

MINUTES

MONTANA HOUSE OF REPRESENTATIVES 52nd LEGISLATURE - REGULAR SESSION

COMMITTEE ON TAXATION

Call to Order: By DAN HARRINGTON, CHAIR, on February 7, 1991, at 9:00 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)
Marian Hanson (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)

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 SB 81

An act clarifying the DOR authority to issue revised assessments.

Presentation and Opening Statement by Sponsor:

SEN. GROSFIELD, Senate District 41, Big Timber, stated SB 81 places in statute a law that has been recently determined by the Montana Supreme Court. It states that assessed taxpayers cannot avoid paying taxes by selling their property. The DOR relies on assessed taxpayers to provide information necessary to determine taxes on their gross proceeds. If they provide false information

when they sell the property, they should not be relieved of their obligation to pay the tax.

The first page of SB 81 states, whenever the DOR discovers any taxable property of any person who has escaped assessment, the Department can assess the same provided the property is under the ownership or control of the same person who owned or controlled it at the time that it escaped. All revised assessments must be made within 10 years. SB 81 changes this in regards to assessed property. Section (b) of Page 2 states that within the time limits set by 15-23-116 which has a five year statute of limitations. On Page 3, the Senate Taxation Committee has provided an amendment. It says that it is effective upon passage and approval and applies retroactively to the taxable year beginning after December 31, 1990. It makes the time frame applicable to this year.

Proponents' Testimony:

Dave Woodgerd, Chief Council, DOR, said that SB 81 is a DOR bill. He gave background of how the bill came about. It is the result of a problem that DOR had involving the Kaiser Cement Plant. When Kaiser sold their property to AshGrove Cement, during the process of auditing their net proceed returns for the limestone that they mined, Kaiser came back and said they sold the plant and couldn't be assessed the net proceeds taxes. DOR went to the State Tax Appeal Board, and they found in favor of Kaiser. We then took this to District Court and the Supreme Court, and we have ultimately won both cases. SB 81 simply puts in what the Supreme Court ruled in the Kaiser Case into statute, in that, a tax may be assessed despite the fact that you have sold a property. Locally assessed properties would still have the protection. The reason being that these properties are not self-assessing tax.

Ward Shanahan, attorney for Kaiser, had concerns about the bill. His concern relates to the word "clarifying" in the Title. He feels there is an intent to reenact 15-8-601 and change it from its present form. **Mr. Woodgerd** does not object to changing the word "clarifying" to "amending" because the term is accurate.

Opponents' Testimony:

Ward Shanahan, Attorney, stated he has been going through the drill of centrally assessed property for 25 years. He appeared before the Taxation Committee in 1983 when they enacted 15-23-116. At that time, the legislative history of the statute of limitations relating to centrally assessed property was in a quandary. There was no statute of limitations with respect to centrally assessed property except a generic two year statute of limitation. DOR came before the committee and said that they needed more time than two years so they enacted 15-23-116.

Since then, we have been in a battle as to what 15-8-601 means. On page 2, there is a ten year limit in SB 81. If we are going to clarify something, then we should clarify 15-8-601. If there is a time limit applicable to centrally assessed property, as set forth in 15-23-116, lets make it clear that 158601 no longer applies to centrally assessed property and never did. If it is clear that we clarifying this to make 15-23-116 applicable only to centrally assessed property, then he has no objection to the bill. He is not sure that this is what SB 81 says.

Questions From Committee Members: None

Closing by Sponsor:

SEN. GROSFIELD said the DOR was willing to propose an amendment that is necessary to take care of this problem. He thinks SB 81 is clear in its content.

HEARING ON HB 408

An act exempting mill levies for libraries and museums from the property tax freeze.

Presentation and Opening Statement by Sponsor:

REP. SCHYE, House District 18, Glasgow, stated the Title of HB 408 says it all.

Proponents' Testimony:

Richard Miller, Montana State Librarian, provided written testimony. EXHIBIT 1

Deborah Schlesinger, Legislative Chair, Montana Library Association, provided written testimony. EXHIBIT 2

Gloria Hermanson, Montana Cultural Advocacy, stated libraries and museums in the state are suffering greatly from the lack of funding. Development is at a stand still. To maintain the level of progress, at a time when information has become a major commodity, is impossible. If there was another way for them to gain access to funding for museums and libraries, they would advocate them; however, there are few avenues open for them. Montana can not afford to restrict information in this information age. If we do, the consequences will be dire.

David Pauli, Missoula Public Library, provided written testimony. EXHIBIT 3

William Cochran, South Central Federation of Libraries, provided written testimony. EXHIBIT 4

Delores Drennen, Miles City Public Library, provided written testimony. EXHIBIT 5

Terry Minnow, Montana Federation of Teachers, stated HB 408 is crucial to the future of Montana's museums and libraries.

Jim Heckel, Great Falls Public Library, stated the Great Falls library is unique in the state as they are at the mill levy cap. HB 480 will not affect his library, but he is testifying for all the smaller libraries that HB 408 could help.

David Nelson, Montana Arts Council, said that as a state agency, they work closely with the museums and art center across the state. Montana is unique in that they have more art centers per capita than any other state. This pays off in many dramatic ways. The state has many bright areas in its economy, and one of them is tourism. In 1983 and 1984, the counties were provided \$747,552. In 1989 and 1990, they were providing \$734,542. We have had a 25% increase in tourism activities. These facilities operate on volunteers and a small amount of tax base money. This requires local as well as national support.

Jennifer Reinhardt, Glasgow City County Library, provided written testimony. EXHIBIT 6

Eric Feaver, Montana Education Association, stated he has traveled the state to convince the people that I-105 was a bad idea. All public services that live within the property tax base have been suffering particularly at the local level. The librarians testifying are not pleading for special treatment. They are here to be add themselves to the list of public programs and services that are exempt from I-105. We think it is perfectly appropriate for the Legislature to relieve the libraries and museums from I-105.

Mary Olsen, Library Trustee, Broadwater County, provided written testimony. EXHIBIT 7

Arnie Molina, Director, Helena Presents and Myrna Loy Center, stated that not only will Montana's libraries benefit from HB 408, but numerous will numerous cultural facilities will benefit also. With the passage of HB 408, Lewis and Clark County could levy a mill on behalf of the Helena Civic Center, Grand Street Theater, Archie Bray Foundation, Holter Museum of Art, and the Myrna Loy Center. Such a levy would pay for the facilities upkeep, maintenance, salaries, and utilities. These facilities are important for tourism and economic development. This will be an investment our future.

Marilyn LeBlond, Butte-Silver Bow Public Library, stated libraries in the state are hurting and need help. Some of our basic services are not getting done.

Opponents' Testimony:

Linda Stoll-Anderson, Lewis and Clark County Commissioner and MACO, stated that she agrees with everything that was said. The fact is, that the squeeze the proponents refer to for libraries, occurs in every aspect of county governments. All who were impacted by I-105 are in a great prison. Over the last couple of years, the Legislators that holds the key to our release has allowed certain members out of the prison. They have been able to do this by not speaking to the terms of I-105 which is an explicit contract given to us by the people and most of the voters in the state. HB 408 will perpetuate letting people out of the prism, one at a time, without dealing with the fundamental issue of tax reform that the people in the state are asking for. For this reason, the Montana Association of Counties has to oppose this bill. Until the Legislature deals with tax reform within the restraints of I-105, we are all prisoner there.

Questions From Committee Members:

REP. THOMAS asked **REP. SCHYE** what consideration he would give to a local vote on this. **REP. SCHYE** said there is always a local vote because we have a vote on who the County Commissioners will be. If the bill has to have this in order to pass, he would be willing to do it. Otherwise, the authority is left to the governing body. **REP. THOMAS** said he has seen several pieces of legislation that want to take this little thing out and that little thing out and leave the Counties hung. What about a general referendum put on the ballot to pull I-105 off the books and let the public decide this issue. **REP. SCHYE** said he questions MACO coming in saying they are against the bill, but he hasn't seen their bill to change the tax system. He is not against supporting a tax reform bill, but we must start looking at I-105 and what it is doing to us.

REP. COHEN said the Property Tax Subcommittee was discussing the cap on the General Fund and how it didn't matter about the restrictions of I-105. The county had a limit on the total General Fund. If the county had small individual levies, they still came under the 25 mill cap. He asked **Linda Stoll-Anderson** if we had a two mill levy for the museums, would it come under the 25 mills that is available to the county. **Ms. Stoll-Anderson** asked if he was referring to the mill levy within the context of the bill or as the two mill levy that is allowed for the museums now. **REP. COHEN** said both ways. **Ms. Stoll-Anderson** said the two mill is included within the I-105 cap. The point of the bill is to exempt them.

REP. McCAFFREE asked **REP. SCHYE** if he knew of any requests from any libraries to go for a special levy. **REP. SCHYE** referred the question to **Debbie Schlesinger**. She stated that to her knowledge Lewis and Clark Library is the only one who has gotten on a general emergency mill levy in a county. Anaconda asked for a

special mill levy under provision of another part of the law and was passed. No other library has been able to get on a special mill levy. **REP. McCAFFREE** said he was curious as to why they haven't gone to the City Council and requested the vote of the people. **Ms. Schlesinger** said there has been several libraries that have gone to the City and County Commissioners and asked for special mill levies, but for one reason or another they were not able to get. **REP. HARRINGTON** stated that he amended **REP. KADAS'S** bill to include the right to go to the vote of the people and asked if she had ever given this the opportunity to amend I-105. **Ms. Schlesinger** said they have tried twice in Lewis and Clark County and it is a terrible way to run a library.

REP. ELLIOTT stated that in Thompson Falls, the library asked the County Commissioners to form and tax a special district so that the money could be used by the library and other facilities within the town. Political pressure was brought to bear upon the County Commissioners from a few people who were supporters of I-105 and regarded this move as an erosion of I-105. The special improvement was a no. The County Commissioners are subject to the will of the people.

REP. O'KEEFE asked **Jim Heckel** to explain why the bill would not help the library in Great Falls but would help the smaller libraries. **Mr. Heckel** stated that his library in Great Falls is unique in that it is the only library under a five and seven mill cap prior to the passage of I-105. If the bill were to pass, it would not increase their millage, but it would increase the possibilities for mill levy increases for smaller libraries. **REP. O'KEEFE** asked if the bill passed would not allow them to go above the statutory cap. **Mr. Heckel** said not in Great Falls, but any library would be capped.

Closing by Sponsor:

REP. SCHYE said that all the information we are receiving will double in the next 8 years. The committee should think about that and who will be storing the information. The libraries will be required to keep up with it. If we keep them down on a low scale and do not give them money to keep the information, the state will lose it. He agrees that the cities and counties are strapped for money. We as Legislators must look at the possibility of our library and museum systems going down. HB 408 requires that we spend a little money to make a little money. If you want the information and the tourist dollars, then the bill should be passed.

HEARING ON HB 460

Presentation and Opening Statement by Sponsor:

REP. WHALEN, House District 93, Billings, stated HB 460 is a bill that he had drafted during the special session in 1989. He had it drafted to raise revenue to be diverted to the cash flow

problems that the General Fund was having. At that time the fiscal note was not prepared on HB 63, so he prepared a sponsor fiscal note. **EXHIBIT 8** He hasn't compared the drafting of HB 460 with former HB 63.

HB 460 would impose a corporate license tax on insurance companies. Presently, we have a tax on insurance policies of three tenths of 1% which would remain in affect. The new fiscal note indicates net income to the state of \$230,000 in FY 92 and \$241,000 of increased revenue to the state in the second biennium.

Two years ago, he introduced HB 247 which dealt with medical malpractice insurance premiums. We learned that one out of three insurance companies that wrote insurance in this field were reserving 25% of their premium income for the purpose of paying claims. Five to six hundred insurance premiums paid in the state are property and casualty insurers. The majority is health insurance.

The amount of revenue that HB 460 derives in General Fund increase is going to depend upon the types of deductions you allow the insurance industry to take. One of the problems in trying to tax the insurance companies is they have complete control over what they decide they are going to set as a reserve to pay out future claims. Even though there is a federal corporate income tax on insurance companies, the insurance companies set their reserves high enough to wipe out any income. The bill is trying to make the insurance companies pay taxes based on their income. This bill takes the insurance industry and puts them in the same positions that all the other businesses in the state are as far as paying the corporate license tax. It puts the taxation load based upon the ability to pay.

Proponents' Testimony: None

Opponents' Testimony:

Jacqueline Terrell, American Insurance Association, stated the Association strongly opposes HB 460. The long term affects are less availability of product, fewer jobs for Montana, and higher prices in insurance premiums. Presently, insurance companies pay a premium tax. This premium tax is not three tenths of 1%; it is 2.75%, set by statute, based upon gross premium for insurance products sold. The insurance companies pay this tax regardless of whether it has a good year or a bad year. If our companies make a profit, they pay a tax based upon gross proceeds. If there is a loss, the companies pay the same tax based on gross proceeds. HB 460 proposes that the state will impose in the alternative a 6.34% corporate income tax. But this tax is imposed against the net income that an insurance company would earn. The bill provides that the premium tax would be the floor, and that insurance companies will only pay the corporate tax if its income is high enough so that the corporate tax will yield

income to the state in excess of what the premium tax would be. There are a handful of states that have this system. No insurance company in these states has ever made enough profit under the corporate tax to pay it. The premium tax being a much higher tax and yielding a more stable source of revenue to the state, and in an amount that exceeds what the insurance company would pay under the corporate tax.

When an insurance company files its return, it is entitled to all the deductions that are given to any other corporation in Montana. All taxes for any company ultimately are passed along to the consumer. It has a direct reflection on the profitability of the company, corporation, private companies, and all companies.

Why are the insurance companies opposing this bill, if under the corporate tax, they would pay less and still have to pay the premium tax? The companies don't want to do the double bookkeeping that HB 460 is going to require to pay the same amount of revenue that they have been paying all along. The companies pay \$26.5 million in taxes per year through the premium tax. Imposing this additional bookkeeping burden on them will have a direct affect on its availability. The three tenths of 1% is the market share that Montana represents among insurance companies all over the nation. When we send this type of message out to companies who are looking at Montana to settle, they must make the economic decision as to whether it is worth it to them to do business in a state that continues to impose these kinds of punitive damages against the companies.

Steve Browning, State Farm Insurance Companies, asked the committee to assume that an insurance company would write \$100 worth of premium in the state. On this \$100, they would be subject to a premium tax of 2.75%. Montana has one of the highest premium tax in the nation. Of the \$100, the insurance company would pay \$2.75 tax. HB 460 would continue the premium tax and have an additional tax. If it exceeds the premium tax, the company would pay the premium tax and the additional amount.

When you follow the stock market, insurance companies are not doing very well. This is because they do not make much net income. If an insurance company makes a 20% profit margin on insurance, this is far higher than any company he knows of. Using the \$100 as an example, he stated the 20% profit on the \$100 premium would be \$20. You would multiply the \$20 times 6.34% which is the corporation license tax and you get \$1.27. What the company pays on gross is a much smaller percentage. State Farm Insurance has never paid anything in excess of its gross tax because the companies don't make that kind of money.

Patrick Driscoll, Attorney, and Tom Hopgood, Health Insurers of America, went on record in opposition to HB 460. He stated that this plan would cost the state money.

Gene Phillips, National Association of Independent Insurers, stated the Association's opposition is on Page 7, Line 9 which is where the net increase of the company is to be determined. It gives the Commissioners of Insurance the option to choose how to calculate the deductions. This needs to be tighter to avoid problems. HB 460 will also impose a substantial burden on the Commissioner's office and the state will receive very little money from it.

James Borchardt, Insurance Department, State Auditor's Office, stated it is unclear whether the estimated additional of staff to carry out the requirements of HB 460 will be sufficient. If the staff isn't sufficient, domestic and foreign insurance could suffer severely. This in turn could lead to their inability to catch potentially insolvent insurers.

The problem with the CD-33 tax for which will have to be used is that it is closely tied to the federal tax returns. In addition to looking at a minimum four page income tax form, we would have to have a copy of their federal income tax form to make sure that the numbers are correct. This all causes delays in the finalizing the audits.

The way HB 460 is written, it does not exclude the taxation of annuities for life insurers. In their estimate, the Department has included them in this. It is possible that where the additional revenue appear, the \$230,000, could come from the taxation of annuities.

Roger McGlenn, Independent Insurance Agents of Montana, stated there is an exception to the 2 3/4% premium tax assessed on all lines of insurance, and this is fire insurance. Fire insurance is 5%. The 2 3/4% premium tax is the tenth highest in the nation. These costs will be passed on the Montana insurance consumer even though the state may not collect corporate taxes on the bill.

Questions From Committee Members:

REP. THOMAS asked **James Borchardt** to explain the annuity taxation aspect. **Mr. Borchardt** said annuities are not taxed in the state. **REP. THOMAS** asked if he put \$100 into an IRA and this bill should pass, would \$2.75 go to the state. **Mr. Borchardt** said it is likely that the cost of the annuity product would be higher when it was purchased it from the insurance company. **REP. THOMAS** asked if we had \$50,000 to give to the Department, which would they rather spend it on: (1) this bill, (2) filing more reports that would be required, (3) higher more investigators. **Mr. Borchardt** said he could not speak for the Department, but he would prefer a larger staff to do the things they can't do now. **REP. THOMAS** asked if HB 460 should pass the way it is written, and he put \$100 into an annuity, how much is paid to the state. **Mr. Borchardt** said \$2.75 by the insurance company.

REP. HARRINGTON asked Judy Rippengale, DOR, how the Department would feel about this issue. Ms. Rippengale said she thought that the DOR was better able to administer the corporate license tax or taxes based on net income. There are considerable questions to define net income. Presently, DOR is close to the federal government on that income. They have a standardized approach to all companies. The state operations would be less effective and economical by trying to put this out. The DOR is satisfied with the operations as they stand and does not support HB 460.

REP. NELSON asked Mr. Borchardt if most of the life insurance sold in Montana is mutual life insurance versus stock. Mr. Borchardt said both are sold. REP. NELSON said mutual life insurance companies have no stock holders and are owned by their policy holders; and asked if they were to tax life insurance companies, would it have an adverse effect on the amount of dividends given. Mr. Borchardt said yes particularly on business that was written previously and have a renewal premium.

Closing by Sponsor:

REP. WHALEN said the American Insurance Association said that they would pass this on to the consumer. In reality, the easiest tax to pass to the consumer is a sales tax because it stays fixed based upon your revenue. HB 460 bases the payment of tax upon income; and if there is no income, there will no additional tax due. Even if the bill doesn't raise a penny of revenue, just having access to information that we currently don't have is going to be a plus. Once the insurance companies start reporting what their income is in the state, we will find out how just interested in the consumer the insurance companies are. The fairest tax is one that is based upon the ability to pay which is your net income.

HEARING ON SB 86

Presentation and Opening Statement by Sponsor:

SEN. ECK, Senate District 40, Bozeman, stated SB 86 is a request by the DOR. There are a number of references all through the bill to strike "interim production" because the interim we are referring to has elapsed. We had to do something with new production also. This language can be found on Page 2, Line 7, and ends on Page 6, Lines 8 and 9.

There was an additional amendment made on the floor of the Senate. On Page 2, Line 7 after 1985 insert "or".

Proponents' Testimony: None

Opponents' Testimony: None

Questions From Committee Members:

REP. McCAFFREE said that he was under the assumption that there is no longer a net proceeds tax on oil. SEN. ECK said there is. In the 1985, we passed legislation which taxed which the net gross proceeds for new oil, new production, and interim production. This is still taxed by a flat tax. This provided a uniform of taxation. REP. McCAFFREE asked if this was pre-1985 oil. SEN. ECK referred the question to David Woodgerd, DOR. Mr. Woodgerd said yes. REP. McCAFFREE said a clarification is needed.

REP. O'KEEFE said that on Page 2, Lines 11 and 12, she is taking out the need for notification as required in 15-36-121 and asked why this was being done. SEN. ECK said this was done in the original bill and referred the question to David Woodgerd. Mr. Woodgerd said he did not know. The question was answered by Lee Heiman, Legislative Council. He said the Subsection that was required is no longer there. This was taken out during the special session. REP. O'KEEFE asked why was Page 9, Lines 8 through 12 written the way it was and asked Mr. Woodgerd if it was needed or is there an easier way to say this. Mr. Woodgerd said it could be written more simply.

Closing by Sponsor:

SEN. ECK said most of the amendments in the bill were proposed by SEN. GAGE who knows the industry well. She has had them checked by her own people and they reassured her that they were alright.

EXECUTIVE ACTION ON HB 408

Motion: REP. ELLIOTT MOVED HB 408 DO PASS.

Discussion:

REP. HOFFMAN stated that there would be a bill that would exempt community colleges from I-105. He didn't know if the decisions would have to be made comprehensively or piece-meal. REP. HARRINGTON said if they can't be put together, they will have to be piece-mealed.

Vote: HB 408 DO PASS. Motion carried 13 to 8 on a roll call vote. EXHIBIT 9

EXECUTIVE ACTION ON HB 151

Motion: REP. STANG MOVED HB 151 DO PASS.

Motion: REP. COHEN moved to amend HB 151. EXHIBIT 10

Discussion:

REP. COHEN spoke on the amendments. He stated the subcommittee went through the technical amendments brought to them by the DOR and made some slight changes. He asked Lee Heiman, Legislative Council, to explain the differences in the amendments. Mr. Heiman said they took exactly what the DOR requested except the DOR wanted the request for a refund to be made within 6 months after the time that the tax was paid. The subcommittee went back to the way the bill was drafted. It said that the request for refund had to be made by January 15 of the year prior to the assessment, and inserted a provision that the payback had to be made in the first quarter of the following year to allow the county to budget for the refund.

Vote: Motion to amend HB 151 carried unanimously.

Motion/Vote: REP. HARRINGTON MADE A SUBSTITUTE MOTION THAT HB 151 DO PASS AS AMENDED. Motion carried unanimously.

EXECUTIVE ACTION ON SB 81

Motion: REP. REAM MOVED SB 81 BE CONCURRED IN.

Motion: REP. O'KEEFE moved the amendment that the word "clarifying" be changed to "amending" on the Title, Page 1, Line 5.

REP. FAGG spoke against the amendment. This is all tied into a lawsuit. Ward Shanahan is representing the company out of Helena. They want to come back and say what the Legislature really intended before. The law was amended not clarified. This is a change in the law.

Motion: REP. O'KEEFE withdrew his motion to amend and the amendment.

Vote: SB 81 BE CONCURRED IN. Motion carried unanimously.

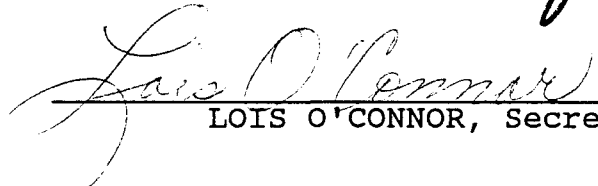
Announcement: CHAIR HARRINGTON said that HB 460 will be sent to the Income/Severance Subcommittee.

ADJOURNMENT

Adjournment: 11:15 a.m.



DAN HARRINGTON, Chair



LOIS O'CONNOR, Secretary

DH/lo

HOUSE OF REPRESENTATIVES

TAXATION COMMITTEE

ROLL CALL

DATE 2/7/91

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

HOUSE STANDING COMMITTEE REPORT

February 7, 1991

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Mr. Speaker: We, the committee on Taxation report that House Bill 408 (first reading copy -- white) do pass .

Signed: Dan Harrington
Dan Harrington, Chairman

HOUSE STANDING COMMITTEE REPORT

2/7/91
1:00 PM
BCH

February 7, 1991

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Mr. Speaker: We, the committee on Taxation report that House Bill 151 (first reading copy -- white) do pass as amended .

Signed: _____
Dan Harrington, Chairman

And, that such amendments read:

1. Title, lines 5 through 7.

Strike: "PROVIDING" on line 5 through "STATE;" on line 7

2. Title, line 9.

Strike: "DAYS"

Insert: "MONTHS"

3. Title, lines 10 and 11.

Strike: "SECTIONS 15-24-303 AND"

Insert: "SECTION"

4. Page 1, lines 15 through 25.

Strike: section 1 in its entirety

Renumber: subsequent sections

5. Page 2, line 3.

Following: "property."

Insert: "(1)"

6. Page 2, line 10.

Following: "~~time~~"

Insert: "and upon proof that a tax was paid in another state"

7. Page 2, line 12.

Strike: "days"

Insert: "months"

8. Page 2, lines 13 through 17.

Strike: ". The" on line 13 through "due." on line 17

Insert: ", as provided in this section.

(2) To obtain a refund, a taxpayer shall file an application for refund with the county treasurer in the county where the property was originally taxed."

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9. Page 2, line 19.

Following: "assessment"

Strike: "."

Insert: ", and the county shall make the refund within the first quarter of the following fiscal year. The application must be made on a form provided by the department of revenue and may require information as prescribed by rule of the department.

(3) The amount of the refund must be determined by multiplying the amount of the original tax paid by the ratio of the number of months remaining in the year at the time the property was removed divided by 12."

10. Page 2, line 21.

Strike: "Sections 1 and 2] apply"

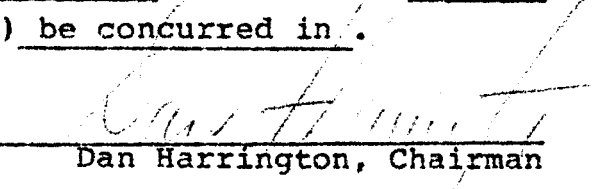
Insert: "Section 1] applies"

HOUSE STANDING COMMITTEE REPORT

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Page 1 of 1

Mr. Speaker: We, the committee on Taxation report that Senate Bill 81 (third reading copy -- blue) be concurred in.

Signed: 

Dan Harrington, Chairman

Carried by: Rep. Stang

EXHIBIT 1
DATE 2-7-91
HB 408

TESTIMONY BEFORE THE HOUSE TAXATION COMMITTEE

DAN HARRINGTON, CHAIR

FEBRUARY 7, 1991

Mr. Chairman, members of the committee, for the record, my name is Richard Miller. I am the Montana State Librarian. I am here today in support of HB 408, sponsored by Rep. Ted Schye, which exempts libraries and museums from the I-105 property tax freeze. Passage of this legislation is essential if Montana's libraries are to move into the 21st century and remain relevant to today's readers and information seekers. Public libraries in our state have suffered under the provisions of I-105 since 1986, and it has taken its toll in reduced services, fewer open hours, and smaller collections - - you will hear compelling testimony to this fact from others here today.

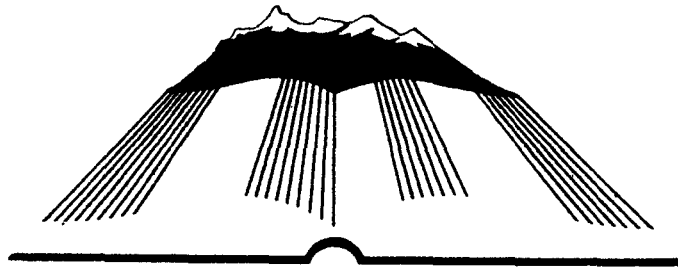
Let me talk for a minute about the need for libraries to move into the 21st century. Think about the public library in your home town. Beyond its book and magazine collections, does it provide access to either on-line or CD-ROM-based data bases to allow access to up-to-the minute information to its users? Is the library a community center where the various and diverse opinions and views of all its citizens are presented and can be expressed and discussed? Is it a focal point for literacy efforts in your community? Does it provide the starting point for children to truly become interested in reading so that they will become lifetime readers?

Ex. 1

2-7-91

HB 408

All these questions are important to consider, if, as many have claimed we are truly in THE INFORMATION AGE. Information is the most important commodity we have to offer in this country now that we seem to have entered our post-industrial development period. Information -- and public and other libraries are the major delivery mechanism for this commodity -- is every bit as important to our society -- to its future, its economic development, and its future well-being -- as its roads, bridges, and other infrastructure concerns. During our recently completed Governor's Conference on Libraries and Information Services one participant who is not a librarian developed the phrase "INFOSTRUCTURE" to make this point. A vote in support of HB 408 is a vote in support of Montana's vital INFOSTRUCTURE and a vote for the future of Montana. Thank you for you time today and for your consideration of this legislation.



MONTANA LIBRARY ASSOCIATION

2
2-7-91
408

TESTIMONY TO HOUSE TAXATION COMMITTEE IN SUPPORT OF HOUSE BILL 408,
EXEMPTING LIBRARIES AND MUSEUMS FROM I-105.

DEBORAH L. SCHLESINGER

Mr. Chairman, members of the committee, I am Deborah Schlesinger, Legislative Chair for the Montana Library Association and I am here to speak in favor of House Bill 408.

Why are libraries asking for special legislative exemption from the provisions of I-105? Because libraries have been squeezed dry and there is no place left to go. House Bill 193 last session appropriated \$1.7 million to support libraries. This was reduced by the Governor to \$566,000. We are grateful for this modest level of support because this has kept Federations afloat and, most importantly, this has kept interlibrary loans free.

Coal Severance Taxes have dwindled to the point of almost drying up completely. My library federation went from a high of \$86,000 in 1986 to a projected low of \$18,000 in 1991.

Cities and counties frozen at the 1986 mill levy limit can offer no help. Only one library in the state, Lewis and Clark Library in Helena, was able to get onto a county wide emergency mill levy vote. Thankfully, for two years running the voters have passed the levy and kept the library open and buying books. Keep in mind that 1986 dollars don't buy as many 1991 books.

Unlike some entities of local government, libraries can't launch emergency mill levy elections on their own. Good libraries across the state are closing, buying fewer materials, laying off or not replacing staff, and by these actions are limiting or cutting off access to information. Libraries have struggled to maintain the status quo these last five years.

Of the six largest libraries in the state, only Great Falls is at its statutory mill levy limit for both city and county. Of the eighty-two public libraries in the state, only 23% or 19, are at their city mill levy limit of seven mills. Only .06% are at the county mill levy limit of five mills.

Cities and counties want to help, but there is a limited amount of non-tax revenue available. Over the last two years the Consumer Price Index has risen 4.6% in 1989 and 6.1% in 1990. Books and magazine prices have increased 2.8% (books) and 9.5% (magazines). Paperbacks have increased 10.6%. Library budgets are frozen at levels set in 1986. That's five years ago. Ronald Reagan was president, the Bears routed the Patriots 46-10 in the Super Bowl. The Mammoth Hunters by Jean Auel, Lake Wobegon Days by Garrison Keillor, Texas by James Michener, and Secrets by Danielle Steele were the bestsellers of the day.

Please vote do pass on House Bill 408 - Libraries are too important to lose.

Good Morning. My name is David Pauli. I am the Director of the Missoula Public Library and the Coordinator of the Tamarack Federation of Libraries, which consists of 16 public libraries in Western Montana. Thank you for granting me this time to speak with you this morning.

75% of Montanans are not enrolled in any course of formal education. For this majority of our citizens, the public library is the point of contact for their continuing education as well as informational and recreational reading material.

People need libraries to become and stay informed about a wide variety of issues. To pursue a hobby, or improve their career status. To learn to write a better resume or repair their car. Children especially need libraries to help them with their research for school, and to give them the opportunity to find the rich satisfaction of reading for pleasure.

Libraries in Montana have suffered under the impact of I-105. We at the Missoula Public Library have seen a drastic cut in the number of staff we have. According to American Library Assn. standards, we should be operating with at least 35 FTE staff. We have 19. We should be open at least 68 hours per week. We are open 60. We should be able to purchase at least 500 magazine titles. We have 300. We are able to spend only 75 cents per capita on books, compared to a national average of \$2.04.

This inability to provide the kind of service we should impacts not only our community, but all of Montana, since we are one of the largest libraries and serve as a resource for all libraries in the state.

I would ask you to consider the fact that libraries generally comprise 1 to 2 % of the budgets of their funding authority, which in Montana is usually a city or county. The budget of the Missoula Public Library is right around 2% of the total Missoula County Budget. For this very small amount, the public is receiving a large amount of service. Last year, people checked out 423,072 items from our library, making us the busiest public library in the state. At an average cost of \$14.95 per item, if people had gone out to buy those books, records, tapes, and magazines, they would have spent over six million dollars. Our total library budget is less than \$700,000.

Although the information I have shared today applies mostly to the Missoula Public Library, the distress libraries are feeling applies to every public library in the state of Montana. I hope that you will help us to improve the quality of our service by supporting this bill. Thank you.


EXHIBIT 4
DATE 2-7-91
408

Regarding HB408 to exempt libraries from I 105.

Stillwater County Library is run on county taxes alone.

With the cost of inflation, we have not been able to increase our book budget to include reference books that are needed along with updating our library to have such materials as cassette's, video's, and large type books for our patrons. We must Interlibrary Loan a lot of materials we cannot afford to purchase, which with the raise in postage this year our InterlibraryLoan and mailing for our patrons will be effected, if we are unable to raise our postage budget line.

Stillwater Co Library supports Hb408



Deanna King, Director

Susan Nathan, Assistant



EXHIBIT 5

DATE 2-7-91

HB 408

February 7, 1991

Mr. Chairman, Members of the Committee

I am Dolores Orennen,

I represent the Miles City Public Library and the Sagbrush Federation.

The essentials for the Miles City Public Library are becoming more critical. Because there has not been sufficient funding, we have not been able to repair our roof - the roof has leaked for at least the past five years. We haven't been able to get funding for repairs or even much concern over the problem.

This year our small book budget was cut in half. Our patrons and students deserve adequate information - this is the Information Age. Our hours are cut.

It is not up to me or the Library Board to call for an emergency mill levy. I 105 stands in the way of needed funding for Libraries.

I have two broken ribs but I came all the way from Miles City to urge you to pass HB 408.

Thank you!

Dolores Orennen

EXHIBIT 6
DATE 2-7-91
HB 408

Mr. Chairman, Members of the Committee;

I am Jennifer Reinhardt of the Glasgow City County Library. I am representing Glasgow City County Library and the libraries of Golden Plains Federation.

I am speaking in favor of HB408.

I105 has hurt our library budget considerably. In 1986 we received \$28,078 from the City which was the equalivant of 6.7 mills. Due to economic depression, loss of population and drought, the value of the mill has declined. Because of I105 the City has not been able to increase property taxes to generate more revenue. The Library has lost \$5000.00 over the last five years. We are now at the maxium of 7 mills allowed by State law for City funding but we are only receiving \$24,500 in revenue from the City.

Due to the wording of our City/County interlocal agreement and the restrictions created by I105 our funding from the City and County has decreased \$22,000 from 1986. As a result we have cut one full staff member, reduced our number of periodicals and cut building improvements. The only thing we have not cut is hours of service - we are open 63 hours per week. The Library is a very valuable assest to our community and Northeastern Montana but it is drastically under funded.

An emergency mill levy would only be a bandaid to our financial problems, even, if it passed which is doubtful because of the depressed economy and declining population. We can't call our emergency mill levy.

I urge you to vote "~~to~~ pass" ~~HB~~ HB408.

Thank you for your time.

Mary Olsen, Library trustee
Brookwater Co.

Our libraries are dying - not from a wound but neglect by our Co. Comm., St. Leg. & Fed. governments to appropriate enough money to keep up with growing needs of libraries in our high-tech society.

Our library started in 1935 with 10 books on the desk of Mrs. Fox (Co Sup of Schools.) to the closet to our present location in the basement of the Courthouse. Our book volume has grown but space has not. Our library budget under I105 has been reduced from 1.75 mils to less than 1 mil. We get less than the Mesquite board. We cannot keep up with our expenses of increased salaries, higher priced books, and high-tech needs. Our number of patrons increase but our services don't because of lack of money. Don't make us go back to the closet, the corner of Mrs. Fox's desk, or no library at all. Please pass HB 408.

DATE 3/7/61

HB 460

SPONSOR'S FISCAL NOTE

Form BD-155

There is hereby submitted a Sponsor's Fiscal Note for: HB 63, Version: 1

5th READING

Assumptions: A. 1 Billion Dollars Premium Revenue paid by Montanans each year

B. Claims & Reserve amt. for claims charged against the above premium revenue each year — 340 Million Dollars

C. Operating Expenses charged against the above premium Revenue each year — 60 Million Dollars

D. Claims paid out of above Revenue are paid out in approximately equal amounts over an average of 10 years. (results in an average of 850 Million held per year for claim payments)

E. Insurance Companies will earn an average of 15% per year on monies held pending payout on claims.

F. Premium tax collections → 28 Million Dollars per year

G. Corporate Income tax collections → ⁴⁹ 200 Million per year

Tax Collections for w.c. Reductions 8

Current	FY 90	FY 91
\$0	\$21 Million	\$21 Million

Primary Sponsor: [Signature] DATE: 6-28-8

EXHIBIT 9
DATE 2-7-91
408

HOUSE OF REPRESENTATIVES

TAXATION COMMITTEE

ROLL CALL VOTE

DATE HB408 BILL NO. 217 NUMBER HB408

MOTION: Do Pass.

Schye.

NAME	AYE	NO
REP. BEN COHEN, VICE-CHAIRMAN	✓	
REP. ED DOLEZAL	✓	
REP. JIM ELLIOTT	✓	
REP. ORVAL ELLISON		✓
REP. RUSSELL FAGG		✓
REP. MIKE FOSTER		✓
REP. BOB GILBERT		✓
REP. MARIAN HANSON		✓
REP. DAVID HOFFMAN	✓	
REP. JIM MADISON	✓	
REP. ED MCCAFFREE		✓
REP. BEA MCCARTHY	✓	
REP. TOM NELSON		✓
REP. MARK O'KEEFE	✓	
REP. BOB RANEY <i>Ream</i>	✓	
REP. BOB REAM, VICE-CHAIRMAN	✓	
REP. TED SCHYE	✓	
REP. BARRY "SPOOK" STANG	✓	
REP. FRED THOMAS		✓
REP. DAVE WANZENRIED	✓	
REP. DAN HARRINGTON, CHAIRMAN	✓	
TOTAL		

Do Pass 4/ floor 13: 8

EXHIBIT 10
DATE 2-7-91
151

Amendments to House Bill No. 151
First Reading Copy

Requested by Property Tax Subcommittee
For the Committee on Taxation

Prepared by Lee Heiman
January 18, 1991

1. Title, lines 5 through 7.

Strike: "PROVIDING" on line 5 through "STATE;" on line 7

2. Title, line 9.

Strike: "DAYS"

Insert: "MONTHS"

3. Title, lines 10 and 11.

Strike: "SECTIONS 15-24-303 AND"

Insert: "SECTION"

4. Page 1, lines 15 through 25.

Strike: section 1 in its entirety

Renumber: subsequent sections

5. Page 2, line 3.

Following: "property."

Insert: "(1)"

6. Page 2, line 10.

Following: "~~time~~"

Insert: "and upon proof that a tax was paid in another state"

7. Page 2, line 12.

Strike: "~~days~~"

Insert: "months" *"days"*

8. Page 2, lines 13 through 17.

Strike: "The" on line 13 through "due." on line 17

Insert: ", as provided in this section.

(2) To obtain a refund, a taxpayer shall file an application for refund with the county treasurer in the county where the property was originally taxed."

9. Page 2, line 19.

Following: "assessment"

Strike: "."

Insert: ", and the county shall make the refund within the first quarter of the following fiscal year. The application must be made on a form provided by the department of revenue and may require information as prescribed by rule of the department.

(3) The amount of the refund must be determined by multiplying the amount of the original tax paid by the ratio of the number of months remaining in the year at the time the property was removed divided by 12."

Ex. 10
2-7-91
HB 151

10. Page 2, line 21.

Strike: "Sections 1 and 2] apply"

Insert: "Section 1] applies"

**HOUSE OF REPRESENTATIVES
VISITOR'S REGISTER**

Taxation

COMMITTEE

BILL NO. SB 81

DATE 2/7/91 SPONSOR(S) Jen Crosthield

PLEASE PRINT

PLEASE PRINT

PLEASE PRINT

[illegible]

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

HOUSE OF REPRESENTATIVES
VISITOR'S REGISTER

1062

Taxation COMMITTEE BILL NO. HB 408
DATE 2/7/91 SPONSOR(S) Rep Schye
PLEASE PRINT PLEASE PRINT PLEASE PRINT

NAME AND ADDRESS	REPRESENTING	SUPPORT	OPPOSE
Gloria Vermanson	MT Cultural Advocacy	✓	
William M Cochran	So. Ctr. Fed of Libraries	✓	
Sandra Jervic	MT Library Assoc	✓	
Jennifer Reinhardt	Golden Plains Fed.	✓	
Delores Brenner	Logbrush Fed	✓	
David Pauli	Missoula Public Library	✓	
3012 Cornell Jim Heikel GF MT	Great Falls Public Lib	✓	
Mary J Olsen	Shawneet Broadwater Co trustees	✓	
Delhi Selby	West LIBRARY ASSOC	✓	
Rebecca Foster	Lewis & Clark Library	✓	
Patricia Sternberg	Lewis + Clark Library	✓	
Marilyn Heruni	Lewis & Clark Library	✓	
Barbara Weiss	" " "	✓	
Wendee Sommer Sharon Bower	West. Historical Society Broadwater Co. Library	X ✓	

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ARE AVAILABLE IF YOU CARE TO SUBMIT WRITTEN TESTIMONY.

2062

HOUSE OF REPRESENTATIVES
VISITOR'S REGISTER

Taxation COMMITTEE BILL NO. 408
DATE 2/7 SPONSOR(S) Rep. Schye

PLEASE PRINT

PLEASE PRINT

PLEASE PRINT

NAME AND ADDRESS	REPRESENTING	SUPPORT	OPPOSE
Phil Hietinen 729 9th Helena	Lewis + Clark Lib	✓	
Phyllis Miller MT State Library	Montana State Lib. Council	✓	
Galen McKibben	Archie Bray Foundation	✓	
Dave Nelson	MT Lib Council	✓	
Eri Olson	NSA	3	
Kay Ingalls	Broadwater County Lib/Museum	✓	
Marilyn Rieblond	Battle-Silverbow Public Library	✓	
Jeanne K. Gordon	Broadwater County Library	✓	
Arnie MALINA	Helena Presents/Myrna Loy Center	✓	

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HOUSE OF REPRESENTATIVES
VISITOR'S REGISTER

Taxation COMMITTEE BILL NO. SB 86
DATE 2/7/91 SPONSOR(S) Sen. Eck

PLEASE PRINT

PLEASE PRINT

PLEASE PRINT

NAME AND ADDRESS	REPRESENTING	SUPPORT	OPPOSE

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ARE AVAILABLE IF YOU CARE TO SUBMIT WRITTEN TESTIMONY.