

MINUTES

MONTANA SENATE 51st LEGISLATURE - SPECIAL SESSION

COMMITTEE ON TAXATION

Call to Order: By Senator Bob Brown, Chairman, on June 24,
1989, at 8:00 a.m.

ROLL CALL

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

Members Excused: Senator Harp, Senator Severson

Members Absent: None

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

Announcements/Discussion: None

HEARING ON HOUSE BILL 20

Presentation and Opening Statement by Sponsor:

Representative Daily, District 69, sponsor, said the bill is
designed to lower the personal property tax on
equipment used to process canola seed oil from Class 8
to Class 5. The reclassification will drop the tax
rate from 11% to 3%.

List of Testifying Proponents and What Group they Represent:

Don Peoples, CEO, Butte-Silverbow
Evan Barrett, Executive Director, Butte Local
Development Corporation
Senator Jerry Noble, District 21
Senator Larry Stimat, District 35
Senator J.D. Lynch, District 34
Jim Tutweiler, Montana Chamber of Commerce
Gary Willis, Montana Power
Riley Johnson, National Federation of Independent
Business

List of Testifying Opponents and What Group They Represent:

None

Others Wishing to Testify:

Senator Larry Tveit, District 11

Testimony:

Don Peoples, CEO, Butte-Silverbow, said Butte is an ideal location for the canola plant. The labor force is at hand and transportation is good with two freeways, Burlington Northern and Montana Rail Link accessing the city. The necessary infrastructure is in place which is a definite draw for the plant. However, the real problem is taxation. The current rate effectively drops Montana out of competition. The Montana rate is three times higher than Idaho, and four and a half times higher than Nevada. This disparity could mean as much as \$600,000 difference a year in the taxes paid by the plant.

Mr. Peoples said 300 jobs will be created at the plant with another 150 in related employment. Canola oil is good for the economy as it is a value added commodity and well diversified.

Evan Barrett, Executive Director, Butte Local Development Corporation, said taxes in Montana are a disincentive and although he recognizes this is a very specific form of tax relief, this project needs to be developed. The effective long term property tax rate in Montana is 4.33% as compared to Idaho at 1.3% and Nevada at less than 1%. Lowering the rate would still leave Butte at \$40,000 above Boise and \$140,000 above Reno.. However, that is still a competitive range. He said the need for the reduction is immediate - without the decrease the chances of securing the plant are 1 in 10; with the decrease, Butte has a 75%-80% chance of being chosen.

Canola seed is grown on a plant, harvested, crushed, and processed for use in salad oils, shortening and margarine. Mr. Barrett said this is a "top drawer" company which uses Canadian canola as well as some from norther Montana. He pointed out canola can be a real boost to the Montana agriculture community as an alternative crop well suited to Montana production.

Senator Jerry Noble, District 21, said the bill once again points out the inequities in tax law in Montana and the need to be competitive if we are ever going to attract any new business development to the state.

Senator Larry Stimatz, District 35, said this is a substantial industry and Montana has to be competitive in pursuit of it. He urged the committee to give favorable consideration to the bill.

Senator J.D. Lynch, District 34, said he recently passed the huge Anheuser Busch plant in Fort Collins, Colorado, and was disheartened to think it could have been located in Montana. He said the canola plant will provide upwards of 300 jobs for Montana with a substantial amount of other related development. He urged the committee to look beyond the local issue and make the change as first step in economic development for the state as a whole.

Jim Tutweiler, Montana Chamber of Commerce, expressed agreement with the Peoples and Barrett testimony. He said the Chamber is committed to extending this opportunity to all business in the state. He felt it is most imperative to seize this opportunity and begin to positively impact the economic development attitude the state presents to those businesses interested in locating in Montana.

Gary Willis, Montana Power, said this plant is estimated to use one billion cubic feet of gas and a sizeable electric load per year. This amount of usage has the effect of lowering individual rates. He noted they have had a full time economic development employee working on this project for the past five months. He said he realized this is a localized project, but that Montana Power is supportive, and will continue to be supportive, of projects of this nature in other communities when they arise.

Riley Johnson, National Federation of Independent Business, said there is a word of caution that needs to be expressed. The bill inherently discriminates against other small businesses and care needs to be taken to avoid stepping on other toes. He said the Federation does support the bill with the hope the same incentives can be extended to other businesses.

Others Wishing to Testify:

Senator Larry Tveit, District 11, expressed concern with the tax breaks for specific industries. In his district, he has a small canola plant which will benefit from this bill. However, right next door to it is a large feed lot which will get no tax break. He said this approach breeds various problems, one of which is the impact on the school tax base. The bill renews the need for comprehensive tax reform and the need to lower business taxes across the board to make the economic base more attractive.

Questions From Committee Members:

Senator Hager said canola meal is a by product of the oil processing and wondered what will be done with it.

Mr. Peoples replied it is currently being left in Canada and marketed as feed from there. He said this would be another plus for agriculture in the state as it can be grown here and the meal sold for livestock feed.

Senator Walker asked if the plant in Great Falls which processes canola seed, along with three other seeds, would be included in the tax break in this bill.

Steve Bender, Deputy Director, Department of Revenue, said unless it is specifically excluded it will be subject to the tax break.

Closing by Sponsor:

Representative Daily closed by saying the Columbia Falls aluminum plant expanded its operation and developed 1000 jobs as a result of lowering their tax rate. He said there is a need for this in Butte as well as the whole state. He reminded the committee there is only a 10% chance of securing the plant without this legislation. He urged the committee to give the bill a 75% chance.

HEARING ON SENATE BILL 22

Presentation and Opening Statement by Sponsor:

Senator Gage, District 5, said this is a philosophy bill. You are either in favor of capping, permanently, the

coal trust, or you are not. The bill reduces personal property taxes to 4%. He noted the funding is not available at this point to cover the full 4% drop, but there are commitments from the House to raise the additional monies needed to fund the 4% rate. If that fails, the rate will 6%.

A great deal of the bill deals with bond limitation amounts and converting the revenue to the 4% level. This is necessary because taxable percentages are being removed from the tax base of counties and replaced with non-tax generated revenue. The additional funding will go to the foundation program for statewide distribution. He noted there are provisions in the bill for holding the interest earning from the trust harmless so that those people who are presently relying on interest earnings from the trust will, in the next biennium, continue to receive the interest.

List of Testifying Proponents and What Group they Represent:

Representative Dennis Rehberg, District 88
Wayne Phillips, Governor's Office
Dennis Burr, Montana Taxpayers Association
James D. Mockler, Executive Director, Montana Coal Council
Forrest H. "Buck" Boles, Montana Chamber of Commerce
Don Peoples, Chief Executive, Butte-Silverbow
Riley Johnson, National Federation of Independent Business
Gordon Pirrie, representing himself
Alec Hanson, Montana League of Cities and Towns
Evan Barrett, Butte Local Development Corporation
Gordon Morris, Association of Counties
Tom Hopgood, Montana Association of Realtors
Ray Thompson, Semitool, Inc.
Mignon Waterman, Vice President, Montana School Boards Association
Art Seiler, Chairman, Lamont Gear Company, Philadelphia, Pennsylvania
Dave Darby, Governor's Office of Budget and Program Planning
Jerry Jack, Executive Vice President, Montana Stockgrowers Association; also representing Montana Farm Bureau and Women Involved in Farm Economics
Don Allen, Executive Director, Montana Wood Products Association
Senator Larry Tveit, District 11
Gary Schwedes, Flathead Valley Dealers Association

List of Testifying Opponents and What Group They Represent:

Senator Chet Blaylock, District 43

Testimony:

Representative Rehberg, District 88, stated it is timely to be talking about a canola plant, as special consideration was introduced for an Anheuser Busch plant in Billings. Other legislation has come and gone, and will continue to do so, until we address what is the single most important issue facing the state of Montana today - personal property tax reform. We might argue that equalization is the most important, but if something is not done with the personal property tax in this session, Montana will not be at all competitive in economic development for the next ten to twenty years. He pointed out our tax base is eroding, businesses are leaving, and new businesses decide not to locate in Montana because of our undue reliance on personal property tax. He said we cannot continue the piecemeal approach and now is the time for corrective action.

The coal tax is a difficult thing to change. He said he has talked to members from both sides of the aisle who have said, despite past reluctance, that they can support this concept as it makes a comprehensive, long lasting, and positive impact on Montana and the business climate of the state. He said he would be happy to carry the bill in the House. Efforts are underway to fund the bill at 4% as that is the rate it will take to be competitive with surrounding states. He felt he has the support from the House members to pass the bill and urged the Senate to give it favorable consideration.

Wayne Phillips, Governor's Office, noted there are opportunities all over the state for personal property tax reduction to enhance business and jobs. As examples, the meat packing plant Billings hopes to attract from Taiwan, the Anheuser Busch plant Billings just lost, and the hoped for canola plant in Butte. Governor Stephens feels very strongly this issue to tied to equalization in its importance. Developing a sound business development climate gives schools a much larger base from which to draw funding.

The real issue is replacement revenue. Everyone wants to fund it from revenues which impact "the other guy".

The coal tax trust is available and was designed to provide benefits to the state and would, therefore, provide a good funding source. He said the funding source should not hold up the passage of the bill, however. The Governor wants a bill which can receive general support with an acceptable and adequate funding source.

Mr. Phillips identified two areas which are problems in the bill which need to be addressed. First, there is language in this bill which refers to the way in which the Department of Revenue audits coal, and the way that whole process works. He reported that he was not aware, when he reviewed this bill, that this is an area of dispute between the coal industry and the Department of Revenue. He stated the administration is very willing to have the bill amended so that the Department's position does not become locked into law. He said they would rather have a clean bill which avoids that kind of dispute. The coal industry and the Department can work it out in another arena. The Governor is very willing to amend in language to do that. Mr Phillips said he believes the coal industry will testify to what will be necessary.

Mr. Phillips reported there have also been some concerns raised about the water bonds. They believe this bill allows the money to be used for the coal bonds without distorting that process. Generally, it is just a mechanism by which the money goes in, is held in a certain fund for a while, whatever is needed for the coal bonds is withdrawn, and the remainder flows on into the property tax. He stated they are willing to address any other problems that are identified, they think this is a good solid bill and are willing to work on it to make it viable. He added that he thinks everyone agrees it is time for personal property tax relief in the state of Montana and this bill provides the opportunity. We can ill afford to wait two more years. He urged the committee's support of the bill.

Dennis Burr, Montana Taxpayers Association, expressed support for SB 22, saying it has been a major issue with their association for the past several years. He indicated the bill is not reducing personal property taxes from their historic levels, rather, it is, in some ways, returning them to their historic levels. He reported one of the things that has happened in the last 15 years is every time they have reappraised real estate and improvements in Montana on real property, they have reclassified that property to a lower tax classification. Back in 1975, they had real estate at

12%, noting that personal property classes are generally at 11%, 13%, and 16%. He indicated they were not too out of balance between real property and personal property, at the time, but that, over the last 15 years, they have lowered the classification on real property to 3.86%, and left personal property where it was. He pointed out by changing the tax base in that fashion, they have caused mill levies to go up, because they have less taxable value, and the result, at present, is the 3.86% classification rate on real property is the lowest in the United States, and our mill levies are the highest in the United States. He noted we have a system, with the high mill levies and low classification, that is about average in taxing real estate, but which forces the levies up to the point that the personal property taxes, in the higher classifications, are now among the highest in the United States.

Mr. Burr cited the example of a plant in Colorado, which might have been in Montana. He indicated the tax on a piece of equipment, which happens to be owned by Western Sugar Company in Scotts Bluff, Nebraska, where they have a plant, would be \$3600, in Fort Morgan, Colorado, where they have a plant, would be \$3800, and in Lovell, Wyoming, it would be \$1279. He then reported the tax on the same piece of equipment in Billings, Montana, would be \$9,366, and pointed out that is the type of problem they have to deal with, if they are going to keep business in Montana or encourage other businesses to come here.

Mr. Burr noted since 1985, over \$310 million has been lost from the personal property tax rolls. This property which has either been retired because businesses quit, or they have moved the property out of state. He indicated without a measure like SB 22 the base is going to continue to erode and, as it erodes the rates will simply rise in order to collect the same amount of money, the cycle will repeat itself, and more businesses will leave Montana. He added he hopes the committee will look favorably at the bill. He thinks it is the best chance Montana has to improve its economic climate during the special session.

James D. Mockler, Executive Director, Montana Coal Council, said part of his job, when he is not in Helena at the Legislature, is to travel throughout the state. He indicated he has talked to senior citizens groups, to high schools, to service groups, and to anyone he

thinks will listen, and can guarantee the first question he will be asked is "How much money is in the coal trust fund?", and the second is "Why in the hell do they keep raising my taxes, running business out of the state, and putting more into the fund?". He stated he thinks the general public feels it is time to try to protect the business entity. It is particularly sad to him to see that a major steel service plant in Billings picked up and went to Sheridan, Wyoming, for one reason only: they save \$265,000 a year in property taxes. He added they had been in Billings over 75 years. He said it is sad to go to Glendive and watch those people worry about losing their BN plant facilities because BN can go a few miles east and save \$100,00, or more, in property taxes. He noted it is the same story in Great Falls, with the grain facilities, and it is a story which can be heard across the state. He state is does not materially affect the coal industry that much, noting the way the bill is written does, but with the amendments, it would not.

Mr. Mockler said one of their companies did a feasibility study in conjunction with one of their customers. The customer paid half the cost, \$150,000, for the study. Severance tax was assessed on that \$150,000, they want severance tax on additional testing of coal, but, more, importantly, they the severance tax assessed on coal that is not produced. He sate the contracting of anything, whether it be coal or anything else, is not a sale, a sale does not occur until the goods are delivered, and, when they deliver the coal, they will pay the taxes. He indicated this has been an ongoing fight. It is called take or pay. There are penalties assessed at times, and, when they deal in volumes of millions, they are talking about severe penalties. There is a lot of that happening in the industry, and it will probably continue to happen. He reported right now, Detroit Edison buys 10 million tons of coal a year and has all but said they will never enter into an agreement where they would have to pay tax on coal they do no receive, for whatever reason. He indicated the sponsor of the bill has told him he did not know that was contained in this bill, adding the Governor's Office has just told the committee they did not realize it was in the bill either. He said he has been assured by the Department of Revenue they not know it was in the bill or how it got there.

Mr. Mockler distributed copies of proposed amendments (Exhibit #1). He noted his amendments will strike the definition section, with the exception of subsection 7,

page 3, which refers to the sale price of coal, and that the definition section now contained in 15-35-102 is sufficient to cover a coal tax, or now a sales tax. They also delete the section on page 5 which makes it very specific that it is a gross receipts tax on any money they may receive. He indicated the term sales tax is somewhat bothersome to them, noting they have always said it was a sales tax. What is bothersome is under certain federal law, specifically royalties, deductions are allowed for state excise and severance taxes. He, therefore, requested they consider changing it from saying it is a sales tax on coal, to an excise tax on coal, noting it accomplishes the same thing and affords them a protection. Although he is not positive it is a problem, they perceive it as a potential problem and would appreciate it if the committee would consider it.

Forrest H. "Buck" Boles, Montana Chamber of Commerce, presented his testimony in support of the bill (Exhibit #2).

Don Peoples, Chief Executive, Butte-Silverbow, stated he is here to speak in support of SB 22 because personal property taxes are a distinct problem and constitute a serious disincentive to economic development because of the severe inequities. He indicated he wanted to voice a concern regarding replacement revenues. He said he thinks there needs to be a gold-plated, triple A guarantee in this bill that they will see replacement revenues, dollar for dollar, at the local government level and the school district level. It is an extremely important provision. He reported their tax rate in Butte-Silverbow is 37% for personal property. They need to maintain good schools and good local government services and to do that, they need the guarantee that they will have dollar for dollar replacement from the source of income as well as an inflation factor provision. He indicated they cannot afford to be faced with a problem like that which was created with the inventory tax, and motor vehicle tax. The Legislature needs to look in a positive vein at this, and make some adjustments for guaranteeing they will have provisions for local governments. Local governments and school districts just cannot afford to settle for what is left over. He urged the committee to look at the problem and look seriously at the property tax revisions being suggested. They make sense and provide an incentive for economic development.

Riley Johnson, National Federation of Independent Business, presented his testimony in support of the bill (Exhibit #3).

Gordon Pirrie, for twenty years a businessman on main street, said this bill represents an investment in the businesses of Montana. He has watched the business climate erode over the last fifteen years with the loss of jobs, businesses, and tax base. The more businesses that leave the state, the larger the tax burden that is created for those remaining. This bill represents a great first step in taking care of what we have in the business arena in the state and encourages growth and expansion.

Alec Hanson, Montana League of Cities and Towns, stated they support the concept of personal property tax reduction and reform. He indicated they recognize that taxes are an important part of development policy in Montana, and every other state across the country. They would like to see Montana be competitive in the area of taxes, and a lot of other areas which are important to industry. He stated, as always, their support for this bill, or another property tax reform and reduction legislation, is conditioned on a fair and fully-funded replacement source. He reminded the committee they have been down this road before; anyone who has served in the legislature for a few years will remember the infamous business inventory tax and the year and half replacement program which was in effect after it was deleted. Anybody in a city or town hall, or county courthouse will remember how difficult it was to balance budgets after those funds were removed. He added many of the committee members will remember the block grant program adopted by the legislature in 1981, adjusted in 1983, and the subject, all by itself, of a special session a few years ago. He indicated that they have to insist on a fair, fully-funded replacement source, that, without it, cities cannot support this type of legislation and, more importantly, they cannot afford it. He reported cities and counties are operating in a budget crisis across the state right now and , if they lose additional funds, it is only going to be more difficult.

Mr. Hanson state he thinks there are pieces to the puzzle. There is this bill which adjust the rates; there is the possibility of some other bills which will identify the replacement revenue; and there is Representative Rehberg's HB 50 which will appropriate the money back to the cities, counties, and schools to ensure they do

not have to subsidize this program. He indicated he thinks all of these things have to come together, that they all have to be guaranteed, and they have to be coordinated. He hoped the legislature does not pass this bill without Representative Rehberg's bill, as it would leave a \$14 million hole in the local governments' budgets. He added if the legislature can bring all of these pieces together, the cities will support this package, help them make it work, and together they can do something to spur development in the state of Montana.

Gordon Morris, Montana Association of Counties, stated he would like to go on record, on behalf of the 165 county commissioners across the state, in support of the concept. He echoed the thoughts the committee has already heard in regard to the need for replacement revenue, and seconded the motion for coordination instructions in this bill to the replacement revenue bills which will be considered elsewhere.

Tom Hopgood, Montana Association of Realtors, indicated one of the main points of the association's platform is property tax reform. He stated he believes this issue is a vitally, and critically important issue for this special session to address. He most wholeheartedly endorses the comments made by the other supporters of this bill, and urges the committee to likewise support the bill.

Ray Thompson, Semitool, Inc., Kalispell, said his business is probably the only "high-tech" operation in Montana. He noted the business had only just celebrated it's tenth anniversary in Montana. He said his lack of competition in this state, despite massive recruiting, is attributable to one thing. Taxation in Montana is the main deterrent to business development. As an example, he noted he had just installed \$500,000 worth of equipment in his business. As a result of that installation, over \$100 million worth of product has been shipped out of the state, 30% being distributed worldwide. Roads are adequate in the state for distribution, but the equipment on the floor of the business and the \$500,000 worth of computer equipment is a major problem in terms of taxable value of the business. Essentially, Mr. Thompson buys that equipment over again every year when he pays his taxes. He said even the group his business stands on is highly taxed and in the competitive arena in which he operates he has to watch every penny. The temptation is very strong to move next door. The personal property tax is

keeping his customers away from the state and will continue to drive new business development away. He said a new business will easily put in \$100 to \$200 million in capital equipment investment. Right now in the bay area, a Japanese company is putting in a business with a \$700 million capital investment. Mr. Thompson felt this is the kind of business development Montana wants and desperately needs.

Senator Brown stated, on behalf of the Flathead delegation, he would like to say they appreciate the contribution Semitool has made to the community and the state.

Mignon Waterman, Vice President, Montana School Boards Association, noted they appreciate the support the business community has given education as they seek to adequately fund schools in Montana. MSBA is here to be on record as recognizing the problems business has in this state with personal property taxes, the need for property tax reform, and the need for tax reform, as a whole, in the state of Montana.

Mrs. Waterman reported the MSBA is committed not only to quality education in the state of Montana, but to long term economic development. The two have to go hand in hand, and this bill is important to that concept. She added they also think it is important for the legislature to get on with the debate about what the revenue source is going to be, whether it is a sales tax, a gross receipts tax, or whether it is capping the coal trust fund. She indicated she shares the concerns of some of the people who testified previously, that on behalf of education, they need dollar for dollar replacement within the legislation enacted. She urged the committee to pass a tax reform package during this session.

Art Seiler, Chairman, Lamont Gear Company, Philadelphia, said he has been a president or chairman of manufacturing company for over 51 years, he does not represent anyone, he is not a lobbyist, but he thought the committee might like to hear from someone who has had to make decisions regarding placement or relocation of factories. He pointed out, with Montana's personal property taxes, no sophisticated management is going to bring a company into Montana unless there is a very special purpose. When his company contemplates making a major investment in a machine tool, they are looking at well over \$500,000. He said they take all of the benefits they will get, convert them into dollars of income, then take all the costs they will incur and decide when that investment will pay off, after taxes.

He indicated that they argue with banks, sometimes for hours and days, for a half a percent of interest. If they throw a personal property tax on top of that, considering it is an ongoing expense and is based on a third party's valuation of the machine, he said he would not end up buying very many machines. He stated this bill has to pass but 7% is not going to do it, nor is 4%. You should do something for them, he told the committee, not stick them with a personal property tax. Give those potential businesses some breaks, because it will come back in profits, jobs, and an expanded tax base. The best thing that can be done for the economy of Montana is to get rid of the personal property tax.

Dave Darby, Director, Governor's Office of Budget and Program Planning, said the one issue he will address is that of replacement revenue. He distributed materials to the committee (Exhibit #4) which provide the replacement revenue which the Governor is supporting to bring the personal property tax rates to 6%. He noted, as has already been indicated by Mr. Phillips and others, that there are discussions pending regarding increasing replacement revenue sources to meet a 4% level.

Jerry Jack, Montana Stockgrowers, Montana Farm Bureau, WIFE, stated all three organizations strongly endorse SB 22. He said at their most recent convention the entire membership said tax reform is the number one issue facing the state. The best way to start is to reduce personal property taxes. He felt this bill is a mechanism to be used toward that end and urged the committee to give it favorable consideration.

Don Allen, Montana Wood Products Association, expressed support for the bill noting most of the committee members have heard him talk about the excessive burden personal property taxes put on the mills and others who have to compete not only in surrounding states, but in other parts of the country. He noted that many of the personal property tax rates on the individual mills run four to five times what their competitors rates run in other states.

Mr. Allen pointed out the industry which accounts for 16% of the total economic base in the entire state, and about 46% of the western part of Montana, has pressures which are increasing daily. As the cost of timber sales increases because of timber supply problems, and the competitive factors come into play, it becomes more and more important that the industry be abler to cope with

those changes with the best tax position possible. He hoped the committee will give great consideration to passing this bill which does address the tax relief problem. He also urged the committee to see that the replacement revenue is firmly in place in the bill.

Senator Tveit, District 11, said we were called into special session for equalization of education and personal property tax relief. He noted businesses are leaving the state for one reason: our personal property tax rates are too high. Senator Tveit lives only a few miles from North Dakota and sees this happening much too frequently. North Dakota has no personal property tax and ranks second out of eighteen states for business development. He noted businesses can leave but farmers and ranchers cannot just roll up their properties and move. Increased mills for equalization will hit them hard. Businesses will leave and that will only increase the burden on the agriculture community. He said many people and businesses would like to come here but if we increase the present property taxes, and put a surcharge on income tax, we will send the wrong signal. He felt it is imperative to turn things around, and for that reason, he supports the bill.

Gary Schwedes, representing the Bullpen Cardroom, presented his testimony in relation to the bill (Exhibit #5). He said he supports the amendments which will be proposed by Senator Harp (Exhibit #9). He submitted his wife's testimony (Exhibit #6). Also attached to her testimony is a list of dealers in the Flathead area (Exhibit #7) and a petition signed in support of Jacks or Better signed by approximately 1800 people from the Whitefish area (Exhibit #8).

Opponents:

Senator Blaylock, District 43, said as he understands this bill, there will be a 1% severance tax and the other 14% will be called a sales tax. In that form it is no longer subject to a vote as a constitutional amendment and you can with it as you wish with a majority vote. It has been said for years if we just cut taxes, everything will be fine. He said income tax indexing, enacted in 1980, was supposed to save everyone money and increase business. He pointed out the result is indexing has cost at least \$300 million to date which has had a tremendous impact on schools and the university system. He asked the committee to investigate the claims made as to the well-being of surrounding states. Wyoming has the highest

unemployment rate in the nation and they have a sales tax and a personal property tax. Although the Seattle area is doing well, when you get to the Spokane area and further east, they have as many troubles as we do. Texas and Louisiana, both heavy oil states, are also having trouble. He said it is necessary to do some innovative thinking, but tempered with a heavy dose of reality. Just cutting taxes is not going to make industry blossom in this state. He reported the head of the economics school at MIT (also a graduate of Anaconda schools) has said that whatever a state legislature and a governor do, for ill or good, will affect the economy of a state about 10%. He said he could support legislation which would lower personal property taxes, put them at 100% of value, and tax everyone at the same rate. He supports a sales tax as a means of raising revenue for education and personal property tax relief. The people of the state deliberately withheld from the legislature the ability to tamper with the severance tax and that is just what is being done under the guise of this bill. He urged the committee to defeat this proposal.

Questions From Committee Members:

The following discussion was taken basically verbatim from the tapes of the hearing. Due to the importance of the constitutional question, the discussion is included in this form:

Senator Mazurek indicated he recognizes the need to change the personal property tax, and further indicated Senator Keating has brought in similar legislation the past two or three sessions, and has always brought it in the form of an initiative to change the Constitution, to allow the voters to make a decision which would, in effect, do this. He pointed out during the campaign when Tom Judge proposed this, he believes now Governor Stephen's response was that it was impractical, because it would take a three-fourths vote of the legislature. He asked Mr. Phillips if this takes a three-fourths vote and, if not, have they looked at and are they satisfied that they can simply change the name of the tax and avoid the language of the Constitution which says half of it has to go into the trust. He point out they are leaving the complete taxing mechanism for the coal tax in place, and all they are doing is changing the name of it. If that fails, all the personal property tax relief which people think they are going to get will fail also. He indicated he is sure they had to go through all this before they introduced the bill. He welcomed Mr.

Phillips comments.

Mr. Phillips responded no, yes. He indicated they would be glad to have this committee put in a severability clause, because he thinks, if there can be some agreement on replacement revenue, that is fine, go for it. He reported that the Governor was committed to this replacement revenue for local governments and schools, that they tried to come forward with the best, most logical place for it to occur, but will take whatever this committee will agree to, so put in a severability clause - find whatever revenue you want.

Mr. Phillips then responded to Senator Mazurek's other question, and stated yes, they can reduce the severance tax. He reported Governor Schwinden was the one who led the way one that, it was done by a simple majority vote, and this bill calls for a reduction of that severance tax. He indicated they will impose another tax on it, and, yes, it is a shift, but there has been precedent on doing that, he does not see a problem with it, and does not think it is a big difficulty. He noted if it had not been done in the past, he could see it, but there is a precedent there, this legislature has voted to reduce the severance tax with the mechanism still in place, they are voting to reduce it more, and will impose a different kind of tax for the purpose they want, which is personal property tax.

Senator Crippen asked if there have been any opinions given as to whether the procedure they are going to follow is constitutional, indicating they are not going to pass some legislation, go home thinking they have solved the problem, and find themselves in the middle of a lawsuit with no basis to go on. He stated he thinks this committee can be favorably inclined to this type of short-sighted approach, he might add, to the solution, noting that it seems this legislature is determined to run pell-mell down the short-sighted path. He added that, if they are going to do that, at least this committee had better be sure it is on solid ground. He again asked if Mr. Bartos, or anybody, has prepared a legal opinion that would answer Senator Mazurek's questions just a little more thoroughly, and show what type of research has been done. He then stated that he

thinks the worst thing they can do, even if they favor this legislation, is to pass it, then find out that it is being challenged, and then they are back here trying

to meet the challenge, some way.

Mr. Phillips responded they did look at this. They had contemplated seeking some guidance from the attorney General, but, as the committee knows, he will not do that on constitutional issues. He indicated they had looked at it, noting they did not do a formal opinion, but did look at it from the legal perspective. They think, because of the precedent set in the past about reduction of the severance tax, there is not a constitutional difficulty here. He added he thinks Senator Mazurek's point about severability may be the key here. They need to, perhaps, have that included in the bill.

Senator Mazurek state he is not suggesting that at all, and indicated he guesses the fact that they would normally put a severability clause in, and the fact that they have put a non-severability clause in suggests to him that they appreciate this risk because changing the name of the coal tax from a severance tax to a sales tax, and leaving everything else the same, may run afoul of the Constitution, and they are protecting themselves. If that procedure fails, they know they will be challenged immediately, and all the property tax relief goes out the window.

Mr. Phillips states they are here for advise and consent. They took an approach, and the bottom line is they want this personal property tax relief. He indicated they are trying to present a proposal which is consistent, and has money in it, noting is at least something this Governor has done which has not been done in the past.

Senator Mazurek pointed out a number of them have supported his other proposal for another funding method.

Mr. Phillips responded he knows, and indicated they will support the sales tax bill, if one is introduced, and get behind it just as much as they do this. He stated, one way or another, they want this bill, and will ask this committee to help them address the problem, noting they have given a good faith effort, they think this will do it, they are confident and are willing to proceed with it.

Closing by Sponsor:

Senator Gage indicated the material the committee received from Mr. Darby does not contain the full diversion, there is a mechanism in another bill to put 5.6% of this diversion into a 2% increase for foundation program schedules, and he thinks the committee needs to be aware of that. He said his original thought was to phase-in the provisions of the bill. Those local governments and schools which will be adversely affected cannot bear the whole load in one year. He pointed out it was his intention to use the coal tax money as part of the phase-in process and, as the tax revenue from added mills and diverted mills is phased-in, the severance tax would be phased back until in 2-4 years it would return to today's level. He visited with the Governor about this and they agreed there would be more support for a phase-in program than a permanent cap. However, the bill was introduced with a cap but could be changed to a phase-in process if the committee so desires.

Senator Gage expressed some concern that Class 1 and 2 property have been left out of the bill entirely. He noted he doesn't know what the courts are going to say or if a disgruntled taxpayer will bring it to court. He said the bill provides a somewhat immediate solution and does not put a new tax on the people such as a sales tax or gross receipts tax.

He said as long as he serves in the legislature he will continue to work for a revenue source to replace the property tax. And, if that happens, he will be first in line to restore the severance tax. He noted this bill is not the answer to the whole problem, there are still others to be addressed such as workers compensation. Not only do we not have jobs coming to Montana, we are exporting a labor force to the rest of the nation. We are educating the greatest kids in the United States and then they leave for greener pastures. The bill is a start, it is not perfect. If it can be a temporary solution, it will allow us time to look to the future, and to plan for comprehensive tax reform.

DISPOSITION OF SENATE BILL 14

Discussion:

Senator Crippen pointed out the fiscal note is not correct and had amendments prepared to correct the calculation basis.

Amendments and Votes:

Senator Crippen MOVED the attached amendments (Exhibit #10) be adopted.

After further review, Senator Crippen said he was still not happy with the allocation wording and would work with Jeff Martin and Dave Boyer, Legislative Council, to clear it up.

Senator Crippen WITHDREW his motion.

Recommendation and Vote: None

ADJOURNMENT

Adjournment At: 10:00 a.m.



SENATOR BOB BROWN, Chairman

BB/jdr

MIN624.jdr

ROLL CALL

TAXATION

COMMITTEE

50th LEGISLATIVE SESSION -- 1989Date 6/24/89

NAME	PRESENT	ABSENT	EXCUSED
SENATOR BROWN	X		
SENATOR BISHOP	X		
SENATOR CRIPPEN	X		
SENATOR ECK	X		
SENATOR GAGE			
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.

WITNESS STATEMENT

SENATE TAXATION

EXHIBIT NO. 1NAME: Jim MocklerDATE: 6/24/99BILL NO. SB 22ADDRESS: 2301 Colonial DrPHONE: 442-6223REPRESENTING WHOM? Mt. Coal CouncilAPPEARING ON WHICH PROPOSAL: SB 22DO YOU: SUPPORT? ☒ AMEND? ☒ OPPOSE? ☐COMMENTS: page 2: lines 8 thru 25 - deletepage 3: lines 1 thru 22 - deletepage 5: lines 12 thru 15 - delete

The definition section contained in
15-35-102 is sufficient with the
exception of (7) on lines 23 thru page
3.

Section 3 page 5 is a completely new
concept and was not intended by
the sponsor or the Governors office.

PLEASE LEAVE ANY PREPARED STATEMENTS WITH THE COMMITTEE SECRETARY.

change reference from "Sales Tax" to
excise tax "

NAME: F.H. BUCK BOLDSDATE: 6/24/89
BILL NO. SB 22ADDRESS: Box 1730 HELENA MT 59624PHONE: 442-2405REPRESENTING WHOM? MONTANA CHAMBER OF COMMERCEAPPEARING ON WHICH PROPOSAL: SB-22DO YOU: SUPPORT? ☒ AMEND? ☐ OPPOSE? ☐

COMMENTS: Mr. Chairman, members of the Committee. It is a pleasure for me to come before you in support of a bill so important to Montana's economic future and that holds a top priority position of importance with the Montana Chamber and see the bipartisan support it has in both houses.

The gravity of the situation caused by excessive high personal property taxes cannot be over emphasized. This bill offers significant and much needed relief. I don't need to paint a litany of recent attempts to offer special pers. property tax relief considered by the legislature you just heard one. But I do want to emphasize that there are a lot of businesses just hanging on out there and we need desperately the jobs they provide.

PLEASE LEAVE ANY PREPARED STATEMENTS WITH THE COMMITTEE SECRETARY

I respectfully encourage you as strongly as I can to bring out of this session a positive, meaningful piece of tax reform so needed in our state. Not just a "signal" as has been talked about so much but real reform as represented in this bill. You have a difficult issue to solve in the equalization of school funding, use this bill as the major positive action you take to help the people of Montana. MT SB 22

WITNESS STATEMENT

EXHIBIT NO. 3NAME: J. RILEY JOHNSONDATE: 6-24-89BILL NO. SB 22ADDRESS: 534 N. LAST CHANCE GULCH #202, HELENA, MT 59601PHONE: 442-2107REPRESENTING WHOM? NATIONAL FEDERATION OF INDEPENDENT BUSINESSAPPEARING ON WHICH PROPOSAL: HB-22DO YOU: SUPPORT? X AMEND? _____ OPPOSE? _____

COMMENTS: This issue of Reduction of Personal Property Tax could be the one positive thing to emerge from this Special Session. Reduction of Personal Property Tax in Montana is the "one business issue" which would brighten the future economic growth in our state. Montana's small businesses can not survive without base industry, and this bill (HB22) would go far to creating new base industry in Montana.

NFIB/MT supports HB-22

But let's not discriminate! If 3% is good for CANOLA in Butte, why isn't 3% good for all of Montana?
Let's Retract All Personal Property Tax!

PLEASE LEAVE ANY PREPARED STATEMENTS WITH THE COMMITTEE SECRETARY.

Office of Budget & Program Planning
Personal Property Tax Reform

	Estimated FY 1990	Estimated FY 1991	Estimated FY 90-91
Option I -----			
Coal Severance Tax	\$20.247	\$22.831	\$43.078
General Fund	10.214	10.064	20.278
Income Tax Impact	2.000	2.000	4.000
Lost Interest Earnings	(1.292)	(3.726)	(5.018)
	<hr/>		
Total Revenues	\$31.169	\$31.169	\$62.338
Personal Property Reform @ 6%	\$31.169	\$31.169	\$62.338
	<hr/>		

WITNESS STATEMENT

SENATE TAXATION

EXHIBIT NO. 5NAME: GARY SCHWAPESDATE: 6/23/89
BILL NO. SB-22ADDRESS: P.O. Box #111 Whitefish MT 59937PHONE: 862-6760REPRESENTING WHOM? The Bullpen Cardroom &APPEARING ON WHICH PROPOSAL: LC-18DO YOU: SUPPORT? _____ AMEND? ☒ OPPOSE? _____COMMENTS: I support an Amendment
to provide additional revenue
to the state by licensing
additional poker tables.

PLEASE LEAVE ANY PREPARED STATEMENTS WITH THE COMMITTEE SECRETARY.

I.

Flathead Valley

- A). The Flathead Valley contains roughly 80,000 residents - representing approximately one-tenth of the total population of the state.
- B). Therefore we will use figures from the Flathead Valley to extrapolate an approximate total for the state as a whole.
- 1). There are 75 "Jacks or Better" dealers in the Flathead Valley.
 - 2). We can estimate 750 such dealers for the entire state.
 - 3). There are approximately 30 licensed "Jacks or Better" type tables in Flathead Valley.
 - 4). We can estimate 300 such tables statewide.

- 5). There are 10 "JACKS OR BETTER" operators in Flathead Valley.
- 6). An expectation of 100 such operators statewide would NOT BE UNREASONABLE.

II.

STATE-WIDE REVENUE

- A.) Come OCTOBER 1ST - if The present GAMING LAW IS NOT IN SOME WAY AMENDED TO ALLOW SUCH GAMES KNOWN BY THE generic NAME OF "JACKS OR BETTER" - 75 dealers - MOSTLY SINGLE PARENTS - WILL LOSE THEIR JOBS AND QUIT POSSIBLY GO ON THE WELFARE ROLLS.
- B.) HOWEVER, TO AMEND THE SITUATION WILL SAVE THESE JOBS AND PROMOTE THE FOLLOWING STATEWIDE REVENUE.

(continued)

SENATE TAXATION

EXHIBIT NO. 5DATE 6/24/89BILL NO. 5020
Approximate
Figures

1). STATE INCOME TAX
REVENUE FROM
750 GAINFULLY
EMPLOYED DEALERS } \$ 300,000

* based upon \$12,000 a year - single
parent with one child.

2). STATE LICENSING FEES
ON 300 tables } \$ 100,000
* 200 first tables and 100 seconds

3). STATE LICENSING FEES } \$ 56,250
for 750 dealers.

4). STATE INCOME TAX
ON 100 OPERATORS } \$ 150,000
* based upon a \$36,000 income

TOTAL STATE — \$ 606,250
REVENUE

VERSUS

HAVING 750 UNEMPLOYED
PEOPLE - MOST OF WHOM
ARE SINGLE PARENTS WHOM
WILL SEEK STATE WELFARE

III.

METHOD OF LEGALIZATION

A). INASMUCH AS THIS GAME HAS
been played through out
THE STATE FOR A MINIMUM
OF TEN YEARS AND
INASMUCH AS THIS VERY
GAME IS LEGAL WHEN
PLAYED ON A VIDEO POKER
MACHINE - WE SUGGEST
THE FOLLOWING AMENDMENT
TO S.B. 431 OR AS A
RIDER TO ANOTHER SUCH
APPROPRIATE BILL, THE
FOLLOWING LANGUAGE.

" ANY GAME AUTHORIZED FOR PLAY
for gaming purposes ON A VIDEO
machine shall also BE AUTHORIZED
FOR "LIVE PLAY". "

Mr. Chairman & Committee:

my name is Barbara Jones and I represent
the dealers & players Assoc.

Our assoc was able to gather 2000 player ^{signatures in} ^{support} ^{of} ^{this} ^{same} ^{bill} ⁱⁿ ^{the} ^{last} ^{week}

I have here a list of 75 people ^{from} ^{Flathead County} ^{who} ^{as} ^{of} ^{Oct} ^{1st}
will be unemployed. The majority of these
people are female single parent with children.
These people want to keep their jobs, not
welfare. I want my job. We contribute
to the community & state when state has
state ^{table} ^{license} ^{fees} ^{which} ^{will} ^{be} ^a ^{state} ^{revenue}
of \$100,000. If the amendment is approved,
the amendment will keep people working, save
jobs & produce state revenue.

The amendment has focused a
keeping employment throughout the state. These
people are daughters of Montanians who with
out this amendment will be jobless & seeking
state assistance. Governor Stephens when opening
in Kalispell on his personal tax cuts said
lets help the people. Save jobs. We want our
jobs. Montana needs revenue for education,
property tax cuts revenue, retirement funding, etc.
With this amendment we can help contribute
to the general state funding. Work, not
welfare, responsibility, which takes from the state

WITNESS STATEMENT

SENATE TAXATION

EXHIBIT NO. 6 p. 1NAME: Barbara TurnerDATE 6/23/89BILL NO. SB 32ADDRESS: POBx 1477 Whitfish, MT 59937PHONE: 406 862 6760REPRESENTING WHOM? Northwest Dealers & Players Assc.APPEARING ON WHICH PROPOSAL: LC 18DO YOU: SUPPORT? AMEND? ✓ OPPOSE? COMMENTS: we support adding additional revenue
from the licensing of poker tables

PLEASE LEAVE ANY PREPARED STATEMENTS WITH THE COMMITTEE SECRETARY.

Dealers

SENATE TAXATION

EXHIBIT NO. 7DATE 6/24/89BILL NO. SB 23

Linda Robinson - 1040 6th Ave E. - Kalispell
Candy Wilson - 617 7th Ave W. - Kalispell
Tori Swenson - 926 B 2nd Ave E - Kalispell
Troy Dahl - 292 D 2 mile Dr. - Kalispell
Vici Hawk - Box 31 - Somers
Tanya Hall - 317 8th Ave. W. - Kalispell
Sherry Gray - 227 4th St W #2 - Kalispell
Cheryl Stiffler - 363 4th Ave. E.N. - Kalispell
Jody Kelley - Box 58 - Lakeside
Becky La Cass - 314 9th Ave W. #9 - Kalispell
Suzanne Fox - 390 3rd Ave. W.N. - Kalispell
Katie Justin - 58 W. Cottonwood Dr #19 - Kalispell
Lori Hardesty - 375 1/2 7th Ave E.N. - Kalispell
Tracy Curran - 920 5th Ave. W. - Kalispell
Sandy Lanegan - 1308 1st Ave. W. - Kalispell
Vicki Thomas - 1711 4th Ave. W. Apt 1 - Columbia Falls

- Cindy Rupp. 1704 1st Ave W.
Della Vosburgh. 1113 9th Ave W. • Columbia Falls
Fred Williams - 533 Mt View Dr. - Kalispell
Jayne Hoeldt - 602 6th Ave W.N. - Kalispell
Richard Hagen - 1060 Steel Bridge Rd. - Kalispell
Mike Stiffler - 415 5th St. W. #9 - Kalispell
Floyd Radar - c/o Cattleman's - Kalispell
Terry Sanchelli - 4900 Mullen Rd - Missoula
Cheri Foster - 1022 5th Ave E. - Kalispell
Jean Nesbitt - 25 Shady Lane - Kalispell
Micky Heil - P.O. Box 301 - Kalispell
Debbie Rogers - 1819 Hodgson Rd - Whitefish
Colleen Gukich - 279 Homestead Rd - Kalispell
Bryan O'Myer - c/o Log Cabin - Kalispell
Brad Wright - c/o Log Cabin - Kalispell
Linda Taylor - 400 Liberty St. # 502 - Kalispell
Karen La Roque - 1145 2nd Ave. E. - Kalispell
Regina Peters - P.O. box 143 - Columbia Falls

Lee Ann Sutherland - 1808 Pioneer rd
Lee Johnson - 1437 Hwy 35 #29 Kalispell
Joy Frayleigh - c/o Scoreboard - Kalispell
Debbie Jukich - c/o Cavanaugh's - Kalispell
Debbie Trebis - 511 East Evergreen - Kalispell
Kelly Harold - c/o Cavanaugh's - Kalispell
Helen Klemz - c/o Stuckups - Kalispell
Melody Payer - 541 Solberg Dr. - Kalispell
Dawn Lister - Box 124 - Coram
Penny Sheppard - c/o Scoreboard - Kalispell
Wayne Hickock - 405 1/2 2nd St. W. - Kalispell
Lislie Luellen - 2221 Hwy 2 East - Kalispell
Lisa McAtee - P.O. Box 2517 - Kalispell
Buss Bailey - c/o Cattleman's - Kalispell
Lislie Lupp - 1704 1st Ave. W. - Kalispell
Jim Berkhart - 405 1/2 2nd St. W. - Kalispell
Bonnie Newnam - 1695 Hwy 35 #13 - Kalispell

- Vickie Stephenson - 1855 Patrick A. Rd - Kalispell
- Lisa Foubert - 253 1st Ave W.M. - Kalispell
- Kim Lager - P.O. box 58 - Lakeside
- Teresa McElharty - 24 Sunset Dr. - Kalispell
- Larry Johnson - Ole River Bridge Inn - Columbia Falls
- Nidge Strait - 143 4th st. W. - Whitefish
- Barbara Turner - P.O. box 1477 - Whitefish
- Jan Singer - cp Log Cabin Bar - Kalispell
- Martha Tucker - floating dealer - Kalispell
- Shirley Hildstab - Columbia Bar - Columbia Falls
- George Chapman - 276 Vanderwood Rd #24 - Libby
- Terry Boley - cp TJ's - Eureka
- Janie Heydon - 116 Holt Rd - Bigfork
- Karen Scott - Box 2180 - Columbia Falls
- Bob Clark - 1st and Last Chance Bar - Eureka
- Glen Clark - " - "
- Carolyn Kada - P.O. box 1064 - Whitefish

(5)

SENATE TAXATION

EXHIBIT NO. 7

DATE

BILL NO.

6/24/87
Whitefish
515

Karla Matthieson - 101 Waverly
Kathy Hagen - 1019 Half Moon - Columbia Falls
Janie Fleming - 559 Somer Ave. Whitefish
Matt Scinto - Bay Point Estates - Whitefish
Trace Foster - 1628 Woodland Ave. Kalispell
Vickie Fields - P.O. box 911 - Columbia Falls
Mark Malinek - c/o Bulldog - Whitefish
Arlene Strait - 143 4th st. W - Whitefish
Pam Long - c/o Bulldog - Whitefish

In addition to these dealers, there are active tables in Polson, Ronan, Libby, Eureka and Swan Lake as well as Big Mountain Ski resort in the winter and Grouse Mountain in the summer.

We, the undersigned, SUPPORT
Tacks or Better, a game enjoyed by tourists.

SENATE TAXATION
EXHIBIT NO. 8
6/24/29
BILL NO. SB 22

NAME	ADDRESS	CITY
John Bann	2195 Hwy 93 W	Whitefish, MT
Glorie Bann	2195 Hwy 93 W	Whitefish, MT
Muslene Miller	265 Cedar Ave	Whitefish, MT
Betty Bartlett	#14 Bay Point Estates	Whitefish, MT
Willard Bartlett	14 Bay Point Estates	Whitefish, MT
Joy	247 MAITLAND CRES. N.E.	CANADA
John H. Mische	121 IOWA #1/2 Whitefish	Whitefish, MT
Carol Duggan	247 MAITLAND CRES. N.E.	CALGARY, CANADA
Bonnie Carter	#21 1520 23 AVE N.W.	Letbridge, Cana
Mitre Stuckley	Box 91	Swan Falls
Bonnie Whittingham	1532 - St. Francis Rd.	Letbridge, Alta
Cheryl Mason	#21-1520-23 AVE NORTH	Letbridge, Alta
ROD MARSH	" " " "	" " "
Jim Whittingham	1532 - St. Francis Rd. Letbridge	Letbridge, Alta
Jim Whittingham	1532 - St. Francis Rd. Letbridge	Letbridge, Alta
Muel W. Sittler	Box 216 Warner	Warner
Glenn W. Sittler	Box 216 Warner, AB (also Ptarmigan Village)	Ptarmigan Village
Lynne W. Sittler	1205 15th St. S. Letbridge, Alberta (Ptarmigan)	Ptarmigan
Bob Marshall	1380 6th St E. Prince Albert (Saskatchewan)	Prince Albert
PETER GUENTER	#8 Hunterway Place N.W., Cal.	Calgary, Alberta
GORDON CHONG	239 Fallsview Cr. N.E.	Calgary, Alberta
Dennis Bellare	323 Rundlund Cr. N.E.	Calgary, Alberta
Victor Klimov	7152 Temple Rd. N.E.	Calgary, Alberta
Dale Kallen	218 Victor Cres	Regina, Sask
Fred Yeo	555 Park St.	Regina, Sask
GORD SMITH	Box 938	SWIFT CURRENT SK
Peter Melvin Greiger	Wymark	Saskatchewan
DAVE ANDERSON	1105 CANADIANA AVE	N. VANCOUVER B.C.
Pat Hill	7905 Yack River Rd. Telfer	Troy, MT
Joe Armstrong	179 Schreder Rd. Mountain View, Cana	Kalispell, MT

#

SENATE TAXATION
EXHIBIT NO. 9
DATE 6/24/89
BILL NO. SD 22

Amendments to Senate Bill No. 22
First Reading Copy

Requested by Senator Harp
For the Committee on Taxation

Prepared by Jeff Martin
June 22, 1989

1. Title, line 18.

Strike: "AND"

Following: "20-9-502,"

Insert: "AND 23-5-311,"

2. Page 41, line 18.

Strike: "and"

3. Page 41, line 20.

Strike: "."

Insert: "; and"

4. Page 41.

Following: line 20

Insert: "(i) revenue received from the licensing of authorized
card games under Title 23, chapter 5, part 3."

5. Page 47.

Following: line 17

Insert: "Section 45. Section 23-5-311, MCA, is amended to read:

"23-5-311. Authorized card games. (1) The card games authorized by this part are and are limited to the card games known as bridge, cribbage, hearts, panguingue, pinochle, pitch, poker (including those poker games that are played on video gambling machines licensed under this chapter on July 1, 1989), rummy, solo, and whist.

(2) A person may conduct or participate in a live card game or make a live card table available for public play of a live card game only if it is specifically authorized by this part and described by department rules.

(3) This part does not apply to games simulated on electronic video gambling machines authorized under part 6 of this chapter."

SENATE TAXATION
EXHIBIT NO. 10
DATE 6/24/89
BILL NO. SB 32

Amendments to Senate Bill No. 14
First Reading Copy

For the Committee on Taxation

Prepared by Jeff Martin
June 23, 1989

1. Page 2, line 8.
Following: "(6)"
Insert: "(a)"
2. Page 2, line 19.
Following: "(6)"
Insert: "(b)"
3. Page 3, lines 13 through 16.
Strike: "One" on line 13 through "credited" on line 16
Insert: "In each of the fiscal years of the 1990 and 1991
biennium, there is allocated"
4. Page 3, line 17.
Following: "[section 8]"
Insert: "\$14.7 million from the collection of income taxes under
chapter 30 of this title"
5. Page 3, lines 18 through 24.
Strike: "One-quarter" on line 18 through "credited" on line 22
Insert: "In each of the fiscal years of the 1990 and 1991
biennium, there is allocated"
6. Page 3, line 24.
Following: "[section 8]"
Insert: "\$11.3 million from the collection of corporation license
and income taxes under chapter 31 of this title."
7. Page 10, line 16.
Following: "subject to"
Strike: "a"
8. Page 10, lines 17 and 18.
Following: "penalty"
Strike: "of" on line 17 through "," on line 18
9. Page 10, line 18.
Strike: "9%"
Insert: "%"



Senator Brown -

I missed the public hearing on SB22, and had planned to submit the attached testimony on behalf of the League. I would appreciate it if you could include this testimony in the hearing record for the bill.

I also want to commend you and your committee for rejecting this bill yesterday, and for recognizing the importance of the trust fund for Montana's future.

Thank you,
Chris Dwyer



Senate Bill 22
Senate Taxation Committee
June 26, 1989
League Contact: Chris Deveny
442-2617

Mr. Chairman, members of the committee, my name is Christine Deveny. I'm here today representing the League of Women Voters of Montana, and here to speak in opposition to Senate Bill 22.

The League's position on Montana's coal tax, formulated by our members last fall, is one of strong support for the continued maintenance of the Permanent Coal Tax Trust Fund with its current revenue allocation. We oppose the proposal contained in this bill that diverts coal tax revenue away from the permanent trust fund. The League also has a very strong position of support for an equitable public education financing system in Montana; however, during our recent evaluation of the CSTTF, we concluded that expending permanent coal tax trust fund dollars for state education equalization aid is not an appropriate use of trust fund revenue, and is not an appropriate public policy decision. The State of Montana has become reliant on the interest income from the trust as a revenue source. We can not afford to jeopardize this revenue source, which if reduced will only exacerbate Montana's economic problems in the future.

We ask you to continue to work to develop a system of education equalization that includes fair, stable, long-term and appropriate funding sources that will provide for the educational opportunity guaranteed by Montana's constitution, while leaving intact trust funds intended to be inviolate. We ask you to give SB 11 a "do not pass" recommendation.

Thank you.

Chris Deveny

DATE (6-24-89

COMMITTEE ON

VISITORS' REGISTER

NAME	REPRESENTING	BILL #	Check One	
			Support	Oppo
F.H. Buck Boles	MONTANA CHAMBER	SB22 HB20	X X	
TOM HOPGOOD	MT ASSOC REALTORS	SB22	-	
Tucker Hill	Champion Int'l	SB22	X	
Jerry Jack	MT Stockgrowers ^(Farm Bureau) & WIFE	SB22	✓	
GARY SCHWEDS	Re Biller Cand Room	SB22	✓	
BARB TURNER	^{FLTHED} Dealers Association	SB22	✓	
Ray Thompson	SEMITOOC	SB22	X	
John Ellis	mt. wood Products Assoc	SB22	X	
Gordon Miller	Kelloggell Businessmen	SB22	X	
Art Seiler			X	
Dennis Burr	MON. TAXPAYERS ASSOC	SB22	✓	
Jerry Nicks	Jerry Nicks	SB22	-	✓
Jim Morker	MT Coal Council	SB22	Amend	
Jim Tutwiler	MT CHAMBER	SB22	✓	
Riley Johnson	W FIB	SB22	✓	
Mignon Waterman	MT. School Bds Assoc	SB22	-	
Bob Durkee	MTA - Helena	SB22	-	
Ken Williams	Ertech	SB-22	Amend	
CHAS E KROOKS (Rep. by AN Boles)	MONTANA RETAIL ASSN	SB22	X	
Gordon Morris	MACO	SB22		

(Please leave prepared statement with Secretary)