MINUTES

MONTANA HOUSE OF REPRESENTATIVES
52nd LEGISLATURE - REGULAR SESSION

COMMITTEE ON TAXATION

Call to Order: By DAN HARRINGTON, CHAIR, on March 18, 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 HB 982

Presentation and Opening Statement by Sponsor:

REP. O'KEEFE, House District 45, Helena, stated HB 982 does two things: (1) returns the tax law in Montana to where it was in 1989. It replaces the flat tax on coal, oil, and gas with the debt engrossed proceeds tax that was in the law prior to 1989. (2) it sets schedules for the foundation program which is the program that we fund K - 12 at a 3% increase for each of the next two years of the biennium. He provided testimony for the committee. **EXHIBIT 1**

REP. O'KEEFE said that the committee is going to be hit with many statistics. He read in the press that **Denis Adams, DOR,** said that this bill would raise taxes 30% to 50% on the affected industries. He hasn't seen his calculation, but he admits the bill raises a 37% increase over the $12.5 million paid on the flat tax in 1991 for coal. It is also a 21% increase on the flat tax for oil. He gave his statistics to go with it. The coal severance tax is going from 20% to 15%. There is not much debate left because the Senate has decided that for us. If this is the case, then the current taxation on the coal industry, they are paying 25.5% under a combination of RIT, coal severance tax, and flat tax. Under HB 982, we will reduce that for them. We are saying that the combination of RIT, coal severance, and flat tax will be reduced for the coal industry from 25.5% to 22.3% Using these statistics, HB 982 is actually part of the tax break package to industry. Statistics can be deceiving.

HB 982 is about tax policy not statistics. People will say that this tax is bad business for Montana. He stated that this tax change only affects wells that were drilled prior to 1985. Those wells when we taxed oil under net proceeds. This just takes Montana back to the tax structure two years ago. If you drill a well tomorrow, next week, or next year, this bill has nothing to do with the tax revenues.

Some people will say that this tax is unfair to oil and gas. The Legislature redefines taxes every session. Two years ago we redefined taxes on these minerals from the net gross proceeds to the flat tax. The change to the flat tax was put on in a conference committee, and there was no full hearing on SB 28 after the tax went into affect. Last session, the Legislature reduced the tax on oil, gas, and coal personal property from 11% to 9% and held them harmless for the 40 mill statewide levy. HB 982 goes back to net and gross proceeds and does not hold them harmless for the 40 mill statewide levy.

Everyone in the state pays the 40 mills except for these individuals. To get the educational numbers we needed to fund the foundation program last session, we were 55 mills short had we taxed the oil and gas companies. What this means is that the rancher in Baker paid for his 40 mills but also the 5% income tax surcharge that we put on across the books to pick up the slack that was given to the industry. It was a double hit on the people of the state. HB 982 asks that you reexamine the fairness of the policy that was set two years ago. Under the flat tax, oil, coal, and coal production will never have to share in the cost of replacing the local government infrastructure. This bill asks that you reexamine that fairness issue.

Some people will say we need to keep the break to encourage business in Montana. If you subscribe to that policy, we should get rid of the present flat tax. It has been on since 1985. We have had tax holidays, and have not stimulated drilling or increased employment. All he has seen is prices increasing at the pump.

REP. O'KEEFE further stated that the net gross proceeds tax came into being in 1907 and redefined in 1921. In 1907, this legislature was controlled by industry. The net and gross proceeds tax was put on for industry because there is a real advantage to the industry in the net and gross proceeds tax. He used 1968 to 1974 when production numbers were looking good as an example. With glowing production there is an inverse relationship between that production and the amount of taxes paid under net and gross proceeds. The more you produce and the more money the company puts into new development of the resources, the lower there tax is. This is the reason the tax was on the books from 1907 to 1989. If we want to encourage production, we need to give the net and gross proceeds tax back to the industry.

He provided the committee with written testimony on HB 982 and amendments which would delete the windfall profits tax which is no longer in statute. He also submitted an amendments for a nonseveralbility clause other amendments needed for clarification. **EXHIBITS 2,3,4**

Proponents' Testimony:

Nancy Keenan, State Superintendent of Schools, OPI, stated that in her State of Education Address, she talked about the need of funding schools at a level that would provide our students with the skills to compete in the job market. She also talked about the need for taxpayers to share in the rising cost of education. She supports HB 982 because it addresses both of these concerns by (1) providing the inflationary increase to our public schools foundation schedule and (2) by bringing the oil, gas, and coal production back into the property tax base.

The school districts general fund budgets rose this past year by 4.7%. It is called inflation and is no different than any other business in Montana. The fact is that we require every taxpayer in Montana to pay an additional 40 mills to pay for education except for a group of taxpayers specifically oil, gas, and coal production in Montana.

If the state does not provide an inflationary increase for its share of public school funding, then the local taxpayer will pay. The last session, in order to protect a class of property tax payers; the oil, gas, and coal industry this year, next year, or the future years, will not be paying part of that 40 mills. You are asking the local taxpayers to carry the burden not only for their share but for the share of that specific industry as well.

Ms. Keenan stated further that if this 40 mill levy is carried over to the other taxpayers, it would be 38 cents a barrel on oil producers, 13 cents per ton for coal producers, and a four cent increase in the price per/mc on gas. We passed incentives in

1985 and 1987 to encourage oil production in Montana. She provided testimony to show a steady decline in production in Montana. **EXHIBIT 5**

The production figures for Montana serve to remind us that tax incentives lost and energy production in Montana is determined by the international market for oil, gas, and coal. The price of oil goes up on the international market and oil production goes up with it. As the recent Persian Gulf Crisis has shown, the price of oil can easily fluctuate by one dollar or five dollars a day. So how can we expect a 38 cent increase in the cost per barrel of oil is going to affect oil production one way or the other.

You will here the opponents say that they want stability and predictability in the state tax system. They had a fair amount of both under the net and gross proceeds system. Net proceeds was first imposed on oil production in 1921. The taxation system remained in place for 68 years before the Legislature decided in 1989 to get rid of net proceeds. Under the net proceeds system, the oil and gas producers understood how they would be assessed and understood that they would be subject to the same property tax increases as every other taxpayer. While their taxes were not constant, they were predictable in that they reflected some rate of inflation for financing local governments and schools. The net proceeds system does more to encourage investment than the flat tax.

The net proceeds system allows producers to deduct production costs from the gross value of oil and gas to compute the taxable value. Defenders of the oil and gas industry are fond of telling us that they pay 100% of the value. The committee needs to understand that they pay 100% on net proceeds after the production costs have been deducted. By allowing producers to deduct of the cost of production, the net proceeds system encourages capital investments.

Just as the energy producers are competing against Middle East oil and Australian coal production, so are our children in our communities competing against other students around this nation and world. It is imperative that we provide students with the skills for the future. HB 982 does this and she urged the committee's support.

REP. ELLIOTT, Trout Creek, stated that he has attempted to make an impartial study of the affects of taxation on the oil and gas industry in the U. S.

He anticipated some of the arguments the oil and gas industry would promulgate. The first argument would be that taxes inhibit exploration in the U.S. There are two major determinates of exploration: (1) the geology on the whole, (2) the stability of the price of oil. He quoted from **Sal Lazari** who works for the Congressional Research Service who stated " the instability of prices is the major disincentive to exploration".

Taxes may or may not be important to exploration given that every thing else is equal. No hole has the same geology. The volatility of prices, if you look at the high/low close over the last 5 years, goes all over the place.

Most bases in Montana are mature bases. The people at the Department of State Lands say that the Montana oil fields are played out. This is probably one of the major reasons in the decline of exploration in the state. Montana's geology is not "tricky or easy" when you compare it to the geology of North Dakota, Wyoming, or Colorado. North Dakota and Wyoming are constantly being held up to Montana because they have a hypothetically better tax structure.

REP. ELLIOTT talked about production. When a well is sunk, you have a sunk cost. Your only concerns then are the price of oil and the cost of pumping including taxes. It is in the area of production that taxes become most important. Taxes in Montana are on the gross value of oil. He feels this is an inappropriate place to put taxes. You have the price of oil and the cost of production. When the price of oil decreases, those taxes become an important part of the margin. The best place to tax would be to tax net profits because you have extracted all the costs already. In support of his comments, **REP. ELLIOTT** submitted an interoffice memo from the Conoco Oil Corporation and quoted from Page 1, Paragraph 2. **EXHIBIT 6**

SEN. TOWE, Billings, supported HB 982 because it is very unfair for the taxpayers of Montana. When HB 28, which allowed that the oil, gas, and coal avoid the 40 mills that everyone else had to pay in order to comply with court decisions on education; but they also gave the oil and gas industry a tax break. While everyone else paid more, the oil and gas industry paid less to help our schools. He thinks this is wrong. He provided the committee with a table and impact table that was taken out of the fiscal impact of HB 982. **EXHIBIT 7,8**

This bill does not affect the new oil and gas tax that was put into affect in 1985. That will stay at 12%. The tax rate does not have much of an affect on oil production, but if you think it does, he urged the committee to put in the tax holiday, secondary, tertiary, horizontal, and stripper well incentives. That would be far more important than anything this bill will take away.

SEN TOWE stated further that there are mechanical problems with the flat tax. Do you peg it to the 1989 levels, do you expand the tax base of each county according to that level, or do you update it to the 1990 and 1991 level. If you do this, you will allow the counties to manipulate it. They can increase their tax and reduce the state tax. There is nothing we can do about it. He urged the committee's support of HB 982

Phil Campbell, Montana Education Association, went on record in support of HB 982. He stated that while it is a tax policy before the committee, the need for funding the public schools is before the legislature as well. While they do support the bill, it doesn't come close to the inflationary percentage increase. The opponents will tell you that this tax will put them in jeopardy. He submitted that the Montana schools are looking at jeopardy as well. With the lack of funding from the state, it will put a greater burden at the local level. Without the proper amounts of funding from the state, you will see a reduction in programs at the schools.

Opponents' Testimony:

Gloria Paladichuk, Richland County Commissioner, stated if many of the oil and gas wells in Richland County along with the coal mine are not profitable, they will be shut down. If HB 982 passes, they will have no chance to develop coal in four counties. The local government severance tax is 97% neutral in Richland County.

HB 982 is very confusing. She at first thought the state would do all the collecting. It removes the state severance tax and local government severance tax language and gave it just severance tax. The only way the counties will get any of this is if the production is increased to the previous years. We would then have to share that revenue with the cities based on the rural or city population.

Page 20, Line 12 states the County Assessors shall subject to the provisions of 15-23-612. 15-23-612 deal with the new production and the 12 month exemption so there is nothing to compute. Line 13 states that the County Assessor will compute the taxes on net proceeds as provided in Subsection 2. Subsection 2 deals with the interim and new production and states that the County Assessor may not levy or assess any mills against the value. If HB 982 passes as written, you have bankrupted two of Richland County schools and possibly three. The only way to correct it is with a special session.

Page 22 states that the 12 month exemption for new production will be lost after July 2, 1991. By removing the language on Page 37, Lines 16 - 21, we are saying that Montana wishes to discourage oil and gas exploration and has the desire to become more dependent on imported oil and gas. What a message to send out to the country. If HB 982 passes, there will be $4.4 million in Richland County that will not be assessed or collected and 75% of the dollars goes to the state and university system. She urged the committee to Do Not Pass HB 982.

Barrett Ward, Sheridan County Commissioner, stated we are again changing our laws on the oil and gas structure in Montana. More counties are getting more money from the flat tax than they were from the net proceeds tax.

Jim Mockler, Montana Coal Council, provided written testimony from **Louis Matis, Manager, Northern States Power Company. EXHIBIT 9**

Mr. Mockler asked the committee how many of them pay a tax of any kind on gross production that they produce. No one pays a severance or flat tax on their gross business. When the 40 mills came into realization in Eastern Montana, the coal companies paid the 40 mills on their machinery and equipment just like everyone else. The oil and gas people do not know what HB 982 will do to them fiscally. It will cost the coal companies $9 million. He realizes the schools do not get all of the $9 million, but it does have an affect on our business. We pay on the gross amount just like the oil and gas people. We do our fair share. It is the highest taxed industry in the state. To imply that we are not paying our fair share, he feels is exceedingly unfair to our industry.

SEN KEATING, Billings, said that he received $600 a month in oil royalties. He has been paying this tax for quite some time. He provided the committee with a comparison as to what the net proceeds tax does to oil as compared to other property. **EXHIBIT 10**

HB 982 will hurt the economy of the state, hurt the job sector, and the state leasing fund. You will also see a declining tax bill and urged the committee to not pass HB 982.

W. W. Ballard, Balcrom, provided written testimony. **EXHIBIT 11**

Patrick Montalban, President, MSR, stated that as a small independent company, taking this bill as written, it is an advantage to them because they are paying more taxes with the 7% gross severance. There operating costs are much higher. If we were to kick back to the net gross proceeds, it would be a great advantage to their company. They are against the bill for one reason: consistency to the taxpayers of Montana. We have paid our fair share of taxes in the state.

Gary Spaeth, Minnesota Power and Detroit Edison, stated that they purchase 1/2 of the coal production in the state. They like to do business in Montana. You are in a damaged state by what is being done in this Legislature, and he would like the committee's help in controlling the damage so that his company will continue to do business in Montana. He provided written testimony. **EXHIBIT 12**

Ken Williams, Entech, provided written testimony. **EXHIBIT 13**

Larry Brown, SOS, Forsyth, strongly opposed HB 982

SEN. TVEIT, Fairview, said that he represented many small royalty owners. The 18 1/2% he pays at present on his personal property is excessive. He is all for education, but it should be fair as to how it is funded.

Janelle Fallon, Montana Petroleum Corporation, opposed HB 982.

Tom Ebzery, Nerco Coal Corporation, provided written testimony. **EXHIBIT 14**

Jerry Croft, Croft Petroleum Company, stood in opposition to HB 982.

Stan Kaleczyc, Burlington Northern Railroad, stated that this is a coal, oil, and gas tax bill. There is one section that raises a red herring issue dealing with airline and railroad taxation. He urged the committee to endorse **REP. O'KEEFE'S** amendment to take that out of HB 982.

Dan Murphy, Croft Petroleum, stated that the committee should be looking at other industries for tax revenues because the oil industry is being taxed to death.

Bill Voy, Independent Producer, Havre, stood in opposition to HB 982.

William Duffield, Fallon County Commissioner, went on record in opposition to HB 982.

Bill Mason, Forsyth, stood in opposition to HB 982.

Questions From Committee Members:

REP. ELLIOTT said that **William Ballard** took exception with the comments that he said regarding the reality in the state. **REP. ELLIOTT** pointed out that this was not his opinion, but that of people who were reportedly the experts in the oil and gas industry working for the state. The Department of State Lands tell him that 10% to 20% of the Williston Basin is in Montana yet **Mr. Ballard** said that 50% of the Williston Basin is in Montana. **REP. ELLIOTT** asked **Mr. Ballard** how he accounted for this discrepancy. **Mr. Ballard** said in the first place they forgot Saskatchewan. If you look at a geological map, it is very easy to come up with a direct answer. We have as much area in the Williston Basin as North Dakota.

REP. RANEY asked **Tom Standard, LFA,** for information on the depth of holes in Montana and outside the U.S. and what is the cost of drilling those wholes without the taxes. He also wanted to know the cost of digging coal in Wyoming and Montana and the cost of transporting it to market. **REP. FAGG** also asked that **Mr.**

Standard try to get some handle on the impact on jobs in Montana. **Mr. Standard** said that he would try.

REP. HOFFMAN stated that he is confused about the impact HB 982 will have on the Eastern counties, and asked **REP. O'KEEFE** if he had any figures to determine what the cost would be to these Eastern counties. **REP. O'KEEFE** said the intent of HB 982 is to take us back to 1989 with net gross proceeds, revenue neutral but with an additional 40 mills on it. The impact on the Eastern counties should be positive. He deferred the question to **Madalyn Quinlan, OPI,** stated Hill County will lose money under this proposal because every county will have the oil, gas, and coal added back into its property tax base. Then the local governments or school board sets the mill levy that they need for their budgets. There is no automatic assumption that counties would lose revenue under HB 982. **REP. HOFFMAN** asked if the mill levy would be subject to I-105. **Ms. Quinlan** said that school levies are not subject to I-105 and other mill levies are. It depends on which levy it is. County levies are still subject to I-105 and school budgets are subject to the CAP.

REP. GILBERT said that in his opening statement **REP. O'KEEFE** said that personal property taxes would reduce in 1989 from 11% to 9%; then we have excluded the oil company from the 40 mills. He asked **REP. O'KEEFE** if it wasn't true that the oil companies pay the 40 mills on their personal property. **REP. O'KEEFE** said that it was not his intent to say that the oil companies didn't pay the 40 mills under their personal property. **REP. GILBERT** asked if it isn't correct that the oil companies do contribute to the infrastructure of the schools on the 40 mills in their county. **REP. O'KEEFE** said they do on their personal property, that is correct. **REP. GILBERT** asked how the net proceeds tax will affect royalty. **REP. O'KEEFE** said not exactly; however, in SB 1 which was dealt with in the last session, they did give royalty owners a break. They set up rates under the flat tax that had to do with new and old oil. He can not tell specifically where the Senators got their numbers.

REP. THOMAS asked **Janelle Fallon** if they would object to paying an extra 40 mills if your percentage of tax value if more along the lines of everyone else. **Mr. Fallon** said if everyone is put at 100% of value then they would consider it.

CHAIR HARRINGTON said that **Gloria Paladichuk** testified that Richland County would suffer if HB 982 should pass. She also heard the discussion from the LFA's office saying that Richland County should have more money under this bill, and he asked her to comment on this. **Ms. Paladichuk** said that it depended on the number of stripper wells that they have. Richland County has a substantial number of stripper wells, and on the flat tax, we do collect revenue.

REP. RANEY stated that the coal opponents were discussing gross proceeds and we tax them on 100% of value. In the handout presented by **REP. O'KEEFE**, we tax them on 45% of gross value. Oil is being taxed at 50% gross value even they are under a net proceeds tax. So in affect, the coal is being taxed at 5% less than oil and asked **REP. O'KEEFE** if this were true. **REP. O'KEEFE** said that it is popular for the opponents to talk about being taxed at 100% of gross which they are; but the tax is on net, so the affect of the taxable valuation is 45% for coal, and depending on what type of rightoffs they have, it is roughly 50% for oil and gas.

REP. HOFFMAN stated that when the discussion on HB 982 began, it was said that it is not about numbers or statistics but a bill about tax policy. He told **REP. O'KEEFE** that doesn't understand if he was looking at two policy objectives or a combination. One of the objectives is to impose a tax on an industry because of exploration and production, but the exploration and production are determined by the market. The second objective is to raise additional money for education which has received in excess of $160 million increase in the past two years. **REP. O'KEEFE** said there are two questions in HB 982. One has to do with education. He felt that the 3 and 3 was low and he thinks it is a foundation schedule increase that doesn't even keep our schools where they are because of inflation. He supports at least keeping them there. It is in the bill; but even if it wasn't in the bill, he would have introduced it. The bill is about tax policy. It's about changing something that has been in statute since 1907 that he feels was not a proper decision.

Closing by Sponsor:

REP. O'KEEFE stated that in Executive Session, they had a bill that dealt with a resource tax at Big Sky. It was a non-partisan bill as it went through the committee, and he voted against the bill because that bill dealt with an indirect hidden cost of tourism that they were asking us as a state to pick up. In the arena of oil, gas, and coal, this state has had a policy for 20 years that all costs, direct or indirect, be picked up in taxation policy. For the last 20 years, our state has not been friendly to the extractive industries because the people of Montana value the heritage of their land. Taxation is on the list of things that affect these industries, but so are our natural resource laws and the people's attitude toward exploitive industries.

HB 982 is about a broader question. It is about whether or not what we did last session was fair to the people of Montana who had to pick up the bill for the additional funding for education. He heard all the statistics. The opponents saying the proponents statistics were wrong and visa versa. We can talk about numbers forever, we are talking about policy. His intent is to keep the bill identical to the way it was in 1989. He does not know what the counties are reading into it. There is one problem with the bill that can be fixed in Executive Session.

We are talking about non-renewable resources. This state has a policy of taxing them at 100% of gross production. This bill is not changing this. Agriculture and most of the industries in Montana are renewable, this is a non-renewable one time deal with these industries. For this reason, he believes it is fair to treat these industries differently.

SEN. KEATING made the statement that he viewed taxes as a confiscation of his personal property. Many people in the oil, gas, and coal industry view our taxes as a confiscation. Many property owners view their taxes as a confiscation. He does not feel that the members of the Taxation Committee think that way. He does feel that the members view them as a mechanism to fund government and to get done what the people want done. One of the things that the people of our state wants to have done is to get our children educated. HB 982 is one way to help do this.

EXECUTIVE ACTION ON HB 121

Discussion:

REP. REAM stated that the Income/Severance Tax Subcommittee had two store license bill in for discussion--HB 121 and HB 547. We recommended tabling HB 121 on a 9 to 1 vote.

Motion/Vote: **REP. REAM MOVED HB 121 BE TABLED.** Motion carried unanimously.

EXECUTIVE ACTION ON HB 547

Motion: **REP. M. HANSON MOVED HB 547 DO PASS.**

Motion: **REP. M. HANSON** moved to amend HB 547. **EXHIBIT 15**

Discussion:

REP. HANSON explained the amendments by the DOR. Instead of saying a "maximum", they wanted it to just say "for stores grossing $1,500 or less in a year". They are technical amendments.

Vote: Motion to amend HB 547 carried unanimously.

Motion/Vote: **CHAIR HARRINGTON MADE A SUBSTITUTE MOTION THAT HB 547 DO PASS AS AMENDED.** Motion carried unanimously.

EXECUTIVE ACTION ON HB 285

Motion: **REP. SCHYE MOVED HB 285 DO PASS.**

Motion: **REP. SCHYE** moved to amend HB 285. **EXHIBIT 16**

Discussion:

REP. SCHYE asked **Lee Heiman, Legislative Council,** to explain the amendments. **Mr. Heiman** stated that amendment #1 and #4 provide that a county wide mosquito control district has to use fees or property taxes. They can not use both. The second part of the amendment extend the fee schedule to $50 on irrigated property without a dwelling, $15 on nonirrigated property that not contain a dwelling.

Vote: Motion to amend HB 285 carried unanimously.

Motion: **CHAIR HARRINGTON MADE A SUBSTITUTE MOTION THAT HB 285 DO PASS AS AMENDED.**

Discussion:

REP. SCHYE stated HB 285 allows mosquito districts to either use the property tax or fee system to raise money for mosquito control. **REP. THOMAS** asked if the bill was subject to I-105. **REP. SCHYE** said it wouldn't be subject to I-105 because it uses a fee system. **REP. GILBERT** asked if it doesn't relieve the pressure on the current mill levy. **REP. SCHYE** said that many of the counties don't use the full five mills. His county feels that a fee is better than raising the property taxes.

Vote: Motion that HB 285 Do Pass As Amended carried 14 to 7 with **REPS. GILBERT, FAGG, RANEY, NELSON, FOSTER, THOMAS,** and **STANG** voting no.

EXECUTIVE ACTION ON HB 386

Motion: **REP. SCHYE MOVED HB 386 DO PASS.**

Motion: **REP. SCHYE** moved to amend HB 386. **EXHIBIT 17**

Discussion:

REP. SCHYE said HB 386 deals with increasing the gas tax one cent for roads leading to and inside the park system. He explained the amendments. He stated that **REP. RANEY** had a bill which dealt a one cent gas tax to help with the underground storage tanks. The one cent tax goes down 3/4 of a cent after it reaches $8 million. Many people had trouble with the one cent tax. It was decided that when the $8 million was reached, we amended HB 285 to pick up that quarter of a cent.

Vote: Motion to amend HB 386 carried 20 to 1 with **REP. NELSON** voting no.

Motion/Vote: **REP. SCHYE MADE A SUBSTITUTE MOTION THAT HB 386 DO PASS AS AMENDED.** Motion carried 13 to 7 on a roll call vote. **EXHIBIT 18**

EXECUTIVE ACTION ON HB 312

Discussion:

REP. COHEN said that the Property Tax Subcommittee met several times to discuss HB 312. An additional subcommittee was asked to explore various funding options for the youth courts. They came back with a report which will be shared with the committee. The committee recommended to amend into HB 312 a $3 per license plate additional fee because 85% of the court cases involve vehicles.

Motion: REP. HOFFMAN MOVED HB 312 DO PASS.

Motion: REP. HOFFMAN moved to amend HB 312. **EXHIBIT 19**

Discussion:

REP. O'KEEFE pointed out to the committee that a sunset was put on HB 312. **Lee Heiman, Legislative Council**, stated that the committee asked for a sunset, then it was decided not to. **REP. COHEN** said that HB 312 must be acted upon because it has to go to Appropriations. **REP. STANG** asked if the committee was aware of the 3 or 4 other bills being introduced which would raise the fees on licenses and vehicle. **CHAIR HARRINGTON** stated that in many of the larger communities HB 312 gives them a property tax break. **REP. GILBERT** agreed with **REP. STANG**. He stated if you want to make the people mad, just keep increasing their license fees. Maybe we should change the laws that pertain to the juvenile court system to quit raising so much money.

REP. ELLIOTT agreed with **REPS. STANG** and **GILBERT.** He stated that if we need to pay for this, we need an appropriation. The Appropriations Committee is where it should be instead of taxing the people of the state. **REP. THOMAS** said that it is a matter of equalization across the state. Everyone in the state will be paying the fee. **REP. HOFFMAN** said the bill deserves to be heard by the entire House floor. It is an issue of significant magnitude and needs to be taken to the people.

Vote: Motion on the amendments passed 13 to 7 on a roll call vote. **EXHIBIT 20**

Motion/Vote: **CHAIR HARRINGTON MADE A SUBSTITUTE MOTION THAT HB 312 DO PASS AS AMENDED.** Motion carried 13 to 7 on a roll call vote. **EXHIBIT 20**

EXECUTIVE ACTION ON HB 907

Motion: CHAIR HARRINGTON MOVED HB 907 DO PASS AS AMENDED. EXHIBIT 21.

Discussion:

CHAIR HARRINGTON said HB 907 was introduced by him on the firemen's pension plan. It should go on the board and he will send it to the Appropriations Committee.

Vote: Motion that HB 907 Do Pass carried unanimously.

ADJOURNMENT

Adjournment: 12:15 p.m.

Dan Harrington
DAN HARRINGTON, Chair

Lois O'Connor
LOIS O'CONNOR, Secretary

DH/lo

HOUSE OF REPRESENTATIVES

TAXATION COMMITTEE

ROLL CALL

DATE 3/18/91

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	✓		
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	✓		
REP. DAVE WANZENRIED	✓		

HOUSE STANDING COMMITTEE REPORT

March 18, 1991

Mr. Speaker: We, the committee on Taxation report that House Bill 547 (first reading copy -- white) do pass as amended .

Signed: ______________________
Dan Harrington, Chairman

And, that such amendments read:
1. Title, line 6.
Strike: "FOR STORES GROSSING $1,500 OR LESS A YEAR"

2. Page 1, lines 10 and 11.
Strike: "does not generate gross revenue in excess of $1,500 in a year"
Insert: "generates income used only for the purposes for which the operator is organized"

HOUSE STANDING COMMITTEE REPORT

March 18, 1991

Mr. Speaker: We, the committee on Taxation report that House Bill 285 (second reading copy -- yellow) do pass as amended.

Signed: ______________________
Dan Harrington, Chairman

And, that such amendments read:
1. Page 2, line 3.
Strike: "and"

2. Page 2, line 4.
Following: "establishment"
Strike: "."
Insert: ";

(v) up to $50 on each irrigated parcel of property that does not contain a dwelling; and

(vi) up to $15 on each nonirrigated parcel of property that does not contain a dwelling.

(2) A countywide mosquito control district may be financed by a property tax pursuant to subsection (1)(a) or a fee under subsection (1)(b), but not by both a tax and a fee."

Renumber: subsequent subsections

HOUSE STANDING COMMITTEE REPORT

Mr. Speaker: We, the committee on Taxation report that House Bill 386 (first reading copy -- white) do pass as amended.

Signed: ______________________
Dan Harrington, Chairman

And, that such amendments read:

1. Title, line 5.
Strike: "1"
Insert: "0.25"

2. Page 1, line 17.
Strike: "4.76%"
Insert: "1.19%"

3. Page 1, line 18.
Following: "parks"
Insert: ", as provided in [section 3],"

4. Page 5, line 15.
Strike: "21"
Insert: "20.25"

5. Page 6, line 2.
Strike: "4.76% of"

HOUSE STANDING COMMITTEE REPORT

March 18, 1991

Mr. Speaker: We, the committee on Taxation report that House Bill 312 (first reading copy -- white) do pass as amended.

Signed: ______________________
Dan Harrington, Chairman

And, that such amendments read:

1. Title, lines 9 and 10.
Strike: "PROVIDE AN APPROPRIATION FOR"
Insert: "INCREASE THE REGISTRATION FEES FOR AUTOMOBILES, LIGHT TRUCKS, MOTORCYCLES, QUADRICYCLES, AND LIGHT TRAILERS BY $3 TO FUND"

2. Title, line 12.
Following: "46-8-202,"
Insert: "61-3-321, 61-3-325,"

3. Page 6, lines 6 and 7.
Strike: "-- state funding after expenditure of county district court funds"

4. Page 15.
Following: line 12
Insert: "Section 12. Section 61-3-321, MCA, is amended to read:

"61-3-321. Registration fees of vehicles -- public-owned vehicles exempt from license or registration fees -- disposition of fees. (1) Registration or license fees must be paid upon registration or reregistration of motor vehicles, trailers, housetrailers, and semitrailers, in accordance with this chapter, as follows:

(a) motor vehicles weighing 2,850 pounds or under (other than motortrucks), ~~$5~~ $8;

(b) motor vehicles weighing over 2,850 pounds (other than motortrucks), ~~$10~~ $13;

(c) electrically driven passenger vehicles, $10;

(d) all motorcycles and quadricycles, ~~$2~~ $5;

(e) tractors and/or trucks, $10;

(f) buses are classed as motortrucks and licensed accordingly;

(g) trailers and semitrailers less than 2,500 pounds maximum gross loaded weight and housetrailers of all weights, ~~$2~~ $5;

(h) trailers and semitrailers over 2,500 up to 6,000 pounds maximum gross loaded weight (except housetrailers), $5;

(i) trailers and semitrailers over 6,000 pounds maximum gross loaded weight, $10;

(j) trailers used exclusively in the transportation of logs in the forest or in the transportation of oil and gas well machinery, road machinery, or bridge materials, new and secondhand, $15 annually, regardless of size or capacity.

(2) All rates are 25% higher for motor vehicles, trailers, and semitrailers not equipped with pneumatic tires.

(3) "Tractor", as specified in this section, means any motor vehicle, except passenger cars, used for towing a trailer or semitrailer.

(4) If any motor vehicle, housetrailer, trailer, or semitrailer is originally registered 6 months after the time of registration as set by law, the registration or license fee for the remainder of the year is one-half of the regular fee.

(5) An additional fee of $5.25 per year for each registration of a vehicle must be collected as a registration fee. Revenue from this fee must be forwarded by the respective county treasurers to the state treasurer for deposit in the general fund. The department of justice shall distribute 25 cents from each fee collected to the highway patrol retirement fund.

(6) A fee of $2 for each set of new number plates must be collected when number plates provided for under 61-3-332(3) are issued. Revenue from this fee must be deposited as provided in subsection (5).

(7) The provisions of this part with respect to the payment of registration fees do not apply to and are not binding upon motor vehicles, trailers or semitrailers, or tractors owned or controlled by the United States of America or any state, county, or city.

(8) The provisions of this section relating to the payment of registration fees or new number plate fees do not apply when number plates are transferred to a replacement vehicle under 61-3-317, 61-3-332, or 61-3-335.

<u>(9) The county treasurer shall deduct $3 as a district court fee from the fee collected in subsections (1)(a), (1)(b), (1)(d), and (1)(g). The county treasurer shall credit the fee for district courts to a separate suspense account and shall forward the amount in the account to the state treasurer at the time the county treasurer distributes the motor vehicle suspend fund. The state treasurer shall credit that amount to the general fund to be used for purposes of state funding of district court expenses as</u>

provided in 3-5-901 and [section 5]."

Section 13. Section 61-3-325, MCA, is amended to read:
"61-3-325. Vehicles subject to staggered registration -- fees and taxes -- disposition. (1) Any motor vehicle in the fleet that is subject to staggered registration under 61-3-313 through 61-3-316 may be registered as part of the fleet on the following fleet renewal date. The department of highways shall collect the remaining fees and taxes due for the registration year after crediting the registrant for the period that was previously paid.

(2) (a) The department of highways shall compute fees and taxes due on each motor vehicle in the fleet as provided in part 5 of this chapter, based on its domicile.

(b) The department of highways shall also collect a registration fee of $7.50 for each motor vehicle in the fleet in lieu of the registration fee provided for in 61-3-321. The department shall retain $4.50 of each registration fee for administrative costs and forward the remaining $3 to the state treasurer for deposit in the general fund in lieu of the fee provided in 61-3-321(5). The department of highways shall deduct the $3 district court fee on applicable vehicle registration fees as provided in 61-3-321(9) and forward that amount to the state treasurer who shall credit that amount to the general fund to be used for the purposes of state funding of district court expenses as provided in 3-5-901 and [section 5].

(c) All fees and taxes must be paid no later than February 15 each year.

(d) The fees and taxes collected must be distributed by the department of highways as provided in 61-3-321 and part 5 of this chapter, based on the domicile of each motor vehicle.""

Renumber: subsequent sections

5. Page 16, line 16.
Following: "~~collected.~~"
Insert: "Any amount forwarded to the state treasurer under this subsection that is not used for district court expenses must be refunded to the counties in the proportion that the amount collected from each county bears to the total amount collected."

6. Page 16, line 17 through page 17 line 6.
Strike: section 13 in its entirety
Renumber: subsequent sections

3-1

HOUSE STANDING COMMITTEE REPORT

March 18, 1991

Mr. Speaker: We, the committee on Taxation report that House Bill 907 (first reading copy -- white) do pass as amended .

Signed: ______________________________
Dan Harrington, Chairman

And, that such amendments read:
1. Title, lines 4 through 6.
Strike: "CLARIFYING" on line 4 through "BENEFITS;" on line 6

2. Title, line 8.
Strike: "SECTIONS"
Insert: "SECTION"

3. Title, line 9.
Strike: "7-33-2311 AND"

4. Page 1, line 12 through page 2, line 3.
Strike: section 1 in its entirety
Renumber: subsequent section

EXHIBIT 2
DATE 3-18-91
HB 982

House Bill 982
Representative Mark O'Keefe
March 18, 1991

Sections 1-6. County classifications and boned indebtedness

These sections remove the references to the local government severance tax in the statutes that limit bonded indebtedness.

Section 7. Disposition of tax collections

Technical correction

Section 8. Class 2 property --description-- taxable percentage

Restores coal production in the property tax base and restores the 45 percent tax rate.

Section 9. Definitions.

Corrected reference for notification of new production.

Section 10. Statement of sales proceeds on production.

Requires oil and gas producers to report production to the department of revenue.

Section 11. Net Proceeds -- how computed.

Restores the calculation of the net proceeds, which allows the producers to subtract the production costs from the gross value in computing net proceeds.

Section 12. Assessment of Royalties.

Applies the net proceeds tax to royalty owners of oil and gas.

Section 13. County Assessors to compute taxes.

Corrects a reference that has been renumbered in the bill.

Section 14. Certain natural gas, petroleum, or other crude or mineral oil exempt.

Terminates the 12-month tax exemption for wells brought into production after July 1, 1991.

Section 15. Taxation of Gross Proceeds

Eliminates the coal flat tax and the distribution of the coal flat tax.

Sections 16-20.

Eliminates the local government severance tax and the distribution of the local government severance tax.

Section 19 restores the allocation of "excess" state severance taxes to the counties.

Sections 21-25. Foundation Schedules

Increases the foundation schedules by 3 percent in fiscal 1992 and another 3 percent in fiscal 1993.

Sections 26-27.

Eliminates references to the flat taxes in the calculation of for MOK

EXHIBIT 1
DATE 3-18-91
HB 982

Net Proceeds Tax

1) Applies to oil and gas production
2) Net proceeds are calculated as:

Gross Value

Less money spent for :

Labor and Machinery
Supplies used in operation and development
Improvements/Repairs to the Well
Insurance
Vehicles
Performance or indemnity bonds

3) After the production costs have been extracted, the **net** proceeds are taxed at 100 percent.
4) On the average, net proceeds are roughly 50 percent of the gross value of production.
5) Producers are **not** allowed to deduct taxes, administrative or overhead costs, legal fees, or interest paid on borrowed funds.

Gross Proceeds Tax

1) Applies to coal production
2) Gross value is calculated as production times contract sales price
3) The taxable valuation is 45 percent of gross value.

EXHIBIT 3
DATE 3-18-91
HB 982

Amendments to House Bill No. 982
First Reading Copy

Technical Amendments
For the Committee on Taxation

Prepared by Lee Heiman
March 16, 1991

Delete References to Federal Windfall Profits Tax -- Repealed August 1988.

1. Page 12, lines 16 through 19.
Strike: subsection (1) in its entirety
Renumber: subsequent subsections

2. Page 15, line 4.
Following: ";"
Insert: "and"

3. Page 15, line 7.
Strike: "; and"
Insert: "."

4. Page 15, lines 8 through 13.
Strike: subsection (iv) in its entirety

5. Page 17, line 17.
Following: "calculated;"
Insert: "and"

6. Page 17, lines 18 through 23.
Strike: subsection (h) in its entirety
Renumber: subsequent subsection

7. Page 19, line 12.
Strike: "(1)"

8. Page 19, lines 19 through 21.
Strike: "less" on line 19 through "15-23-602(1)(e)(iv)," on line 21

9. Page 20, lines 5 though 7.
Strike: subsection (2) in its entirety

10. Page 67, lines 8 though 25.
Strike: section 23 in its entirety
Renumber: subsequent sections

11. Page 69, line 1.
Following: "32"
Strike: ","
Insert: "and"
Following: "33"

X3
982

Strike: ", and 34"

12. Page 69, line 4.
Following: "32"
Strike: ","
Insert: "and"
Following: "33"
Strike: ", and 34"

13. Page 69, line 10.
Following: "32"
Strike: "through 34"
Insert: ", 33, 35"
Strike: "39"
Insert: "38"

EXHIBIT 4
DATE 3-18-91
HB 982

Amendments to House Bill No. 982
First Reading Copy

Requested by Rep. O'Keefe
For the Committee on Taxation

Prepared by Lee Heiman
March 16, 1991

1. Page 69.
Following: line 8
Insert: "NEW SECTION. **Section 38. Coordination instruction.** If Senate Bill No. 17 is passed and approved with an amendment to 15-1-501, MCA, the appropriation in [section 35] is reduced from $275 million to $23 million.

NEW SECTION. **Section 39. Nonseverability.** It is the intent of the legislature that each part of [this act] is essentially dependent upon every other part, and if one part is held unconstitutional or invalid, all other parts are invalid."
Renumber: subsequent sections

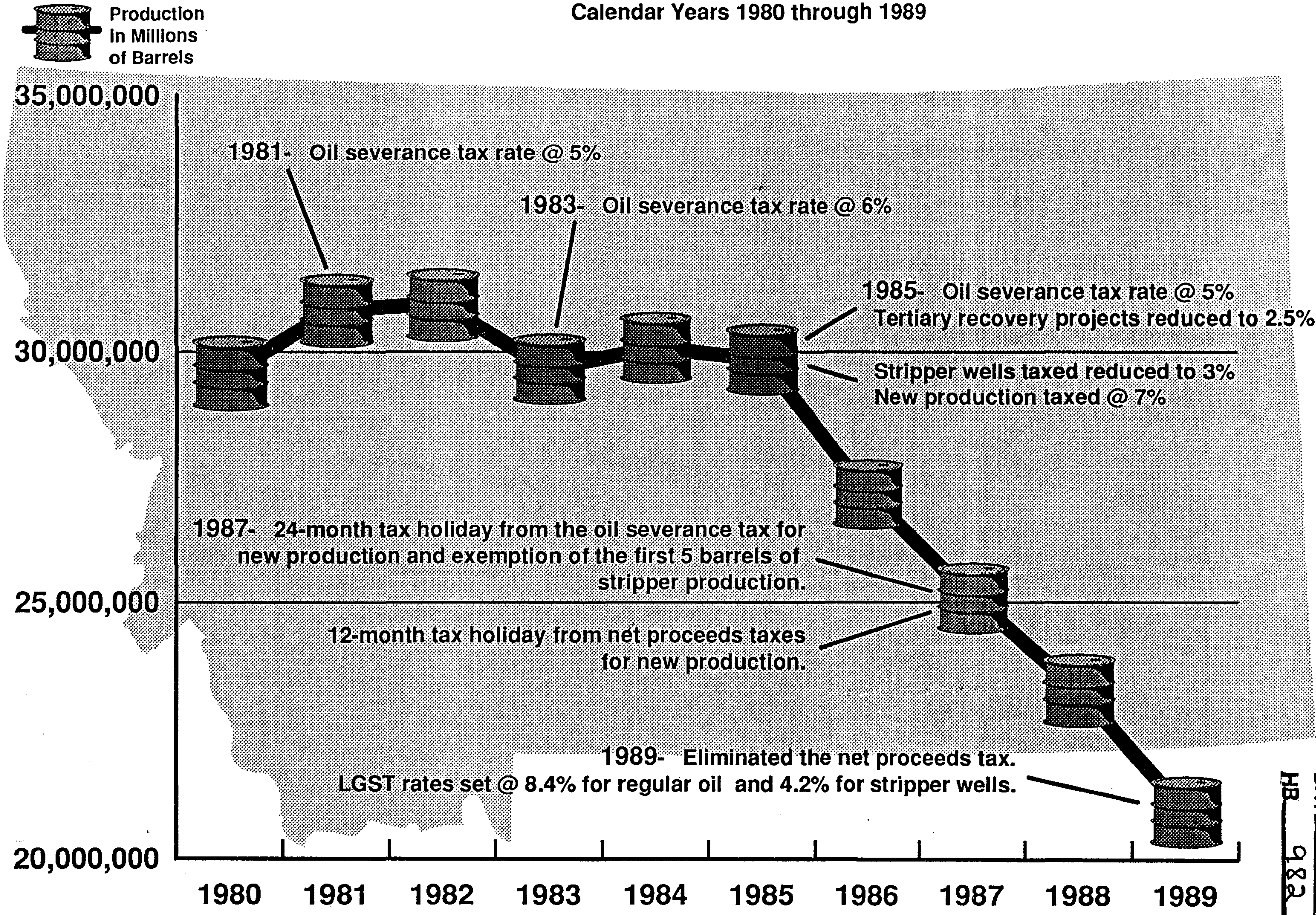
2. Page 69, line 10.
Following: "36"
Strike: ", 37,"
Insert: "through"
Following: "39,"
Insert: "41"

3. Page 69.
Following: line 15
Insert: "(1)"

4. Page 69.
Following: line 18.
Insert: "(2) Coal, oil, and natural gas produced after December 31, 1988, and before January 1, 1991, are subject to taxation as provided by Chapter 11, Special Laws of 1989, as amended by Chapter 3, Special Laws of 1990. Coal, oil, and natural gas produced after December 31, 1990, are subject to taxation as provided in [this act]."

Oil Production in Montana

Calendar Years 1980 through 1989



DATE 3-18-91
HB 982

Ex. 5
3-18-91
HB 982

House Bill 982 (O'Keefe)
March 18, 1991

Fiscal 1993 Estimates

	40 Mills Revenue	Tax Year 1992 Estimated Production	Estimated Price	Tax Per Unit
Coal	$4,644,000	34,473,000	$7.36	$0.13
Oil	$6,817,000	17,809,000	$23.73	$0.38
Gas	$1,732,000	45,622,000	$1.77	$0.04
Total	$13,193,000			

* Price and Production Estimates are from House Joint Resolution 24

Oil Production and Price Data for Montana
Calendar Years 1980 through 1990

	Oil Production (Barrels)	Average Price
1980	29,583,804	$22.25
1981	30,813,411	$34.32
1982	30,917,311	$31.31
1983	29,665,280	$28.80
1984	30,079,819	$28.07
1985	29,850,417	$25.24
1986	27,164,630	$13.52
1987	25,104,049	$16.63
1988	23,317,456	$13.84
1989	20,969,292	$17.10
1990	19,809,988	----

Sources: Production Data, Oil and Gas Conservation Division, Department of Natural Resources and Conservation

Average Price Data, State Severance Tax Returns, Montana Department of Revenue

Elliott

EXHIBIT 6
DATE 3-18-91
HB 982

CONOCO

Interoffice Communication

TO: W. David Rossiter

FROM: Thomas R. Jacob

DATE: April 4, 1986

SUBJECT: <u>Impact of Low Oil Prices and State Taxes on Oil Investment</u>

ISSUE

The recent drop in oil prices and possibility of prolonged low price levels threatens to drastically reduce domestic oil and gas investment. To what extent will differences in state tax structure influence investment in such a low-price environment?

CONCLUSION

Such as Montana does % of as price rather than $/unit

The impact of lower oil prices on oil investment will be significantly more severe in states which impose high taxes on petroleum production. In contrast to income-based taxes, production taxes such as severance taxes are completely insensitive to either capital investment or operating costs. Because of this it is possible for production tax liabilities to exceed the net revenue from production in marginal operations, forcing premature shutdown or discouraging investment altogether. The recent drastic reduction in oil prices will push many projects down to that marginal status. In this circumstance, the type and level of state taxes will be increasingly important in determining the viability of oil projects and, therefore, the ultimate level of economic dislocation resulting from the price fall.

STUDY RESULTS

To test for differential effects of lower oil prices in various states, a computer model of a hypothetical oil development project was used (see Attachment #1 for detailed assumptions of the model). Project economics were evaluated using production tax rates appropriate for each state. In addition, ad valorem taxes based upon oil production or reserves were used for those states in which Conoco has operating properties. Rates were set at the average effective rate experienced by the company. Because ad valorem taxes tend to vary with costs, in contrast to conventional production taxes, these were assumed to vary with income from the property.

The project was evaluated under two oil price cases. The HIGH PRICE case assumed the price for oil from the project will hold at $25/bbl for three years, and thereafter rise at an assumed 5%

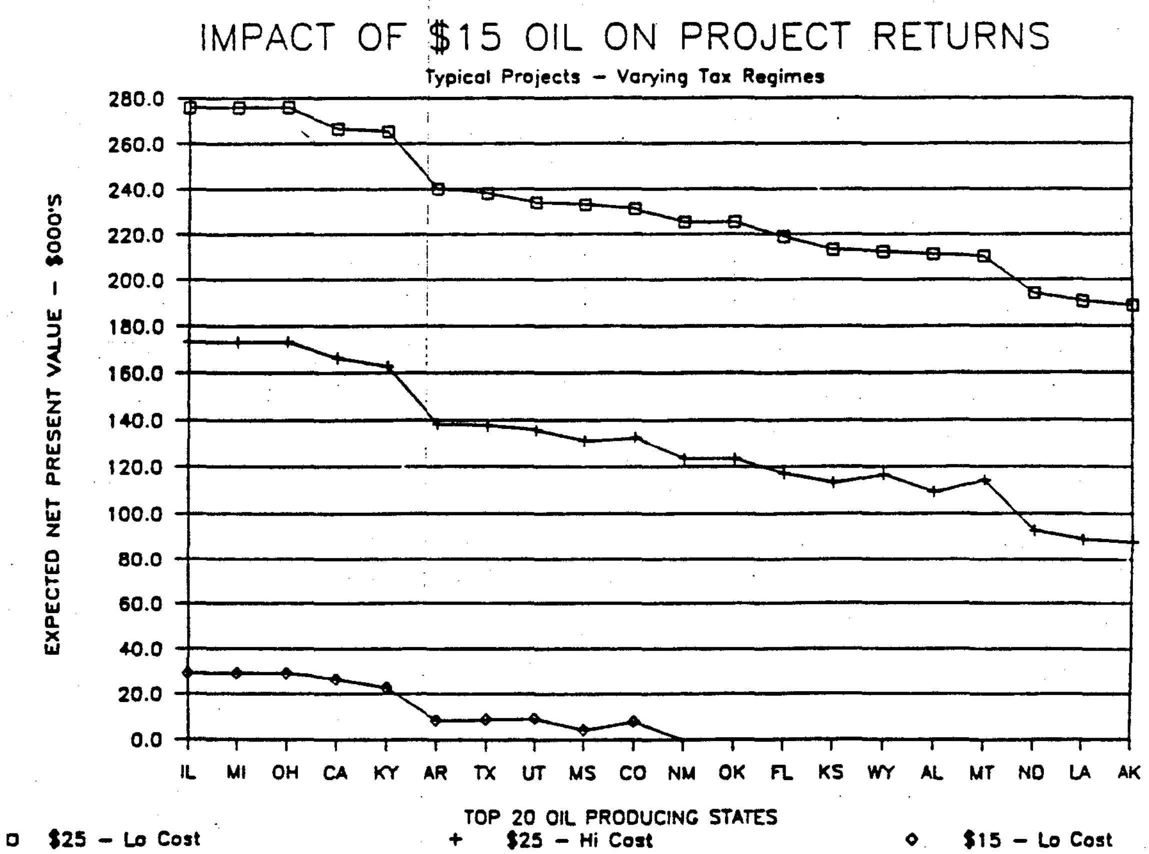
inflation rate. The LOW PRICE case assumed a price of $15/bbl for three years, then rising with inflation.

To test for differential effects of varying cost, the model was run under two cost scenarios. The LOW COST case assumed modest capital investment ($450,000) and operating costs (starting at $30,000/yr). The HIGH COST case assumed higher capital costs ($600,000) and operating costs (beginning at $45,000/yr).

Variation in Project Returns

FIGURE #1 compares graphically the results for the top 20 oil producing states. The states are arrayed in descending order of the project net present value (NPV) under the HIGH PRICE-LOW COST scenario. The NPV reflects the dollar returns estimated for the project, taking into account the cost of capital.

FIGURE # 1



The states where the project is most attractive are Illinois, Michigan and Ohio, which do not apply a severance tax and for which no ad valorem tax assumptions were included. In this tax environment, the net present value return over the life of the project would be $276,000 in the HIGH PRICE-LOW COST case. This represents a 58% internal rate of return (IRR). Even the high tax states of Alaska and Louisiana show project economics that are clearly very attractive, with net present value returns of $190,000 and IRR's at 42%. Though this may seem high, it must be remembered that this applies only to the project investment. Companies rely upon revenue from such development projects to offset not only costs of the project itself, but also the costs of exploration activities, which yield no direct revenue.

Economics degrade for all states under the HIGH COST scenario, though with yields ranging from $85,000 to $175,000, the investment is still sound. But this picture changes radically under the LOW PRICE assumptions. Even the low-tax states show only marginal returns, at an NPV of $30,000 with IRR's at 20%. Under these marginal conditions, the tax environment becomes more important, as is evidenced by the fact that ten states with higher production taxes drop out of the investment calculation completely. In each one, the after-tax return from the project would not be sufficient to cover the cost of capital. In such a case, the model assumes the investment would not be made and the return is set to "$0". Under the LOW PRICE assumption, the HIGH COST project does not yield positive value under any tax regime.

FIGURE #2 illustrates graphically the increasing importance of state taxes as projects become marginal. The states are arrayed in the same order as Figure #1. In this case, however, the projected NPV of the project for each state is displayed as a percentage of the highest NPV for each scenario.

FIGURE #2

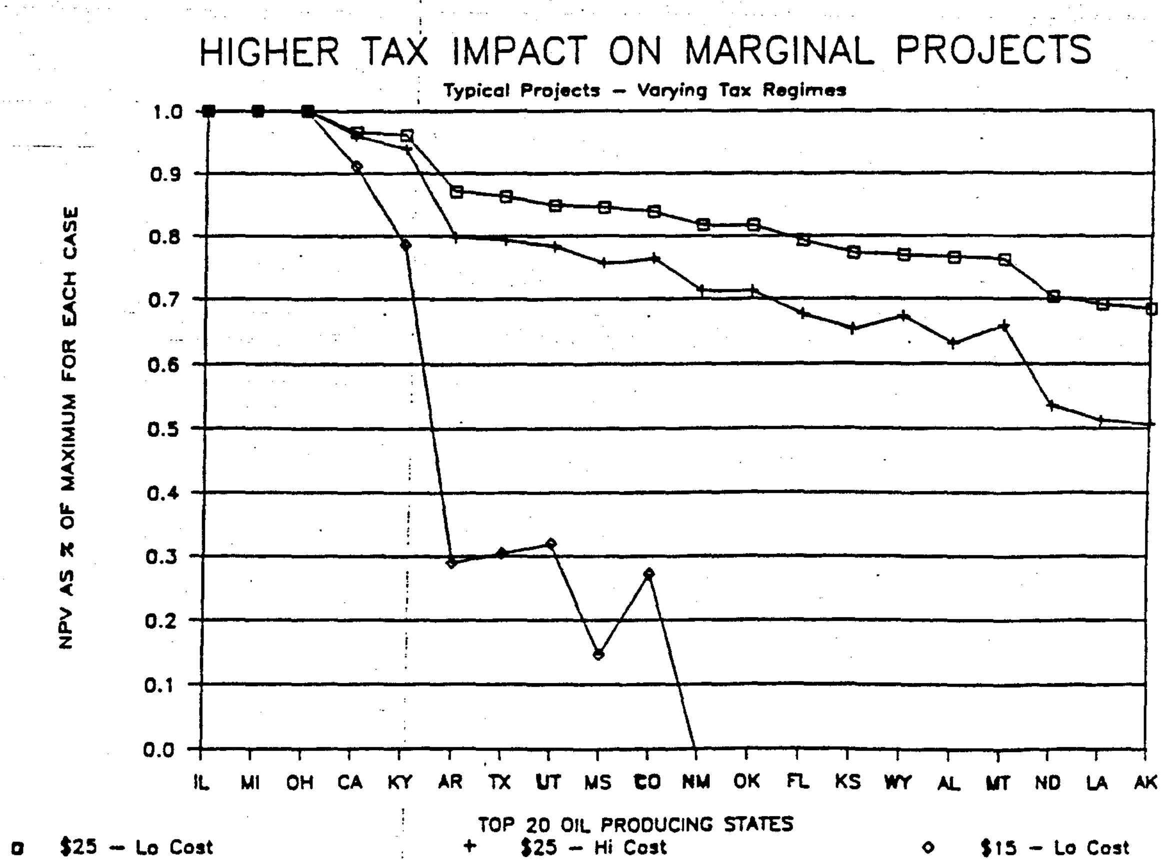


EXHIBIT 6
DATE 3-18-91
HB 982

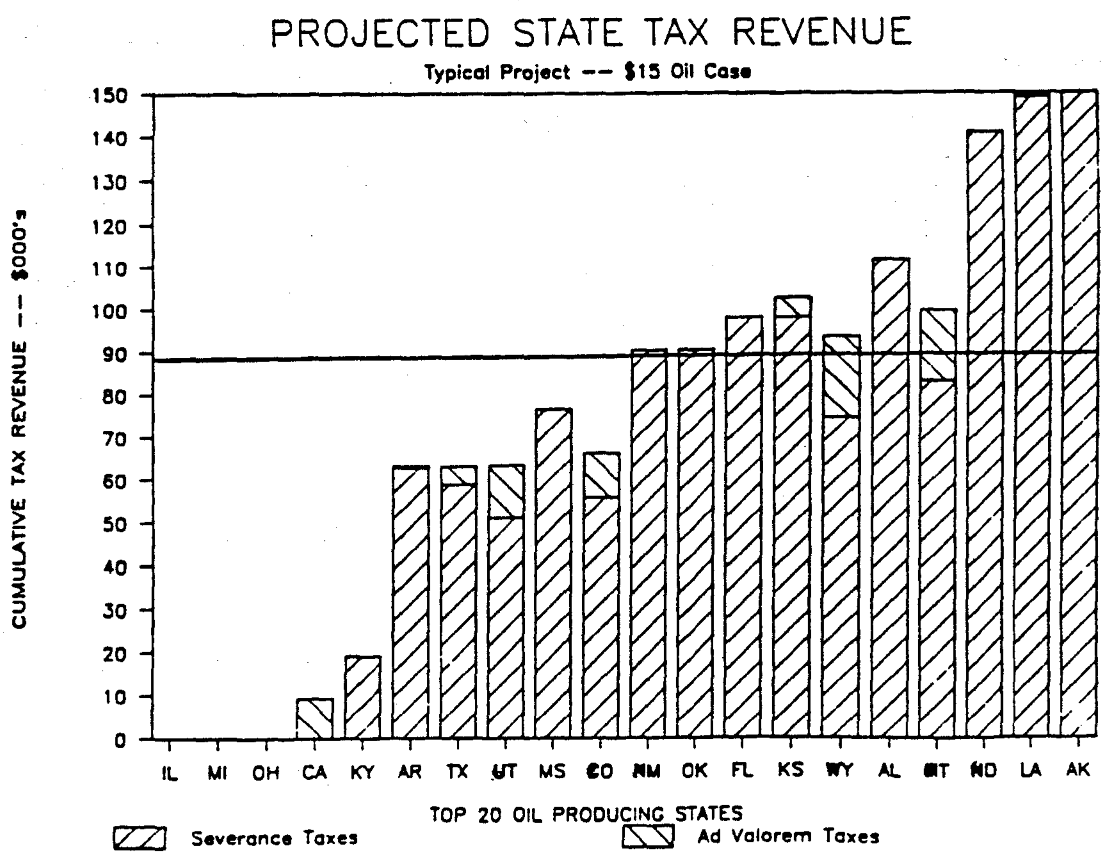
Under the HIGH PRICE-LOW COST scenario all 20 states are within a range of approximately 30%. As economics of the project degrade under the HIGH PRICE-HIGH COST scenario the range expands to the point where the high tax environment of Alaska yields an NPV only half that of the low tax states. Under the LOW PRICE assumptions, the drop off is complete, as the tax regimes in ten states push returns below zero.

The chart also illustrates the differential effect of production taxes versus taxes which are more sensitive to actual income, rather than gross revenue. The states of Arkansas (AR), Texas (TX), Utah (UT), Mississippi (MS) and Colorado (CO) illustrate the point. Though arrayed in descending order of NPV under the HIGH PRICE-LOW COST scenario, the order becomes progressively more distorted. As cost and price erode income, the TX, UT and CO show more favorable returns. This is because a portion of the tax burden in these cases is ad valorem tax, assumed to vary somewhat with income. AR and MS, on the other hand, affect the project solely with production taxes based upon gross revenue.

The Role of Production Taxes

FIGURE #3 shows the variation in state tax revenue from the project which accounts for the differences in NPV under the LOW PRICE-LOW COST scenario. The states are arrayed in the same order as Figure #1.

FIGURE #3

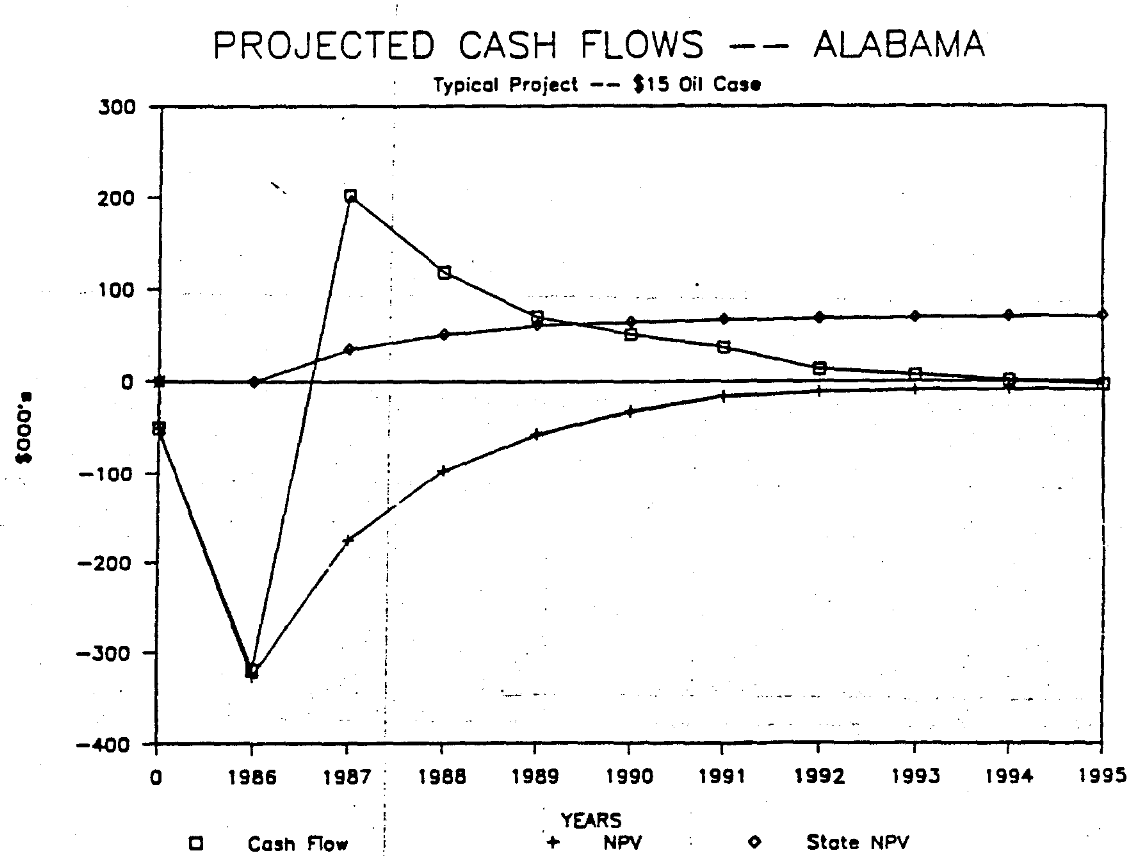


It is clear from the chart that the dominant factor in rendering the project marginal or sub-marginal is the production tax. The horizontal line at approximately $90,000 reflects the point at which state taxes capture so much of the revenue that the project actually has negative net present value. In the cases of the ten states with negative NPV, taxes would claim from $90,000 to $150,000, even though the investor would never get a positive return on the project.

Life Cycle Cash Flows

FIGURE #4 uses the example of the Alabama tax regime to show the life cycle of project returns and the cash flows associated with it.

FIGURE #4



The "Project Cash Flow" line shows the high capital expenditures to initiate the project in year "0" (assumed to be beginning of 1986) and through the remainder of 1986. Once the well begins production (1987) the after-tax cash flow becomes positive and very high. Then production drops off relatively quickly, to the point where the costs of production exceed the after-tax return.

The "NPV" line shows the cumulative value of this investment as the project proceeds. It reaches its lowest point (-$320,000) in the first year, reflecting both the initial leasehold acquisition and the subsequent drilling investment. As production commences and positive cash flow is established the value gradually builds, showing a net present value gain of over $310,000 between its lowest point and its maximum level. In this case, however, and in the cases of the other nine states which did not warrant investment, the cash flow from production is not enough to compensate for the capital invested at the outset. This shows in the NPV line where its maximum value is -$9,000. In other words, investment in this project would end up <u>costing</u> the operator nearly $10,000. In contrast, the exact same investment in the low-tax environment would <u>earn</u> the operator $29,000.

The "State NPV" line shows the cumulative value of the tax revenue the state would receive if the project were undertaken. Once production commences the state's production taxes generate large revenue volumes with no offsetting costs. By the time the project reaches maximum (though negative) NPV, the value of revenue accumulated by the state is nearly $90,000, three times more than the project itself would yield even in the low-tax case. The state will realize none of this value, however, since the taxes capture so much of the project revenue that the investment is no longer viable.

IMPLICATIONS FOR THE STATES

The rising oil prices of the 1970's and early 1980's masked the economic consequences of state taxes to a large degree. As the value of oil rose, the attractiveness of oil investment increased everywhere, regardless of how much of the incremental gain would be taken by states. With the recent dramatic price cut, however, the negative economic impact of high state taxes, particularly production taxes, cannot be masked. States in which oil production is a significant economic sector are in a particular bind. Despite the fact that the oil production industry is already reeling under the price fall, many of these states are applying taxes geared to a rising price environment, that will actually dry up investment even further. The effects will be felt in both the oil production industry and among royalty holders, many of whom will find existing wells prematurely shut down or find once attractive properties wanting for investors.

The most effective means for limiting the economic damage from taxes in such circumstances is to limit production taxes on marginal operations and projects. As the above results show,

Ex. 6
3-18-91
HB 982

such taxes siphon away revenue regardless of whether returns are sufficient to meet investment capital or operating costs. Mechanisms to limit this damage range from simple reduction in tax rates to variations on systems applied in some foreign countries, where production taxes are not applied until capital investment has been recouped. Flexible tax rates that are negotiated on a field by field basis may also salvage potentially lost economic activity. Though such measures may appear at first glance to have significant short term costs to states that have become dependent upon production revenues, such costs may be illusory. In the current environment, the presence of high state taxes are already depressing investment.

Tom

TRJ15:12

EXHIBIT 6
DATE 3-18-91
HB 982

Industry will stick around a state w/ taxes net proceeds
Rather w/ taxes gross profits
Could
Our tax is on gross value.

EXHIBIT 7
DATE 3-18-91
HB 982

TABLE 1
Fiscal Impact
Repeal Local Government Severance Tax and Gross Proceeds
(In Millions)

	Fiscal 1992	Fiscal 1993	Biennium
Oil	$28.910	$30.252	$ 59.162
Gas	7.754	7.541	15.295
Coal	12.901	12.689	25.590
Total	$49.565	$50.482	$100.047

TABLE 3
Estimated Net and Gross Proceed Taxes
(In Millions)

	Tax Fiscal 1992	Tax Fiscal 1993	Tax Biennium 1992-93	40 Mills Fiscal 1992	40 Mills Fiscal 1993	40 Mills Biennium 1992-93
Oil	$32.802	$34.324	$ 67.126	$ 6.817	$ 7.133	$13.950
Gas	8.585	8.350	16.935	1.732	1.684	3.416
Coal	12.680	12.472	25.152	4.644	4.568	9.212
Total	$54.067	$55.146	$109.213	$13.193	$13.385	$26.578

OIL	
Table 3	$67.126
Table 1	59.162
	$ 7.964

GAS	
Table 3	$16.935
Table 1	15.295
	$ 1.640

COAL	
Table 3	$25.152
Table 1	25.590
	($ .438)

TOTAL	
Table 3	$109.213
Table 1	100.047
	$ 9.166

EXHIBIT 8
DATE 3-18-91
HB 982

OIL TAXES IN MONTANA - A COMPARISON

	1992	1993	
Oil Severance Tax	$1.08	$1.06	per barrel
Local Government Sev. Tax	1.68	1.83	
Total	$2.76	$2.89	per barrel
As a percentage of the price	13.4%	13.4%	
Oil Severance Tax	$1.08	$1.06	per barrel
Net Proceeds	1.907	2.077	
40 mills	.40	.44	
Total	$3.387	$3.577	per barrel
As a percentage of the price	15.68%	16.85%	
North Dakota	11.5%	(9.0% after 28 Apr 87)	
Wyoming	12.5%		
Montana new oil	$1.08	$1.06	per barrel
Flat Tax (1985 act)	1.51	1.49	
Total	$2.59	$2.55	per barrel
As a percentage of the price	12%	12%	

EXHIBIT 9
DATE 3-18-91
HB 982

Montana House Taxation Committee
March 18, 1991
Helena, Montana

From: Louis P Matis, Manager - Fuel Resources
Northern States Power Company
Minneapolis, Minnesota 55401

Northern States Power Company (NSP) is pleased to provide testimony to the Montana House Taxation Committee on House Bill 982 (HB982). It is our understanding that this bill will revert the current 5 percent flat rate Gross Proceeds tax back to a mill levy basis. One of our Montana coal suppliers has informed NSP that this bill will approximately double NSP's current annual Gross Proceeds tax liability. NSP by this testimony is stating its opposition to HB982.

NSP has been purchasing coal from the state of Montana since 1973. We were one of the first utilities to purchase Montana coal and our contract with Westmoreland Resources was instrumental in their decision to open the Sarpy Creek Mine. NSP has been an active participant in the Legislative process in the past and will continue to provide testimony to the Montana Legislature regarding production tax issues which impact NSP's fuel purchasing decisions.

Prior to 1984, Montana provided 100% of NSP's coal supply. Wyoming coal has since become an alternate economic source of fuel for our coal-fired electric power plants in Minnesota. In fact, by 1986 Montana provided less than one-third of the Powder River Basin coal purchased by NSP. This trend has only recently started to reverse as Montana's severance tax rate has begun to decline.

Increasing the Montana coal production tax burden will increase the cost of doing business in Montana and make its coal less competitive than similar coal produced in Wyoming. NSP needs a reliable supply of fuel for its power plants with a stable and predictable price. Montana's history of taxation has forced NSP to negotiate contracts which allow for adjustments to annual purchase volumes based on adjustments to state production tax rates.

NSP would sincerely like to continue to purchase Montana coal as a fuel for our power plants. We believe HB982 is inconsistent with that goal. NSP has a long history of working with the Montana mining industry and is willing to continue this relationship as long as it is economically practical.

NSP is asking that the Montana House Taxation Committee drop HB982 from further consideration as it will have a negative impact on our ability to continue to purchase Montana coal.

Respectfully Submitted,

Louis P Matis

Louis P Matis
Manager, Fuel Resources
Northern States Power Company
Minneapolis, Minnesota

EXHIBIT 10
DATE 3-18-91
HB 982

PROPERTY TAX

NET PROCEEDS SCHEDULE

$100,000 WORTH OF PROPERTY	TAX RATE	TAXABLE VALUE	40 MILLS	TAX
OIL	100%	$100,000	4%	$4,000.00
MACHINERY	9%	9,000	4%	360.00
RESIDENTIAL	3.86%	3,860	4%	154.40
AGRICULTURE	3%	3,000	4%	120.00

Senator Keating 3-18-91

Ex. 10
3-18-91
HB 982

ACTUAL TAXES AS PERCENTAGE OF MARKET VALUE

1989 (in 000) CATEGORY	MARKET VALUE	TAXBL VALUE	TAX RATE	TAX	PERCENT OF MARKT VALU
Oil	$ 208,263	$ 208,263	100%	$ 41,201	19.78%
Cattle	548,527	21,941	4%	5,215	.95%
Ag Implement	503,529	55,388	11%	13,271	2.64%
Residential	7,211,869	278,378	3.86%	97.089	1.34%
All Grain	689,961	-0-	-0-	-0-	-0-
Timber	92,000	-0-	-0-	-0-	-0-
Personal Property	3,050,598	269,441	variable	73,473	2.4%

Ex. 10
3-18-91
HB 982

OIL PRODUCTION IN BARRELS
(NUMBER NOT ROUNDED)

YEAR	MONTANA	NORTH DAKOTA	WYOMING
1980	29,583,804	40,337,000	126.362,000
1981	30,813,411	45,424,000	130,563,000
1982	30,917,311	47,271,000	118.300,000
1983	29,665,280	50,690,000	118,303,000
1984	30,079,819	52,652,000	124,269,000
1985	29,850,417	50,857,000	128,514,000
1986	27,164,630	45,628,000	121,337,000
1987	25,104,049	41,364,000	115,922,000
1988	23,317,456	39,343,000	113,985,000
1989	20,969,292	40,744,000	136,713,000
1990	19,809,988	(not projected)	(not projected)

Keating 3-18-91

EXHIBIT 10
DATE 3-18-91
HB 982

OFFICE OF THE LEGISLATIVE AUDITOR

KEA79A.WK1
03/07/91

EXPENDITURES FOR SPECIFIC FUNDS

SOURCE: OFFICE OF PUBLIC INSTRUCTION (UNAUDITED)

FUND	FY89 EXPENDITURES	FY90 EXPENDITURES	FY91 BUDGET REQUIREMENTS
1 GENERAL	453,816,530	508,244,448	574,423,499
10 TRANSPORTATION	28,738,404	30,188,733	39,467,560
11 BUS DEPRECIATION	3,172,099	4,132,410	11,892,436
13 TUITION	1,166,965	1,367,404	2,001,087
14 RETIREMENT	53,877,815	58,083,753	68,415,831
16 INSURANCE	9,887,191	16,742,375	
17 ADULT ED	2,213,343	2,276,336	3,408,659
19 NON-OPERATING	61,833	106,160	178,757
50 DEBT SERVICE	21,433,842	24,550,032	27,101,431
61 BUILDING RESERVE	4,110,754	2,904,645	13,867,350
	578,478,775	648,596,295	740,756,610

NOTE: IN FY91 THE INSURANCE FUND WAS COMBINED INTO THE GENERAL FUND

EXHIBIT 11
DATE 3-18-91
HB 982

HOUSE BILL 982

TESTIMONY BY W. W. BALLARD

3-18-91

Passage of House Bill 982 would be devastating to the Montana oil and gas industry because: (1) it increases taxes on a crippled industry which appears to be headed for price shocks similar to those of 1986, and (2) it accentuates a negative image of the State as a place to explore just when we, along with help from the Governor, were beginning to overcome these types of objections among outside sources of capital.

Montana independents generally reinvest 100% of their production income in new drilling ventures. Balcron, for example, over the last four years invested 117% of its net production income in new wells. The tax increase associated with this bill not only reduces the net income, by larger tax payments, but also reduces it by adding tremendous accounting costs.

Montana's oil production was relatively stable at around 30 million barrels per year from 1978 to 1985 when it began a significant decline to under 20 million barrels by 1991 (see chart). This decline was due to one principle reason - lack of enough new exploratory wells to replace produced reserves.

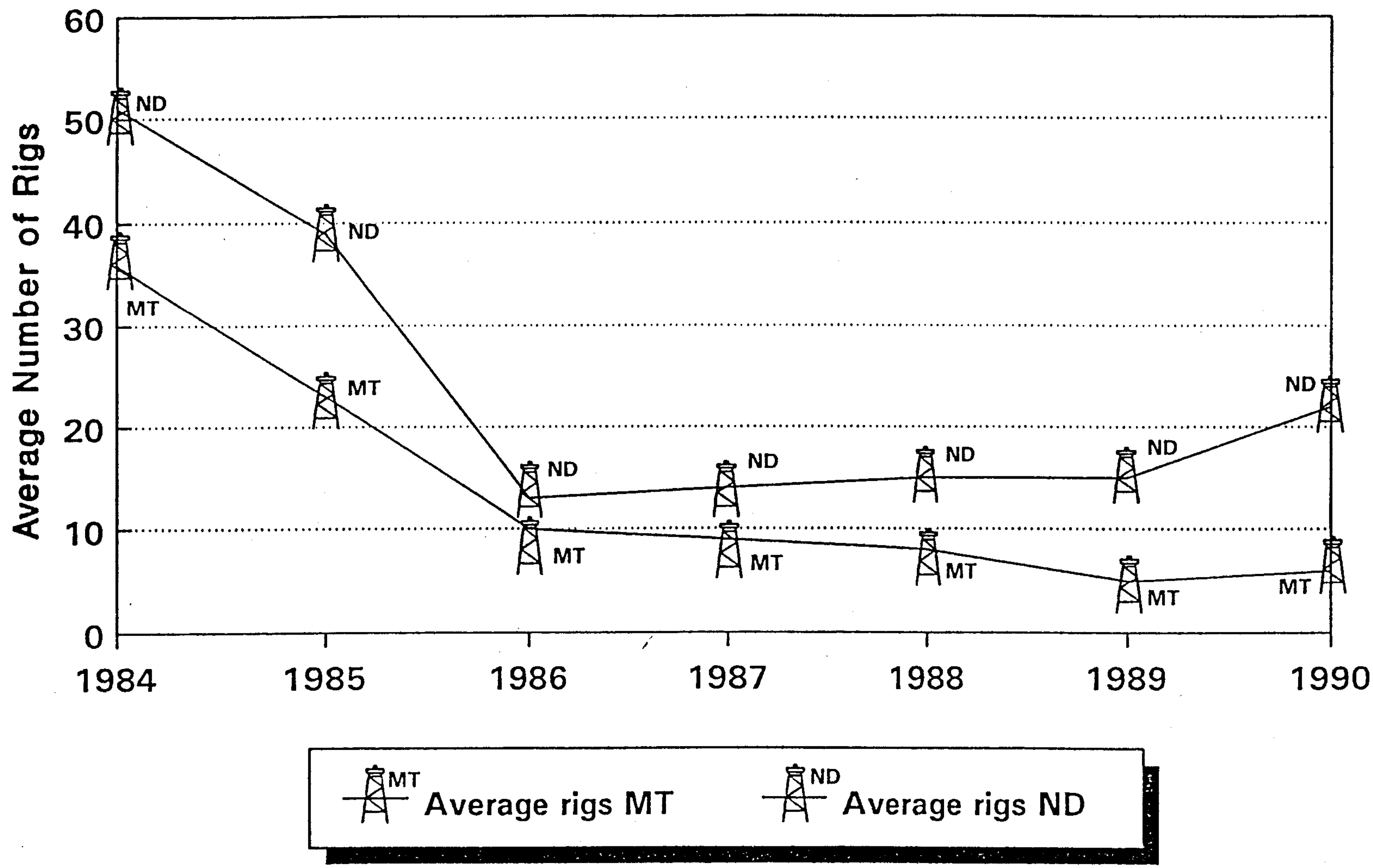
A chart is presented that compares Montana's rig count with that of North Dakota. Note that both states reached a low in 1986, but North Dakota began a gradual recovery after that date, which continued through 1990, whereas Montana's count continued to slide. Another chart shows Montana oil prices from 1984 through 1990 and the number of exploratory wells (those seeking new field discoveries) during that same time period. The industry drilled over 200 exploratory wells in both 1984 and 85, but this number declined to 47 in 1990. These two charts explain why we experienced the decline shown in the production chart.

Why have we not drilled as many wells as our attractive geology would seem to encourage? The most obvious answer is the price crash of 1986 which forced many operators out of business and severely limited the cash flows of those that were left. This is certainly a very significant factor, but all producing states experienced this. However, Montana suffered most, and the reason is the fact that the Montana oil and gas industry has a higher total tax rate than any other producing state. Even though energy is the 4th largest industry in the state, we pay more than three times the tax that the number one industry pays. This, coupled with the DOR audit policies when the net proceeds tax existed, gives Montana such a negative image that we are having a difficult time overcoming it.

The production chart shows what we have actually lost since the 1985 downturn. This illustration vividly indicates that due to lack of drilling activity, Montana has lost 38,383,594 barrels of production during 1985 - 91. At the prices that existed during those years, $689.7 million dollars of gross income was lost, 106 million of which would have come to the State in production taxes.

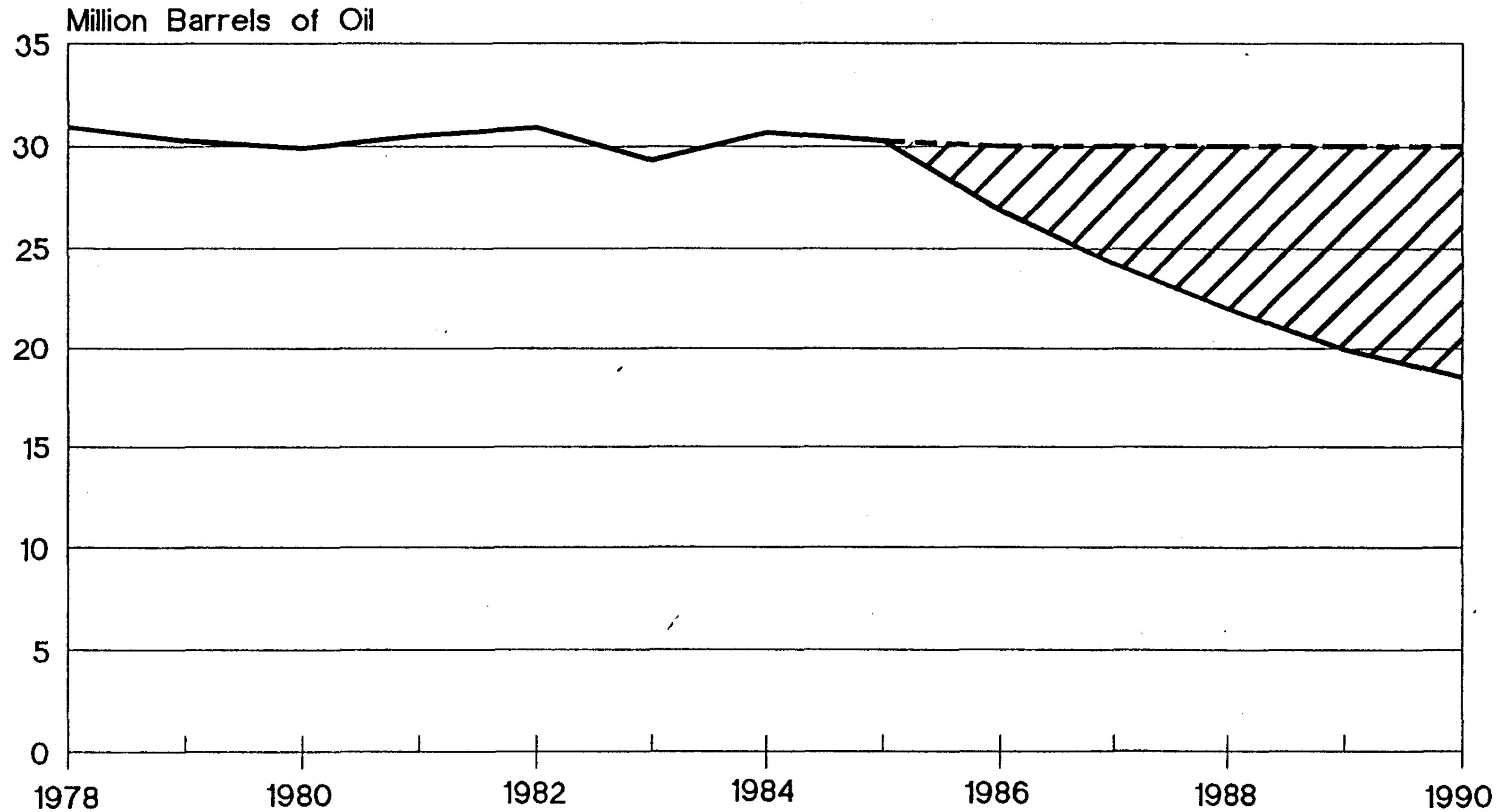
The proponents of this bill are presenting it as a revenue enhancement bill that affects only a very small percentage of the population. In fact, the bill is a disincentive that will result in further drilling inactivity and the accompanying tremendous loss of revenue. I urge you to vote no on this bill.

University of Montana
Bureau of Business and Economic Research



Well statistics from IPAA.

EXHIBIT
DATE 3-18-91
HB 982

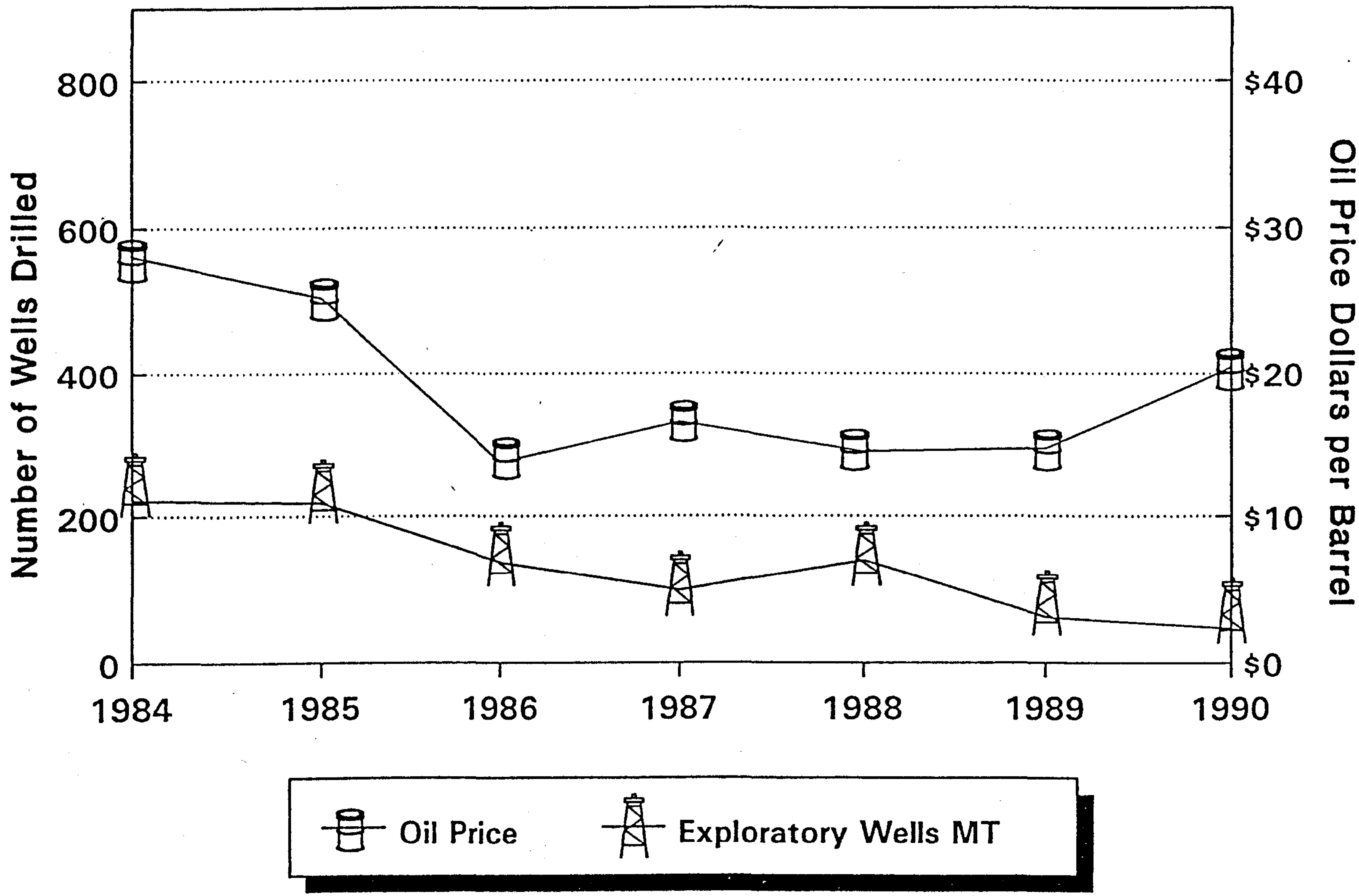


1985 thru 1990

Gross Barrels Produced	141,901,242
Gross Value	$2,641,220,066
Tax to State and Local	$409,835,208
Barrels Lost to Low Drilling Activity	38,383,594
Gross Dollars Lost	$698,661,784
Tax to State and Local Lost	$106,205,738

Ex. 11
3-18-91
HB 982

University of Montana
Bureau of Business and Economic Research



Oil price statistics from Montana Department of Revenue.
Well statistics from IPAA.

EXHIBIT 12
DATE 3-18-91
HB 982

DETROIT EDISON/MIDWEST ENERGY AND THE STATE OF MONTANA
A PARTNERSHIP FOR THE FUTURE

WHO IS DETROIT EDISON?

Detroit Edison is a mid-west utility which last year purchased approximately 11 million tons of Montana Coal from the Springcreek and Decker mines for use in their generation facilities.

WHO IS MIDWEST ENERGY RESOURCES COMPANY?

Midwest Energy Resources Company is a wholly owned subsidiary of Detroit Edison which operates an intermodel facility at Superior, Wisconsin. Midwest in addition to operating the Superior facility is responsible for arranging for movement of Detroit's Montana coal and also with selling coal to other potential buyers in the upper Great Lakes Area and Canada.

WHAT DID DETROIT EDISON DO UNDER THE WINDOW OF OPPORTUNITY?

Detroit Edison made major changes in its coal usage and purchases in response to the Window of Opportunity. For an example in 1985, Detroit purchased approximately six and half million tons of Montana Coal with the remaining ten plus million tons being purchased from Appalachia. In 1990 we purchased approximately eleven million tons of Montana and approximately eight million tons from Appalachia and two million tons from Wyoming.

WHAT CAN MIDWEST ENERGY DO FOR THE STATE OF MONTANA?

Two years ago Midwest Energy entered into a cooperative effort with Nerco and formed Venture Fuels to sell more coal through the Superior facility. Hopefully the capacity of the Superior facility can be increased to between eighteen and twenty million tons of coal each year. In 1990 Midwest moved about one and a half million tons of Montana coal through the facility for other customers such as Consumer's Power, Wisconsin Power and General Motors and they are presently negotiating with Ontario Hydro which may result in a major contract. That would likely be Montana Coal.

WHAT WOULD A CHANGE IN THE TAX MEAN TO DETROIT EDISON/MIDWEST?

Any change in the tax on Montana Coal would seriously impair Midwest's ability to market additional Montana coal to new customers and would mean a lost opportunity for Montana in creating new jobs and providing additional taxes. Detroit Edison likes doing business in Montana and with Montana Producers. Nevertheless any change might make Wyoming Coal or Appalachia coal more cost effective over Montana Coal for Detroit Edison.

EXHIBIT 13
DATE 3-18-91
HB 982

Testimony For HB 982
March 18, 1991

Mr. Chairman, members of the Committee, my name is Ken Williams. I am appearing on behalf of Entech and MT Power. We oppose HB 982 because we feel it will jeopardize our ability to sell coal.

The debate over the proper level of taxes on coal can never lose sight of what additional taxes will do the marketability of that coal. Mr. Chairman, Montana coal producers are in a fiercely competitive struggle every day trying to sell coal and hold on to the production we now have. Passage of HB 892 would add significantly to costs and price much of our coal out of the market. We believe this bill would cost the state money because of lost sales the resultant unemployment, and lost tax revenues. For Entech, this bill would add approximately one million dollars to our coal costs.

The 1987 Legislature acted wisely with a phased-in reduction of the severance tax designed to allow Montana coal producers to retain current customers while competing for new business. Similarly the 1989 Legislature acted to protect Montana's market coal share by changing the coal gross proceeds tax to five percent instead of a mill levy driven calculation. There were winners and losers among the coal companies with the change to the Flat Tax. My company was a loser, the change raised our gross proceeds tax by nearly $900,000 dollars. Indeed the coal industry as a whole saw the bill go up. But we at Entech supported the change to the Flat Tax in 1989 because it offered future stability in this tax while mitigating the tax increase due to the forty mills addition for school equalization. However the additional cost has impacted the market for our coal.

Ex. 13
3-18-91
HB 982

If HB 892 were enacted there would only be losers for the coal industry and the state. Lower coal production would mean less revenue for coal producers, fewer jobs and less tax revenue for schools and other entities. We urge a do not pass for HB 892.

EXHIBIT 14
DATE 3-18-91
HB 982

Testimony of Nerco Coal Corp. in Opposition to HB 982

Chairman Harrington and members of the House Taxation Committee, I am Tom Ebzery, an attorney from Billings representing Nerco Coal Corp. Nerco owns and operates the Spring Creek Coal Mine in Big Horn County, Montana. In addition, we have a 50% interest in the Decker Mine, also located in Big Horn County.

HB 982, particularly as it relates to coal, is the wrong idea at the wrong time. Montana's coal industry has been slowly picking itself up from a low in 1985-86 to one of guarded optimism about the future...that was before January 1991.

This committee has heard about competition from Wyoming in the past and will hear about it more today and throughout the session because it is reality. Our markets to the south are limited because of the transportation and operating cost advantages in Wyoming. Our major market is in the upper midwest and the slight transportation advantage to certain of these areas is offset by higher taxes in Montana.

To show you just how competitive this market is...a recent contract award for 1.5 million tons of coal occurred when the difference between the lowest bid and the third place bid was less than .005 million BTUs delivered or 10¢ per ton of coal. ($23 per ton was the estimated delivered cost of the coal in this situation).

Why is this so critical? One reason is that HB 982 which will eliminate the 5% <u>flat tax</u> represents an 11¢ per ton increase. Going back to the recent contract award...that is enough to spill a contract and make it even more difficult to sell coal in this state.

A few more points on this tax:

Ex. 14
3-18-91
HB 982

Assume pre-tax county liability of $1,000.

- At the flat tax rate the liability is $50.
- With the gross proceeds at 45% of value with the added mills since 1989 it is 1,000 x 45% x .175 or 78.75 now due or a 56.5% increase--all due to HB 982.
- Last year the millage went up and so did taxes on equipment, property and machinery. Add this and the threat of freezing the severance tax at 20% and Montana is the big loser in the coal market.
- Our largest purchaser of Montana coal, Detroit Edison, was in town 10 days ago on the severance tax freeze. During a meeting with several senators the Vice President of Purchasing said at 15% we were right on the edge of competition. If HB 982 is enacted into law you will see switches to Wyoming. Today's marketplace has largely protected itself from increases in the Montana severance and flat tax by keeping the options open.

Before this committee acts on the bill I urge you to refer it to a subcommittee like all other major bills, in order that this group can assess the implications of what a 57% increase can do to one industry. We will be happy to share as much information as we can. This is the worst message possible to send to Montana's utility marketplace.

EXHIBIT 16
DATE 3-18-91
HB 547

Amendments to House Bill No. 547
First Reading Copy

Requested by Income Tax Subcommittee
For the Committee on Taxation

Prepared by Lee Heiman
March 14, 1991

1. Title, line 6.
Strike: "FOR STORES GROSSING $1,500 OR LESS A YEAR"

2. Page 1, lines 10 and 11.
Strike: "does not generate gross revenue in excess of $1,500 in a year"
Insert: "generates income used only for the purposes for which the operator is organized"

EXHIBIT 16
DATE 3-18-91
HB 285

Amendments to House Bill No. 285
First Reading Copy

Requested by Property Tax Subcommittee
For the Committee on Taxation

Prepared by Lee Heiman
March 7, 1991

1. Page 1, line 16.
Following: "district"
Insert: "by one or both of the following methods"

2. Page 1, line 20.
Strike: "or"

3. Page 2, line 1.
Strike: "and"

4. Page 2, line 2.
Following: "establishment"
Strike: "."
Insert: ";

(v) up to $50 on each irrigated parcel of property that does not contain a dwelling; and

(vi) up to $15 on each nonirrigated parcel of property that does not contain a dwelling.

(2) A countywide mosquito control district may be financed by a property tax pursuant to subsection (1)(a) or a fee under subsection (1)(b), but not by both a tax and a fee."

Renumber: subsequent subsections

EXHIBIT 11
DATE 3-18-91
HB 386

Amendments to House Bill No. 386
First Reading Copy

Requested by Rep. Schye
For the Committee on Taxation

Prepared by Lee Heiman
March 13, 1991

1. Title, line 5.
Strike: "1"
Insert: "0.25"

2. Page 1, line 17.
Strike: "4.76%"
Insert: "1.19%"

3. Page 1, line 18.
Following: "parks"
Insert: ", as provided in [section 3],"

4. Page 5, line 15.
Strike: "21"
Insert: "20.25"

5. Page 6, line 2.
Strike: "4.76% of"

EXHIBIT 18
DATE 3-18-91
HB 386

HOUSE OF REPRESENTATIVES

TAXATION COMMITTEE

ROLL CALL VOTE

DATE ______ BILL NO. 384 NUMBER ______

MOTION: B/A

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	✓	
REP. BOB REAM, VICE-CHAIRMAN	✓	
REP. TED SCHYE	✓	
REP. BARRY "SPOOK" STANG		✓
REP. FRED THOMAS	✓	✓
REP. DAVE WANZENRIED	✓	
REP. DAN HARRINGTON, CHAIRMAN		
TOTAL		

13 : 7

EXHIBIT 19
DATE 3-18-91
HB 312

Amendments to House Bill No. 312
First Reading Copy

Requested by Property Tax Subcommittee
For the Committee on Taxation

Prepared by Lee Heiman
March 12, 1991

1. Title, lines 9 and 10.
Strike: "PROVIDE AN APPROPRIATION FOR"
Insert: "INCREASE THE REGISTRATION FEES FOR AUTOMOBILES, LIGHT TRUCKS, MOTORCYCLES, QUADRICYCLES, AND LIGHT TRAILERS BY $3 TO FUND"

2. Title, line 12.
Following: "46-8-202,"
Insert: "61-3-321, 61-3-325,"

3. Title, line 14.
Following: "PROVIDING"
Strike: "AN"
Insert: "A DELAYED"

4. Page 6, lines 6 and 7.
Strike: "-- state funding after expenditure of county district court funds"

5. Page 15.
Following: line 12
Insert: "**Section 12.** Section 61-3-321, MCA, is amended to read:

"**61-3-321. Registration fees of vehicles -- public-owned vehicles exempt from license or registration fees -- disposition of fees.** (1) Registration or license fees must be paid upon registration or reregistration of motor vehicles, trailers, housetrailers, and semitrailers, in accordance with this chapter, as follows:

(a) motor vehicles weighing 2,850 pounds or under (other than motortrucks), ~~$5~~ $8;

(b) motor vehicles weighing over 2,850 pounds (other than motortrucks), ~~$10~~ $13;

(c) electrically driven passenger vehicles, $10;

(d) all motorcycles and quadricycles, ~~$2~~ $5;

(e) tractors and/or trucks, $10;

(f) buses are classed as motortrucks and licensed accordingly;

(g) trailers and semitrailers less than 2,500 pounds maximum gross loaded weight and housetrailers of all weights, ~~$2~~ $5;

(h) trailers and semitrailers over 2,500 up to 6,000 pounds maximum gross loaded weight (except housetrailers), $5;

(i) trailers and semitrailers over 6,000 pounds maximum gross loaded weight, $10;

(j) trailers used exclusively in the transportation of logs in the forest or in the transportation of oil and gas well machinery, road machinery, or bridge materials, new and secondhand, $15 annually, regardless of size or capacity.

(2) All rates are 25% higher for motor vehicles, trailers, and semitrailers not equipped with pneumatic tires.

(3) "Tractor", as specified in this section, means any motor vehicle, except passenger cars, used for towing a trailer or semitrailer.

(4) If any motor vehicle, housetrailer, trailer, or semitrailer is originally registered 6 months after the time of registration as set by law, the registration or license fee for the remainder of the year is one-half of the regular fee.

(5) An additional fee of $5.25 per year for each registration of a vehicle must be collected as a registration fee. Revenue from this fee must be forwarded by the respective county treasurers to the state treasurer for deposit in the general fund. The department of justice shall distribute 25 cents from each fee collected to the highway patrol retirement fund.

(6) A fee of $2 for each set of new number plates must be collected when number plates provided for under 61-3-332(3) are issued. Revenue from this fee must be deposited as provided in subsection (5).

(7) The provisions of this part with respect to the payment of registration fees do not apply to and are not binding upon motor vehicles, trailers or semitrailers, or tractors owned or controlled by the United States of America or any state, county, or city.

(8) The provisions of this section relating to the payment of registration fees or new number plate fees do not apply when number plates are transferred to a replacement vehicle under 61-3-317, 61-3-332, or 61-3-335.

<u>(9) The county treasurer shall deduct $3 as a district court fee from the fee collected in subsections (1)(a), (1)(b), (1)(d), and (1)(g). The county treasurer shall credit the fee for district courts to a separate suspense account and shall forward the amount in the account to the state treasurer at the time the county treasurer distributes the motor vehicle suspend fund. The state treasurer shall credit that amount to the general fund to be used for purposes of state funding of district court expenses as provided in 3-5-901 and [section 5].</u>"

Section 13. Section 61-3-325, MCA, is amended to read:

"61-3-325. Vehicles subject to staggered registration -- fees and taxes -- disposition. (1) Any motor vehicle in the fleet that is subject to staggered registration under 61-3-313 through 61-3-316 may be registered as part of the fleet on the following fleet renewal date. The department of highways shall collect the remaining fees and taxes due for the registration year after crediting the registrant for the period that was previously

Ex. 19
3-18-91
HB 312

paid.

(2) (a) The department of highways shall compute fees and taxes due on each motor vehicle in the fleet as provided in part 5 of this chapter, based on its domicile.

(b) The department of highways shall also collect a registration fee of $7.50 for each motor vehicle in the fleet in lieu of the registration fee provided for in 61-3-321. The department shall retain $4.50 of each registration fee for administrative costs and forward the remaining $3 to the state treasurer for deposit in the general fund in lieu of the fee provided in 61-3-321(5). <u>The department of highways shall deduct the $3 district court fee on applicable vehicle registration fees as provided in 61-3-321(9) and forward that amount to the state treasurer who shall credit that amount to the general fund to be used for the purposes of state funding of district court expenses as provided in 3-5-901 and [section 5].</u>

(c) All fees and taxes must be paid no later than February 15 each year.

(d) The fees and taxes collected must be distributed by the department of highways as provided in 61-3-321 and part 5 of this chapter, based on the domicile of each motor vehicle.""

Renumber: subsequent sections

6. Page 16, line 16.
Following: "~~collected.~~"
Insert: "Any amount forwarded to the state treasurer under this subsection that is not used for district court expenses must be refunded to the counties in the proportion that the amount collected from each county bears to the total amount collected."

7. Page 16, line 17 through page 17 line 6.
Strike: section 13 in its entirety
Renumber: subsequent sections

8. Page 17, line 10.
Strike: "July"
Insert: "January"
Strike: "1991"
Insert: "1992"

9. Page 17, line 11.
Strike: "June"
Insert: "December"

EXHIBIT 20
DATE 3-18-91
HB 312

HOUSE OF REPRESENTATIVES

TAXATION COMMITTEE

ROLL CALL VOTE

DATE 3/18 BILL NO. 312 ~~NUMBER~~ Amd.

MOTION: Someon Bill

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		✓
REP. BOB REAM, VICE-CHAIRMAN	✓	
REP. TED SCHYE	✓	
REP. BARRY "SPOOK" STANG		✓
REP. FRED THOMAS	✓	
REP. DAVE WANZENRIED	✓	
REP. DAN HARRINGTON, CHAIRMAN	✓	
TOTAL		

13 7

EXHIBIT 21
DATE 3-18-91
HB 907

Amendments to House Bill No. 907
First Reading Copy

Requested by Vol. Firefighters Assn
For the Committee on Taxation

Prepared by Lee Heiman
March 8, 1991

1. Title, lines 4 through 6.
Strike: "CLARIFYING" on line 4 through "BENEFITS;" on line 6

2. Title, line 8.
Strike: "SECTIONS"
Insert: "SECTION"

3. Title, line 9.
Strike: "7-33-2311 AND"

4. Page 1, line 12 through page 2, line 3.
Strike: section 1 in its entirety
Renumber: subsequent section

hb090701.alh

HOUSE OF REPRESENTATIVES

VISITOR'S REGISTER

Taxation COMMITTEE BILL NO. HB 982

DATE 3/18/91 SPONSOR(S) Rep. O'Keefe

PLEASE PRINT PLEASE PRINT PLEASE PRINT

NAME AND ADDRESS	REPRESENTING	BILL	OPPOSE	SUPPORT
Tom Feda	CENEX	982	X	
Jerry Croft	Croft Petroleum	982	X	
Jack Mercer Billings	T&E Co.	982	X	
Janelle Fallan	Mt Petr	982	X	
Dennis Burr	MT Taxpayers Assoc.	982	X	
Duane Amsbury	S.O.S.	982	X	
Mike Stephen	MT Oil, Gas & Coal	982	X	
Stan Kaleczyc	BNRR	982	X	
Lauren Schledewitz	Roosevelt County	982	X	
Phil Campbell	MEA	982		X
Tootie Welker	MAPP	982		X

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 982

DATE 3/18/91 SPONSOR(S) Rep. O'Keefe

PLEASE PRINT PLEASE PRINT PLEASE PRINT

NAME AND ADDRESS	REPRESENTING	BILL	OPPOSE	SUPPORT
Gary Speeth	Minn Power & Detroit Ed	982	X	
Robt Van Der Vere	Self	982	X	
Jerome Anderson	Shell Western E&P Inc	982	X	
Danny Murphy	CROFT Petroleum	"	X	
Ryan Murphy	" "	"	X	
STEVE PALMBUSH	MSR EXPLORATION	982	X	
Ken Williams	Entech	982	X	
W.W. Ballard	Balcron	982	X	
Maureen Milaney	Balcron	982	X	
Marilyn Ballard	Balcron	982	X	
Patrick M. Montalban	MSR	982	X	
William Duffield	Fallon County Comm	982	X	

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 982

DATE 3/18/91 SPONSOR(S) Rep. O'Keefe

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NAME AND ADDRESS	REPRESENTING	BILL	OPPOSE	SUPPORT
Rep Linda Nelson	HD 19	982	X	
Gloria Paladichuk	Richland Co Commission	982	X	
Hershel Robbins	M.U.SS Valley Dev. Corp	982	X	
Gordon Morris	MACo.	982	X	
Doug Walsh	Plentywood	982.		
Bernt Ward	Sheridan Co. Comm.	982	X	
Jim Paladichuk	M.D.U.	982	X	
Joe Novasio	S.O.S	982	X	
Ward Shanahan	Chevron Corporation	982	X	
Pat Keim	BN	982	X	
Larry Brown	SOS	982	X	
Jim Mockler	N.S.P. MT. Coal Council	982	X	
Rep Feland	Self	982	✓	

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