

MINUTES

MONTANA HOUSE OF REPRESENTATIVES 52nd LEGISLATURE - REGULAR SESSION

COMMITTEE ON TAXATION

Call to Order: By DAN HARRINGTON, CHAIR, on February 1, 1991, at 9:01 a.m.

ROLL CALL

Members Present:

Dan Harrington, Chairman (D)
Bob Ream, Vice-Chairman (D)
Ben Cohen, Vice-Chair (D)
Ed Dolezal (D)
Jim Elliott (D)
Orval Ellison (R)
Russell Fagg (R)
Mike Foster (R)
Bob Gilbert (R)
David Hoffman (R)
Jim Madison (D)
Ed McCaffree (D)
Bea McCarthy (D)
Tom Nelson (R)
Mark O'Keefe (D)
Bob Raney (D)
Ted Schye (D)
Barry "Spook" Stang (D)
Fred Thomas (R)
Dave Wanzenried (D)

Members Excused: Rep M. Hanson (R)

Staff Present: Lee Heiman, Legislative Council
Lois O'Connor, Committee Secretary

Please Note: These are summary minutes. Testimony and discussion are paraphrased and condensed.

HEARING ON HB 397

An act authorizing the trustees of a school district to adopt a revised final budget.

Presentation and Opening Statement by Sponsor:

REP. BARDANOUVE, House District 16, Harlem, said HB 397 is the result of a serious situation in District 12. As a result of the last session, they have lost oil revenue and are now faced with a levy of 522 mills. This bill will allow the ranchers some relief. District 12 does have a large Indian population and they

do receive 874 money. The people of District 12 have filed a suit against the school board because of the large amount of mills levied. He has since looked at why there was such a big raise.

According to the Harlem budget, the school board has put money in reserves and raised the mill levies at the same time. He spoke to the school board and County Commissioners and showed them how to reduce a minimum of 57 mills by using the reserve. The County Treasurer would refund the 57 mill levy to the taxpayer by cash or give them a credit. Everyone agreed to it. There is nothing in the law that prohibits the refunding of the reduction in budget and legality was the concern of the County Commissioners. HB 397 allows for a refund and makes those refunds legal.

Proponents' Testimony:

Greg Groepper, OPI, stated HB 397 would provide an opportunity for all school districts that have run into the same problem. School districts are confused about how to deal with their budgets and the 874 money. This issue came before the HB 28 interim committee as well. The law would allow the districts to give the refunds. Saying it doesn't prohibit them from doing something is very different than having it in statute. County Attorneys would rest more easily if HB 397 is adopted.

Don Bitz, Box Elder, G-13 Taxpayers, said citizens of Box Elder had an 80% increase in their overall property taxes. This issue was the reason why. Ninety percent of the taxpayers paid their taxes under protest. We were given the advice to talk to the school board; then come back and talk to the county officials, which we did. When we got to the county level, we could find no mechanical means to have our funds refunded. We were then advised to go to the Attorney General. The County Attorney met with the AG, and they were told that there was no way to get their money back. HB 397 or legal action is their only recourse to have their money funded.

SEN. HOCKETT said he attended some of the meetings being held in Box Elder. The County Commissioners and school board were reluctant to refund their money because it had not been done before. He stood in support of HB 397.

Opponents' Testimony:

Kay McKenna, Montana Association of County School Superintendents, gave the background of the budgeting and levying of school budgets. When budgets for school districts are finalized, levies are set. All revenues that come from the levies are distributed to the school districts according to the percent each levy is to the total school levy. For example, you have school levies at 80% of all the school levies go to the General Fund. Eighty percent is distributed in the General Fund, 5% into debt service, and 10% into transportation. The total

school levy is broken down into all the funds as to the percent of the total levy. If the school district is allowed to come in anytime of the year and revise their budgets, all of the distributions have to be fixed. The Treasurer and Assessor would have to recalculate all the tax bills. The man hour cost to do this would be prohibitive along with paying the postage on the changes. All of the dispersements and the percent of the total school levy would have to be recalculated, refunded, or credited. to all the school accounts. She sees no reason to cause all of this confusion. If a school district finds itself with additional revenue or more revenue than it needs, why not wait and credit or reappropriate those revenues on the next years budget. That year the taxpayers would benefit.

The fact that HB 397 has a retroactive applicability date is also unrealistic. All of us know that county employees are over worked and under paid. This is additional and unnecessary work to put on them.

Phil Campbell, Montana Education Association, said they do not oppose the intent of the bill, but they do raise concerns. On Page 4, Line 17, the word "not" has been crossed out. This makes a substantive change in the reserve accounts. Currently, reserves cannot be spent. On Page 6, Line 3, the words "at any time". If the budgets are adjusted, his organization has no problem with it; but if it means cutting budgets any time during the year, they have concerns.

Questions From Committee Members:

REP. McCAFFREE asked **REP. BARDANOUE** if it was his intent that they could come in any time of the year and adjust the budget. **REP. BARDANOUE** said logically no school board would be reelected if they could adjust the budget any time of the year. It would only be on rare occasions or a situation like this. **REP. McCAFFREE** asked if a limit on the reserve would solve the problem. **REP. BARDANOUE** said he would hesitate to get into this controversial area. They would have many school boards down their necks. **REP. McCAFFREE** said it would be easier if we could prevent this from happening. If the County Superintendents were doing their jobs, it wouldn't happen. **REP. BARDANOUE** agreed, but said that people are human and they do make mistakes. The mistake was made and they are just paying for it.

REP. RANEY asked since as fiscally conservative and the protector of the taxpayer dollars that he is, how did he feel about the cost of redistributing the money being equal to the money your redistributing. **REP. BARDANOUE** said it could not be that much cost. With the meetings he has had with the school boards, County Assessors, and County Superintendents, none have raised a fuss about the cost of recalculating the budget.

REP. HARRINGTON asked **REP. BARDANOUE** if he thought this was setting a precedent since the districts are starting suits

against the school boards because they feel their taxes are too high. **REP. BARDANOUVE** said the potential is there now if they want to pursue the judiciary process.

REP. REAM said that this is suppose to be a one time only problem. As a result of the action taken in the special session, would he be amenable to making his legislation a sunset. **REP. BARDANOUVE** said its possible, but he felt it would deny other people the opportunity to have a more fair assessment of their property.

REP. O'KEEFE asked **Cort Harrington, Attorney**, asked if the Treasurers have an opinion on the bill. **Mr. Harrington** said no. **REP. O'KEEFE** said County Attorneys are elected and have the authority to do this and asked if the people in **REP. BARDANOUVE'S** district shouldn't get rid of the County Attorney. **REP. BARDANOUVE** said the money will be down the drain before that happens. Those people want their money now not two years from now when the County Attorney comes up for reelection. **REP. O'KEEFE** said people do have an avenue of relief now if they can convince the County Attorney that they should be representing them. **REP. BARDANOUVE** said HB 397 states that this shall be done.

REP. RANEY asked **Gordon Morris, MACO**, what the cost of redistributing the money would be and does it make it worth doing. **Mr. Morris** said he has had two calls in relation to HB 397. There is no way to assess the costs. If the refunds are warranted, the costs have to be absorbed. HB 397 is unnecessary. If the taxes were erroneously collected, the refund is provided for under current law. It is a case where everyone needs to be reminded. He was unaware that the AG's opinion was requested. He would suggest that if this were the case, the AG's opinion would probably have to rule that these statutes have to be "liberally construed" as it says in the state Constitution.

REP. FOSTER asked **Kay McKenna** what her role is when the school board makes its budget. **Ms. McKenna** said initially it is the school board who sets the amount of reserve within the restraint of the statute. It is not the County Superintendents. When a school board budget comes to the County Superintendent's office, all the expenditures are reviewed. The County Superintendent puts in the revenues and its done within coordination with the District Clerk. It is the County Superintendent's job to plug in all the revenue. The reserve limit is set by the local district school board not the County Superintendent. The County Superintendent interferes only when it over the maximum. **REP. FOSTER** referred to the wording on Page 6 which states "the County Superintendent is going to examine this revised final budget" and asked what the word examine means. **Ms. McKenna** said this is the County Superintendent's job already. Any budget, before it goes into OPI, is examined and reviewed before it goes the next step.

REP. ELLISON asked for clarification. In the Box Elder District the suit has already been filed. If the decision is in favor of the plaintiffs, all the work still has to be done. He asked if the bill is just clarifying if this is permissible. **Ms. McKenna** said her point in opposing the bill is that she represents 56 counties. She would hate to see a law passed that would affect all of the counties when we could have a County Attorney take care of the problem in the Box Elder area. Why make a law over something that each county can handle by itself.

REP. HOFFMAN said he was confused on the Attorney General's opinion and asked if anyone could clarify it. **Don Bitz** said we were told to go to the County Attorney and find out the legal manner in which this could be handled. The County Attorney said that he could not find one. He doesn't know what law everyone is referring to when they say reimbursement can be done. The County Attorney went to the AG and asked for an opinion. The AG responded that they could find no method of refunding their money.

Closing by Sponsor:

REP. BARDANOUVE stated that this is voluntary, permissive, and does not hurt the school districts. It must be approved by the County Superintendent, County Commissioner, and County Treasurers. He thinks that the committee should be concerned about the people who pay the bills.

HEARING ON HB 394

An act allowing a local government to impose a local option tax under the lodging facility use tax.

Presentation and Opening Statement by Sponsor:

REP. NISBET, House District 35, Great Falls, stated HB 394 would allow a local option lodging facility use tax. Page 3, Section 2, sets up the power for local governments to impose the tax; Section 3 sets up a procedure for the electorate to vote on setting up the tax; Section 4 deals with the distribution of the revenue that is collected. Page 6, Line 8 point out what the revenues may be used for. The revenue must be used for tourism promotion and the development of tourism-related facilities. The bill contains a definition of what tourism-related facilities are. These are facilities that promotes the history, culture, scenic attraction, natural resources, or recreational opportunities of an area.

Proponents' Testimony:

Alec Hansen, Montana League of Cities and Towns, said last fall there was a referendum on the ballot in Great Fall to fund a special improvement for the fair grounds with a property tax mill levy. There was also an election in Billings to increase the self imposed limit on property tax mill that could be levied. Both of

the measures failed. This is a message that states the property tax system in Montana is overloaded. The people will resist any additional property tax levies for any purpose. We must develop other alternatives to fund public facilities. HB 394 provides a method that is logical, equitable, and based on the concept that people are going to contribute something to the cost of the services. Montana must move in this direction in the future.

Jim Nugent, City of Missoula, urged the committee's support of HB 394. The property tax system is overloaded and the state has missed the boat on local option taxes. The 1987 study indicated that 43 states have this type of tax. Page 3 states the definition of tourism-related facilities. The items listed are the types of items that are going to draw people together in your communities and it must be voter approved.

Deborah Schlesinger, Montana Cultural Advocacy, said because of the restrictions of I-105, museums and arts facilities are in desperate need of funding. With current local government financial problems, new facilities are out of the question and maintenance of existing facilities is negligible. Attracting tourists to Montana requires more than marketing efforts. It requires that we have something to offer them once they arrive. HB 394 is not a solution, but it would help.

Dave Woodgerd, DOR, stated that the Department was neither an opponent or proponent of HB 394. He provided the committee with technical amendments which would make the bill easier to administer by the Department should it pass. **EXHIBIT 1**

Opponents' Testimony:

Larry McRae, Flathead Visitor's Association, provided written testimony. **EXHIBIT 2,3,4,5,6,7,8,9,10**

Keith Colbo, Montana Tourism Coalition, said the purpose of the Coalition is to educate all the elements of the tourism industry of the benefits of the second largest employer in the state. He is here to protect the accommodations tax from anything that would reduce its effectiveness. HB 394 would do this. Eighty two percent of the nonresident expenditures in the state for tourism go towards things other than lodging. We have a good thing going in the bed tax. He urged the committee's support of the bed tax in its current form.

Dennis Burr, Montana Taxpayers Association, stated property taxes are overworked, but there is public resistance to an increase. The problem with HB 394 is that by putting a tax on a selective area, you allow people to vote on taxes that they do not have to pay. It doesn't require them to analyze the cost benefits of the project as thoroughly if they are not going to be impacted by the tax that goes with the project.

F.H. "Buck" Boles, Montana Chamber of Commerce, objected to the selective sales tax approach of HB 394. Tax reform is needed in the state, but this is not the way to do it. The Legislature has the responsibility to tax. This would be given over to a local community, then the minority group is taxed by the majority. Imposing taxes is the responsibility of the Legislature not the local governments.

Jim Tweedt, Great Falls Hotel/Motel Association, stated the Association has opposed all local option taxes in that it pits one city against the other. It is an unfair advantage in the competitive bidding process. The language in HB 394 targets Great Falls to impose a local bed tax to fund the renovation of their fairgrounds. This is an attempt to levy a tax on 25 - 40 motel owners and operators rather than a broader segment of the users and beneficiaries of this facility.

Rick McCamby, Great Falls Hotel\Motel Association, went on record in opposition to HB 394. If there is going to be a local option tax, it should be broad based to make it fair.

Bill Murray, Great Falls Hotel\Motel Association, went on record in opposition to HB 394.

Bonnie Tippy, Montana Innkeepers Association, stated proponents of this legislation talk about West Yellowstone. West Yellowstone has a sales tax, it is not just a lodging facility use tax. It is not a fair comparison to make when what we are seeking to do is impose a tax on lodging facilities only.

Questions From Committee Members: None

Closing by Sponsor:

REP. NISBET said it is ironic that he is carrying HB 394 as his family was involved in the hotel industry. The motel owners are not the people who would pay these taxes, they are passed on to the people who rent the rooms. HB 394 limits the use of the revenues raised and he urged the committee's support.

HEARING ON SB 15

An act exempting from the resource indemnity trust tax oil and gas royalties received by the United States as trustee for individual Indians, the United States, and Montana.

Presentation and Opening Statement by Sponsor:

SEN. GAGE, Senate District 5, Cut Bank, said SB 15 was the result of confusion in the payment of the RITT. The production tax which is placed on oil and gas exempt non taxable revenue. Federal, state, municipal, and county property are nontaxable. The federal government now says we cannot tax trust property of Indians. SB 15 states that U.S royalties, state royalties, and county or municipal royalties are not subject to tax as far as

the RITT is concerned. We are relieving the burden on the people paying the taxes on property they do not own.

Proponents' Testimony:

Doug Abelin, Northern Montana Oil and Gas Association, urged the committee's support.

Janelle Fallan, Montana Petroleum Association, said SB 15 adds a housekeeping measure to clean up something that should not have been in place at all. She urged the committee's support.

Opponents' Testimony: None

Questions From Committee Members:

REP. RANEY asked SEN. GAGE if the present way we are collecting the tax is illegal or unfair. SEN. GAGE says he doesn't know about the legality, but the case can be made that we are taxing the value of the product regardless of who owns it. The older oil and gas leases gave the royalty owner the opportunity to receive his royalty in-kind. REP. RANEY asked if there is \$90,000 in trust money lost who will be the recipient. SEN. GAGE said the oil and gas operator has been paying it; and the local government won't be the beneficiaries of the bill.

REP. McCAFFREE asked if the bill should pass would the state still have the obligation to pay back. SEN. GAGE said the bill has nothing to do with the state's obligation as far as permitting, overseeing, or environmental issues. It is a tax to the consumer.

Closing by Sponsor:

SEN GAGE stated there was a small amendment in the Senate which added county or municipal government. These are also exempt entities. SB 15 is a measure of putting the RITT in the same structure with regard to taxation and recovering those taxes as other tax measures in the state.

HEARING ON HB 332

An act to provide a personal income tax credit equal to 20 percent of the interest paid on student loans.

Presentation and Opening Statement by Sponsor:

REP. KADAS, House District 55, Missoula, stated two years ago he was confronted by a constituent who is currently attending medical school. He stated that he will have a \$40,000 to \$50,000 debt by the time he gets done. He would like to practice in Montana, but he cannot make enough money to pay off those kinds of loans. We constantly hear how we are exporting our children for the state particularly the best and brightest. This is a way

of saying to these people that we do want you to stay here and to encourage other people with student loan obligations to come here. HB 332 applies to all student loans. There are fewer and fewer Pell Grants available for getting a college education. This is being supplanted by more and more loans. This is the trend that is happening nationally. It is limited to the fact that one must be earning income in Montana in order to receive the credit. The DOR drew up a set of amendments. **EXHIBIT 11**

Proponents' Testimony:

Bill Lannun, MGSLP, stated HB 332 is an incentive for students to pay off their loans and more and more students are being dependent upon student loans to finish their education. Eligibility to acquire a loan is for any Montanan who is going to attend any school of his choice in or out of state, and any student coming to Montana to go to go to an eligible institution in Montana. This is the universe of their borrowers. They encourage Montanans to borrow from their local banks or credit unions. They encourage nonresidents to borrow from their local lending institutions. He urged the committee's support.

Opponents' Testimony: None

Questions From Committee Members:

REP. ELLISON asked **Bill Lannun** if he had the number of Montana students who would be eligible for this credit. **Mr. Lannun** said the DOR contacted his office and it was difficult to come up with exact figures. **REP. ELLISON** asked the average amount of money borrowed by the students for education. **Mr. Lannun** said he estimated the average loan that is made is \$2,700 to \$3,000 a year.

REP. MCCARTHY asked what would be a typical repayment amount on a student loan. **Mr. Lannun** said the minimum payment on a loan is \$50. A loan must be repaid in 10 years. The interest rate varies. There are two kinds: 8%, depending on when the student took out the loan or 9%. **Jim Standard, LFA**, said the average interest per loan is \$120 per year. The average person has two loans at \$240 per year.

REP. REAM said he should have been a proponent of HB 332. The increase in loans is partly the result of drying up of the availability of work-study money, availability of parttime jobs, and the availability of summer jobs. The students at UM are finding it increasingly difficult to find jobs. He asked **REP. KADAS** if other states were doing a similar kind of thing. **REP. KADAS** said not that he is aware of.

REP. ELLIOTT said the average interest paid on two loans is \$240 per year which means the student will get a \$48 credit and asked **REP. KADAS** if he thought this was sufficient incentive to keep people in Montana. **REP. KADAS** said in looking at the fiscal

note, he sees \$600,000 and that is high because not everyone will use this. He doesn't want to jump it to 30% because the \$600,000 would go to \$900,000. They want people to know that it is not a lot of money but there is an advantage to sticking around.

Closing by Sponsor:

REP. KADAS said tuition in the Western United States is the lowest in the country. Students pay for 25% of their education, students in the Midwest pay between 30% - 40%, and students in the East pay 50% for their education. On the other hand, the financial aid capabilities mirror this same trend. The only state financial aid program that Montana has is work-study. As we have raised tuition in the last biennium 14% and will raise it again, we have to start thinking about financial aid. HB 332 is a financial aid bill.

EXECUTIVE ACTION ON HB 338

Motion: REP. RANEY MOVED HB 338 DO PASS.

Motion: REP. RANEY moved to amend HB 338. EXHIBIT 12

Discussion:

Lee Heiman, Legislative Council, explained the amendments. The date on Line 13 in the title should be 1995 instead of 1996.

Vote: Motion to amend HB 338 carried unanimously.

Motion/Vote: REP. HARRINGTON MADE A SUBSTITUTE MOTION THAT HB 338 DO PASS AS AMENDED.

Discussion:

REP. RANEY wanted the committee to be aware of the language on Page 10, paragraph 2 which essentially doubles the credit for pellet stoves. He questioned whether this should be done. The bill does three things: (1) eliminates what was available as a tax credit for wood stoves (2) replaces this with pellet stoves, and (3) it doubles the tax credit for the pellet burning stoves.

REP. RANEY said he is happy that it is doubled and would be an incentive for people to switch to pellet stoves.

REP. McCAFFREE said he had a problem with the percentage on Page 8. It was dropped from 6 to 2 1/2% and the E.P.A certified national average is 6%. REP. REAM said the E.P.A. standards for the low emission devices were 6 grams per hour for wood stoves. Since these are the only stoves available on the market, it doesn't make much sense to have an incentive. We are lowering the emission rate down to 2 1/2 grams per hour. The incentive is only available for the cleaner burning pellet stoves. REP. GILBERT asked if all the pellet stoves sold on the market will

meet this standard. **REP. REAM** said the pellet stoves have forced air and is a system that does stay within the standards over the life of the stove.

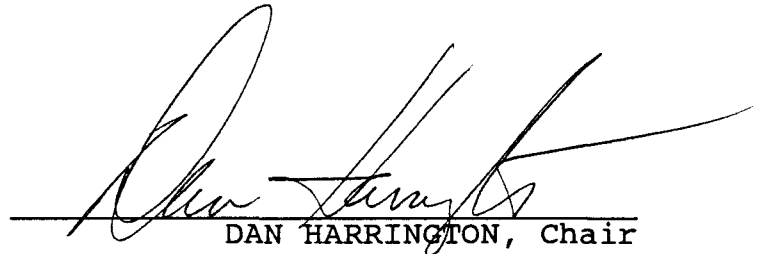
Vote: Motion that HB 338 Do Pas As Amended carried 19 to 2 by voice vote with **REPS. ELLIOTT** and **McCAFFREE** voting no.


Announcements:

CHAIR HARRINGTON sent SB 15 to the Income/Severance Tax Subcommittee. **REP. RANEY** said he would like the DOR to explain to the subcommittee exactly what royalties are, how they are collected, how the RITT applies to local governments, and why we tax some and not tax others.

ADJOURNMENT

Adjournment: 11:15 a.m.


DAN HARRINGTON, Chair


LOIS O'CONNOR, Secretary

DH/lo

HOUSE OF REPRESENTATIVES

TAXATION COMMITTEE

ROLL CALL

DATE 2/1/91

NAME	PRESENT	ABSENT	EXCUSED
REP. DAN HARRINGTON	✓		
REP. BEN COHEN, VICE-CHAIRMAN			✓
REP. BOB REAM, VICE-CHAIRMAN	✓	✗	
REP. ED DOLEZAL	✓		
REP. JIM ELLIOTT	✓	✗	
REP. ORVAL ELLISON	✓		
REP. RUSSELL FAGG	✓		
REP. MIKE FOSTER	✓		
REP. BOB GILBERT	✓		
REP. MARIAN HANSON			✗ Excused
REP. DAVID HOFFMAN	✓		
REP. JIM MADISON	✓		
REP. ED MCCAFFREE	✓		
REP. BEA MCCARTHY	✓		
REP. TOM NELSON	✓		
REP. MARK O'KEEFE	✓	✗	
REP. BOB RANEY	✓	✗	
REP. TED SCHYE	✓		
REP. BARRY "SPOOK" STANG	✓		
REP. FRED THOMAS		✗	✓ came late.
REP. DAVE WANZENRIED	✓		

HOUSE STANDING COMMITTEE REPORT

February 1, 1991

Page 1 of 1

Mr. Speaker: We, the committee on Taxation report that House Bill 338 (first reading copy -- white) do pass as amended.

Signed: _____
Dan Harrington, Chairman

And, that such amendments read:

1. Title, line 13.
Strike: "1996"
Insert: "1995"

Ex. 1
2-1-91
HB 394/

Amendments to House Bill 394
1st Reading Copy
Prepared by Department of Revenue
(January 31, 1991)

1. Page 3, line 9.

Strike: subsection (7) in its entirety.

2. Page 4, line 2.

Following: "facility."

Insert: "The tax must be identical to the tax imposed in (1) with the exception of the rate."

3. Page 4, line 5.

Following: "15-65-112."

Insert: Partial payments must be ratably credited to liabilities under (1) and (2).

4. Page 4, line 9.

Following: (1)

Insert: "As required by 7-1-112, this act specifically delegates to local governments the authority to impose a local option lodging facility tax."

5. Page 5, line 14.

Following: "year."

Insert: " (5) A local government must give the department 90 days notice of the imposition of a local lodging facility use tax or a change in the tax rate.

6. Page 6, line 10.

Following: "facilities."

Insert: "A tourism-related facility is a facility that promotes the history, culture, scenic attractions, natural resources, or recreation opportunities of an area. The term includes a multi-purpose facility built and maintained by a local government for the purpose of providing entertainment or recreational opportunities. The term does not include a bar or restaurant, as defined in 39-3-603, a campground, or any private business that offers goods or services for sale to the general public."

7. Page 11, line 2.

Following: "Title"

Strike: "15, chapter 65, part 1, and the provisions of Title 15, Chapter 65, part, 1, apply to [sections 3 and 4]"

Insert: "7"

See attached explanation.

EXHIBIT 1
DATE 2-1-91
HB 394

Purpose of Amendments to House Bill 394
1st Reading Copy
Prepared by Department of Revenue
(January 31, 1991)

This bill gives local governments the power to impose a tax. For clarity that authority should be codified in Title 7 rather than Title 15. Amendments 1, 4, 6, and 7 are needed to achieve this.

Amendment 2 requires that the local tax imposed be identical to the state tax except for the rate.

Amendment 3 provides instruction on how the Department will account for partial payments of the state and local taxes which are to be reported on the same form.

Amendment 5 requires local governments to give the Department 90 days notice of changes in the tax rate. This is necessary to efficiently administer the tax and give reasonable notice to lodging facility operators.

TESTIMONY

HOUSE BILL 394

FEBRUARY 1, 1991

CONTACT: LARRY McRAE, OUTLAW INN, KALISPELL. 755-6100

I am testifying on behalf of the FLATHEAD CONVENTION & VISITORS ASSOCIATION AND THE KALISPELL CHAMBER OF COMMERCE, **in opposition to House Bill 394.**

Prior to 1987, there was little or no increase of visitation on an annual basis. The existing 4% accommodations tax, commonly referred to as the bed tax, was initiated in 1987. The funds are used to promote travel and tourism to the state. Since it's inception Montana has seen annual visitation increases of over 10 per-cent per year.

Perhaps it has worked too well, as now we are seeing legislation to add a local option tax to accommodations, in this case 2%, to give to our counties, cities and towns because of the extra pressures put on our police and fire departments, our streets and roads and our water and sewer systems by these visitors.

What is not being considered however, are the taxes that our lodging facilities are paying. In sampling the taxes of two large and two small properties in Kalispell, I have found that collectively we are paying in excess of \$100,000 to Flathead County, over \$90,000 to the general school fund, over \$20,000 to our community college, over \$63,000 to our high school, and well over \$240,000 to the city of Kalispell. The room count on these properties totals 480 rooms. This represents about one third of the rooms in the city limits. We pay for our water and sewer, based upon our actual use.

Also not being considered are the capital investments being made in our state as a result of tourism visitation. In Flathead County, investments are being made in commercial use property at a rapid pace. There is a new 50 room motel about to open in Kalispell, a major renovation at an older downtown property that had fallen upon hard times, a 60 room motel in Whitefish that will double in size in the next couple of years, and a large condominium/motel/convention center being built on the shore of Whitefish Lake.

Another \$ 5 to 10 million dollar golf course project is nearing it's final plans, and construction is imminent. Eagle Bend Golf Resort has been developed near Bigfork in the past few years, with an investment to date of over \$6 million dollars. They are contemplating another \$2 million

Ex. 2

2-1-91

HB 394

Page two (2)

dollar expansion over the next two years! Columbia Falls is home to a golf course that intends to expand by nine holes in the next couple of years.

In 1989-90, Big Mountain invested over \$4.8 million dollars in capital improvements including a state of the art chairlift, doubling the size of their restaurant on top of the mountain and installing snow making equipment. Their annual payroll in 1990 approached \$1.5 million dollars!

All of these investments in Flathead County will provide tremendous additional tax base to both the county and their respective communities. Payrolls will rise dramatically with the additional people who must be hired to run the new and expanded businesses, and construction jobs are being created in the meantime.

Real estate sales have shown remarkable increases in the past two years, and realtors are crediting travel and tourism for much of the volume. From March through August of 1990, sales of commercial, industrial and vacant land totaled over \$15 million dollars, and over 500 residential and recreational homes have been sold with a total value of over \$40 million dollars. This compares with total sales in 1987 of 519 homes with a dollar value of about \$31 million dollars.

Since 1987 retail trade has shown a gross payroll growth of over \$8.5 million dollars, with 460 new jobs being created. Major retailers in the valley attribute tourism as one of the most important segments of their business.

While not every city or county are seeing such remarkable growth, I think that many are seeing significant economic activity that is meaningful to their tax base, employment, retail sales and general economic vitality.

The lodging tax has worked for the benefit of a cross section of our economy, and it wouldn't be fair to tax our industry with an additional local option tax. We are paying our fair share in property and personal property taxes.

I am submitting letters from the Kalispell Area Chamber of Commerce, Flathead Convention & Visitors Association, letters from retailers and articles of interest for your review.

I urge you to vote no on this bill and any other bill that would affect only one narrow segment of our business economy. If local option taxes are fair and justified, why wouldn't a general sales tax be just as acceptable?



Area Chamber of Commerce

Post-It™ brand fax transmittal memo 7671

of pages > 1

To	Bob Brown (R)	From	Kal Chamber
Co.	Sen Dist #2	City	Legislative Office
Dept.		Phone #	752-6166
Fax #		Fax #	752-7161

EXHIBIT 3

DATE 2-1-91

HB 394

M E M O R A N D U M

TO: House Taxation Committee
Dan Harrington, Chairman

FROM: Nick Haren, Executive Vice President *Nick Haren*

RE: Opposition to HB 394

DATE: January 31, 1991

This is just a quick reminder that the Kalispell Area Chamber of Commerce has opposed the establishment of local option taxes.

HB 394 (AN ACT ALLOWING A LOCAL GOVERNMENT TO IMPOSE A LOCAL OPTION TAX UNDER THE LODGING FACILITY USE TAX; REQUIRING AN ELECTION BEFORE THE TAX MAY BE IMPOSED; PROVIDING FOR THE DISTRIBUTION OF THE TAX PROCEEDS; DEFINING "TOURISM-RELATED FACILITY", AND; PROVIDING FOR STATUTORY APPROPRIATION OF THE TAX) again seriously undermines the effectiveness of the extremely successful accommodations tax created by HB 84 in the 1987 legislative session. It merely smacks of another "bandaid" remedy for a much larger ailment.

We urge you to OPPOSE HB 394.

We again encourage you to leave the existing "accommodations tax" alone. It's working wonderfully well in the Flathead as it is on a statewide scene. The Flathead has experienced an 11+% annual increase in tourism since the enactment of HB 84.

Your concentrated efforts to accomplish comprehensive state tax reform in this session will do far more to solve state and local government revenue problems than will any local option tax.

Flathead Legislators



(3)
EXHIBIT 4
DATE 2-1-91
HB 394

**Testimony HB 394
by Greg Bryan, President
Montana Innkeepers Association**

On behalf of the Montana Innkeepers Association and Glacier County Tourism Association, I wish to offer the following testimony on HB 394. Once again legislators are looking to the lodging industry for new revenue. This is after the lodging industry has volunteered to carry the bed tax to assist not only the state, but each and every community. Now we are seen as an easy mark to carry everyone's load. We are seen as the business that has no constituents but visitors or people from out of town with no voting ability. In reality, we are Montana businesses with Montana residents as employees and paying more than our share of Montana taxes already. We are an industry that is working hard to provide employment and economic growth where stagnation has occurred in other industries.

Comments have been made that tourism impacts cities without providing additional revenues. These statements were made regarding Whitefish as a resort town last week. We did some research on tax revenues to the city from lodging facilities and found that just 4 facilities alone in Whitefish generated over \$65,000 worth of tax revenues to the city last year. We would be happy to compare that level of assistance with any other business and are confident that it will show that we more than carry our load in helping the city. In addition, the tourism industry increases property value in a community which translates to more tax revenues.

Remember, tourism is broad based in the economic impact and the responsibilities in like fashion should be broad based, not just on one segment of the business community. We are willing to be a partner, but not carry the whole load. If a tax is needed, then make it broad based and equitable, recognizing contributions already being made. Make the solution one that addresses state wide, as well as local needs and is uniform. Solutions that will enhance all communities, not put them one against the other.

I urge you to vote "do not pass" on this bill and all other local option bed tax bills. I urge you not to amend the current Bed Tax, 15-65-111 MCA, but allow it to continue to be a positive and effective tool in improving Montana's economy. A \$1.5 billion economic impact on Montana. Let it continue to work. Thank you.

CROWN

enterprises

40 E. Idaho, Kalispell, MT 59901
Telephone 1-406-755-1591
FAX 1-406-755-5661

EXHIBIT 5
DATE 2-1-91
HB 394

January 31, 1991

Dan Harrington, Chairman
House Taxation Committee

Re: Pending HB 394

Regarding the above referenced subject this letter is written to advise of our serious concern involving passage of this bill.

Our company operates two sporting goods retail facilities located in Kalispell and Whitefish and employ 68 full time employees in addition to 5 to 13 seasonal employees. Our company is very impacted by tourism as is the entire Flathead Valley.

The Flathead works very hard at promoting year round vacation and recreational opportunities for our area. These efforts have paid off handsomely in the last three years with exact and measured results.

As an optional additional tax by County, City, or Municipality it could have an immediate as well as future negative impact on our area. One sister community passes the optional tax and another does not; Flathead County passes the optional tax and Cascade County does not. Both the Community and County who did not opt for the additional tax have a built in competitive financial advantage in competing for conventions that are major contributors to our tourism economics.

These tourism economics are substantial not only on a direct basis but very importantly as to the indirect cascading effect they have. Our company's primary concern is lossage of the 28% of non-resident travel dollars that are allocated to retail sales as reported by the Institute for Tourism and Recreation Research, University of Montana.

Your favorable consideration in not passing HB 394 is respectfully requested. Montana is on the brink of many progressive changes, please accept our opinion as this proposed legislation as being regressive.

Very truly yours;

CROWN ENTERPRISES, INC.

A handwritten signature in cursive script, appearing to read "C.M. James, Jr.", is written over a horizontal line.

By: C.M. James, Jr. President



EXHIBIT 6
DATE 2-1-91
HB 394

FLATHEAD CONVENTION AND
VISITORS ASSOCIATION

15 DEPOT LOOP
KALISPELL, MONTANA 59901

406-756-9091
800-543-3105

January 31, 1991

TO: HOUSE TAXATION COMMITTEE
Don Harrington, Chairman

FROM: Flathead Convention and Visitors Association

RE: House Bill #394

The Flathead Convention and Visitor Association are urging you to oppose House Bill #394.

We believe the lodging facilities should not be responsible for providing the tax base for this bill.

We also want to go on record in favor of leaving the accomodation tax alone. It is working very well. It's success can be measured by the large increase in visitors throughout the Flathead and the rest of the state in the last two years.

Sincerely,

Bill Martin
Executive Director

BM/lp

WESTERN OUTDOOR

48 Main

Kalispell, Montana 59901



EXHIBIT 7

DATE 2-1-91

HB 394

January 31, 1991

Members of the House Taxation Committee
The Honorable Dan Harrington, Chairman

I own and operate Western Outdoors, a western clothing store, and Norm's News, a newstand, small restaurant and old fashioned soda fountain.

Both of my businesses depend heavily on the tourist, convention, golfer and skier visitation to the Flathead Valley.

Since the inception of the bed tax bill in 1987, we have seen great increases in our annual sales. Travel promotion efforts are paying great dividends to the entire state's economy. It would be unfair to place an additional local option tax on accommodations since any additional tax that visitors have to pay in one community could entice them to go to another town where the tax is not being levied.

I urge you to not pass House Bill 394, and ask that you, instead, look at a state wide tax reform rather than this type of "band aid" legislation.

Sincerely,

A handwritten signature in cursive script, appearing to read "Gordon Pirrie".

Gordon Pirrie
Owner

up shop on Wisconsin Avenue. Skupiewski, a furrier, but says he will design and sew any custom orders. (Inter Lake photo by Karen Nichols)

2-1-91 HB 394

Furrier turns hides into money

By JACKIE ADAMS
The Daily Inter Lake

1-20-91

In the 10 years since Henry Skupiewski escaped from his native Poland, a lot has happened.

The communist regime in Poland has collapsed. And Skupiewski is living a version of the American dream. You know the dream — the one where the immigrant starts from nothing and rises to success in business.

Skupiewski actually started with something: his skill as a furrier and leather craftsman, passed down through generations of his family and honed in several years of schooling. And the success is just developing, as Skupiewski builds his Winter Comfort business in Whitefish.

From a little shop on Wisconsin Avenue (the road to The Big Mountain), Skupiewski makes and markets sheepskin apparel — coats, mittens, caps, boots, slippers. He also works with a variety of furs and creates canvas items, such as ski bags and boat covers.

Skupiewski's story is a sort of classic tale of a young European seeking a better life. A native of Warsaw, he left oppressed Poland in 1981, when he was in his mid-20s. He spent two years in a refugee camp in Linz, Austria, waiting with thousands of others for a visa.

While he waited, he worked as an assembler for a shoemaker and designer. Skupiewski was well-qualified; he had started making leather uppers for clogs at age 17, when his mother bought him his own sewing machine. Later he had studied for a couple of years at a special school.

Eventually emigrating to New York, the young Pole went to work and saved his money to buy sewing machines. In Seattle, he started a business of his own.

He saw a
"Visit Montana"
television
commercial, took its
advice, and fell in
love with what he
found.

The business became a victim of its own success. Nordstrom, the upscale Seattle-based department store where Skupiewski sometimes showed his products, wanted 24,000 pairs of slippers. Although the slippers do not take long to produce (he can turn out an infant-sized pair in five minutes), 24,000 were simply out of the question.

Skupiewski couldn't find anyone qualified to help him. "Workers cannot copy me," he noted. Last May he saw a "Visit Montana" television commercial, took its advice, and fell in love with what he found. Two months later, he and his wife, Evangelina, moved here and started Winter Comfort in their home. A Peruvian who once worked in her country's embassy in Czechoslovakia, Evangelina handles the paperwork.

They opened their retail shop in Whitefish just this month. It is a small, leathery-smelling place, hung with luxurious sheepskin coats and a variety of pelts. Silky chinchilla skins on the counter are being saved for a special order, said Skupiewski:

at \$65 for a skin scarcely a foot long, chinchilla is too pricey for routine items.

Skupiewski crafts a lot of special orders. He prides himself on being able to design and make anything, from start to finish. He does wool-lined slippers for sensitive feet and unlike-sized pairs for handicapped persons.

And for the person who has everything, or that person's best friend, he once turned out four leather slippers to fit a dog.

Marketing strategies are just being developed. Skupiewski visits area craft shows and does a limited amount of advertising in local media. He has gotten help and advice from Carol Daly, executive director of the Flathead Economic Development Corp. And he depends a lot on word-of-mouth.

For the rest of the ski season, he expects to keep his shop open well into the evening, hoping to attract skiers on their way down the mountain.

Will Skupiewski eventually run into the same problem as he did in Seattle?

"I like a smaller operation, but correct," he admits.

Skupiewski says he can stitch 100 pairs of mittens in a 10-hour day.

But if business gets too good, he will consider looking for some assistants to train to his exacting standards.

Meanwhile, not only does Skupiewski have a new life in the United States, but his numerous relatives have a new life in free Poland.

"After eight years, I can go to Poland anytime I want," says Skupiewski with delight.

Still very much a Pole, he proudly displays above his Winter Comfort counter an artist's copy of a Polish-language document. It is his great grandfather's diploma from a leather craftsman's school in Warsaw.

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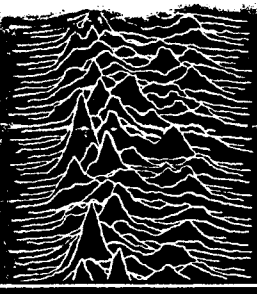
Businesses advised to get together on prob

ies, until you have entrepreneurship program at DePaul University.
your red ink.

Ex. 8

2-1-91

HB 394

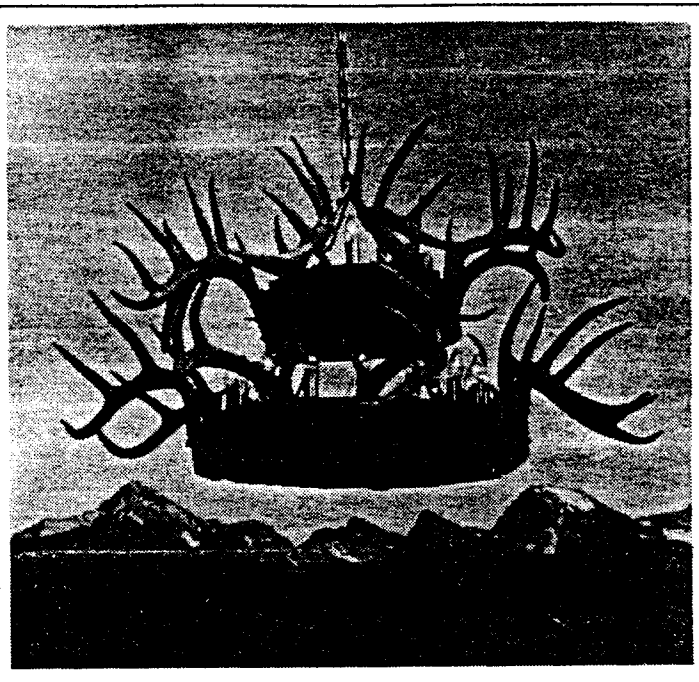


NORTHERN ROCKIES BUSINESS REVIEW

January 1991

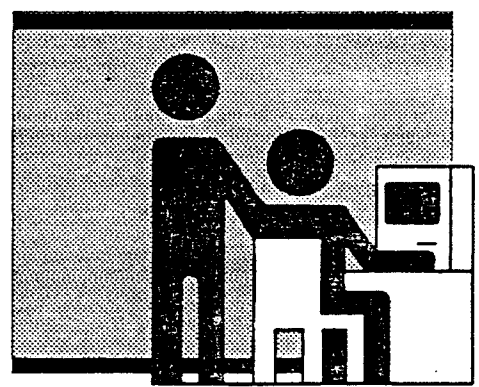
Flathead Valley Edition

\$2.00 per copy



**Roc Corbett Creates
Contemporary
Lighting**
Page 16

**Surviving
Computerization**
Page 8



**Montana Wood
Specialties**
Page 12

Tourists—How They're Found

By Ron Pulcini



How does a place which touts itself as being "Undiscovered Montana," get found without being perceived as blowing its own horn? After all, who goes on vacation to a place that's been advertised to death?

And what destination

point can afford that kind of advertising in the first place?

Not that advertising isn't a good bet. Theoretically, out-of-state tourism to the Flathead Valley could be increased simply by saying the right things to the right people in the right media (for example, in

a tasty magazine being read by vacationers in the midst of planning next year's trip). But high quality advertising in magazines with national circulation, say, *National Geographic*, *Smithsonian*, *Redbook* or the *New York Times* demands top dollar. Revenue from the State Accommodation Tax has helped to finance several large, lucious ads depicting Montana as a destination vacation spot. But the ads are, by-and-large, "generic Montana". What a sub-region does for itself is something else. And what Bill Martin and the Flathead Visitors and Convention Association (FVCA) have been doing for the past year is something else altogether.

"We wanted to get national exposure, but we couldn't afford the heavy media, so we did the next best thing," said Martin. The "next best thing" was a PR program to encourage selected travel and tour magazine/newspaper editors and publishers to assign writers to do stories on the Flathead. Though not free, the program is possibly cheaper than hiring a national ad agency to design and place advertising (contracting a Montana company is another story). To make the necessary contacts, Martin and the board of FVCA requested bids from PR companies. "We truly wanted to hire a Montana firm, but none of them had the direct line to publishers and syndicates that The Johnson Group in Denver has," said Martin.

"They have established personal contact with over 400 editors, publishers and writers in the travel market. What they do is put a bug in the correct set of ears, suggest a slant to an article, and (in some cases) even suggest a writer to do the story." The FVCA foots the writers' travel expenses as well as the Johnson Group's overall charges. In 1990, those costs came to \$55,000.

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For that amount, the Johnson Group corralled over a dozen publications to spotlight the Flathead in 1990. Some of the articles and publications were: "America's Park: Summer Preview"—the *New York Times* travel section (6/90), "Flathead Valley, Montana"—*L.A. Style* magazine (6/90), "Flathead Rafting"—*Entree* Syndicate (9/13) articles in *Los Angeles Today*, *Hollywood Today*, *Palm Springs Today*, etc., "Flathead Valley"—*Deseret News* (11/90) and "Flathead Valley Seeks ...Tourism"—JAXFAX (10/90). Bill Martin said the equivalent ad space for the *New York Times* article would have cost approximately \$90,000.

In another instance, the Johnson Group arranged for CBS' "This Morning" program to do a segment on the Flathead on July 25th: "Some in the Flathead Valley Fear Aspen-like Changes." With local coordination, Whitefish resident-celebrity Jim Nabors opened up his house to Pat George and a CBS camera crew.

By the end of November 1990, those articles, including the TV segment and chance articles, netted 8,966 telephone or written responses from persons interested in coming to the Flathead Valley. Interestingly, 5,682 were written responses and 3,284 came through the FVCA's WATTS lines. Martin is quick to follow up those figures by citing occupancy rates as proof of effectiveness. Since July 1989 (when the FVCA began keeping records), there has been an increase every month in the occupancy-rate at membership accommodation facilities. While it might be a bit of hyperbole to attribute the increases to the PR program alone, no one will deny its jump start effect. With such efficacy, local tourist establishments are more than willing to support the program.

Martin likes to point out that "properties" (as he calls them) i.e., The Outlaw Inn and Grouse Mountain, pick up many of the local expenses for the three plus "fam (familiarization) trips" the FVCA sponsors

each year. "They give the writers complimentary accommodations, local transportation and most meals," Martin said. "And that's in addition to the already \$60,000 they pay the FVCA in the form of memberships. They know such 'comps' are going to benefit the entire valley."

Bill Martin and his board of directors are so certain they got their money's worth in 1990 that they've contracted the Johnson Group to do the same job again in 1991 for approximately the same cost.

First Interstate Bank is so impressed with the FVCA's PR program and overall effectiveness that, according to Mike Jackson, it's upped its membership contribution from \$500 in 1990 to \$2,500 in 1991.

The FVCA's total projected budget for 1990-1991 is \$138,000. Staff and office costs are \$51,520 with the rest—\$86,480—going to the organization's marketing efforts.

"What helps us a lot," said Martin, "is the fact that the Kalispell Area Chamber of Commerce passes through its share of the bed tax to us." In 1990, that amounted to approximately \$32,000.

What struck me about this whole operation, aside from how open and above-board Bill Martin was with me as I pursued this report, is the degree of cooperation the FVCA has engendered amongst, what you would think are, normally competitive businesses. The FVCA is an excellent role model in how to go about emphasizing common interest within a sub-region. Granted, it's all in the confines of tourism, but what a disparate grouping that industry is.

I'd like to think that the benefits of the cooperation the FVCA is bringing about will not be lost on the numerous chambers of commerce and development organizations in the area.

That's what I'd like to hope, anyway. □

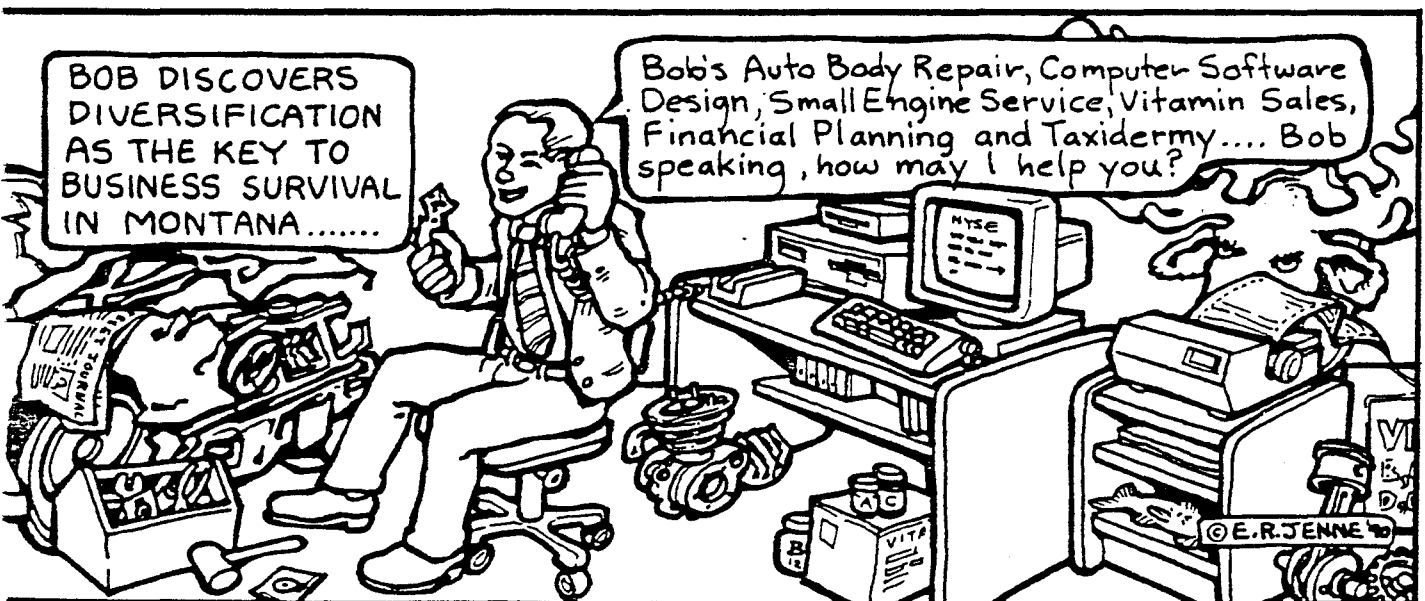


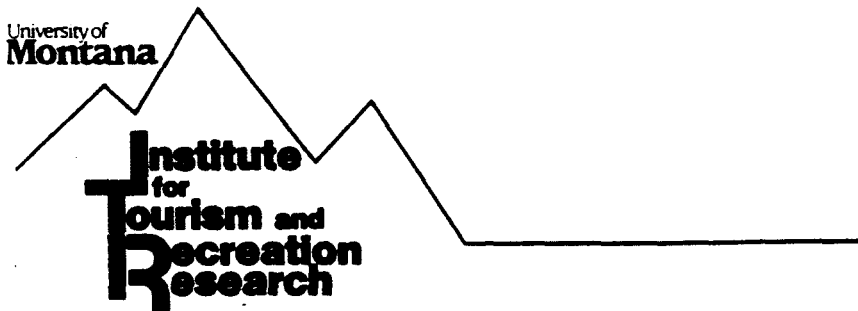
EXHIBIT 9
DATE 2-1-91
HB 394

1988

Non-Resident Travel in Montana

An Economic Report

Revised



How Economic Impacts Were Determined

During the period of April 1988 through March 1989, non-resident visitors were sampled at six major airports (accounting for the majority of air traffic) and thirteen primary highways used to enter Montana (accounting for approximately 67% of highway traffic). Also, during the winter season, four major ski areas were used as contact sites. Mail-back trip questionnaires were distributed at these sites. Visitors were asked to record the type, amount, and location of each expenditure made during two days of their trip in Montana. Space was given to record fourteen types of expenditures that represented the most common expenditure categories. These procedures produced a sample of approximately 5000 travel groups to Montana. So this report can be presented in the format of one calendar year, winter quarter 1989 data were deflated and expressed as 1988 prices.

Modelling of economic impacts utilized the IMPLAN input/output model. IMPLAN can simulate the economic interactions and relationships between industry sectors in a specified regional economy. All levels of economic impact that occur, throughout the distribution of spending and production, are taken into account in the modelling. In turn, estimates of potential impacts, from these sectors in the region, can be calculated to determine the importance of non-resident travel to Montana's economy. The estimates presented in this report have utilized a conservative methodology; whenever assumptions concerning economic conditions were required, a cautious approach was taken. The sum of the tourism countries' generated economic impacts do not equal statewide totals. Because each tourism country is considered to be a separate regional economy, transactions from imports and exports to other regions flow out of the tourism countries. These transaction in the affected region are not taken into account in the tourism country analysis.

For additional information concerning the details of tourism studies in Montana, please contact the Institute for Tourism and Recreation Research. Technical and in-depth information on economic modelling are contained in the Estimates of Economic Impact Technical Report. Information on seasonal travel patterns and non-resident visitor characteristics can be found in the Montana Travel Survey Quarterly Reports.

1988 Non-Resident Travel in Montana: An Economic Report

Michael Yuan
Neil Moisey
Stephen McCool

Research Report 7
November 1989

The Institute for Tourism and Recreation Research
School of Forestry
University of Montana
Missoula, Montana 59812
(406) 243-5406

This report would not have
been possible without the
following people's assistance:

Steven Martin
Dave Middleton
Kenny Meyerson
Jim Richards
Larry Ridenhour
Dan Smith
Richard Stahl

and the thousands
of visitors to Montana
who participated
in the survey.

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HB 394 1

The Report

The purpose of this report is to provide estimates of the economic impact of non-resident travel on Montana's economy. The estimates are based on non-resident traveller expenditure data obtained by the Montana Travel Survey during the period April 1988 through March 1989. Only those travelling to and through Montana by highway and airplane are included in this report. Visitors travelling by bus or train, or with charter groups are not included. Commercial truck traffic is also not included. These economic estimates are not comparable to previous Montana statewide economic impact studies due to differences in methodologies used.

Economic Impact of Non-Resident Travel on Montana's Economy

ITRR

The Institute for Tourism and Recreation Research, at the University of Montana, serves as the research arm for Montana's tourism and recreation industry. Its overall mission is to provide information that will help the industry make informed decisions about tourism promotion, development and management.

Non-Resident Travellers to Montana in 1988 Spent 658 Million Dollars that Resulted in 1.454 Billion Dollars of Total Economic Impact to the State

Economic Summaries

Total Expenditures \$658 Million

Total Economic Impact . . . \$1.454 Billion

Total Earnings \$367 Million

Montana Jobs Created 25,000

How the Non-Resident Travel Dollar is Spent

Trip Characteristics

Average Number of Nights Spent per Group in Montana

Air Travellers

Spring	4.5
Summer.....	6.4
Fall	6.9
Winter.....	4.0

Highway Travellers

Spring	2.9
Summer	3.2
Fall	3.4
Winter	2.9

Skiers 5.8

Average Group Size

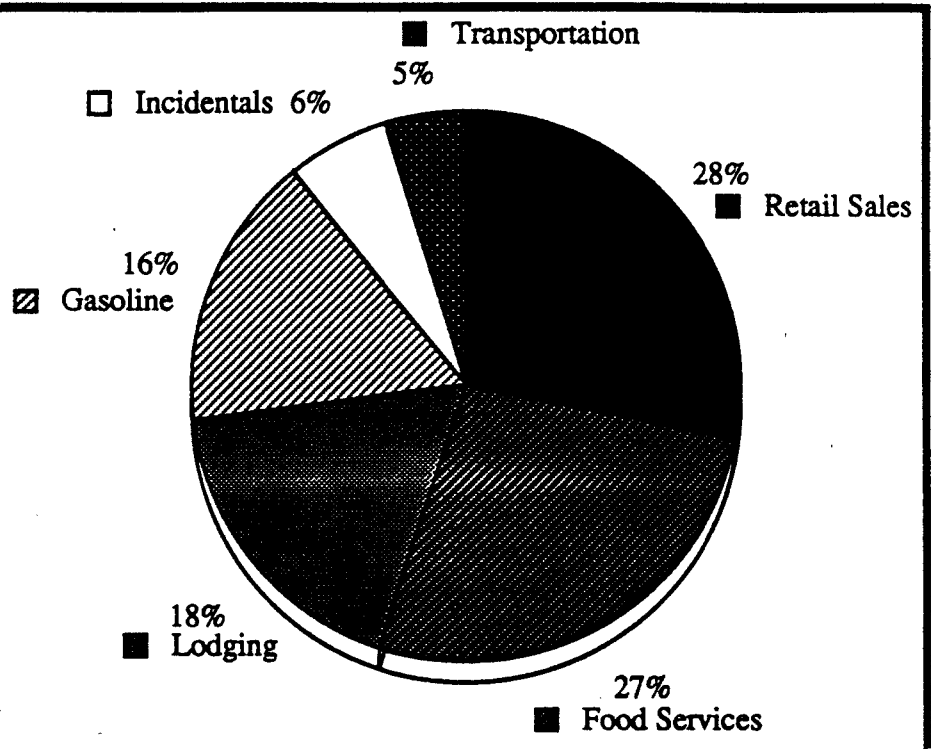
Air Travellers

Spring	1.8
Summer	2.3
Fall	1.8
Winter	2.0

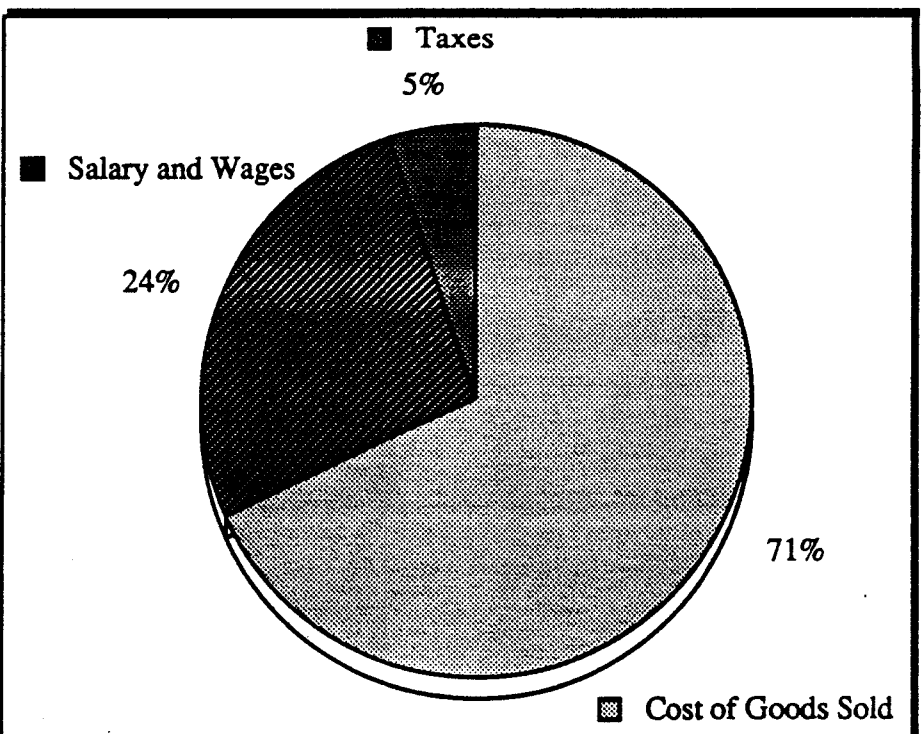
Highway Travellers

Spring	2.6
Summer.....	2.7
Fall	2.3
Winter.....	2.5

Skiers 4.4



Where the Travel Dollar Goes in Montana's Economy



Total Expenditures by Sector

2X. 7
2-1-91 3
HB 394

Retail Sales - 28%	\$184 Million
Food Services - 27%	178 Million
Lodging - 18%	118 Million
Gasoline - 16%	105 Million
Incidentals - 6%	40 Million
Transportation - 5%	33 Million

Total Travel Expenditures - 100% \$658 Million

Note: Details may not add up due to rounding.

Total Impact of the Travel Dollar

	<u>Direct Impact</u>	<u>Indirect Impact</u>	<u>Induced Impact</u>	<u>Total Impact</u>	<u>Impact Multiplier</u>
Total Gross Output	\$607	\$311	\$536	\$1,454	2.39
<i>(Total Value of Travel Industry Expressed in Millions of Dollars - the direct impact of \$607 million is the result of total expenditures of \$658 million less \$51 million which leaked out of the state due to imports)</i>					
Employment Compensation	\$159	\$64	\$144	\$367	2.31
<i>(Travel Generated Salary and Wages Expressed in Millions of Dollars)</i>					
Employment	13,300	2,700	9,000	25,000	1.88
<i>(Travel Generated Jobs)</i>					

How the Travel Dollar Impacts Montana's Economy

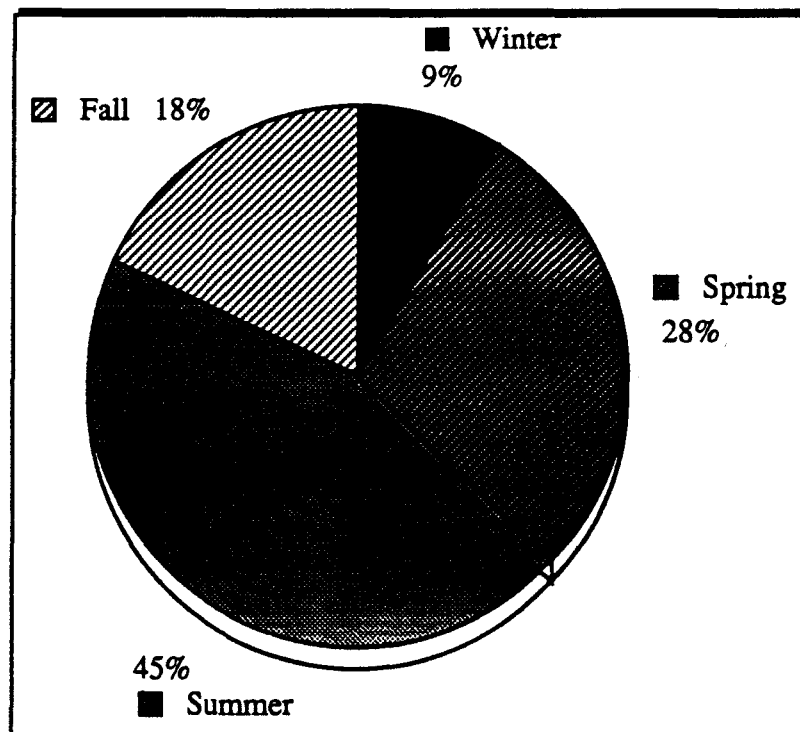
When a traveller to Montana makes a purchase, the impact of the dollar does not stop there. Instead, the purchase stimulates secondary transactions in the economy. Each time a transaction is made, additional impacts result from income being generated and reallocated, and labor employed. Determining the linkages of all transactions made gives an indication of the total economic impact to Montana.

Direct impacts are the initial value of the goods and services purchased by travellers. *Indirect* impacts occur when businesses purchase goods and services for operating needs. These purchases generate additional output or sales indirectly. Those supplying businesses must, in turn, purchase goods and services from their suppliers. This chain of transactions continues until the initial purchase totally "leaks out" of the region through imports and taxes. *Induced* impacts are the result of the increased earnings of employees in the supplying businesses. The sum of the indirect and induced impacts comprises the *secondary* impacts. Total economic impacts are the sum of direct and secondary impacts. The ratio of direct impacts to total impacts is referred to as an impact multiplier.

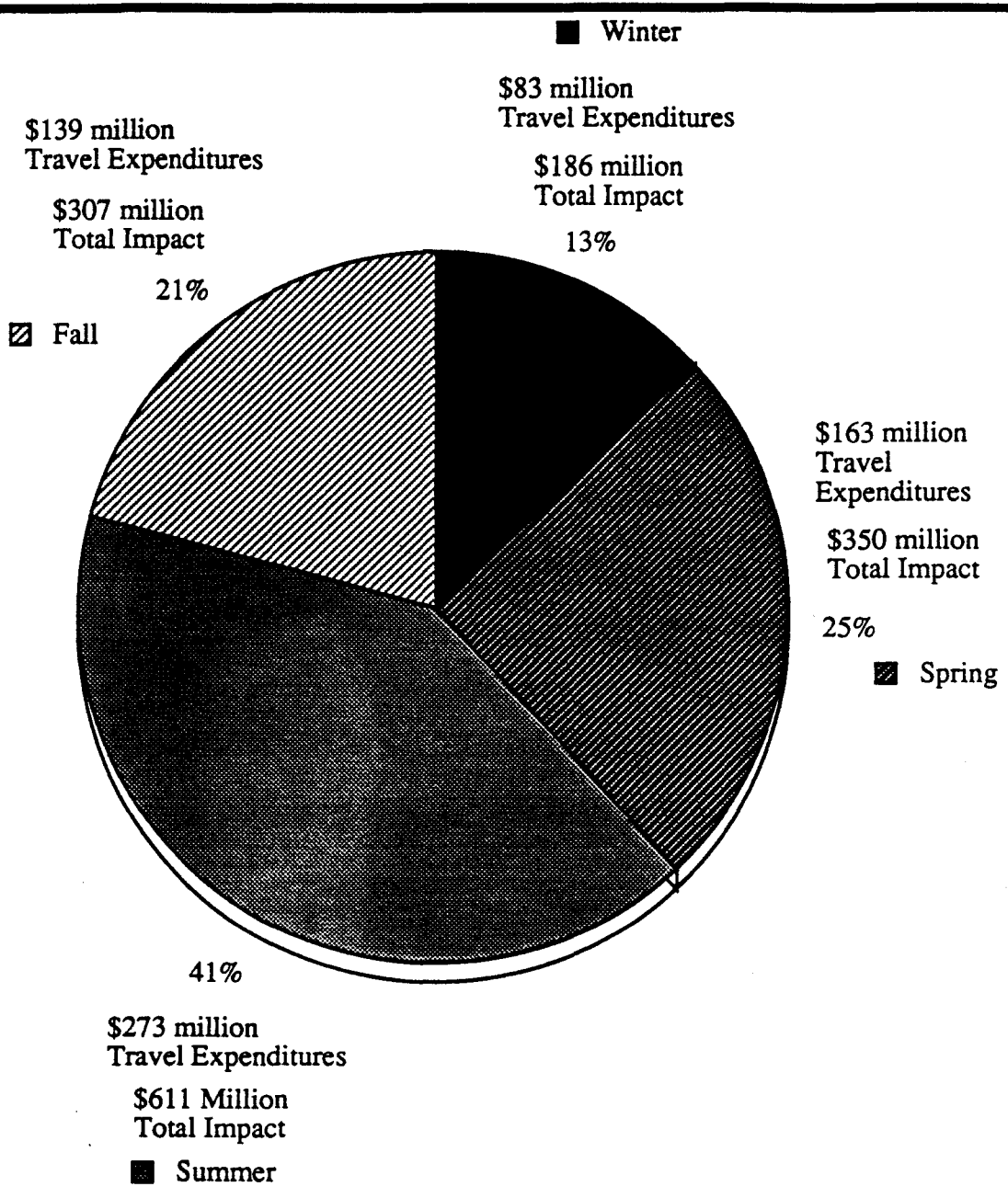
*Number of Non-Resident
Traveller Groups to Montana
by Season*

	<u>Spring</u> <i>April-June</i>	<u>Summer</u> <i>July-Sept.</i>	<u>Fall</u> <i>Oct.-Dec.</i>	<u>Winter</u> <i>Jan.-March</i>	<u>Total</u>
Highway Traveller Groups	515,000	858,000	317,000	139,000	1,830,000
Airport Traveller Groups	56,000	72,000	60,000	45,000	232,000
<hr/>					
Total	571,000	930,000	377,000	184,000	2,062,000

*Distribution of Travel to Montana
By Season*



*Travel Expenditures and
Total Economic Impact Generated
by Season*

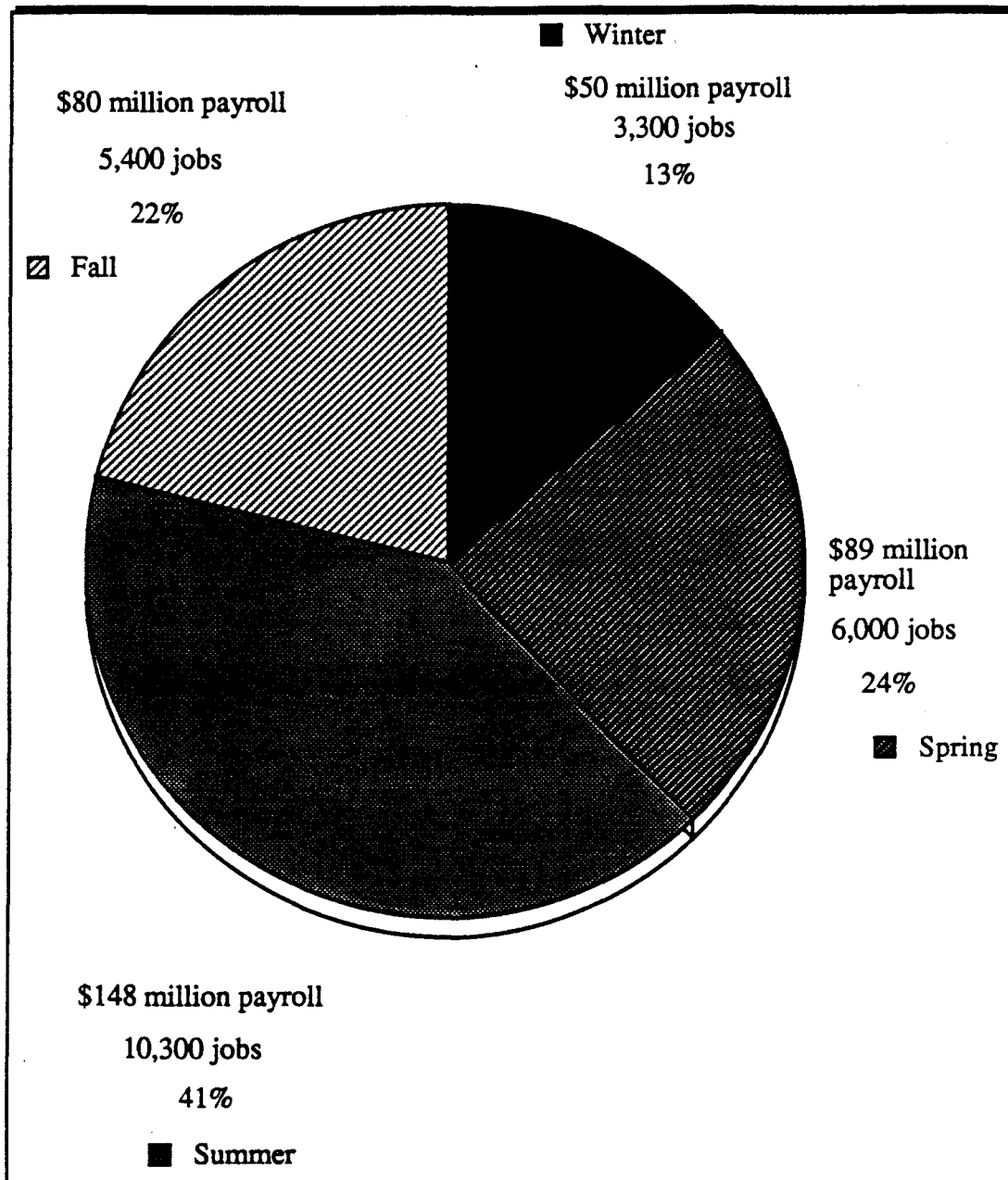


Total
Expenditures =
\$658 million

Total
Economic
Impact =
\$1.454 billion

Includes
Direct,
Indirect
and
Induced
Impacts

*Total Payroll Generated and
Total Number of Jobs Generated
by Season*



Total
Payroll =
\$367 million

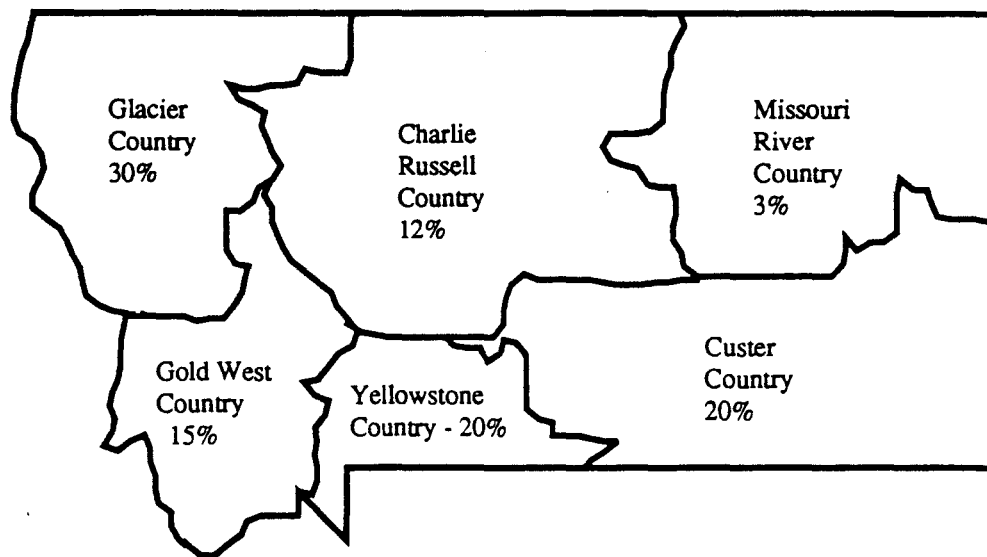
Includes
Direct,
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Total
Number
of
Jobs =
25,000

Includes
Direct,
Indirect
and
Induced
Impacts

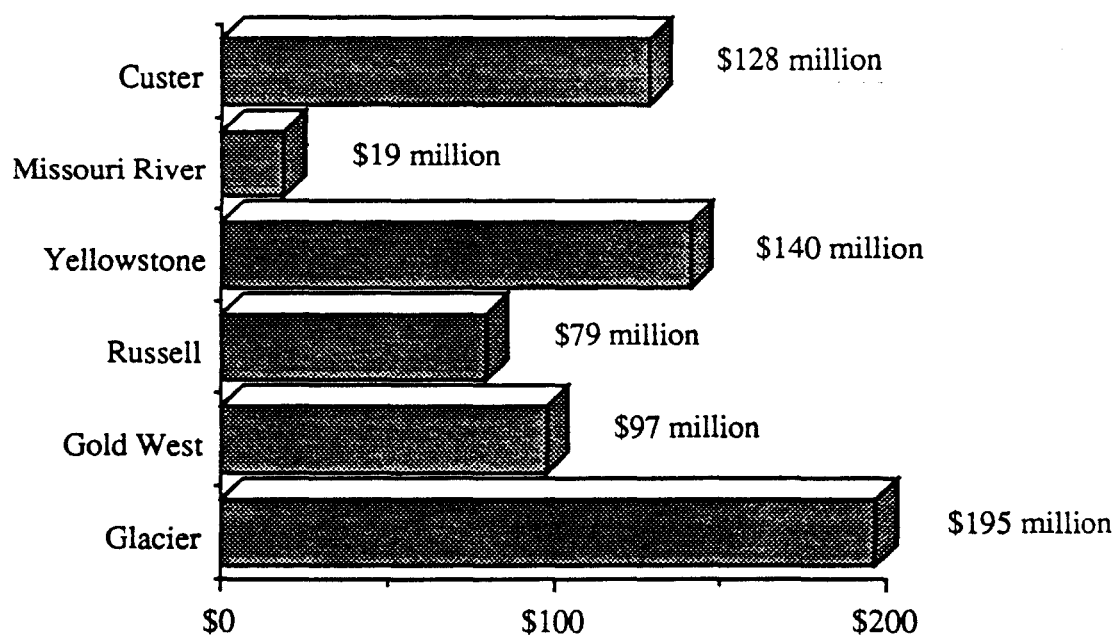
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HB 394

*Percent of Non-Resident Expenditures by Tourism Country **



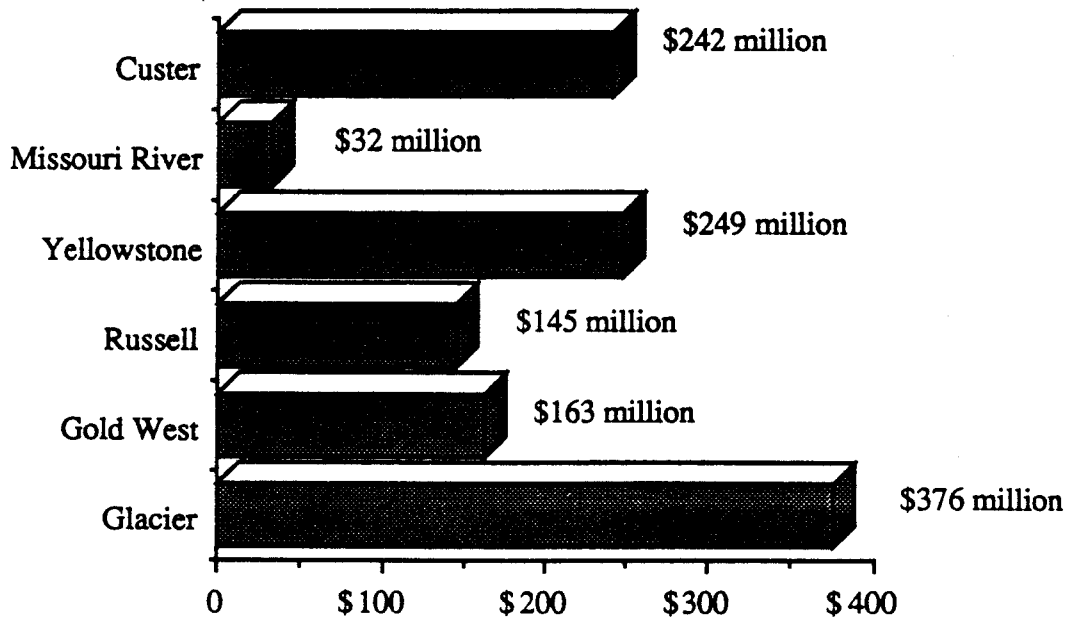
* Based on distribution of 1988 state accomodation tax revenue.

Estimated Non-Resident Expenditures by Tourism Country



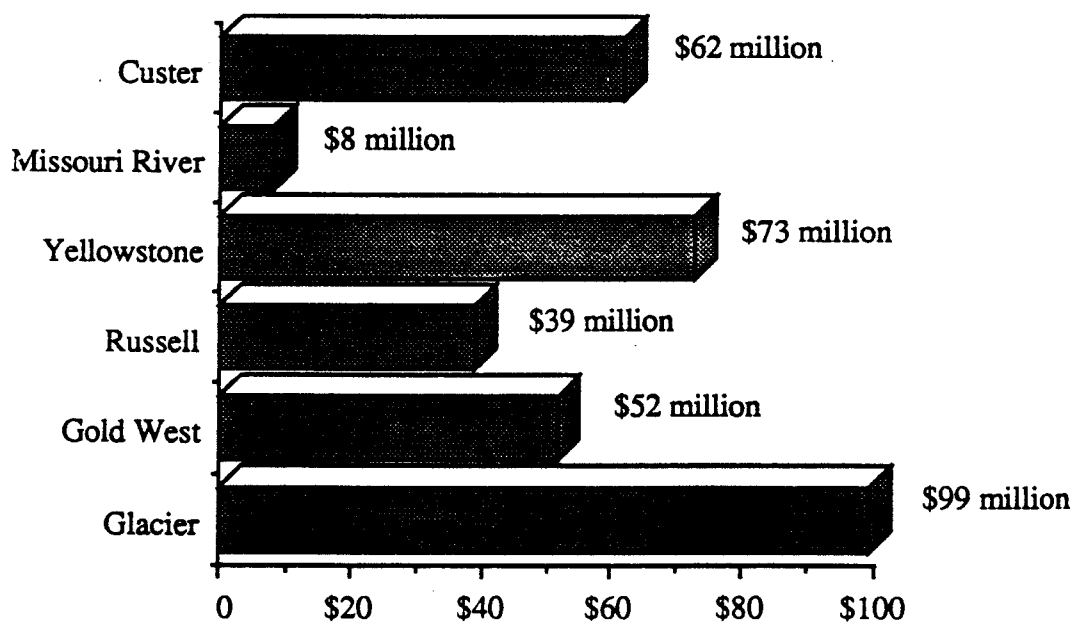
Total Expenditures = \$658 million

*Total Economic Impact Generated
by Tourism Country*



Includes Direct, Indirect and Induced Impacts

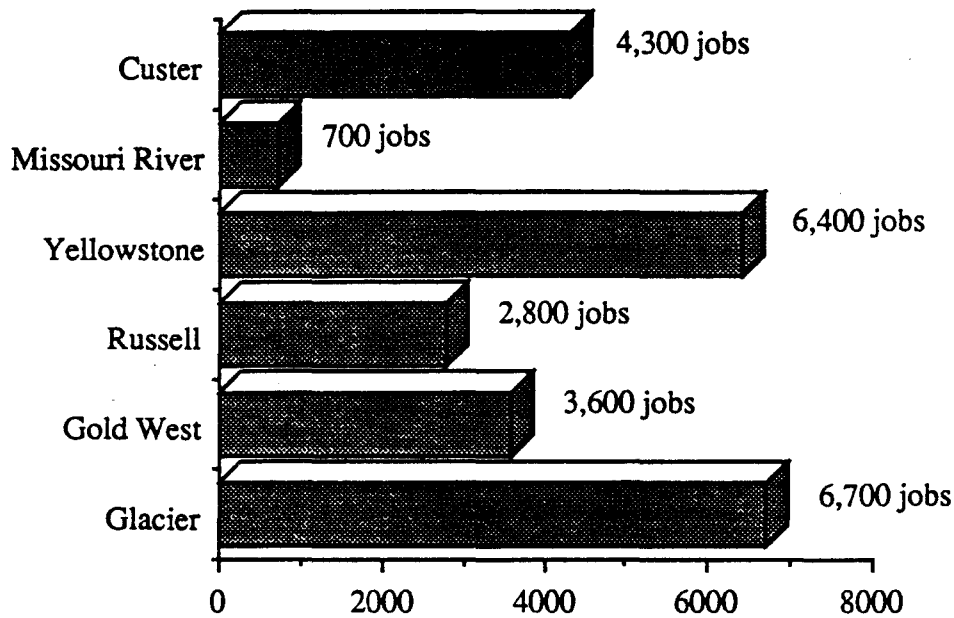
*Total Payroll Generated
by Tourism Country*



Includes Direct, Indirect and Induced Impacts

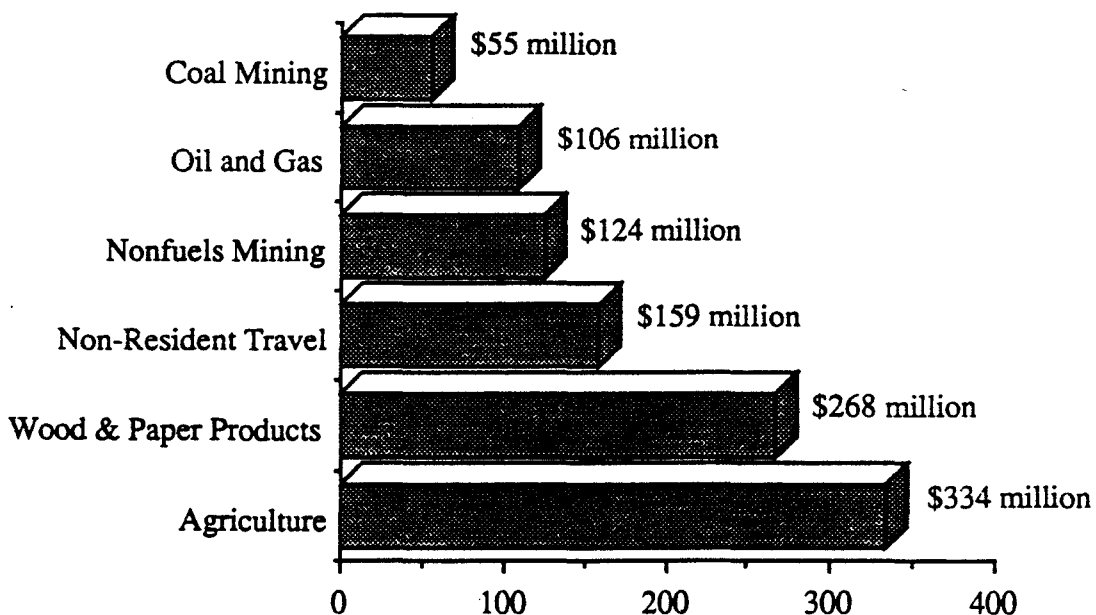
Total Number of Jobs Generated by Tourism Country

EXHIBIT 9 9
DATE 2-1-91
HB 394



Includes Direct, Indirect and Induced Impacts

*Comparison of Employment Compensation for Natural Resource Based Industries **



* Data source for industries other than non-resident travel:
1990 Bureau of Business and Economic Research, University of Montana

		DATE <u>2-1-91</u>		HB <u>394</u>		KALISPELL STORM SWR		REFUSE DISPOSAL	CUR
224 ROOMS COUNTY		KALISPELL 3075	KALISPELL CITY	KALISPELL SCHOOL AND FLATHEAD HIGH					
OUTLAW INN	\$30,912	\$24,253	\$44,152	\$46,577	\$390		\$1,646	\$5719	
140 ROOMS CAJANAUGH'S MOTEL INCLUDING PERSONAL PROP	54,169	68,307	77,745	92,007	5,372		9,775	12,726	
60 ROOMS AERO INN	3,213	2,524	4,610	4,838	352		519	593	
60 ROOMS SHEPHERD	4,725	4,422	6,972	7,405	185		660	974	
60 ROOMS DIAMOND LILS	4,620	2,163	6,899	7,062	145		427	474	

TOTAL \$97,639 \$101,669 \$140,328 \$157,889 \$6,444 \$12,030 \$19,456
\$535,955

GAMBLING TAXES JULY 1989 - JULY 1990

	FLATHEAD COUNTY	KALISPELL	WHITEFISH	COLUMBIA FALLS
1st QTR	\$59,600	\$93,692	\$31,352	\$17,978
2nd QTR	58,952	88,563	25,800	19,703
3rd QTR	58,452	120,134	29,580	22,840
4th QTR	67,881	150,467	42,988	22,910
TOTALS	\$244,885	\$452,856	\$129,730	\$83,431
LICENSE FEE SPLITS	+ 28,800	27,900	11,100	6,400
TOTAL ALL	\$273,685	\$480,756	\$140,830	\$89,831

TOTAL MONTANA \$17 MILLION DOLLARS, 11.3 MILLION TO LOCAL
GOVERNMENTS, 5.7 MILLION TO STATE GEN. FUND

**Explanation of Amendments to HB Bill 332
1st Reading Copy**

**Prepared by the Department of Revenue
January 29, 1991**

The purposes of these amendments are:

Amendments 1 and 3 renumber section 1 of the current bill. This is necessary to add new subsection (2) to section 1 of the current bill.

Amendments 2 and 5 clarify that to qualify for this credit the interest must be paid by the taxpayer for student loans used for the taxpayer's educational purposes. A parent could not take a credit against his or her Montana tax liability for interest paid to finance a child's education.

Amendment 4 clarifies that to qualify for the credit the loan must be a guaranteed student loan or a loan from a financial institution. The interest on personal loans between individuals would not qualify for the credit.

Amendment 6 addresses part year residents. It allows interest paid while a Montana resident to qualify for the credit. The current bill, by omitting reference to a part year resident, would allow a credit for interest paid for the entire year. This would have the effect of allowing a credit for expense incurred during a period of the year that Montana does not tax the individual's income and is inconsistent with other Montana tax statutes regarding part year residents.

Amendment 7 clearly states limitations on the credit that are implicit in the current bill. Those limits are:

1. Only interest that cannot be deducted from adjusted gross income may be used to calculate the credit. If an education loan has been consolidated into a home equity loan and the interest is a current tax deduction, it does not qualify for the credit. This prevents a single expense from being both a tax deduction and a tax credit.

(2) Only interest on loans to finance the taxpayer's education qualify for the credit.

(3) The credit cannot create a refund.

Amendments to HB Bill 332
1st Reading Copy

Ex. 11
2-1-91
HB 332

Prepared by the Department of Revenue
January 29, 1991

1. Page 1, line 11.

Insert: "(1)"

2. Page 1, line 14.

Strike: "(1)"

Insert: "(a) the taxpayer's"

3. Page 1, line 18.

Strike: "(2)"

Insert: "(b)"

4. Page 1, line 18.

Following: "loans"

Insert: "from financial institutions"

5. Page 1, line 18.

Following: "for"

Insert: "the taxpayer's"

6. Page 1.

Following: line 21

Insert: "(2) For part year residents the credit is calculated by applying 20% to the interest described in [Section 1(1)] that the taxpayer pays while a Montana resident."

7. Page 1.

Following: line 21

Insert: NEW SECTION. Section 2. Student Loan Interest Credit -- Limitations. (1) Only student loan interest that is personal interest not deductible under Internal Revenue Code section 163(h) can be used to calculate the credit provided for in [Section 1].

(2) The credit is only available to the taxpayer for interest paid by the taxpayer on loans to finance the taxpayer's education.

(3) The tax credit provided under [this act] is a non-refundable credit. It is only allowed as a reduction of the tax liability for the year earned and future years. It may not be carried back to offset the taxpayer's tax liability for prior tax years.

Renumber: Subsequent sections

Comments On 1991 Legislation

EXHIBIT 11

DATE 2-1-91

Date: 01/24/91

Bill # HB0332

Division: Office of Legal Affairs

Version: 1st Reading

Contact: Dave W. or reviewer

Reviewer: E. FEHLIG

Date: 01/24/91

Do you plan testimony? NO

If Yes, as a: Proponent
Opponent
Technical Witness

Comments: The bill allows a credit of 20% on interest paid on student loans. It has some minor technical problems.

The reference to the credit against the tax imposed by 15-30-103 implies that the credit is only available to resident income taxpayers. The income tax on nonresidents is provided in 15-30-105. Could be an equal protection problem by providing a credit against Montana income tax based on the residency of the taxpayer. Suggest that the reference to the "tax imposed by 15-30-103" be changed to "tax imposed by Title 15, Chapter 30."

The category of loans referred to Section 1(2) is a real can of worms to try to define. What does "individual educational needs" include? Some loan programs which are privately endowed and administered by the school are directly applied against tuition. No problem with these. However, personal loans, just like GSL's, can be applied against anything. The presumption would have to be that any loan entered into while a student would be for educational needs. The reality is that a loan that goes to pay for rent, food or transportation needs while in school is just as much an educational need as a loan that is directly applied to tuition and books. Also, does this include private loans from relatives, friends, etc.

The term "Title IV of the Higher Education Act of 1965" is vague. Looking up the term in the popular name index of the USCS reveals almost 50 separate P.L. to be included under Higher Education Act of 1965.

Other parties interested in this bill and the nature of their interest?

Dave, would you

EXHIBIT 12
DATE 2-1-91
HB 338

Amendments to House Bill No. 338
First Reading Copy

For the Committee on Taxation

Prepared by Lee Heiman
February 1, 1991

1. Title, line 13.
Strike: "1996"
Insert: "1995"

COMMITTEE PROXY

Date

Feb. 01, 1991

I request to be excused from the House Session
Committee meeting this date because of other commitments. I
desire to leave my proxy vote with Rep Russ Feaman.

Indicate Bill Number and your vote Aye or No. If there are
amendments, list them by name and number under the bill and
indicate a separate vote for each amendment.

HOUSE BILL/AMENDMENT AYE NO

HB 337	X	

SENATE BILL/AMENDMENT AYE NO

Rep.

Sam Wilson

(Signature)

HOUSE OF REPRESENTATIVES
VISITOR'S REGISTER

Taxation COMMITTEE BILL NO. HB 397
DATE 2/1/91 SPONSOR(S) Rep. SARDANOUE

PLEASE PRINT

PLEASE PRINT

PLEASE PRINT

NAME AND ADDRESS	REPRESENTING	SUPPORT	OPPOSE
John Han		✓	
Rod A Btz	Tax Payer.	✓	
Charles Fournard		✓	
Sherrn Ophus		✓	
Donnell H. Bity		✓	
Kay McKinn	MACSS		✓
Bob Hockett	Senate Dist 17	✓	

PLEASE LEAVE PREPARED TESTIMONY WITH SECRETARY. WITNESS STATEMENT FORMS ARE AVAILABLE IF YOU CARE TO SUBMIT WRITTEN TESTIMONY.

HOUSE OF REPRESENTATIVES
VISITOR'S REGISTER

Taxation

COMMITTEE

BILL NO. HB 394

DATE 2/1/91

SPONSOR(S) Rep. Nisbet

PLEASE PRINT

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NAME AND ADDRESS	REPRESENTING	SUPPORT	OPPOSE
DERONAH SCHLESINGER	MT. CULTURAL ADVOCACY	✓	
Dave Woodgerd	Dept. of Revenue		
Keith S. Colby	Tourism Coalition		✓
Sally McRae	KALISPELL CHAMBER		✓
Bonnie Tapp	MT Intergov Assn	✓	✓
Jim Tardiff	Gr. Falls Hotel/Motel Assn		✓
Bill Murray	GT FALLS HOTEL/MOTEL ASSN		✓
Bill McCamby	GT FALLS HOTEL/MOTEL ASSN		✓
JIM Nugent	City of Missoula	✓	
F.H. Buck Boces	MONTANA CHAMBER		✓
Gloria Hermonson	MT Cultural Advocacy	✓	✓
Jim Wysocki	City of Bozeman	✓	

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HOUSE OF REPRESENTATIVES
VISITOR'S REGISTER

Taxation COMMITTEE BILL NO. SB 15
DATE 2/1/91 SPONSOR(S) SEN. GAGE

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PLEASE PRINT

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NAME AND ADDRESS	REPRESENTING	SUPPORT	OPPOSE
Janelle Fallon	M + Petroleum	✓	
DOUG ABELIN	N. MT. O. L & GAS ASSOC	✓	

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HOUSE OF REPRESENTATIVES
VISITOR'S REGISTER

Taxation COMMITTEE BILL NO. HB 332
DATE 2/1/91 SPONSOR(S) Rep. Kadas

PLEASE PRINT

PLEASE PRINT

PLEASE PRINT

NAME AND ADDRESS	REPRESENTING	SUPPORT	OPPOSE
CARRIE GARBEK, E. HELENA	SELF	X	
Bill Lannan	MGS LP	X	

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ARE AVAILABLE IF YOU CARE TO SUBMIT WRITTEN TESTIMONY.