

## MINUTES

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

#### COMMITTEE ON TAXATION

Call to Order: By Chairman Harrington, on March 30, 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: Documents regarding tax impacts on  
schools were submitted to the committee by Nancy Keenan's  
office. (Exhibit 1).

#### HEARING ON SENATE BILL 410

#### Presentation and Opening Statement by Sponsor:

Senator Tom Beck, District 24, stated SB 410 clarifies the value of the gross proceeds tax on metal mines. Sen. Beck submitted amendments to the bill. (Exhibit 2). He stated the bill includes increasing the metal mines license tax from 1.5 to 1.8%, removing the metal mines from the resource indemnity trust tax to some extent by increasing the rate the industry pays to the metal mines tax to compensate for other losses of revenue, and placing the tax on receipts rather than gross proceeds. He said there is a redistribution plan for funds to go to the various districts.

#### Testifying Proponents and Who They Represent:

Gary Langley, Executive Director, Montana Mining Association  
Dennis Burr, Montana Taxpayers Association  
Don Peebles, Chief Executive, Butte-Silver Bow  
James McCauley, Commissioner, Jefferson City  
Mark Blair, ASARCO  
Dave Fuller, Chairman, Lewis & Clark County Commission  
John Dudis, Attorney, Black Pine Mine, Kalispell  
Rep. Dave Brown, House District 62  
Ward Shanahan, Attorney, Sweetwater Mine  
John Fitzpatrick, Pegasus Corporation

#### Proponent Testimony:

Gary Langley stated his association represented the major producers of the state. He said the intent of SB 410 is to clarify the tax liability of the mining industry and would allow for predictability and consistency in this area. He said this was needed in order to assist the industry to more accurately predict their costs. He urged support of the bill.

Dennis Burr stated SB 410 is an attempt to establish a fair tax base for the mining industry. He said the rates have been adjusted to provide the same amount of revenue and this is a fair method of setting the tax base. He urged support of the bill.

Don Peebles stated it was important to have a strong, competitive industry. He said he was satisfied that the bill was revenue neutral without impact on schools and local governments. He urged support of the bill.

James McCauley stated the bill allows local governments more flexibility and supports the simplification of the tax system.

Mark Blair expressed support for the bill due to the tax simplification while still providing the necessary funds to local governments.

Dave Fuller stated he agreed with the previous proponents and also supported the simplification and fairness of the tax issue.

John Dudis spoke in support of the bill. (Exhibit 3).

Rep. Dave Brown concurred with the philosophy of the bill but was concerned about possible fiscal impacts. He asked the committee not to act upon the bill until he could determine the exact figures on the impact of close down accounts. He said it could be a 70% impact of funds and he considered this too high.

Ward Shanahan stated the bill has been changed a number of times to try to make it revenue neutral. He said it was not neutral according to the previous application of the taxes. He said his company was interested in the concept of the bill and would be willing to work on it.

John Fitzpatrick stated the close down accounts Rep. Brown referred to were established to provide assistance in the event of any mine discontinuing operations. He said this account is a wasted asset since it does not collect interest. Mr. Fitzpatrick stated, under this bill at a rate of 8%, the account will continue to receive \$500,000.00 per year. He said the account is growing rapidly and will be \$10,000,000.00 by 1991. He suggested the account should be protected by either allocating it to local governments for

investments or placing it in an interest bearing trust account. He stated SB 410 combines the RITT tax and the metal mines tax into a single entity with funds still allocated to the RITT fund and is really not a tax decrease for the industry. He stated Pegasus was in support of the bill and Sen. Beck's amendments.

Testifying Opponents and Who They Represent:

Jack Heyneman, Chairman, Stillwater Protective Association  
Brent Quick, Northern Plains Resource Council  
John Beaudig, Stillwater County Commissioner and City Planner  
Rep. Vern Keller, House District 63

Opponent Testimony:

Jack Heyneman spoke in support of the bill. (Exhibit 4).

Brent Quick stated local counties do not receive their current allocation under SB 410. He said there would be \$300,000.00 less available to local governments due to the tax changes in the bill. Mr. Quick submitted proposed amendments to the bill. (Exhibit 5). He thanked the committee for their time.

John Beaudig stated he did not object to the stated purpose of the bill but he objected to the county reallocations since the county would lose 14% of their current revenues under present law. He said the county of Stillwater would be happy to work with the industry on this bill. He submitted a letter from the Stillwater County Commissioners. (Exhibit 6).

Rep. Vern Keller stated he was concerned with the fiscal impact of the bill and the allocation of funds. He said, in the event of a mine close-down in Stillwater County, there would not be enough funds to cover the costs involved. He concurred with Rep. Brown on the need for further work on the bill.

Questions From Committee Members: Rep. Driscoll asked Rep. Brown about the hard rock mining trust and the possibility of the money being confiscated by the Legislature. Rep. Brown stated that was always a possibility but the funds are held in escrow for each county where the mine is located and it would be very difficult to justify using these funds. Rep. Driscoll then asked Mr. Shanahan about the revenue neutrality of the bill and stated this would be a tax cut for the industry since it reduces the mill levy. Mr. Shanahan replied revenue neutrality has different aspects. He said one is the taxpayer who does not want a tax increase and the other is the funding of local governments. He said neutrality should be viewed from the total effect, not one aspect. Rep. Driscoll asked if the bill was currently

revenue neutral and Mr. Shanahan replied he was not sure.

Rep. Ream asked Rep. Brown about the impact to local governments concerning "up front" income. Rep. Brown replied the "up front" income is dependent upon the mine production and is therefore somewhat precarious. He said the purpose of having close down accounts is to avoid the disastrous effects of a mine discontinuing operations.

Rep. Raney asked Mr. Fitzpatrick about the distribution of the funds under the bill. Mr. Fitzpatrick replied his industry had agreed that funds would go to the RITT and to environmental concerns. Rep. Raney then asked Mr. Fitzpatrick about the gross proceeds lawsuit against the state. Mr. Fitzpatrick answered the gross proceeds has to do with the value of the mineral product which is difficult to establish since the product is raw ore. He said the mines sell a partially completed product and the company based their tax on their sales while the DOR based the tax on the metal. He said this bill will clarify these issues.

Closing by Sponsor: Sen. Beck stated there was obvious disagreement on the fund allocation in the bill but not on the intent. He said the counties have the opportunity to place these funds in a trust themselves. Sen. Beck stated he would be willing to work with everyone on the bill to iron out any differences. He thanked the committee for a good hearing.

#### DISPOSITION OF SENATE BILL 410

Motion: None.

Discussion: None.

Amendments, Discussion, and Votes: None.

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

#### HEARING ON SENATE BILL 392

##### Presentation and Opening Statement by Sponsor:

Senator Bob Brown, District 62, stated the bill is an act to exempt from taxation certain property used in the production of movies and television commercials if the property is in the state of Montana for less than 180 days. He said if the property is located in the state for a longer period of time, it is subject to property tax until the end of the year. Sen. Brown stated that several years ago, a movie company made a movie in Glacier County. He said the county assessor decided their property was subject to the migratory personal property tax and the company was required to inventory all of their equipment, most of which was leased.

He stated the amount of tax collected was infinitesimal but the inconvenience to the company was major. He said there was a sunset date in the bill of 1993 at which time the bill could be renewed if there were no problems with local movie production companies. Sen. Brown stated this bill is needed in order to promote this business in Montana which has the scenic beauty and open space which makes it very attractive to film producers.

Testifying Proponents and Who They Represent:

John Wilson, Administrator, Montana Promotion Division,  
Department of Commerce  
Bonnie Tippy, Montana Innkeeper's Association  
Don Engles, Montana Chamber of Commerce  
Greg Bryan, President, Glacier County Tourism  
Rep. Bob Ream, House District 54  
Rep. Bob Raney, House District 82

Proponent Testimony:

John Wilson submitted a graph explaining the motion picture production dollars spent in Montana since 1983. (Exhibit 7). Mr. Wilson spoke in support of the bill. (Exhibit 8).

Bonnie Tippy stated her organization sends representatives to movie producer's trade shows in California each year to encourage the production of movies in Montana. She said passage of this bill will benefit the state in obtaining this type of business. She urged support of the bill.

Don Engles indicated support for the bill.

Greg Bryan stated his organization works to support economic growth in the state. He said the movie production business is attracted to the state's scenic beauty and is ideal for this particular endeavor. He urged passage of the bill.

Rep. Bob Ream urged support of the bill. He stated his wife is co-director and producer of a Missoula film company. He said this was a nuisance tax and should be eliminated.

Rep. Bob Raney urged support of the bill.

Testifying Opponents and Who They Represent:

None.

Opponent Testimony:

None.

Questions From Committee Members: Rep. Driscoll asked Mr. Wilson about section 3 on taxation of vehicles, since a lot of the equipment for movie production is carried by truck into the

state, would these trucks be exempt from the pro rate fee. Mr. Wilson said they would not if the trucks were owned or leased by the company but if they were merely renting a truck for hauling, it would be subject to all applicable taxes.

Closing by Sponsor: Sen. Brown made no further comment.

#### DISPOSITION OF SENATE BILL 392

Motion: DO PASS by Rep. Giacometto.

Discussion: None.

Amendments, Discussion, and Votes: None.

Recommendation and Vote: Motion CARRIED by unanimous voice vote.

#### HEARING ON SENATE BILL 461

##### Presentation and Opening Statement by Sponsor:

Senator Joe Mazurek, District 23, stated SB 461 is a Senate Taxation Committee bill. He said the Department of Revenue made a proposal to provide for pro-rated refunds on personal property that comes into the state because of a Helena District Court decision that ruled the method of prorating this personal property was unconstitutional. Sen. Mazurek said the tax on migratory personal property has to be paid for the full year if the property is in the state on January 1 under the current system. He said if the property comes into the state after the first of the year and leaves before the end of the year, the tax is prorated for the exact time period. He stated the court ruled this disparity was unconstitutional. Sen. Mazurek submitted a document covering this type of tax in other states. (Exhibit 9). He said the bill provides proration from the time of entry into the state until the end of the year and payment for the actual time in the state.

##### Testifying Proponents and Who They Represent:

Marvin Barber, County Assessors Association

##### Proponent Testimony:

Marvin Barber thanked Senator Mazurek for carrying the bill. He stated the primary reason the assessors support the bill is that if the property is in the state prior to the second Monday in July, the assessors certify the mill levies for the county and the school district and they must sign an affidavit that they have done everything possible to identify and assess all property to be taxed. He said they were essentially guaranteeing the revenue. He urged support

of the bill.

Testifying Opponents and Who They Represent:

None.

Opponent Testimony:

None.

Questions From Committee Members: Rep. Stang asked Sen. Mazurek about property owners that receive a rebate for taxes paid in other states. He asked if this bill will eliminate this rebate provision. Sen. Mazurek replied it would not.

Rep. Koehnke asked if this would not apply to any case. Sen. Mazurek referred this to Ken Morrison of the Department of Revenue who stated many states do not tax migratory personal property so there would be no tax paid in other states.

Rep. Patterson asked Sen. Mazurek how this would apply to oil well rigs. Sen. Mazurek responded they would pay the tax from the time they arrive to the end of the year.

Closing by Sponsor: Sen. Mazurek thanked the committee.

DISPOSITION OF SENATE BILL 461

Motion: DO PASS by Rep. Patterson.

Discussion: Rep. Ellison stated there was a very real need for the bill. Rep. Gilbert said he would support the bill only if he knew that Rep. Stang's bill is not invalid. Rep. Stang stated the bill is still in effect and addresses some of the problems mentioned by Rep. Patterson in regard to the oil rigs and logging equipment. He said his bill only applied to property assessed on January 1.

Amendments, Discussion, and Votes: None.

Recommendation and Vote: Motion CARRIED by a unanimous voice vote.

EXECUTIVE SESSION

DISPOSITION OF SENATE BILL 283 HEARD ON MARCH 15:

MOTION: DO PASS by Rep. Giacometto and moved his amendments.

DISCUSSION: Rep. Giacometto stated his amendments change the date in the bill to December 31, 1991 instead of 1993 and includes the coal severance tax credits.

Rep. O'Keefe asked if this was to reinstate the authority to use

the tax credit against the coal severance tax. Rep. Giacometto concurred but stated the time period was shortened for this. Rep. Driscoll asked about page 2, line 11, regarding "may not exceed \$3,000,000.00", as to whether this was effected. Rep. Giacometto stated it was not. Rep. Raney asked if this wasn't just a six month extension. Rep. Giacometto stated it was but it also included the coal severance tax credit.

The motion to DO PASS on the amendment CARRIED by an 11 to 6 voice vote.

Rep. O'Keefe moved an amendment on page 2, line 11, to strike \$3,000,000.00, insert \$1,500,000.00.

Rep. Giacometto stated if this is decreased to \$1,500,000.00, no credits are available for use. Chairman Harrington stated he opposed the amendment. Rep. Raney said the 1.5 million would actually be a loss to the general fund. Rep. Giacometto stated this was a follow-up on the Build Montana Program.

The motion DO PASS on the amendment CARRIED by a 10 to 8 roll call vote.

The motion to DO PASS AS AMENDED on the bill CARRIED by a 13 to 5 roll call vote.

#### ADJOURNMENT

Adjournment At: 10:55 a.m.

  
\_\_\_\_\_  
REP. DAN HARRINGTON, Chairman

DH/lj

7115.min



# DAILY ROLL CALL

TAXATION

COMMITTEE

51st LEGISLATIVE SESSION -- 1989

Date March 30, 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 30, 1989

Page 1 of 1

Mr. Speaker: We, the committee on Taxation report that Senate Bill 392 (third reading copy -- blue) be concurred in .

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

[REP. BOB REAM WILL CARRY THIS BILL ON THE HOUSE FLOOR]

STANDING COMMITTEE REPORT

March 30, 1989

Page 1 of 1

Mr. Speaker: We, the committee on Taxation report that Senate Bill 461 (third reading copy -- blue) be concurred in.

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

[REP. DAN HARRINGTON WILL CARRY THIS BILL ON THE HOUSE FLOOR]

STANDING COMMITTEE REPORT

March 30, 1989

Page 1 of 1

Mr. Speaker: We, the committee on Taxation report that Senate Bill 283 (third reading copy -- blue) be concurred in as amended.

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

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

And, that such amendments read:

1. Title, line 6.

Strike: "UNTIL JUNE 30, 1993"

Insert: "THROUGH DECEMBER 31, 1991; TO AUTHORIZE COAL SEVERANCE  
TAX CREDIT FOR A QUALIFIED CAPITAL COMPANY THROUGH DECEMBER  
31, 1991"

2. Page 2, line 11.

Strike: "June 30"

Insert: "December 31"

Strike: "\$3"

Insert: "\$1.5"

3. Page 2, lines 14 through 18.

Following: "companies." on line 14

Strike: remainder of line 14 through line 18 in their entirety

4. Page 3, line 14.

Strike: "or"

Insert: ", "

Following: "31"

Insert: ", or 35"

5. Page 3, line 19.

Following: "liability"

Insert: "or coal severance tax liability"

6. Page 4, line 4.

Strike: "5"

Insert: "3 1/2"

EXHIBIT

DATE 3/30/89

HB N/A

As of March 24, 1989  
NANCY KEENAN OPI SCHOOL IMPACT REPORT

## HOUSE TAXATION

Heard	Bill #	Title	State Funds for Schools FY90	State Funds for Schools FY91	Local Schools FY90	Local Schools FY91	Total Education Impact FY90	Total Education Impact FY91
1/12	HB55	Estimation of unclaimed property Assessments (Signed by Governor)		no fiscal information			no fiscal information	
1/20	HB125	Revises property tax freeze= inflation, mandated costs, voted charge (Tabled in Committee)	5,553,000	11,553,000	11,804,000	24,612,000	17,337,000	36,149,000
2/3	HB2361	Amending constitution to dedicate 7.5% of coal severance tax to public school fund (In House - 2nd Reading 3/2) (2nd Reading - not passed)	-0-	-0-	-0-	-0-	-0-	-0-
2/3	HB435	Allow county electors to remove tax freeze for taxing units in county (Tabled in Committee)		no fiscal note			no fiscal note	
2/9	HB494	Revising smokers tobacco tax to aid school foundation program (Tabled in Committee)	724,000	809,000	-0-	-0-	724,000	809,000
2/14	HB588	Revises fee in lieu tax on boats and include other motorized vessels (Scheduled for 2nd Reading 3/27)		no fiscal information			no fiscal information	
3/2	HB634	Replacing 2% tax on light vehicles with a fee in lieu of tax (Tabled in Committee)	1,840,000	1,620,000	3,249,000	2,060,000	5,009,000	4,400,000
3/15	HB664	Alternative minimum tax on Montana individual income (In Committee)	986,000	1,049,000	-0-	-0-	986,000	1,049,000
3/8	HB737	Revising tax rates for individual income taxpayers (In Committee)	342,000	30,000	-0-	-0-	342,000	30,000
3/16	HB764	Revises individual income tax and corporation license tax (In Committee)	11,527,000	11,469,000	35,000	27,000	11,562,000	11,496,000
3/15	HB771	Provide revenue and revise public school funding (In Committee)		no fiscal note			no fiscal note	

## HOUSE TAXATION

As of March 24, 1989  
NANCY KEENAN DPI SCHOOL IMPACT REPORT

Heard	Bill #	Title	State Funds for Schools		Local Schools		Total Education Impact	
			FY90	FY91	FY90	FY91	FY90	FY91
3/9	SB2	Clears up 105 interpretation (Tabled in House Committee)	-0-	-0-	7,689,000	7,689,000	7,689,000	7,689,000
3/9	SB65	Similar to SB 2 (Returned to Senate with Amendments)	-0-	-0-	7,689,000	7,689,000	7,689,000	7,689,000
TOTAL:			20,952,000	22,514,000	22,777,000	35,188,000	43,729,000	61,702,000

1 In FY92, the foundation program would receive 95% of the interest earned on the investment of the indicated amount.

## HOUSE TAXATION

As of March 24, 1989  
NANCY KEENAN OPI SCHOOL IMPACT REPORT

Heard	Bill #	Title	State Funds for Schools FY90	FY91	Local Schools FY90	FY91	Total Education Impact FY90	FY91
1/12	HB4 <sup>1</sup>	Lowere tax for some coal (Will act on 1/18) (Signed by Governor)	(6,000)	(14,000)	-0-	-0-	(6,000)	(14,000)
1/10	HB10	oil tax cuts education trust fund (Tabled 1/11)			no fiscal note		no fiscal note	
1/4	HB15	Exempt motorboats & HP or less (Tabled 1/12)	(9,000)	(9,000)	(14,000)	(14,000)	(23,000)	(23,000)
1/4	HB30	Changing tax on "old vehicles" (Tabled 2/15)			no fiscal information		no fiscal information	
1/11	HB35	Change personal property assessment tax on livestock, "coal & oil hauling trucks," etc. (Referred to Senate Tax) (In Committee)	(31,000)	(31,000)	(62,000)	(62,000)	(93,000)	(93,000)
1/13	HB90	Exempt trucks, etc. from property tax (Amended for recreational & comm.) (Signed by Governor)	(16,000)	(16,000)	(28,000)	(28,000)	(44,000)	(44,000)
1/17	HB95	Exempt lottery prizes from state income tax (Adverse Committee Report)	(27,000)	(108,000)	-0-	-0-	(27,000)	(108,000)
1/24	HB181	Method to appropriate coal tax proceeds to public school trust fund (Tabled in Committee)			no fiscal note		no fiscal note	
1/31	HB208	Prepayment of property taxes by hard-rock mine exploration developers. (Adverse committee report adopted)			no fiscal note		no fiscal note	
1/26	HB280	Revising definition of "income" to increase property tax relief (In Committee)	(141,000)	(286,000)	(243,000)	(598,000)	(384,000)	(884,000)
2/2	HB293	Credit for household and dependent care based on I.R.C. (Scheduled for 2nd Reading 3/27)	(690,000)	(724,000)	-0-	-0-	(690,000)	(724,000)
2/7	HB415 <sup>2</sup>	Exempt hand-held tools, etc., from property taxation (Referred to Senate Tax)	(223,000)	(223,000)	(609,000)	(609,000)	(832,000)	(832,000)

## HOUSE TAXATION

As of March 24, 1989  
NANCY KEENAN OPI SCHOOL IMPACT REPORT

Page 2

Heard	Bill #	Title	State Funds for Schools FY90	FY91	Local Schools FY90	FY91	Total Education Impact FY90	FY91
2/7	HB451	Standard deduction in addition to deduction for house and dependent care (Tabled in Committee)	(50,000)	(50,000)	=0	=0	(50,000)	(50,000)
3/10	HB475	Cohen--Revising classification of property for property tax purposes (In Committee)	(872,000)	(7,517,000)	(2,092,000)	(20,597,000)	(2,964,000)	(28,114,000)
3/1	HB586	Fraternal organizations tax exemption (Tabled in Committee)	(62,000)	(62,000)	(122,000)	(1,22,000)	(184,000)	(184,000)
3/2	HB641	Local tax exemption for industrial parks (Committee Report - Bill passed as amended)			no fiscal note		no fiscal note	
3/7	HB690	Deduction from taxable value the value of title plants (In Committee) (Adverse Committee Report - rejected)	-0-	(8,000)	-0-	-0-	-0-	(8,000)
3/8	HB745	Exempting other farm machinery and construction equipment from taxation (Tabled in Committee)	(169,000)	(564,000)	(365,000)	(1,216,000)	(534,000)	(1,780,000)
3/6	HB747	Bradley--4% sales and use tax and distribution of revenues (In Committee)			no fiscal note		no fiscal note	
3/16	HB751	Revise individual income tax structure (In Committee)	(610,000)	(610,000)	-0-	-0-	(610,000)	(610,000)
2/1	SB17	Property tax less on old cars (Signed by President)	(33,000)	(33,000)	(59,000)	(59,000)	(92,000)	(92,000)
3/2	SB90	Repeals an unconstitutional bill (Signed by Governor)			no fiscal information		no fiscal information	
3/7	SB118	Revise property tax protest laws (transmitted to Governor)			no fiscal information		no fiscal information	



## HOUSE TAXATION

As of March 24, 1989  
NANCY KEENAN OPI SCHOOL IMPACT REPORT

Page 3

Heard	Bill #	Title	State Funds for Schools FY90	FY91	Local Schools FY90	FY91	Total Education Impact FY90	FY91
3/10	SB184 <sup>3</sup>	Eliminate tax on livestock and agriculture products (In Committee)	(1,030,000)	(992,000)	(1,689,000)	(1,627,000)	(2,719,000)	(2,619,000)
3/14	SB282	Credit for employee payment of employee dependent care assistance (In Committee)	-0-	(826,000)	-0-	-0-	-0-	(826,000)
TOTAL			(3,097,000)	(4,556,000)	(3,191,000)	(4,335,000)	(6,288,000)	(8,891,000)

<sup>1</sup>(87,096) in 92; (44,916) in 93<sup>2</sup>Retroactive date reduces FY89 state funds for schools by 223,000 and local school district revenue by 608,000.<sup>3</sup>Due to retroactive date, school district revenues will be reduced by 552,000 in FY 89

\* at 1.9m/mill

at 2.3m/1% general income tax charge

\*An additional 3.3095 mills necessary to offset this loss or 2.73% income tax surcharge.

\*An additional 4.6795 mills necessary to offset this loss or 3.87% income tax surcharge.

Heard	Bill #	Title	State Funds for Schools		Local Schools		Total Education Impact	
			FY90	FY91	FY90	FY91	FY90	FY91
1/11	SB2	Clears up 105 interpretation (Passed out of Committee 2/17) (Transmitted to House) (Tabled in House Committee)	-0-	-0-	7,689,000	7,689,000	7,689,000	7,689,000
1/10	SB65	Similar to SB2 (Passed out of Committee 2/17) (Transmitted to House) (Returned from House with amendments)	-0-	-0-	7,689,000	7,689,000	7,689,000	7,689,000
2/28	SB410	Revising tax on metal mines (Committee Hearing 3/30)	(7,000)	(7,000)	678,000	640,000	671,000	633,000
3/7	SB423	Quarterly payments of corporation license or income tax (Scheduled for 2nd Reading)	1,816,000	3,183,000	268,000	562,000	2,084,000	3,745,000
3/7	SB424	Quarterly payment of estimated tax (Scheduled for 2nd Reading)	8,057,000	423,000	-0-	-0-	8,057,000	423,000
3/9	SB456	3% sales and use tax (In Committee)	-0-	37,004,000	-0-	(6,546,000)	-0-	30,458,000
3/15	SB462	Limited excise tax to support university system and local government (In Committee)	9,424,000	12,946,000	3,784,000	5,198,000	13,208,000	18,144,000
2/12	SB466	Repeal personal property and provide a replacement tax from real property (In Committee)	no fiscal information		no fiscal information		no fiscal information	
2/22	SB468	Revising certain taxes and revenue allocations (Amended in Committee)	fiscal note does not apply to this bill as amended					
2/11	HB55	Estimation of Unclaimed Property Assessments (Signed by Governor)	no fiscal information				no fiscal information	
TOTAL:			12,297,000	50,162,000	20,108,000	15,232,000	39,298,000	72,387,000

Heard	Bill #	Title	State Funds for Schools		Local Schools		Total Education Impact	
			FY90	FY91	FY90	FY91	FY90	FY91
1/12	SB11	Private coal royalty to be saved as federal and state (Transmitted to House) (In Committee)	(61,000)	(61,000)	-0-	-0-	(61,000)	(61,000)
1/5	SB17	Property tax less on old cars (Signed by Governor)	(33,000)	(33,000)	(59,000)	(59,000)	(92,000)	(92,000)
1/9	SB50	Refund property tax if proprietor moves out of state (Tabled 1/11)			no fiscal information		no fiscal information	
1/16	SB90	Repeals an unconstitutional bill (Passed out of Committee 1/16) (Signed by Governor)			no fiscal information		no fiscal information	
1/19	SB97	Exempting certain class 14 property and additions or expansions to class 14 & 4 (In Committee)	(224,000)	(454,000)	(470,000)	(950,000)	(694,000)	(1,404,000)
1/24	SB118	Revise property tax protest laws (Transmitted to Governor)			no fiscal information		no fiscal information	
1/25	SB137	Election to forego carryback of NOL's of corporations (Committee Report--do pass) (Transmitted to House) (In Committee)			no fiscal information		no fiscal information	
1/25	SB184 <sup>2</sup>	Eliminate tax on livestock and agricultural products (Transmitted to House) (In Committee)	(1,030,000)	(992,000)	(1,689,000)	(1,627,000)	(2,719,000)	(2,619,000)
2/1	SB220	Discount for payment of entire property tax bill in November (Indefinitely postponed)	(2,746,000)	(2,770,000)	(6,896,000)	(6,896,000)	(9,642,000)	(9,666,000)
2/2	SB230	Allow property taxes to be paid in monthly installments (In Committee)			no fiscal note		no fiscal note	
2/2	SB282	Credit for employer payment of employee dependent care assistance (Transmitted to House) (In Committee)	-0-	(826,000)	-0-	-0-	-0-	(826,000)
2/9	SB339	Individual income tax changes and tax changes for subchapter S corporations (In House Committee)	(143,000)	(143,000)	-0-	-0-	(143,000)	(143,000)

Heard	Bill #	Title	State Funds for Schools FY90	FY91	Local Schools FY90	FY91	Total Education Impact FY90	FY91
2/15	SB374	Property tax phase-in for improvements to real property or other improvements (Tabled 2/15)	=0=	(51,000)	=0=	(107,000)	=0=	(158,000)
2/15	SB379	Change classification of 1-ton trucks for motor vehicle taxation (Referred to (H) Taxation)	(21,000)	(42,000)	(38,000)	(77,000)	(59,000)	(119,000)
2/15	SB380	Exclude social security number and tier 1 benefits from adjusted gross income in computing individual income tax (In Committee)	(757,000)	(757,000)	-0-	-0-	(757,000)	(757,000)
2/16	SB392	Exempt certain motion picture property from property taxation (In House Committee)	(2,000)	(2,000)	(3,000)	(3,000)	(5,000)	(5,000)
3/8	SB408	Generally revise tax laws of the state (In Committee)	-0-	(827,000)	-0-	-0-	-0-	(827,000)
3/1	SB4514	Governor's personal property proposal (In Committee)	(706,000)	(2,969,000)	(216,000)	(812,000)	(922,000)	(3,781,000)
3/10	SB459	State income tax based on % of federal income tax (In Committee)	(1,649,000)	(1,421,000)	-0-	-0-	(1,649,000)	(1,421,000)
3/15	SB463	Revising certain provisions of income and corporation license tax (In Committee)	(12,001,000)	(10,733,000)	(827,000)	(1,676,000)	(12,828,000)	(12,409,000)
2/1	HB4 <sup>3</sup>	Lowers tax for some coal (Signed by Governor)	(6,000)	(14,000)	-0-	-0-	(6,000)	(14,000)
3/1	HB35	Change personal property assessment on livestock, "coal and oil hauling" trucks, etc. (In Committee)	(31,000)	(31,000)	(62,000)	(62,000)	(93,000)	(93,000)
TOTAL			(19,410,000)	(22,126,000)	(10,260,000)	(12,269,000)	(29,670,000)	(34,395,000)

<sup>1</sup>(Approximately 3.8% of coal tax royalties go to foundation program)

<sup>2</sup>(Due to retroactive date, local school district revenues will be reduced by \$552,000 in FY 89)

<sup>3</sup>(87,096) in 1992; (44,916) in 1993

<sup>4</sup>(5,015,529) in 1992; (7,062,447) in 1993. This legislation does not provide for a reimbursement to statewide levies. Reimbursements to local jurisdictions are not adequate to compensate for losses incurred from the reduction in property tax revenues

\* at 1.9m/mill

at 2.3m/1% general income tax charge

\*An additional 15.6158 mills necessary to offset this loss or 12.9% income tax surcharge

EXHIBIT 2  
DATE 3/30/89  
SB 410  
*Sen. Don Beck*

Amendments to Senate Bill No. 410  
Third Reading Copy

Requested by Senator Beck  
For the Committee on Taxation

Prepared by Greg Petesch  
March 28, 1989

1. Page 10, line 18.

Strike: "63%"

Insert: "61.5%"

2. Page 10, line 22.

Strike: "14%"

Insert: "15.5%"

3. Page 10, line 24.

Strike: "units of local government"

Insert: "county"

4. Page 10, line 25 through page 11, line 1.

Following: "year" on line 25

Strike: ", of which"

Insert: ". The governing body of the county may allocate a portion of the tax collections to a reserve account for the repayment of bonded indebtedness incurred by the county, elementary, or high school districts within the county as a result of the development and operation of a metal mine. The remaining balance, if any, must be allocated as follows"

5. Page 11, line 4.

Following: line 3

Strike: "district in which the mine is located"

Insert: "districts within the county that have been affected by the development and operation of a metal mine"

6. Page 11, lines 5 and 6.

Following: "school" on line 5

Strike: remainder of line 5 through "located" on line 6

Insert: "districts within the county that have been affected by the development and operation of a metal mine"

7. Page 11, lines 7 and 8.

Following: "the" on line 7

Strike: remainder of line 7 through "government" on line 8

Insert: "county"

DATE 3/30/89

SB 410

Sen. John Beck

SENATE BILL 410 - BEFORE HOUSE TAXATION COMMITTEE  
9:00 a.m., March 30, 1989

My name is John Dudis. I am an attorney with the firm of Murphy, Robinson, Heckathorn & Phillips, P.C. Our firm represents Black Pine Mining Company, the owner of the Black Pine Mine located near Phillipsburg, MT. Black Pine Mine, a silver mine, commenced operations in 1975, and today has a very limited operation due to a lack of merchantable silver deposit.

The mine has no smelting facilities. The mine originally sold its ore to the Anaconda Company at Anaconda, MT. When that smelter was closed, ore was sold to ASARCO at East Helena, and to COMINCO, a company with a smelter located at Trail, British Columbia. Attempts were made to find other markets for the ore but none were financially feasible. All of Black Pine Mines' transactions have been at arms-length with the various smelters. The mining company had a distinct disadvantage in negotiating more favorable terms for the sale of its product because of the limited number of smelters available to the mine.

I am here to provide testimony in support of SB 410 as it relates to the definition of merchantable value. During the years that we have represented Black Pine Mining Company we have had several disputes with the Montana Department of Revenue concerning the definition of merchantable value and a clarification is in order. The definitions contained in SB410 are a continuation of past policy of the Montana DOR regarding interpretation of metal-liferous mine tax statutes.

The Montana Department of Revenue audited the Black Pine Mining Company's tax returns for the period of 1975 through 1980. As a result of that audit and conferences held with the Montana DOR, the mine reported income for the purposes of the metal mines taxes on the revenue received from the smelter in an arms-length transaction negotiated between a willing buyer and a willing seller. This is the statutory construction that has been given enforcement and implementation to the present statute by the Department of Revenue.

In 1986, the Montana Department of Revenue examined Black Pine Mining Company's tax returns for the years 1981-85. During this audit the Montana Department of Revenue unilaterally changed its interpretation of the metalliferous mine tax statutes. The Montana Department of Revenue is now attempting to tax all metal content that may exist (before smelting) regardless of whether the client received revenue for the content or not. Although no formal change in Montana statutes has been enacted by the elected representatives, the Montana DOR promulgated in November of 1988, rules that would support their new position regarding the definition of value for metalliferous mine tax purposes. These rules are effective for the years 1988 and forward.

Black Pine Mining Company believes that the proposed language of SB 410 merely clarifies the intent of the existing law as was concurred in by both the Montana Department of Revenue and Black Pine Mining Company in the audits of metal mines tax returns through 1980. This taxpayer does not believe that it was ever the intent of the Legislature to tax nonexistent revenues.

Black Pine Mining Company has contributed substantially to the State of Montana and local government by employment and taxes and hopes to continue doing so. The Montana Department of Revenue's move to a restrictive interpretation of the present statutory language will certainly inhibit the further development in Montana's mining industry, and this proposed legislation will clarify any doubt as to the interpretation of the gross value of metal mines tax law in the State of Montana.

Thank you.

JOHN B. DUDIS, JR.  
Attorney for Black Pine Mining Company

---

EXHIBIT 4  
DATE 3/30/89

# NORTHERN PLAINS RESOURCE COUNCIL

SB 410  
*Don Beck*

Field Office  
Box 858  
Helena, MT 59624  
(406) 443-4965

Main Office  
419 Stapleton Building  
Billings, MT 59101  
(406) 248-1154

Field Office  
Box 886  
Glendive, MT 59330  
(406) 365-2525

Mr. Chairman and members of the committee;

My name is Jack Heyneman, Chairman of the Stillwater Protective Association, a local affiliate of the Northern Plains Resource Council. I am testifying on behalf of both SPA and NPRC in opposition to Senate Bill 410 as currently drafted.

Senate Bill 410 purportedly attempts to streamline the manner in which metals are taxed by the state. In fact this bill creates many more questions than it answers, and most significantly, would result in less money for counties impacted by mineral development. SPA opposes changes in current law that would result in less money for the Resource Indemnity Trust (RIT), and for the Hard Rock Trust Account (HRTA). Amendments could alleviate this.

SB 410 contains a new provision that will benefit counties. The portion of the Metalliferous Mines License Tax (MMLT) allocated directly to counties allows them more control over impact funds, and allows economic development to be funded before a mine shuts down. but...

SPA members have serious concerns with possible changes in how the Hard Rock Trust Account is used. Our county entities and the Stillwater Mining Company have compiled an enviable record of cooperation. I believe this is because both parties have participated in the planning and allocation of funds. Both parties have ownership of the impact plan. Further, I believe there are instances when the company, because of their experience, was more aware of potential costs than the local governmental entities, and have offered to supplement the request. They shared ownership of the plan. This bill as written potentially undermines this cooperation.

Should the changes of SB 410, as currently drafted, go into effect, the Hard Rock Trust Account is severely diminished. This fund presently allocates MMLT revenues to sub-accounts for each county that has a mine paying taxes in it. It is specifically designated for alleviating financial burdens when mines cease operations or reduce employment by 50%, and promoting economic development.

Under SB 410, revenues going to counties will be less than allocated under current law. The fiscal note for SB 410 shows that in FY90, \$1.87 million would go to the Hard Rock Trust Account under current law. SB 410 would give only \$542,000 to



EXHIBIT

4

DATE

3/30/89

HB

410

Sen. Tom Beck

the Trust, and \$1.017 million directly to counties. This total, \$1.56 million still deprives counties of over \$300,000 per year. Additionally, the reduction in taxable value (because of the suggested changes in gross value) will cost counties at least another \$29,000 in FY 90.

The direct money for counties could be a boost in providing revenues for a locally-controlled trust fund. But SB 410 falls short of ensuring an equitable distribution of these funds. As it now reads, impacted school districts surrounding a district with the mine will have no mechanism to acquire any of these funds. This can be alleviated by allowing property tax-base sharing as included in current hard rock impact plans.

NPRC would like to submit an amendment which will restore the Hard Rock Trust account and the Resource Indemnity Trust Tax to levels we would expect under present law. We cannot support the passage of this bill without these amendments.

We appreciate the opportunity to comment.

EXHIBIT 5  
DATE 3/30/89  
SB 410  
*Sen. Norm B...*

# NORTHERN PLAINS RESOURCE COUNCIL

Field Office  
Box 858  
Helena, MT 59624  
(406) 443-4965

Main Office  
419 Stapleton Building  
Billings, MT 59101  
(406) 248-1154

Field Office  
Box 886  
Glendive, MT 59330  
(406) 365-2525

## PROPOSED AMENDMENTS TO SENATE BILL 410; HOUSE TAXATION COMMITTEE, 3/30/89

Section 3. Page 5. Line 8.

DELETE: "1.8% of the increment"  
ADD: "2.2% of the increment"

Section 8. Page 10.

Line 18.	DELETE:	"63%";	ADD:	"55%."
Line 20.	DELETE:	"8%";	ADD:	"22%."
Line 22.	DELETE:	"14%";	ADD:	"13%."
Line 25.	DELETE:	"15%";	ADD:	"10%."



EXHIBIT 6

DATE 3/30/89

EB 410  
*Sen. Tom Beck*

## COUNTY OF STILLWATER

State Of Montana  
Columbus, Montana

March 23, 1989

Representative Dan Harrington, Chairman  
House Taxation Committee  
State Capitol  
Helena, Montana 59620

Re: Opposed to Senate Bill 410 - Recommended Amendments

Dear Representative Harrington and members of the House Taxation Committee:

We are opposed to Senate Bill 410 because it is not revenue neutral for local governments over time. The Montana Legislature established hard rock mining impact trust accounts in 1983. The reasons for the trust accounts were to stabilize mill levies, retire bonded indebtedness and fund economic development efforts in the event of a significant reduction in work force or mine closure. Therefore, the impacts from the boom and bust cycles in the mining industry could be minimized.

Senate Bill 410, as amended would allocate 8% of the metalliferous mines license tax to the trust accounts and 15% to local governments on an annual basis, for a total of 23%. This represents a 10% reduction in allocation to local governments from the current law. Even though the rate of taxation is being increased to 1.8%, this increase does not offset all of the losses. It would require an additional allocation of 6 to 7%, to either the impact trust account or local governments, to be revenue neutral for Stillwater County.

We request Senate Bill 410 be amended to be truly revenue neutral to all entities involved. This can be accomplished in one of three ways. Either increase the allocation to the impact trust account and/or local governments, the interest on the impact trust accounts be credited to those accounts, or a combination of the two.

We recommend the allocation to the hard rock mining impact trust accounts be increased from the proposed 8% to 11% and the interest from these accounts be credited to them. We are hereby requesting amendments to Section 8 of Senate

EXHIBIT 6

DATE 3/30/89

HB 410

Bill 410 to accomplish revenue neutrality for all entities affected by this legislation.

*Sen. Tom Beck*

Sincerely,

Board of County Commissioners

*Earl R. Adams*  
Earl R. Adams, Chairman

*Rick Young*  
Rick Young

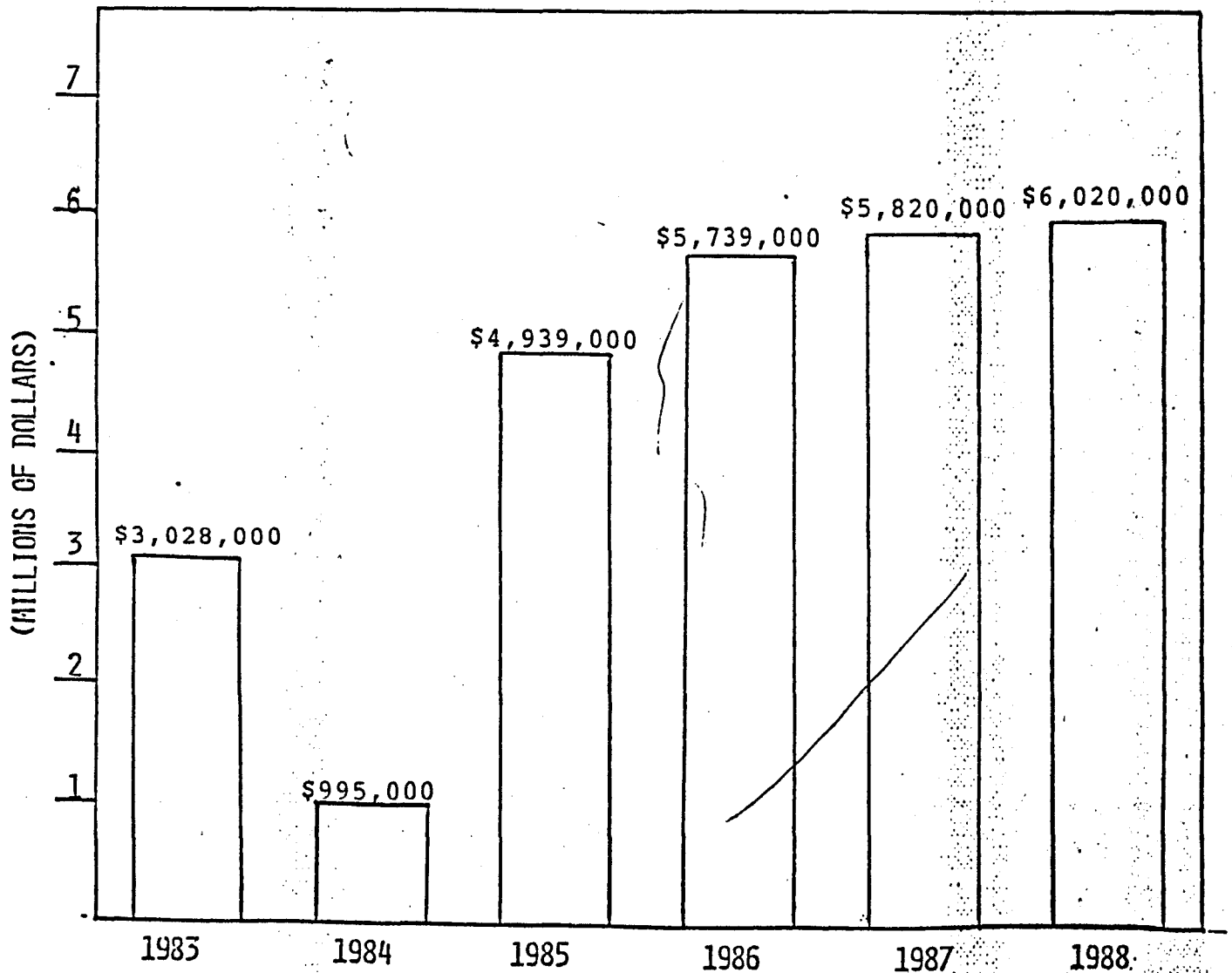
*Fred Weiler*  
Fred Weiler

cc: Senator Tom Beck  
Stillwater Mining Company  
Senator Doc McLane  
Representative Vern Keller  
Beaverhead County  
Broadwater County  
Fergus County  
Granite County  
Jefferson County  
Lewis & Clark County  
Lincoln County  
Madison County  
Phillips County  
Butte-Silver Bow  
*Sen. Tom Beck, Stillwater Mining Co.*

MOTION PICTURE PRODUCTION DOLLARS

SPENT IN MONTANA

ESTIMATED GROSS EXPENDITURES



**TESTIMONY/SB392****MOTION PICTURE EQUIPMENT AND MIGRATORY PERSONAL PROPERTY  
TAX**

Senate Bill 392 will exempt certain film production property from the migratory personal property tax.

**Background**

The original intent of the Migratory Personal Property Tax is to offset unfair bid advantages that an out-of-state company would have over an instate, local business which pays property tax all year long. Ostensibly, an out of state company, without this law, would pay no tax and could bid a job at a lower price while maintaining the same profit margin as an instate firm who is subject to personal property tax. Two good examples of this are construction companies and oil well drilling companies.

Although the law has existed for many years, it was not applied to film companies until 1987 simply because county assessors were unaware that film companies should be included. In June of 1987, the Glacier County assessor applied the law to Hemdale Productions "War Party" film. After significant research by the Department of Commerce and the Department of Revenue into exemptions and loopholes, it was determined that the county assessor was legally correct and film companies should be assessed the tax. The issue was raised in the press at that time and as a consequence other county assessors are now aware of their legal requirements and are levying the tax on subsequent filming in Montana (i.e. Ravalli County-"Waiting for Salazar").

Revenues from the tax go to the county that levies it. The tax amount is dependent upon the school mill levy and which school district the film companies' Montana headquarters are located. Therefore, there are literally hundreds of mill levy tax rates which could apply. In the case of "War Party", the tax total ended up \$3,400. If Montana were to film three major films per year (this is optimistic) the tax revenue to counties would be between \$8,000-\$15,000.

Why are the film companies concerned? First, they do not have to pay any property tax in other states, so their costs of filming are adversely affected. Second, to inventory list and depreciate each of their equipment items is a monumental time consuming and expensive task. It's simply a major hassle when they can least afford it. Third, in the majority of cases, the equipment is leased and they do not know the value.

As the word about the tax spreads among film companies, Montana's ability to attract films will be diminished. Department of Commerce staff have had calls from film companies who said they "heard" they would have to pay a \$60,000 tax if they filmed in Montana. These are untrue rumors, but have the net effect of taking Montana out of consideration. The gross revenue loss could be as high as \$8 million per year.

Simply put, a construction company has to build where the job is. An oil company has to drill where oil reserves are. A film company is mobile and can find suitable locations in any number of western states.

**We urge your approval and passage of SB392. Building the credibility and viability of Montana as a film production site enhances economic growth in this important area.**

K

۱۰

25

22

228

503

515

901

1906

207

•

•

## VISITORS' REGISTER

HOUSE TAXATION

COMMITTEE

BILL NO. SB 410DATE March 30, 1989SPONSOR Sen. Tom Beck

NAME (please print)	RESIDENCE	SUPPORT	OPPOSE
John Dudis	Black Pine	—	
Anne Black	218 Nth Urew Bldg		—
Ted Drey	ASARCO	✓	
Ray Gilman	MRT	✓	
W. R. Engol	NOXON MT		
John Beaudry	Columbus MT		✓ Amend
David J. J. J.	Columbus Mt.		✓ amend.
Mary A. Lander	MT Mining Assn	✓	
Dave Brown	HO #72-Butte	✓ w/amdt	
Gene Keller	HO 83 Stillwater		✓ amend.
Mark Blair	ASARCO TROY MT	✓	
DAVE FULLER	HELENA	✓	
Seniors Bure	Clancy	✓	
John Fitzgerald	Regis Gold Helena	✓	
Brant Quick	Northern Plains Resource Council		✓ amend

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 392

DATE March 30, 1989

SPONSOR Sen. Robert Brown

[illegible]

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 30, 1989 BILL NO. SB 283 NUMBER 1

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

*[Signature]*  
Secretary

*[Signature]* 10 8  
Chairman

MOTION: DO PASS on amendment by Rep. O'Keefe. CARRIED.

# ROLL CALL VOTE

TAXATION

COMMITTEE

DATE March 30, 1989 BILL NO. SB 283

NUMBER 2

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

LaHara John  
Secretary

13 5  
Dan Harrington  
Chairman

MOTION: DO PASS AS AMENDED. CARRIED.