MINUTES

MONTANA SENATE
51st LEGISLATURE - REGULAR SESSION

COMMITTEE ON TAXATION

Call to Order: By Senator Bob Brown, Chairman, on March 21, 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 466

Presentation and Opening Statement by Sponsor:

Senator Williams, District 15, sponsor, presented the bill to the committee. His testimony is contained in Exhibit #1.

List of Testifying Proponents and What Group they Represent:

None

List of Testifying Opponents and What Group They Represent:

Dennis Burr, Montana Taxpayers Association
James T. Mockler, Executive Director, Montana Coal Council
Forrest Boles, President, Montana Chamber of Commerce
Don Allen, Executive Director, Montana Wood Products Association
Julie Hacker, Missoula County Freeholders

Testimony:

Dennis Burr, Montana Taxpayers Association, said this is a strange piece of legislation as he has never talked to anyone who has wanted his property taxes completely eliminated. He disputed the claim that the bill is revenue neutral saying it does eliminate the tax on agricultural machinery, however, it increases the taxable value of agricultural land by 53%. That will be a fairly substantial increase for ranchers. There is a 333% increase on the net proceeds on metal mines. Commercial real estate and buildings tax increases by 47%, although there are some exemptions on personal and commercial property. The bill exempts some personal property used in coal mines and increases the gross proceeds on coal by 22%. Rather than taxing 100% of the net proceeds of oil and gas, this bill provides for a 110% tax. The bill is not revenue neutral to any local government in the state. If the local government unit has significant amounts of personal property compared to real property, they will lose the personal property and not gain enough on the real property to make up for it. The bill does not exempt all personal property, in fact, on page three, personal property is reclassified as real property. This property will be subject to a tax rate 47% higher than the current commercial property tax rate.

He offered as an example the Decker Coal Company whose taxable value of net proceeds in 1987 was $49.9 million. The surcharge would be an additional $11 million. Although administratively the bill would be better, Mr. Burr felt it is too high a price to pay for convenience of the Department of Revenue. He urged the committee not to accept the bill.

James T. Mockler, Executive Director, Montana Coal Council, agreed with Mr. Burr's testimony. His purpose in opposing the bill was the substantial increase in tax on the gross proceeds of coal. He felt the Legislature will find a way to increase the tax on the net proceeds of coal during this session one way or another. He said no one likes personal property taxes and commended Senator Williams for trying to find a way of doing away with them. But, he pointed out, he didn't think doing away with them on the already overtaxed oil, gas, and hard rock industries.

Forrest Boles, President, Montana Chamber of Commerce, said he also is sympathetic to the intent but not to the means. The cost of doing business in the state is the bottom line and that is not altered except to be increased in some instances. He urged the committee to reject the legislation.

Don Allen, Montana Wood Products Association, felt the definitions on pages 3 and 4 regarding equipment are more harmful than helpful. The surtax on land is an example of the drastic changes the bill proposes. He felt the bill would adversely affect businesses in the state and he urged the committee to kill the bill.

Julie Hacker, Missoula County Freeholders, presented her testimony in opposition to the bill (Exhibit #2).

Questions From Committee Members:

Nothing worth writing about.

Closing by Sponsor:

Senator Williams said property tax has an adverse effect on the economy of Montana. He said the Montana Assessors Association thought this bill was an interesting concept and should be looked at more closely.

HEARING ON SENATE BILL 467

Presentation and Opening Statement by Sponsor:

Senator Eck, District 40, sponsor, presented her testimony as contained in Exhibit #3 which she reviewed with the committee. She noted another system of assessing timber land would be on productivity. The foresters she has talked to prefer that approach as a way of properly managing our forest inventory. The idea of a yield tax, which SB 467 follows, is that the tax is paid on timber when it is cut. At 3% the tax proceeds would be less than the current system, at 4% they would be about equal. One of the advantages of the yield tax is that it is paid by the harvester, not the owner. Another approach is to take the land under the timber and reclassify it. Currently it is classified the same as agriculture land at 4.6% instead of 30% or more. The advantage is that it has the least impact on the owners. The disadvantage is that many property taxpayers have been paying the tax on their trees for many years and all of a sudden, when they decide to cut them, they will have to pay an additional tax.

Senator Eck felt with the problems inherent in fluctuation, we probably need a five year estimate of harvest values to use as a base. She wants to have the tax distributed to all the taxing jurisdictions in the county rather than to just the local school districts.

In looking at the fiscal note, a 3% tax is estimated to yield about $1.8 million a year which would gradually increase. The private industry contribution would only be about $808,000 which is about half of what they are paying now. The tax on the land under the timber would be just a little under $500,000. That would also be about $500,000 less than they are paying now. With the increases that are built in we should be ahead of the game in a little over two years. Senator Eck felt this is an issue that should be considered both from the land classification aspect as well as the balance of taxation.

<u>List of Testifying Proponents and What Group they Represent:</u>

None

<u>List of Testifying Opponents and What Group They Represent:</u>

Don Allen, Executive Director, Montana Wood Products Association
Hope Rasell, Livingston Stud Mill
Jack Mahon, Sequoia Forest Industries
Dennis Burr, Montana Taxpayers Association
Forrest Boles, President, Montana Chamber of Commerce
Julie Hacker, representing herself
Jerry Jack, Executive Vice President, Montana Stockgrowers, also representing Montana Cattlewomen and the Montana Grange

<u>Testimony:</u>

Don Allen, Executive Director, Montana Wood Products Association, said Senator Eck had started talks about this bill with him last December and he appreciated her approaching him with it. He said the bill represents a tremendous shift in taxes on the timber industry. Some states do have combinations of yield and production taxes but there does not seem to be any clear consensus. The major shift in this bill is that instead of taxing the property of those who own timber land, it taxes the grazing underneath and shifts the taxation to the public land. He said he doesn't agree with the figures in the fiscal note, however, he has not had enough time to review it thoroughly. As the timber industry gets tighter and costs get higher, it is difficult to see where a major shift and the uncertainty that would accompany it would be a beneficial move. The administrative costs in other states have been more expensive, very complex, and very divisive. He urged the committee to carefully look at the distribution provision and to give the bill a negative recommendation.

Hope Rasell, Livingston Stud Mill, said the bill would put a much larger burden on the mills. She said her estimate of taxes would be at $75,000 the first year and up to $100,000 by the 5th year. She said the competition from out of state is intense and she cannot afford to pass the higher costs of doing business on to her consumers. She questioned the legality of the bill and stated it would be very hard to fairly administer.

Jack Mahon, Sequoia Forest Industries, Townsend, said he has three very serious problems with the bill. First, it will cause the landowner to hold his timber off the market. Second, it will discourage good forestry rather than encourage it. Third, it will require the state to hire a large staff which will leave little left for the schools. He said there is already a political timber shortage in the state brought about appeals of timber sales and forest service reluctance to put up sales in areas where they fear these appeals will occur. There is much disagreement between the Department and the landowners relative to harvest factors and the classification of grazing values after harvest. He pointed out a large staff would have to be assembled, they would have to be trained in forestry, timber appraisals, logging cost analysis, and lumber markets. Studies would have to be done and on-site visits made which could seriously delay harvests. He feared the Department of Revenue might be the one to set the stumpage value. Classification of land after harvest is a whole new area open to confusion and debate.
He closed by saying this is a restrictive tax on a public industry and restricts competitiveness with companies outside the state.

Dennis Burr, Montana Taxpayers Association, said the yield tax is always looked at as an alternative to the property tax. He said the property tax that has been paid for years on the timber land has been capitalized into the value of the timber and by adding the yield tax you are adding on to property tax, not replacing it. If the yield tax is to be considered, there has to be a long coordination period between payment of property taxes and the imposition of the yield tax.

Buck Boles, President, Montana Chamber of Commerce, said it is his position that the yield tax is not a stable source of revenue. He urged the committee to reject the bill.

Julie Hacker, a landowner in the state, presented her testimony in opposition to the bill (Exhibit #4).

Jerry Jack, Montana Stockgrowers, Montana Cattlewomen, and the Montana Grange, expressed the opposition of the preceding groups to the bill.

Questions From Committee Members:

Senator Crippen asked how the tax on a tree in Montana compares to the tax on a tree in Washington or Oregon.

Bob Simes, Champion International, said the Montana tax is based on condition classes. Those classes are broken down into several types and then a per acre value is set. Then a percentage is applied to determine the tax. It is not possible to compare on a per tree basis- the calculation is done on a per acre basis. He was not able to give the committee figures on the Washington and Oregon tax.

Closing by Sponsor:

Senator Eck said if we are going to look at the whole tax policy reform issue, we need to look at equity and balance between the taxpayers of all levels and classes. There are several options to be considered in the revision of the current system of taxation. The most attractive at this point would be the area of ad valorem taxes. She said she is also sensitive to idea that this is perhaps not the time to change the tax with the upheaval currently going on in education. The yield tax is generally considered to be the least burdensome of taxes. It also defers the taxes until the end of the harvest or investment period which should lead to better management of the land.

EXECUTIVE SESSION

DISPOSITION OF SENATE BILL 466

Discussion: None

Amendments and Votes: None

Recommendation and Vote:

Senator Mazurek moved to TABLE SB 466. The motion CARRIED unanimously.

DISPOSITION OF SENATE BILL 467

Discussion: None

Amendments and Votes: None

Recommendation and Vote:

Senator Mazurek moved to TABLE SB 467. The motion CARRIED unanimously.

ADJOURNMENT

Adjournment At: 10:00 a.m.

Bob Brown

SENATOR BOB BROWN, Chairman

BB/jdr

MIN321.jdr

ROLL CALL

TAXATION COMMITTEE

51st LEGISLATIVE SESSION -- 1989 Date 3/21/89

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.

SENATE TAXATION
EXHIBIT NO. 1
DATE 3/21/89
BILL NO. SB 466

SENATE BILL 466 SENATOR WILLIAMS' BILL
TO ELIMINATE MOST PERSONAL PROPERTY TAXES

1. Senate Bill 466 will eliminate most personal property taxes thereby removing the disincentive that exists under current Montana law for machinery-intensive (value-added) industries. Most surrounding states have little or no property tax on manufacturing machinery, mining equipment, agricultural equipment, retail furniture and fixtures, hotel furnishings and other commercial personal property. In contrast, Montana taxes this type of property at rates ranging from 11% - 16% -- among the highest in the country.

2. Senate Bill 466 replaces the revenue lost by repealing these taxes by levying a replacement tax on the same industry. Governor Stephens' personal property tax bill and House Bill 747 (the sales tax bill) shifts the tax burden from businesses to other taxpayers.

3. By repealing personal property taxes, Senate Bill 466 eliminates the need for 52.2 Department of Revenue staff, at a savings of $1.2 million per year (beginning in FY91). The other personal property tax bills only reduce the tax rates, thereby continuing <u>all</u> the costs of locating and assessing personal property and reducing the tax revenue they produce.

SENATE TAXATION
EXHIBIT NO. 1
DATE 3/31/89
BILL NO. SB466

4. Although each industry will pay the same amount of total property tax under Senate Bill 466 as under current law, the replacement tax imposed in the bill has several advantages.

a) in many cases, no tax will be due until income production has begun. Under current law, a mine operator pays tax on his mining equipment during the entire construction period of a new mine, long before he generates any revenue from the mine. Under Senate Bill 466 he will never pay any tax on the equipment. Rather, he will pay the replacement tax as part of his net or gross proceeds, eighteen months after production at the mine begins. Similarly, a manufacturing company won't have to pay personal property taxes on new equipment in March of the year they are first delivered and assessed (current law if not combined with real property). Instead, the manufacturing equipment will be assessed and taxes (at 3.86% - the replacement tax) in November and May of the following year. By this time, the business may be receiving increased income from the machinery.

b) Under current law, businesses that require heavy investment in equipment to produce a product pay high personal property taxes. This puts Montana-based companies at a disadvantage with similar firms in surrounding states, which have much lower or no personal property taxes. Senate Bill 466 will spread

SENATE TAXATION
EXHIBIT NO. 1
DATE 3/31/89
BILL NO. SB 466

the tax burden among all types of businesses within an industry.

5. Senate Bill 466 is revenue-neutral statewide. In taxing jurisdictions in which the replacement tax does not generate adequate replacement revenue, Senate Bill 466 provides an exception to I-105, allowing the same amount of taxes to be collected as under current law.

EXHIBIT NO. 1
DATE 3/31/89
BILL NO. SB 466

SUMMARY OF LC 1182

L.C. 1182 repeals the taxation of most personal property, including classes six, eight, nine, ten, twelve (mobile homes), and sixteen. The bill reclassifies certain fixtures, machinery, and equipment used in mining, manufacturing, milling, communications, and other commercial processes as improvements to real property. Mobile homes are classified as improvements to real property.

Also reclassified as improvements to real property are mains and other pipes of gas and water companies, as well as certain property of street railroads, bridges and ferries.

The reclassification of the above properties as improvements to real property rests on the notion that the property is not readily moveable or that it has become such an integral part of a building or structure that moving it would alter the integrity of the building or structure.

Centrally assessed property (e.g., electric companies and mining proceeds) is generally unaffected by the repeal of personal property taxes. The assessment procedure for railroads (15-23-202, section 29 of the bill) and airlines (15-23-403, section 30 of the bill), however, is adjusted to keep the value these industries in line with other commercial property.

The revenue loss from the repeal of personal property taxes will be made up from a "personal property replacement" tax (section 12 of the bill) on the following real property and mining proceeds:

(1) commercial real property and improvements;
(2) timberland;
(3) net proceeds of oil and gas;
(4) gross proceeds of metal mines;
(5) gross proceeds of coal mines; and
(6) agricultural land.

SENATE TAXATION
EXHIBIT NO. 1
DATE 3/21/89
BILL NO. SB 466

Commercial real property and improvements and timberland are taxed at 1.8% of market value times the mill levy of the taxing jurisdiction.

Net and gross proceeds are taxed at 10% of value times the mill levy of the taxing jurisdiction.

Agricultural land is taxed at 16% of its productive capacity times the mill levy of the taxing jurisdiction.

The provisions of I-105 and the related clarification of property tax limits (15-10-402, section 24, and 15-10-412, section 26) are amended to allow for an increase in the taxation of property included in the personal property replacement tax.

Finally, a fee in lieu of tax is imposed on "heavy" vehicles with a gross vehicle weight of 18,000 lbs or more (sections 43 through 45 of the bill).

EXHIBIT NO. 1
DATE 3/21/89
BILL NO. SB466

STATE OF MONTANA - FISCAL NOTE
Form BD-15

In compliance with a written request, there is hereby submitted a Fiscal Note for SB466, as introduced.

DESCRIPTION OF PROPOSED LEGISLATION:

An act repealing the personal property tax on certain types and classes of personal property; providing for a personal property replacement tax on commercial and other real property and improvements, gross proceeds, and net proceeds to replace personal property taxes; and providing an immediate effective date and an applicability date.

FISCAL IMPACT:
REVENUES:

Under the proposal, personal property taxes are repealed. Eliminating personal property from taxation reduces the tax base of the state by approximately $260 million. The proposal is designed to fully compensate for this loss in taxable value by levying a personal property replacement tax on the market value of some other property. The personal property replacement tax rates are based on tax year 1987 taxable values. When applied to tax year 1987 taxable values, the proposal is revenue neutral. The fiscal impact of the proposal in future years is dependant on the growth and changes in the composition of the tax base. For example, when applied to tax year 1988 taxable values, the proposal increases the taxable valuation of the state by approximately 0.6%, relative to current law.

The impact of the proposal on local governments depends on the current composition of the tax base of the taxing jurisdiction. Generally, if the ratio of taxable value of personal property to taxable value of property subject to the replacement surtax in the taxing jurisdiction is higher than the statewide ratio, then the taxing jurisdiction will see a slight decrease in total taxable valuation. Likewise, if the ratio of taxable value of personal property to taxable value of property subject to the replacement surtax in the taxing jurisdiction is lower than the statewide ratio, then the taxing jurisdiction will see a slight increase in total taxable valuation.

NOT FOR DISTRIBUTION

EXPENDITURES: Department of Revenue (General Fund)
The elimination of personal property taxation will decrease property assessment expenditures by approximately $171,000 in FY90 and $1,196,000 in FY91 and subsequent fiscal years.

DATE 3/20/89
BOB KUCHENBROD, DEPUTY DIRECTOR
OFFICE OF BUDGET AND PROGRAM PLANNING

DATE
BOB WILLIAMS, PRIMARY SPONSOR

Fiscal Note for SB466, as introduced

SENATE TAXATION
EXHIBIT NO. 1
DATE 3/21/89
BILL NO. SB 466

Repeal Personal Property Taxes

The personal property tax is a difficult and expensive tax to administer. Tax rates vary illogically from one class of property to another and many classes are taxed exorbitantly. The tax is a continuing source of controversy.

High personal property tax rates impede investment in new and modernized equipment, the cornerstone of economic development. By lowering or eliminating personal property taxes, the state sends a positive signal to potential investors, and improves the prospect of increased investment.

Previous legislative actions have substantially reduced the property tax base by exempting certain types of personal property from taxation. Local governments have not been provided alternative revenue sources to replace these lost revenues. The result has been a greater tax burden on the remaining property owners, fueling voter unrest with property taxes.

Replacement revenue would come from three replacement taxes:

<u>Agricultural Land.</u> Agricultural personal property accounts for 30 percent of the taxable value of property exempted under the proposal. A 16 percent replacement tax is proposed for agricultural land to replace the lost taxable valuation and tax revenue generated from agricultural personal property. This tax rate maintains the present agricultural tax base.

<u>Mining.</u> The exemption of personal property used by the mining industry is responsible for 20 percent of the proposal's total reduction in taxable value. A 10 percent replacement tax on the proceeds of production would replace this lost value.

<u>All Other Commercial.</u> The remaining replacement revenues are provided by imposing a 1.8 percent replacement tax on the market value of all other commercial property.

The bottom line is a plan that brings Montana's property tax structure into line with other states while maintaining the present tax base.

If adopted by the 1989 legislature, the proposal would allow the reduction of 52.2 personal property tax staff in FY 1991 at a savings of $1.2 million.

Summary

Our proposal to the 1989 Legislature focuses on the key impediments our tax system presents to potential Montana investors. It maintains the tax base of both state and local governments while improving the overall fairness of our tax structure. Montanans must understand that modest, focused tax reform is really not a choice. We will either keep pace with other states or they will outdistance us in creating jobs and improving their economies.

SENATE TAXATION
EXHIBIT NO. 1
DATE 3/21/69
BILL NO. SB 466

Overview of Personal Property Tax Elimination (Continued)

Property Type	Current Law	Proposed Law
Utility Property (Continued)		
All Other Intercounty	12% of Full Value	12% of Full Value
Intracounty Utilities	8% of Full Value	8% of Value Without Personal Property
Personal Property Replacement Tax	No Provision	Intracounty Property Subject to 1.8% Replacement Tax
General Commercial Property		
Land and Improvements	3.86% of Market	3.86% of Market
Light Motor Vehicles	2% of Average Trade-In Value	2% of Average Trade-In Value. Changed to Include 1 1/2 Ton Trucks.
Heavy Trucks and Trailers	13% of Market	Flat Fee Based on Age and Weight
Other Motor Vehicles	Fee System	Current Fee System
Class 5 Property	3% of Market	3% of Market Without Personal Property
Personal Property	3 - 16% of Market	Exempt
Affixed Personal Property	Taxed at Personal Property Rates	Taxed at Real Commercial Tax Rates
Personal Property Replacement Tax	No Provision	1.8% of Market of Real Commercial Property
Other Property		
Personal Property Mobile Homes	Include in Class 12 and Taxed at 3.86%	Included in Class 4 and Taxed at 3.86%
Residential Property	3.86% of Market	3.86% of Market

-110

EXHIBIT 1
DATE 3/21/89
BILL NO. SB 466

Overview of Personal Property Tax Elimination

Property Type	Current Law	Proposed Law
Agricultural Property		
Agricultural Land	30% of Productive Capacity	30% of Productive Capacity
Farmsteads	3.088% of Market	3.088% of Market
Livestock	4% of Market	Exempt
Agricultural Implements	11% of Market	Exempt
Personal Property Replacement Tax	No Provision	16% of the Productive Capacity of Ag. Land
Mining Property		
Mine Site and Improvements	3.86% of Market	3.86% of Market
Mining Equipment	11 - 16% of Market	Exempt
Proceeds		
Metal	3% of Gross Proceeds	3% of Gross Proceeds
Coal	45% of Gross Proceeds	45% of Gross Proceeds
Oil and Gas	100% of Net Proceeds	100% of Net Proceeds
Miscelleneous Mines	100% of Net Proceeds	100% of Net Proceeds
Personal Property Replacement Tax	No Provision	1.8% of Mine Site and Improvement Value plus 10% of Proceeds
Utility Property		
Railroad	4'R Tax Rate on Full Value	Higher 4'R Tax Rate on Value Without Personal
Airline	12% Settlement Rate on Full Value	12% Settlement Rate on Value Without Personal

SENATE TAXATION
EXHIBIT NO. 2
DATE 3/21/89
BILL NO. SB 466

(This sheet to be used by those testifying on a bill.)

NAME: Julie Hacker DATE: 3/21

ADDRESS: Bonner SR Bx 335

PHONE: 244-5521

REPRESENTING WHOM? Msla Co. Freeholders

APPEARING ON WHICH PROPOSAL: SB 466

DO YOU: SUPPORT? ________ AMEND? ________ OPPOSE? X

COMMENT:

This bill is a tax shift. We ask you to provide broad-based tax relief. This bill makes losers out of all taxpayers & taxing jurisdictions.

PLEASE LEAVE ANY PREPARED STATEMENTS WITH THE COMMITTEE SECRETARY.

Data from draft of study by Randy Pierson, Dec. 1987

SENATE TAXATION
EXHIBIT NO. 3 p.1
DATE 3/27/89
BILL NO. SB 467

INTRODUCTION
FOREST PROPERTY TAXATION IN MONTANA

Property appraisal and taxation is a growing concern in Montana. Residential and commercial taxation has received extensive publicity and scrutiny. Forest land appraisal and taxation on the other hand, has received little attention in recent years. Although the forest products industry is a major component in western Montana's economy, private forest lands constitute a minor portion of our property tax base. Lincoln County is the exception to this case. Lincoln County timberlands comprise 8.4 percent of the taxable <u>real</u> property base. <u>1/</u> Approximately 3.5 million acres are appraised as commercial forest land in Montana. These lands produced approximately 2 million property tax dollars in 1987. Approximately 64 percent of the total forest property tax is generated in Lincoln, Flathead and Missoula counties. <u>2/</u> The tax can vary from $.009 to $8.39 per acre (using 300 mills). The average tax in western Montana is approximately $.73/acre and $.15/acre in eastern Montana. The overall statewide tax per acre in 1987, is approximately $.56 per acre (using 300 mills). As a comparison the lowest agricultural value produces a $.07/acre tax and the highest agricultural value produces $11.31/acre tax (using 300 mills). The average statewide agricultural tax is $.82/acre (using 300 mills).

In 1963, the forest <u>taxable</u> value per acre on 917,795 acres in western Montana was $2.34. <u>3/</u> In 1986, the forest taxable value per acre on 2,359,920 acres in western Montana was $2.53. <u>2/</u> The statewide taxable value in 1986 was $1.88 per acre. The increase in taxable value per acre in western Montana from 1963 to 1986 was .19¢ per acre (nominal dollars). In real dollars, this represents a 68 percent <u>decrease</u> in value during this 23 year period. There are four principle reasons for this real decrease in taxable value. 1) The Department of Revenue did not reappraise timberlands for the 1976 appraisal cycle, 2) the legislature mandated that there would be no statewide increase in taxable value as a result of the 1986 reappraisal, thus the statewide taxable value was adjusted back to the 1985 level 3) forest growth has not been updated for most forest landowners, 4) high value, old growth timber inventories have been largely liquidated in the past decade on private forest lands. Under the current ad valorem system, a <u>decrease</u> of approximately one percent per year (nominal value) in taxable value can be expected as long as the tax rate is adjusted after each reappraisal to match the previous years taxable value.

Forest appraisal and taxation has not faced major controversy for over a decade. The majority of forest landowners believe the tax is low (at least in comparison to other property taxes) and thus

SENATE TAXATION
EXHIBIT NO. 3 p.2
DATE 3/31/89
BILL NO. SB 467

perceive it to be fair. Yet, Montana's forest property tax system faces major equity problems. These problems are discussed in detail in the "ad valorem" section of this report.

SENATE TAXATION
EXHIBIT NO. 3 p.3
DATE 3/31/89
BILL NO. SB 467

Forest Classifications

Montana's general assessment law provides for general and uniform methods of appraising timberlands. The current classification of Montana's private forest land is anything but uniform. The original forest classification system was a uniform and simple method of mapping Montana's private forest lands. It was originally assumed that these classification maps would be maintained and kept current. No one envisioned that the original base maps would be in use more than 25 years later to determine a landowner's forest property tax. This is what has occurred to most forest taxpayers. Imagine an appraisal on your residential home based on its condition and measurements 25 years ago and the problem with outdated forest records becomes apparent. Unfortunately, the date of classification depends on which landowner you are looking at. Mapping was conducted on the most current aerial photography available at the time. Some of the original work was done off photography dating back to the 1940's. In 1985, Flathead and Cascade counties were reclassified from 1970 and 1971 aerials.

Originally, the system was developed and turned over to county assessors. Most assessors had no forestry background. Their lack of training and/or lack of interest in the system led to classification and appraisal abuses. Without formal training, classification and appraisal work is time consuming and difficult. The Property Assessment Division instituted a timber certification program for their appraisal staff in 1979 but in recent years timber appraisal certification has been suspended. Currently, all classification and appraisal work is handled by two staff foresters. Landowners who contact the appraisal offices concerning timber removals (fire or logging) will usually receive an on-site inspection of their property. Their appraisals will reflect an up-to-date forest classification. Champion Timberlands Inc. has maintained current classifications on their ownerships. Champion will report their annual cuttings and generally update the stands in vicinity of the actual harvest. They are willing to accept the associated administrative costs because it is to their advantage to do so. Our forest property tax is based on standing inventories and a reduction in inventory will mean a reduction in property tax. Our department has neither the staff nor time to reclassify thousands of harvested acres on industry land each year. In recent years Plum Creek Timber Company has not maintained their classification records or turned in logging depletions to our department. When Plum Creek Timber Company or any other nonindustrial forest landowner fails to contact our appraisal staff about timber depletions, their tax bill will reflect timber values no longer existing on their property. Most nonindustrial forest landowners who have logged

Average Stand Volume Tables

The average stand volume tables were developed in the early 1960's by the Division of Forestry and a committee composed mainly of individuals from forest industry. The inventory data for these tables came from many different sources using different inventory standards. This information was arithmetically averaged together to produce preliminary drafts. These drafts were then subjectively adjusted based on judgment and experience of the committee members. The total cost was approximately $1,500 dollars. 8/ Not only is the statistical reliability questionable, but these tables were based on average stand conditions which existed in the 1950's. Forest stands during that time period typically contained larger tree diameters and volumes for each crown class. The last 20 years has seen an accelerated harvest on industrial private forest lands, far above the annual sustained yield rate. Stand volume tables developed from data on current forest inventories would probably reflect overall lower average volumes by crown class.

Prior to 1972, our size class standards were, poletimber 5" diameter at breast height (d.b.h.) to 10.9" d.b.h., sawtimber 11.0" + d.b.h. Increased efficiency and better technology has continually pushed merchantability standards down. In 1972, the department collected inventory data on volumes in the 9" to 11" d.b.h. class. The sample was statistically weak and was applied across the board to all timber types in all of the volume tables. The size classes were adjusted to reflect; poletimber 5" d.b.h. to 8.9" d.b.h., sawtimber 9.0" + d.b.h. This has created a situation where our classification standards, volume tables and valuation data represent something different than the original forest classifications which are still in use for many forest taxpayers.

Land Valuation Under Timber

Under the ad valorem system a grazing value derived from our 1963 agricultural schedules represents the land value under the timber. These values currently range form $.82 to $2.52 per acre. Grazing lands are taxed at 30 percent of assessed value but timberlands are taxed at 3.84 percent of assessed value. To avoid accounting problems, grazing values under timber are taxed at 3.84 percent. For all practical purposes, this means land under the timber is tax exempt.

The 1986 reappraisal created a situation where schedules used for class 3 property are applied to class 13 property. In eastern Montana, the primary income stream on timberlands is grazing. In 1986, low timber valuations and virtually nonexistent land values created drastic taxable value reductions in all eastern timber producing counties. If our current ad valorem system is maintained in future appraisal cycles, this issue must be addressed.

SENATE TAXATION
EXHIBIT NO. 3 p. 6
DATE 3/31/89
BILL NO. SB 467

Forest Ad Valorem System
Summary

A forest tax system based on the present net worth of existing inventories is very difficult to value on a mass appraisal basis. State and federal sales are often purchased at stumpage values different than those advertised. Our forest tax system has often been billed as an "at value" tax on the forest productivity. This has never been the case. The tax on timber has always been based on standing inventories, not the productivity of the site. A very poor site may have a valuable stand of timber which took 120 years to produce. This stand will pay a higher tax than an excellent site with an immature stand. Unless the valuation system is changed to one based on site productivity, forest lands will probably never be recombined into the same tax class as agricultural lands which are appraised on productive capability.

One of the strongest arguments against the ad valorem system is the regressive nature of this tax. The tax is an annual tax which may cause cash flow problems on forest properties where income production is infrequent. The ad valorem tax is biased against long rotation management or poor productivity sites which require longer growing periods to develop merchantable stands. This bias may force some landowners to harvest their timber before it is economically desirable for them to do so. The low forest tax level in Montana reduces the problem but this weakness in the ad valorem system will always exist.

There are three principal advantages to the current forest tax system. Montana has never invested the monies required to maintain the entire system at current levels. Our administrative costs are very low, thus a large percentage of the tax dollars are returned to the taxpayer in the form of government services. Unfortunately, the low administration level on our forest ad valorem system (approximately 2 percent) has caused a gradual decline in the system's accuracy and equity. The second advantage with the system is that it is in place and in operation (although imperfectly). Forest tax appraisals have been computerized and tax assessments are being generated. The third advantage is taxpayer acceptance. Our current system generates approximately two million tax dollars annually. Forest taxpayers perceive this as a low amount (thus it is a fair amount), therefore, there are few taxpayer complaints. The ad valorem system has existed for over 25 years. Taxpayers have grown use to it and the tax they pay on their timberland. Very few forest land owners know or understand how their timberland appraisals are formulated. If a change is proposed, it will be resisted by many because of fear and uncertainty that any change will create. Many will suspect the state's motive is to increase their

SENATE TAXATION
EXHIBIT NO. 3 p7
DATE 3/21/89
BILL NO. SB 467

property tax. Given the outdated forest classifications, questionable validity of stand volume data and inequities among land owners, a higher tax level under the current system would be difficult to defend.

Many of the problems I have discussed could be corrected with a new statewide forest reclassification and new average stand volume tables. Unfortunately, the forest classification would be only as current as the aerial photography used and the degree of actual ground review conducted. I have pointed out that the ad valorem system requires high administrative costs to properly maintain the standing timber inventories. If our current administrative level were continued, an updated system would once again deteriorate. Maintaining an inventory of existing forest classifications is difficult, expensive and an ongoing project.

The estimated cost to systematically update all forest classifications and create new base maps would be approximately 1.9 million dollars. It is very difficult to estimate a cost to develop new average stand volume tables. The U.S. Forest Service has inventory data on private forest lands in Montana which would considerably reduce the state's cost. This information has been denied to the D.O.R. in the past. Landowner access might also be a problem when collecting data for tax purposes however indirect the information is used. The development of new volume tables could be more effectively handled by the Montana Division of Forestry, State Lands.

SENATE TAXATION
EXHIBIT NO. 3 p8
DATE 3/31/89
BILL NO. SB 467

Yield Tax

Debate over a yield tax in Montana is not new. In 1973, the yield tax bill failed by one vote in the Montana Senate. During the 1977 legislative session an agreement was reached among proponents and opponents of a yield tax to allow the bill to die in committee in favor of a forest taxation study by a legislative interim committee. 12/ The interim committee consequently recommended no change be made to Montana's forest tax system. The ad valorem tax remained intact and there has been little or no discussion in the legislature on a yield tax since 1977.

The basic principle of the yield tax is simple, all taxes paid on the standing timber are delayed until the time of harvest. An annual tax is paid on the bare land under the timber. Most states appraise the bare land under the timber at market value, based on forestry as the highest and best use. If market value was assessed to bare forest land in Montana, many landowners would see their annual property taxes increase from the land value alone. This is particularly true in eastern Montana where the average forest land tax is 10 to 14 cents per acre per year. House Bill 83 proposed in the 1977 legislative session would have directed that the bare forest land be taxed under the ad valorem system. This could be interpreted as appraising the land at market value. Another approach would be to attach a grazing value from the agricultural valuation schedules. Assuming grazing values were used, a grazing grade 5 on all forest land would generate approximately $469,000 per year (30% tax rate, 300 mills, 15 forest acres minimum ownership). Even a grazing value with an agricultural tax rate, assessed to bare forest land will equal or increase the current tax on many eastern Montana timberlands. Landowners in western Montana would see an average annual tax decrease of $.50 to $.70 per acre.

The enactment of a yield tax in Montana would be a radical change from the current ad valorem system. Sixteen states have yield tax statues. 11/ Seven states have adopted yield tax laws since 1970. 4/ The tax has been a mixed blessing in other states. The yield tax has faced bitter political and legal battles in Washington and Oregon. The following is a quote from John Conklin, Forest Tax Supervisor for the Washington Department of Revenue; "The timber yield tax is about as popular as AIDS to Washington politicians. Whenever the timber tax becomes an issue in the state legislature, it disrupts the legislative process to the point of paralysis no matter what else is on the agenda. The timber tax wars have focused on three main issues: land valuation, the yield tax rate and revenue distribution". 13/

The yield tax is an alternative to the ad valorem tax on standing timber. While the yield tax concept is simple, the administration of this tax is usually complex. The law must adequately cover: personal use, minimum amounts, what products apply, will timber from public lands be taxed, who will pay the tax - the landowner or the timber harvester, rollback provisions, revenue distribution, revenue pooling, phase-in period, forestry regulation if any, and the effect the tax will have on the taxable value of local government taxing jurisdictions, (i.e., bonded indebtedness, mill levies and county officials' salaries).

A yield tax is a tax imposed on a specified percentage of the stumpage value on harvested timber. Stumpage is considered the residual value of the tree on the stump. Stumpage value can be defined as the selling value of the end products minus the stump-to-market processing costs with an allowance for profit and risk. The timber harvester is the operator who fells and/or removes the timber for sale or use. The timber harvester may or may not be the owner of the timber after it is cut. The harvester would complete a harvest report listing volume of products removed by species and grade. The volumes would be applied to stumpage value tables and the total value would be multiplied by the yield rate to arrive at the yield tax owed.

The stumpage value tables would be prepared by the Department of Revenue after examining sale values of similar standing timber. The value tables must account for differences in size, quality, defects, cost of removal and market conditions. These values involve consideration of different areas, species and logging conditions. Sale information would come from federal and state timber sales perspectives and actual sales transactions.

Eight yield tax states set minimum requirements with forestry as the highest and best use. In four states, landowners must sign contracts specifying that certain forest management practices will be followed. These contracts range from 5 to 50 years and outline the terms of land and timber taxation. Three states penalize landowners if timber is not harvested when it reaches a given size. 11/ In one state, Wisconsin, the yield tax is optional to an ad valorem tax (market value), but landowners who agree to this tax must also allow free access to their land for hunting.

In Idaho, the yield tax is paid by the landowner of record. In Washington, Oregon and California the harvester is liable for the tax. A yield tax attached to the property is less complicated and less expensive to administer than a yield tax owed by the harvester. Yield tax states have a difficult time tracking down delinquent harvest taxpayers. Washington State has recently hired a compliance officer to track down delinquent accounts and

SENATE TAXATION
EXHIBIT NO. 3 p. 10
DATE 3/21/89
BILL NO. SB 467

the Washington State legislature passed a bill in their last session authorizing the use of collection agencies to force payment from delinquent taxpayers.

Washington State is the only state that places a yield tax on public timber. The state or federal government is the landowner, therefore, the harvester is liable for the yield tax. If public timber is to be taxed in Montana, a yield tax bill may want to address different parties liable for the tax on private verses public timber.

In Washington State, public timber generates approximately one third to one half of the yield tax revenues. Their administrative costs are currently around 2%. 14/ Oregon and California do not tax public timber. Their administrative costs are currently around 15 to 16 percent. 15/ The level of administrative costs depend in part on amount of timber harvested, value of timber harvested and the yield tax rate.

Advantages of the yield tax - The tax on timber is deferred to harvest time, therefore potential cash flow problems created by an annual timber tax are eliminated because the tax is not paid until the land actually produces timber income. For any given forest property tax level, the yield tax is less burdensome than the ad valorem tax or productivity tax because the tax is deferred until the end of the harvest or investment period. This means that over a rotation any amount of tax collected will have less value based on accepted discounting practices. A dollar paid in the future is not worth as much as a dollar paid today. 4/

Under a yield tax, a landowner does not pay taxes on timber destroyed by fire, insects or other factors. This is perhaps a disadvantage to local governmental agencies who depend on these taxes.

The yield tax does not encourage the premature harvest of timber. All factors equal, rotations will tend to be longer under a yield tax with a less negative impact on the taxpayer than either the ad valorem or productivity tax.

A yield tax on publicly harvested timber would generate additional tax revenues. These revenues could be returned to the counties or deposited in the state general fund.

Disadvantages of the yield tax - Forest landowners have always paid an annual tax on their timber. If a yield tax is established, a double tax of varying degrees will be incurred on the current rotation. This tax will hit hardest on owners with old growth timber who have paid annual taxes for a full rotation.

SENATE TAXATION
EXHIBIT NO. 3 p. 11
DATE 3/21/89
BILL NO. SB 467

The change will have the least impact on owners with bare land on immature timber. States that have replaced their ad valorem tax with a yield tax have usually phased the yield tax in over several years. House Bill 83 proposed in the 1977 legislative session would have initiated the tax at three percent the first year and increased it one quarter percent each year until it reached four percent in the fifth year.

The yield tax could be a disincentive to engage in intermediate cuttings which have a marginal economic return to the landowner. This would have an undesirable effect on forest management practices.

Administrative costs would increase for forest landowners. Harvesters would be required to do additional record keeping. Harvest permits and notification requirements would have to be maintained. The yield tax would increase the state's administrative costs and a 4 percent tax rate on private forest lands only, would not generate tax revenues on an annual basis equal to the current annual tax.

The yield tax will be a tax shelter for landowners who have no intention of managing or harvesting their timber resources. In western Montana there are numerous small recreational and residential tracts paying the preferential timber property tax. Most of these landowners will never harvest timber other than small amounts for personal use. A yield tax will reduce their property tax even more than under the ad valorem system.

A yield tax will not only cause major tax shifts among forest landowners but also between taxing jurisdictions. This tax requires a complex distribution system. Most likely, the responsibility for collecting timber taxes would be shifted from the county level to the state level.

Under a yield tax, revenue collections would fluctuate widely from year to year. Some states have set up a revenue pooling system to help smooth out these fluctuations. This would require that the state initially infuse revenue into this pool. These reserve funds can be used during recession years when harvests are low. House Bill 83 proposed in the 1977 legislative session mandated that a 1/2 of one percent surcharge would be imposed anytime the reserve fund fell below $300,000. The law also specified that if the fund exceeded $400,000 additional monies would be distributed to the counties.

Most states include a rollback tax in their yield tax law. House Bill 83 imposed a rollback tax on forest land converted to other uses. This rollback tax was identical to the agricultural rollback tax which was repealed by the 1981 legislature. The roll back tax was aimed primarily at developers who enjoyed the preferential property tax on agricultural and timberlands then subdivided and sold their property. Unfortunately, county appraisers would not become aware of this situation until a realty transfer took place. The new landowner was hit with the rollback tax, not the developer. Most buyers were unaware of the rollback law and had been assured by the previous owner that the property was entitled to agricultural or timber taxation. The law penalized the wrong people and proved to be very unpopular.

The yield tax would remove timber from the tax base of local taxing jurisdictions. The taxable value of local school districts is used to calculate maximum mill levies, limits on bonded indebtedness and county officials' salaries. The timber tax study by the 1978 legislative interim committee concluded, that with few exceptions, the loss in taxable value would not be significant. The committee determined that the taxable value on timberland ranged from one to six percent of the total taxable value in western counties. It should be noted, however, that some rural northwestern school districts contain a large percentage of taxable value in their timberland.

The yield tax requires strict surveillance of timber harvesting. Portable mills can easily be moved from site to site. Harvesters constantly move in and out of the state. Timber is often cut and transported to mills in surrounding states. Audit and compliance are important functions of a yield tax.

The yield tax is a tax on the timber only. The land under the timber is usually valued under the ad valorem system. This has turned out to be almost technically, politically and legally impossible to do in Washington and Oregon. In these states the courts and their legislatures have created statutory land values and procedures to annually update those values. No one knows whether these values represent market value of bare land with forestry as the highest and best use. 14/ The controversy over land valuation could be avoided by assessing a productive grazing value to the land at the agricultural tax rate.

Perhaps the most controversial yield tax issue in other states had been the tax rate itself. Forest taxpayers fear a high rate, yet local taxing units must be funded at an adequate level. Often, legislatures will arbitrarily set the rate to generate approximately the same revenues as the old law. Any approach to determining an appropriate tax rate would be an inexact science, but a study using forest tax equity guidelines could provide a basis for setting a tax rate.

Montana is the only Northwestern state which does not have a yield tax. I have attended meetings conducted by forest tax

SENATE TAXATION
EXHIBIT NO. 3 p.13
DATE 3/21/89
BILL NO. SB 467

administrators, valuation foresters, compliance offices and data processing personal from all northwestern states. The administrative complexity has increased in Washington, Oregon and California as these states have become more sophisticated in the application of the yield tax. It is quite possible that this complexity is greater than their state legislatures had originally anticipated.

Montana has no previous experience with a yield tax. Foresters with a yield tax background would have to be hired from other states to insure an orderly transition from an ad valorem system to a yield tax. Approximately four more positions would have to be created to administer this tax. The estimated increase in administrative costs would be $150,000 per year (1987 dollars) with an additional $60,000 to $80,000 start up cost.

SENATE TAXATION
EXHIBIT NO. 3
DATE 3/31/89
BILL NO. SB 467

Yield Tax Estimates

Many assumptions were made to predict yield tax revenues at various yield tax rates. Harvest volumes for 1986 on private forest lands were obtained from slash disposal reports compiled by State Lands, Division of Forestry. These figures were increased approximately 10 percent to account for volume not accounted for in that report. 5/ This report was broken down by volume cut (Scribner Rule) by counties. There is no information available on the volume cut by species within each county. I used state and federal timber sales and statewide figures published in the 1982 Montana's Forest Products Industry: A Descriptive Analysis, as a general guide. 17/

Stumpage values were derived from state and federal timber sales sold in 1986. These stumpage values were applied to harvest data to calculate total stumpage revenue by counties. Private timberland revenues were estimated for only nine western counties. These nine counties contain 87 percent of the volume cut in 1986 on private land.

State lands and the U.S. Bureau of Land Management provided actual timber revenues in 1986 by counties. The U.S. Forest Service supplied data on payments to counties from national forest receipts. The exact amount attributable to timber receipts was not available on a county by county basis. The total payment was adjusted downward by the percent of timber receipts attributable to the entire forest. Some counties would be above or below the average mean, particularly in eastern counties were grazing fees have a larger impact on total receipts. The following tables show estimated tax revenues that would have been generated in tax year 1986 at various yield tax rates.

zs76e

SENATE TAXATION
EXHIBIT NO. 3 p. 14
DATE 3/21/89
BILL NO. SB 467

ESTIMATED YIELD TAX REVENUES IN 1986 FOR ALL PUBLIC TIMBER SALES.

Rate (%)	Revenue ($)
3.00	808,999
3.25	876,410
3.50	943,830
3.75	1,011,244
4.00	1,078,662
5.00	1,348,330
6.00	1,617,995

ESTIMATED YIELD TAX REVENUES IN 1986 FOR ALL PRIVATE AND PUBLIC TIMBERLANDS.

Rate (%)	Revenue ($)
3.00	1,862,854
3.25	2,018,090
3.50	2,173,325
3.75	2,328,559
4.00	2,483,807
5.00	3,104,760
6.00	3,725,705

SENATE TAXATION
EXHIBIT NO. 3 p. 15
DATE 3/21/89
BILL NO. SB 467

Estimated Yield Tax Revenues
1986 - All Public Lands Timber Receipts 1./
Yield Tax Rates (%)

County	Total Receipts	3.00	3.25	3.50	3.75	4.00	5.00	6.00
Beaverhead	493,404	14,802	16,035	17,269	18,503	19,736	24,670	29,604
Broadwater	100,890	3,027	3,279	3,531	3,783	4,036	5,044	6,053
Carbon	17,530	526	570	614	657	701	877	1,052
Carter	3,146	94	102	110	118	126	157	189
Cascade	24,019	721	781	841	901	961	1,201	1,441
Chouteau	4,128	124	134	144	155	165	206	248
Deer Lodge	66,307	1,989	2,155	2,321	2,487	2,652	3,315	3,978
Fergus	26,220	787	852	918	983	1,049	1,311	1,573
Flathead	4,872,331	146,170	158,351	170,532	182,712	194,893	243,617	292,340
Gallatin	126,675	3,800	4,117	4,434	4,750	5,067	6,334	7,601
Glacier	3,856	116	125	134	145	154	193	231
Golden Valley	3,184	96	103	111	119	127	159	191
Granite	667,725	20,032	21,701	23,370	25,040	26,709	33,386	40,064
Jefferson	209,266	6,278	6,801	7,324	7,847	8,371	10,463	12,556
Judith Basin	44,717	1,342	1,453	1,565	1,677	1,789	2,236	2,683
Lake	546,812	16,404	17,771	19,138	20,505	21,872	27,341	32,809
Lewis & Clark	502,076	15,062	16,317	17,573	18,828	20,083	25,104	30,125
Lincoln	11,266,076	337,982	366,147	394,313	422,478	450,643	563,304	675,965
Madison	261,852	7,856	8,510	9,165	9,819	10,474	13,093	15,711
Meagher	91,371	2,741	2,970	3,198	3,426	3,655	4,569	5,482
Mineral	559,465	16,784	18,183	19,581	20,980	22,379	27,973	33,568
Missoula	1,430,119	42,904	46,479	50,054	53,629	57,205	71,506	85,807
Park	145,644	4,369	4,733	5,098	5,462	5,826	7,282	8,739
Pondera	14,331	430	465	502	537	573	717	860
Powder River	11,962	359	389	419	449	478	598	718
Powell	979,127	29,374	31,822	34,269	36,717	39,165	48,956	58,748
Ravalli	1,873,903	56,217	60,902	65,587	70,271	74,956	93,695	112,434
Rosebud	3,373	101	110	118	126	135	169	202
Sanders	2,453,980	73,619	79,754	85,889	92,024	98,159	122,699	147,239
SilverBow	76,654	2,300	2,491	2,683	2,875	3,066	3,833	4,599
Stillwater	6,558	197	213	230	246	262	328	393
Sweet Grass	41,391	1,242	1,345	1,449	1,552	1,656	2,070	2,483
Teton	31,582	947	1,026	1,105	1,184	1,263	1,579	1,895
Wheatland	6,899	207	224	241	259	276	345	414
Total	26,966,573	808,999	876,410	943,830	1,011,244	1,078,662	1,348,330	1,617,995

1./ U.S. Forest Service U.S. Bureau of Land Management, State of Montana

SENATE TAXATION
EXHIBIT NO. 3 p.16
DATE 3/21/89
BILL NO. SB 467

Annual Ad Valorem Tax To Counties
Using G-5 Grazing Value,
30% Tax Rate, 300 Mill Levy

County	Acres Assessed	Tax Revenue
Beaverhead	23,430	3,100
Big Horn	52,072	6,890
Broadwater	30,141	3,990
Carbon	5,532	730
Carter	1,815	240
Cascade	47,096	6,230
Chouteau	10,880	1,440
Deer Lodge	84,356	11,160
Fergus	112,128	14,835
Flathead	468,663	62,000
Gallatin	131,335	17,375
Golden Valley	13,203	1,745
Granite	113,505	15,015
Jefferson	45,805	6,060
Judith Basin	6,316	835
Lake	101,863	13,475
Lewis & Clark	137,023	18,130
Lincoln	414,439	54,830
Madison	64,383	8,520
Meagher	112,276	14,855
Mineral	92,740	12,270
Missoula	562,452	74,410
Musselshell	93,598	12,385
Park	93,643	12,400
Powder River	10,980	1,455
Powell	232,922	30,815
Ravalli	93,890	12,420
Rosebud	35,933	4,755
Sanders	279,445	36,970
Silver Bow	23,439	3,100
Stillwater	7,720	1,020
Sweet Grass	19,181	2,540
Treasure	1,925	255
Wheatland	2,454	325
Yellowstone	13,937	1,845
Total	3,540,520	468,420

zs76e-1

EXHIBIT NO.

DATE 3/21/89

BILL NO. SB 467

(This sheet to be used by those testifying on a bill.)

SENATE TAXATION

NAME: Julie Hacker DATE: 3/21

ADDRESS: Potomac

PHONE:

REPRESENTING WHOM? Landowner - self

APPEARING ON WHICH PROPOSAL: SB 467

DO YOU: SUPPORT? ________ AMEND? ________ OPPOSE? X

COMMENT: This bill will not encourage the private owners in our area to harvest timber. It will cost alot to quantify & qualify the standing and determine grazing on forest floor.

~~If the logger pays 3% tax, he will reduce stumpage to landowner.~~

I also believe aerial photos in Msla Co. are up-to-date within 8 yrs.

PLEASE LEAVE ANY PREPARED STATEMENTS WITH THE COMMITTEE SECRETARY.

As you consider this, please think about the other uses of forest land for which landowners are not compensated - such as elk competing with cows.

DATE March 21, 1989

COMMITTEE ON Taxation

VISITORS' REGISTER

NAME	REPRESENTING	BILL #	Check One: Support	Check One: Oppo
[illegible]	Brand S	SB467		X
Dick Wick	Plum Creek	SB467		X
Paula Jellison	Plum Creek	SB467		X
Gordon Morris	MACo.	SB 467 466		
Dennis Burr	MONTAX	SB466		X
BUD CLINCH	MONT. LOGGING ASSOC.	SB467		X
Carol Mosher	Mt. Cattle Women	SB467		X
Julie Hacker	Msla Co Freeholders	SB466		X
Jerry Jack	Mt Stockgrowers	SB467		✓
Jim Mockler	MT. Coal Council	SB 466		✓
~~SB~~ C Dennis Burr	MONTAX	SB467		✓
J.A. Buck Boles	Montana Chamber	SB 466 SB 467		✓
Vera Cahoon	Msla Co Freeholders	466 467		✓
Julie Hacker	self	467		✓
Jack Mahon	Sequoia Forest Industries	467		✓
MARK Simonich	F.H. Stoltze Land & Lumber	467		X
Don Allen	Mt. Wood Products	466 467		X X

(Please leave prepared statement with Secretary)