

MINUTES OF THE MEETING
TAXATION COMMITTEE
MONTANA STATE SENATE

April 11, 1987

The sixty-third meeting of the Senate Taxation Committee was called to order at 8:00 A.M. on April 11, 1987 by Chairman George McCallum in Room 413/415 of the Capitol Building.

ROLL CALL: All committee members were present.

CONSIDERATION OF HB 436: Representative Ramirez, House District 87, presented this bill to the committee. He said this is a bill that would require the Department to do a sales assessment ratio study for real property every year and then adjust the appraised values of all real property in the state on an annual basis based upon the sales assessment ratio study. The bill divides the state into different areas where the property is likely to go up or down. The sales assessment study would be done through realty transfer certificates. If they didn't have realty transfer certificates they would do actual appraisals or maybe contract out appraisals. What is more than likely to happen in the first adjustment period is that everything is likely to go down. We need to think what the impact would be and perhaps what we would need to do to compensate for that. In 1988 we would do the sales assessment study and the adjustment would come in 1989. If we made the adjustment every year, we may not have to adjust the taxable rate at all.

PROPOSERS: John LaFaver, Department of Revenue, gave testimony in support of this bill. There have been a number of vehicles in that would attempt to deal with this subject. Probably the most serious problem of property reappraisal is that it comes so seldom that no matter if values are changing, even moderately, over a period of years you will have a substantial change in values that can impact an individual taxpayer and counties and cities. If, on the other hand, you employ a mechanism similar to this bill, those changes are made in small increments every year and the changes are not felt so heavily. This bill is probably the most workable of the alternatives that have been presented.

OPPOSERS: None.

QUESTIONS FROM THE COMMITTEE: Senator Eck asked John LaFaver for a simple explanation of the process.

John LaFaver said you would do what is essentially done now. You would appraise one-fifth of the parcels and based on the answers that you receive from the appraisal, you would change the appraised value on everyone.

Senator McCallum said you would do this every year during the five year cycle.

John LaFaver said the appraisal would be done on different pieces of property each year so that at the end of the five years you would have done a specific reappraisal on each parcel. The first time this happens, unless the values turn around, there will likely be a lowering of appraised values and there is nothing to offset that.

Senator Eck asked what happened to Senator Boylan's bill.

Representative Ramirez said it was tabled. The committee felt this bill would do the same thing in some ways.

Senator Eck said this would not be done until the tax year 1989.

Representative Ramirez said you have to make a comparison so you are working with 3 years. You would take 1987 as the base year, do the sales assessment study in 1988 and get the percentage of change and apply that percentage in 1989.

Senator Lybeck said you haven't signed the fiscal note.

Representative Ramirez said it is my policy to never sign the fiscal note. This one is actually wrong because this is the original note and we have reduced this substantially with amendments in the House. It would be something closer to \$300,000 a year.

Senator Crippen would like to comment about the decrease that might happen. This will affect land and land is the one that had the change in values. On the other hand there doesn't seem to be concern for the tremendous increase that we have experienced in the appraisal cycle from 1985 to 1986. There is nothing to offset this.

Representative Ramirez said there will be an impact on more than just land. He thinks the appraised values of homes is down 15% to 20%.

Senator Crippen said if you are going to do this for 1988, that gives us another year. We may have economy that will bring that up, maybe the decrease won't be so drastic.

Representative Ramirez closed by stating it is extremely important to try to do something to get real property adjusted annually. This would help alleviate the problems we have had with the reappraisal process.

CONSIDERATION OF HB 816: Representative Asay, House District 27, presented this bill to the committee. This bill is an attempt to devise a system or method for the Department of Revenue to assess industries that deal with agriculture products that have closed down and are presently not operating. The original form of the bill provided a formula that didn't work and the fiscal note is in relation to the original language. This gives the Department of Revenue the authority to assess the value of this property in a manner that would be consistent with the fact that the operation is producing no income. To do that the language that applies to the new and expanding industries was broadened to include industries that have changed hands in an arm's-length transaction. This deals with an industry that is down with the hope of trying to encourage it to revive.

PROPOSERS: None.

OPPOSERS: None.

QUESTIONS FROM THE COMMITTEE: Senator Hirsch asked Representative Asay why would we want to put in (II) on page 1, line 25, the original owner may want to start it up again and why wouldn't we want to treat them the same.

Representative Asay said under that definition they can if they have been closed down for 12 months.

Senator Mazurek said a plant that has been out of production for 12 months will automatically get a 25% reduction in their assessed value each year they are out of production. He asked Representative Asay why the mandatory 25% reduction.

Representative Asay said primarily because it is non-producing property and to try to encourage that the equipment be left in place and to possibly go back into production in the near future.

Senator Mazurek said what if they were shutdown for 12 months for an upgrade. If they shutdown for upgrade for 12 months will they automatically get a 25% reduction.

Representative Asay said he hadn't thought of that possibility. The idea was that they would be closed down because they were not able to operate.

Senator Lybeck asked how many farmers, property values, would be affected by this bill.

Representative Asay said he hasn't really looked at that although Western Sugar would be one.

Senator Lybeck asked John LaFaver if he would have any idea of the magnitude of this bill.

John LaFaver said it depends what happens in the future. We don't have a count of the number of farms, as of today, that have been out of production for a year.

Senator Eck said it is important to limit this to agriculture and timber products.

Senator Mazurek said doesn't this trigger back into the sections amended in HB 709.

Senator Eck said in this bill it would be the Department of Revenue and in HB 709 the county commissioner would decide whether to give this break.

Representative Asay closed.

The meeting recessed at 9:00 A.M. and reconvened at 1:40 P.M. All committee members were present.

DISPOSITION OF HB 776: Senator Gage furnished the committee with a list of amendments to HB 776 with an attached explanation of the amendments, attached as Exhibit 1.

Senator Eck made a motion to adopt all of the amendments that are required because of a change of date from January to April, amendments numbers 1, 5, 8 and 12.

Senator Neuman said if you adopt amendment number 5 won't you make this reduction permanent.

Senator Gage said that deals with new production. If you give your notice that you will produce before July 1, 1991, then you would be qualified for the 24 months exemption.

Senator Eck made a motion to amend her original motion to strike the language "of completion" on lines 2 and 3 of page 10, so that the language would read "provided notificaton was made on March 31, 1987 and before July 1, 1991".

Senator Neuman said he thought we were going to do this for two years. From March, 1987 to July, 1991 is more than two years.

Senator Gage said the original bill gave a two year exemption but did not give a two year period to qualify for that exemption. Any well drilled after March 31, 1987 qualifies for a two year exemption from the severance tax. The House said you will get the two year exemption but only if you drill that well before March 31, 1987 and July 1, 1991. It is still only two years.

The motion carried with Senators Hirsch and Halligan opposed.

Senator Bishop made a motion that the committee adopt amendment #2. The motion carried.

Senator Hirsch made a motion that amendment #3 DO NOT PASS. He is opposed to exempting the next 5 barrels by putting that sunset provision in. He is willing to exempt the first 5 barrels but not the second 5 barrels.

Senator Gage said if you put this sunset in, the first 5 will not be exempt, they will be paying 3%. After March 31st all of the oil on wells producing less than 10 barrels but more than 5 barrels will be paying 3% with this amendment.

Senator Hirsch made a substitute motion that amendment #3 DO PASS.

Senator Gage said with amendment #2 adopted, the bill says a well that is producing less than 10 barrels of oil will pay no severance tax on the first 5 barrels they produce and 3% on anything above 5 barrels.

Senator Severson said where is the breaking point to give an incentive to keep them stripping or pumping longer. Whatever it takes to give that incentive to the point where it becomes uneconomic to keep them pumping that little bit longer. That is what we want to achieve.

Senator Gage said given today's price and today's cost and the average stripper well in the state of Montana, it is projected that you can extend the life of a stripper well by giving a 5% break.

Senator Severson asked if the 5 barrels is the level where you can give an incentive.

Senator Gage said generally these wells are either below 5 barrels or above 10 barrels. There are not a lot between 5 and 10 barrels.

Senator Brown asked Senator Gage if he had the fiscal impact for the amendments proposed.

Senator Gage said it is a question of whether you want to exempt the first 5 barrels or not. The House amendments completely negate the fiscal note.

Senator Brown said if he reads this fiscal note correctly, it appears the impact would be something in the order of \$7.5 million over the biennium.

Senator Gage said this bill does take stripper wells off of the tax rolls.

Senator Mazurek asked if there was some reason why we could not look at this in 1989.

Senator Gage said we could look at this in 1989 and that is a good thought.

Senator Halligan said the Governor's proposal was not acceptable to the industry people. No one understands what is going on with this bill.

Senator Gage said the Governor's bill did not give any incentives to get people to invest dollars in the oil and gas business in Montana.

Senator Mazurek said if you want to look at this in 1989 that would mean adopting amendment #3.

Senator Hirsch's motion carried to adopt amendment #3.

Senator Halligan would move amendment #4. The motion carried with Senators Hirsch and Neuman opposed and Senator Crippen absent at the time of this vote.

Senator Mazurek made a motion that amendment #6 be adopted. The motion carried with Senator Neuman opposed and Senator Crippen absent.

Senator Mazurek made a motion to adopt amendment #7.
The motion carried.

Senator Gage said amendments 9 and 10 go together and strike that whole area in the bill. Those sections are coordination instruction.

Senator Mazurek said if SB 66 is signed by the Governor, how does this affect that.

Senator Gage said if this bill goes through, SB 66 just dealt with the definition of new production, which is also in this bill. He suggested that amendments numbered 9, 10 and 11 be left and if they are needed he can propose them on the Senate floor.

Senator Gage said if the committee does not want to adopt amendment #13 then they should consider the amendment at the bottom of his explanation, amendment numbered 14.

Senator Halligan would move that amendment number 14 be adopted. The motion carried.

Senator Bishop made a motion that HB 776 BE CONCURRED IN AS AMENDED. The motion carried 7-5, see attached roll call vote.

Senator Lybeck asked if it was possible to get a fiscal note on this with the action that was taken today.

Senator Gage said there is less fiscal impact with the bill as amended than with the original fiscal note.

DISPOSITION OF HB 436: Senator Mazurek made a motion that HB 436 BE CONCURRED IN. The motion carried.

DISPOSITION OF HB 906: Senator Eck would move that the bill be adopted as is, with the formula dollar-for-dollar, but on the second year that we start moving into the formula that is provided in SB 395.

Senator Hirsch said it really doesn't make any difference. If the sales tax is approved and goes into effect, the legislature will meet once more to change that formula.

Senator Eck withdrew her motion.

Senator Mazurek said we are required to make a specific response to I-105 and that needs to be put in this bill. He would move the whereas clauses that were put into SB 310 in response to I-105 be inserted into HB 906.

Jim Lear said he could prepare the language.

Senator Mazurek said the language would say we are offering these whereas clauses in response to I-105. The motion carried.

Senator Mazurek made a motion to amend HB 906 by inserting on line 12 an appropriation to the Department of Revenue of \$3.6 million for FY 89. The motion carried.

Senator Mazurek made a motion that HB 906 BE CONCURRED IN AS AMENDED. The motion carried with Senators Bishop and Neuman opposed.

DISPOSITION OF HB 782: Senator Crippen made a motion to take HB 782 off the table. The motion carried.

Senator Crippen made a motion to strip the portion of the bill pertaining to a local option income tax. The motion carried 8-4, see attached roll call vote.

Senator Neuman asked if it would make sense to put a clause in that says if this municipality adopted this then the resort tax will be repealed.

Senator Eck said they both require a vote of the people.

Senator Neuman said you could have a county wide local option tax and a city resort tax in some portion of the county.

Senator Brown asked if this bill mandates that 50% of the property tax has to go to property tax reduction.

Senator Halligan said that is not in this bill.

Senator Brown said this might not do anything for property tax.

Senator Halligan said it is a revenue raiser.

Alec Hansen said this bill does not require property tax relief. He has no objection to putting a minimum amount in for property tax relief.

Senator Brown would so move, that if a local option tax is adopted that 50% will go into property tax relief.

Senator Halligan is opposed to the motion. He thinks they should have flexibility.

Senator Crippen said if HB 377 does pass, then this becomes 1%. If HB 377 does pass, he would agree with Senator Halligan, at that point in time you would not want that 1% subject to property tax relief.

Senator Brown withdrew his motion.

Senator McCallum said we can pass this and he could have some amendments drafted to present on the Senate floor.

Senator Eck made a motion that HB 782 BE CONCURRED IN AS AMENDED.

The motion carried with Senators Neuman, Bishop, Lybeck, Brown and Severson opposed.

DISPOSITION OF HB 743: Jim Lear said the committee put on Senator Eck's motion to go to 18 months for the redemption period on property that would not be homestead property and he proposed the coordination instructions as requested by Senator Eck and attached as Exhibit 2, in relation to SB 162. He reviewed the amendments with the committee.

Senator Mazurek made a motion that the committee adopt the amendments. The motion carried.

Senator Eck made a motion that HB 743 BE CONCURRED IN AS AMENDED. The motion carried with Senators McCallum and Neuman opposed.

DISPOSITION OF HB 816: Senator Mazurek has difficulty with the first part of the bill where the Department shall reduce the assessed value by 25% a year for each year the plant is out of production. If you hold it for a year and do not produce for a year, the property tax drops.

Senator Crippen asked what this was in response to.

Senator McCallum said to Great Western Sugar.

Senator Halligan would move that HB 816 BE TABLED.

Senator Crippen asked how he would handle the problem that led to the introduction of this bill.

Senator Halligan said the bill only deals with agriculture and timberland. What is wrong with allowing this for mining and manufacturing as well.

Senator Lybeck said we had a sawmill and lumber plant in the Flathead and because of the situation with the taxes, when they shut it down they immediately went in and liquidated the two buildings and everything else they had there. With this bill in place, there might have been a possibility they would have stayed on.

A roll call vote was taken on Senator Halligan motion to table and the motion failed 3-9, see attached.

Senator Mazurek said his intent would be to leave section 1 as is and then to make them eligible for the treatment given in HB 709 so that the local government has to approve it. On HB 709 that credit is for new and expanding industry and he would rather have the provisions of that bill apply to this.

Senator Crippen is in favor of doing what Senator Mazurek suggests. He wants to apply the language that pertains to local people from HB 709 so that it is consistent with the provisions of HB 709.

Senator Halligan said that is the same amendment Senator Keating proposed on the floor on foreclosure and bankruptcy.

Senator Mazurek said to strike everything except subsection 3 and tie it into the section in HB 709.

Jim Lear said if there seems to be a consensus to go along with Senator Mazurek's suggestion, that the committee adopt the concept and he will work with Senator Mazurek for the proper language for the standing committee report.

Senator Mazurek said all he is trying to do is have the committee adopt an amendment, that was addressed on the Senate floor, and do that as a compromise instead of adopting a new class of property. Senator Mazurek would so move. The motion carried.

Senator Halligan would move that HB 816 BE CONCURRED IN AS AMENDED. The motion carried.

FURTHER CONSIDERATION OF HB 904: Senator Brown said there are some things that are up in the air that he would need to know more about before he would feel comfortable about making an agreement as per what form HB 904 should take. We need to know how much revenue would be generated by tax returns with 4-6-8 rates and a 10% surcharge and the total that would be needed out of the education trust fund, if that would be necessary, to balance the budget as per HB 2 in Finance and Claims. By Monday morning we should be

able to know what the deficit is and the figures on the 4-6-8 rate with a surcharge and how much educational trust would be needed to balance the budget and the same information for 3-5-7 and for the existing law tax rates. Until we know those figures it would be difficult to make a decision on HB 904.

Senator Crippen said he knows there is a difference between his and LFA's.

Senator McCallum is not in favor of moving HB 904 until we know where we are.

Senator Neuman said we know pretty close. The conference committee can make some sort of adjustment, within a percent or so.

Senator Mazurek said one of the obvious concerns is that we have bumped ourselves up against a time concern. At 8 o'clock Monday morning we start hearing the budget bill.

Senator McCallum said it is simply illogical to figure any money into the budget from a sales tax.

Dave Hunter said the question was how does 4-6-8 and 3-5-7 compare in terms of a surtax. 4-6-8 with no surcharge raises just about the same amount of revenue as 3-5-7 with a 20% surcharge, or current law with no surcharge. If you take HJR 41, and HB 2 with the numbers that came out of Finance and Claims an hour ago and assume everything that is in the legislature in the current form passes except the sales tax, then you need HB 904 with a 10% surcharge and \$40 million from the education trust to balance the budget and to have a \$20 million ending fund balance. With the rates of 3-5-7 you need a 30% surcharge.

Senator McCallum said we are dealing with more than HB 2.

Dave Hunter furnished the committee with a fiscal status dated April 6, 1987 and information on the rates, attached as Exhibit 3.

Senator Crippen said you have made some assumptions assuming all of the bills listed in Exhibit 3 pass. What about HB 880, does he know where that is.

Dave Hunter said HB 880 passed Finance and Claims with no opposition from insurance companies.

Senator Crippen said what about SB 200.

Dave Hunter said SB 200 passed out of the House Taxation Committee and will be heard on the House floor Monday.

Senator Brown asked if this provided 0-0 for the foundation program.

Dave Hunter said his figures would include 0-0 for the foundation program.

Senator Brown asked if the revenue generated on the existing tax rates with a 10% surcharge would be identical to 4-6-8.

Dave Hunter said within a few million dollars.

Senator Crippen said if we adopt 3-5-7 you don't necessarily need a 30% surtax the first year, that would depend on how much you invade the educational trust fund.

Dave Hunter said with the 3-5-7 you need a 30% surcharge and \$30 million. If you just went the surcharge route you would need another 15% in round figures.

Senator Crippen asked how come the LFA only needed a 22% surcharge with SB 307 and they didn't invade the educational trust fund.

Dave Hunter said he was never given a copy of the LFA report, but he would suspect they haven't broken the years apart.

Senator Crippen said if their figures are correct, could a substantial amount of the second year of the biennium from the sales tax be used for the first year.

Dave Hunter said it is a cash flow problem. If we could figure out how to get the revenue back into 1988 you could make it work.

Senator Hirsch asked if you went all educational trust fund into the year 1988 to balance the budget then what is the surcharge in 1988.

Dave Hunter-you would need all of the educational trust to meet cash flow in 1988. With \$50 million left in the educational trust, if you went 3-5-7 you would need \$88 million so you still would not have enough.

Senator Crippen said with 3-5-7 and no sales tax, for the first year to balance the budget you could take \$30 million out of the education trust fund and you

would need a 16% surcharge.

Dave Hunter said if you take it all then you still need \$13 million, which would be a 6% or 7% surtax. This is assuming a sales tax.

Senator Crippen said then if you had 3-5-7 with no sales tax and no money from the education trust fund, what are you looking at in 1989 for a surtax to balance the budget.

Dave Hunter said 30% without a sales tax and with all the other bills you have passed.

Senator Crippen said with the 3-5-7 a lot depends on the sales tax. If you don't get a sales tax you would be looking at a 30% surtax. If we went 3-5-7 we would have to explain to the people who vote in June that if they did not approve the sales tax they would be looking at a 30% surtax. If they did pass a sales tax then we would be back in good shape in 1989 and there would be a 15% surtax on to pay money back into the education trust fund.

Senator Mazurek said if we don't get this bill acted on today, it won't go on second reading until Tuesday.

Senator Crippen said if we met Monday morning and came to some conclusion it wouldn't make any difference.

Senator Neuman would like to ask Senator Aklestad how he feels about the question. Would he be willing to suspend the rules on Monday if the committee meets and comes to a conclusion on this bill to get it through second and third reading.

Senator Aklestad said if it came out of committee, whatever happened on the floor, if the votes were there to pass it on second reading then the votes would probably be there to pass it on third reading.

Senator Mazurek asked if he would recommend it to his caucus.

Senator Aklestad said he probably would.

Senator Brown said we need to focus on the other things in the bill that need to be decided on besides the rates and the surcharge.

Senator Crippen made a motion to adopt the capital gains language that was amended into SB 307 that gives a 40% exclusion for capital gains before December 31, 1986.

This would be worth about \$1 million over the biennium. The motion carried with Senators Halligan, Lybeck, Mazurek and Neuman opposed.

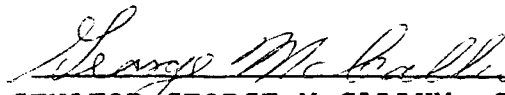
Senator Neuman said his first motion would be to adopt the amendments attached as Exhibit 4, and his substitute motion would be to give the Governor the authority to make the proper appropriation, with \$96 million being the maximum amount. The Governor would have the authority to reduce the appropriation to the amount that is necessary to fund the current schedules for the school foundation program.

The motion carried.

Curt Nichols said in looking at the biennium without a sales tax, there is a \$47 million deficit, which is HB 2 as it stands and the other revenue legislation that is in the pipe except for HB 377, HB 904 and SB 307. HB 904 as it currently reads, with a 3-5-7 rate, 10% surtax and to leave \$20 million in the general fund, you would need to generate \$96 million from the education trust fund or the sales tax. With 4-6-8, a 10% surtax and a \$20 million balance in the general fund, you would need \$20 million from a sales tax or the educational trust fund. Existing tax law is the same as 4-6-8.

Seantor Crippen said the estimates are very close.

ADJOURNMENT: The meeting adjourned at 6:57 p.m. to meet again Monday morning, April 13 at 7:00 a.m.


SENATOR GEORGE McCALLUM, Chairman

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ROLL CALL

TAXATION

COMMITTEE

50th LEGISLATIVE SESSION -- 1987

Date 4-11-87

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 April 10, 1987

Senate Invention

NAME

REPRESENTING

BILL #

Check One
Support Oppose

(Please leave prepared statement with Secretary)

AMENDMENTS TO HB 776, THIRD READING COPY, PROPOSED BY SEN. GAGE.

1. Page 3, line 10.
Strike: "January"
Insert: "April"
2. Page 6, line 21.
Following: "crude oil"
Insert: ", after the first five barrels,"
3. Page 6, line 24.
Strike: ", and ending March 31, 1989"
4. Page 10, line 2 and 3.
Strike: "of" on line 2 and "completion" on line 3.
5. Page 10, lines 3 and 4.
Strike: "December" on line 3 through "1991" on line 4
Insert: "March 31, 1987"
6. Page 10, line 12.
Strike: "THE NEXT"
Insert: "Everything over"
7. Page 10, lines 20 through 24.
Following: "any well" on line 20
Strike: ":", on line 20 through "(ii)" on line 24
8. Page 10, line 25.
Strike: "December 31, 1986"
Insert: "March 31, 1987"
9. Page 11
Strike: Lines 17 through 25 in their entirety
10. Page 12
Strike: Line 1 in its entirety
11. Page 12, line 2.
Strike: "(2)"
12. Page 12, lines 7 and 8.
Strike: "taxable" on line 7 through "January" on line 8
Insert: "April"
13. Page 12, lines 14 through 18.
Strike: subsection (3) in its entirety.

SENATE TAXATION

EXHIBIT NO. 1

DATE 4-11-87

BILL NO. H.B. 776

5. 7 - This language is no longer necessary because to qualify for new product the well must have been drilled or notice that the well is producing given after March 31, 1987, there fore the well could not have been producing during the previous 5 years.

No. 9, -10, and 11 - This coordination language was put into the bill when LC 932 which is SB 383 was first drafted. Later SB 383 was redrafted and no longer deals with stripper wells and the other items talked of as for coordination. These three amendments strike the parts of the coordination section which are no longer needed and leave the part of the coordination section that is necessary.

No. 13 - If the committee wants to put the bill back into its original shape, you will have to strike both sub (2) and sub (3) on page 12. This bill is an attempt to put more incentive into trying to entice those who invest in oil and gas drilling ventures to invest in Montana and to be more competitive with our surrounding area for these drilling dollars. The fact that the price of oil goes to 25.00 has nothing to do with this incentive as the price will have gone up all over the U.S. Sub (2) has to do with new production and if the committee feels that this incentive should be removed when the price gets to 25.00 you do not have to do anything with this sub (2).

In the event you do not adopt this amendment, then you should at least consider one other amendment. As sub (3) now reads, when the price of oil gets to 30.00 sub (4) of 15-36-121 terminates. This is the subsection which ~~XXXXXX XXXXXX XXXXXX XXXXXX XXXXXX XXXXXX XXXXXX XXXXXX~~
~~XXXXXXXXXXXXXXXXXXXX~~ exempts the production from a stripper well which produces 5 barrels or less per day from the severance tax. This oil would then be taxed at the full severance tax of 5%. Still the oil from a stripper well producing more than 5 barrels a day would be paying 3% per sub (d) on page 6. It does not make sense to assess the full 5% severance tax on a well producing less than 5 barrels a day and to assess 3% on a well producing more than 5 barrels per day. To be at least consistent the following amendment should be made if you keep sub (3) of section 7 in the bill:

Insert: "terminate"

BILL NO. H.B. 776

Amend House Bill No. 743, 3rd Reading Copy

1. Page 15.

Following: line 25

Insert: "NEW SECTION. Section 14. Coordination instruction. If Senate Bill No. 162, including repeal of 15-18-101, 15-18-401, and 15-18-403, is passed and approved, sections 6 and 7 of this act are void and section 16 of Senate Bill No. 162, relating to time for redemption, is amended as follows (3rd reading copy of SB162):

1. Page 16, line 24.

Following: "later"

Insert: ", for homestead property or within 18 months from the date of purchase for other property"

2. Page 16, line 25.

Following: "26]"

Strike: ", "

Insert: ": (a)"

3. Page 17.

Following: line 8

Insert: "(b) "homestead property" means:

(i) agricultural land meeting the criteria set forth in 15-7-202; or

(ii)(A) a single-family dwelling or unit of a multiple-unit dwelling that is property occupied as a principal residence by an owner of any interest in the dwelling, legal or equitable, excluding a leasehold, tenancy, or similar interest or a lien or encumbrance; and

(B) the lot, tract, or parcel of land upon which the dwelling is located."

Renumber: subsequent sections

jhl/e:hb743am.txt (dw3)

SENATE TAXATION

EXHIBIT NO. 2

DATE 4-11-87

BILL NO. H.B. 743

Office of Budget & Program Planning
Fiscal Status 04/06/87

Fiscal Year 1987		
Beginning Balance 7/1/86	16.002	
HJR 41 Revenues	356.076	
HB 434 (Education Trust)	~ 35.000	

Funds Available	407.078	
Disbursements		
Appropriations	352.487	
Foundation Program	27.906	
HB 434 Supplementals	25.787	
Reversions	(4.000)	

Total Disbursements	402.180	
Ending Balance	4.898	=====

Fiscal Year 88-89		
Beginning Balance 7/1	4.898	0.000
HJR 41 Revenues	350.050	388.563
HB 2 Capital Land Grant	0.692	0.458
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Total Available	355.640	389.021
Disbursements		
HB 2 - House Action	354.922	357.035
Foundation Program (HJR 41)	52.259	41.937
Debt Service & TRANS	15.400	20.406
Reversions	(6.500)	(6.500)
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Total Disbursements	416.081	412.878
Projected Deficit	(60.441)	(23.857)
	=====	=====

Bills Passed By Both Houses		
*HB 021 21 Year Old Drinking Age	0.000	(0.233)
HB 039 Vo-Tech Transfer	(0.727)	(0.727)
*HB 136 Gas & Diesel Tax	0.830	1.982
HB 252 Coal Tax Reduction	(0.199)	(1.787)
HB 434 Supplemental (Lost Interest)	(3.979)	(3.979)
HB 512 Fee for Aircraft	(0.205)	(0.205)
HB 583 PSC Tax	1.769	1.680
HB 611 Indirect Costs - U. System	(1.136)	(1.136)
HB 623 Prevent Liquor Store Closure	(0.104)	(0.372)
*SB 026 Moss Mansion	(0.113)	0.000
*SB 046 Ag Loan Linked Deposit	(0.500)	0.000
SB 092 Compact Commission	(0.114)	(0.114)
SB 302 High School Tuition	(0.114)	(0.114)
SB 321 Mediate Ag Indebtedness	(0.075)	(0.025)
	-----	-----
Total Impact	(4.667)	(5.031)
Remaining Deficit	(65.108)	(28.888)
	=====	=====

*Signed by the Governor

SENATE TAXATION

EXHIBIT NO. 3

DATE 4-11-87

House Bill 842
(thousands)

3-5-7% Rates

	20% Surtax		10% Surtax		0% Surtax	
	FY88	FY89	FY88	FY89	FY88	FY89
Revenue Gain from:						
Rates and Surtax						
Retirement Exclusion	\$ 9,070	\$11,745	(\$12,315)	(\$ 7,983)	(\$33,700)	(\$27,711)
Alt. Minimum Tax	(5,000)	(5,000)	(5,000)	(5,000)	(5,000)	(5,000)
	2,000	2,000	2,000	2,000	2,000	2,000
TOTAL	<u>\$ 6,070</u>	<u>\$ 8,745</u>	<u>(\$15,315)</u>	<u>(\$10,983)</u>	<u>(\$36,700)</u>	<u>(\$30,711)</u>

3.5-5.5-7.5% Rates

Revenue Gain from:						
Rates and Surtax						
Retirement Exclusion	\$33,117	\$31,885	\$ 9,737	\$10,487	(\$13,643)	(\$17,111)
Alt. Minimum Tax	(5,100)	(5,100)	(5,100)	(5,100)	(5,100)	(5,100)
	2,000	2,000	2,000	2,000	2,000	2,000
TOTAL	<u>\$30,017</u>	<u>\$28,785</u>	<u>\$ 6,637</u>	<u>\$ 7,387</u>	<u>(\$16,743)</u>	<u>(\$14,011)</u>

4-6-8% Rates

Revenue Gain from:						
Rates and Surtax						
Retirement Exclusion	\$56,894	\$51,798	\$31,541	\$28,749	\$ 6,188	\$ 5,700
Alt. Minimum Tax	(5,200)	(5,200)	(5,200)	(5,200)	(5,200)	(5,200)
	2,000	2,000	2,000	2,000	2,000	2,000
TOTAL	<u>\$53,694</u>	<u>\$48,598</u>	<u>\$28,341</u>	<u>\$25,549</u>	<u>\$ 2,988</u>	<u>\$ 2,500</u>

SENATE TAXATION

EXHIBIT NO. 3

DATE 4-11-89

BILL NO. H.B. 842

Reg-H.B 904

HB842.PC9

Amendments to HB 904

- 1) Page: 77
Line: 1
Following: public instruction
Strike: \$96 million
Insert: \$63,281,000
- 2) Page: 77
Following: Line 2
Insert: If SB 228 is passed and approved the appropriation is reduced to \$48,396,000.
- 3) Page: 77
Line: 12
Strike: Section 45
- 4) Page: 77
Line: 12
Insert: New Section. Section 45. The funds deposited to the windfall reserve account in (Section 5) may be used to pay obligations of the general fund in fiscal year 1988 if other revenues are not adequate to meet the obligations of the state.

SENATE TAXATION

EXHIBIT NO. 4

DATE 4-11-87

BILL NO. H.B. 904

Neuman

ROLL CALL VOTE

SENATE COMMITTEE TAXATION

Date April 11, 1987 Bill No. HB 776 Time 2:45 PM

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 Bishop's motion HB 776 BE Concurred
In As Amended -- motion carried 7-5.

ROLL CALL VOTE

SENATE COMMITTEE TAXATION

Date April 11, 1987 Bill No. HB 782 Time 3:03 P.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 Crippen's motion to strip the local
option income tax. Motion carried 8-4.

ROLL CALL VOTE

SENATE COMMITTEE TAXATION

Date April 11, 1987 Bill No. HB 816 Time 3:25 P.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 Halligan's motion that HB 816
Be Tabled - motion failed 3-9.

STANDING COMMITTEE REPORT

April 11

19 87

MR. PRESIDENT

We, your committee on SENATE TAXATION

having had under consideration HOUSE BILL No. 436

third reading copy (blue)
color

RAMIREZ (CRIPPEN)

**REVALUE PROPERTY ANNUALLY FROM ON-SITE APPRAISAL OF
203 OF TAXABLE PROPERTY**

Respectfully report as follows: That HOUSE BILL No. 436

BE CONCURRED IN

~~DO PASS~~

~~DO NOT PASS~~

SENATOR GEORGE McCALLUM, Chairman.

STANDING COMMITTEE REPORT

HB743.SCR

.....April 11,..... 19 87...

MR. PRESIDENT

TAXATION

We, your committee on.....

HOUSE BILL

743

having had under consideration..... No.....

third

blue

reading copy (.....)

color

AMEND PROPERTY TAX AND ASSESSMENT SALE -- REDEMPTION TIME BASED ON
HOMESTEAD

Respectfully report as follows: That.....House Bill..... No. 743.....

BE AMENDED AS FOLLOWS:

1. Page 7, line 7.

Following: "within"

Strike: "12"

Insert: "18"

2. Page 15, following line 15.

Insert: "NEW SECTION. Section 14. Coordination instruction. If
Senate Bill No. 162, including repeal of 15-18-101, 15-18-401, and
15-18-403, is passed and approved, sections 6 and 7 of this act are
void and section 16 of Senate Bill No. 162, relating to time for
redemption, is amended as follows (3rd reading copy of SB162):

1. Page 16, line 24.

Following: "later"

Insert: ", for homestead property or within 18 months
from the date of purchase for other property"

2. Page 16, line 25.

Following: "261"

Strike: "1"

Insert: "1 (a)"

DO PASS

DO NOT PASS

CONTINUED

Chairman.

April 11, 1987

3. Page 17, following line 8.

Insert: "(b) "homestead property" means:

(i) agricultural land meeting the criteria set forth in 15-7-202; or

(ii)(A) a single-family dwelling or unit of a multiple-unit dwelling that is property occupied as a principal residence by an owner of any interest in the dwelling, legal or equitable, excluding a leasehold, tenancy, or similar interest or a lien or encumbrance; and

(B) the lot, tract, or parcel of land upon which the dwelling is located."

Renumber: subsequent sections

AND AS AMENDED,
BE CONCURRED IN

Senator McCallum, Chairman

STANDING COMMITTEE REPORT

APRIL 11 1987

AF PRESIDENT

ie, your committee on SENATE TAXATION

having had under consideration HOUSE BILL No. 776

third reading copy (blue)
color

NATHE (GAGE)

EXEMPT FROM SEVERANCE TAX ALL STRIPPER WELLS AND ALL OTHER WELLS
FOR 2 YEARS

Respectfully report as follows: That No.

be amended as follows:

1. Page 3, line 10.

Strike: "January"

Insert: "April"

2. Page 6, line 21.

Following: "crude oil"

Insert: ", after the first five barrels,"

3. Page 10, lines 2 and 3.

Following: "notification" on line 2

Strike: "of completion"

Following: "after" on line 3

Strike: "December 31, 1986"

Insert: "March 31, 1987"

4. Page 10, line 12.

Strike: "THE NEXT"

Insert: "everything over"

5. Page 10, lines 20 through 24.

Following: "any well" on line 20

Strike: "i" on line 20 through "(ii)" on line 24

DO PASS

DO NOT PASS

Chairman.

April 11

1987

6. Page 10, line 25.

Strike: "December 31, 1986"

Insert: "March 31, 1987"

7. Page 12, lines 7 and 8.

Strike: "taxable" on line 7 through "January" on line 8

Insert: "April"

8. Page 12, line 14.

Following: "(3)"

Insert: "Section 15-36-101 (1)(c) and"

9. Page 12, line 15.

Strike: "TERMINATES"

Insert: "terminate"

AND AS AMENDED BE CONCURRED IN

SENATOR McCALLUM, CHAIRMAN

STANDING COMMITTEE REPORT

April 10

19 37

MR. PRESIDENT

SENATE TAXATION

We, your committee on

HOUSE BILL

No. 361

having had under consideration

third

reading copy (blue)
color

RAMIREZ (BROWN)

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

HOUSE BILL

No. 361

Respectfully report as follows: That

BE CONCURRED IN

~~DO PASS~~

~~DO NOT PASS~~

SENATOR GEORGE McCALLUM,

Chairman.

STANDING COMMITTEE REPORT

HD 782
Page 1 of 3

.....April 11..... 19 37..

MR. PRESIDENT

TAXATION

We, your committee on.....

having had under consideration.....
House Bill No. 782

third reading copy (blue)
color

SANDS (HAGER)

LOCAL OPTION SALES OR INCOME TAX

Respectfully report as follows: That.....
House Bill No. 782

1. Title, lines 4 through 6.

Following: " "AN ACT"

Strike: "AUTHORIZING A LOCAL GOVERNMENT TO IMPOSE A LOCAL
INCOME TAX IF APPROVED BY THE ELECTORATE OF THE LOCAL
GOVERNMENT;"

2. Page 2, line 16.

Strike: "through 3 and 5"

Insert: ", 2, and 4"

Strike: "7"

Insert: "6"

3. Page 1, line 23.

Strike: "or income tax"

~~XXXXXX~~

~~XXXXXXXXXX~~

BE CONCURRED IN AS AMENDED

George McCallum

Chairman.

4. Page 2, line 5.
Following: "er"
Insert: "or"

5. Page 2, lines 6 through 9.
Strike: subsection (b) in its entirety
Renumber: subsequent subsection

6. Page 3, line 9.
Strike: "7"
Insert: "6"

7. Page 4, lines 18 through 21.
Strike: lines 18 through 21 in their entirety
Renumber: subsequent subsections

8. Page 4, line 24.
Strike: "(8)"
Insert: "(7)"

9. Page 5, line 6.
Strike: "or income"

10. Page 5, line 8.
Strike: "7"
Insert: "6"

11. Page 5, line 12.
Strike: "RESOLUION"
Insert: "resolution"

12. Pages 5 and 6.
Following: line 18 on page 5
Strike: section 3 in its entirety
Renumber: subsequent sections

13. Page 9, line 10.
Strike: "5"
Insert: "4"

14. Page 10, line 7.
Strike: "SECTION 3 AND"

15. Page 10, line 13.

Strike: "STATEWISE"

Insert: "statewide"

..... 19.....

16. Page 11, lines 7, 16, and 20.

Strike: "or income" on all three lines

17. Page 12, line 10 and 13.

Following: "7" on both lines

Strike: "8" on both lines

Insert: "7" on both lines

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AND AS AMENDED

BE CONCURRED IN

STANDING COMMITTEE REPORT

April 11, 1937

MR. PRESIDENT

TAXATION

We, your committee on.....

having had under consideration..... HOUSE BILL No. 816

3rd reading copy (blue color)

ASAY (MAXUREK)

NEW CLASS 20 PROPERTY FOR AGRICULTURAL PROCESSING AND TIMBER PLANTS

Respectfully report as follows: That..... HOUSE BILL No. 816
be amended as follows:

1. Title, line 7.

Following: "PROPERTY;"

Insert: "ESTABLISHING LOCAL GOVERNMENT APPROVAL AS A PREREQUISITE FOR
CLASSIFICATION AS CLASS TWENTY PROPERTY;"

2. Page 3.

Following: line 24

Insert: "NEW SECTION. Section 2. Application for classification as
class twenty property--local government approval required. (1) A
person applying for classification of property as class twenty
property shall make an application to the department of revenue,
on a form provided by the department without cost.
(2) The department may not grant an application for class-
ification of property as class twenty property unless the governing
body of the affected county or incorporated city or town approves
the application by resolution, following due notice as defined in
76-15-103 and a public hearing, for its respective jurisdiction.
(3) The resolution provided for in subsection (2) must specify
the property that the taxing jurisdiction approves for classification
as class twenty property.
(4) The property valuation reduction granted to class twenty
property under [section 1] applies only to the number of mills
levied and assessed for local high school district and elementary
school district purposes and to the number of mills levied and assessed
by an approving governing body over which it has sole discretion. In
no case may the property valuation reduction for the class twenty
property apply to levies or assessments required under Title 15,
chapter 10, 20-9-331, 20-9-333, or otherwise required under state law."

XXXXX

DO PASS

Renumber: subsequent sections

XXXXXXXXX

DO NOT PASS

(CONTINUED)

Chairman.

3. Page 7, line 2.

Strike: "Section 1 is"

Insert: "Sections 1 and 2 are"

4. Page 7, line 4.

Strike: "section 1"

Insert: "sections 1 and 2"

AND AS AMENDED

BE CONCURRED IN

STANDING COMMITTEE REPORT

April 11

1937

MR. PRESIDENT

SENATE TAXATION

We, your committee on

HOUSE BILL

906

having had under consideration

No.

third

reading copy (blue)
color

RAMIREZ (ECK)

APPROPRIATING SALES AND USE TAX REVENUE; OTHER APPROP. TO
DOR FOR ADMIN.

HOUSE BILL

906

Respectfully report as follows: That

No.

be amended as follows:

1. Title, line 4.

Strike: "and 1988"

Insert: "THROUGH 1989"

2. Page 1.

Following: line 11

Insert: "WHEREAS, the electors of Montana approved

Initiative 105, limiting certain property taxes to 1986 levels unless the Legislature reduces property taxes prior to July 1, 1987, and establishes alternative revenue sources; and

WHEREAS, it is the intent of the Legislature to enact provisions compatible with the will of the electors in limiting certain property taxes; and

WHEREAS, the Legislature enacted HB 377 to respond to Initiative 105 by reducing property taxes and imposing a general sales and use tax to provide property tax replacement revenue; and

WHEREAS, HB 906 is enacted to appropriate revenue from the general sales and use tax to provide property tax replacement revenue.

XXXXXX
DO PASS

XXXXXXXXXX
DO NOT PASS

CONTINUED

Chairman.

April 11 1997

1. Page 9.

Following: Line 12.

Insert: "NEW SECTION. Section 5. Appropriation. There is appropriated from the general fund to the department of revenue for fiscal year 1989 for the administration of the sales and use tax created in House Bill No. 377, \$3,600,000."

Re-number: subsequent sections

AND AS AMENDED

BE CONCURRED IN

SENATOR McCALLUM, Chairman