

## MINUTES

### MONTANA HOUSE OF REPRESENTATIVES 51st LEGISLATURE - REGULAR SESSION

#### COMMITTEE ON TAXATION

Call to Order: By Chairman Harrington, on March 8, 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: Chairman Harrington announced his subcommittee on HB 747 with Rep. Ream as chairman, and Reps. Elliott and Rehberg.

#### HEARING ON HOUSE BILL 737

#### Presentation and Opening Statement by Sponsor:

Rep. Jack Ramirez, House District 87, stated the purpose of the bill is to eliminate the 10 and 11% marginal rates from the state income tax. He said the bill is revenue neutral and the rates are the highest in the nation which is not favorable for economic development in the state.

#### Testifying Proponents and Who They Represent:

None.

#### Proponent Testimony:

None.

#### Testifying Opponents and Who They Represent:

Ed Sheehy, Helena, Montana Federation of the National Association of Retired Federal Employees  
Rock Ringling, Montana Alliance for Progressive Policy  
Greg Grepher, Office of Public Instruction  
Phil Campbell, Montana Education Association

#### Opponent Testimony:

Ed Sheehy stated there was no reason to change higher rates of income tax and not the lower rates. Mr. Sheehy stated there are 8,900 people in Montana who receive federal

retirement payments. He said this income is taxed at the federal and at the state level. Mr. Sheehy stated there currently is a case in the U. S. Supreme Court involving a person who is suing the state of Michigan on the basis that the tax is discriminatory against federal retirees. He said if the court rules favorably in this case, it will have a definite impact on the state of Montana because the tax situation is the same.

Rock Ringling stated his organization supports lowering income tax rates but HB 737 makes the income tax less progressive by eliminating the top two brackets. He stated this bill will effect people already carrying the greatest portion of the tax burden. He said any income tax adjustments should treat everyone in a fair and equitable manner.

Greg Grepher stated his organization would like to reserve judgement on the bill until they could see a fiscal note but the committee should be aware that tax reform should apply to all the tax areas of the state and should do more than just lower income tax rates.

Phil Campbell stated it was unlikely this bill was revenue neutral. He stated the MEA supports making taxes more equitable but lowering the top rates only does not do this. He said he would also need to see the fiscal note before making a definite judgement.

Questions From Committee Members: Rep. Cohen asked Steve Bender, Department of Revenue, who was in the audience what the income tax rate would be under this bill for someone with a \$50,000.00 per year income. Mr. Bender replied he could not answer. He said he thought the bill was close to revenue neutral but he could not answer anything about a specific income level.

Closing by Sponsor: Rep. Ramirez stated this bill would be a vehicle to use to try to reform the income tax rates. He said the two highest marginal rates discourage business development. Rep. Ramirez said Montana's tax system is the highest in the nation and this bill will help to make the system competitive with other states. He said the state must be reasonable and practical and adjust the state taxes to conform with the federal tax reform.

#### DISPOSITION OF HOUSE BILL 737

Motion: None.

Discussion: None.

Amendments, Discussion, and Votes: None.

Recommendation and Vote: Chairman Harrington stated the

committee would wait until they received the fiscal note before taking any action on the bill.

HEARING ON SENATE BILL 206

Presentation and Opening Statement by Sponsor:

Senator Gerry Devlin, Senate District 13, stated SB 206 would place a floor on tax assessments for real property. Senator Devlin said in some cases, with old property lots, the administrative costs to collect the taxes are more than the tax amounts. Sen. Devlin stated there was no fiscal note and no one seemed sure how many parcels of land would come under the bill.

Testifying Proponents and Who They Represent:

Gordon Morris, Montana Association of Counties  
Cort Harrington, Montana County Treasurer's Association

Proponent Testimony:

Gordon Morris stated his association had been a long time advocate of establishing a minimum on property tax. He suggested that \$5.00 might be more appropriate than the Senator's \$4.00 minimum in the bill.

Cort Harrington stated his association supports the bill.

Testifying Opponents and Who They Represent:

None.

Opponent Testimony:

None.

Questions From Committee Members: Rep. Driscoll asked Sen.

Devlin if this was the entire tax bill such as if a taxpayer is in a soil conservation district and the assessment is .36 cents, would they now pay \$5.00. Sen. Devlin replied they would as it was his understanding that anything that falls under the particular taxing jurisdiction is included. Rep. Driscoll then referred this to Cort Harrington who stated the intent is if the county treasurer sends out a bill, each bill includes all assessments, if this is less than \$5.00, the tax would still be \$5.00.

Rep. Elliott asked Cort Harrington how these monies will be allocated. Mr. Harrington replied the intent is just to spread this for each tax jurisdiction.

Rep. Schye asked Mr. Harrington if this is an increase for the counties but it costs \$4.50 to send out the bills, it would be a break even situation.

Rep. Ream asked Sen. Devlin if this applied to personal property tax as well. Sen. Devlin replied anything under 15-16 101 property tax would apply.

Closing by Sponsor: Sen. Devlin stated the county appraiser brought this suggestion to him. He said this will pay the administrative costs incurred by the counties in collecting these taxes.

#### DISPOSITION OF SENATE BILL 206

Motion: DO PASS by Rep. Hanson.

Discussion: Rep. Rehberg objected to the bill stating this was legitimizing a nuisance tax and saw no reason to create a minimum tax. Rep. Schye stated the land cannot be taken off the property tax. Rep. Rehberg then stated the system should be changed if that is the case. Rep. Hoffman stated the law requires that all property must be on the tax rolls. Rep. Elliott stated the tax is a penalty on the property owner because his tax burden is less than \$5.00.

Amendments, Discussion, and Votes: None.

Recommendation and Vote: Motion CARRIED by an 11 to 6 roll call vote.

#### HEARING ON HOUSE BILL 622

Presentation and Opening Statement by Sponsor:

Rep. Jerry Driscoll, House District 92, stated HB 622 is a tax on unsafe employers. He said there were 25,000 lost time accidents in the state in FY'87. Rep. Driscoll stated with regard to worker's compensation, if a trucker has an accident, all trucking companies rates go up whether they have had accidents or not since the rates are controlled by the classification involved. He said this bill would put a .3 of 1% additional tax on all employers who have an incurred loss in any given year of 75% or greater. He stated the funds would be used for safety training in the work place. He said there is no reward for safety, only punishment for accidents. Rep. Driscoll stated there must be a way to reduce the accident rate in the work place.

Testifying Proponents and Who They Represent:

Bill Palmer, Interim Administrator, Worker's Compensation

Proponent Testimony:

Bill Palmer stated that the department did not take any position on the bill one way or the other but he said there

were areas of concern. He stated the bill effects all employers and the self-insurers must report all their payroll by class once each year. Mr. Palmer said the loss will have to be calculated by the insurer as of June 30 and any employer whose loss ratio exceeds 75% will be subject to the .3 of 1% tax for the year. He stated employers will report on the same form currently used with their employer payroll tax but their will have to be modification.

Testifying Opponents and Who They Represent:

Gordon Morris, Association of Counties  
George Wood, Executive Secretary, Montana Self-Insurers  
Association  
Buck Bowles, Montana State Chamber of Commerce  
John Lawton, Assistant City Administrator, Billings

Opponent Testimony:

Gordon Morris stated that under this bill, .3 of 1% tax would apply to his organization. He said this would have an impact on counties of approximately \$300,000.00 per year. He stated the committee should consider the Drake Amendment which states that if there is any new imposition of duties or expenses on local governments, the money must be appropriated to the counties or they must be given the local taxing authority to meet this obligation. Mr. Morris stated his organization currently had their own risk management program and they have a good safety record. He said counties and local governments should not be factored into this program.

George Wood stated he would agree with Mr. Morris and that his organization has a very sophisticated safety program. Mr. Wood said their principal objection to the bill was the payroll tax. He said there is confusion as to when the levy would apply and when it ends. Mr. Wood stated this area needed to be addressed. He said there is a considerable number of employers with premiums under \$200.00. He said one accident is a disaster for them since it would put them into the .3 of 1% tax. He urged a do not pass on the bill.

Buck Bowles stated there was no cap in the bill on how long the tax would have to be paid. He said he objected to this additional tax load on employers and this would make it more difficult to create jobs in the state.

John Lawton stated he did not think cities and counties should be included in the bill. Mr. Lawton explained that the reason they withdrew from the state group insurance was because they could not get, as a group, the kind of loss control and safety training they needed. He said, as a result, they formed their own self-insured pool and now have their own safety program.

Questions From Committee Members:

Rep. Raney asked Rep. Driscoll how he arrived at the 75% loss ratio. He replied if \$10,000.00 was paid in premiums, and there was a \$7,500.00 accident or greater, the employer would be in that class. Rep. Raney then asked Gordon Morris why are the counties having difficulty preventing injuries. Mr. Morris replied there were a lot of variables that would have to be considered such as whether or not this is being done on a per county basis. He said they were currently operating slightly below the 75% threshold in the bill and one loss in any one area could be a problem. Rep. Raney then referred the same question to Rep. Driscoll who stated under the bill, the counties remain self-insurers as a group and they are not covered unless they start having numerous accidents.

Rep. Cohen asked Mr. Palmer if he had an employer who has two employees, does the employer receive a modification if one of his employees is hurt. Mr. Palmer replied in order to qualify for this, the employers have to pay a premium of \$2,500.00 so he would guess that the small employer would not qualify in this respect. Rep. Cohen then asked Rep. Driscoll if he would object to an amendment exempting the employers with the less than \$2,500.00 premiums. Rep. Driscoll replied that if the employees are in a low rate class, they would not pay this tax but if the employees are in a high rate class, the employer would be paying \$2,500.00 or more.

Rep. Gilbert stated he did not think the .3 of 1% tax would bring in enough money to fund the training program plans. He said the bill sets up a board and then a grants and training program. He stated the bill would benefit a few at the expense of many. Rep. Driscoll replied the fiscal note will show \$3,000,000.00 to \$4,000,000.00 per year for the fund. He said .3 of 1% on 75% loss ratio should provide for this and the safety programs will assist people to avoid accidents. Rep. Gilbert then asked Rep. Driscoll is he would object to an amendment to exclude trade associations in the bill. He replied if they have a current safety program, they are excluded but he would be happy to work with Rep. Gilbert to draft an amendment in this area.

Rep. Koehnke asked about the ending of the tax. Rep. Driscoll stated the tax is paid only in the years when the employer exceeds the 75% loss rate; if he does not exceed this rate, he does not pay the tax.

Closing by Sponsor: Rep. Driscoll stated there had been a 19% increase in accidents per year in the state which is an unfunded liability of \$175,000,000.00. He said there must be an effort to stop this loss. Rep. Driscoll stated the small employers cannot pay these premiums and under the bill, worker's compensation will not be increased.

DISPOSITION OF HOUSE BILL 622

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 745

Presentation and Opening Statement by Sponsor:

Rep. John Patterson, House District 97, stated he did not sign the fiscal note because of problems with the amount of impact indicated. He suggested that the committee might want to wait for a sponsor's fiscal note before taking any action on the bill. He said the bill will exempt from taxation farm machinery in class 8 property tax that is ten years or older and not self-propelled. He submitted a farm equipment and livestock reporting form to the committee. (Exhibit 1). Rep. Patterson said old machinery has little value due to the ever increasing technology. He stated the small family farmer will benefit from the bill and not the large corporation.

Testifying Proponents and Who They Represent:

Jerry Jack, Executive Vice President, Montana Stockgrower's Association and Farmer's Union  
Kay Norenberg, Women Involved in Farming and Economics

Proponent Testimony:

Jerry Jack stated the Farmer's Union supports the bill. He said the Stockgrower's support would be conditional depending on the fiscal note and the resultant financial impact on taxation.

Kay Norenberg stated her organization likes the concept of the bill and supports it but did have some concern with the fiscal impact.

Testifying Opponents and Who They Represent:

Gordon Morris, Association of Counties  
Phil Campbell, Montana Education Association  
Greg Grepher, Office of Public Instruction

Opponent Testimony:

Gordon Morris stated his organization could not support the bill because of the financial impact for counties.

Phil Campbell stated he had concerns with the fiscal impact of the bill. He said this would be cutting the tax base without revenue replacement.

Greg Grepher also expressed concern with the fiscal impact. Mr. Grepher said in 1985, the property tax on machinery under \$100.00 value was eliminated and on farm buildings under \$500.00 value. He said the bill could set a precedent in exempting machinery ten years and older since this could apply to other industries as well. He stated the problem is not with the intent of the bill but with the whole issue of tax reform.

Questions From Committee Members: Rep. Good asked Jerry Jack if there was a depreciation schedule on the equipment ten years and older. Mr. Jack said he was not sure but he believed it was depreciated out over a ten year period depending on the equipment. Rep. Patterson stated the depreciation schedule is only effective if there is income tax paid. He said there had been little income in agriculture in the past few years.

Rep. Stang asked Ken Morrison, Department of Revenue, who was in the audience, what tax was paid on the equipment when it is ten years old or older. Mr. Morrison replied he thought it was about 20%.

Closing by Sponsor: Rep. Patterson stated the concept of the bill is viable. He said he did have problems with the fiscal note and asked the committee to wait for his sponsor's fiscal note before taking action on the bill.

#### DISPOSITION OF HOUSE BILL 745

Motion: None.

Discussion: None.

Amendments, Discussion, and Votes: None.

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

#### EXECUTIVE SESSION

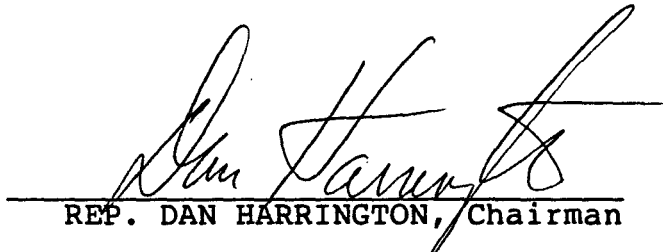
DISPOSITION OF HOUSE BILL 181 HEARD ON JANUARY 24:

MOTION: TO TABLE by Rep. Stang. Motion CARRIED by a 15 to 3 voice vote.



ADJOURNMENT

Adjournment At: 10:30 a.m.



REP. DAN HARRINGTON, Chairman

DH/lj

5415.min

## DAILY ROLL CALL

TAXATION

COMMITTEE

51st LEGISLATIVE SESSION -- 1989

Date March 7, 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	✓		

STANDING COMMITTEE REPORT

March 8, 1989

Page 1 of 1

Mr. Speaker: We, the committee on Taxation report that SENATE BILL 206 (third reading copy -- blue) be concurred in.

Signed: \_\_\_\_\_  
Dan Harrington, Chairman

[REP. \_\_\_\_\_ WILL CARRY THIS BILL ON THE HOUSE FLOOR]

ASSESSMENT  
NUMBER

EXHIBIT 1  
DATE 3/8/89

**FARM EQUIPMENT  
AND  
LIVESTOCK REPORTING FORM**

745  
*Rep. J. Patterson*

SUPPLEMENTAL STATEMENT FOR USE IN REPORTING FARM EQUIPMENT AS OF THE FIRST DAY OF JANUARY 19\_\_\_\_.  
IF EQUIPMENT OR LIVESTOCK IS LOCATED ON YOUR PROPERTY AND OWNED BY OTHERS, PLEASE FILL OUT SCHEDULE D.

NAME \_\_\_\_\_  
ADDRESS \_\_\_\_\_ ROUTE \_\_\_\_\_ BOX \_\_\_\_\_  
CITY \_\_\_\_\_ STATE \_\_\_\_\_ ZIP CODE \_\_\_\_\_ PHONE # \_\_\_\_\_  
LOCATION OF MAIN BUILDINGS \_\_\_\_\_ S.D. NO. \_\_\_\_\_ SEC. \_\_\_\_\_ TWP. \_\_\_\_\_ RGE. \_\_\_\_\_

LIST ADDITIONS OR DELETIONS OF BUILDINGS, MOBILE HOMES, AND CHANGES IN LAND USES SINCE LAST REPORT.

IF RENTING PLEASE LIST LANDLORD'S NAME \_\_\_\_\_

READ INSTRUCTIONS ON PAGE SIX BEFORE FILLING OUT THIS FORM. ALL APPROPRIATE ITEMS MUST BE FILLED IN AND FORM  
RETURNED TO THE ASSESSOR'S OFFICE WITHIN 30 DAYS IF LIVESTOCK ARE REPORTED AS AVERAGE INVENTORY. WHEN  
REPORTED ON MARCH 1st, FORM MUST BE RETURNED BY MARCH 15. DATE MAILED \_\_\_\_\_

**GENERAL INSTRUCTIONS: THIS FORM MUST BE ITEMIZED**

1. Print name and address as it should appear on the tax roll of your county.
2. Complete information regarding the location of your property.
3. List all your property in the proper schedule. Refer to the specific instructions for each schedule.
4. List all the required information.
5. Sign and date the affidavit at the bottom of page one before returning this form to the County Assessor's Office.
6. Return the completed form to the County Assessor's Office.
7. If assistance is needed, please contact the County Assessor's Office.
8. Valuation procedures can be reviewed in the County Assessor's Office.
9. This return is subject to audit by the State of Montana, Department of Revenue.
10. All market values will be computed by the County Assessor's Office.

REAL ☐ PERSONAL ☐ SCHOOL DISTRICT ☐

FOR ASSESSOR'S USE ONLY:

	RECAPITULATION	CODE	CLASS	%	MARKET	TAXABLE
SCHEDULE A LIVESTOCK						
SCHEDULE B LIVESTOCK			CLASS 6	4%		
SCHEDULE C SADDLES AND TACK		6112	CLASS 16	11%		
SCHEDULE D OTHER PERSONAL PROPERTY						
SCHEDULE E FURNITURE AND FIXTURES		6311	CLASS 9	13%		
SCHEDULE F SHOP EQUIPMENT AND TOOLS		6512	CLASS 7	8%		
SCHEDULE G AG. MACH., EQUIP & IMPLEMENTS		6111	CLASS 8	11%		
SCHEDULE H HEAVY EQUIPMENT		6511	CLASS 8	11%		

**AFFIDAVIT OF PERSON LISTING THE WITHIN PROPERTY**

I, the undersigned, do swear (or affirm) that I am a resident of the County of \_\_\_\_\_, State of \_\_\_\_\_  
that my post office address is \_\_\_\_\_; that the within list  
contains a full and correct statement of all property subject to taxation which I, or any firm of which I am a member, or any corporation,  
association or company of which I am President, Secretary, Cashier or Managing Agent, owned, claimed, possessed or controlled  
at 12 o'clock A.M. on the first day of January last and which is not already assessed this year, and that I have not in any manner  
whatsoever transferred or disposed of any property or placed any property out of said County, or my possession, for the purpose  
of avoiding any assessment upon the same or of making this statement.

Date \_\_\_\_\_ SIGN HERE (PREPARER) X \_\_\_\_\_

## COMMITTEE

HB 737

March 8, 1989

SPONSOR Rep. Jack Ramirez

[illegible]

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

PLEASE LEAVE PREPARED STATEMENT WITH SECRETARY.

## VISITORS' REGISTER

HOUSE TAXATION

COMMITTEE

BILL NO. SB 206DATE March 8, 1989SPONSOR Senator Gerry Devlin

NAME (please print)	RESIDENCE	SUPPORT	OPPOSE
<i>Col Harrington</i>	<i>County Treasurers Assoc</i>	<i>X</i>	
<i>Dorinda Morris</i>	<i>M A Co</i>	<i>X</i>	
<i>CHRIS GALLUS</i>	<i>BUTTE - SILVER BOW</i>	<i>X</i>	

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

PLEASE LEAVE PREPARED STATEMENT WITH SECRETARY.

# VISITORS' REGISTER

## HOUSE TAXATION

COMMITTEE

BILL NO. HB 622

DATE March 8, 1989

SPONSOR Rep. Jerry Driscoll

[illegible]

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

PLEASE LEAVE PREPARED STATEMENT WITH SECRETARY.

## COMMITTEE

SPONSOR Rep. John Patterson

PLEASE LEAVE PREPARED STATEMENT WITH SECRETARY.



# ROLL CALL VOTE

TAXATION

COMMITTEE

DATE March 8, 1989 BILL NO. SB 206 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

*LaMara Jahn*  
Secretary

*Barry Stang*  
Chairman

MOTION: DO PASS. MOTION CARRIED.