

MINUTES

MONTANA HOUSE OF REPRESENTATIVES 51st LEGISLATURE - 1st SPECIAL SESSION

COMMITTEE ON TAXATION

Call to Order: By Chairman Dan Harrington, on June 21, 1989, at 8:30 a.m.

ROLL CALL

Members Present: All members were present.

Members Excused: None

Members Absent: None

Staff Present: Lee Heiman, Legislative Council
Donna Grace, Committee Secretary

Announcements/Discussion: None.

HEARING ON HOUSE BILL 4

A BILL FOR AN ACT ENTITLED: 'AN ACT REQUIRING ASSESSMENT OF A MOTOR VEHICLE FOR TAX PURPOSES TO INCLUDE A PERTINENT ADDITION OR DEDUCTION FOR A DIESEL ENGINE; AND AMENDING SECTION 61-3-503, MCA."

Presentation and Opening Statement by Sponsor:

Representative Norm Wallin testified in favor of the bill he was introducing. What the bill addresses is an inequity in the charging of taxes on certain vehicles when people buy their cars equipped with a diesel engine. When he was home during the regular session a man came to him and said he had bought a used oldsmobile equipped with a diesel engine and when he went to have it assessed, the assessed valuation was twice what he had paid for the car. He looked into it and found that there was a credit that should have been applied against the car in the charge of the tax on that particular vehicle. He went to the tax appeal board and they said they couldn't do anything because the law is very explicit and the figures could not be changed. This was part of a law passed in 1987. What HB 4 does is to have the assessors in putting the assessed valuation on these vehicles would give credit which the law does not allow them to do but they could under this new law. Mr. Wallin presented some examples taken from the "Blue Book" which gives the trade in value of cars which is used by dealers in determining price. He said that people who own these cars are actually stuck with them because no one wants them and, in addition, they are also stuck with paying almost double tax on them.

Testifying Proponents and Who They Represent:

Steve Turkiewitz, Montana Auto Dealers Association
A. Aafedt, Representative, Great Falls

Proponent Testimony:

Mr. Turkiewitz, Executive Vice President of the MADA, concurred with Representative Wallin's testimony regarding the problem. He said the question is, when a car is taxed, is it taxed on its taxable value which it states in the law, which is to be the "Blue Book" trade in value, or the used car guide says the tradein value of certain models of diesel cars is between 35% and 45% less if it has a diesel engine. He asked for the committee's concurrence on the bill.

Representative Aafedt, from Great Falls, District #34, said there are many items that aren't considered in the NADA book as far as value, condition, mileage, equipment, etc. This averages out and is alright in the overall situation. However, this one area where diesel engines are concerned where there is such a tremendous difference between having a car with one and having one without, nearly half of the value can be depreciated instantly and this should be taken into consideration.

Testifying Opponents and Who They Represent:

There were no opponents.

Opponent Testimony:

None.

Questions From Committee Members:

Representative Driscoll asked if the title or registration of these particular cars clearly shows that these cars have diesel engines. Representative Wallin said that this was the problem. He discussed this matter with Dr. Nordtvedt and he thought he could take care of this by an order to the assessors; however, he saw he couldn't do that because the law specifies that the one figure in the book has to be followed. He also thought it would be possible to tell by the serial number and there is no way to tell that he was aware of.

Closing by Sponsor:

Representative Wallin said he had discussed the problem and could demonstrate it in the book. It amounts to enough dollars for the car owners that they should have this consideration.

HOUSE BILL 8: "AN ACT REQUIRING COUNTY PROPERTY TAX MONEY USED FOR THE FOUNDATION PROGRAM TO BE INVESTED WITHIN 3 DAYS OF RECEIPT AND TO REMAIN INVESTED UNTIL THE DAY BEFORE IT MUST BE DISTRIBUTED;..."

HOUSE BILL 11: "AN ACT TO SUBMIT TO THE QUALIFIED ELECTORS OF MONTANA AN AMENDMENT TO ARTICLE IX, SECTION 5, OF THE MONTANA CONSTITUTION TO REDUCE BY HALF THE AMOUNT OF THE COAL SEVERANCE TAX DEDICATED TO THE PERMANENT COAL TAX TRUST FUND, FROM 50 PERCENT TO 25 PERCENT, AND TO PROVIDE THAT 25 PERCENT OF THE COAL SEVERANCE TAX BE DEDICATED TO STATE EQUALIZATION AID TO PUBLIC SCHOOLS OF THE STATE; AND PROVIDING AN EFFECTIVE DATE AND AN APPLICABILITY DATE."

HOUSE BILL 12: "AN ACT REQUIRING THAT ALL COAL SEVERANCE TAX REVENUE NOT ALLOCATED TO ANOTHER PURPOSE BE DEPOSITED IN THE STATE EQUALIZATION AID ACCOUNT; AMENDING SECTION 15-35-108; AND PROVIDING AN APPLICABILITY DATE."

Presentation and Opening Statement by Sponsor:

Representative Cobb said he would discuss all three of these bills at the same time. House Bill 8 is a portion of Senate Bill 203 presented during the regular session. It would require that the county property tax money be used for the Foundation Program, would have to be invested within three days of receipt and remain invested until the day before it is distributed. Currently a lot of schools don't invest money and this would require that they do that and also makes sure that the interest goes back into the county equalization aid account so that the money as it comes from the state or other source is invested and the interest follows through and goes with education also.

House Bill 11 is an act to submit to the qualified electors of Montana amendments to our Article IX, Section 5, to reduce by half the amount of the coal severance tax that goes into the permanent coal trust fund and the remainder will go into the state equalization aid account. It's an option that would be available when looking for a permanent source of funding education on a long term basis instead of a short term basis. It would mean about \$12 million a year of additional money that would go into the state equalization aid account.

House Bill 12 is an act to require that all coal severance tax revenue not allocated to other purposes be deposited in the state equalization aid account. Currently there is between \$7 and \$8 million a year that goes into the general fund from coal tax that goes directly to the general fund. It's another option to have so there would be some additional money and it would be there every year and could be depended upon.

Testifying Proponents and Who They Represent:

Doug Mitchell, Office of the Secretary of State
Claudette Morton, Board of Education

Proponent Testimony:

Doug Mitchell, Representative of the Secretary of State's Office, said he was appearing before the committee to bring to the committee's attention regarding House Bill 11 which would be submitted to the electors of the State of Montana on November 7 of this year, 1989. Due to the fact that this election is scheduled to be a municipal/general election, different from a statewide general election, there will be a fairly significant fiscal impact to that bill. Some money will have to be appropriated to the Secretary of State's Office and some money appropriated to counties to allow them to run this election. He said they support any effort which would bring the electorate of Montana more into the activities of their government and they will do anything they can to run a good election should that happen this year.

Claudette Morton, Executive Secretary for the Board of Public Education, specifically supports House Bill 8. She said that last year the Board studied the issue of equalization payments and how those get from Helena to the schools. They found that there is a lot of problems with the fact that the money goes to the county and often is held there for almost a month before the schools have it in their account. They do see that this is a way for the schools having more money through investment and realizing the money right away to offset debt. They would support this bill.

Testifying Opponents and Who They Represent:

None.

Opponent Testimony:

None.

Questions From Committee Members: None.

Closing by Sponsor: Representative Cobb stated that he had closed. Chairman Harrington said that, with Representative Cobb's concurrence, these bills would be held as backup bills.

DISPOSITION OF HOUSE BILL 20

Motion: Representative Gilbert made a motion to do pass.

Representative Cohen made a substitute motion to table. No debate on motion to table. Chairman called for a roll call vote.

Motion to table failed, three in favor and fourteen against.

Discussion: Representative Gilbert made a motion to amend House Bill 20. He said the amendment has been handed out to the members of the committee (Exhibit). The amendment would give the same tax break to the businesses presently processing canola oil out of rapeseed. There are two, one at Culbertson and one at Great Falls. He asked the Committee's indulgence to pass this amendment as it is and when it gets to the Senate he said he had talked to Mr. Heiman, the researcher, and also to the people from Butte and they would like to further the amendment to limit it to that portion of their production that is producing canola oil.

Representative Cohen stated that according to Representative Strizich who spoke to the manager of the plant in Great Falls, he said property tax was not a significant factor in their operation and he doesn't see the need for this tax break. According to Representative Steppler the plant in Culbertson is wholly owned by an overseas corporation. Representative Gilbert said he didn't think it made any difference who owned it or whether they think their taxes are too high, this is an equity issue which could result in a lawsuit because of inequitable taxation if this amendment is not passed. He urged the committee to pass the amendment.

Representative Ream asked Representative Gilbert why he wanted to wait until it gets to the Senate to put the additional amendment on. Representative Gilbert replied that it was because they did not have the proper language at this time.

Amendments, Discussion, and Votes: The Chairman asked for a voice vote. Motion carried to adopt the Gilbert amendments.

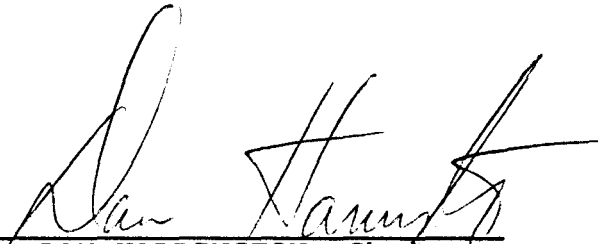
Representative Good stated that she wanted to reiterate that she felt this was bad tax policy but if it was possible to give Butte a break, she hoped the committee did not lose sight of the fact that personal property tax reform is necessary state wide and not continue to do it in a piecemeal manner.

Recommendation and Vote:

Representative Cohen called for a roll call vote and the Chairman granted the request. The motion to "do pass" on House Bill 20, as amended, with 14 members voting yes and 4 no.

ADJOURNMENT

Adjournment At: 9:00 a.m.



REP. DAN HARRINGTON, Chairman

DH/dg

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Invitation

DAILY ROLL CALL

COMMITTEE

DATE

June 21

| NAME | PRESENT | ABSENT | EXCUSED |
|-----------------------------|---------|--------|---------|
| <i>Harrington, Chairman</i> | ✓ | | |
| <i>Ream, V. Chairman</i> | ✓ | | |
| <i>Choker</i> | ✓ | | |
| <i>Discall</i> | ✓ | | |
| <i>Elliott</i> | ✓ | | |
| <i>Ellison</i> | ✓ | | |
| <i>Sialomotto</i> | ✓ | | |
| <i>Gilbert</i> | ✓ | | |
| <i>Good</i> | ✓ | | |
| <i>Grady</i> | ✓ | | |
| <i>Hanson</i> | ✓ | | |
| <i>Hoffman</i> | ✓ | | |
| <i>Kadas</i> | ✓ | | |
| <i>Kochulce</i> | ✓ | | |
| <i>O'Keefe</i> | ✓ | | |
| <i>Patterson</i> | ✓ | | |
| <i>Raney</i> | ✓ | | |
| <i>Rehberg</i> | ✓ | | |
| <i>Schuy</i> | | ✓ | |
| <i>Stang</i> | ✓ | | |
| <i>Stickney</i> | ✓ | | |
| <i>Susgood</i> | ✓ | | |

6/21/89
1:06 p.m.
ja

STANDING COMMITTEE REPORT

HOUSE BILL 20

"An Act Classifying the Equipment and Machinery
Needed to Package Canola Seed Oil
as Class Five Property"

June 21, 1989
Page 1 of 1

Mr. Speaker: We, the committee on Taxation report that HOUSE
BILL 20 (first reading copy -- white) do pass as amended .

Signed:

Dan Harrington, Chairman

And, that such amendments read:

1. Title, line 6.

Strike: "AND PACKAGE"

2. Page 2, line 7.

Strike: "and packaging"

3. Page 4, line 8.

Strike: "and packaging"

4. Page 4, lines 9 and 10.

Strike: ": (a)"

5. Page 4, line 11.

Strike: "and"

6. Page 4, line 12.

Strike: ","

Insert: ", or engages in any one or more of those processes."

7. Page 4, lines 13 through 17.

Strike: subsections (b), (c), and (d) in their entirety.

ROLL CALL VOTE

HOUSE TAXATION

COMMITTEE

DATE 6/21/89 BILL NO. 20 NUMBER #1

[illegible]

TALLY

Donna Grace
SECRETARY

CHAIRMAN

MOTION: Representative Cohen made a motion to table the bill.

ROLL CALL VOTE

HOUSE TAXATION

COMMITTEE

DATE 6/21/89 BILL NO. 20 NUMBER #2

[illegible]

TALLY

Sonia Grace
SECRETARY

CHAIRMAN

MOTION: Motion to pass HB 20 as amended.