

MINUTES

MONTANA SENATE  
51st LEGISLATURE - REGULAR SESSION

COMMITTEE ON TAXATION

Call to Order: By Senator Bob Brown, Chairman, on March 29,  
1989, at 8:00 a.m.

ROLL CALL

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

Members Excused: Senator Severson

Members Absent: None

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

Announcements/Discussion: None

HEARING ON HOUSE BILL 525

Presentation and Opening Statement by Sponsor:

Representative Swysgood, District 73, sponsor, presented the  
bill to the committee as per his testimony in Exhibit  
#1.

List of Testifying Proponents and What Group they Represent:

Dennis Burr, Montana Taxpayers Association  
Gary Langly, Executive Director, Montana Mining  
Association  
Gary Banberry, Administrative Manager, Cyprus Minerals  
Fred Panion, Montana Talc Company  
Ward Shanahan, Counsel for Feiser, Inc.  
Director Ken Nordtvedt, Department of Revenue

List of Testifying Opponents and What Group They Represent:

None

Testimony:

Dennis Burr, Montana Taxpayers Association, said there is no mine mouth value for talc. The talc is not sold until it is processed into powder and therefore it is difficult to establish a mine mouth value. The product as it is underground is more valuable than above ground due to the amount of effort and equipment needed to extract it. This bill increases the value of talc based solely on tonnage and insures that every year talc is mined there will be net proceeds paid on it. The bill also raises the RITT (Resource Indemnity Trust Tax) to 4%

Gary Langly, Executive Director, Montana Mining Association, said the bill clarifies the tax liability of talc mining and gives some consistency and reliability to the process. The talc industry has had to estimate its cost of production and taxes are an important part of that estimation. He said there is no reduction of taxes in the bill. The consistency will improve the talc industry's competitiveness in the world market.

Gary Banberry, Administrative Manager, Cyprus Minerals, expressed support for the bill as it solves a nightmare of administrative problems the talc industry has been dealing with for the past 15 years.

Fred Panion, Administrative Manager, Montana Talc, offered support for the bill. He said it will be a great relief to be able to accurately predict what their tax liability will be and also to know they can avoid the costly litigation in which the other two talc companies have been involved in the past.

Ward Shanahan, attorney for Feiser, Inc., said he has been involved with this problem with talc since 1973. Talc is a value added industry. The processing facilities of the companies is what gives the talc its value. This bill is a good solution to the problem of market value.

Director Ken Nordtvedt, Department of Revenue, said the DOR considers this a model bill the rest of the net proceeds process of tax assessments on both liquid and solid minerals. Arriving at a determination of net proceeds is one of the most contentious and litigious areas of DOR activity. He said the current process is not good business and he hoped this concept could be adopted in future sessions for the rest of the mineral industry.

Questions From Committee Members:

Senator Gage asked if royalties were calculated on the finished product.

Mr. Shanahan said they are contract royalties and they vary from mine to mine depending on the contract. The royalty owner will be required to file a return on the net proceeds he receives.

Closing by Sponsor:

Representative Swysgood closed by saying he feels the three year average and the 4% is a fair base. He noted the percentage will be averaged with the consumer price index every year. He said the net proceeds assessment has been a large problem for the mines and DOR for many years and it needs to be clarified and a system put in place. He urged the committee to pass the bill.

## HEARING ON HOUSE BILL 415

Presentation and Opening Statement by Sponsor:

Representative Patterson, District 97, sponsor, said this bill exempts hand held tools from taxation. Currently, hand held tools are taxed in both Class 7 and Class 8. As an example, a farmer's hammer will be taxed at 8% in Class 7, while a mechanic's hammer will be taxed at 11% in Class 8, while a housewife doesn't pay any tax at all on her hammer. He submitted the form for farm and livestock reporting for the record (Exhibit #2). Representative Patterson noted the House amended the bill to exempt the first \$5000 to prevent Burlington Northern from receiving the largest percentage of the tax break.

List of Testifying Proponents and What Group they Represent:

Gene Fenderson, Montana Trades Unions  
Director Ken Nordtvedt, Department of Revenue  
Valerie Larson, Montana Farm Bureau

List of Testifying Opponents and What Group They Represent:

None

Testimony:

Gene Fenderson, Montana Trades Unions, said this is a real problem in the state. Counties have different methods and different valuations in terms of assessing tools. Some counties do not assess at all. He said this is a good solution and urged support of the bill.

Director Ken Nordtvedt, Department of Revenue, said the Department has already budgeted for this exception. He said this is a nuisance tax, the return is very low, and it is a waste of assessors' time and efforts. He said he supports raising the exemption. The \$5000 exemption exempts 80% of the taxpayers and removes 38% of the value of the tools from the tax rolls. A \$15,000 exemption would remove 93% of the taxpayers and 60% of the tools from the tax rolls. He recommended the \$15,000 exemption level. He urged the committee to move the bill as quickly as possible so that it will get to the Governor for his signature and be implemented as soon as possible.

Valerie Larson, Montana Farm Bureau, expressed support for the bill on behalf of the agriculture coalition.

Questions From Committee Members:

There was a general discussion concerning the exemption rates as proposed by Director Nordtvedt.

Closing by Sponsor:

Representative Raney closed by asking the committee to act quickly, especially if the intent is to amend the exemption level, so it can get back through the system as expeditiously as possible.

## HEARING ON HOUSE BILL 12

Presentation and Opening Statement by Sponsor:

Representative Pavlovich, District 70, sponsor, said the bill revises the procedures for collecting taxes on mobile homes and requires the county treasurer to notify a person holding a security interest in a mobile home when delinquent taxes are owed. There is a 90 day

grace period for payment of taxes after notification is made which is 60 days longer than current law. Tax payments are made twice a year instead of the current once a year and the sticker requirement is eliminated.

List of Testifying Proponents and What Group they Represent:

Bonnie Tippy, Montana Manufactured Housing and Recreational Dealers Association

List of Testifying Opponents and What Group They Represent:

None

Testimony:

Bonnie Tippy, Montana Manufactured Housing and Recreational Dealers Association, presented her testimony in support of the bill (Exhibit #3).

Questions From Committee Members:

Senator Crippen asked if the county treasurers have approved the bill.

Representative Pavlovich said this is Mae Jenkins original bill and all the county treasurers are in agreement with it as it is amended.

Senator Mazurek expressed concern that there is no mechanism for notification of the county treasurer when a lien is placed on a mobile home. He felt the lienholder should be made responsible for notification of the county treasurer than a lien is held against a mobile home.

Senator Gage asked if there would be problem if the language "or any other property" was eliminated from the bill.

Representative Pavlovich said there is not a problem with that change.

Closing by Sponsor:

Representative Pavlovich said one of his main concerns in introducing the bill was to have lienholders notified that there are taxes owing on the property. He urged the committee to do what was necessary to see that the bill passed this session.

EXECUTIVE SESSION

DISPOSITION OF HOUSE BILL 525

Discussion: None

Amendments and Votes: None

Recommendation and Vote:

Senator Walker MOVED House Bill 525 Be Concurred In As Amended. The motion CARRIED unanimously.

DISPOSITION OF HOUSE BILL 415

Discussion: None

Amendments and Votes:

Senator Halligan MOVED the exemption be raised to \$15,000 and the title amended to reflect the change. The motion CARRIED unanimously.

Jeff Martin said a technical amendment had been given to him by a Legislative Council editor. He felt he needed to check further on it before final action was taken on the bill.

Recommendation and Vote: None

DISPOSITION OF HOUSE BILL 603

Discussion:

Senator Harp MOVED to reconsider the action taken on HB 603 for purposes adding a technical amendment from the Department of Revenue. The motion CARRIED unanimously.

Amendments and Votes:

Senator Mazurek MOVED to adopt the amendments as per Exhibit #4. The motion CARRIED unanimously.

Senator Harp MOVED to amend page 15, lines 10-14 by striking "However" through the end of the sentence on line 14. (See amendment #9 on attached standing committee report). The motion CARRIED unanimously.

Recommendation and Vote:

Senator Harp MOVED HB 603 Be Concurred In As Amended. The motion CARRIED unanimously.

Further Business to Come Before the Committee:

Senator Mazurek brought to the attention of the committee the report that the U.S. Supreme Court struck down the Michigan taxation of federal retirement income provision. (See Exhibit #5). The Supreme Court said that if a state exempts its public employee pensions then it cannot treat federal pensions any differently. He said Senator Van Valkenburg's SB 408 has a provision in it which would exempt everyone, public, federal, and private retirees. He said he felt the committee had better take a close look at legislation to address the problem as it could mean substantial refunds in Montana.

Senator Mazurek asked Director Ken Nordtvedt, Department of Revenue, to look into the problem and report back to the committee with his recommendations.

ADJOURNMENT

Adjournment At: 10:00 a.m.

  
\_\_\_\_\_  
SENATOR BOB BROWN, Chairman

BB/jdr

MIN329.jdr

ROLL CALL

TAXATION

COMMITTEE

51<sup>ST</sup>. LEGISLATIVE SESSION -- 1989

Date 3/29/89

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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 STANDING COMMITTEE REPORT

March 29, 1989

MR. PRESIDENT:

We, your committee on Taxation, having had under consideration HB 525 (third reading copy -- blue), respectfully report that HB 525 be concurred in.

Sponsor: Swysgood (Mazurek)

BE CONCURRED IN

Signed: \_\_\_\_\_

*Bob Brown*

Bob Brown, Chairman

*4/10/89  
5:29 PM  
4:20 PM*

SENATE STANDING COMMITTEE REPORT

March 31, 1989

MR. PRESIDENT:

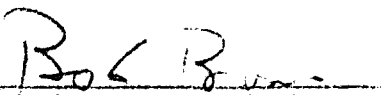
We, your committee on Taxation, having had under consideration HB 415 (third reading copy -- blue), respectfully report that HB 415 be amended and as so amended be concurred in:

Sponsor: Patterson (Halligan)

1. Title, line 9.  
Strike: "\$5,000"  
Insert: "\$15,000"
2. Page 2, line 8.  
Following: "TOOLS"  
Insert: "or implements"  
Strike: "hand-held"  
Insert: "included in another class or that are exempt under 15-6-201(1)(r)"
3. Page 2, line 9.  
Strike: "implements;L"
4. Page 2, line 23.  
Strike: "that" through end of line 23
5. Page 2, line 24.  
Following: "ARE"  
Insert: "not"
6. Page 3, lines 3 and 4.  
Strike: "that" on line 3 through "PROPERTY OF" on line 4
7. Page 3, line 4.  
Following: "ARE"  
Insert: "not"
8. Page 7, line 4.  
Strike: "\$5,000"  
Insert: "\$15,000"

AND AS AMENDED BE CONCURRED IN

Signed: \_\_\_\_\_

  
Bob Brown, Chairman

SENATE STANDING COMMITTEE REPORT

page 1 of 2  
March 29, 1989

MR. PRESIDENT:

We, your committee on Taxation, having had under consideration HB 603 (third reading copy -- blue), respectfully report that HB 603 be amended and as so amended be concurred in:

Sponsor: Raney (Harp)

1. Title, line 14.

Following: "DISTRIBUTORS"

Insert: "AND COLLECTED BY THE DEPARTMENT OF REVENUE"

2. Page 2.

Following: line 3

Insert: "(c) provide procedures for the review and approval of corrective action plans;"

Renumber: subsequent subsections

3. Page 9, line 15.

Strike: ":"

Insert: ", "

4. Page 9, line 16.

Strike: "(a)"

5. Page 9, lines 17 and 18.

Following: "act]" on line 17

Strike: "and" on line 17 through "1991" on line 18

6. Page 9, lines 19 through 25.

Strike: "all" on line 19 through "release" on line 25

Insert: "50% of the first \$35,000 of eligible costs and 100% of subsequent eligible costs, up to a maximum total reimbursement of \$982,500"

7. Page 10, line 1.

Following: "money"

Insert: "to pay approved claims for eligible costs"

8. Page 10, line 3.

Following: "reimbursement"

Insert: "for the costs at that time" <sup>04</sup>

Following: "."

Strike: "If and when"

Insert: "When"

9. Page 15, lines 10 through 14.

Strike: "However" on line 10 through "." on line 14

10. Page 17, line 10.

Following: "fee"

Insert: "-- collection -- penalties -- warrant for distraint --  
statute of limitations"

11. Page 17, line 12.

Strike: "equal to 0.75 cent"

12. Page 17, line 15.

Following: "distributor."

Insert: "The fee must equal:

(a) 1 cent for each gallon of gasoline distributed from  
July 1, 1989, through June 30, 1991; and

(b) 0.75 cent for each gallon of gasoline distributed  
after July 1, 1991."

13. Page 18, line 1.

Strike: "7"

Insert: "30"

14. Page 18.

Following: line 6

Insert: "(5) The department of revenue shall collect the fee in  
the same manner as the basic gasoline license tax under Title  
15, chapter 70, part 2. The provisions of 15-70-103, 15-70-  
111, 15-70-202, 15-70-205, 15-70-206, 15-70-208 through 15-  
70-212, 15-70-221(2), and 15-70-232 apply to the fee. The  
provisions of 15-70-203, 15-70-204, 15-70-207, 15-70-221(1),  
and 15-70-222 through 15-70-224 do not apply to the fee."

15. Page 20.

Following: line 10

Insert: "(c) procedures for the review and approval of corrective  
action plans;"

Renumber: subsequent subsections

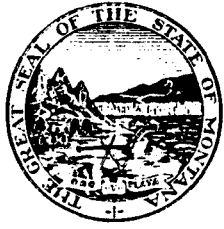
AND AS AMENDED BE CONCURRED IN

Signed: \_\_\_\_\_

*Bob Brown*

Bob Brown, Chairman

*W.C.  
3/30/89  
9:50  
a.m.*



*The Big Sky Country*

SENATE TAXATION

EXHIBIT NO. 1

DATE 3/29/89

BILL NO. HB 525

## MONTANA HOUSE OF REPRESENTATIVES

REPRESENTATIVE CHUCK SWYSGOOD

HELENA ADDRESS:

CAPITOL STATION  
HELENA, MONTANA 59620-0144

HOME ADDRESS:

206 LEGGET  
DILLON, MONTANA 59725

COMMITTEES:

BUSINESS & LABOR  
EDUCATION & CULTURAL  
RESOURCES  
HIGHWAYS & TRANSPORTATION

February 8, 1989

### TESTIMONY

HOUSE BILL 525 IS A BILL TO ESTABLISH THE VALUE OF TALC MINED IN MONTANA FOR NET PROCEEDS PROPERTY TAX AND FOR THE RESOURCE INDEMNITY TRUST TAX.

THE VALUE OF TALC HAS BEEN THE SUBJECT OF LITIGATION IN MONTANA ALMOST CONSTANTLY SINCE 1970. THAT IS BECAUSE IT IS A UNIQUE MATERIAL THAT IS NOT PROCESSED AND SOLD IN THE SAME MANNER AS OIL, GAS OR METALS WHICH HAVE BEEN ASSESSED UNDER THE NET PROCEEDS METHOD.

UNDER THE NET PROCEEDS TAX, THE STARTING POINT IS THE GROSS YIELD OR VALUE FROM MINING. OTHER PRODUCTS ARE SOLD FROM MINES OR WELLS SO A VALUE CAN BE ESTABLISHED FOR THE PRODUCT. TALC IS NOT SOLD UNTIL IT IS PROCESSED INTO A CONSUMER PRODUCT SUCH AS BABY POWDER. THIS CAUSES DIFFICULTIES FOR BOTH THE PRODUCER AND THE DEPT. OF REVENUE IN ESTABLISHING AN INITIAL VALUE FROM MINING OPERATIONS. DEDUCTIONS ARE ALLOWED FROM GROSS VALUE IN DETERMINING NET PROCEEDS. THESE DEDUCTIONS ARE LISTED ON PAGE ELEVEN OF THE BILL. AGAIN, BECAUSE OF THE UNIQUE CHARACTERISTICS OF THE TALC INDUSTRY, DEDUCTIONS HAVE BEEN EXPANDED AND MODIFIED BY COURT DECISIONS OVER THE PAST TWENTY YEARS.

HB 525 CUTS THROUGH THE PROCESS OF ESTABLISHING VALUE AND CALCULATING DEDUCTIONS AND SIMPLY ESTABLISHES BY LAW A VALUE FOR TALC FOR TAX PURPOSES. THE VALUE OF \$4.25 PER TON FOR 1989 IS SOMEWHAT HIGHER THAN THE STATE AVERAGE FOR 1988. THE BILL WILL CAUSE THE PRICE TO INCREASE EACH YEAR ACCORDING TO INCREASES IN THE INDEX OF PERSONAL CONSUMPTION EXPENDITURES MEASURED BY THE U. S. DEPARTMENT OF COMMERCE.

HB 525 WILL PROVIDE A DEPENDABLE TAX BASE FOR LOCAL GOVERNMENTS IN MADISON COUNTY WHENEVER TALC IS MINED. IT WILL BE FREE OF LITIGATION FOR BOTH THE STATE AND THE PRODUCERS AND

SENATE TAXATION

EXHIBIT NO. 1

DATE 3/29/89

BILL NO. HB 525

PAGE TWO  
FEBRUARY 8, 1989  
CHUCK SWYSGOOD

TAXES WILL NOT BE PAID UNDER PROTEST. THIS BILL WILL HAVE A POSITIVE EFFECT ON ALL PARTIES CONCERNED WITH THE TAXATION OF THE TALC MINED IN MONTANA; THE PRODUCER, THE LOCAL GOVERNMENTS WHO DEPEND ON PROPERTY TAX REVENUE AND THE DEPARTMENT OF REVENUE WHICH ADMINISTERS THE TAX.

I URGE YOUR SUPPORT FOR HOUSE BILL 525.

DATE 3/29/59

**FARM EQUIPMENT  
 AND  
 LIVESTOCK REPORTING FORM**

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

NAME \_\_\_\_\_

ADDRESS \_\_\_\_\_ ROUTE \_\_\_\_\_ BOX \_\_\_\_\_

CITY \_\_\_\_\_ STATE \_\_\_\_\_ ZIP CODE \_\_\_\_\_ PHONE # \_\_\_\_\_

LOCATION OF MAIN BUILDINGS \_\_\_\_\_ S.D. NO. \_\_\_\_\_ SEC. \_\_\_\_\_ TWP. \_\_\_\_\_ RGE. \_\_\_\_\_

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

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

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

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

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

	REAL <input type="checkbox"/>	PERSONAL <input type="checkbox"/>	SCHOOL DISTRICT <input type="checkbox"/>	FOR ASSESSOR'S USE ONLY:		
	RECAPITULATION	CODE	CLASS	%	MARKET	TAXABLE
SCHEDULE A LIVESTOCK						
SCHEDULE B LIVESTOCK			CLASS 6	4%		
SCHEDULE C SADDLES AND TACK		6112	CLASS 16	11%		
SCHEDULE D OTHER PERSONAL PROPERTY						
SCHEDULE E FURNITURE AND FIXTURES		6311	CLASS 9	13%		
SCHEDULE F SHOP EQUIPMENT AND TOOLS		6512	CLASS 7	8%		
SCHEDULE G AG. MACH., EQUIP & IMPLEMENTS		6111	CLASS 8	11%		
SCHEDULE H HEAVY EQUIPMENT		6511	CLASS 8	11%		

**AFFIDAVIT OF PERSON LISTING THE WITHIN PROPERTY**

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

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

**TESTIMONY  
HB12**

**SUBMITTED BY: THE MONTANA MANUFACTURED HOUSING AND RECREATIONAL  
VEHICLE DEALERS ASSOCIATION**

**BONNIE TIPPY, EXECUTIVE DIRECTOR  
442-2164**

**MARCH 27, 1989**

House Bill 12 takes care of a very substantial problem for manufactured housing dealers and lien holders. Currently, dealers and other lien holders, such as GreenTree Acceptance Corporation and other lending institutions, have absolutely no notice should a mobile home owner become delinquent in their property taxes. Many times, these same home owners who become delinquent in property taxes also finally become so delinquent in their house payments that the dealer or lien holder must repossess that home. The lien holder is then surprised by a property tax bill which can be thousands of dollars delinquent, and must pay those taxes prior to repossessing that home.

The problem is further compounded by the fact that dealers many times guarantee these loans, and are really left holding the bag. While this bill will not eliminate the requirement that these property taxes be paid, it will serve to give the lienholders and dealers notice that they are delinquent. Most lien holders will try to work with the homeowner in order to try and work out a solution to the delinquent taxes. The last resort is repossession, and it is not a desirable action to take. The majority of repossessions mean a bottom line loss to dealers and lenders, and they are far better off to try and come to some type of arrangement with the home owner. This bill will help that process a great deal. The bill also allows for 90 days instead of the past 30 days prior to repossession. This should help treasurers, home owners and lienholders. In practice, we believe that very few repossessions take place at the 30 days anyway, and are happy to see this change to 90 days.

The bill also eliminates the "tax paid" sticker, which is archaic and in some ways punitive. Imagine having to place a sticker on your home that says that your taxes are paid up. In fact, most of these stickers wind up in the trash, and they represent quite a bit of work on the part of treasurers. Owners, including dealers, will still have to have moving declarations before they can move a mobile home, and the taxes must be paid in full before that can take place.

We also believe that the provision in this bill which will allow homeowners to pay their taxes twice a year instead of all at once will be very helpful. People who buy manufactured houses are oftentimes at the lower end of the economic scale, and need to budget their dollars very carefully.

We ask that the committee and the Senate give HB12 a due pass recommendation.



DOR

SECTION SECTION  
EXHIBIT NO. 4  
DATE 3/29/89  
BILL NO. HB 603

AMENDMENT TO HOUSE BILL NO. 603

1. Title, line 16.  
Following: "FUND;"  
Insert: "PROVIDING FOR THE ADMINISTRATION AND COLLECTION OF THE FEE;"

1. Page 17, line 10. *- payment -*  
Following: "fee"  
Insert: "--administration of the tax--penalty, interest, warrant for distraint, and statute of limitations"

2. Page 18, line 1.  
Strike: "7"  
Insert: "30"

3. Page 18.  
Following: line 6  
Insert: "(5) The department of revenue shall collect the fee in the same manner as the basic gasoline license tax under Title 15, chapter 70, part 2. The provisions of 15-70-103, 15-70-111, 15-70-202, 15-70-205, 15-70-206, 15-70-208, 15-70-209, 15-70-210, 15-70-211, 15-70-212, 15-70-221(2), and 15-70-232 shall apply to the fee. The provisions of 15-70-203, 15-70-204, 15-70-207, 15-70-221(1), 15-70-222, 15-70-223, and 15-70-224 shall not apply to the fee."  
*do*

amhb603

Exhibit # 5

3-29-89

Bill N/A

## Supreme Court requires uniform tax for pensions

WASHINGTON (AP) — The Supreme Court Tuesday barred states from taxing federal pensions if they exempt the pensions of retired state and local government workers.

By an 8-1 vote, the court struck down Michigan's differing tax treatment of the pensions received by retired government employees.

The court's lone dissenter said the decision will affect similar tax laws in at least 14 other states: Arizona, Colorado, Georgia, Louisiana, Maryland, Missouri, Montana, New York, North Carolina, Oregon, South Carolina, Virginia, West Virginia and Wisconsin.

The challenged Michigan law "violates principles of inter-governmental tax immunity by favoring retired state and local government employees over retired federal employees," Justice Anthony M. Kennedy wrote for the court.

He said Paul S. Davis, a lawyer living in East Lansing, is entitled to a refund of \$4,299 on taxes he paid from 1979 through 1984.

Davis worked for the federal government at various times in his career, retiring in 1980.

He challenged the Michigan law that allows federal retirees living in the state to deduct only up to \$7,500

of their annual federal pensions when computing their state tax liability. The law permits retired employees of the state government and local governments within Michigan to deduct all their state pensions from their state taxes.

Michigan courts had upheld the law.

Kennedy said the law impermissibly clashes with a federal law authorizing states to tax federal employees "if the taxation does not discriminate against the ... employee because of the source of the pay or compensation."

The justices rejected arguments by Michigan authorities that the law applies only to federal employees not federal pensioners.

The court said the inequity among government workers may not continue. But the justices left it up to Michigan courts to decide whether the proper remedy would be exempting all federal pensions from state taxes or exposing the pensions of state and local government retirees to some state taxation.

Justice John Paul Stevens, in a spirited dissenting opinion, said, "I cannot join the unjustified, court-imposed restriction on a state's power to administer its own affairs."

School Impact  
3-29-89



HOUSE TAXATION

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

Heard	Bill #	Title	State Funds for Schools FY90	Local Schools FY90	Total Education Impact FY90	Total Education Impact FY91
1/12	HB41	Lowers tax for some coal (Will act on 1/18) (Signed by Governor)	(6,000)	-0-	(6,000)	(14,000)
1/10	HB10	Oil tax cuts education trust fund (Tabled 1/11)	no fiscal note	no fiscal note	no fiscal note	no fiscal note
1/4	HB15	Exempt motorboats 5 HP or less (Tabled 1/12)	(9,000)	(14,000)	(23,000)	(23,000)
1/4	HB30	Changing tax on "old vehicles" (Tabled 2/15)	no fiscal note	no fiscal note	no fiscal note	no fiscal note
1/11	HB35	Change personal property assessment tax on livestock, "coal & oil hauling trucks," etc. (Referred to Senate Tax) (In Committee)	(31,000)	(62,000)	(93,000)	(93,000)
1/13	HB90	Exempt trucks, etc. from property tax (Amended for recreational & comm.) (Signed by Governor)	(16,000)	(28,000)	(44,000)	(44,000)
1/17	HB95	Exempt lottery prizes from state income tax (Adverse Committee Report)	(27,000)	-0-	(27,000)	(108,000)
1/24	HB181	Method to appropriate coal tax proceeds to public school trust fund (Tabled in Committee)	no fiscal note	no fiscal note	no fiscal note	no fiscal note
1/31	HB208	Prepayment of property taxes by hard-rock mine exploration developers. (Adverse committee report adopted)	no fiscal note	no fiscal note	no fiscal note	no fiscal note
1/26	HB280	Revising definition of "income" to increase property tax relief (In Committee)	(141,000)	(243,000)	(384,000)	(884,000)
2/2	HB293	Credit for household and dependent care based on I.R.C. (Scheduled for 2nd Reading 3/27)	(690,000)	-0-	(690,000)	(724,000)
2/7	HB415 <sup>2</sup>	Exempt hand-held tools, etc., from property taxation (Referred to Senate Tax)	(223,000)	(609,000)	(832,000)	(832,000)

School Finance  
3-29-79

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

HOUSE TAXATION

Heard	Bill #	Title	State Funds for Schools FY90	Local Schools FY90	Local Schools FY91	Total Education Impact FY90	Total Education Impact FY91
2/7	HB451	Standard deduction in addition to deduction for house and dependent care (Tabled in Committee)	(50,000)	=0	=0	(50,000)	(50,000)
3/10	HB475	Cohen--Revising classification of property for property tax purposes (In Committee)	(872,000)	(7,517,000)	(2,092,000)	(2,964,000)	(28,114,000)
3/1	HB586	Fraternat organizations tax exemption (Tabled in Committee)	(62,000)	(122,000)	(1,22,000)	(184,000)	(184,000)
3/2	HB641	Local tax exemption for industrial parks (Committee Report - Bill passed as amended)		no fiscal note			no fiscal note
3/7	HB690	Deduction from taxable value the value of title plants (In Committee)	-0-	(8,000)	-0-	-0-	(8,000)
3/8	HB745	Exempting older farm machinery and construction equipment from taxation (Tabled in Committee)	(169,000)	(564,000)	(1,216,000)	(534,000)	(1,780,000)
3/6	HB747	Bradley--4% sales and use tax and distribution of revenues (In Committee)		no fiscal note			no fiscal note
3/16	HB751	Revise individual income tax structure (In Committee)	(610,000)	(610,000)	-0-	(610,000)	(610,000)
2/1	S817	Property tax less on old cars (Signed by President)	(33,000)	(33,000)	(59,000)	(92,000)	(92,000)
3/2	S890	Repeals an unconstitutional bill (Signed by Governor)		no fiscal information			no fiscal information
3/7	S8118	Revise property tax protest laws (Transmitted to Governor)		no fiscal information			no fiscal information

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NANCY KEENAN OPI SCHOOL IMPACT REPORT

HOUSE TAXATION

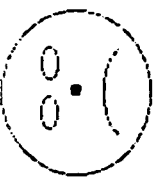
Heard	Bill #	Title	State Funds for Schools		Local Schools		Total Education Impact	
			FY90	FY91	FY90	FY91	FY90	FY91
3/10	SB184 <sup>3</sup>	Eliminate tax on livestock and agriculture products (In Committee)	(1,030,000)	(992,000)	(1,689,000)	(1,627,000)	(2,719,000)	(2,619,000)
3/14	SB282	Credit for employee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

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

\* at 1.9m/mill  
 at 2.3m/1% general income tax charge

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

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





HOUSE TAXATION

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

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

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

School impact  
3-29-89



SENATE TAXATION

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

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



Heard	Bill #	Title	State Funds for Schools FY90	Local Schools FY90	Total Education Impact FY90
2/15	SB374	Property tax phase-in for improvements to real property or other improvements (Tabled 2/15)	=0=	=0=	=0=
2/15	SB379	Change classification of 1-ton trucks for motor vehicle taxation (Referred to (H) Taxation)	(21,000)	(38,000)	(59,000)
2/15	SB380	Exclude social security number and tier 1 benefits from adjusted gross income in computing individual income tax (In Committee)	(757,000)	-0-	(757,000)
2/16	SB392	Exempt certain motion picture property from property taxation (In House Committee)	(2,000)	(3,000)	(5,000)
3/8	SB408	Generally revise tax laws of the state (In Committee)	-0-	-0-	-0-
3/1	SB4514	Governor's personal perproperty proposal (In Committee)	(706,000)	(216,000)	(922,000)
3/10	SB459	State income tax based on % of federal income tax (In Committee)	(1,649,000)	-0-	(1,649,000)
3/15	SB463	Revising certain provisions of income and corporation license tax (In Committee)	(12,001,000)	(827,000)	(12,828,000)
2/1	HB43	Lowers tax for some coal (Signed by Governor)	(6,000)	-0-	(6,000)
3/1	HB35	Change personal property assessment on livestock, "coal and oil hauling" trucks, etc. (In Committee)	(31,000)	(62,000)	(93,000)
TOTAL			(19,410,000)	(10,260,000)	(29,670,000)

\*An additional 15.6158 mills necessary to offset this loss or 12.9% income tax surcharge  
\*An additional 18.1026 mills necessary to offset this loss or 14.95% income tax surcharge

1 (Approximately 3.8% of coal tax royalties go to foundation program)  
2 (Due to retroactive date, local school district revenues will be reduced by \$552,000 in FY 89)  
3 (87,096) in 1992; (44,916) in 1993  
4 (5,015,529) in 1992; (7,062,447) in 1993. This legislation does not provide for a reimbursement to statewide levies. Reimbursements to local jurisdictions are not adequate to compensate for losses incurred from the reduction in property tax revenues  
\* at 1.9m/mill  
at 2.3m/1% general income tax charge



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

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

