

MINUTES

MONTANA SENATE 52nd LEGISLATURE - REGULAR SESSION

COMMITTEE ON TAXATION

Call to Order: By Senator Mike Halligan, Chairman, on April 2, 1991, at 7:00 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: Senator Halligan announced the committee would take executive action for an hour, hear SB 470 at 9:00 a.m., and take executive action from 9:00 a.m. to 10:00 a.m.

EXECUTIVE ACTION ON SENATE BILL 466

Motion:

Senator Van Valkenburg said the model conservation standards are the "hang-up" in the bill. He moved to TABLE SB 466.

Discussion:

Senator Brown said a meeting was held with those people concerned about the MCS. The "hang-up" was in the energy area of the standards. He asked why the oil and gas provisions are unacceptable to the Democratic leadership.

Senator Van Valkenburg said they are not all unacceptable, however, in the context of SB 466 they are. He said perhaps in Senator Gage's bill they would be acceptable. He further stated, with all due respect to Senator Brown, this bill is a marriage made in hell. It was born stillborn and should be laid on the table.

Recommendation and Vote:

The motion to TABLE SB 466 CARRIED with Senators Thayer, Brown, Gage, Harp, and Halligan voting no.

EXECUTIVE ACTION ON SENATE BILL 465

Motion:

Senator Harp moved to TABLE SB 465. He said it was best not to do anything, either pro or con, to the gaming industry this session.

Discussion:

Senator Eck said there is revenue to be had from the bill and it assessed fairly.

Senator Doherty said the progressivity of the bill is valid.

Senator Van Valkenburg said progressivity is a good idea if it applied at the right time. He said there is no consideration given to the cost of doing business and deductions before the tax in this bill.

Senator Brown said the effective rate in South Dakota is 22.5%. He felt the higher paying machines should pay more. He stated gambling is about as regressive an activity as there can be in and of itself..

Recommendation and Vote:

The motion to TABLE SB 465 CARRIED.

EXECUTIVE ACTION ON SENATE BILL 460Amendments, Discussion, and Votes:

Senator Van Valkenburg moved to adopt the amendments as per Exhibit #1. He referred to the attached "gray bill" (Exhibit #1a) as a means of explanation. He said the amendments keep furniture and fixtures at 6%, leave agricultural implements and mobile property at 9%, and reduces other Class 8 property to 6%. Because there is no increase in agricultural land tax, there is no need to lower the tax on agricultural machinery. The increase from 3.6% to 4.8% in real property would balance lowering the furniture and fixtures to 6%. It is not his purpose to raise revenue but rather the bill is a significant effort to lower business personal property rates and pay for the reduction through an increase in community real property to 4.8%. This is an implementation of the value added process turning raw materials in the state into jobs and production. He noted golf courses would go from 1.93% to 2.3%.

Senator Harp objected saying the amendments raise another \$2.4 million. The original concept of the bill was good but now things are beginning to be divided up. Mining is a very capital intensive industry. Agricultural machinery costs are high and the people who need help are not getting it under these amendments. He said HB 1007 is coming to this committee from the House and it may be a better vehicle to address these concerns.

Senator Eck said we need to reduce personal property taxes without shifting the burden of the tax.

Senator Thayer said the community property rates are causing a world of hurt in Great Falls.

Senator Towe said he approves of the amendments. They have been carefully devised, reductions are in place, value added concerns are well addressed, there is a reduction in furniture and fixtures from which everyone in business will benefit.

Senator Van Valkenburg said there is a real potential for economic growth in Montana under this bill. The only alternative to reducing the personal property rate is a sales tax.

The motion to AMEND SB 460 CARRIED on a roll call vote (attached).

Recommendation and Vote:

Senator Van Valkenburg moved SB 460 DO PASS AS AMENDED.

Senator Brown asked how this bill compares to HB 1004.

Senator Van Valkenburg replied the taxable value in the state is virtually identical in both this bill and HB1004. He said Mr. Adams indicated that even though the taxable value remains the same, an additional \$2.4 million is raised. Senator Van Valkenburg said his intention is to have the bill remain revenue neutral and he would further amend the bill to address that increase if it is factual.

The motion to PASS SB 460 AS AMENDED CARRIED on a roll call vote (attached).

EXECUTIVE ACTION ON SENATE BILL 435Motion:

Senator Van Valkenburg moved to remove SB 435 from the table.

Senator Brown, sponsor of SB 435, said he was unaware of any interest in removing the bill from the table. He wondered what the "grand strategy" is behind the motion.

Senator Van Valkenburg replied, "Senator Brown, we like your bill".

The motion CARRIED with Senators Gage and Thayer voting no.

Recommendation and Vote:

Senator Van Valkenburg moved that SB 435 DO PASS. He said it is important that the people of Montana have the opportunity to vote on the future of the university system. The Governor apparently does not think it is important if his budget is any indication. The polls indicate there is good support for an increase in taxes for the university system support.

Senator Gage said the people are not going to listen to the legislature. Il05 is what they are concerned about.

Senator Harp said people from the university system have indicated to him that they are very concerned if the voters turn this increase down it could do irreparable damage to them.

Senator Thayer felt it would endanger the six mill levy, also.

Senator Van Valkenburg said there is a risk involved in putting this a vote. However, he said there is a greater risk involved in absolute inaction. If there is a vote against the surtax, there will strong direction to the members of the university system to reduce enrollments, cut services, and, potentially, eliminate units altogether. We need public direction about the future of the university system and this bill presents an opportunity for that to happen.

Senator Brown replied to Senator Van Valkenburg by saying the 5% surcharge would generate approximately \$37 million which is approximately what the Commission of the 90's and Beyond recommended for the university system. Members of the university system would like to have amendments added to the bill to apply the provisions of the bill specifically to the recommendations of the that Commission. He said he hoped Senator Van Valkenburg would address those concerns when the bill reaches the floor.

Senator Van Valkenburg said he had no problems with that suggestion. He felt the revenue should apply to the university system and not be put into the general fund in order to decrease the budget with a replacement appropriation being granted to the system .

The motion that SB 435 DO PASS CARRIED on a roll call vote.

HEARING ON SENATE BILL 470

Presentation and Opening Statement by Sponsor:

Senator Towe, District 46, said this bill is the Coal Tax Reform Act of 1991. He said he was unhappy with the reduction in the coal tax from 30% to 15%. He felt it is inappropriate to go back to the 30%, however, other things can be done. He said the bill may not be successful, but it needs to be brought to people's attention. He said the state cannot afford a \$38 million yearly reduction which is the end result of the 15% rate. The purpose of the reduction was to increase production and employment, neither of which has occurred.

Senator Towe reviewed Exhibit #2 with the committee. He noted the figures were taken from the Montana Coal Council brochure (Exhibit #3).

This bill establishes a 13.5% tax because the rate is changed to an FOB mine price as opposed to the contract sales price. He noted that the effective rate of the 30% tax is only 20%. At the 20% rate the effective rate of the tax is 13.45%. In effect, the 13.45% rate is right where the tax is now at 20%. The 13.5% rate in the bill is a flat percentage of the FOB price

with no deductions, no royalties, and no taxes. The bill includes excess profits, minerals in place, and returns to gross proceeds and applies the full 40 mills that everyone else pays on their property.

Senator Towe reviewed Exhibits #4, #5, and #6 for the committee.

Senator Towe said of the 18 states surrounding Montana, only Wyoming and Montana do not tax minerals in place.

He emphasized that Montana is not taxing at 20%, when the tax goes down to 15% we are not taxing at 15%. This tax, in SB 470, would be a straightforward 15.5% tax.

Proponents' Testimony:

There were no proponents.

Opponents' Testimony:

Jim Mockler, Montana Coal Council, presented his testimony in opposition to the bill (Exhibit #7).

Gary Spaeth, Midwest Energy Resources, Detroit Edison, and Minnesota Power spoke in opposition to the bill. He said they buy half of the state's coal. He said coal tonnage moves in contracts of less than five cents. They buy over 15 million tons of Montana coal a year and are the primary market for Montana coal. Increases in taxes will curtail that market. Detroit Edison buys 55% of its coal, 11 million tons of coal a year, in Montana. They now buy 2.5 million tons from Wyoming, two years ago they bought none from Wyoming. Wyoming coal is looking better and better because the price and transportation costs are going to be more competitive if bills such as SB 470 were to pass.

Ken Williams, Entech, said he agreed with Mr. Mockler and Mr. Spaeth. He said the competitive edge is very fine in Montana. Entech is poised to gain a significant part of the market back and not only would they lose that market advantage, but all the out of state markets would be lost under this bill.

Shelly Boecker, Big Horn County Commissioners, expressed strong opposition to the bill.

Tom Ebzery, representing NERCO Coal Corporation, spoke in opposition to the bill. He presented comparison figures on state production taxes, royalties, and federal taxes between Montana and Wyoming and a rail transportation map (Exhibits #8 and #8a).

Lorna Frank, Montana Farm Bureau, said the Farm Bureau has taken a stand in opposition to any new taxes. That opposition includes coal taxes.

Larry Salmonsens, a miner from Bighorn County, said employment has improved greatly in the mine in which he works. There were 20 people employed there before the rate reduction began and now there are 65. If this bill is passed, that trend would be reversed, he felt.

Questions From Committee Members:

Senator Doherty asked Mr. Spaeth if he would have any problem with the addition of the 40 mill provision.

Mr. Spaeth replied Detroit Edison would oppose it. He said Montana is fairly competitive with Wyoming now, but any change would greatly impair that ability to compete.

Closing by Sponsor:

Senator Towe said we are dealing with a perception problem here. He said he would be happy with an FOB 13.5% tax. With the addition of the Montana gross proceeds, the effective rate of the tax would be 20.5%. A valuable resource is leaving the state of Montana which can never be returned or replaced. Twenty percent is not an unreasonable figure and it makes good sense to devise a better method of taxation and ensure a good return on the sale of our state resources.

EXECUTIVE ACTION ON SENATE BILL 352

Recommendation and Vote:

Senator Van Valkenburg moved to TABLE SB 352. He said he thinks the bill puts Montana in a precarious position with the competition for coal sales in Montana. He said it is a mistake to not let the rate drop to 15%.

Senator Yellowtail said he was disappointed in the industry not living up to its promises of increased production and employment.

Senator Doherty said in the strongest terms the industry did not live up to its part of the bargain. They did endeavor to meet the window of opportunity, but they did not increase production and employment.

Senator Eck said she thought the bill had good possibilities by freezing the tax and allocating the revenue to projects that would stimulate industry and value added projects. She felt the industry could give a little in this case.

Senator Thayer said businesses have to be competitive - that is the bottom line. He wondered what all the miners that went back to work would think of the comments being made. He said the coal industry is doing the best they can and they need a fair and stable tax policy so they can compete. He felt everything will improve as a result.

Senator Van Valkenburg closed on his motion saying there are other factors involved such as cost of alternative fuels, transportation, industry competition and increased productivity costs, some of which are volatile. This is not a black and white issue and it is difficult to make decisions about it. Most of the coal has been under long term contracts which are expiring now. Incentives are needed to ensure renewal of those contracts. The only reasonable alternative is to table the bill.

The motion to TABLE SB 352 CARRIED with Senator Towe voting no.

EXECUTIVE ACTION ON SENATE BILL 373

Discussion:

Senator Van Valkenburg said he felt there are some things in this bill that are of real value and should be kept alive. He is hoping to see some interest from Republicans, in particular, and everyone in general, in education in the state of Montana. He felt the bill can be a vehicle for compromise between the parties in both education funding and oil and gas taxation. He wants to know if there is any interest in reaching a compromise.

Senator Gage said his only response would be his understanding of the Governor's position which is that he has provided the largest budget Montana has ever had. The Governor feels he has given adequate and sufficient increases to higher education in the state in his budget proposal. The Governor feels that budget can be sustained and passed without the addition of additional revenue. Senator Gage said he agreed with the Governor in his assessment of the budget.

Senator Van Valkenburg said he was disappointed to hear Senator Gage say he cannot separate himself from the Governor in any way. He asked why there can't be a legislator to legislator action on the most important issue facing Montana this session.

Senator Gage replied in this respect the Governor is right. The people do not want and will not stand for a tax increase for any reason.

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Senator Van Valkenburg said he would like to keep the bill alive as a place for discussion, however, if the Republicans are not willing to discuss it all, he sees no reason to even bother.

Senator Gage said he would not even offer the amendments because the Democratic position and the Governor's position make this bill "dead on arrival".

Senator Towe said this bill gives the oil companies a break. He felt the bill should be kept alive until action is taken on HB 892. He said he is disappointed that the idea is we have to reduce taxes in order to sell more product.

Senator Gage said it was not his statement that the state would be "floating in money", rather, he hoped to stem the decline. He said he has no idea what "fair share" means. He has seen no definition and until there is a definition that the tax can be based on, it would appear fair to him to tax everyone at 100% of market value. But we are not willing to do that because we have a tremendous agricultural lobby in the state that scares everyone to death and they don't want feel 100% is their fair share. The \$8 million revenue effect in the bill is based on a million barrels of new production. The question is whether the incentives would produce the million barrels of new production so that in a year they will start paying local government severance tax and in two years start paying state severance tax.

The remainder of the discussion was of a very political and sometimes acrimonious nature and did not apply to the bill under consideration. The committee adjourned for the day without taking further action on the bill.

ADJOURNMENT

Adjournment At: 10:00 a.m.



SENATOR MIKE HALLIGAN, Chairman

JILL D. ROZYANS, Secretary

MH/jdr

TA040291.SM1

ROLL CALL

SENATE TAXATION COMMITTEE

DATE 4/2/91

52nd LEGISLATIVE SESSION

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

Each day attach to minutes.

DATE 4/2/91
COMMITTEE ON Senate Taxation
VISITORS' REGISTER SB 470

SB 440

(Please leave prepared statement with Secretary)

Amendments to Senate Bill No. 460
First Reading Copy

Requested by Senator Svrcek
For the Committee on Taxation

Prepared by Jeff Martin
March 25, 1991

1. Title, lines 5 and 6.

Strike: "REDUCING" on line 5 through "PERCENT" on line 6

Insert: "CREATING A NEW CLASS OF PROPERTY FOR STATIONARY
COMMERCIAL PROPERTY; ESTABLISHING THE TAX RATE ON STATIONARY
COMMERCIAL PERSONAL PROPERTY AT 6 PERCENT"

2. Title, line 8.

Following: "FOR"

Insert: "INCOME-PRODUCING"

3. Title, line 9.

Strike: "INCREASING"

Insert: "ESTABLISHING"

Following: "ON"

Insert: "INCOME-PRODUCING"

4. Title, line 10.

Strike: "TO 5.07"

Insert: "AT 4.8"

Following: "PERCENT;"

Insert: "PROVIDING THAT NONINCOME-PRODUCING COMMERCIAL LAND AND
IMPROVEMENTS ARE RETAINED IN CLASS FOUR PROPERTY;"

5. Page 1, line 18.

Strike: "a"

Insert: "an income-producing"

6. Page 1, line 20.

Strike: "a"

Insert: "an income-producing"

7. Page 2, line 6.

Following: ";"

Insert: "and"

8. Page 2, lines 7 through 9.

Strike: subsection (d) in its entirety

9. Page 2, line 9.

Following: "yards"

Insert: " (d) commercial land and improvements that:
(i) are integrally related in a single working unit;
(ii) are not in production and are not producing on
the assessment date of the current taxable year;
(iii) have not been in production and have not been
producing income for 6 consecutive months preceding the

current taxable year; and
(iv) are not included in class twenty property as
described in 15-6-150"

10. Page 2, line 12.

Following: "(1)(a)"

Insert: ", "

Strike: "and"

Following: "(1)(b)"

Insert: ", and (1)(d)"

11. Page 3, lines 19 through 21

Strike: subsection (c) in its entirety

12. Page 4, line 11.

Following: "all"

Insert: "self-propelled"

13. Page 4, lines 11 through 13.

Strike: ", fixtures" on line 11 through "five" on line 13

14. Page 4, line 14.

Following: "all"

Insert: "self-propelled"

15. Page 4, lines 14 through 16.

Strike: ", fixtures" on line 14 through "five" on line 16

16. Page 4, lines 20 through 22.

Strike: subsection (e) in its entirety

Re-number: subsequent subsections

17. Page 5, lines 1 through 8.

Strike: subsections (h) through (l) in their entirety

Re-number: subsequent subsections

18. Page 5, lines 10 and 11.

Strike: "(n)" on line 10 through "property;" on line 11

Re-number: subsequent subsection

19. Page 5, line 20 through page 6, line 10.

Strike: subsections (3) and (4) in their entirety

Re-number: subsequent subsection

20. Page 6, lines 11 and 12.

Strike: "(a)" on line 11 through "class" on line 12

Insert: "Class"

21. Page 6, line 12.

Strike: "6%"

Insert: "9%"

22. Page 6, lines 14 through 16.

Strike: subsection (b) in its entirety

23. Page 6, line 20.

Strike: "eight"

Insert: "twenty-two"

24. Page 6, line 25.

Strike: "eight"

Insert: "twenty-two"

25. Page 9, line 2.

Strike: "and"

Following: "[section 6]"

Insert: ", and [section 7]"

26. Page 9, line 24.

Following: "for"

Insert: "income-producing"

27. Page 9, line 25.

Strike: "and"

28. Page 10, line 1.

Following: "for"

Insert: "income-producing"

29. Page 10, line 2.

Following: class

Insert: "; and

(c) all golf courses, including land and improvements actually and necessarily used for that purpose, that consist of at least 9 holes and not less than 3,000 lineal yards"

30. Page 10, line 3.

Following: "(2)"

Insert: "(a)"

Strike: "or"

Insert: ", "

Following: "15-24-1501,"

Insert: "or subsection (2)(b) of this section,"

31. Page 10, line 4.

Strike: "5.07%"

Insert: "4.8%"

32. Page 10.

Following: line 5

Insert: "(b) Property described in subsection (1)(c) is taxed at one-half the taxable percentage rate established in subsection (2)(a).

NEW SECTION. Section 7. Class twenty-two property -- description -- taxable percentage. (1) Class twenty-two property includes:

(a) all mining machinery except that specifically included and taxed in another class, fixtures, equipment, tools that are not exempt under 15-6-201(1)(r), and supplies except those included in class five;

(b) all manufacturing machinery except that specifically included and taxed in another class, fixtures, equipment, tools that are not exempt under 15-6-201(1)(r), and supplies except those included in class five;

(c) all goods and equipment intended for rent or lease, except goods and equipment specifically included and taxed in another class;

(d) furniture, fixtures, and equipment, except that specifically included and taxed in another class, used in commercial establishments as defined in this section;

(e) x-ray and medical and dental equipment;

(f) citizens' band radios and mobile telephones;

(g) radio and television broadcasting and transmitting equipment;

(h) cable television systems;

(i) theater projectors and sound equipment; and

(j) value-added property as defined in this section.

(2) "Commercial establishment" includes any hotel; motel; office; petroleum marketing station; or service, wholesale, retail, or food-handling business.

(3) The term "value-added property" means but is not limited to property that is used for the mechanical or chemical transformation of materials or substances into products in the manner defined as manufacturing in the 1987 Standard Industrial Classification Manual prepared by the United States office of management and budget. The property must be used for the:

(a) processing of Montana raw materials; or

(b) processing semifinished products produced in Montana that are used as a raw material in further manufacturing.

(4) (a) Except as provided in subsection (4)(b), class twenty-two is taxed at 6% of its market value.

(b) Value-added property that is acquired by an industry after July 1, 1991, and is used in a value-added process is taxed at 5% of its market value."

Renumber: subsequent sections

33. Page 10, line 7.

Strike: "and"

Following: "6"

Insert: ", and 7"

34. Page 10, line 10.

Strike: "and"

Following: "6"

Insert: ", and 7"

BILL NO

(d) commercial land and improvements that:

- (i) are integrally related in a single working unit;
- (ii) are not in production and are not producing on the assessment date of the current taxable year;
- (iii) have not been in production and have not been producing income for 6 consecutive months preceding the current taxable year; and
- (iv) are not included in class twenty property as described in 15-6-150*

Shirley Hays

4 . A BILL FOR AN ACT ENTITLED: "AN ACT TO GENERALLY REVISE THE

RATE; CREATING A NEW PROPERTY CLASS FOR COMMERCIAL LAND AND
ESTABLISHING AN INCOME PRODUCING

IMPROVEMENTS ~~90~~ 5-07 PERCENT; AMENDING SECTIONS 15-6-134,

1 15-6-138, 15-7-103, AND 15-10-402, MCA; AND PROVIDING AN
2 APPLICABILITY DATE." PROVIDING THAT ADDITIONAL PROVISIONS
3 COMMERCIAL LAND & IMPROVEMENTS ARE ATTAINED IN
CLASS FOUR PROPERTY;

4 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF MONTANA:

Section 1. Section 15-6-134, MCA, is amended to read:

	6	*15-6-134.	Class	four	property --	description --
--	---	------------	-------	------	-------------	----------------

7 taxable percentage. (1) Class four property includes:

(a) all land that is not devoted to ^{AN INCOME-PRODUCING} ~~a~~ commercial use

except that or specifically included in another class; *AN INCOME-*

(b) all improvements that are not devoted to ²⁰ ~~the~~ production of

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2  another class;

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(c) the first \$80,000 or less of the market value of

any improvement included in subsection (1)(b) on real

5 property and appurtenant land not exceeding 5 acres owned or

1 under contract for deed and actually occupied for at least

2 10 months a year as the primary residential dwelling of any

3 person whose total income from all sources amounting

[illegible]

as adjusted according to subsection (2)(b)(ii): *Amel*

7 ~~(d) all golf courses, including land and improvements~~

8 actually and necessarily used for that purpose, that consist

9 ~~of at least 8 holes and not less than 3,000 linear yards.~~

(4) CLASS FOR PROPERTY IS LACED AS FOLLOWS:

927 (1)

is taxed at 3.86% of its market value.

4 (b) (i) Property described in subsection (1)(c) is

5 taxed at 3.86% of its market value multiplied by a

6 percentage figure based on income and determined from the

FOLLOWING CABLE:

Married Couple
Multinomial

0 \$ 0 - \$ 1,000 \$ 0 - \$ 1,200 0%

1,001 - 2,000	1,201 - 2,400	108
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2	2,001 - 3,000	2,401 - 3,600	208
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3,001 - 4,000	3,601 - 4,800	30%
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[illegible]

1 6,001 - 7,000 7,201 - 8,400 60%

2 7,001 - 8,000 8,401 - 9,600 70%

3 8,001 - 9,000 9,601 - 10,800 80%

4 9,001 - 10,000 10,801 - 12,000 90%

5 (ii) The income levels contained in the table in

6 subsection (2)(b)(i) must be adjusted for inflation annually

7 by the department of revenue. The adjustment to the income

8 levels is determined by:

9 (A) multiplying the appropriate dollar amount from the

10 table in subsection (2)(b)(i) by the ratio of the PCE for

11 the second quarter of the year prior to the year of

12 application to the PCE for the second quarter of 1986; and

13 (B) rounding the product thus obtained to the nearest

14 whole dollar amount.

15 (iii) "PCE" means the implicit price deflator for

16 personal consumption expenditures as published quarterly in

17 the Survey of Current Business by the bureau of economic

18 analysis of the U.S. department of commerce.

19 (e) ~~Property described in subsection (1)(b) is taxed at~~

20 ~~one-half the taxable percentage rate established in~~

21 ~~subsection (2)(b).~~

22 (3) After July 1, 1986, no adjustment may be made by

23 the department to the taxable percentage rate for class four

24 property until a revaluation has been made as provided in

25 15-7-111.

1 (4) Within the meaning of comparable property as

2 defined in 15-1-101, property assessed as commercial

3 property is comparable only to other property assessed as

4 commercial property, and property assessed as other than

5 commercial property is comparable only to other property

6 assessed as other than commercial property."

7 **Section 2.** Section 15-6-138, MCA, is amended to read:

8 "15-6-138. Class eight property -- description --

9 taxable percentage. (1) Class eight property includes:

10 (a) all agricultural implements and equipment;

11 (b) all ~~self-propelled~~ ^{self-propelled} ~~mining~~ ^{mining} machinery, ~~fixtures, equipment, tools~~

12 ~~that are not exempt under 15-6-101(1)(c), and supplies~~

13 ~~except those included in class five;~~

14 ~~(c) all manufacturing machinery, fixtures, equipment,~~

15 ~~tools that are not exempt under 15-6-101(1)(c), and supplies~~

16 ~~except those included in class five;~~

17 (d) all trailers, including those prorated under

18 15-24-102, except those subject to taxation under

19 61-3-504(2);

20 (e) ~~all goods and equipment intended for sale or lease,~~

21 ~~except goods and equipment specifically included and taxed~~

22 ~~as another class;~~

23 (f) buses and trucks having a rated capacity of more

24 than 1 ton, including those prorated under 15-24-102;

25 (g) truck coppers weighing more than 300 pounds;

1 ~~(h) furniture, fixtures, and equipment, excepting~~
 2 specifically included in another class, used in commercial
 3 establishments as defined in this section;
 4 (i) x-ray and medical and dental equipment;
 5 (j) citizens' band radios and mobile telephones;
 6 (k) radio and television broadcasting and transmitting
 7 equipment;
 8 ~~(l) cable television systems;~~
 9 (m) coal and ore haulers;
 10 ~~(n) theater projectors and sound equipment; and~~
 11 ~~(o) value-added property; and~~
 12 ~~(p) all other property not included in any other~~
 13 class in this part, except that property subject to a fee in
 14 lieu of a property tax.
 15 (2) As used in this section, "coal and ore haulers"
 16 means nonhighway vehicles that exceed 18,000 pounds per axle
 17 and that are primarily designed and used to transport coal,
 18 ore, or other earthen material in a mining or quarrying
 19 environment.
 20 ~~(3) "Commercial establishment" includes any hotel;~~
 21 ~~motel; office; petroleum marketing station, or service,~~
 22 ~~wholesale, retail, or food-handling business.~~
 23 ~~(4) The term "value-added property" means but is not~~
 24 ~~limited to property that is used for the mechanical or~~
 25 ~~chemical transformation of materials or substances into~~

1 ~~Products in the same defined as manufacturing in the 1997~~
 2 Standard Industrial Classification Manual prepared by the
 3 United States office of management and budget. The property
 4 must be used for the:
 5 (a) processing of Montana raw materials, such as
 6 minerals, ore, agricultural products, and forestry products;
 7 or
 8 (b) processing of semifinished products produced in
 9 Montana that are used as a raw material in further
 10 manufacturing.
 11 ~~(4)(5) (a) Except as provided in subsection (5)(b),~~
 12 ~~the class eight property is taxed at 99% of its market~~
 13 ~~value.~~
 14 ~~(b) Value-added property or property described in this~~
 15 ~~section that is used in a value-added process is taxed at 5%~~
 16 ~~of its market value."~~
 17 NEW SECTION. Section 3. Application for classification
 18 as value-added property. (1) Any person, firm, or other
 19 group seeking to qualify its property for classification as
 20 value-added property under class ~~eight~~ ^{twenty-two} shall make
 21 application to the department of revenue on a form provided
 22 by the department.
 23 (2) If the department makes an initial determination
 24 that the property qualifies as value-added property under
 25 class ~~eight~~ ^{twenty-two}, it shall publish notice of and hold a public

1 hearing to determine whether the property should retain this
2 classification.

3 **Section 4.** Section 15-7-103, MCA, is amended to read:

4 "15-7-103. Classification and appraisal -- general and
5 uniform methods. (1) It is the duty of the department of
6 revenue to implement the provisions of 15-7-101 through
7 15-7-103 by providing:

8 (a) for a general and uniform method of classifying
9 lands in the state for the purpose of securing an equitable
10 and uniform basis of assessment of said lands for taxation
11 purposes;

12 (b) for a general and uniform method of appraising city
13 and town lots;

14 (c) for a general and uniform method of appraising
15 rural and urban improvements;

16 (d) for a general and uniform method of appraising
17 timberlands.

18 (2) All lands shall be classified according to their
19 use or uses and graded within each class according to soil
20 and productive capacity. In such classification work, use
21 shall be made of soil surveys and maps and all other
22 pertinent available information.

23 (3) All lands must be classified by parcels or
24 subdivisions not exceeding 1 section each, by the sections,
25 fractional sections, or lots of all tracts of land that have

1 been sectionized by the United States government, or by
2 meters and bounds, whichever yields a true description of the
3 land.

4 (4) All agricultural lands must be classified and
5 appraised as agricultural lands without regard to the best
6 and highest value use of adjacent or neighboring lands.

7 (5) In any periodic revaluation of taxable property
8 completed under the provisions of 15-7-111 after January 1,
9 1986, all property classified in 15-6-134 or [section 6]
10 must be appraised on its market value in the same year. The
11 department may use the same year for property classified in
12 15-6-134 or [section 6]. The department shall publish a rule
13 specifying the year used in the appraisal of property
14 classified in 15-6-134 and the year used in the appraisal of
15 property classified in [section 6].

16 (6) All sewage disposal systems and domestic use water
17 supply systems of all dwellings may not be appraised,
18 assessed, and taxed separately from the land, house, or
19 other improvements in which they are located. In no event
20 may the sewage disposal or domestic water supply systems be
21 included twice by including them in the valuation and
22 assessing them separately."

23 **Section 5.** Section 15-10-402, MCA, is amended to read:
24 "15-10-402. Property tax limited to 1986 levels. (1)
25 Except as provided in subsections (2) and (3), the amount of

(3) The term "value-added property" means but is not limited to property that is used for the mechanical or chemical transformation of materials or substances into products in the manner defined as manufacturing in the 1987 Standard Industrial Classification Manual prepared by the United States office of management and budget. The property must be used for the:

(a) processing of Montana raw materials; or
(b) processing semifinished products produced in Montana that are used as a raw material in further manufacturing.

(4) (a) Except as provided in subsection (4) (b), class twenty-two is taxed at 6% of its market value.

(b) Value-added property that is acquired by an industry after July 1, 1991, and is used in a value-added process is taxed at 5% of its market value."

Remember: subsequent sections

1 taxes levied on property described in 15-6-133, 15-6-134, and Section 7
2 15-6-136, 15-6-142, and 15-6-144, ~~and~~ Section 6 may not,
3 for any taxing jurisdiction, exceed the amount levied for
4 taxable year 1986.

5 (2) The limitation contained in subsection (1) does not
6 apply to levies for rural improvement districts, Title 7,
7 chapter 12, part 21; special improvement districts, Title 7,
8 chapter 12, part 41; elementary and high school districts,
9 Title 20; or bonded indebtedness.

10 (3) New construction or improvements to or deletions
11 from property described in subsection (1) are subject to
12 taxation at 1986 levels.

13 (4) As used in this section, the "amount of taxes
14 levied" and the "amount levied" mean the actual dollar
15 amount of taxes imposed on an individual piece of property,
16 notwithstanding an increase or decrease in value due to
17 inflation, reappraisal, adjustments in the percentage
18 multiplier used to convert appraised value to taxable value,
19 changes in the number of mills levied, or increase or
20 decrease in the value of a mill."

21 NEW SECTION. Section 6. Class twenty-one property --
22 description -- taxable percentage. (1) Class twenty-one
23 property includes:

24 (a) all land used for commercial purposes except that
25 specifically included in another class; and

"(b) Property described in subsection (1) (c) is taxed at one-half the taxable percentage rate established in subsection (2) (a)."

(b) all improvements used for commercial purposes
except those specifically included in another class or Section 7
(2) Except as provided in 15-24-1402 or 15-24-1501,
property included in class twenty-one is taxed at Section 6
its market value.

NEW SECTION. Section 7. Codification instruction.
Sections 3 and 6 are intended to be codified as an
integral part of Title 15, chapter 6, part 1, and the
provisions of Title 15, chapter 6, part 1, apply to
Sections 3 and 6.

NEW SECTION. Section 8. Applicability. [This act]
applies to taxable years beginning after December 31, 1991.

-End-

NEW SECTION. Section 7. Class twenty-two property --
description -- taxable percentage. (1) Class twenty-two
property includes:

(a) all mining machinery except that specifically
included and taxed in another class, fixtures, equipment,
tools that are not exempt under 15-6-201(1)(r), and supplies
except those included in class five;

(b) all manufacturing machinery except that
specifically included and taxed in another class, fixtures,
equipment, tools that are not exempt under 15-6-201(1)(r),
and supplies except those included in class five;

(c) all goods and equipment intended for rent or
lease, except goods and equipment specifically included and
taxed in another class;

(d) furniture, fixtures, and equipment, except that
specifically included and taxed in another class, used in
commercial establishments as defined in this section;

(e) x-ray and medical and dental equipment;

(f) citizens' band radios and mobile telephones;

(g) radio and television broadcasting and transmitting
equipment;

(h) cable television systems;

(i) theater projectors and sound equipment; and

(j) value-added property as defined in this section.

"Commercial establishment" includes any hotel;

motels; offices; petroleum marketing station; or service;

places; and for any other business.

ROLL CALL VOTE

SENATE COMMITTEE ON TAXATION

Date 4/2/91 SB Bill No. 960 Time

NAME	YES	NO
SEN. HALLIGAN	X	
SEN. BROWN		X
SEN. ECK	X	
SEN. GAGE		X
SEN. VAN VALKENBURG	X	
SEN. HARP		X
SEN. YELLOWTAIL	X	
SEN. THAYER		X
SEN. TOWE	X	
SEN. KOEHNKE		X
SEN. DOHERTY	X	

Bill Robinson
Secretary

Senator Mike Halligan
Chairman

Motion: by Senator Van Valkenburg
to amend SB 960 as per
attachment #1

ROLL CALL VOTE

SENATE COMMITTEE ON TAXATION

Date 4/2/91 SB Bill No. 460 Time

NAME	YES	NO
SEN. HALLIGAN	X	
SEN. BROWN		X
SEN. ECK	X	
SEN. GAGE		X
SEN. VAN VALKENBURG	X	
SEN. HARP		X
SEN. YELLOWTAIL	X	
SEN. THAYER		X
SEN. TOWE	X	
SEN. KOEHNKE		X
SEN. DOHERTY	X	

Secretary

Jill Robinson

Chairman

Senator Mike Halligan

Motion:

by Senator Van Valkenburg
that SB 460 do pass do
pass

ROLL CALL VOTE

SENATE COMMITTEE ON TAXATION

Date 4/2/91 SB Bill No. 435 Time

NAME	YES	NO
SEN. HALLIGAN	X	
SEN. BROWN	X	
SEN. ECK	X	
SEN. GAGE		X
SEN. VAN VALKENBURG	X	
SEN. HARP		X
SEN. YELLOWTAIL	X	
SEN. THAYER		X
SEN. TOWE	X	
SEN. KOEHNKE	X	
SEN. DOHERTY	X	

Dill Rhyan
Secretary

Sen. Mike Halligan
Chairman

Motion: by Senator Van Valkenburg
that SB 435 Do Pass

PROGRESS SINCE THE COAL TAX REDUCTION TOOK EFFECT

The first reduction phase took effect on July 1, 1988:

	PRODUCTION	COAL MINE EMPLOYMENT
July 1, 1988	38.9 million tons	1142 employees
July 1, 1989	37.8 million tons	1113 employees
July 1, 1990	37.5 million tons	1102 employees
Dec. 31, 1991	34.3 million tons (est)	1146 employees*
Dec. 31, 1992	34.4 million tons (est)	
Dec. 31, 1993	34.2 million tons (est)	
Dec. 31. 1994	30.6 million tons (est)	

Source: Production figures - Montana Coal Council
Employment figures - Montana Department of Labor (the
numbers used by the companies to pay workers
compensation and unemployment compensation taxes)

* January 31, 1991

Production and Value

The following chart shows production for 1979 through 1989. The price per ton at the various sites depends on the quality of coal (heating value, moisture content, sulfur and ash content, etc.) but an average for Calendar Year 1989 was \$7.40 per ton making the value of that coal \$280 million. The price is established by the Department of Revenue after the three state and federal taxes are deducted. Therefore, it does not reflect the total cost of the coal.

Coal Production

Year	Production (Million Tons)
1979	32.5
1980	30.0
1981	33.3
1982	27.8
1983	28.7
1984	33.1
1985	33.1
1986	33.7
1987	34.4
1988	38.9
1989	37.8

Source: Workers Comp. Division, Dept. of Labor

Coal Production Estimates in Millions of Tons for the Major Montana Coal Mines as of January, 1990

	Actual 1989	1990	1991	1992	1993	1994
Becker Coal	10.1	9.4	9.1	9.2	9.2	8.8
Knife River	.3	.2	.2	.2	.2	.2
Peabody Coal	3.7	3.5	3.2	3.2	3.2	0
Spring Creek	6.0	7.0	7.0	7.0	7.0	7.0
Western Energy	13.7	12.0	11.8	11.8	11.6	11.6
Westmoreland	4.0	3.0	3.0	3.0	3.0	3.0
	37.8	35.1	34.3	34.4	34.2	30.6

Source: Individual Companies

This brochure was prepared by the staff of the Montana Coal Council with the assistance of informational sources quoted. The Montana Coal Council is a trade association whose members are involved in the production of coal in Montana. We support realistic state and national environmental and social standards. The Council also recognizes the need for a federal energy policy that will lead to the development of domestic energy sources and reducing this nation's dependence on foreign oil.

Montana Coal Council
2301 Colonial Drive
Helena, MT 59601
(406) 442-6223

Executive Director: James D. Mockler
Office Manager: Danette M. Warren

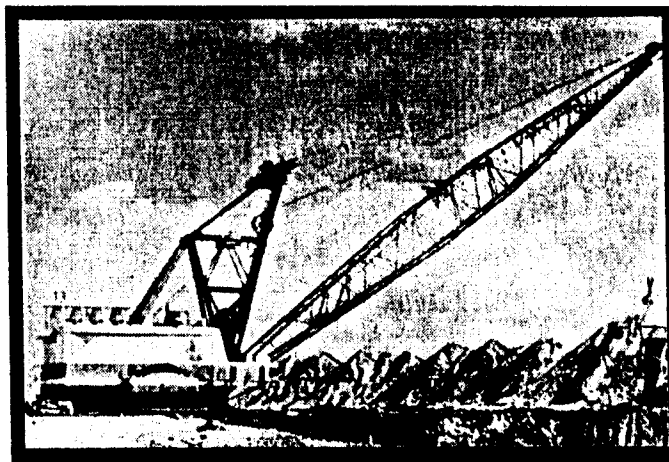
SENATE TAXATION

EXHIBIT NO. 3

DATE 4/2/91

BILL NO. SB470

Montana Coal 1990



*Every ton of Montana coal
replaces 3½ barrels of
foreign oil.*

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

MONTANA COAL TAX

Under Senate Bill 470: 13.5% of F.O.B. Mine Price

Combined with Local Geovernment Severance Tax (Flat Tax) and Resource Indemnity Trust Tax:

Statutory Rate: Flat tax = 5.0%
RIT tax = .5%

Effective Rate: Flat tax = 3.36%
RIT tax = .337%
Severance tax = 13.50%
17.197%

Combined rate under current law (after July 1, 1991):

Effective Rate - Flat tax = 3.36%
- RIT tax = .337%
Severance tax = 10.09%
13.787%

COMPARISON WITH NORTH DAKOTA

North Dakota Tax Rate = 77 cents per ton.

At \$7.36 per ton - 10.42%
At \$5.50 per ton - 14.0%
At \$5.00 per ton - 15.4%

COMPARISON WITH WYOMING

State Severance Tax - 8.5% (The base varies according to the Direct Mining Cost Ratio at the particular mine site).

Assume 78% Direct Mining Cost Ratio - 6.375%
- Plus Ad valorem tax (County Property Tax - Campbell Co. = 59.324 mills) - 4.45%
- Plus Sales Tax (4% in Campbell Co.) - 4.0%
14.825%

Assume 85% Direct Mining Cost Ratio - 6.79%
- Plus Ad valorem tax - 4.74%
- Plus Sales Tax - 4.0%
15.53%

Without the sales tax:

Assume 78% Direct Mining Cost Ratio - 10.825%
Assume 85% Direct Mining Cost Ratio - 11.53%

COMPETITIVE ADVANTAGE OF MONTANA COAL

Freight Rates: It is 125 miles shorter to Minneapolis from Montana Coal mines (Decker and Spring Creek).

Assume 1.0 cents per ton mile = \$1.25 per ton less frieght.

Assume \$8.00 per ton coal before Montana Severance taxes:

MONTANA		WYOMING	
Coal	- \$8.00	Coal	- \$8.00
Tax	- 1.34	Tax	- .92
	<u>9.34</u>		<u>8.92</u>
		Plus Extra Frieght	- 1.25
			<u>10.17</u>

In order for the Montana tax to price Montana Coal out of the market (Minneapolis and Great Lakes area), we would have to have a tax with an effective rate of 27.1%:

Competitive Wyoming price	- \$10.17
Montana tax (\$10.17 - \$8.00)	- 2.17
Effective rate (\$2.17 / \$8.00)	- 27.1%

WE, THE UNDERSIGNED TAXPAYING CITIZENS OF POWDER RIVER COUNTY, IN SOUTHEASTERN MONTANA,
HEREBY REQUEST THAT THE MONTANA LEGISLATURE STAND BACK OF MONTANA'S COMMITMENT TO THE
COAL COMPANIES, "THROUGH THE WINDOW OF OPPORTUNITY", TO REDUCE THE COAL SEVERANCE TAX
TO 15%, JULY 1, 1991 - THANK YOU!

Sandra Cain Broadus MT

Lucretia Loring Broadus MT

Andy Conkey Broadus MT
Don Hall

Shawna Rhodes Broadus MT

Anna Trank Broadus MT 59317

Cheryl Stark Broadus MT

WE, THE UNDERSIGNED TAXPAYING CITIZENS OF POWDER RIVER COUNTY, IN SOUTHEASTERN MONTANA,
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TO 15%, JULY 1, 1991 - THANK YOU!

Emerine R. Hanlan

Cheri Jutten

Larry H. Galt

John M. Galt

Ronald Heidel

Katherine Stabio

V. J. Rose

Bobbie Heidel

Nancy Stoddard

Biddle, Mont 59314

Broadus Mt. 59317

Broadus, mt 59317

Ohio, MT 59343

Broadus MT 59317

Broadus Mt.

Broadus MT 59317

Broadus MT 59317

Broadus, Mt 59317

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TO 15%, JULY 1, 1991 - THANK YOU!

Mae Wirtz

Cindy Olson

Janet Rice

Nathan Rice

Catherine Rempel

Robert Rempel

Anna Tasevich

Neli Johnston, Broadus

Lill Sims

Machelle Workman

Shirley Stiver

Sindy Burley

Jay Budy

Kay Allrich

Rowena L. Warner

Mary Rempel

Ann Birtley

Ann Carroll

Kasali Davis

Theresa Porter

Carl Smith

Rick Nathan

Corinne Schaffer

Michelle Richards

Agnes Davidson

Rt. 89 Broadus, mt.

Rt. 89 Broadus, Mt.

Buddle, MT. 59314

Broadus

Biddle, mt.

Biddle MT 59314

Broadus, Mt.

Broadus mt

Olive Montana

Broadus Montana

" "
Powdermill, mt -

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Jori Turnbough
Mey Turnbough
Camilla Turnbough
Janet Rice

HCR 82 Box C1 Belle Creek, mt.
Broadus, Mt.
Broadus Mt.
Rt 89 Broadus Mt.

WE, THE UNDERSIGNED TAXPAYING CITIZENS OF POWDER RIVER COUNTY, IN SOUTHEASTERN MONTANA,
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Joe Cassidine

Bradley Mont 59317

WE, THE UNDERSIGNED TAXPAYING CITIZENS OF POWDER RIVER COUNTY, IN SOUTHEASTERN MONTANA,
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TO 15%, JULY 1, 1991 - THANK YOU!

Kenneth Carter

Corey Swenson

Marla Bee Fitten

Broadus, MT

Olive, Montana

Broadus, MT

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John H. Miller
Tom Brewer
John Miller
Helen Burton
Liana Edwards
Gene Steadman

Eric HX
Broadus MT
Broadus MT
Broadus, MT
Broadus, Mont.
Broadus, MT

WE, THE UNDERSIGNED TAXPAYING CITIZENS OF POWDER RIVER COUNTY, IN SOUTHEASTERN MONTANA,
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TO 15%, JULY 1, 1991 - THANK YOU!

Sherry A. Davis

Bernice Canon

Claire Shamley

Paula Grant

Andy Williams

Mary Hill

Broadus Mt. 59317

Broadus Mt. 59317

Broadus Mt. 59317

Broadus Mt. 59317

Broadus Mt. 59317

Brookville Mo 59345

WE, THE UNDERSIGNED TAXPAYING CITIZENS OF POWDER RIVER COUNTY, IN SOUTHEASTERN MONTANA,
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TO 15%, JULY 1, 1991 - THANK YOU!

Gaylene Morgan

David Ray

Susan Rendon

Granda Willard

Roger Dillon

James Sneath

Jim Duffin

Linda Lindstedt

R. J. Pongfuta

Barbara Rosencranz

Tomie Collins

Caryn Barnhart

Clinton Waters

Diane McPheeters

Nancy Loidi

James Border

R. G. Mahoney

James F. DuBois

Kathleen J. Less

Steve Cliff

Bill Smith

Mike Bileland

Don Bili

Shari Laidi

Elaine Keller

Ed Mann

WE, THE UNDERSIGNED TAXPAYING CITIZENS OF POWDER RIVER COUNTY, IN SOUTHEASTERN MONTANA,
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Jack Hatcher
Karyn Waller
George Bailey
Betty G. Vail
Gail Twister
Paulie Isaac
Debbie Daily
Bo Depen
Job Rogers
Linda Bailey

Broadus, MT 59317
Broadus, MT 59317
Broadus mt 59317
Box 376 Broadus, MT 59317
Box 562 Broadus, MT 59317
Box 118, Broadus, MT 59317
Box 27 Broadus MT 59317
Box 181 Broadus MT 59317
Box 332 Broadus MT 59317
Box 544 Broadus, MT 59317

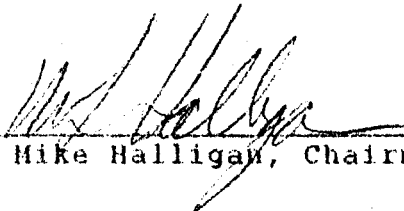
SENATE STANDING COMMITTEE REPORT

Page 1 of 1
April 2, 1991

MR. PRESIDENT:

We, your committee on Taxation having had under consideration Senate Bill No. 435 (first reading copy -- white), respectfully report that Senate Bill No. 435 do pass.

Signed: _____


Mike Halligan, Chairman

LB 4/2/91

Amd. Coord.

SP 4/2 11:20

Sec. of Senate

Box 48
Broadus, Mt. 59317
March 6, 1991

Rep. Dan Harrington & Sen. Mike Halligan
Chairmen-Senate & House Taxation Committees
Capitol Station
Helena, Mt. 59601

Dear Sirs:

you will find attached and enclosed herewith a number of petitions signed by as many of our local tax payers as we could contact on such short notice.

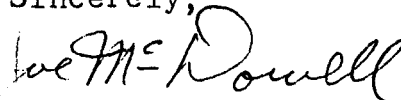
The petition reads as follows:

WE, THE UNDERSIGNED TAXPAYING CITIZENS OF POWDER RIVER COUNTY, IN SOUTHEASTERN MONTANA, HEREBY REQUEST THAT THE MONTANA LEGISLATURE STAND BACK OF MONTANA'S COMMITMENT TO THE COAL COMPANIES, "THROUGH THE WINDOW OF OPPORTUNITY", TO REDUCE THE COAL SEVERANCE TAX TO 15%, JULY 1, 1991.
THANK YOU!!!

I sincerely hope that these petitions will influence your voting power to NOT freeze the severance tax at the disadvantageous 20% but reduce it to 15% as was promised. These petitions along with Senator Yellowtail's and Rep. Marion Hanson's corroborative statements as to our sentiments here in Broadus, on reduced coal severance tax, should alleviate any problems you might have in voting against Towe's SB352.

We shall count on your fair judgement and sincere support.

Sincerely,



Joe McDowell, Pres.
Powder River Co. Farm Bureau

Many enclosures

WE, THE UNDERSIGNED TAXPAYING CITIZENS OF POWDER RIVER COUNTY, IN SOUTHEASTERN MONTANA,
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TO 15%, JULY 1, 1991 - THANK YOU!

Shirley A. Bicknell

James C. Shamley

John B. Stabio

Terri E. Sorensen

Greg C. Hill

Sylvia J. Janner

Steve D. Jant

David L. Janner

Kara Clark

Laura Ackerman

Marlene G. Galt

Henry J. Biedie

Jerry H. Galt

Ellen Galt

Heidi W. Galt

Bill Galt

Jack Robinson

Harlan L. Jensen

Debbie Miller

Rufus Miller

Warren McMill

Jeffrey Wark

Bill Galt

Harmon W. Galt

James L. Galt

John H. Galt

Joe R. St

Broadus, MT 59317

Broadus, MT

Broadus, MT

Broadus, MT

Broadus, MT

Broadus, MT

Broadus, MT

Broadus, MT

Broadus, MT

Broadus, MT

Broadus, MT

Broadus, MT

Broadus, MT 59317

Broadus, Mont

Broadus, MT 59317

Broadus, mt 59317

Broadus, MT

Broadus Mont 59317

Broadus, MT 59317

Broadus, MT 59317

Broadus, MT 59317

Ashland, MT 59003

Broadus, MT 59317

Broadus

Broadus

Broadus, MT

Broadus, mt

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TO 15%, JULY 1, 1991 - THANK YOU!

Wesley E. Mc Dowell
Joe Mc Dowell
Darla Dunning
Rick Rye
Norman G. Shapelt
Marion Sowers
D. Washington
Phil Van Wolf
Clayton E. Burr
Leo Jurin
Patrick A. Killen
Leo Hoffman
John Washington
Bill Lambert
Wes Stratton
Don Ross
Frank W. Kitchell
Jerry Mc Dowell
Ruth G. Gatten
Gene Wash
Cliff Grant
Roger Dillard
Gloria Richard
Suzanne Ritz
Carol Hollings
Andrea Rice
Vernon Rice

Broadus, MT
Broadus, MT
Broadus, MT
Broadus, MT
Box 11 Boyes, Mt. 59316
Broadus MT
Broadus, MT.
Powderville mt.
Powderville Stee Mc. Mt
Broadus MT.
Powderville, MT.
Broadus MT.
Broadus MT
Broadus
Broadus
Powderville
Broadus, Mt. 59317
Ashland MT 59803
Broadus MT.
Ashland MT
Ashland MT
Belle Creek, mt.
Belle Creek, MT
Broadus, MT.
Broadus, MT. 59317

TO 15%, JULY 1, 1991 - THANK YOU!

Amica E. T. 1

417/159210

WE, THE UNDERSIGNED TAXPAYING CITIZENS OF POWDER RIVER COUNTY, IN SOUTHEASTERN MONTANA,
HEREBY REQUEST THAT THE MONTANA LEGISLATURE STAND BACK OF MONTANA'S COMMITMENT TO THE
COAL COMPANIES, "THROUGH THE WINDOW OF OPPORTUNITY", TO REDUCE THE COAL SEVERANCE TAX
TO 15%, JULY 1, 1991 - THANK YOU!

L. J. Arnsden

Kevin E. Hoff

Rod Borch

Box 458 Broadus, MT. 59317

Broadus, Mont

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Lee French
Michael Egan
Lawrence Capra
Charles Barber
Charles J. Hamilton Jr.
Curtis Randall
Samuel Lapp
Calvin Rice

Brookus mt

Boyes, mt
Boyes, mt
Boyes, MT
Brookus, MT
"
Brookus, MT

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Wor Johnston Broadus, MT

James D. Williams Broadus, MT

Edmer W. Watters Broadus, MT

Samuel L. Linnette Broadus, MT

Lula May Bruce Broadus

Tracy Ann Broadus, MT

James Gordon

Norman Bruce Broadus MT

Leggett Ann Broadus MT

Norma Gordon Broadus, MT

Lydia V. Watters Broadus MT

P. J. Pendergast

Leinda Pendergast

Ken Johnston Broadus MT

Cindy Ann Broadus, MT

Susan R. Taylor Broadus, MT

Bonnie Watters Broadus, MT

Thomas F. Hinde Broadus, MT

Jim Reinhold Broadus MT

Sharon Dinkip Broadus

Toy Linn Olive, MT

Steven Bird Olive MT

Barry Russiff Olive, MT

Lois Franklin Broadus, MT

Pat Franklin Broadus, MT

Clyford Franklin Broadus MT

Christine Franklin Broadus, MT

Andrew H. Daskal Volboog, MT

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Theresa A Alderman

Jean Lee Weaver

Robb Foster

Paul Weaver

Betty Weiser

Linda Byrd

David L. Sullivan

Broadus, MT 59317

Broadus, MT 59317

Broadus, MT 59317

Broadus, MT 59317

Broadus, MT 59317

Jeffrey, MT 59351

Broadus, MT 59317

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Jami Schenck
William LaHamm
Mazie Taylor
Lewia Roberts
Robert Moore
Edgar M. Bushnell
Ellen L. Bailey
Jany Coulter
Katherine Vigil
Paul Bestlund
Dolores S. Carter
Doug Maxton
John Richards

Broadus MT 59317
Broadus MT 59317
Broadus MT 59317
Broadus MT
Broadus MT
Broadus MT
Broadus, MT.
Broadus MT
Broadus MT
Broadus MT 59317
Broadus MT
Broadus MT

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TO 15%, JULY 1, 1991 - THANK YOU!

Bonnie Davis

Irene Kozicki

Julie Patton

Don Shaffer

Albert Roder

Box 51 Bayo Mt 59316

Box 349, Broadus, Mt. 59317

Box 124 Broadus, Mt. 59317

Box 11 BROADUS MT 59317

Rt 82 Box 334 Broadus MT.

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Jerry J. McGill
Dwight M. Cross
James J. Klein
J. William J. Capps
Robert A. Carroll
Gary B. Bailin
David Wisley
Steven R. Hagg

Powdersville, Mont.
Broadus, Mont.
Broadus, Mont.
Broadus, W.D.
" "

Broadus, Mont.
Broadus, Mt. 59317

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Meryl Schaffer Broadus, MT.
Dennis Schaffer Broadus, MT.
Harold Wapson Broadus, MT.
Betty Schell Broadus, MT.
Allen Schell Broadus, MT.
Clinton Cross Broadus, MT.
Lyle W. Grant Broadus, MT.

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Tony Alderman
Bob Schuff
Dinda Silvey
Ronald H. Allen
Ed Boskovic
Alvin L. Kapp
Lore Williams
Earl Clark
Mardie Gaskeel
Clarence Gards
Gerald L. Alderman
Robert Talbot Jr.
Mary Schaffer
Ed Colan
Norman A. Tumbough
Rex O. Schaffer
Betty Aye
Fred Hufkamp
Rick Brewster
Rupmond Nelson
Mitchell E. Bunley
Gust Schmitt
Patricia L. Smith
Paul Weiser

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~~Carol Ann Perry~~
~~Bruce Simpson~~
~~Killie B. Brown~~
~~Wally Nye~~
~~Kevin Holland~~
~~Bob Nelson~~
~~Jay Burley~~
~~David L. Burley~~
~~Earl Flansburg~~
~~Ethel Burley~~
~~Helen Bries~~
~~Arnell E. Jones~~
~~Willie McPheeters~~
~~Carol McPheeters~~
~~Wesley D. Traub~~
~~Carolyn K. Traub~~
~~Deane Braden~~
~~Adeline Wice~~

~~Broader MT~~
~~Rt. 56 Broader, MT~~
~~Broader Mt Box 30~~
~~Broader MT~~
~~Broader MT~~
~~Broader, MT~~
~~Broader MT~~

~~Broader mt~~
~~Broader Mt~~
~~Alendine MT~~
~~Broader, Mt.~~
~~Broader, Mt.~~
~~Broader, MT~~
~~Broader, Mt~~
~~Broader, Mt.~~
~~Broader, Mt.~~

" "

Montana Coal Council
Comments on SB 470

LEGISLATIVE INFORMATION

EXHIBIT NO. 7

DATE 4/2/91

BILL NO. SB 470

SB 470 (Towe) attempts to do four things:

1. Calculate severance tax as a percentage of gross FOB mine value including:

- a) Pre-tax value of the coal
- b) Severance tax
- c) Gross proceeds tax
- d) RITT tax
- e) Royalty
- f) Federal black lung tax
- g) Federal reclamation fee

2. Calculate gross proceeds tax as a percentage of gross FOB mine value including:

- a) Pre-tax value of the coal
- b) Severance tax
- c) Gross proceeds tax
- d) RITT tax
- e) Royalty
- f) Federal black lung tax
- g) Federal reclamation fee

3. Tax coal in place at 3.86% or 45% of gross proceeds.

4. Tax coal operator profits at an additional 20%.

Using the current average contract sales price for coal of \$7.40 and average mill levies at 180 mills, the following table compares SB 470 with current law (excluding "excess profits" and coal in place taxes).

	<u>SB 470 Proposal</u>	<u>Current Law</u>	<u>Change</u>
Contract Sales Value*	\$7.400	\$7.400	0
Severance Tax	1.789	1.133	+ .656
Gross Proceeds Tax @ 180 Mills**	1.471	.378	+1.093
Resource Indemnity Trust Tax	.033	.033	0
Reclamation Tax	.350	.350	0
Black Lung Tax	.550	.470	+ .080
Royalty	1.656	1.395	+ .261
FOB Mine Price	\$13.249	\$11.159	+2.090

Calculated on 37.5 million ton of coal - an increase of \$78,375,000

*\$7.40 is contract sales price adopted by HJR 24.

**180 mills is approximate average for all mines.

The result is a severance tax of 24.2% and a gross proceeds tax of 19.9% which added with RITT at .4% make a total of 44.5% as opposed to 20.4% (assuming 15% severance) or an increase of 118%.

Taxing coal in place creates a special dilemma because of several things.

To my knowledge no mining company owns any of the coal they mine. Most of the coal is owned by the Federal Government, the Crow Tribe, the State of Montana or private sources other than coal companies.

While the bill states that if the producer opts not to pay the tax on coal in place, he will pay a 45% increase in gross proceeds (which raises the severance which raises the royalty which raises the gross proceeds). The producer doesn't own the coal, but I would expect he would opt to have the owner pay. However, other than providing some humor to the Federal Government, the Crow Tribe and the State of Montana, I doubt that there would be much reaction.

If on the other hand the intent all along is to charge the producers for their leases on about 1 billion tons, that would come to about another \$7 million per year if the coal in place was valued at \$1 per ton or an additional \$30 million in gross proceeds, severance and royalty if the producer paid the 45% gross proceeds penalty.

Incidentally, the House has seen fit to table a bill co-sponsored by Senator Towe to tax minerals in place.

After all is said and done, if there is anyone left to mine the coal and if they should make a profit for having the privilege of being in the coal business, they could pay an additional 20% income tax. An interesting concept, especially if one envisions similar treatment for lawyers, doctors and at times even farmers and ranchers.

A bill co-sponsored by this bill's sponsor to do the same thing was likewise tabled in the House.

Some questions I would assume the counties may wish to have answered is why the coal gross proceeds would no longer apply toward their general fund, elementary levies, high school levies, university levies, retirement fund and transportation fund (Sections 27-33). What are they to do with their windfall?

I also find it curious that the bill has a retroactive date to all coal produced in 1991 yet the bill specifies the new definition of "contract sales price" does not take affect until after December 31, 1991.

SENATE TAXATION

EXHIBIT NO. 8DATE 4/2/91BILL NO. SB 471

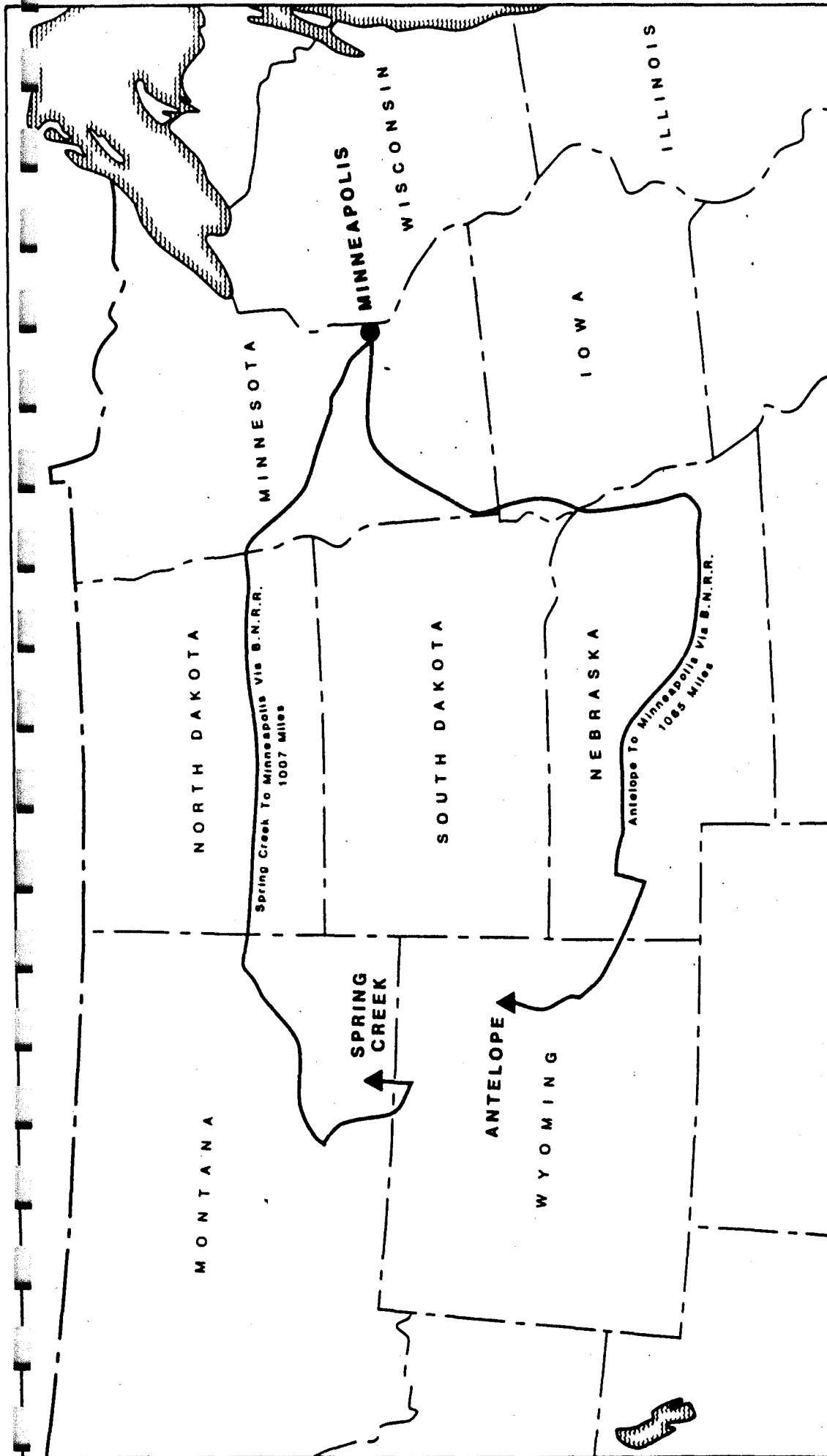
	<u>MONTANA</u>		<u>WYOMING</u>
		S.B. 470	
	@ 15%	@ 13.5%	
Average Sales Price	<u>\$6.00</u>	<u>\$6.00</u>	<u>\$6.00</u>
State Production Taxes			
Severance	0.599 ¹	0.810	0.375
Gross Proceeds	0.200	0.470	
Resource Indemnity Trust Tax	0.011	0.011	
Extraction Tax	—	—	<u>0.280²</u>
Sub-Total	0.810	1.291	0.655 ³
Other Taxes and Royalties			
Federal Reclamation Fee ⁴	0.346	0.346	0.343
Black Lung tax	0.253	0.253	0.253
BLM Royalty	<u>0.750</u>	<u>0.750</u>	<u>0.750</u>
Sub-Total	1.349	1.349	1.346
Total Tax	<u>\$2.159</u>	<u>\$2.640</u>	<u>\$2.001</u>

¹ Montana Severance Tax at a 15% rate.

² Latest Converse County rate of 6.338%, Sweetwater County rate is 7.412%.

³ There is no Wyoming sales tax imposed on coal sold for electricity.

⁴ Fee of 35¢ is reduced some by excess moisture.



SENATE TAXATION	
EXHIBIT NO.	89
DATE	4/2/91
BILL NO.	58470

3/91

NERCO COAL CORP.

ANTELOPE COAL MINE & SPRING CREEK COAL MINE

RAILROAD ROUTES TO MINNEAPOLIS VIA BURLINGTON NORTHERN

NOT TO SCALE

SENATE STANDING COMMITTEE REPORT

Page 1 of 5
April 2, 1991

MR. PRESIDENT:

We, your committee on Taxation having had under consideration Senate Bill No. 460 (first reading copy -- white), respectfully report that Senate Bill No. 460 be amended and as so amended do pass:

1. Title, lines 5 and 6.

Strike: "REDUCING" on line 5 through "PERCENT" on line 6

Insert: "CREATING A NEW CLASS OF PROPERTY FOR STATIONARY

COMMERCIAL PROPERTY; ESTABLISHING THE TAX RATE ON STATIONARY
COMMERCIAL PERSONAL PROPERTY AT 6 PERCENT"

2. Title, line 8.

Following: "FOR"

Insert: "INCOME-PRODUCING"

3. Title, line 9.

Strike: "INCREASING"

Insert: "ESTABLISHING"

Following: "ON"

Insert: "INCOME-PRODUCING"

4. Title, line 10.

Strike: "TO 5.07"

Insert: "AT 4.8"

Following: "PERCENT;"

Insert: "PROVIDING THAT NONINCOME-PRODUCING COMMERCIAL LAND AND
IMPROVEMENTS ARE RETAINED IN CLASS FOUR PROPERTY;"

5. Page 1, line 18.

Strike: "a"

Insert: "an income-producing"

6. Page 1, line 20.

Strike: "a"

Insert: "an income-producing"

7. Page 2, line 6.

Following: ";

Insert: "and"

8. Page 2, lines 7 through 9.

Strike: subsection (d) in its entirety

9. Page 2, line 9.

Following: "yards"

Insert: " (d) commercial land and improvements that:
 (i) are integrally related in a single working unit;
 (ii) are not in production and are not producing on
the assessment date of the current taxable year;
 (iii) have not been in production and have not been
producing income for 6 consecutive months preceding the
current taxable year; and
 (iv) are not included in class twenty property as
described in 15-6-150"

10. Page 2, line 12.

Following: "(1)(a)"

Insert: ", "

Strike: "and"

Following: "(1)(b)"

Insert: ", and (1)(d)"

11. Page 3, lines 19 through 21

Strike: subsection (c) in its entirety

12. Page 4, line 11.

Following: "all"

Insert: "self-propelled"

13. Page 4, lines 11 through 13.

Strike: ", fixtures" on line 11 through "five" on line 13

14. Page 4, line 14.

Following: "all"

Insert: "self-propelled"

15. Page 4, lines 14 through 16.

Strike: ", fixtures" on line 14 through "five" on line 16

16. Page 4, lines 20 through 22.

Strike: subsection (e) in its entirety

Renumber: subsequent subsections

17. Page 5, lines 1 through 8.

Strike: subsections (h) through (l) in their entirety

Renumber: subsequent subsections

18. Page 5, lines 10 and 11.

Strike: "(n)" on line 10 through "property;" on line 11

Renumber: subsequent subsection

19. Page 5, line 20 through page 6, line 10.

Strike: "or"
Insert: ", "
Following: "15-24-1501,"
Insert: "or subsection (2)(b) of this section,"

31. Page 10, line 4.
Strike: "5.07%"
Insert: "4.8%"

32. Page 10.
Following: line 5

Insert: "(b) Property described in subsection (1)(c) is taxed at one-half the taxable percentage rate established in subsection (2)(a)."

NEW SECTION. Section 7. Class twenty-two property -- description -- taxable percentage. (1) Class twenty-two property includes:

(a) all mining machinery except that specifically included and taxed in another class, fixtures, equipment, tools that are not exempt under 15-6-201(1)(r), and supplies except those included in class five;

(b) all manufacturing machinery except that specifically included and taxed in another class, fixtures, equipment, tools that are not exempt under 15-6-201(1)(r), and supplies except those included in class five;

(c) all goods and equipment intended for rent or lease, except goods and equipment specifically included and taxed in another class;

(d) furniture, fixtures, and equipment, except that specifically included and taxed in another class, used in commercial establishments as defined in this section;

(e) x-ray and medical and dental equipment;

(f) citizens' hand radios and mobile telephones;

(g) radio and television broadcasting and transmitting equipment;

(h) cable television systems;

(i) theater projectors and sound equipment; and

(j) value-added property as defined in this section.

(2) "Commercial establishment" includes any hotel; motel; office; petroleum marketing station; or service, wholesale, retail, or food-handling business.

(3) The term "value-added property" means but is not limited to property that is used for the mechanical or chemical transformation of materials or substances into products in the manner defined as manufacturing in the 1987 Standard Industrial Classification Manual prepared by the United States office of management and budget. The property must be used for the:

Strike: subsections (3) and (4) in their entirety
Renumber: subsequent subsection

20. Page 6, lines 11 and 12.

Strike: "(a)" on line 11 through "class" on line 12

Insert: "Class"

21. Page 6, line 12.

Strike: "6%"

Insert: "9%"

22. Page 6, lines 14 through 16.

Strike: subsection (b) in its entirety

23. Page 6, line 20.

Strike: "eight"

Insert: "twenty-two"

24. Page 6, line 25.

Strike: "eight"

Insert: "twenty-two"

25. Page 9, line 2.

Strike: "and"

Following: "[section 6]"

Insert: ", and [section 7]"

26. Page 9, line 24.

Following: "for"

Insert: "income-producing"

27. Page 9, line 25.

Strike: "and"

28. Page 10, line 1.

Following: "for"

Insert: "income-producing"

29. Page 10, line 2.

Following: class

Insert: "; and

(c) all golf courses, including land and improvements
actually and necessarily used for that purpose, that consist
of at least 9 holes and not less than 3,000 lineal yards"

30. Page 10, line 3.

Following: "(2)"

Insert: "(a)"

Strike: "or"

Insert: ", "

Following: "15-24-1501,"

Insert: "or subsection (2)(b) of this section,"

31. Page 10, line 4.

Strike: "5.07%"

Insert: "4.8%"

32. Page 10.

Following: line 5

Insert: "(b) Property described in subsection (1)(c) is taxed at one-half the taxable percentage rate established in subsection (2)(a).

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(c) all goods and equipment intended for rent or lease, except goods and equipment specifically included and taxed in another class;

(d) furniture, fixtures, and equipment, except that specifically included and taxed in another class, used in commercial establishments as defined in this section;

(e) x-ray and medical and dental equipment;

(f) citizens' band radios and mobile telephones;

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(h) cable television systems;

(i) theater projectors and sound equipment; and

(j) value-added property as defined in this section.

(2) "Commercial establishment" includes any hotel; motel; office; petroleum marketing station; or service, wholesale, retail, or food-handling business.

(3) The term "value-added property" means but is not limited to property that is used for the mechanical or chemical transformation of materials or substances into products in the manner defined as manufacturing in the 1987 Standard Industrial Classification Manual prepared by the United States office of management and budget. The property must be used for the:

(a) processing of Montana raw materials; or
(b) processing semifinished products produced in Montana that are used as a raw material in further manufacturing.

(4) (a) Except as provided in subsection (4)(b), class twenty-two is taxed at 6% of its market value.

(b) Value-added property that is acquired by an industry after July 1, 1991, and is used in a value-added process is taxed at 5% of its market value."

Renumber: subsequent sections

33. Page 10, line 7.

Strike: "and"

Following: "6"

Insert: ", and 7"

34. Page 10, line 10.

Strike: "and"

Following: "6"

Insert: ", and 7"

Signed: 

Mike Halligan, Chairman

LB 4/2/91
Amd. Coord.

SB 4/2 11/30
Sec. of Senate