

MINUTES

MONTANA SENATE
51st LEGISLATURE - REGULAR SESSION

COMMITTEE ON TAXATION

Call to Order: By Chairman Bob Brown, on January 5, 1989,
at 8:00 a.m.

ROLL CALL

Members Present: Senator Brown, Senator Hager, Senator Norman, Senator Eck, Senator Bishop, Senator Halligan, Senator Walker, Senator Harp, Senator Gage, Senator Severson, Senator Mazurek, Senator Crippen

Members Excused: None

Members Absent: None

Staff Present: Jill Rohyans, Committee Secretary
Jeff Martin, Legislative Council

Announcements/Discussion: None

HEARING ON SENATE BILL 17

Presentation and Opening Statement by Sponsor:

Senator Beck, District 24, sponsor of the bill, said the bill deletes the use of the Value Guide to Cars of Particular Interest for the purpose of trying to reach a justifiable valuation for older vehicles. He said fees were assessed on a fee basis until the 1987 session when SB 200, sponsored by Senator Ed Smith, was passed. That bill established an assessment of 2% of the value of the automobile. The bill was an attempt to establish equality based on equal taxation on the basis of the value of the automobile. Two guides are used in determining the value of a vehicle: The National Automobile Dealers Association Used Car Guide and the Guide to Cars of Particular Interest.

In many cases across the state, some old cars which are being used for fishing or hunting rigs are being assessed at a much higher (classic) value than the car is worth.

At this point, the assessors must use this guide, no matter the value or condition of the car. This has caused a lot of problems and made some people very unhappy as most of the older cars in Montana are recreational, rather than the few classic restored vehicles.

Under the provisions of Senate Bill 17, if the car is not listed in the NADA guide, the valuation will drop down to \$500.

The second provision of the bill, eliminates the sunset provision on the local option tax. Some counties have used the option one year and dropped it off, others have used it the second year. It is a financial tool for the counties, is no burden, and should be retained.

List of Testifying Proponents and What Group they Represent:

Gordon Morris, Montana Association of Counties
Alec Hansen, Montana League of Cities and Towns
Cort Harrington, Montana County Treasurers Association

List of Testifying Opponents and What Group They Represent:

None

Testimony:

Gordon Morris, representing the Montana Association of Counties, said Representative Kadas has introduced the same bill with the exception of a retroactive effective date of 1/1/89. He said his organization does not want to get into the refund area, but they do support the bill. The primary goal is to eliminate the sunset provision.

Alec Hansen, Montana League of Cities and Towns, expressed support for the bill. His organization supported SB 200 in 1987. Since SB 200 passed, the problem of cars of particular interest has arisen and this needs to be addressed. A fair solution is necessary and Mr. Hansen felt SB 17 does the job. He pointed out 13 counties have used the local option and he supports that provision.

Cort Harrington, Montana County Treasurers Association, expressed support for the bill. One question which Treasurers need to have addressed is the effective date. This bill states it is effective upon passage and approval and applies to vehicles registered on or after July 1, 1989. He asked the Committee to clearly define the intent of that provision as problems could arise if someone with an August registration date licensed early in June. It is unclear which rate the assessor would use. After passage of SB 200 it was necessary to get an Attorney General's opinion to clarify that provision.

Comments From Others Wishing To Speak To Wish On The Bill:

Greg Groepper, Office of Public Instruction, pointed out that some newer model expensive and exotic cars are listed in the Cars of Particular Interest book such as BMW, Porche, Mercedes Benz, Lamborghini. He cautioned the Committee not to create a loophole for those cars. He felt that could be fixed and offered to work with Senator Beck and/or the Committee. He state OPI's Interest is not in seeing a lot of erosion in taxable value for school districts.

Mr. Groepper felt if a certain age limit was imposed on the car and the CPI book could not be used for cars older than that limit, it would protect the older collector item American model cars. The Revenue Department could be allowed to get a comparable value on the exotic cars and it would balance both ends.

Questions From Committee Members:

Senator Severson said he qualified as an expert in the CPI guide as he had dealt with those cars for the last 20 years. He said it is not necessary to tax everything that comes along. He felt for those few cars that are really classics, a lot of money has been put into them and the owners have created a lot of business in the process.

Senator Halligan said he has an old fishing car which he didn't license last year. If he licenses it this year at what rate would it be assessed?

Mr. Morris said he did not know for sure, but assumed it would be assessed at the existing rate from last year as you have to go back one year.

Senator Eck asked Cort Harrington what he would suggest regarding the establishment of an effective date.

Mr. Harrington suggest it be clarified by tying the anniversary date to the effective date rather than the date the person went in to renew.

Closing by Sponsor:

Senator Beck closed saying he would leave the effective date to the discretion of the Committee, but he personally felt the July 1 date would be most equitable.

DISPOSITION OF SENATE BILL 17

Discussion:

Senator Gage moved to amend line 5, page 5, following "vehicle" by inserting "are required to be".

Senator Mazurek said he felt it should be tied to the expiration date.

Senator Crippen felt he would rather go back and give a refund to those who have already paid than to go forward and make those who have not paid yet pay the higher amount. A retroactive date to January 1 would not be fair, because it gives some people a break and not others.

Senator Severson felt going to July, 1987, and refunding would not cost the counties a lot of money and would demonstrate a spirit of correcting a mistake and doing something for the people rather than to them. He further suggested it could be refunded by crediting them the next time the person comes in to relicense.

Senator Gage withdrew his motion. He also asked where we draw the line when we goof.

Senator Mazurek felt the refund process could be messy as some refunds would be less than credits. He felt it should be left alone.

Senator Halligan asked if there was interest by the Committee in a retroactive effective date.

It was generally agreed that would not be a fair way to proceed.

Senator Walker felt the bill should deal with the initial intention of use when the car was built and he felt Mr. Morris' suggestion was best.

Senator Severson agreed, saying if the car was not in the NADA guide book it should be assessed at the minimum amount.

Senator Brown said Greg Groepper will clarify the effective and applicability date by amendment tomorrow.

DISPOSITION OF SENATE BILL 30

Discussion: None

Amendments and Votes:

Senator Halligan moved to adopt the Statement of Intent (Exhibit #1). The motion CARRIED unanimously.

Senator Harp moved to adopt the amendments as per the attached Standing Committee Report (Exhibit #2). The motion CARRIED unanimously.

Recommendation and Vote:

Senator Harp moved Senate Bill 30 DO PASS AS AMENDED. The motion CARRIED unanimously.

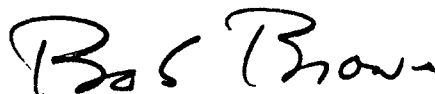
ADJOURNMENT

Adjournment At: 10:00 a.m.

SENATOR BOB BROWN, Chairman

BB/jdr

Min105.jdr



ROLL CALL

TAXATION

COMMITTEE

50th LEGISLATIVE SESSION -- 1987

Date 1/5/89

NAME	PRESENT	ABSENT	EXCUSED
SENATOR BROWN	X		
SENATOR BISHOP	X		
SENATOR CRIPPEN	X		
SENATOR ECK	X		
SENATOR GAGE	X		
SENATOR HAGER	X		
SENATOR HALLIGAN	X		
SENATOR HARP	X		
SENATOR MAZUREK	X		
SENATOR NORMAN	X		
SENATOR SEVERSON	X		
SENATOR WALKER	X		

Each day attach to minutes.

DATE

JAN. 5 , 1989

COMMITTEE ON TAXATION

VISITORS' REGISTER

NAME (PLEASE PRINT)	REPRESENTING	BILL #	Check One	
			Support	Oppose
Gordon Morris	MAAs	SB 17	✓	
Carl Harrington	Mont County Treas Asst	SB 17	✓	
B/EC Higginson	LEASER OF CITIES	SB 17	✓	
Lyng Hoyer	Office of Public Inst	SB 17		
Marvin Barber	Int. assessors assoc	SB 17	✓	
Devon Rhoades	MSU	SB 17		

1 STATEMENT OF INTENT

2 SENATE BILL 30

3 Senate Taxation Committee

4
5 Section 1 of the bill requires the department of revenue to
6 adopt rules implementing the International Fuel Tax Agreement.
7 The rules are intended to provide for the exchange of information
8 with member states, the timely collection and distribution of
9 motor fuel taxes, and the efficient administration and
10 enforcement of the provisions contained in the agreement.

11 The legislature intends that the rules to be adopted by the
12 department should, at a minimum, address the following:

13 (1) the issuance of licenses and decals to Montana-based
14 interstate carriers;

15 (2) the necessary forms and required procedures for an
16 interstate carrier to report mileage, fuel consumption, and taxes
17 due;

18 (3) the timely collection and distribution of taxes to
19 member states;

20 (4) auditing and monitoring procedures for the enforcement
21 of the agreement; and

22 (5) definition of terms and establishment of administrative
23 policies and procedures to adhere to the terms of the agreement.
24
25

STANDING COMMITTEE REPORT

January 5, 1989

Mr. President: We, the committee on Taxation report that SB 30 (first reading copy -- white) do pass and be amended as follows:

1. Page 6, line 18.

Following: line 17.

Insert: "NEW SECTION. Section 5. Collection of fuel tax. The department of revenue and the department of highways may establish procedures under the International Fuel Tax Agreement to provide for the billing, collection, and administration of fuel taxes for those owners who proportionally register their fleet vehicles through the department of highways under 61-3-711 through 61-3-733."

Renumber: subsequent sections

2. Page 7, line 2.

Following: "1"

Strike: "and"

Insert: ","

3. Page 7, line 3.

Following: "2"

Insert: ", and 5"

4. Page 7, line 5.

Following: "1"

Strike: "and"

Insert: ","

Following: "2"

Insert: ", and 5"

DO PASS AS AMENDED

Signed: _____

Bob Brown
Bob Brown, Chairman

1-5
3:00
29

Ex. #2

2/5/89

SB 30

STATEMENT OF INTENT

SENATE BILL 30

[Section 1] of the bill requires the department of revenue to adopt rules implementing the International Fuel Tax Agreement. The rules are intended to provide for the exchange of information with member states, the timely collection and distribution of motor fuel taxes, and the efficient administration and enforcement of the provisions contained in the agreement.

The legislature intends that the rules to be adopted by the department should, at a minimum, address the following:

- (1) the issuance of licenses and decals to Montana-based interstate carriers;
- (2) the necessary forms and required procedures for an interstate carrier to report mileage, fuel consumption, and taxes due;
- (3) the timely collection and distribution of taxes to member states;
- (4) auditing and monitoring procedures for the enforcement of the agreement; and
- (5) definition of terms and establishment of administrative policies and procedures to adhere to the terms of the agreement.

1-5-89
3:00
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