

MINUTES

MONTANA HOUSE OF REPRESENTATIVES 51st LEGISLATURE - REGULAR SESSION

COMMITTEE ON TAXATION

Call to Order: By Chairman Harrington, on March 2, 1989, at 9:00 a.m.

ROLL CALL

Members Present: All

Members Excused: None

Members Absent: None

Staff Present: Dave Bohyer, Legislative Council

Announcements/Discussion: None.

HEARING ON HOUSE BILL 634

Presentation and Opening Statement by Sponsor:

Rep. Norman Wallin, District 78, stated HB 634 is a car licensing bill that attempts to deal with current problems in this area. He said prior to 1980, Montana had an ad valorem tax on cars. Cars were assessed based on the N88 guide book values but the tax was levied according to the school district mill levies which caused wide variation in the licensing fees. In 1981, the fee system was passed but the fund distribution mechanism was not completely satisfactory. In 1981, the ad valorem system was returned but there have been problems. The Department of Revenue has increased their full time employees by 33 to cover the added costs of assessing fees. There have been guide book problems in assessing older cars because the guide book places all older cars in the classic car category. Rep. Wallin stated that if a taxpayer does not license his car until late in the year, the assessment is still the same as a January assessment. He said this bill will save the state one million dollars in assessment costs, give local government eight million, and provide additional funds for district courts, schools and university system.

Testifying Proponents and Who They Represent:

Rep. Ole Aafedt, House District 34
Senator Gerry Devlin, Senate District 13
Mike Grimes, Montana Auto Dealers
Dennis Burr, Montana Taxpayer's Association
Joe Schwab, Legacy Legislature
Tom Harrison, Montana Auto Dealer's Association

Robert L. DePuth, Auto Dealer, Whitefish
Lori Sheneau, Chamber of Commerce, Billings
Jim Manion, Executive Vice President, AAA
Steve Turkiewicz, Montana Auto Dealer's Association

Proponent Testimony:

Rep. Ole Aafedt stated he supports the bill for numerous reasons but basically to eliminate the loss of time involved in the current licensing system. He stated there are very long lines and many times, although a car is actually depreciating, the citizen may still pay a higher licensing fee. He urged support of the bill.

Senator Gerry Devlin stated he had always preferred the ad valorem system but he said that SB 200, passed in the last session, had created problems especially for the older citizens on fixed incomes and low income people. He urged support of the bill.

Mike Grimes stated he supports the bill and believes it will reinstate fairness in the system.

Dennis Burr stated the best reason for returning to the fee system is the cost of SB 200 compared to what it produced. He said the increase in revenue to local governments was around four million dollars a year but the cost of administering that new program was fifty-one new employees in the Department of Revenue. Mr. Burr said this resulted in a cost of \$500,000.00 per year to collect the four million. He said older cars will increase slightly under this bill but the overall continuity of the system across the state will make the passage of the bill worthwhile.

Joe Schwab stated the Legacy Legislature passed a similar bill because they recognized that a number of people, both young and old, were being forced to pay an unfair tax. He said people driving old cars were driving them because that is all they can afford and these are not classic cars. Mr. Schwab said the most efficient licensing system is by mail but many older people must go to the courthouse, stand in long lines, and possibly pay a much higher fee than in the previous year. He urged passage of the bill.

Tom Harrison stated one-third of the Montana auto dealers have gone out of business and many dealers have testified to the difficulty of remaining in business in Helena. Mr. Harrison submitted a document on the licensing and registration of vehicles in surrounding states. (Exhibit 1). He stated the bill would be revenue generating and would return the state to a system that is popular with the people.

Bob DePuth stated many people currently are not licensing their cars because of the excessive costs. He said the time

involved standing in long lines is also very inconvenient for everyone. He urged support of the bill.

Lori Sheneau said the present system of registration of vehicles has numerous problems for new and old car owners as well as the Department of Motor Vehicles. She stated the bill was a fair solution for all and suggested the bill be amended to allow the DMV to sell licenses for two years instead of one. She urged support of the bill.

Jim Manion stated his organization of 82,000 members were polled at the beginning of the legislative session regarding retaining the current method of car registration or returning to the flat fee. He said the majority of the members indicated their preference for the flat fee system. He urged passage of the bill.

Steve Turkiewicz stated there were several distinctions between this bill and the past fee system. He said the past system collected the money at the county level, sent it to Helena where it was commingled with the oil severance tax money, and then distributed to the counties according to the fee structure. This system would collect the money at the local level, statutory apportionment of those fees would be made to the various local governments and taxing entities. There is no change in the apportionment of the collection of the revenues but only in the method of collection. Mr. Turkiewicz submitted a document in this regard. (Exhibit 2). He thanked the committee and urged support of the bill.

Testifying Opponents and Who They Represent:

Jerry Driscoll, Representative, House District 92
Ron DeYoung, Montana Farmer's Union
Chuck Stearns, Finance Director & City Clerk, Missoula
Bob Gilbert, Representative, House District 22
Alec Hanson, League of Cities and Towns
Gordon Morris, Montana Association of Counties
Ken Nordtveltdt, Department of Revenue
Kevin Bryan, Yellowstone County Treasurer
Bill Campbell, Montana Education Association

Opponent Testimony:

Rep. Driscoll stated that the inflation factor used in the bill for cars of 2800 pounds or more on page 2, would be \$167.00 instead of \$115.00, add in the license plate and other fees, and the total is \$180.00. He said on the next line on page 2, the amount should be \$94.00 instead of \$65.00 and on cars eight years older, instead of \$25.00, the amount should be \$36.00. Rep. Driscoll stated in the first four years, the taxes will go up each year, in the fifth year, the taxes will drop to \$94.00, then go up each year for another four years, then drop to \$36.00 and continue to go up again. After a car is eight years old, it continues

to go up. Rep. Driscoll said this is a good bill for expensive cars.

Ron De Young stated there are inequities with the present problem and agrees these problems need to be addressed but not by going to a tax system that is inherently more unfair than the present system. He agreed with Rep. Driscoll's statements regarding the tax payment on older cars. He stated this bill is a tax increase of around \$10,000,000.00 and if the taxes are going to be increased, it should be done fairly. He urged opposition to the bill.

Chuck Stearns stated the bill would have good impact for local government throughout the state, but the county treasurer's office did a survey of seventy vehicles in Missoula County which revealed an 18% loss in that county from HB 634. He submitted a document to this effect. (Exhibit 3). He stated the continually changing system is costly and confusing. He urged opposition to the bill.

Rep. Bob Gilbert stated this bill would return the state to 1987 with reliance on oil severance taxes. He said the older cars will keep going up each year which is extremely unfair. He urged defeat of the bill.

Alec Hanson stated in 1981, the fee system worked but because it did not work in later years, the flat fee system was imposed. Mr. Hanson said there are three bills in the legislature to deal with the problem of the classic car registration. He said the administrative costs of \$518,000.00 are excessive and that it is not possible to return to the fee system as it is. Mr. Hanson stated there is a need for a stable, reliable and consistent method. He urged opposition to the bill.

Gordon Morris stated this bill would return the state to a system that did not work well and there is no need to do this. He urged opposition to the bill.

Ken Nordtvedt stated the administration does not favor a change in vehicle registration that would be a tax increase nor can the state afford to cut taxes on vehicles. He stated there are no excess funds to replace revenues. Dr. Nordtvedt said there would be a two million dollar loss to the state. He stated he did not understand the administrative cost figure but he would find out why this is so excessive and reduce this expense. He said this could be made payable by mail and make every effort to eliminate the long lines. He stated no system is perfect but returning to the old system would not be a solution. He urged opposition to the bill.

Kevin Bryan stated his assessor's offices provide quotes over the telephone for people who wish to mail in their checks for vehicle registration. He stated the process is

frustrating, especially in the first two months of the year. Mr. Bryan said they are making every effort to allow more registrations by mail and to eliminate the long lines. He urged opposition to the bill.

Bill Campbell stated it was difficult for the education association to oppose the bill but part of their legislative program deals with fairness and equity in the system. He said this bill does not provide this.

Questions From Committee Members: None.

Closing by Sponsor: Rep. Wallin stated the value of cars differs with mileage and equipment, not just age and model. He said the guide books do not reflect actual value of the car. Rep. Wallin said the fee is fair based on age and weight. He stated there have been two lines for registration, one for the assessment and one to pay for the license and it is very easy to do all of this by mail under the fee system. He stated the bill does not consider any oil money and there are many disadvantages to the current system. He stated the fee system would be fair and generate needed funds. He thanked the committee and urged passage of the bill.

DISPOSITION OF HOUSE BILL 634

Motion: None.

Discussion: None.

Amendments, Discussion, and Votes: None.

Recommendation and Vote: None. Action will be taken at a later date in executive session.

HEARING ON HOUSE BILL 643

Presentation and Opening Statement by Sponsor:

Rep. Norm Wallin, House District 78, stated the bill is another car licensing bill and is being carried by Senator Jerry Devlin, Senate District 13. Senator Devlin presented the bill stating HB 643 carried appropriations and this is the reason for Rep. Wallin's presenting the bill in the house. He said this bill is to bring money out of the general fund, retaining the 2% fee on the current licensing system, but reducing it by the amount that is derived from the one-third of the oil severance tax each year. Senator Devlin submitted proposed amendments to the bill. (Exhibit 4).

Testifying Proponents and Who They Represent:

None.

Proponent Testimony:

None.

Testifying Opponents and Who They Represent:

Ken Nortveldt, Director, Department of Revenue

Opponent Testimony:

Ken Nortveldt said the state has budget financing problems and is not in a position to divert funds from the oil severance tax to lower motor vehicle fees. He urged opposition to the bill.

Questions From Committee Members: None.

Closing by Sponsor: Rep. Wallin stated he felt the bill belonged in appropriations. He said he was aware the state is in financial difficulty but this is money that was derived originally from an additional tax on oil to lower the vehicle fees.

DISPOSITION OF HOUSE BILL 643

Motion: None.

Discussion: None.

Amendments, Discussion, and Votes: None.

Recommendation and Vote: None. Action will be taken at a later date.

HEARING ON HOUSE BILL 641

Presentation and Opening Statement by Sponsor:

Rep. Joe Quilici, House District 71, stated HB 641 exempts industrial parks owned by the local economic development organization from taxation. This exemption would assist in local development by encouraging industry to move into the state. This can be done only by resolution from the local governing body at public hearings. The businesses in the industrial park would be taxed but not the local development organization. He stated this would encourage local development.

Testifying Proponents and Who They Represent:

Rep. Bob Pavolich, House District 70, for Dennis Winters
Jim Van Arsdale, Mayor, Billings
Chris Gallus, for Don Peebles and Evan Barrett, Butte

Alec Hanson, League of Cities and Towns

Proponent Testimony:

Rep. Bob Pavolich presented testimony from Dennis Winters. (Exhibit 5).

Jim Van Arsdale supports the bill for economic development. He proposed an amendment to Paragraph B in the bill where it states that the business must have a history of economic development in the area which would mean that a new industrial park would not have this benefit until they had been in business for a length of time. He stated this should be changed to encourage new industry.

Chris Gallus presented testimony from Evan Barrett, Executive Director of Butte Local Development. (Exhibit 6). Mr. Gallus stated Don Peebles, Chief Executive of Butte Silver Bow, also wished to state his support for the bill.

Alec Hanson stated the bill will allow cities and counties to make a small investment of tax dollars now for new development. He said this will create new jobs and increase the tax revenue.

Testifying Opponents and Who They Represent:

None.

Opponent Testimony:

None.

Questions From Committee Members: Rep. Ellison asked Rep.

Quilici if he would object to changing the language in the bill on line 10, page 2, to include other cities. Rep. Quilici stated he would have none.

Rep. Hoffman asked Rep. Quilici about the Montana Development Company mentioned in Dennis Winters testimony. Rep. Quilici replied this is a development company located in Butte that works with corporations worldwide. Rep. Hoffman asked if they were a profit organization. Rep. Quilici stated they were but they had nothing to do with this bill. He said they were merely testifying in favor of the concept. Rep. Hoffman then asked if they expected tax privileges. Rep. Quilici stated they could not under the bill since it applies only to non-profit organizations.

Rep. Rehberg asked Rep. Quilici if he would be agreeable to adding language on line 18, page 1 of the bill after "non-profit organization", to add "including development organizations." Rep. Quilici stated he had no objection.

Rep. Ream asked Rep. Quilici if the development organization

would own the existing buildings in the industrial park. Rep. Quilici stated that was correct. Rep. Ream stated that in his interpretation of the bill, the organization would have to own the buildings. Rep. Quilici stated this was correct but once they had industry in the park, the corporation could build a building and this would be taxed. Rep. Ream asked if there would be discrimination against other like businesses in the area that are not getting the tax exemption. Rep. Quilici replied that he had talked with numerous corporations throughout the state concerning this aspect of the bill and none have been opposed.

Closing by Sponsor: Rep. Quilici stated that local development people suggested the committee might look at possible property tax relief for all property taxes, local and state by an amendment to the bill but he stated he needed the fiscal note before doing this. He said he needed time to contact the Department of Revenue to discuss the impact of the bill and asked that the committee take no action on the bill until this could be accomplished.

DISPOSITION OF HOUSE BILL 641

Motion: None.

Discussion: None.

Amendments, Discussion, and Votes: None.

Recommendation and Vote: None. Action will be taken in executive session at a later date.

EXECUTIVE SESSION

DISPOSITION OF SENATE BILL 1 HEARD ON FEBRUARY 28:

MOTION: DO PASS by Rep. Giacometto.

DISCUSSION: Proposed amendments were moved by Rep. Raney. He stated considerable tax breaks have been given to the coal industry and this is another bill for this purpose. He said his amendments, instead of taking the tax off of royalties on private land, puts taxes on royalties on state and federal land. This provides equalization that will raise money instead of losing it.

Rep. Cohen asked how much revenue this would generate. Rep. Raney replied he did not know and could not get this information until the bill had actually been amended.

Rep. Giacometto opposed the amendments stating that any of the current tax proposals on the coal industry will raise an annual \$8,000,000.00. He stated the amount depleted will be very minor compared to the amount of taxes added and the amendments will

destroy the intent of the bill.

Rep. Hanson stated the amendments would reduce the competitiveness that has been built into the system and she opposed them.

Rep. Rehberg stated he opposed the amendments. He said there has been increased production in the coal industry and increased employment as a result. He stated this amendment would be detrimental to economic development.

Rep. Ream suggested an amendment to accomplish revenue neutrality which would require raising the tax 25 cents per ton. He said this would be more equitable and the state will lose four million because of federal regulation changes on royalties. He stated he was against the bill unless it could be more revenue neutral.

Rep. Cohen asked if the amendments could be placed so they did not effect existing contracts. Rep. Giacometto responded this could be done. Rep. Raney stated this would have to be done and asked Dave Bohyer is this would be possible. Mr. Bohyer asked if they were concerned about contract impairment. Rep. Raney replied yes, between coal companies and their buyers. Mr. Bohyer stated an amendment could be written that would state the application of Rep. Raney's amendment would apply to new contracts entered into after the effective date of the act.

Rep. Raney stated he would do this and the amendments passed by a 10 to 8 roll call vote.

Rep. Raney then moved to amend SB 1 to provide that the tax would be applied to new contracts after the effective date of the act which would be 1991. The motion was CARRIED by a unanimous voice vote.

The bill was held for further action upon receipt of the revised fiscal note.

DISPOSITION OF HOUSE BILL 589 HEARD ON FEBRUARY 17:

MOTION: DO PASS by Rep. Hoffman. He submitted proposed amendments and MOVED them.

DISCUSSION: Rep. Hoffman stated the first amendments were those proposed by the Gallatin County Commissioners. (Exhibits 8 & 9).

Rep. Ream moved to segregate amendment number 2.

Rep. Cohen stated he wished to segregate the first amendment from Gallatin County because the portion of the code that covers this area is likely to be changed under a bill introduced in this session and this allows people to vote twice by not voting at all.

The motion was made to take each amendment separately by Chairman

Harrington. The committee concurred by unanimous voice vote.

The first amendment from the Gallatin County Commissioners, page 3, line 13, was taken up first. Rep. Hoffman moved the amendment.

Rep. Cohen stated his previous objection of allowing people to vote twice by not voting at all.

Rep. Rehberg asked Dave Bohyer how the tax in West Yellowstone was administered. Mr. Bohyer replied he thought it required a simple majority vote of the people. Rep. Rehberg stated he did not remember the Gallatin County people testifying to this effect and asked what was their rationale for changing the election procedure. Rep. Hoffman replied they did not appear at the hearing but they made the suggestion by mail to Rep. Wallin.

Rep. Cohen stated he did not think the amendment was necessary.

The amendment FAILED by a unanimous voice vote.

Amendment number 2, page 8, line 19 was moved.

Rep. Giacometto asked if this was not currently provided. Mr. Bohyer replied it could be done now if the resort area agreed to reimburse the county for any costs of litigation, administration or collection of the tax.

Rep. Cohen stated the county commissioners will make the final decision on this.

The motion was CARRIED by a unanimous voice vote.

Rep. Hoffman moved his amendment on page 2, lines 13 and 15.

Rep. Hoffman stated the primary objection to the bill was that unless there is a population cap, the bill would be considered a general local option tax that any community could use since most communities in the state receive part of their revenue from recreation.


Rep. Cohen stated he felt the bill would be killed without a population cap. He said there is a great difference in scale between the effects of tourism in different communities depending upon their size and financial situation.

Other amendments were proposed by Rep. O'Keefe and Chairman Harrington suggested holding the bill for further action and the committee adjourned at 11:00 a.m.

An amendment was submitted for HB 125 for future action.
(Exhibit 11).

ADJOURNMENT

Adjournment At: 11:00 a.m.



REP. DAN HARRINGTON, Chairman

DH/lj

4915.min

DAILY ROLL CALL

TAXATION

COMMITTEE

51st LEGISLATIVE SESSION -- 1989

Date March 2, 1989

NAME	PRESENT	ABSENT	EXCUSED
Harrington, Dan, Chairman	✓		
Ream, Bob, Vice Chairman	✓		
Cohen, Ben	✓		
Driscoll, Jerry	✓		
Elliott, Jim	✓		
Koehnke, Francis	✓		
O'Keefe, Mark	✓		
Raney, Bob	✓		
Schye, Ted	✓		
Stang, Barry	✓		
Ellison, Orval	✓		
Giacometto, Leo	✓		
Gilbert, Bob	✓		
Good, Susan	✓		
Hanson, Marian	✓		
Hoffman, Robert	✓		
Patterson, John	✓		
Rehberg, Dennis	✓		

DATE 3/2/89HB 634
Rep. N. WallerRegistering & Licensing Fees - Surrounding States

Colorado: Cars up to 2,000 lbs., \$9.00; 20¢ for each additional 100 lbs. up to 4,500 lbs. Over 4,500 lbs., \$16.10 plus 60¢ for each 100 lbs.

Specific ownership tax is collected at time license is issued. 1st year of service, 2.10% of taxable value; 2nd year, 1.50%; 3rd year, 1.20%; 4th year, .90%; 5th year through 9th year of use, .45%, 10th or later year of use, \$3.

<u>Idaho:</u> Vehicles 1 & 2 Years Old	\$36.00
Vehicles 3 & 4 Years Old	\$33.00
Vehicles 5 & 6 Years Old	\$25.80
Vehicles 7 & 8 Years Old	\$22.20
Vehicles over 8 Years Old	\$15.60

Note: Age of vehicle is determined by subtracting manufacturer's year designation from year in which fee is paid. When new plates are issued, a charge of \$1.70 a plate is imposed.

5% sales or use tax on new and used cars.

Oregon: \$20. Vehicles are registered for a period of 24 consecutive calendar months, one twenty-fourth of registration expiring at end of each month.

Plate fee of \$1 per plate.

No state sales tax or personal property tax on registered vehicles, except on mobile homes and fixed load vehicles.

North Dakota: Based on age and weight of vehicle. Available through the Motor Vehicle Department.

One year fee on vehicles registered for the first time in state. No refund on unexpired plates.

No state personal property tax on automobiles.

Excise tax: $5\frac{1}{2}\%$ on new and used cars purchased from dealers and private owners. Tax based on full price of car, with credit for trade in.

E.H.B.I. 1
DATE 3/2/89
HB 634
Rep. N. Wallin

South Dakota: 2,000 lbs. or less, \$20; 2,001-4,000 lbs., \$30; 4,001-6,000 lbs., \$40; 6,001-7,000 lbs., \$60; 7,001-8,000 lbs., \$100. One-half reduction on cars licensed after July 1; three-fourths reduction on cars licensed after October 1. No refunds on unexpired noncommercial plates. Registration fee reduced 30% when auto is five year old or older.

State excise tax of 3% on most motor vehicle transactions. Normally based on the trade differential between new and used vehicles.

Utah: \$10. Upon registration, additional fee of \$2 for driver education fund. \$4 reflectorization fee (autos and trucks), \$2.50 reflectorization fee (motorcycles and trailers). Credit toward registration of another car granted when purchasing another vehicle of same classification.

Personal property tax levied by counties.

State sales tax: 5 7/8% to 7 1/4% on new and used cars. Tax based on net amount which is the difference between full purchase price and trade-in allowance.

Use tax: 5 3/4% on cars purchased out of state. Tax is based on purchase price less trade-in allowance. Credit allowed for tax paid to another state if proof of such payment provided.

Washington: \$27.50, renewal fee is \$23.75. \$3 filing fee plus 2.454% excise tax annually. State annual excise tax is 2.45% of fair market value. Minimum of \$2.45.

State sales tax: 6.5% on new and used cars. Tax based on full price of vehicle (less value of trade-in). Additional taxes are levied in all counties, except Wahkiakum, as follows: Spokane, 0.7%; Grays Harbor, City of Bellingham and parts of Sonhomish County, 0.8%; King County, 0.9%; all other 0.5%. State residents in the armed forces, stationed outside state pursuant to military orders, exempted from use tax on vehicles purchased outside state and brought into Washington if purchase was made 30 days prior to transfer order or discharge. Must have been on active duty minimum of six months. Credit given for sales tax paid in another state if proof of payment shown.

Wyoming: \$15, plus county fee based on factory price of vehicle:

New, Factory Price X 60% X 3%

For second service year, Factory Price X 50% X 3%

EXHIBIT 1

DATE 3/2/89

HB 634
Rep. N. Walker

For third service year, Factory Price X 40% X 3%
For fourth service year, Factory Price X 30% X 3%
For fifth service year, Factory Price X 20% X 3%
For sixth service year, Factory Price X 15% X 3%

Vehicles purchased after July 1, 1/2 reduction. No refund on unexpired plates.

State "use" tax: 3% on new and used cars purchased out of state.

State sales tax: 3% on cars sold within state. Tax based on price paid for car, less allowance for trade-in. Counties have the option to add an additional 2%.

EXHIBIT 2
DATE 3/2/89
HB 634
Rep. H. Wallace

LIGHT VEHICLE TAXABLE VALUATION

AND

DISTRIBUTION

PREPARED BY:

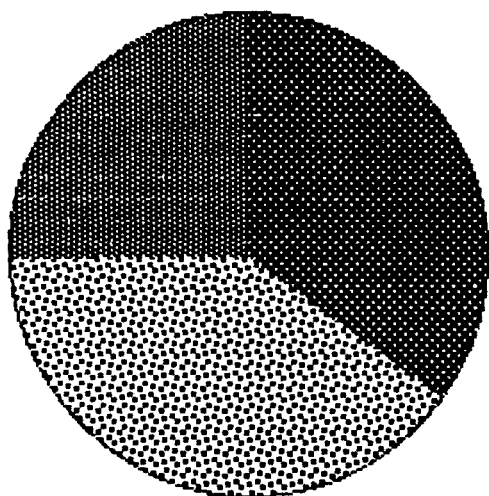
**STEVE TURKIEWICZ
MONTANA AUTOMOBILE DEALERS ASSOCIATION
MARCH 2, 1989**

EXHIBIT 2
 DATE 3/2/89
 HB 634
 Rep. N. Waller

**TAXABLE VALUE DISTRIBUTION
FISCAL NOTE**

<u>AGE</u>	<u>TAXABLE VALUE < 2850 LBS</u>	<u>TAXABLE VALUE >2850 LBS</u>	<u>TOTAL TAXABLE VALUE</u>	<u>PER CENT OF TOTAL</u>
1986-1989	\$185,006,280	\$271,622,400	\$456,628,680	35.07%
1982-1985	\$181,455,389	\$335,390,745	\$516,846,134	39.70%
1981 & OLDER	\$73,705,010	\$254,840,712	\$328,545,722	25.23%
TOTALS	\$440,166,679	\$861,853,857	\$1,302,020,536	100.00%

TAXABLE VALUE DISTRIBUTION



■ 1986-1989	35.1%
▤ 1982-1985	39.7%
▨ 1981 & OLDER	25.2%

E 1101 ²

DATE

3/2/89

HB

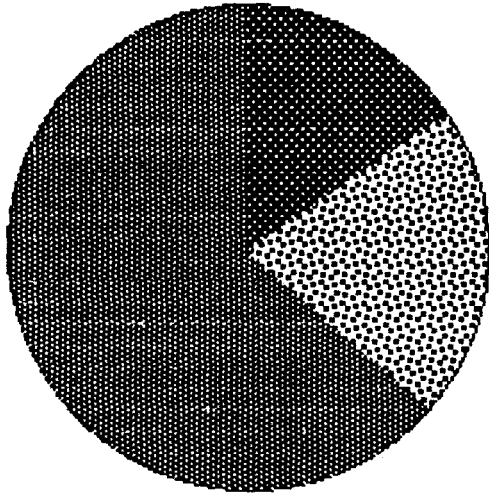
634

Rep. N. Wallin

VEHICLE DISTRIBUTION
FISCAL NOTE

AGE	VEHICLES < 2850 LBS	VEHICLES >2850 LBS	TOTAL VEHICLES	PER CENT OF TOTAL
1986-1989	47,582	61,217	108,799	15.46%
1982-1985	62,987	83,965	146,952	20.88%
1981 & OLDER	117,595	330,608	448,203	63.67%
TOTALS	228,164	475,790	703,954	100.00%

VEHICLE DISTRIBUTION



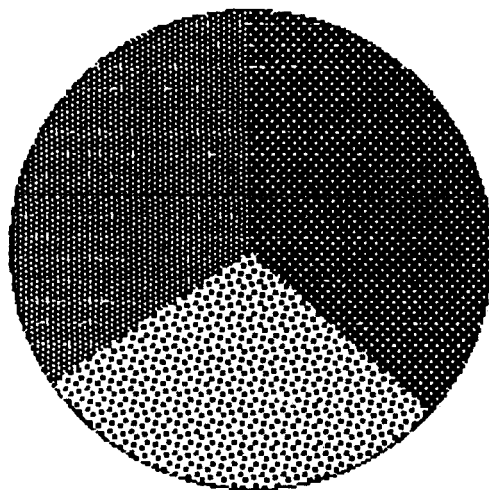
■ 1986-1989	15.5%
▨ 1982-1985	20.9%
■ 1981 & OLDER	63.7%

HIBIT 2
 DATE 3/2/89
 HB 634
 Rep. N. Wallin

PROPOSED FEE DISTRIBUTION
 FISCAL NOTE

AGE	VEHICLES < 2850 LBS	PROPOSED FEE	AMOUNT RAISED	VEHICLES >2850 LBS	PROPOSED FEE	AMOUNT RAISED	TOTAL FEE INCOME
1986-1989	47,582	\$124	\$5,909,684	61,217	\$159	9,715,137.9	\$15,624,822
1982-1985	62,987	\$76	\$4,780,713	83,965	\$90	7,531,660.5	\$12,312,374
1981 & OLDER	117,595	\$28	\$3,245,622	330,608	\$35	11,405,976	\$14,651,598
TOTALS	228,164		\$13,936,020	475,790		28,652,774	\$42,588,794

PROPOSED FEE DISTRIBUTION



■ 1986-1989	36.7%
▣ 1982-1985	28.9%
▤ 1981 & OLDER	34.4%

HB 634

Impact

EXHIBIT 3

DATE 3/2/89

HB 634

Rep. N. Waller

Sample size = 69		1	2	3	4	5
Vehicle	Plate #	25%	Proposed Flat Fee	Proposed Flat Fee excludes 7% for Dist. Ck program		
'73 Courier	A160320	1250	2400			1
'76 Ford	A160234	3263	3100			2
'81 Chev	A160359	2250	2400			3
'72 Chev Trk	A160400	1625	3300			4
'73 Ford	A160410	1250	2400			5
'81 Ford Trk	A160515	5688	2400			6
'83 Buick	A160420	5938	6700			7
'84 Mazda	430	5813	6700			8
'86 Nissan	436	10313	11000			9
'84 Olds	438	10438	6700			10
'86 Plymouth	441	12625	11000			11
'81 GMC Trk	442	5825	2400			12
'81 Dodge	159517	1813	2400			13
'86 Toyota	642	18688	11000			14
'84 Ford Trk	646	12125	6700			15
'69 Ford	519	1250	2400			16
'82 Honda	527	5688	6700			17
'76 Chev	541	2313	2400			18
'76 Opel	544	1250	2400			19
'77 Chev Trk	573	3375	2400			20
'79 Chev	585	6750	3100			21
'86 Ford	625	18750	14000			22
'83 Toyota	160476	4313	4700			23
'82 Chev Trk	474	5825	7900			24
'85 Olds	464	13500	7900			25
'75 Dodge	445	1250	3100			26
'86 Mercury	429	8813	6700			27
'85 Honda	416	15188	6700			28
'84 Olds	418	11938	7900			29
'65 Ford Trk	414	1250	3100	(X)		30
'79 Chev Trk	396	2625	3100			31
'85 Chev	395	15438	7900			32
'71 Ford	390	4000	3100			33
'79 Honda	373	2375	2400			34
'72 Dodge	357	1250	2400			35
'86 Mercedes	356	62500	17000	(X)		36
'82 Amer Eagle	353	5250	7900			37
'76 Jeep	352	3500	3100			38
'72 Cadillac	325	1250	3100			39
'86 Plymouth	412	14250	11000			40

	1	2	3	4	5
'86 Nissan	A160310	12938	14000		
'84 Ford Trk	133	12125	14000		
'86 Mazda	500	10938	11000		
'63 Chevy	496	4250	3100		
169 Pontiac	543	1250	3100		
'86 Pontiac	545	16625	11000		
'71 Chevy	560	1250	3100		
'81 Ford	551	10125	3100		
'65 Chevy	561	1250	3100		
'88 Buick	497	24125	14000		
'79 Toyota	514	1688	2400		
'74 Chevy	518	1875	3100		
'74 Chevy Trk	523	1875	3100		
'72 Ford Trk	540	1813	3100		
'76 Chevy	272	1250	3100		
'86 Buick	274	15000	11000		
'72 Ford Trk	279	1875	3100		
'67 Chevy Trk	285	1250	3100		
'74 Jeep	309	3618	2400		
		435385	335900		
Remove 7% of 2% for Dist. Ct		x 74.4%			
		411003			
		4110			
		- 3359			
		751			
		751			
		4110	18.27%		
General fund		317230 x	18.27%	\$57960	
Total County		678874 x	18.27%	\$124080	

HOUSE BILL 643 - INTRODUCED

Proposed Amendments

1. Title, lines 8 and 9

Strike: "AND MOTOR HOME FEE IN LIEU OF TAX"

Title, Line 10

Following: "61-3-504,"

Insert: "AND"

Following: "61-3-509"

Strike: ", AND 61-3-522"

2. Page 1, lines 20 and 21

Strike: "and the fee in lieu of tax on motorhomes set forth in
61-3-522"

3. Page 1, line 23

Following: "oil"

Insert: "and gas"

4. Page 5.

Strike: line 2 through 23.

Insert:

"(a) determining the statewide valuation for the preceeding calendar year of all motor vehicles subject to the tax in subsection (2);

(b) determining the anticipated statewide valuation for the current calendar year by adjusting the value determined in subsection (3)(a) to reflect the average annual growth in statewide valuation for the immediately preceeding three years of all motor vehicles subject to the tax in subsection (2);

(c) determining the anticipated statewide revenue by applying 2% to the value determined in subsection (3)(b);

(d) determining the total deposits made to the motor vehicle tax abatement account during the preceeding fiscal year; and

(e) multiplying 2% by the ratio of the difference in the values determined in subsections (3)(c) and (3)(d) to the value determined in subsection (3)(c)."

5) Page 8, line 17

Following: "collected"

Insert: "for quarters beginning"

Following: "after"

Strike: "July"

Insert: "April"

EXHIBIT 5
DATE 3/2/89
HB 634*Rep. N. Wallin*

Mr. Chairman, Members of the Committee:

My name is Dennis Winters. I am a partner in the firm, Montana Market Development Company. MMDC is the only Montana Company whose singular mission is economic development. In effect, we are the only Montana firm that earns its living by helping communities better their economic conditions.

Our experience in Montana over the past three years has clearly indicated that, too long, Montana has been harvested and extracted only - without adding value to our resources.

While many have begun to use the word, "value added," most have not really considered the difficulty - in these times of scarce capital - of attracting firms with the technical and financial ability to add value to our resources.

Communities are facing the cruel fact that hard working people and an abundance of raw resources are not sufficient to attract investors. They need fully developed infrastructure that expanding firms have come to assume as basic to any expansion decision.

Montana communities are competing for these expansions with other communities around the U.S. and the world. The most recent estimate of this competition indicates that, for every 1000 possible expansions - new investments in new areas - over 15000 communities are competing. That's 15 to one on the average.

Add to this that we are at a great distance from any highly populated market and, I'm sure, our ratio goes to 30 or 40 to one.

That's why I support this bill. Private non-profits - many of them Local Development Offices on limited budgets - are stretching to create attractive industrial parks.

If they buy land and make improvements to attract business expansions, they create a tax burden on themselves so great that they have no resources to spend on marketing for these new firms.

This bill - with its amendment - will not mean much in direct tax loss to the State and Counties but it will mean a great deal to Montana communities - large and small - who are trying to make themselves more competitive.

If we are to increase our tax valuation through the expansion of more basic industries we must give a tax break to these private, non-profits who are trying to attract these firms to Montana.

Thank you.



Butte Local Development Corporation

P.O. Box 507
Butte, Montana 59703



305 West Mercury
Phone 406-723-4349

EXHIBIT 6
DATE 3/2/89
HB 641

Rep. Joe Quilici

TESTIMONY ON HOUSE BILL 641
from
Evan Barrett, Executive Director
Butte Local Development Corporation

The Butte Local Development Corporation (BLDC) supports Representative Quilici's House Bill 641. The BLDC is a private, non-profit economic development organization involved in Butte-Silver Bow and the other six counties in southwest Montana.

The BLDC believes this bill will create a strong incentive for the development of industrial park infrastructures which can help attract new light and heavy industrial development. Industrial parks are an asset in attracting these new industries, but are costly to purchase, construct and maintain. One of the significant costs of maintaining industrial parks is the property taxes thereon. At this time property taxes represent a disincentive to current and future industrial parks owned and operated by local economic development organizations, such as ours.

The BLDC is an effective organization, but we are small. Property taxes on our current industrial park are approximately \$3000 per year. While that seems like a small amount, it does take away operating revenues for our economic development efforts. Furthermore, the taxes are relatively low because our current industrial park is almost full, with those occupying the park paying the property taxes. We need to develop a new industrial park, but cannot afford to pay the taxes on it as we hold the land for future businesses. Our current plan is to develop approximately 300 acres 5 miles west of Butte. Those acres, when developed and classified as industrial sites, will create a significant tax obligation which will, frankly, be beyond our ability to pay. Thus, this bill is necessary if we and other economic development organizations are to be able to construct the needed infrastructure to attract economic growth.

There is no formal state-wide organization for private, non-profit economic development organizations like the BLDC. I have discussed the concept of this bill with my counterparts in other Montana cities and have found them generally comfortable and supportive of the concept.

Passage of House Bill 641 will not adversely affect the tax revenues of local governments, schools or the state. Passage of this bill does provide another small tool which would assist organizations such as ours to create economic growth. Passage would make it a policy of the state of Montana to provide incentives on the development of industrial park infrastructures.

EXHIBIT 7
DATE 3/2/89
SB 1

Amendments to Senate Bill No. 1
Third Reading Copy

Requested by Representative Raney
For the Committee on Taxation

Prepared by Paul Verdon
March 1, 1989

1. Page 3, lines 3 and 4.
Following: "either" on line 3
Strike: remainder of line 3 through "(a)" on line 4
2. Page 3, lines 5 and 6.
Following: "excluding" on line 5
Strike: remainder of line 5 through "(i)" on line 6
3. Page 3, lines 7 through 9.
Following: "production," on line 7
Strike: remainder of line 7 through line 9
Insert: ", "
4. Page 3, line 11.
Strike: "(b)"
5. Page 3, line 11.
Following: "15-35-107."
Insert: "Contract sales price includes all royalties paid on
production, no matter how such royalties are calculated."

EXHIBIT 8
DATE 3/2/89
HB 589
Rep. R. Hoffman

Amendments to House Bill No. 589
First Reading Copy

Requested by Representative Hoffman at the Request of
the Gallatin County Commissioners

For the Committee on House Taxation
Prepared by Connie Erickson

March 1, 1989

1. Page 3.

Following: line 13

Insert: "(4) Determination of approval or rejection of the
proposed resort area and resort tax must follow the
procedure provided in 20-9-428."

2. Page 8.

Following: line 19

Insert: "(c) The governing body must be reimbursed from the tax
relief fund for costs associated with the collection,
administration, and litigation of the resort area tax."

EXHIBIT 7
DATE 3/2/89
HB 589
Rep. R. Hoffman

Amendments to House Bill No. 589
First Reading Copy

Requested by Representative Hoffman
For the Committee on House Taxation

March 1, 1989

1. Page 2, line 13.
Strike: "and"

2. Page 2.

Following: line 15

Insert: "(b) has a population of less than 4,500 according to the
most recent federal census or federal estimate prior to [the
effective date of this act]; and"

Renumber: subsequent subsection

EXHIBIT 10
DATE 3/2/89
HB 589
Rep. R. Hoffmann

Amendments to House Bill No. 589
First Reading Copy

Requested by O'Keefe
For the Committee on

Prepared by Greg Petesch
March 1, 1989

1. Page 2, line 24.
Following: "establishment"
Insert: "or repeal"
Following: "area"
Insert: "designation"
2. Page 2, line 25.
Following: "imposing"
Insert: "or repealing"
3. Page 3, line 3.
Following: "proposed"
Insert: "or existing"
4. Page 3, line 6.
Following: "impose"
Insert: "or repeal "
5. Page 8, line 2.
Following: "relief"
Insert: "-- distribution"
Following: "(1)"
Strike: "Unless"
Insert: "Subject to subsection (3), unless"
6. Page 8, line 20.
Following: line 19
Insert: "(3) Fifteen percent of all revenue derived from a resort area tax must be distributed to the state for deposit in the general fund. Distribution of the state share of resort area tax revenue must be made on a quarterly basis."

EXHIBIT 11
DATE 3/2/89
HB 125
Rep. W. Harrington

PROPOSED AMENDMENTS TO HOUSE BILL 125

PAGE 1, LINE 6, FOLLOWING "UNIT"

STRIKE: "IF THE PURCHASING POWER OF THE TAXING UNIT HAS DECREASED AT LEAST ONE PERCENT IN THE PREVIOUS CALENDAR YEAR."

PAGE 1, LINE 11, FOLLOWING "ELECTORS"

STRIKE: "TO REMOVE THE 1986 LEVEL LIMITATION ON LEVIES OR TO INITIATE A DIFFERENT LIMITATION."

PAGES 1 AND 2

STRIKE: NEW SECTION. SECTION 1 IN ITS ENTIRETY.

PAGE 6

STRIKE: LINES 7, 8, 9 AND 10.

PAGE 7, LINE 5, FOLLOWING "CONTROL."

INSERT: "THIS AUTHORITY INCLUDES BUT IS NOT LIMITED TO LEVIES FOR GROUP HEALTH, DISABILITY, WORKERS' COMPENSATION AND LIABILITY INSURANCE, PENSIONS AND FIREMENS' RELIEF, WHICH MAY BE SEGREGATED FROM THE BUDGET AND INCREASED IN ACCORDANCE WITH ACTUAL COSTS BEGINNING IN FISCAL YEAR 1990."

PAGE 7, LINE 8, FOLLOWING "LIABILITY"

STRIKE: "AT A GENERAL ELECTION. THE VOTERS IN A TAXING UNIT MAY APPROVE THE REMOVAL OF THE LIMITATION OR THE ESTABLISHMENT OF A DIFFERENT LIMITATION, EITHER IN THE NUMBER OF MILLS TO BE LEVIED FOR ONE OR MORE FUNDS OR IN REFERENCE TO THE AMOUNT OF A PARTICULAR LEVY."

(B) THE VOTERS IN A TAXING UNIT MAY APPROVE AN INCREASE IN TAX LIABILITY AT A SPECIAL ELECTION HELD"

VISITORS' REGISTER

HOUSE TAXATION

COMMITTEE

BILL NO. HB 634DATE March 2, 1989SPONSOR Rep. Norm Wallin

NAME (please print)	RESIDENCE	SUPPORT	OPPOSE
RON DE YONG	MT. FARMERS UNION		✓
STEVE TURKIEWICZ	MT Auto Dealers	✓	
Mike Grimes	MT Auto Dealers	✓	
Robert H. DeRid	MT Auto Dealers	✓	
Jim MANN	MT	✓	
James Burr	Montana taxpayers assoc	✓	
Chuck Stearns	City of Missoula		✓
Kevin Bryan	Yellowstone County		✓
LARRY AKEY	MT CAR RENTAL ASSOC	✓	
Grady Morris	MACS.		
Terry Minow	MFSE		
Alsc Housew	MLCT		✓
Mervin Barber	MT association		✓
Shelly Laine	City of Helena		✓

IF YOU CARE TO WRITE COMMENTS, ASK SECRETARY FOR WITNESS STATEMENT FORM.

PLEASE LEAVE PREPARED STATEMENT WITH SECRETARY.

Y.

COMMITTEE

DATE March 2, 1989

2

[illegible]

1

PLEASE LEAVE PREPARED STATEMENT WITH SECRETARY.

VISITORS' REGISTER

HOUSE TAXATION

COMMITTEE

BILL NO. HB 641DATE March 2, 1989SPONSOR Rep. Joe Quilici

NAME (please print)	RESIDENCE	SUPPORT	OPPOSE
<i>Gordon Morris</i>	<i>MAB</i>	✓	
<i>CHRIS GALLUS</i>	<i>B.S.B. & Butte Local Dev.</i>	✓	

IF YOU CARE TO WRITE COMMENTS, ASK SECRETARY FOR WITNESS STATEMENT FORM.

PLEASE LEAVE PREPARED STATEMENT WITH SECRETARY.

ROLL CALL VOTE

TAXATION

COMMITTEE

DATE March 2, 1989 BILL NO. SB 1 NUMBER

NAME	AYE	NAY
Cohen, Ben	✓	
Driscoll, Jerry	✓	
Elliott, Jim	✓	
Ellison, Orval		✓
Giacometto, Leo		✓
Gilbert, Bob		✓
Good, Susan		✓
Hanson, Marian		✓
Hoffman, Robert		✓
Koehnke, Francis	✓	
O'Keefe, Mark	✓	
Patterson, John		✓
Raney, Bob	✓	
Ream, Bob	✓	
Rehberg, Dennis		✓
Schye, Ted	✓	
Stang, Barry "Spook"	✓	
Harrington, Dan, Chairman	✓	

TALLY

10 8

LaHue John
Secretary

Chairman

MOTION: DO PASS on Rep. Raney's amendments to SB 1.

Motion carried by a 10 to 8 vote.