

## **MINUTES**

### **MONTANA SENATE 52nd LEGISLATURE - REGULAR SESSION**

#### **COMMITTEE ON TAXATION**

**Call to Order:** By Senator Mike Halligan, on January 24, 1991, at 8:00 a.m.

#### **ROLL CALL**

##### **Members Present:**

Mike Halligan, Chairman (D)  
Dorothy Eck, Vice Chairman (D)  
Robert Brown (R)  
Steve Doherty (D)  
Delwyn Gage (R)  
John Harp (R)  
Francis Koehnke (D)  
Gene Thayer (R)  
Thomas Towe (D)  
Van Valkenburg (D)  
Bill Yellowtail (D)

**Members Excused:** None

**Staff Present:** Jeff Martin (Legislative Council).

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

**Announcements/Discussion:** None

#### **HEARING ON SENATE BILL 110**

##### **Presentation and Opening Statement by Sponsor:**

Senator Keating, District 44, sponsor, said the bill solves a minor audit problem. It gives the Department of Revenue the authority to waive the tax on unpaid amounts which are uncollectible and on which collection is not cost effective. Currently, DOR has the authority to waive the interest.

##### **Proponents' Testimony:**

John Northey, Legislative Auditor's Office, said the bill does not do anything that is not currently being done. Very small taxes, usually \$20 and under, that are uncollectible are not worth the time and cost to pursue. He said there is no sense in chasing pennies with dollars. There is no authority or any

procedures in the law to allow for the write off which leaves this area open for abuse. He noted there has been no abuse so far, but the Auditor's Office and DOR need documentation procedures.

Denis Adams, Director, Department of Revenue, said the Department already is writing off some debts. He pointed out a warrant of distraint costs \$100 and if a taxpayer cannot be located or is deceased, there is no dollar value in turning the debt over to collection. He said this would simply apply to small uncollectible "nuisance" amounts.

#### Opponents' Testimony:

There were no opponents.

#### Questions From Committee Members:

Senator Towe asked if the debts are thoroughly pursued before they are written off.

Mr. Adams replied they are pursued for a two year period before they are written off.

Senator Van Valkenburg asked if the intent is to also eliminate the liability of the taxpayer for the unpaid tax.

Mr. Northey said it does not.

Senator Van Valkenburg asked for further clarification of the terms "write off" and "waive" as they pertain to the bill.

Mr. Northey said the "write off" provision is in the bill. It is not a waiver of the tax, just a write off of the amount owed. DOR would not be waiving the assessment.

Mr. Adams agreed with Mr. Northey.

#### Closing by Sponsor:

Senator Keating closed.

### HEARING ON SENATE BILL 119

#### Presentation and Opening Statement by Sponsor:

Senator Noble, District 21, sponsor, said the bill requires that a quarterly report of liquefied petroleum gas deliveries be made to the state in the same manner as is now made to the federal government. It also provides for proper licensing of all

propane vehicles. He submitted a letter from the Lewistown Propane Company regarding collection of the fuel tax (Exhibit #1). He said the procedure for licensing would be simple. The propane dealer would have the license forms which customers could simply fill out and submit.

Senator Noble submitted proposed amendments which would designate the Department of Highways as the reporting agency rather than DOR (Exhibit #2).

#### Proponents' Testimony:

David Galt, Administrator, GVW Division, Department of Highways, submitted his testimony in support of the bill (Exhibit #3).

#### Opponents' Testimony:

There were no opponents.

#### Questions From Committee Members:

Senator Towe asked Senator Noble about the procedures used to implement the provisions of the bill. He expressed some concern about the dealer being able to determine if the fuel is going into a vehicle rather than a recreational vehicle.

Senator Noble said most vehicle tanks are much larger and rather obvious. He noted enforcement would be carried out through the dealer as the customer would have to write down his permit number on each receipt. He said the bill, however, carries no specification of dealer responsibility or authority. He said the GVW Division would be able to write citations thorough the provisions of HB 82.

Senator Harp felt enforcement would be better if the dealer is reimbursed for his time. He was also concerned about a bonding provision.

Mr. Galt responded there could be an incentive established whereby the dealer would be paid a specified amount for each permit issued.

Senator Gage asked for a clarification of annual fees and how fees would apply to the non-resident tourist. He noted the effective date of October 1 would conflict with the reporting date.

Mr. Galt replied there is a yearly fee, but that could be broken into quarterly fees which would then coincide with the effective date of the bill. He felt temporary permits would answer the concern about non-resident tourists.

is difficult for smaller communities to compete with larger communities with larger tax bases and this gives them more of an even playing field.

Dave Anderson, Jefferson County Commissioner, presented his testimony in support of the bill (Exhibit #4).

Alan Tandy, City Administrator, Billings, presented his testimony in support of the bill (Exhibit #5).

Tim Bergstrom, President, Montana Firefighters, said the high cost of firefighting and emergency equipment for fires and accidents is becoming prohibitive, especially for small communities. Insurance fees have increased and revenue is down all across the state. Local communities need relief and this bill is a good way to address the problem.

Norm Kolpin, President, Montana League of Cities and Towns, presented his testimony in support of the bill (Exhibit #6).

Lorna Frank, Montana Farm Bureau, said the Bureau has long been a supporter of local option taxes at the discretion of the local electors.

Jim Wysocki, City Manager, Bozeman, expressed support for the bill. It gives the city the opportunity to go to the electorate and explain the problem and give them the chance to solve the problem through the ballot box.

Don Judge, AFL-CIO, presented his testimony in support of the bill (Exhibit #7).

Kay Foster, Billings Chamber of Commerce, said this is the third session the Billings Chamber has supported the local option tax. She presented a position paper from the Chamber to the Committee (Exhibit #8).

Gordon Morris, MACo, said he concurred with Dave Anderson's testimony in support of the bill. He voiced concern that Section 5, sub (2) is unworkable in respect to requirement to identify the tax that is generated pursuant to situs of the property. The problem that arises is 100% of the businesses may be in the municipality and 50% of the people living in the county. MACo recommends a population formula for the distribution of the revenue.

Dan Kemmis, Mayor, City of Missoula, expressed agreement with the previous proponents. He said every poll that is taken reflects the declining faith of the public in the democratic process. He said until the people on the local level are given the tools and options with which to make changes, things will not get better.

Tom Kibbe, City Administrator, Scobey, said small cities and towns have been terribly hamstrung by declining revenues. This bill is an alternative and a great help.

John Lawton, Great Falls City Manager, said the Great Falls has only 4 tax supported services left. They are police, fire, parks, and library. Everything else in Great Falls is supported by user fees. They have the lowest manned fire and police departments of comparable cities in the Northwest. They have not had a choice in this, it is a result of a rigid fixed tax base eaten away by inflation. Economic development cannot take place without a local option for raising additional funding.

Alec Hansen, Montana League of Cities and Towns, said this is a good concept and it can work in Montana just as it has worked in 47 other states. West Yellowstone has used the local option tax most successfully. He quoted from the attached Municipal Revenue Profile (Exhibit #9).

Tom Schneider, Montana Public Employees Association, expressed support for the bill.

Mike Matthew, Chairman, Yellowstone County Commissioners, said this is sorely needed relief for cities and counties. He said youth detention and solid waste management are two areas that must be addressed and the local option tax is a good vehicle for finding solutions.

#### Opponents' Testimony:

Denis Burr, Montana Taxpayers Association, said he agrees with the problems local governments face and doesn't oppose the local option authority if it is in the form of broad based taxes by a vote of the people. He felt the preferred alternative is revenue sharing of state resources with local governments.

He said there are some problems with the bill, not the least of which is the concern about giving the local government all the taxing authority of the state. The language on page 2, line 1, "any other type of tax not prohibited by law" is too vague and provisions in line 23 and 24 both need clarification.

Forrest Boles, President, Montana Chamber of Commerce, said the Chamber has long opposed a local option tax but have decided a broad based local option tax with a vote of the people would be acceptable. He agreed with Denis Burr and suggested inserting "general" before the word "taxes" on line 24, page 2, and striking line 25 entirely. He said communities need a solution and comprehensive general tax reform is the answer. The state should not give up its taxing authority to local governments.

Bonnie Tippy, Montana Innkeepers, presented her testimony in opposition to the bill (Exhibit #10).

Gene Phillips, Pacific Power and Light, and Northwestern Telephone Systems, expressed concern about taxes on utilities in the taxing districts. He reminded the Committee that uniform rates must be maintained across the state. He also queried the "activity tax" citing examples of trucking companies that operate across county lines and his own example of living and working in two parts of the state during the year.

Mark Staples, Montana Tavern Association, said he felt the proponents of the bill had very faint praise for it. He said liquor is taxed at 16% already, under the provisions of the bill that tax could be increased even more.

John Alke, Montana Dakota Utilities, stated he is not an opponent. He pointed out the utility tax is a conduit. Utilities are not taxpayers, they pass the taxes through in a general rate increase statewide. He said a general exemption is needed for all utilities.

John Lahr, Montana Power, said trying to establish separate rates for 41 different counties and whatever number of communities may decide to enact a local option tax would be a billing nightmare. He urged the Committee to give serious consideration to the utility problem.

Steve Turkiewicz, Montana Auto Dealers Association, said no city will impose a one half percent tax. The increases will all be in the 3% - 4% range. He said such taxes will certainly cause "tax flight" problems, especially for car dealers.

Stuart Doggett, Montana Mining Association, said although he understands the problem, there is a real concern about the broad language in the bill.

John Fitzpatrick, Pegasus Gold Corporation, said there is a real probability of one or two specific businesses or industries being singled out for application of the tax. He said he agreed with Alec Hansen and would like to see the bill pass in a more workable form.

#### Questions From Committee Members:

Senator Eck wondered if information could be gathered from the other 47 states that have enacted a local option tax. She also asked DOR to submit their specific concerns re payroll taxes, statutes of limitations, etc.

Mr. Hansen said the information is readily available and he would attempt to gather it for the Committee.

Senator Towe asked if a way could be devised to authorize only local billing on utility bills.

Mr. Alke responded it depends on the type of tax that is enacted. He said the PSC would have to agree to any type of rate change.

Senator Harp asked if it wouldn't be better to eliminate I105 completely as it is what got us into this problem.

Mr. Burr replied that I105 said originally the tax freeze was imposed until the legislature provided alternative sources of revenue. If this bill is cleaned up and the broad base issue is dealt with it might be enough to meet those qualifications.

Senator Gage asked about gas tax provisions.

Mr. Burr noted there is a local option gas tax provision in law now.

Senator Yellowtail wondered if sunset provisions are a good idea when the tax impacts services such as police and fire departments.

Mr. Kemmis felt sunsets were a bad idea.

Mr. Hansen agreed with Mr. Kemmis and added they are all right when they apply to special one-time funded projects.

Senator Yellowtail asked if there is a real advantage for small communities and towns in a local option tax.

Mr. Kibbe replied he doesn't believe it is the total answer. He felt his area would not support and income tax but would probably consider a sales tax or property tax for a specific purpose or project.

Mr. Burr said the allocation problem is probably the biggest stumbling block in the bill. As an example, he cited the situation in Helena where those people who work in Helena and live in Jefferson County do not have an opportunity to vote on a Lewis and Clark County tax.

Mr. Hansen said it is a significant problem when a large segment of the population is in town all day using the city services and then leave for the valley or Jefferson County. Pennsylvania has had a local option tax for over 50 years. Mr. Hansen said it surely could work in Montana. However, if all there is imposed is an income tax, he felt it would not work. The property tax system is overloaded all across the state. It is better to allow some choices and diversification.

Closing by Sponsor:

Senator Blaylock said the concept is good. He noted I105 passed only because it was a means of voting against CI27. He said the language on line 25, page 4, with the addition of exclusions and exemptions, could be left in the bill. There is a need for as broad an application as possible. He said the local option tax can work - it works in Seattle and other areas of Washington. He also felt local income taxes will appeal to the local areas. If either the income tax or sales tax is taken out of the bill it should not be passed.

ADJOURNMENT

Adjournment At: 10:00 a.m.

  
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SENATOR MIKE HALLIGAN, Chairman  
\_\_\_\_\_  
JILL D. ROHYANS, Secretary

MH/jdr



COMMITTEE ON

DATE

1/24/91

## VISITORS' REGISTER

NAME	REPRESENTING	BILL #	Check One	
			Support	Oppose
Dennis Tupper	MT Am Rep	115		X
Dave Anderson	MACO	115	✓ Amend	
Dennis Burr	MA Taxpayers Assn	115		X
Tim Berestrom	MT. ST COUNCIL Fire Fighters	115	✓	
Dave Galt	DOH	119	✓	
Ray Foster	Billings Chamber	115	✓	
GENE PHILLIPS	PACIFIC POWER & LIGHT NORTHWESTERN TEL.	115		X
Norm Kelpin	MT LEAGUE OF CITIES & TOWNS	115	✓	
Alan Tandy	City of Billings	115	✓	
Randy Rejer	Blgs			X
Tom Kibbe	City of Seebe	115	✓	
Gordon Morris	MACO	115	✓	
JOHANNA SCHLESINGER	MT. LIBRARI ASSOC	115	✓	
LORNA FRANK	FARM Bureau	115	✓	
Mike Hill-Anderson	MT Assn of Counties	115	✓	
Stuart Duggell	MT Mining Assoc.	115		✓
Don Judge	MT STATE AFL-CIO	SB115	Amend out Sales tax	
GH Bales	MT CHAMBER OF COMMERCE	SB115		X
Mike Mathew	Yellowstone Co.	SB115	X	
John E. Wild	Chouteau County	SB115	X	
Mike Turkiewicz	MT Auto Dealers Assn	SB115		
Stephen Granzone	Pyramid Gold	SB115		
Joe Wergsathen	MT Socio Waste CONTRACTOR	SB115		X
Sharia Hansen	MT Natural History	SB115	✓	
Dennis McPhee	Yellowstone Co	SB115	✓	
Jack Woodson	Dept. of Revenue			

(Please leave prepared statement with Secretary)

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# VISITORS' REGISTER

NAME	REPRESENTING	BILL #	Check One	
			Support	Oppose
Jill Miller	Dept. of Revenue	SB 110	✓	
Karen Adams	DOR			
John Lawler	Great Falls	SB 115	✓	
Hicklin Smith	SDEI	"	✓	
Sam Wigglesworth	City of Bozeman	SB 115	✓	
Janelle Fallan	MT Petroleum Assn	SB 115		✓
Tom Schneider	MPEA	SB 115	✓	
Alec Hansen	MLCT	SB-115	✓	
Ron Kemmis	City of Missoula	SB 115	✓	
DAN WALKER	US WEST	SB 115		✓
Robin Sullivan	City of Bozeman	SB 115	✓	
Joanne Riley	City of Bozeman	SB 115	✓	
John Alb	MOY	SB 115		amend

(Please leave prepared statement with Secretary)

ROLL CALL

SENATE TAXATION COMMITTEE

DATE 1/24/91

LEGISLATIVE SESSION

NAME	PRESENT	ABSENT	EXCUSED
SEN. HALLIGAN	✓		
SEN. ECK	✓		
SEN. BROWN	X		
SEN. DOHERTY	✓		
SEN. GAGE	✓		
SEN. HARP	✓		
SEN. KOEHNKE	✓		
SEN. THAYER	✓		
SEN. TOWE	✓		
SEN. VAN VALKENBURG	✓		
SEN. YELLOWTAIL	X		

Each day attach to minutes.

# LEWISTOWN PROPANE CO.

DENTON

L. P. Gas & Fertilizer

STANFORD

P. O. BOX 187

PHONE 838-8781

LEWISTOWN, MONTANA 59437

January 23, 1991

Senator Jerry Noble  
Helena, MT 59624

Dear Senator Noble:

In response to your phone call of January 21, 1991, the following are my thoughts on the loss of revenue from the sale of propane, the fuel tax or license on same for the State of Montana.

In our trade area of Fergus, Judith Basin, Wheatland and Petroleum counties you will find the loss to be 55%-65% of the fuel tax or permits that should be collected. The vehicles using LP gas as a motor fuel are not required to have a fuel bond, fuel permit or special fuel license for same. The vehicles referred to are pickups and an occasional truck or car. In considering this misaligned provision and to correct same, you must have a legal requirement for a special fuel permit to be carried in each vehicle at all times. I do think it is necessary for obtaining a fuel permit because in consideration of permits, the user would pay State and Federal tax on using the same.

These permits should be issued by the County Treasurer, the State scale location and/or the Highway Patrol. They must be easily obtained so that the would-be user does not have a justifiable reason for not using one.

All LP gas dealers must be required to make a quarterly fuel report to the State of Montana. My reasoning for the quarterly report is that currently all LP gas dealers are required to make quarterly reports to the Internal Revenue Service. Therefore all the necessary information that would be required by the State on the fuel report is readily available from the information required on the Federal report.

I also think that all dealers should have to keep a file report on all sales of LP gas for motor fuels and this file copy should also include the fuel permit number of each customer. The dealer could probably use a copy of the sales ticket for this purpose. I also think the dealer fuel bond requirement should be increased to \$1500.00 annually. This bond could cover the dealer's use plus dealer's sales. The law states now that all motor fuel must be delivered through a liquid meter. These meters are inspected and sealed by the State of Montana. But they do not prevent a user from obtaining his fuel from a domestic tank located at his home or on the ranch.



Proposed Amendments to Senate Bill 119  
Proposed by the Department of Highways

On page 2, lines 19 and 20 of the introduced bill, following the word, "report" delete "on a form prescribed by the department of revenue."

On page 2, line 23 of the introduced bill following the word "subsection" add, "Forms prescribed by this subsection will be supplied by the department of highways."

DAG:D:GVW:21.si

WITNESS STATEMENT

To be completed by a person testifying or a person who wants their testimony entered into the record.

Dated this 24 day of January, 1991.

Name: David A. GALT

Address: 2701 Prospect Av

Helena MT

Telephone Number: 444-6130

Representing whom?

Montana Highway Dept. of Highways

Appearing on which proposal?

SB-119

Do you: Support? ☒ Amend? ☐ Oppose? ☐

Comments:

Attached

SENATE TAXATION

EXHIBIT NO. 3

DATE

1/24/91

PREPARED BY: DAVID GALT  
ADMINISTRATOR GVW DIVISION

1/24/91

**SENATE BILL 119**

THE DEPARTMENT OF HIGHWAYS SUPPORTS SENATE BILL 119, AS A MEANS TO ENSURE ALL LPG POWERED VEHICLES ARE PROPERLY LICENSED.

BECAUSE LPG IS NOT TAXED AT THE PUMP LIKE GASOLINE, THIS BILL WOULD ENABLE DEALERS TO REQUIRE PROOF OF AN LPG LICENSE PRIOR TO REFUELING.

IF A VEHICLE DID NOT HAVE A LICENSE, THE GVW DIVISION COULD ARRANGE TO ISSUE LICENSE BOOKLETS TO DEALERS SO THEY CAN ISSUE THE LICENSE. BY USING A PERMIT AGENT AGREEMENT, WE CAN DESIGNATE DEALERS AS AGENTS OF THE DEPARTMENT OF HIGHWAYS FOR THE ISSUANCE OF LPG LICENSES. THIS AGREEMENT WOULD PROVIDE ADDITIONAL OUTLETS FOR LPG USERS TO OBTAIN PERMITS. BEGINNING IN JANUARY 1991 THE GVW DIVISION ASKED AND RECEIVED HELP FROM THE COUNTY TREASURERS IN THE FORM OF HANDING OUT A NOTICE AND LPG PERMIT APPLICATION (HANDOUT A). AS WITH ALL PERMITS, LPG LICENSES ARE AVAILABLE THROUGH THE HELENA GVW OFFICE BY MAIL, OR BY PHONE. HANDOUT B SHOWS THE COST OF LPG LICENSES BY VARIOUS WEIGHT

SENATE TAXATION

REPORT NO. 3

DATE 1/29/91

REVENUE IS \$0.119

GROUPS. AS YOU CAN SEE, OUR YEARLY PROPANE  
STEADILY DECREASING AND WE DO NOT BELIEVE IT IS ALL  
ATTRIBUTABLE TO LESS PROPANE POWERED VEHICLES.

THE REPORTING FORMS REQUIRED BY THIS BILL WILL BE  
SUPPLIED BY THE DEPARTMENT OF HIGHWAYS.

DAG:D:GVW:1.GH



**Fees for LPG License**

EXHIBIT NO. 3  
DATE 1/24/91  
BILL NO. 513/114

These license fees for Liquified Petroleum Gas (LPG) are based on the licensed gross weight of the vehicle.

1. Passenger cars and pickups up to 10,000 GVW	\$108.00
10,001 - 18,000 GVW	144.00
18,001 - 48,000 GVW	361.00
Over 48,000 GVW	1,806.00
School buses on contract with school districts	144.00

These fees may be purchased by the quarter, semi-annually, or annually.

**\*Note\*** The GVW Division of the Department of Highways is the only outlet for these licenses.

Total LPG Revenue is listed below:

1990 - 231,627  
1989 - 241,695  
1988 - 247,698  
1987 - 143,930\*  
1986 - 164,280  
1985 - 175,580  
1984 - 178,260

\* In 1987 the legislature revised the fees for LPG which is indicated by the large increase in revenue for 1988.

DAG:D:GVW:2.gh

MONTANA DEPARTMENT OF HIGHWAYS  
GROSS VEHICLE WEIGHT DIVISION  
BOX 4639; HELENA, MT. 59604  
(406) 444-6130

SENATE TAXATION

EXHIBIT NO.

DATE

BILL NO.

3  
A 1/34/91

**ATTENTION OWNERS OF**  
**L.P.G. (LIQUEFIED PETROLEUM GAS)**  
**POWERED VEHICLES**

Owners or operators of all motor vehicles powered by liquefied petroleum gas (L.P.G.) are required to pay an annual license tax fee on each vehicle. The license tax fee may be paid quarterly, semiannually, or annually according to the schedule on Form 13-B, L.P.G. application. (See reverse side of this sheet.)

L.P.G. licenses are available at the Helena Gross Vehicle Weight Division and at all G.V.W. weigh stations. Payment may be made by cash, check, Visa, or MasterCard. (Credit card payments are subject to a minimal processing fee.)

You may order L.P.G. licenses by telephoning the Helena G.V.W. Office and placing the order on your credit card. Or, you may also order through the mail by sending a completed application form with your check to the address shown above.

Failure to comply with the licensing requirements may result in fines up to \$2,000 and/or imprisonment for up to six months.

For additional information or more application blanks, please contact the G.V.W. Division at (406) 444-6130 between 8 a.m. and 5 p.m., Monday through Friday.

12/1/90

SENATE TAXATION

EXHIBIT NO. 4

DATE 10/24/91

BILL NO. SB 115

JILL ROHYANS. SECRETARY  
SENATE TAXATION COMMITTEE

II. TAXATION AND FINANCEBASIC PHILOSOPHY

Montana Counties require a revenue base that will adequately finance the services and programs that county government is required to provide and the programs and services that are responsive to unique needs.

The 90's will be a challenging decade for Montana. Juggling the demands for services with limited resources and alternative sources of revenue will test the fortitude of officials everywhere.

Any method this state uses to generate revenue directly affects local governments. State budget shortfalls must not be made up by passing costs of programs to local governments and their taxpayers. We expect the state to honor their existing commitments to local government.

- 1) All levels of government and all taxing jurisdictions must continue the effort to reduce inefficiencies in service delivery and seek reductions to lessen the tax burden on all Montanans.
- 2) In order to maintain mandated or required levels of services MACo recommends establishing stable and diverse revenue sources with the potential for reducing and/or replacing property taxes. This should include consideration for broad local government discretion in the setting of fees for services.
- 3) MACo supports local authority to implement various local option taxes to offset local

property tax revenues, the lack of federal revenues and decreases in state revenues. Such legislation should include consideration for:

1. hotel/motel taxes,
2. restaurant taxes,
3. luxury taxes,
4. payroll taxes,
5. sales taxes,
6. entertainment taxes,
7. income taxes
8. etc.

- 4) MACo recommends that state-wide alternative revenue sources be established to fund state revenue sharing programs for local governments. Such revenues may include statewide taxes on:

1. Hotels/Motels
2. Restaurants
3. Luxuries
4. Sales Taxes
5. Entertainment establishments
6. Etc.

- 5) There is a need at this time to examine the structure of Montana taxes and achieve reform in all areas of taxation. Emphasis should not be placed on any one particular section but should include consideration for income tax reform, sales tax possibilities and property tax restructuring.

It is also recommended that motor vehicle fees be reserved as a local government revenue source.

COMMENTS IN SUPPORT OF THE CONCEPT OF LOCAL  
GOVERNMENT AUTHORITY TO IMPOSE OPTIONAL TAXES  
SENATE TAXATION COMMITTEE - 24 JAN 91

ON BEHALF OF THE TAXATION AND FINANCE COMMITTEE FOR THE MONTANA ASSOCIATION OF COUNTIES. I RISE TO SUPPORT THE CONCEPT OF LOCAL OPTION TAXING AUTHORITY AS IS CONTEMPLATED IN SENATE BILL 115.

TO QUOTE FROM THE CURRENT MACo POLICY STATEMENT, PAGE 7, SECTION 3...."MACo SUPPORTS LOCAL AUTHORITY TO IMPLEMENT VARIOUS LOCAL OPTION TAXES TO OFFSET LOCAL PROPERTY TAX REVENUES. THE LACK OF FEDERAL REVENUES AND DECREASES IN STATE REVENUES. SUCH LEGISLATION SHOULD INCLUDE CONSIDERATION FOR: HOTEL/MOTEL TAXES, RESTAURANT TAXES. LUXURY TAXES, PAYROLL TAXES, SALES TAXES, ENTERTAINMENT TAXES, INCOME TAXES. ETC."

ALTHOUGH SB 115 IS A POSITIVE STEP TOWARD MEETING LOCAL OPTION TAXING NEEDS. THERE ARE TERMS AND CONCEPTS THAT I FEEL NEED TO BE ADDRESSED AND CLARIFIED BY THE LEGISLATURE RATHER THAN BEING LEFT TO THE RULE-MAKING AUTHORITY OF THE DEPARTMENT OF REVENUE AS CURRENT LANGUAGE AUTHORIZES.

OF GREATEST CONCERN IS THE POTENTIAL FOR "TAXATION WITHOUT REPRESENTATION" AS IS PRESUMED IN LINE 21 OF PAGE 1; LINE 23 OF PAGE 2; LINES 2 - 4 OF PAGE 4; LINES 16 -19 OF PAGE 4; AND PARTS OF SECTION 4, PAGES 4 & 5.

SECTION 6  
EXHIBIT NO. 4  
DATE 1/24/91  
BILL NO. SB 115

ALL OF THESE REFERENCES RELATE TO THE IMPOSITION OF INCOME TAXES ON PERSONS WHO ARE NOT RESIDENTS OF THE IMPLEMENTING JURISDICTION, AND WHO THEREFORE WOULD HAVE NO RIGHT TO VOTE FOR OR AGAINST EITHER THE IMPLEMENTATION OF THE TAX OR TO VOTE FOR OR AGAINST THOSE OFFICIALS IMPOSING THE TAX, AND COULD BE SUBJECT TO CRIMINAL PROSECUTION RESULTING FROM THE IMPOSITION OF THE INCOME TAX OPTION.

WHILE CITIZENS HAVE THE RIGHT TO MAKE A CONSCIOUS DECISION ABOUT WHERE TO SHOP AND WHAT JURISDICTIONS THEY WISH TO AVOID FOR WHATEVER REASONS. THEY SELDOM HAVE THE LATITUDE TO PICK AND CHOOSE WHICH JURISDICTION THEY ARE EMPLOYED IN. AND SHOULD NOT BE ACCIDENTALLY SUBJECTED TO UNCONTROLLABLE TAXATION BECAUSE OF NON-DEFINITIVE LEGISLATION OR UNCONSTITUTIONAL RULE-MAKING AS IS THE CASE INVOLVING HOUSE BILL 703 FROM THE 51ST LEGISLATURE.

SECTION 6, PAGE FIVE, ALSO CAUSES CONCERN. AS CURRENTLY WORDED, ONE COUNTY OR CITY COULD NOT IMPOSE AN INCOME TAX ON SOME OF ITS RESIDENTS IF THEY WERE EMPLOYED IN ANOTHER COUNTY OR CITY AND WERE ALREADY SUBJECT TO AN INCOME TAX IMPOSED BY THE JURISDICTION WHERE EMPLOYED. THIS WOULD SEEM TO BE IN CONFLICT WITH LINE 14, PAGE 5, WHICH REQUIRES A COUNTY-WIDE APPLICATION.


WHILE IN FULL SUPPORT OF THE CONCEPT OF LOCAL OPTION AUTHORITY, I WOULD SUGGEST TO THIS COMMITTEE THAT YOU MAY WISH TO CONSIDER

SECTION  
EXHIBIT NO. 4  
DATE 1/24/91  
BILL NO. SB 115

ASSIGNING SB 115 TO A SUB-COMMITTEE FOR SOME CRITICAL REVIEW,  
INPUT AND FINE-TUNING BEFORE TAKING FURTHER ACTION.

THANK YOU.

RESPECTFULLY SUBMITTED,



DAVE ANDERSON

COMMISSIONER

JEFFERSON COUNTY

SENATE TAXATION

EXHIBIT NO. 5

DATE 1/24/91

BILL NO. SB 115

WITNESS STATEMENT

To be completed by a person testifying or a person who wants their testimony entered into the record.

Dated this 24 day of January, 1991.

Name: Hlan Tandy

Address: 400 Highland Park Billings

Telephone Number: 667 8438

Representing whom?

City of Billings

Appearing on which proposal?

SB 115

Do you: Support? ☒ Amend? ☐ Oppose? ☐

Comments:

PLEASE LEAVE ANY PREPARED STATEMENTS WITH THE COMMITTEE SECRETARY



CITY OF BILLINGS TESTIMONY - JANUARY 24, 1991

LOCAL OPTION TAXES - SENATE BILL 115

Honorable Committee Members, my name is Alan Tandy. I am the City Administrator of Billings. I appear before you on behalf of the City of Billings for the fourth consecutive Legislative Session to ask your approval of local option taxes. The bill, as submitted by SENATOR BLAYLOCK and co-signed by a large group of senators and representatives, is the best financial alternative that could be provided to Montana cities and towns in this Session of the Legislature.

This legislation asks nothing more than to give voters at the local level the right to determine their own destiny. It provides those voters the right to determine what sources of taxation are acceptable and what level of programs and activities they would like to see in their jurisdiction. Forty seven other states have some form of local option taxes. I have had personal experience with successful local option taxes in Ohio and Wyoming. Local option taxes are also working effectively in South Dakota and in Wyoming, and even in West Yellowstone, Montana. Other Montana cities and towns are not afforded the opportunity to ask their voters for approval of alternate forms of taxation, however.

SENATE BILL 115 would provide an escape valve for communities such as Billings where property value decreases have cost the City in excess of a \$1 million in revenue loss in the last three years, and where voter frustration with property taxes has been in place for many years. The City of Billings has suffered repeated budget cutbacks, including losses in services and personnel. This legislation would provide our citizens with the right to

6

1/24/91

SB115

# WITNESS STATEMENT

To be completed by a person testifying or a person who wants their testimony entered into the record.

Dated this 2<sup>nd</sup> day of January, 1991.

Name: N. V. Kocpin

Address: 2012 Forest Park  
Billerica, MA

Telephone Number: \_\_\_\_\_

## Representing whom?

MONTANA LEAGUE OF CITIES & TOWNS

Appearing on which proposal?

SB 115

Do you: Support? ☒ Amend? ☐ Oppose? ☐

**Comments:**

This image shows a single sheet of white paper with horizontal ruling lines. The lines are evenly spaced and run across the width of the page. There are no margins, text, or other markings on the paper.

PLEASE LEAVE ANY PREPARED STATEMENTS WITH THE COMMITTEE SECRETARY

6  
EXHIBIT NO. 6  
DATE 1/24/91  
BILL NO. SB 115

CITY OF BILLINGS TESTIMONY - JANUARY 24, 1991

LOCAL OPTION TAXES - SENATE BILL 115

Honorable Committee members, my name is Norm Kolpin. I am a City Councilmember in Billings and am currently serving as President of the Montana League of Cities and Towns. All across this state, we have seen cities in hardship. We've seen cities suffering from decreased property values and from excessive reliance on the property tax. We have seen cut-backs in employee and service levels and we see city councilmembers being asked to provide services that they do not have the funds to provide. Local option taxes will provide every incorporated city in this state with the opportunity to ask their voters what source and type of taxation is most acceptable to them. It is a broadly written bill which allows the local government to work with its own constituents to structure a tax that they find acceptable. As the years have passed, the cities have fallen deeper and deeper into crisis with their infrastructure deteriorating and its ability to respond to citizen demands reduced.

This proposal is supported by a membership vote of the Montana League of Cities and Towns. We ask your support of this local option tax legislation. We further ask that it be left essentially in the same form as drafted. A broad bill, giving maximum discretion to local voters, is the best form. We ask that you do not get involved in the partisan issue of determining what kinds of tax is acceptable and what kind is not, but instead, delegate to the wisest decision-maker of all, the local electorate, the responsibility for determining their own destiny.

Thank you for your consideration.



SENATE TAXATION  
EXHIBIT NO. 7  
DATE 1/24/91  
BILL NO. SB 115

DONALD R. JUDGE  
EXECUTIVE SECRETARY

110 WEST 13TH STREET  
P.O. BOX 1176  
HELENA, MONTANA 59624

(406) 442-1708

Testimony of Don Judge on SB 115 before the Senate Taxation Committee  
January 24, 1991

Mr. Chairman and members of the Committee, for the record, I am Don Judge, Executive Secretary of the Montana State AFL-CIO, and we are here today to testify on Senate Bill 115.

In the 1989 Legislative session, when similar legislation was being considered by the Taxation Committee in the House, we supported the ability of local governments to offer voters local option taxes. Hard hit by recession and a shrinking tax base, local governments need other options with which to fund needed local services.

Conditions have not improved since 1989, we have seen reductions in local government services that reach into the very heart of the essential needs of Montana's citizens. Our cities and counties have put off essential road, street and building maintenance needs. And reductions in public workforces threaten the very public safety services Montanans count on in times of emergency.

In 5 days, voters in the city of Billings will decide whether to approve a 10 mill levy increase or face the very real possibility of layoffs in police and fire personnel. Our local affiliate, the Greater Yellowstone Central Labor Council, was the first organization to publicly support this 10 mill levy in Billings.

Senate Bill 115 mirrors this situation by providing for local votes and control of any new taxes. We believe this bill gives local voters the opportunity to decide for themselves the level of services they believe will meet their needs. And so, in general, we support Senate Bill 115.

However, Mr. Chairman, members of the committee, we must also urge you to amend the bill to remove the language contained on Page 2, line 24 . . . language which amounts to a local option sales tax.

Organized Labor has a proud tradition of opposing general sales taxes in the State of Montana. Our members believe that all sources of revenue, whether state or local, should share an important characteristic -- they should be based on an individual's ability to pay.

Testimony of Don Judge  
Page Two  
Senate Bill 115, January 24, 1991

Sales taxes, no matter how they are fashioned, do not have this characteristic. They merely shift the tax burden away from wealthy individuals and large corporations to the working men and women, the poor, our senior citizens and those on fixed incomes. It shifts the burden to those least able to afford the costs.

Some would argue that the public vote mandated in Senate Bill 115 ensures a safeguard against any unwarranted imposition of a sales tax. But, let me assure you that the economic forces who would promote a sales tax are far more wealthy and better able to promote their position than are those who would be most adversely affected by such a tax. In addition, we continue to see a significant pro-sales tax bias by many elements of the public press, giving advocates a platform to promote the image of public support greater than the reality.

The sales tax, whether selective or general, is an insidious tax that simply grows, expands and devours tax fairness in its wake. We believe that tax fairness should be the basis for any new tax proposals in Montana. As such, we urge you to amend Senate Bill 115 as we have suggested and give it a "do pass" recommendation.

Thank you.

# ISSUES

## '91

### BILLINGS AREA CHAMBER OF COMMERCE CONSOLIDATED LEGISLATIVE POSITION STATEMENT

This document expresses the position of the Billings Area Chamber of Commerce on some of the major issues of local concern that face the State of Montana and need to be resolved by the 52nd Legislature.

1. Local Option Taxes -- Local units of government are almost totally dependent on property taxes. The funding of local governments needs to be given more balance, flexibility, and independence.

**CHAMBER POSITION:** The Billings Area Chamber supports local taxing authority on the condition that these taxes are approved by the voters, have a definite sunset provision, and are designated for a specific purpose.



# Montana League of Cities and Towns



PROJECT NO. 9

DATE 1/24/91

BILL NO. SB 15

## MUNICIPAL REVENUE PROFILE

SINCE INITIATIVE 105, THE PROPERTY TAX FREEZE, WAS APPROVED IN 1986, MONTANA CITIES AND TOWNS HAVE BEEN HIT BY A DEADLY COMBINATION OF STATIC REVENUES AND SPIRALING INFLATION. THESE FINANCIAL HAYMAKERS THREATEN THE ABILITY OF MUNICIPAL GOVERNMENTS TO PROVIDE PUBLIC SAFETY AND OTHER BASIC SERVICES, AND A TOTAL FINANCIAL BREAKDOWN IS AN OMINOUS PROSPECT FOR MANY CITIES AND TOWNS.

IN 1987, CITIES AND TOWNS COLLECTED \$45.8-MILLION IN PROPERTY TAXES. IN THE CURRENT FISCAL YEAR, PROPERTY TAX RECEIPTS TOTALLED \$44.9-MILLION, WHICH IS A LOSS OF 2 PERCENT. DURING THE SAME PERIOD, THE CUMULATIVE RATE OF INFLATION FOR STATE AND LOCAL GOVERNMENTS WAS 15.5 PERCENT, WHICH MEANS THAT MUNICIPAL TAX REVENUES HAVE DEPRECIATED 17.5 PERCENT SINCE THE PROPERTY TAX LIMITATION WAS IMPOSED.

OVER THE LAST FOUR YEARS, THE COMBINATION OF STATIC REVENUES AND INCREASING COSTS HAS CUT ALMOST \$8-MILLION OUT OF CITY BUDGETS, WHICH IS 20 PERCENT OF THE AMOUNT OF PROPERTY TAXES COLLECTED IN 1987.

INFLATION IS LIKE A THIEF IN THE NIGHT, AND AT THE CURRENT RATE OF 6 PERCENT, IT IS CUTTING INTO THE FROZEN MUNICIPAL TAX BASE BY \$2.7-MILLION PER YEAR, OR \$225,000 EVERY MONTH.

## MUNICIPAL PROPERTY TAXES AND INFLATION

	1987	1988	1989	1990
TAX VALUE	\$472.2-M	455.2-M	464.3-M	459.3-M
TAX COLLECTIONS	45.8-M	44.7-M	45.2-M	44.9-M
AVERAGE MILLS	96.9	98.3	97.2	97.7
GOVT. PRICE DEFLATOR	122.9	128.7	135.1	142.0
TAX COLLECTIONS ADJUSTED TO 1987	45.8-M	42.7-M	40.7-M	37.9-M

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**Testimony SB 115****January 24, 1991****President, by: The Montana Innkeepers Association****Contact: Bonnie Tippy/449-8408**

I wish to speak today on behalf of the Montana Innkeepers Association. Foremost, the association understands the plight of local governments and their need for new sources of revenue. But SB115, as currently drafted, is potentially counter productive to the hotel/motel industry.

Our concern stems from the fact that the bill would allow local governments to impose an additional tax on the present statewide 4% bed tax.

This would have the effect of putting another burden on a horse that is already carrying its fair share for Montana's economic vitality. The sheet which I have distributed today illustrates my point. For example, non-resident visitors spend only 18% of their dollars on lodging, the other 82% is spent across a broad spectrum of Montana's economy, such as retail, groceries, transportation, food and beverages. Yet SB115 would allow for the creation of a local option tax that puts more taxing responsibility on the lodging industry.

Provided the committee seeks to consider this bill as an alternative to assist local governments we ask that the bill be amended to prohibit the implementation of an additional lodging tax.

Again, I emphasize our understanding of the revenue needs faced by local entities. Nonetheless, the lodging industry is already collecting a 4% bed tax, and should not again be asked to carry the load.



## NONRESIDENT TRAVEL TO MONTANA

SENATE TAXATION

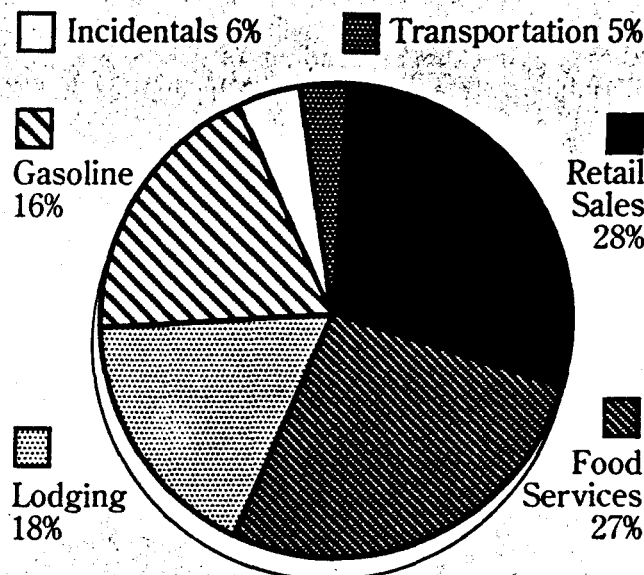
EXHIBIT NO. 10

DATE

BILL NO.

- 1990 total direct expenditures: \$700 million.
- 1990 total economic activity: over \$1.5 billion (including direct, indirect and induced impacts.)
- 82% of non-resident visitors expenditures go toward items other than lodging:

### *How the Nonresident Travel Dollar is Spent.*



*Retail sales and food services accounted for over half of the nonresident travel expenditures in Montana last year.*

- In 1988, total non-resident expenditures generated approximately \$72.5 million in tax revenues for state and local governments.
- 24% of total nonresident expenditures in Montana go towards salary and wages, directly and indirectly supporting over 25,000 jobs, from front-line, entry level jobs to technical and managerial positions. Industry employees contribute to local governments through income and property taxes.