chairman.

STANDING COMMITTEE REPORT

March 24, 1937

MR. PRESIDENT

We, your committee on SENATE TAXATION
having had under consideration HOUSE BILL No. 361
third reading copy (blue)
color

RAMIREZ (BROWN)

**DELAY PLACEMENT OF NEW VALUES ON TAX ROLLS FOR 1 YEAR
AFTER REVALUATION**

Respectfully report as follows: That HOUSE BILL No. 361

BS CONCURRED IN

~~DO PASS~~

~~DO NOT PASS~~

SENATOR GEORGE MCCALLUM, Chairman.