

MINUTES

MONTANA SENATE  
51st LEGISLATURE - REGULAR SESSION

COMMITTEE ON TAXATION

Call to Order: By Senator Bob Brown, Chairman, on February 16, 1989, at 8:00 a.m.

ROLL CALL

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

Members Excused: None

Members Absent: None

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

Announcements/Discussion: None

HEARING ON SENATE BILL 337

Presentation and Opening Statement by Sponsor:

Senator Jacobson, District 36, sponsor, said this is a realty transfer bill which imposes a transfer fee of .10 of 1% for weed control and infrastructure and planning. She submitted a proposed amendment (Exhibit #1) to page 6, line 24, which dealt with the concern that this money was being added and other money was being taken away.

Senator Jacobson said local governments are paring costs as low as possible and trying to lure new businesses to their communities. Funds for new roads or new sewer connections are parts of the infrastructure which are often needed to accommodate new industry.

Control of spotted knapweed and other noxious weeds is becoming more critical and funds are becoming more scarce for weed control programs.

List of Testifying Proponents and What Group they Represent:

Gordon Morris, Montana Association of Counties  
Charles Hahnelcamp, Melrose, Headwaters RC and D,  
Governor's Task Force for the Noxious Trust Fund  
Janet Ellis, Audubon Society  
Dave Pickett, Butte Silverbow Weed Control Chairman  
Nancy Foote, Northside Neighborhood Association, Butte  
Carlo Cieri, Park County Commissioner  
Mona Jamison, Montana Association of Planners  
Lisa Bay, Jefferson County Planning Board  
Neil Peterson, Madison County Weed Board  
Don Peoples, Butte Silverbow CEO  
Pete Fay, Montana Weed Control Association  
Don Judge, Montana AFL-CIO

List of Testifying Opponents and What Group They Represent:

Kim Enkerud, Agriculture Coalition  
Al Littler, Montana Association of Realtors  
Dennis Burr, Montana Taxpayers Association  
Don Chance, Montana Building Industries Association  
Tom Hopgood, Montana Association of Realtors  
Mark Meek  
William Spilker  
Marty Heller, Montana Association of Realtors  
Marcia Allen, Helena Board of Realtors

Testimony:

Gordon Morris, Executive Director, Montana Association of Counties, said his Association had adopted a resolution at their last convention supporting a realty transfer tax. He handed out a table of states with transfer taxes (Exhibit #2) from the Advisory Commission on Intergovernmental Relations. The realty transfer tax has been adopted in 37 other states and the .10 of 1% proposed in this bill is very modest in comparison.

Charles Hahnelcamp, Melrose, Chairman, Headwaters RC and D, and a member of the Governor's Task Force for the Noxious Trust Fund, said the Task Force had \$481,000 in grant money to distribute with \$1.6 million in grant requests. He felt a good job is being done with the money that is granted but more is needed, especially with the spotted knapweed problem spreading so rapidly.

Janet Ellis, Montana Audubon Society Legislative Fund, said this tax would only amount to \$100 on a \$100,000 home. She said the bill allows the private sector to contribute to the quality of life in the communities of Montana.

Dave Pickett, Chairman, Butte-Silverbow Weed Board, presented his testimony in support of the bill (Exhibit #3).

Nancy Foote, Northside Neighborhood Association, Butte, showed the committee before and after pictures comparing weed control in Butte. She urged the committee to support the bill.

Carlo Cieri, Park County Commissioner, said knapweed is a serious problem in Montana. He said the bill will help with both economic development and weed control and would benefit programs in Park County.

Mona Jamison, Montana Association of Planners, said the bill is a small and equitable way of assisting in development of new roads and sewers when new housing developments are built as well as helping with maintenance of existing infra-structure. It is very difficult to encourage new economic development if the infrastructure is not in good shape.

Lisa Bay, Jefferson County Planning Board, said in her county the planning board operates on an \$11,000 budget. She said that dictates only reactive planning, not proactive in any respect.

Neil Petersen, Madison County Weed Coordinator, presented his testimony in support of the bill (Exhibit #4).

Don Peoples, Chief Executive, Butte-Silverbow, pointed out there is a direct relationship between the fee itself and the use for which it is intended. He said everyone has a responsibility to be a good steward of the land and control of noxious weeds is an extremely important problem that needs to be addressed by all segments of society. Maintenance and expansion of infrastructure is vitally important to economic development. There is a real problem in this area because local governments simply do not have the money to keep up with these ever growing needs.

Pete Fay, Montana Weed Control Association, a group of about 300 Montanans who deal with weeds on a daily basis, said his organization voted to support this bill and urged the committee to give it positive consideration.

Don Judge, Montana AFL-CIO, presented his testimony in support of the bill (Exhibit #5).

OPPONENTS:

Kim Enkerud, Agricultural Coalition, presented her testimony in opposition to the bill (Exhibit #6).

Al Littler, Montana Association of Realtors, presented his testimony in opposition to the bill (Exhibit #7).

Dennis Burr, Montana Taxpayers Association, said the fear has been since 1975 when the realty transfer tax was passed that it would eventually be made public or subject to a tax. This session bills have been introduced to do both. Mr. Burr said his fear is that if this passes, in two years the legislature will be repealing the whole realty transfer act. This would put the Department of Revenue back into the position of trying to assess property market value with no method of determining what market value is. Only 14% of this proposed tax goes toward weed control and there are other methods of funding this program such as the two mills every county has available to levy for weed control. He said less than ten counties use those two mills at present. He did not see the connection between the realty transfer tax and weed control and felt the weed control issue could be better funded in another manner.

Don Chance, Montana Building Industries Association, expressed strong opposition to the bill as having a dramatic impact on housing affordability in the state. He said there has been a 30% bankruptcy rate among general contractors in the last decade in the home construction trade. In many instances, the appraisal value of the home is under the builder direct cost for construction because of the significant decline in real estate prices in the state. Construction costs are nickel and dime incremental based costs. The highest cost factor in a new house is the governmental imposed fees and costs. Those fees range from \$900 to \$1400 across the state on a new single family residence. He said the last thing a new home buyer or builder needs is another government expense. Mr. Chance said his organization also fails to see the connection between the realty transfer tax and weed control.

Tom Hopgood, Montana Association of Realtors, said this is nothing but a sales tax premised on benefits to noxious weed control. He said his organization is certainly against noxious weeds but sees no connection between sale of real estate and weed control. Mr. Hopgood said he supports Representative Grady's bill to fund weed control through vehicle tax.

Mark Meek, grew up and was educated in Helena. He is now raising a young family and trying to stay in this area. A year ago he bought a \$60,000 house and the additional realty transfer tax would amount to \$60. He said this is not a large amount of money. However, the closing costs and down payment stretched their budget to the breaking point and the extra \$60 was a significant amount of money in the overall picture. He said these additional costs, even though individually small, have a devastating cumulative effect on the young first time buyer.

William Spilker, Helena real estate broker, said this tax will be added to the transaction if he files a quit claim deed on a foreclosure, and will also have to be paid if a deed is filed when someone adds a name to a deed as a joint tenant. He felt the legislation is poorly thought out and urged the committee to defeat it.

Marty Heller, a Helena realtor, said he supported the previous testimony. He expressed concern that a sellers cost is often passed on to become a buyers cost and there exists a great danger that the .10 of 1% will rapidly increase once it is in place. He agreed that weed control is a problem but felt that increasing taxes on housing in one area to pay for weed control in another is not fair taxation.

Marcia Allen, Helena Board of Realtors, expressed support for the previous testimony and urged the committee to defeat the bill.

Questions From Committee Members:

Senator Crippen said the bill says there is a tax on the value of real estate even though we are interpreting that to mean sale. He expressed concern about the exclusions in 15-7-307, MCA and noted there is a presumption of privacy in 15-7-308, MCA. He asked how a transfer of property between a husband and wife could taxed if it is confidential information. It seems to be an impossible situation to enforce. Further, in the bill it says if the tax is not paid the transfer is not affected. Senator Crippen felt this creates quite a dilemma for the owner.

Mr. Morris said this may be a flaw in the bill and agreed that the problem does exist as written. He said one consideration to be made would be to have the exemptions for certification purposes parallel the

exemptions from the tax itself without agriculture land being included in the exemptions.

Senator Mazurek said the point would be to try to have it apply to sales, not transfers.

Senator Gage asked if this is a tax on the buyer or the seller.

Mr. Littler answered in some states it affects one and in some the other. He said it would just depend on how it is interpreted when the bill is enacted.

Senator Crippen asked Senator Jacobson to clarify the allocation of the proceeds of the tax.

Senator Jacobson said the bill sets up a noxious weed trust fund and 50% of that fund goes into grants and 50% into principal until it reaches \$2.5 million. Under the bill 14% of collections go into principal, 14% into grants, and 15% goes to counties. That is a total of 43% going into noxious weeds, 54% into infrastructure planning and 3% into administration.

Senator Crippen asked if the knapweed problem has been spread by automobile and if a tax in that area is not more appropriate than a tax on real estate.

Senator Jacobson felt both areas were appropriate as more money is desperately needed in the state for weed control. She indicated there is another bill which does levy a tax on vehicle licenses for weed control.

Closing by Sponsor:

Senator Jacobson closed by saying the realty transfer tax is a modest fee and an appropriate way to raise some money to spur economic development. It will help solve a few of the problems local government has in development of planning and maintenance of infrastructure. Weed control is an area of growing concern and needs to be addressed.

HEARING ON SENATE BILL 392

Presentation and Opening Statement by Sponsor:

Senator Brown, District 2, sponsor, said the bill exempts from property tax certain property used exclusively in

the production of motion pictures or television commercials. He pointed out there have been complaints from the movie industry because our taxing procedures are so much more complicated than other states especially in the area of assessment of equipment and vehicles.

List of Testifying Proponents and What Group They Represent:

John Wilson, Montana Promotion Division, Department of Commerce  
Ray Brandewie, Montana Innkeepers Association  
Greg Bryan, Glacier Country Tourism Region  
Senator Del Gage

List of Testifying Opponents and What Group They Represent:

None

Testimony:

John Wilson, Montana Promotion Division, Department of Commerce, said the division has been actively recruiting film companies for the past ten years with some success. However, the one big problem with recruiting is that assessors have begun assessing the movie company property under the migratory property tax recently. This is a proper assessment, however, this has caused a major problem in attracting motion picture companies to the state. Montana is the only state in the nation that levies a personal property tax on motion picture equipment. It is necessary for the company to inventory and depreciate all their equipment so that it can be assessed. They are only here from 30-60 days, yet they have to hire someone for a minimum of 10 days just to do their calculations for the assessment. To complicate matters, most of the equipment is leased which means going back to the leasing company for figures. This is a major stumbling block for the movie companies. Even though the locations in Montana are very competitive, the hassle of the inventory is a huge drawback. They do not have a problem with paying the tax only the time and effort they must expend inventorying. It is impossible to just tell them a flat figure as the assessment depends on many variables such as the county they are operating in, type of equipment, ownership of the equipment, etc. Mr. Wilson said the loss to the counties under the bill will be about \$5000-\$10,000. However, if the bill is passed there could be income of between \$6 - \$10 million in filming. He referred the committee to the chart of estimated expenditures by film companies

(Exhibit #8). He urged the committee to pass the bill.

Ray Brandewie, Montana Innkeepers Association, presented his testimony in support of the bill (Exhibit #9).

Greg Bryan, President, Glacier Country Tourism Region, Vice President of the Montana Innkeepers Association, and a member of the Governor's Tourism Council, said the film industry is a very important asset to the state's economy. Not only do they spend a lot of money in the state, their product showcases Montana and is invaluable advertising for us. The migratory property tax was instituted to prevent unfair advantage for Montana businesses. The film industry is non-competitive and does not inhibit Montana businesses. It brings jobs and money into Montana. He compared the situation to that of stepping over a \$100 bill to pick up a dime. Although the tax is a simple one, it is a burdensome and complex process to implement. It is the main reason the recent television miniseries "Lonesome Dove" was filmed in New Mexico rather than Montana. The barriers need to be removed to attracting the film companies. The small loss is more than offset by the income and advertising that will occur when the film companies once again use Montana as their location for filming.

Senator Gage, District 5, Glacier County, said the film company did not have a problem with paying the tax itself in Glacier County, but undoubtedly they had a bad taste in their mouth after the dust had settled in the clash between the film company representative and the assessor. Glacier County and Missoula County both have said the Commerce Department asked them to ignore the tax by direction of the Governor. This created a severe problem for the assessors who said they had to ignore state statute in order to comply. The Department of Commerce denied that request was ever made. Senator Gage said the bill contains a provision for equipment to be in the state for 180 days before it is subject to tax, which should take of the film companies as they are not in the state that long. He urged the committee to support the bill.

Questions From Committee Members:

Senator Norman said there are associated costs to the communities when streets are blocked, police are needed for traffic control, etc. We do need to be aware that there are costs to the state not only benefits.



Mr. Wilson agreed with Senator Norman's comments, saying this is a very competitive business and tough questions need to be answered in just how far we as a state are willing to go to attract this industry.

Closing by Sponsor: Senator Brown closed.

ADJOURNMENT

Adjournment At: 10:00 a.m.

  
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SENATOR BOB BROWN, Chairman

BB/jdr

MIN216.jdr

ROLL CALL

TAXATION

COMMITTEE

51<sup>st</sup> LEGISLATIVE SESSION -- 1989

Date 2/16/89

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.

Amendments to Senate Bill No. 337  
First Reading Copy

Requested by Senator Judy Jacobson  
For the Committee on Taxation

Prepared by Dave Bohyer  
February 15, 1989

1. Page 6, line 24 through line 1 on page 7.  
Following: "functions" on line 24 of page 6  
Strike: the remainder of line 24 through "county" on line 1 of  
page 7

## STATES WITH TRANSFER TAXES, JULY 1987

SENATE TAXATION

EXHIBIT NO. 2DATE 2/16/89BILL NO. SB337Basis of Tax for Deed Transfer TaxRates

<u>State</u>	<u>Total Sales Price</u>	<u>Sales Price Exclusive of Mortgage or Other Liens</u>	<u>Deed Transfer Tax†</u>	<u>Mortgage Tax‡</u>
Alabama*		Yes	0.100%	0.150%
Arizona	—	—	\$2.00 flat fee	
Arkansas	Yes		0.220	
California*		Yes		
Colorado	Yes <sup>1</sup>		0.010	
Connecticut*	Yes		0.560	
Delaware*	Yes <sup>1</sup>		2.000	
Washington, DC*	Yes		1.000	1.000
Florida*	Yes		0.550	0.150
Georgia		Yes <sup>2</sup>	0.100	0.300
Hawaii	Yes <sup>2</sup>		0.050	
Illinois*	Yes <sup>2</sup>		0.050	
Iowa		Yes <sup>1</sup>	0.110	
Kansas	—	—	0.250	
Kentucky	Yes		0.100	
Maine	Yes		0.220	
Maryland*	Yes		0.330	0.110
Massachusetts		Yes <sup>2</sup>	0.228	
Michigan*	Yes <sup>2</sup>		0.110	
Minnesota		Yes	0.330	0.230
Nebraska	Yes		0.150	
Nevada		Yes <sup>2</sup>	0.110	
New Hampshire*	Yes		0.700	
New Jersey*	Yes <sup>2</sup>		0.350	
New York*		Yes <sup>2</sup>	0.400	
North Carolina*		Yes	0.100*	
Ohio*	—	—	0.450	
Oklahoma*		Yes <sup>2</sup>	0.150	0.100
Pennsylvania*	Yes		1.000	
Rhode Island*	Yes <sup>2</sup>		0.220	
South Carolina*	—	Yes	0.220	0.040
South Dakota	Yes		0.100	
Tennessee		Yes	0.280	0.100
Vermont*	Yes		0.500	
Virginia*	Yes	Yes <sup>2</sup>	0.250*	
Washington*	Yes <sup>2</sup>		1.340*	
West Virginia*	Yes		0.220	
Wisconsin	Yes <sup>2</sup>		0.300	

\*See notes on following pages

†Transfers under \$500 are exempt

‡Transfers under \$100 are exempt (for VA this only applies to the grantor's tax).

Sources: ACIR staff compilation from Commerce Clearing House, *State Tax Reporter*, July 1987, and survey of state departments of revenue (summer 1987).

(continued on next page)

Statement of Support for SB 337 - Senate Taxation Committee - Feb. 16, 1989  
By Dave Pickett, Chairman, Butte-Silver Bow Weed Board

I urge the Committee to recommend that the Senate pass this bill. I have watched the Noxious Weed Trust Fund Advisory Council wrestle with allocation of funds for 1989 projects throughout Montana for the last few days. There is a terrible shortfall of funds available for excellent weed management projects. When the Council has narrowed proposals to the best ones, they must fund them at rates as low as 20% of what is requested. This on top of the fact that the proposals as submitted already match requested funds at least 1:1 or greater. In order to provide real help to the many coordinated control projects, education programs, bio-control projects, and needed research, more funds must be available to invest in improving the quality and productivity of Montana's land base.

People will tell you there is no connection between land transfers and weeds. Not true. Very often, when lands transfers, disturbance/development follows. The weeds follow the disturbance. Many lands being sold already are badly infested with weeds and are part of the total problem. There are complaints that this fee will place a burden on landowners. The fee on a \$50,000 house would be \$5. The fee on a million dollar property would be \$1,000. This amount is insignificant compared to the fees, commissions, etc. that landowners must pay in realty transfers. Remember that these revenues are being reinvested in the land base of Montana, which will increase the future value of our land. This is a FAIR and EQUITABLE source of revenue for programs such as infrastructure development and weed management.

One argument against this fee as a source of funds for the Trust is that some areas generating revenues will not get "their share" of Trust Fund grants. Don't blame the law and don't blame the Council. Last year I heard people from Missoula request funds. Their Weed Board was not supporting them and their projects were not well organized. The Council did not fund them, and spent a lot of time working with them to improve their request. The people made progress with their Weed Board. This year two Missoula control projects got \$19,500. Yellowstone County made a proposal this year for a computer program for weed mapping. The mapping hasn't been done, and no one from the Weed Board or Weed Dept. even appeared in support, let alone any landowners. The request was rejected, and the Council will be working with them to do better next year. At the same time, many eastern Montana projects were funded, and it is obvious to me from the Council discussions that they place a high priority on funding in eastern Montana. They want to control small problems like knapweed in eastern Montana and "push the problem westward. They can't responsibly do this until local government officials, weed boards, and landowners make a commitment to work together cooperatively and efficiently. Unfortunately, there are some areas where this commitment hasn't yet occurred.

As happened in Missoula, these programs can improve and they will need and get Trust Fund dollars in the future. To insure the needed dollars are there for good weed management proposals, I urge you to pass the bill. Thank you.

*Dave Pickett*

NOXIOUS WEED ADVISORY COUNCIL  
Grant Hearing Meeting Agenda  
Feb. 7, 8, & 9, 1989

Tuesday, February 7 Room 111, Department of Natural Resources  
Building

- 8:00 Call to Order - Everett Snortland, Director  
Noxious Weed Advisory Council Business Meeting
- 9:45 Grant Hearings - All participants are strictly limited to the 15 minute time period. A slide projector, overhead projector and VCR will be available for use by participants.

On-the-Ground Control Proposals

- 9:45 Chuck Hahn (T053) Kimber Gulch-Indian Creek Weed Project
- 10:00 Reeves Petroff (T009) Grandview Heights Leafy Spurge Project
- 10:15 Ernie Stordahl (T033) Lower Pondera Creek Weed Project
- 10:30 John Adams (T021) Melville Cooperative Weed Control Project
- 10:45 Allan Underdahl (T049) Marias River Weed Committee
- 11:00 Lloyd Berg (T022) Springdale Knapweed Control District
- 11:15 Marty Malone (T020) Rock Creek Leafy Spurge District
- 11:30 Dane Castleberry (T051) Knapweed Project - SE Montana
- 11:45 Norm Lambert (T035) Whitetop Control Project
- 12:00 Lunch Break

Non-Chemical Research Proposals

- 1:00 Gary Strobel (T006) Novel Approaches To The Control Of Spotted Knapweed
- 1:15 Scott Kronberg/Pete Fay (T023) Conditioning Cattle To Eat Leafy Spurge
- 1:30 Bill Dyer (T029) Genetic Control Of Weed Seed Dormancy
- 1:45 Bob Nowierski (T043) The Screening And Collection Of Biocontrol Agents For Release Against Leafy Spurge
- 2:00 Bob Nowierski (T044) The Screening And Collection Of Insects For Biocontrol Against Dalmation Toadflax
- 2:15 Steve Harvey (T045) Nutrient Dynamics In Spotted Knapweed: Implications For Weed Management
- 2:30 Jeffery Littlefield (T046) Quarantine Handling Of Exotic Organisms For Biological Control
- 2:45 Tad Weaver (T054) Native Plants As Weed Competitors
- 3:00 Break
- 3:15 Tad Weaver (T055) Zones Of Success For Major MT Weeds
- 3:30 David Sands/Chuck Egan (T026) State Survey For Potential Biocontrol Agents

- 3:45 Jim Story (T014) Continued Screening Of Larinus obtusus  
For Biological Control Of Spotted Knapweed
- (T015) Screening Of Two Insects For  
Biological Control Of Spotted Knapweed
- (T016) Foreign Collection Of Two Insects For  
Biological Control Of Spotted Knapweed

Educational Proposals

- 4:00 Kerri Bourne (T034) Marias River Basin Weed Control
- 4:15 James Cuda (T047) Integrated Management System For  
Spotted Knapweed
- 4:30 Celestine Lacey/Pete Fay (T017) 1989 Knapweed Symposium
- 4:45 Sandra Eitzen/Ernie Ratzburg/Pete Fay (T042)  
MSU Chemical Safety Kit
- 5:00 Red Lovec (T040) Educational Weed Tour For Eastern  
Montana County Weed Commissioners & Weed Board
- 5:15 Jim Hohn (T004) Computerized Record Keeping And Report  
Project
- 5:30 Larry Hoffman (T025) Montana Noxious Weed Seed Free Hay
  
- 5:45 Advisory Council discussion
- 6:00 Adjourn for the day

Wednesday, February 8th Room 111, Department of Natural  
Resources Building

Educational Proposals (cont'd)

- 8:00 Neil Peterson (T007) Madison County Weed Seed Free Feed
- 8:15 Jay Norton (T050) Resource Environmental Awareness  
Project (REAP)
- 8:30 Roy Deines (T019) Mapping Yellowstone County
- 8:45 Harold Johns (T013) Noxious Weed Poster

Non-Chemical Research Proposals (cont'd)

- 9:00 John Lacey (T037) Biological Control Of Knapweed With  
Livestock: Selectivity By Sheep
- 9:15 Greg Kennett (T036) Development Of Commercial  
Mycoherbicide For Control Of Knapweed

On-the-Ground Proposals (cont'd)

- 9:30 Bob Schroeder (T024) Bitterroot Valley Weed Management  
Area
- 9:45 Robert Deschamps III (T052) Mt. Jumbo Noxious Weed  
Control Project
  
- 10:00 Break
  
- 10:15 Bill Murphy (T057-T076) Southwest Montana Cooperative  
10:30 Project Area
- 10:45 Harold Johns (T056) Butte Urban Weed Project
- 11:00 Francis VanRinsum (T031) Knapweed Funding
- 11:15 Francis VanRinsum (T032) Rental Sprayer Program
- 11:30 Ray Cooper (T008) Purple Loosestrife Management Zone
- 11:45 Mike Gannon (T003) Tobacco Valley Weed Management  
Program

SENATE TAXATION

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12:00 Lunch Break

1:00 Sid Cross (T030) Markle Hill Weed Project

1:15 John Gliko (T018) Little Belt Creek Drainage Noxious  
Weed Control Program

1:30 Mark Young (T041) Rocky Mountain Front Weed District  
Proposal

1:45 Tom Wimer (T077) Colstrip Cooperative Weed Management  
Area

2:00 LaRue Melton (T027) Big Bend Weed Project

2:15 Jim Hohn (T005) East Helena Diffuse Knapweed Management  
Project

2:30 Dan Majerus (T048) Dry Fork Weed Committee

2:45 Terry Turner (T012) Sage Creek Noxious Weed Project

3:00 Break

3:15 Rick Stellflug (T028) North Valley Cooperative Weed  
Control

3:30 Ron Devries (T011) Rock Creek Knapweed Control Project

3:45 Gale Schenk (T002) Middle Rock Creek Knapweed Control  
Project

4:00 Sam McDowell (T010) Bluewater Creek Leafy Spurge  
Control Project

4:15 Chuck Jarecki (T001) Irvine Flats Weed Control Project

Educational Proposals

4:30 Sam Spaulding (T078) 1989 Montana Weed Fair

Chemical Research Proposals

4:45 Dave Wichman (T038) Judith Yellow Mignonette Research  
And Eradication

5:00 Dave Wichman (T039) Judith-Ross Fork Perennial Forb And  
Shrub Reduction

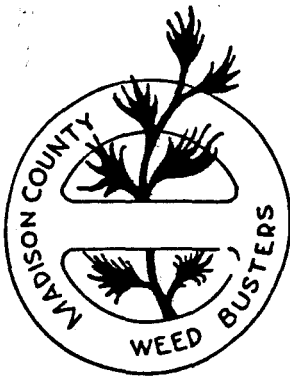
5:15 Advisory Council discussion

6:00 Adjourn for the day

Thursday, February 9 Room 225, Ag/Livestock Building

8:00 Advisory Council meets to make funding recommendations





# Madison County Weed Control

P.O. Box 278  
Virginia City, MT 59755

SENATE TAXATION  
EXHIBIT NO. 4 psl  
DATE 2/16/89  
BILL NO. SB 337

February 9, 1989

RE: SB 337, Senator Jacobson, REALTY TRANSFER TAX FOR WEED CONTROL AND ECONOMIC DEVELOPMENT

## TO THE RECORD

Dear Mr. Chairperson and,  
Members of the Senate Agriculture Committee:

The Madison County Weed Control Board supports and recommends the passage of Senate Bill 337.

Madison County has been a recipient of grants from the State's Noxious Weed Trust Fund for Cooperative Noxious Weed Projects. These grants have provided more than just an increase of chemical control within the cooperative area boundaries.

The Cooperative Area Programs have provided a noticeable increase in public awareness throughout the county for weed control. The increase has not been strictly in the activity of chemical control, but has provided the incentive for biological; cultural control activities; weed prevention and weed management education.

In Madison County we currently have three cooperative areas where the ranchers have organized and approached the Weed Board for entry into the Trust Fund Program. The Program does work and has been highly successful in Madison County.

The Governor's Noxious Weed Trust Fund Advisory Council has just concluded their 1989 hearings on proposed projects. There were approximately four (4) times the amount, in dollars, of requests than there are funds available. This means, to us in weed management, that there is a serious statewide noxious weed problem. This problem requires additional needs of resources and funds for on-the-ground management, research and public education.

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Madison County Weed Control supports and recommends the passage of all legislation that would provide the avenues to increase resources at both the state and county levels for the noxious weed management.

Respectfully,

*Barry Rice*, Weed Coordinator

Barry Rice, Chairperson  
Madison County Weed Control Board

BR/ks

**SENATE TAXATION**EXHIBIT NO. 5DATE 2/16/89BILL NO. SB 337**JAMES W. MURRY**  
EXECUTIVE SECRETARY110 WEST 13TH STREET  
P.O. BOX 1176  
HELENA, MONTANA 59624

(406) 442-1708

Testimony by Don Judge before the Senate Taxation Committee on Senate Bill 337, February 16, 1989

Mr. Chairman and members of the Senate Taxation Committee, for the record, I am Don Judge representing the Montana State AFL-CIO. We are here today in support of Senate Bill 337 to establish a realty transfer tax to fund the control of noxious weeds and support for local infrastructure development.

The need to control noxious weeds is an important policy objective for the State of Montana, as is the need for local economic development infrastructure improvements. Those organizations and individuals dealing with Montana's noxious weed problems can address that portion of this bill. We will instead, address the need to improve Montana's infrastructure.

One of the main priorities of the Montana State AFL-CIO has been the development of quality jobs for the people of Montana. A major concern of industry which would be the source of such quality jobs has been the deterioration of our local infrastructure. A strong local infrastructure has been shown to attract new and expanding businesses around the country. Unfortunately, infrastructure improvements are often prohibitive because of their cost. The reliance of local governments on property taxes as their primary source of revenue is also a major roadblock to infrastructure improvements.

We support Senate Bill 337 because it proposes a new avenue to fund infrastructure improvements. We believe that infrastructure improvements will lead to more and better jobs for working men and women in Montana, not only in the area of making these improvements themselves, but also in making Montana communities an attractive place to live, locate or expand business.

The proposed tax of one tenth of one percent on the value of real estate is not an onerous tax at all. By its very nature, it is a somewhat progressive tax. The revenue collected rises in proportion to the amount spent on the purchase of the realty. For example, the proposed tax on the transfer of a \$70,000 home would be \$70, and the proposed tax on a \$150,000 home would be \$150.

Mr. Chairman, members of the committee, with the shrinking participation of federal and state revenue in local government needs, the growing emphasis on a quality infrastructure for economic development, and the obvious desire to do something about Montana's noxious weed problems, Senate Bill 337 makes good sense.

Therefore, we urge your favorable consideration of SB 337. Thank you.

SENATE TAXATION

EXHIBIT NO. 6

DATE 2/16/89

BILL NO. SB 337

February 8, 1989

TO: Senate Agriculture Committee

FROM: Agricultural Coalition

SUBJECT: SB 337 - Tax on the Sale of Real Estate, Allocating Proceeds to the Control of Noxious Weeds.

Mr. Chairman, Members of the Committee:

My name is Kim Enkerud. I am representing the following agricultural organizations: Farm Bureau, Women Involved in Farm Economics, Montana Cattlefeeders, Montana Stockgrowers Association, Montana Association of State Grazing Districts, Montana CattleWomen, Montana Dairymen, and Montana Wool Growers.

We oppose this bill.

Our organizations have discussed this bill and have concluded this bill is a sales tax on real estate. Another area of concern is even though there are definite distribution percentages stated as to where the monies generated will go, there could be a possibility the bill could be amended in the future so more of the monies generated will be distributed to support county governments therefore decreasing the amount going to noxious weed control.

Our organizations do not really see the correlation between stimulation of the local economy and the control of noxious weeds.

Presently there is a law in place that generates monies for weed control from vehicles. We support this method of generating income for weed control.

The agricultural organization would ask this bill do not pass.

Thank you.

## SENATE TAXATION

EXHIBIT NO. 7 PSIDATE 2/16/89BILL NO. SB 337

Thank you Mr. Chairman and members of the committee for the opportunity to testify concerning Senate Bill #337.

My name is Al Littler. I'm from Billings, Montana and I represent the Montana Association of Realtors and the nineteen local boards of Realtors from around the State. Even though I represent the real estate industry and many Realtors have written in and in fact many Realtors are present at the hearing, I think it is very important that you note that your contemplated action on a Real Estate Transfer Sales tax does not affect the fees that we charge for services rendered in the marketplace. I, the association, the local boards and the hundreds of Realtors from around this State, are here in an advocate position pleading the case for the thousands of homeowners and property owners across the State of Montana. A tax on the transfer of real estate ownership adversely affects our clients and customers - sellers and buyers.

Please consider the tax from the seller's point of view.

- 1) The average home sells every 7 or 8 years, thus only 1/7 or 1/8 of your homeowners sell per year, so you would discriminate against a minority who would be expected to pay for programs and services enjoyed by all. Court decisions have shown this type of tax to be too narrow in scope to fund such programs as education. Not only is it narrow in scope, but subject to the fluctuations in the economic market, thus it is not a stable and reliable source of income.
- 2) The proposed tax is on the sales price and what may seem a small percentage of the overall, can be 25-50% of the seller's equity. In many cases in Montana, sellers have sold at a loss, and this tax would be an additional penalty over and above what the market has already done to their investment (Appendix A).
- 3) This tax would have to be paid up front prior to possession and this tax is not even deductible, thus creating an even larger burden on the low income and middle income sellers and buyers.
- 4) Of all the citizens in Montana, the property owner presently makes the biggest commitment to this community by investing in the community structure and the schools with his payment of property taxes. Why penalize those property owners for that investment with a Real Estate Transfer Tax? If the revenue is to be used for the benefit of the whole community, then the tax should be derived from a cross section of the whole community.

Now, let us consider the tax from the purchaser's point of view:

- 1) The young couple or first time family home buyer has difficulty in affording homes at their present cost. If the sales tax was added onto the sales price, it would simply increase the affordability gap. (Appendix B.)
- 2) In some states, the purchaser pays all or part of the transfer tax up front. Second to income in relation to affordability is the cash required to obtain the home, ie: down payment and closing costs. Presently that could mean a \$3,000 - \$5,000 cash requirement. As you can see, a small real estate transfer tax on the sales price could easily translate into an additional 10-15% cash requirement by an already over-burdened purchaser.
- 3) Any tax that discourages our citizens from private property ownership is contra-productive to our present tax structure and the economic development and growth of the community in this State.

Home construction and consequently home ownership, is an important factor in the economic development. (Appendix C). A Real Estate transfer tax would penalize the builder when he purchases a lot, and would tax him again when he sold his product. Builders and developers already pay disproportionate fees and taxes in many of our communities, and this additional burden is contra-productive to home building, which is an important aspect of economic development in Montana.

We support the control of noxious weeds, but taxing vehicles which spread those weeds is a more appropriate method of dealing with the problem.

On behalf of the property owners of the State of Montana, I implore this committee to reject this real estate transfer tax. Thank you for your kind and prudent consideration of the facts concerning this bill.

## APPENDIX "A"

SENATE TAXATION  
 EXHIBIT NO. 7 pg. 3  
 DATE 2/16/89  
 BILL NO. SB 337

## IMPACT OF A 1% TAX ON THE SALE OF REAL PROPERTY

	FHA SINGLE FAMILY	CONVENTIONAL MULTI-FAMILY
PURCHASE PRICE (1984)	\$76,000	\$1,000,000
ORIGINAL MORTGAGE	- 76,000	- 750,000
ORIGINAL DOWN-PAYMENT	0	250,000
'86 TAX REFORM ACT IMPACT	0	- 200,000
AMORTIZATION	1,000	10,000
APPRECIATION	4,500	0
CURRENT EQUITY	<u>\$ 5,500</u>	<u>\$ 60,000</u>
SALES PRICE (1988)	\$80,500	\$ 800,000
MORTGAGE BALANCE	- 75,000	- 740,000
SALES COSTS	- 8,050	- 40,000
NET BEFORE TAX	- \$ 2,550	\$ 20,000
1% TRANSFER TAX	- 805	- 8,000
TAX AS % OF NET FROM SALE	<u>&lt; 31.6 &gt;</u>	<u>40%</u>

# REAL ESTATE RESEARCH-IN-BRIEF

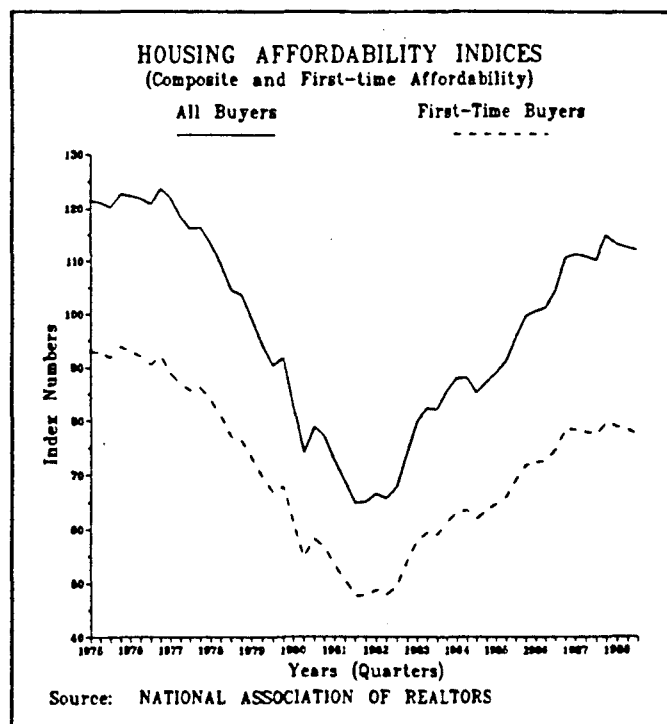
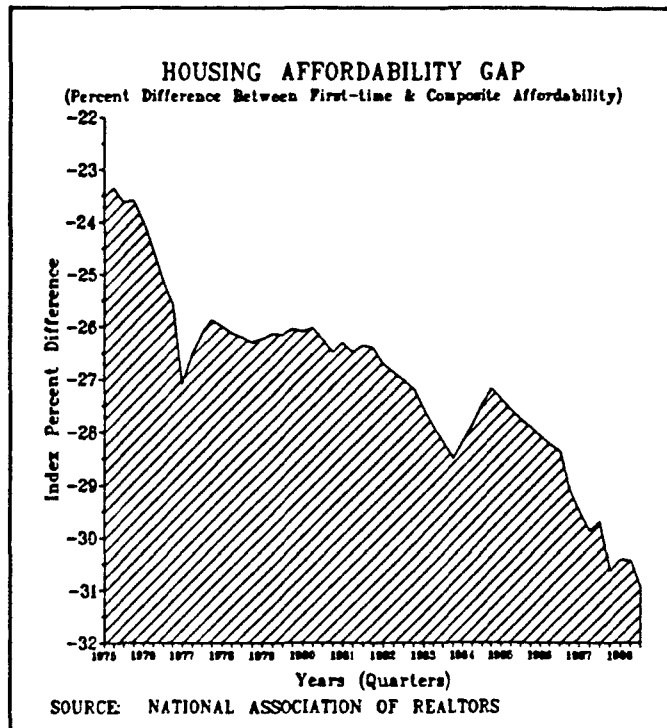
Economics and Research Division, NATIONAL ASSOCIATION OF REALTORS®, 777 14th St., NW, Washington, DC 20005

Vol. 2, No. 1

January 1989

## First-Time Homebuyers Losing Ground in Affordability Battle

- The gap between housing affordability for first-time buyers and those for the typical household reached its widest point in 13 years.
- The first-time buyer index is more than 30 percent below the composite index. This illustrates the problem faced by many renters as they attempt to fulfill the American Dream of homeownership.
- At 77.3, the third-quarter 1988 first-time buyer index means potential first-time buyers typically had less than 78 percent of the income needed to qualify for a mortgage on a starter home.
- At the typical starter home price of \$76,670 and with a 10% downpayment, first-time buyers need a qualifying income of \$27,999--\$6,342 more than their median annual income.
- The composite affordability index, which measures the purchasing power for all buyers of existing homes, was 112.0 in the third quarter.
- The gap between housing affordability for first-time buyers and repeat buyers has steadily widened since 1975.
- This widening gap stresses the nation's need for a comprehensive housing policy that addresses saving for a downpayment, obtaining affordable financing and dealing with home prices that are, in many cases, rising faster than family incomes.





APPENDIX "C"

SENATE TAXATION

EXHIBIT NO. 7 P55

DATE 2/16/89

BILL NO. SB 337

CITY OF BILLINGS

NEW CONSTRUCTION	YEAR TO DATE 1984				YEAR TO DATE, 1988			
	No.	CITY Total	METRO AREA No.	Total	No.	CITY Total	METRO AREA No.	Total
SINGLE FAMILY	374	24,742,071	591	41,546,844	69	6,139,421	100	8,699,634
DUPLEX	28	2,873,742	36	3,626,599	1	189,412	1	189,412
MULTI-FAMILY	61	12,504,698	63	13,076,694	--	--	--	--
ASSEMBLY	3	372,325 (395 Units)	6	1,772,325 (405 Units)	5	1,843,589	6	1,939,808
COMMERICAL	97	23,721,665	137	26,505,587	29	6,593,442	38	7,546,619
GARAGE/CARPORT	216	1,360,517	284	2,285,577	82	631,217	124	1,059,321
OTHER	275	1,410,585	297	1,511,295	164	365,664	169	392,114
* TOTAL NEW	1054	66,985,603	1414	90,324,921	350	15,762,745	438	19,826,900
REMODEL & ADDITIONS								
RESIDENTIAL	569	3,549,748	614	4,059,336	830	2,884,712	863	3,212,449
COMMERCIAL	298	9,758,881	311	11,240,021	482	12,011,404	501	12,204,354
OTHER	181	1,387,777	191	1,437,725	1	15,961	1	15,961
** TOTAL R & A	1048	14,696,406	1116	16,737,082	1313	14,912,077	1,365	15,432,760
*** GRAND TOTAL	2102	81,682,009	2530	107,062,003	1,663	30,674,822	1,803	35,259,670

# Motion Picture

(5) (8)

SENATE TAXATION

EXHIBIT NO. 8

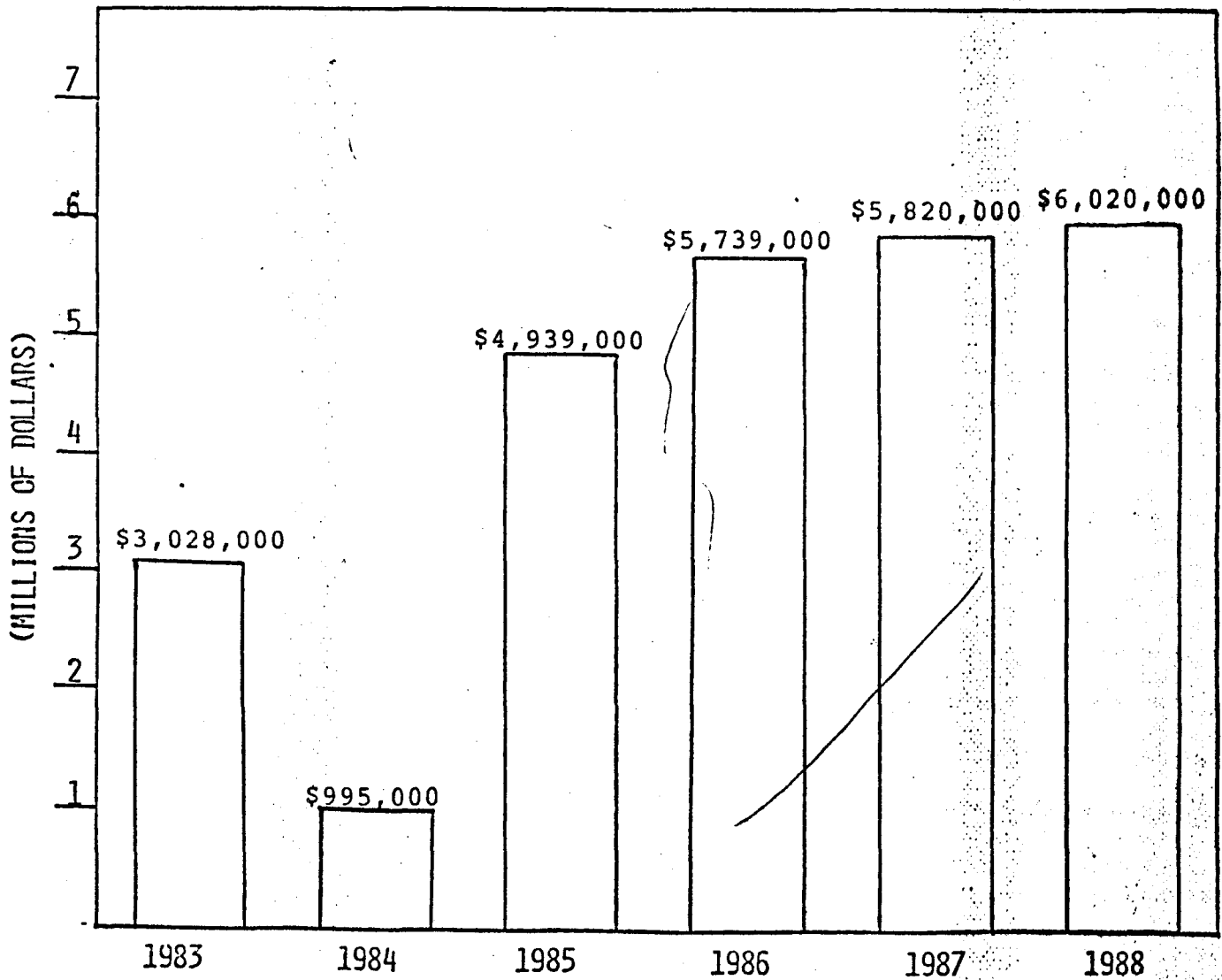
DATE 2/16/89

BILL NO. SB 392

## 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.**



