MINUTES

MONTANA HOUSE OF REPRESENTATIVES
53rd LEGISLATURE - REGULAR SESSION

COMMITTEE ON TAXATION

Call to Order: By **CHAIRMAN BOB GILBERT**, on January 26, 1993, at 9:00 a.m.

ROLL CALL

Members Present:
Rep. Bob Gilbert, Chairman (R)
Rep. Mike Foster, Vice Chairman (R)
Rep. Dan Harrington, Minority Vice Chairman (D)
Rep. Shiell Anderson (R)
Rep. John Bohlinger (R)
Rep. Ed Dolezal (D)
Rep. Jerry Driscoll (D)
Rep. Jim Elliott (D)
Rep. Gary Feland (R)
Rep. Marian Hanson (R)
Rep. Hal Harper (D)
Rep. Chase Hibbard (R)
Rep. Vern Keller (R)
Rep. Ed McCaffree (D)
Rep. Bea McCarthy (D)
Rep. Tom Nelson (R)
Rep. Scott Orr (R)
Rep. Bob Raney (D)
Rep. Bob Ream (D)
Rep. Rolph Tunby (R)

Members Excused: None

Members Absent: None

Staff Present: Lee Heiman, Legislative Council
Jill Rohyans, Committee Secretary

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

Committee Business Summary:
Hearing: HB 250, HB 254, HB 327, HB 268,
Executive Action: None

HEARING ON HOUSE BILL 250

Opening Statement by Sponsor:

REP. BOB REAM, HD 54, Missoula, stated HB 250 was introduced at the request of the Department of Revenue, (DOR). The bill provides an intermediate step for property owners to appeal to the DOR before the appeal goes to the State Tax Appeals Board (STAB). This provision provides the option of negotiating an agreement with DOR prior to going to a full appeal hearing before STAB.

Proponents' Testimony:

Dave Woodgerd, Chief Counsel, DOR, presented proposed amendments that would conform the title to reflect the amendment of section 15-15-103; standardize to 30 calendar days the time for appeal from decisions of the county board to the state board; and insure that a taxpayer appeal not received in time to be considered by the county board at the current session of the board shall be carried over to the next year as provided for in section 3 **EXHIBIT 1.**

Pat McKelvey, STAB member, said DOR and STAB worked on the bill and the amendments. He said the holdover provision is important if timely filed appeals come in close to the end of the county tax appeal board's term. It is important to be able to hold the appeals over for the next term.

Opponents' Testimony: None

Questions From Committee Members and Responses:

REP. McCAFFREE asked if taxpayers are assessed penalties and interest when appeals are held over.

Mr. Woodgerd replied taxpayers are required to pay the taxes to the protest fund when due in November. If the taxpayer wins the appeal the payment is returned with all interest earned during the protest period.

Mr. McKelvey said the bill expands the taxpayer"s right to appeal and also makes the process less expensive and more workable.

Closing by Sponsor:

REP. REAM closed.

HEARING ON HOUSE BILL 254

Opening Statement by Sponsor:

REP. ED McCAFFREE, HD 27, Forsyth, said HB 254 increases the fee for filing a motor vehicle lien from $4 to $8. The $4 fee is remitted to the State Registrar's Bureau. The increase is sought to reimburse County Treasurers for their costs.

Proponents' Testimony:

Cort Harrington, Montana County Treasurers Association, said the Treasurers assumed extra lien filing responsibilities due to legislation passed last session. At the time, it did not appear there would be much extra work involved, but it has since proven to be a more complicated and time consuming procedure. The increase is needed to cover increased administrative costs to counties.

Opponents' Testimony:

Steve Turkiewicz, Montana Auto Dealers Association, expressed reluctant opposition to the bill. He reviewed the numerous fees which are assessed when licensing an automobile. All the fees paid by licensees total approximately $21 million a year. This new fee would generate another $200,000. He said Montana motorists pay enough now and should not be assessed another fee. Another issue in the bill is the inconsistency which exists in the law regarding payment of lien filing fees. Some counties allow all the fees to be paid with one check; others require a separate check for each vehicle which works a real hardship on companies licensing a fleet. He suggested the Committee amend the bill to allow one check for each group of liens filed.

Questions From Committee Members and Responses:

REP. REAM asked if the bill should have an effective date.

REP. McCAFFREE said the bill should be amended to include one.

Mr. Harrington said there is a statute that says all legislation dealing with registration of motor vehicles is effective January 1.

REP. FELAND asked if County Treasurers require any more FTEs to handle the increased workload.

REP. McCAFFREE replied they would not be hiring new employees. There is an increase in the work load and these responsibilities are causing a drag on their other duties.

Closing by Sponsor:

REP. McCAFFREE closed by saying that County Treasurers are doing the work of the auto dealer and the banks in the lien process. They need extra help with the associated administrative expenses.

Informational Testimony:

CHAIRMAN GILBERT said the Department of Revenue had prepared a response to questions posed by the Committee during the tax information presentation January 11 and 12. The material was distributed to the Committee **EXHIBIT 2**.

HEARING ON HOUSE BILL 327

Opening Statement by Sponsor:

REP. ED McCAFFREE, HD 27, Forsyth, said HB 327 clarifies that the legislation establishing a $5 minimum tax bill applies both to real and personal property taxes. Legislation passed in the 1991 session applied only to real property. This bill adds personal property taxes to the minimum tax bill provisions and is simply a clarification procedure enabling recovery of administrative costs.

Proponents' Testimony:

Mr. Harrington expressed support for the bill on behalf of the County Treasurers Association.

Opponents' Testimony:

Bill Verwolf, City Manager, Helena, said his concern is the $5 fee rather than the extension to personal property taxes. He noted counties are "geo-coding" properties, i.e., identifying properties more precisely than in the past. As a result, a number of properties are being split into smaller and smaller parcels and tax bills for those properties are commensurately smaller. The city of Helena is a municipality and therefore is tax exempt. However, there are special assessments districts which are affected, such as Forestvale Cemetery. The assessment on each lot in the cemetery is $.65 rather than a total tax bill of $30 or $45 for each parcel. The city must then pay a minimum $5 fee on each of the $.65 lots. Last year the city paid over $500 in fees on 100 minimally assessed properties. There are two different functions addressed in the bill, both with honorable intentions, but both costing Helena unnecessary money. He suggested amending the bill so that municipalities or local governments be excluded from the $5 fee or another way found to consolidate the tax bills.

__Questions From Committee Members and Responses__: None

__Closing by Sponsor__:

REP. McCAFFREE said he had no problem with **Mr. Verwolf's** suggested amendment. He stated it is not his intention to harm anyone, but rather recover administrative costs at the county level.

HEARING ON HOUSE BILL 268

__Opening Statement by Sponsor__:

REP. HAL HARPER, HD 44, Helena, said HB 268 addresses tax reform and the new responsibilities of fire departments. Fire departments must now respond to emergency calls which can cause a real dilemma when a fire call is received at the same time. Current law, passed in 1987, allows county commissioners to establish fire service areas. This bill is patterned after that legislation and allows property taxpayers in incorporated cities and towns and consolidated governments (referenced in proposed amendments) **EXHIBIT 3** the same advantages as are offered in the counties. It allows areas outside fire service areas to contract with the fire service areas for fire protection. Since these are fees and not taxes I-105 does not apply. This is the sort of shift which I-105 calls for in that it takes the burden off the property taxpayers. The fees are placed on structures, not land. Churches and public buildings are not exempt because, in many cases, special equipment and procedures are needed for fighting fires in structures of that type. The bill is a type of tax reform, an extension of a law that is working well in rural areas, and is a good idea. He also presented proposed amendments.

__Proponents' Testimony__:

Mr. Verwolf presented written testimony in support of the bill **EXHIBIT 4.**

Kay McKenna, Mayor, City of Helena, said she echoed the testimony of both **REP. HARPER** and **Mr. Verwolf.** She said Helena would like to continue to be a good neighbor and offer free fire protection to the Montana government complex and non-profits in the city. However, the city can no longer graciously offer free services. In order to stay within its budget constraints, the state is now facing an era of employee and service cuts such as municipalities faced several years ago. Fire departments in Helena are reduced to three man shifts. Technological advancements have demanded that firefighters be trained in medical emergency procedures and hazardous waste problems. She said this bill would offer some assistance without raising taxes and asked the Committee to give it favorable consideration.

Jan Brown, Helena City Commissioner, and former Representative, said she is seeing first hand, and from the other side, the problems of providing services within very tight budget constraints. She said the bill is sorely needed by cities and municipalities.

Hal Samson, Missoula County Commissioner, and President of the League of Cities and Towns, said Missoula does not own its own water system. The Public Service Commission has granted Missoula an interim rate increase of 24% until the hearing date for a 30% increase to cover the cost of one mill for hydric rental for the city. He said there is no way to pass that cost on to the users except through this bill. It is a good bill since people will pay for the services received.

Alec Hanson, Executive Director, Montana League of Cities and Towns, said he is speaking on behalf of the smaller cities and towns in the state. Volunteer fire departments in third class cities and towns are financed by four mills. This bill would give them some desperately needed financing. The East Helena Fire Department is trying to buy a new fire truck by collecting aluminum cans. He stated that Workers' Compensation and liability costs are very high and help is desperately needed.

Tim Bergstrom, President, Montana State Council of Professional Firefighters, and a Billings firefighter, said Billings has a fire service area agreement with the county which provides the necessary funding for additional emergency medical and fire protection. His organization strongly supports the bill.

Ed Flies, Montana State Council of Professional Firefighters, asked the Committee to support the bill.

Don Hurni, Chief, Helena Fire Department, said these fees will be much easier to assess because those who will be paying know where the money is going and to what purpose, unlike taxes which are simply deposited to the general fund.

Opponents' Testimony:

Tom Hopgood, Montana Association of Realtors, said the Realtors do not oppose fire protection. However, this bill is another means of circumventing the provisions of I-105, and the organization will oppose every bill of this type. He said this is pure and simply a property tax which applies to buildings. He said if I-105 is a joke and not working it is because local governments and the Legislature spend so much time finding ingenious methods of doing "end runs" on it. He said this is a good try and urged the Committee to defeat the bill.

Deborah Fulton, Administrator, General Services Division, Department of Administration, presented testimony in opposition to the bill **EXHIBIT 5.**

<u>Questions From Committee Members and Responses</u>:

REP. DRISCOLL asked **Ms. Fulton** what would happen if she did not pay the assessment for fire protection for the capitol.

Ms. Fulton said she is required to comply with state law and would be terminated if she did not.

REP. HIBBARD asked **Mr. Verwolf** to explain the ramifications of changing from property tax assessments to fire service district assessments.

Mr. Verwolf stated property taxes are replaced when the fire department is funded through fire service area fees. He said in Helena close to 40 mills of the total 77 mill levy is allocated to fire protection services. The property tax reduction would be substantial. Preliminary estimates show fire protection costs $55 on a $50,000 home in Helena. Under the fire service district program those residential costs would be substantially reduced because the costs would be spread across schools, churches, the state capitol complex, and the federal building. All of those buildings are exempt under current law and would be assessed under the provisions of this bill.

REP. ELLIOTT asked **Mr. Hopgood** what other funding mechanism he would suggest.

Mr. Hopgood replied that the towns, cities, and counties which make up the municipalities in the state are in drastic need of tax reform. He said this bill does not represent drastic tax reform. He also wondered if he would really see a reduction in his property taxes if the city of Helena changed to a fire service district program.

REP. ELLIOTT said his question was not answered. He asked **Mr. Hopgood** if he assumed a certain amount of revenue would be earmarked for fire protection if there is a massive reform of the entire tax system.

Mr. Hopgood said he did not foresee earmarking certain money for fire suppression. What is needed is tax reform and property tax relief, not a property tax increase. Property tax relief is a major component of general tax reform. Tax reform cannot be achieved on a piece-by-piece fee basis.

REP. HARRINGTON asked **Mr. Hopgood** what he considers tax reform to be.

Mr. Hopgood replied that the Montana Association of Realtors supports a general sales tax which includes income and property tax relief.

REP. HARRINGTON asked if the Realtors would support a sales tax on property sales.

Mr. Hopgood said he would not come in and advocate for a sales tax on every piece of property sold.

REP. REAM asked about an effective date which would address the concerns of schools and state government budget cycles.

REP. HARPER said the bill would automatically be effective October 1, which would be adequate time for schools, churches, and other non-profit institutions to make funding provisions. He said funding information could be gathered from areas where fire service districts already exist in the state.

Closing by Sponsor:

REP. HARPER said the questions are who is going to pay for fire protection and how will charges be assessed. If charges are not based on need, he failed to see how charges could be fairly assessed. I-105 mandates a property tax freeze and directs government to find a better way to raise needed revenue. This bill is a fairer way to provide fire protection and respond to the rapidly increasing emergency calls fire departments must answer.

Discussion:

The Committee engaged in a discussion of scheduling and hearing revenue bills. **CHAIRMAN GILBERT** said a number of revenue bills are being held pending receipt of fiscal notes. The Committee reviewed **EXHIBIT 2** and requested additional information from DOR regarding questions two and seven.

ADJOURNMENT

Adjournment: The meeting adjourned at 11:30 a.m.

Bob Gilbert

BOB GILBERT, Chairman

Jill Rohyans

JILL ROHYANS, Secretary

BG/jdr

HOUSE OF REPRESENTATIVES

TAXATION **COMMITTEE**

ROLL CALL **DATE** 1/26/13

NAME	PRESENT	ABSENT	EXCUSED
REP. GILBERT, CHAIRMAN	✓		
REP. FOSTER	✓		
REP. HARRINGTON	✓		
REP. ANDERSON	✓		
REP. BOHLINGER	✓		
REP. DOLEZAL	✓		
REP. DRISCOLL	✓		
REP. ELLIOTT	✓		
REP. FELAND	✓		
REP. HANSON	✓		
REP. HARPER	✓		
REP. HIBBARD	✓		
REP. KELLER	✓		
REP. McCAFFREE	✓		
REP. McCARTHY	✓		
REP. NELSON	✓		
REP. ORR	✓		
REP. RANEY	✓		
REP. REAM	✓		
REP. TUNBY	✓		

EXHIBIT 1
DATE 1/26/93
HB 250

Amendments to House Bill No. 250
First Reading Copy

Requested by Department of Revenue
For the Committee on Taxation

Prepared by Bruce McGinnis, DOR
Lee Heiman, Legislative Council
January 25, 1993

Purpose of Amendments:

1. The purpose of amendment #1 is to conform the title to reflect the amendment of section 15-15-103.

2. The purpose of amendment #2 is to standardize the time for appeal from decisions of the county board to the state board. The time for appeal is 30 calendar days for all appeals.

3. The purpose of amendment #3 is to insure that a taxpayer appeal not received in time to be considered by the county board at the current session of the board shall be carried over to the next year as provided for in section 3.

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1. Title, line 10.
Strike: "AND"
Following: "15-15-102,"
Insert: "AND 15-15-103,"

2. Page 3, line 15.
Strike: "20"
Insert: "30 calendar"

3. Page 8.
Following: line 5
Insert: "**Section 4.** Section 15-15-103, MCA, is amended to read:

"**15-15-103. Examination of applicant -- failure to hear application.** (1) Before the county tax appeal board grants any application or makes any reduction applied for, it must examine on oath the person or agent making the application, touching the value of the property of each person. No reduction must be made unless such person or agent makes an application, as provided in 15-15-102, and attends and answers all questions pertinent to the inquiry. The testimony of all witnesses upon such hearing must be taken in shorthand or by stenotype or electronically recorded and preserved for 1 year. If the decision of the county tax appeal board is appealed, all testimony must be transcribed or otherwise reduced to writing and forwarded, together with all exhibits, to the state tax appeal board. The date of hearing, the proceedings before the board, and the decision must be entered upon the minutes of the board, and the board shall notify the applicant of its decision by mail within 3 days thereafter. A copy of the minutes of the county tax appeal board must be transmitted to the state tax appeal board no later than 3 days after the board holds its final hearing of the year.

(2) If a county tax appeal board refuses or fails to hear a taxpayer's timely application for a reduction in valuation of property, ~~except,~~ <u>the taxpayer's application is</u>

considered to be granted on the day following the board's final meeting for that year. The county treasurer shall enter the appraisal or classification sought in the application in the assessment book. An application is not automatically granted for the following appeals:

(a) ~~that~~ those listed in 15-2-302~~,~~; and

(b) if a taxpayer's appeal from the department's determination of classification or appraisal made pursuant to 15-7-102 was not received in time, as provided for in 15-15-102, to be considered by the board during its current 60 day session ~~the taxpayer's application is considered to be granted on the day following the board's final meeting for that year. The county treasurer shall enter the appraisal or classification sought in the application in the assessment book~~.""

{*Internal References to 15-15-103: None.*}

Renumber: subsequent section

State of Montana

Marc Racicot, Governor

EXHIBIT 2
DATE 1/26/93
INFORMATIONAL RE TAXES IN GENERAL

Department of Revenue
Mick Robinson, Director

Room 455, Sam W. Mitchell Building
Helena, Montana 59620

January 26, 1993

TO: House Taxation Committee

FROM: Mick Robinson Mick
Director

SUBJECT: Committee Questions on Tax Information Presentation
January 11 and 12, 1993

1. What is the amount of interest lost due to adjusting the withholding tables?

The Department is unable to accurately determine the amount of interest that may be foregone due to recent changes in the withholding tables. This is due to two primary reasons. First, as withholding tables change taxpayers often adjust the number of exemptions they use for withholding to keep them at the same income after withholding as before the changes. We do not know the extent to which taxpayers will undertake these types of changes, but assume that they are significant.

Second, even in the absence of taxpayer behavioral responses, the Department would have to have data showing the distribution of total withholding across each withholding cell in the withholding tables. This data does not now exist precluding the possibility of an accurate analysis.

2. What is the total taxable income generated by the agricultural industry in Montana?

There are three ways agricultural income may be reported to the State. They are listed below in terms of number of filings and total taxable income. The taxable income from the S-Corporations would be reported on Schedule E of the shareholder's personal income tax return. The taxable income shown under the 'individual' category represents income reported on Schedule F of the personal income tax return.

The 'Total Taxable Income' represents the aggregate of incomes and losses reported from agricultural operations.

Form of Filing	No. of Returns	Total Taxable Income
C-Corporation (Regular)	2,360	35,353,065
S-Corporation (Small Business)	1,138	15,202,984
Individual (Schedule F)	26,651	- 1,755,638
Totals	30,149	48,800,411

3. Provide schedule of personal property tax reduction reimbursements for tax year 1992. This is provided by county. If you want it by taxing jurisdiction within a county, it is available.

   See Schedule (A) Attached

4. What are the tests used by other states to determine if parcels of land are taxed as agricultural properties?

   See Schedule (B) Attached

5. Why does the percentage of property taxes collected that are spent locally of 95 percent on PT-1 not match the Property Tax levy pie charts on PT-5?

   The percentage on PT-1 should be 97 percent.

6. What are the tests used by other states to determine if parcels of land are taxed as timber properties?

   See Schedule (B) Attached

7. Why is underground mined coal taxed at 4 percent while surface mined coal is taxed at 15 percent? What is difference in cost between underground mined coal and surface mined coal?

The reason behind the lower tax rate for underground mined coal as compared to surface mined coal is significantly higher cost to mine underground coal. Both the States of Utah and Wyoming have underground coal mines. Utah was unable to provide us with any cost comparison or any cost information for their underground mines. Using the cost to mine coal from a surface mine in Montana and comparing it to the average cost of underground mined coal in Wyoming, the cost to mine underground coal is 3.5 times higher than surfaced mined coal.

8. What amount of natural gas is sold from stripper wells and what has the trend been since enactment of the stripper incentive in 1987?

To qualify for stripper for natural gas a well must produce less than 60,000 cubic feet of gas per day for the previous calendar year. Once a well has qualified for stripper the first 30,000 cubic feet of natural gas produced per day is exempt from tax, and any production over 30,000 cubic feet per day is taxed at a reduced rate of tax of 1.59 percent.

Fiscal Year	Percent Stripper	Percent Exempt
1988	31.11%	79.19%
1989	28.81%	78.92%
1990	32.98%	80.36%
1991	50.87%	84.85%
1992	56.67%	84.65%

9. What amount of crude oil is sold from stripper wells and what has the trend been since enactment of the stripper incentive in 1987? Note: This incentive terminated in September of 1990.

To qualify for stripper for oil a well must produce less than 10 barrels per day for the previous calendar year. Once a well qualified for stripper the first 5 barrels produced per day were exempt from tax, and any production over 5 barrels per day were taxed at a reduced rate of tax of 3 percent.

Fiscal Year	Percent Stripper	Percent Exempt
1988	8.52%	84.15%
1989	8.23%	89.57%
1990	10.61%	84.68%
1991	5.84%	87.03%
1992	0.00%	0.00%

10. What percentage of the natural gas used in Montana is imported from Canada and North Dakota?

Based upon the table below Montana is a net exporter of natural gas. However, based upon filings made by Montana Power with the Public Service Commission approximately 45 per cent of the sold to Montana their Montana in the year ending August 31, 1991, was imported Canadian gas and the remainder (55 percent) was from Montana producers. No North Dakota gas is sold by Montana Power.

	1990 Mcfs	1991 Mcfs
Gas Withdrawals:		
Natural	42,432,850	44,449,969
Associated	9,104,325	8,552,561
Total	51,537,175	53,002,530
Gas Imported From:		
Canada	9,620,867	10,366,104
North Dakota	19,302,130	13,307,268
Wyoming	9,040,999	8,512,966
Total	37,963,996	32,186,338
Gas Exported To:		
Canada	75,354	38,858
North Dakota	6,539,118	8,374,138
South Dakota	9,492,118	7,311,767
Wyoming	13,726,218	14,716,554
Midwest	11,170,371	16,504,023
Total	41,003,179	46,945,340

Source: 1990 and 1991 Department of Natural Resources and Conservation, Oil and Gas Conservation Division, Annual Review.

EXHIBIT #2
DATE 1-26-93
I Informational

11. How much tax is paid per unit of production by Montana natural gas producers compared to the tax per unit for natural gas imported into Montana?

State or Province	Year	$ Tax/MCF	Average Price/MCF
Montana	FY92	$ .2185	$ 1.60
Wyoming	FY92	$ .1374	$ 1.06
North Dakota	FY92	$ .0400	N/A
Alberta	CY90	$ .2400*	$ 1.03**

* The Province of Alberta does not levy a tax per se. The $.24/MCF is the amount of provincial royalty.

** This price for natural gas is not an average price for all natural gas produced in Alberta. It is the price the State of Montana paid for Canadian gas.

12. Can the State of Montana impose a tax on imported natural gas, i.e., a consumption tax?

No, not without imposing the same tax on Montana produced tax. See attachment C - memo "Taxation of Natural Gas from Other States and Canada."

13. What percent of the Resource Indemnity Trust Tax collections come from oil and gas?

Fiscal Year	% Oil	% Gas	Combined
1988	43.25%	10.30%	53.55%
1989	34.02%	11.28%	45.31%
1990	29.74%	7.50%	37.25%
1991	46.87%	9.64%	56.53%
1992	33.41%	7.61%	41.02%

14. How does the Montana tax on metalliferous mines compare to other surrounding states?

See attachment D - document titled "Regional Comparison of Production Taxes - Precious Metals."

15. Provide a discussion of the past practice and policy rationale behind the Department's administration of withholding requirements.

History...

Montana's Individual Income Tax was enacted in 1945. After 10 years of unsatisfactory compliance with the law, the Legislature enacted withholding at the source (effective 1955).

Our limited historical records do not detail what standard or policy guidelines were used in the period 1955 through 1986. However, in more recent years, we track withholding table revisions occurring in 1969, 1973, 1978, 1979, 1981, 1983 and those discussed in our handout materials at page IT-10. We assume, the Department then, as now, was attempting to match withholding with expected liability for the average person while allowing for individual elections.

A notable exception to the pattern of simply revising tables to adjust for surtaxes or perceived over or under withholding was a 1 month withholding moratorium which occurred in September of 1979. Although there is no written explanation of the reasons for this unique approach, it appears this was an attempt to return "over withheld" income taxes. The result was considerable confusion among employers and employees. In the final analysis this was assessed as an unsatisfactory approach.

The written policy discussions on this subject are limited to a few internal memos which originate the policy guidelines being followed today. For example:

> **"Our long standing withholding policy has been to approximate as closely as possible the actual tax due for the median taxpayer. Given this desire the performance of the existing tables is best measured by deviations from the 50 percent refund level."** (April 30, 1986 memo)

In 1986 and 1987 the methodology of developing tax tables was revisited as a part of the discussion related to federal tax reform legislation, federal and state tax indexation, and the need to correct an under withholding for taxpayers in the lower income tax brackets using standard deductions. Again it was emphasized that **"The goal of the new table is to insure that at least 50% of taxpayers in all brackets will receive refunds."** (July 23, 1986 memo)

Discussions related to the federal tax reform legislation produced a draft policy which although not formally adopted into our policy manual, continues to provide guidance in this area. Dated October 7, 1987, it states:

"95% of the persons who are estimated to have no federal tax liability, but will be required to file a state return should be in an estimated refund status. This objective is based on a **need to maintain state tax compliance for this group in the face of no requirement to file a federal return.**

For each income group, the estimate share of other taxpayers receiving a refund should be at least as good as, and ideally, 10% greater than the actual experience in 1985. This objective is based on the fact that there has been a gradual decline in the percentage of Montana taxpayers receiving refunds. On balance, being in a modest refund status is more convenient than having to make a payment with a tax return."

Thus the policy direction was to continue the focus on the 50/50 split but also suggesting it would be desirable to error on the side of over withholding as an element of encouraging compliance.

The federal experience...

At about this same time, as a part of federal tax reform, Lawrence B. Gibbs, Commissioner of the Internal Revenue, announced revisions to the federal W-4 (which is also used for state purposes) November 18, 1986:

"Congress specifically directed IRS to design the W-4 form `so that withholding from a taxpayer's wages approximates as closely as possible the taxpayers ultimate tax liability.' Going from two pages to four means a more complicated looking form and the greater likelihood of some public confusion but doing so also means people's withholding will be reasonably close to the actual amount of tax owed. **The bigger picture then is the viability of tax reform and the integrity of our tax system."** (emphasis mine)

The complexity of the new 4 page form resulted in much confusion and a retraction of sorts. The revised approach is the simplified W-4A, similar to the version in use today.

The most recent changes occurring at the federal level were those implemented by Executive Order in March of 1992. In announcing these changes President Bush explained the purpose was to give workers an advance on their 1992 tax refunds. According to Theo Ellery, Information Officer for the IRS District Office, before these changes, approximately 75% of Montana filers received a refund for federal purposes averaging $750. Treasury estimates at that time projected approximately 89 million employees would be impacted by an increase in take home pay of up to $345 per job depending on filing status. The true impacts of these changes is yet to be determined and may not all be positive.

Recent State History continued...

The following table will present the detail related to dollar amounts and cash flow associated to Montana's individual income tax processing:

CALENDAR YEAR			REFUND RETURNS	AMOUNT	AVERAGE REFUND
1-1-88	TO	12-31-88	179,890	$38,367,027	$213
1-1-89	TO	12-31-89	188,734	$40,468,706	$214
1-1-90	TO	12-31-90	207,036	$46,921,292	$227
1-1-91	TO	12-31-91	217,114	$51,305,604	$236
1-1-92	TO	12-31-92	223,040	$51,794,050	$232
FISCAL YEAR					
7-1-88	TO	12-31-88	14,188	$6,234,298	$439
1-1-89	TO	6-30-89	173,712	$34,783,832	$200
TOTAL FY 89			187,900	$41,018,130	$218
7-1-89	TO	12-31-89	15,022	$5,684,873	$378
1-1-90	TO	6-30-90	191,944	$40,258,855	$210
TOTAL FY 90			206,966	$45,943,728	$222
7-1-90	TO	12-31-90	14,902	$6,662,342	$447
1-1-91	TO	6-30-91	189,614	$40,666,218	$214
TOTAL FY 91			204,516	$47,328,560	$231
7-1-91	TO	12-31-91	27,500	$10,639,386	$387
1-1-92	TO	6-30-92	195,935	$41,650,257	$213
TOTAL FY 92			223,435	$52,289,643	$234

EXHIBIT #9
DATE 1-26-93
Informational

As one can see by this chart and the exhibit IT-10, there has been a steady increase in the amount, number, and percentage of refund returns. The average refund has also increased from $200 to $232.

Current challenges in the withholding area:

Current issues in this arena include:

1. the difficulty created for revenue estimators by a pattern of over withholding, ie. presenting a more positive collection picture than is true upon final reconciliation of refund claims and amounts collected through withholding and estimated payments.

2. the need to estimate year end liabilities for purposes of accurately reporting accruals.

3. predicting taxpayer preference and behavioral responses to changes in the law - imprecise at best given the wide latitude of discretion and varying individual circumstances.

   A person can fine tune withholding by increasing or decreasing personal exemptions up to 10 without question by either the State or Federal Government. This adds a significant variable and makes isolating taxpayer response to any particular action quite difficult.

Again, we hope to learn from the federal government's experience but unfortunately the analysis will not be complete until late 1993 and beyond. It is reasonable to expect some impact at the State level during FY 93 and FY 94 as individuals who have an unexpected 1992 federal tax liability adjust their W-4's to insure the same does not occur for tax year 1993. Changes to the federal W-4 usually effect a change for state as well.

In the Future:

The withholding tables effective 1-1-93 are an attempt to move back toward the 50% goal. How well these recent adjustments accomplish that objective will not be determined until the 1993 returns are processed in the late fall of 1994.

The Department intends to monitor the effect of the tables annually and adjust as necessary to stay the present policy course.

16. What have been the collections as well as the administrative and litigation costs associated to Dangerous Drug Tax since inception ?

Collections:

The Drug Tax was implemented in 1987. Our revenues and expenditures since that time are as follows:

Collections FY 1987 through FY 1992:		$ 30,979
CD on Deposit 1st Bank Helena		25,000
TOTAL COLLECTIONS	**$**	**55,979**

Expenditures:

	FY 88	FY 89	FY 90	FY 91	FY 92
Personal Services	38,000	38,000	8,000	8,000	8,000
Operating Exp.	2,000	2,000	1,000	1,000	1,000
Legál Exp.			5,000	10,000	14,000
TOTAL	**$40,000**	**$40,000**	**$14,000**	**$19,000**	**$23,000**

TOTAL EXPENDITURES **$ 136,000**

Note:

Collection action has been stayed since 1990.

The FY 88 and FY 89 expenditures reflect start-up efforts. FTE time dedicated has significantly subsided in light of the pendency of court decisions. Expenditures for FY 90 through FY92 relate to a part time (Grade 8) who bills affected taxpayers of a probable liability pending the outcome of litigation. We assess tax on known charges of possession and attempt to elicit assistance from law enforcement personnel to report possession and ensure proper notification of liability.

H:\QUESTION.HOU

Personal Property Tax Reduction Reimbursements (HB20–1989)
Tax Year 1992

County	County Government	Countywide Education	Total County Levies	Cities and Towns	Local School Districts	Miscellaneous Districts	C.C.'s & Vo-Techs	TIFD's	Total County Reimbursement	Reimbursed directly by DOR: University System	Reimbursed directly by DOR: State Equalization	Reimbursed directly by DOR: State Assump. Of Welfare	Total Reimbursement
Beaverhead	51,375.30	55,635.73	107,011.03	10,123.83	43,067.74	0.00	0.00	0.00	160,202.60	3,546.51	23,643.43	0.00	187,392.54
Big Horn	176,148.63	186,901.78	363,050.41	9,411.66	43,695.14	1,924.59	0.00	0.00	418,081.80	17,016.27	113,441.81	0.00	548,539.88
Blaine	43,006.18	47,358.12	90,364.30	9,021.11	34,681.36	1,764.85	0.00	0.00	135,831.62	3,544.98	23,633.20	0.00	163,009.80
Broadwater	30,345.25	29,071.52	59,416.77	3,234.16	11,260.29	5,806.98	0.00	0.00	79,718.20	2,718.79	18,125.30	0.00	100,562.29
Carbon	35,489.48	42,993.03	78,482.51	9,874.81	35,495.73	2,576.91	0.00	0.00	126,429.96	2,911.79	19,411.91	0.00	148,753.65
Carter	15,996.71	13,331.73	29,328.44	1,595.62	13,784.95	0.00	0.00	0.00	44,709.01	1,024.73	6,831.53	0.00	52,565.27
Cascade	167,975.00	221,560.51	393,148.30	163,706.07	336,095.37	31,793.64	3,612.79	10,025.52	924,743.38	13,792.26	91,948.42	28,645.66	1,059,129.72
Chouteau	87,177.41	80,233.33	167,410.74	8,101.74	74,427.08	23,371.44	0.00	0.00	273,311.00	5,885.17	39,234.48	0.00	318,430.65
Custer	43,550.48	44,427.62	111,004.76	31,673.06	57,269.61	56.05	23,026.66	0.00	200,003.48	3,014.68	20,097.89	0.00	223,116.05
Daniels	38,904.69	34,540.78	73,445.47	4,274.64	36,307.82	65.33	0.00	0.00	114,093.26	2,172.19	14,481.28	0.00	130,746.73
Dawson	73,281.28	65,366.32	162,932.84	27,723.87	58,527.47	569.93	24,285.25	0.00	249,754.11	4,539.83	30,265.56	0.00	284,559.51
Deer Lodge	29,369.84	17,279.88	46,649.72	1,220.22	13,049.11	8,465.20	0.00	0.00	69,384.25	1,116.59	7,443.96	2,233.19	80,177.99
Fallon	52,884.28	114,154.94	167,039.22	6,726.42	32,829.86	1,623.81	0.00	0.00	208,219.31	6,827.91	45,519.39	0.00	260,566.61
Fergus	73,702.18	92,911.55	166,613.73	20,191.73	96,680.41	2,436.28	0.00	0.00	285,922.15	5,635.17	37,567.83	0.00	329,125.15
Flathead	198,312.76	206,026.99	442,142.43	266,234.57	236,842.18	11,877.22	37,802.68	220,140.58	957,096.40	10,867.45	72,449.65	22,148.40	1,062,561.90
Gallatin	154,620.67	222,643.10	377,263.77	120,986.38	249,888.15	13,017.43	0.00	0.00	761,155.73	14,415.30	96,102.01	0.00	871,673.04
Garfield	21,203.41	17,654.48	38,857.89	914.38	7,239.68	0.00	0.00	0.00	47,011.95	1,159.57	7,730.48	0.00	55,902.00
Glacier	63,996.74	58,055.53	122,052.27	13,261.70	47,015.94	1,654.71	0.00	0.00	183,984.62	5,097.99	33,986.62	0.00	223,069.23
Golden Valley	6,341.07	9,673.71	16,014.78	282.65	9,374.73	222.55	0.00	0.00	25,894.71	703.46	4,689.72	0.00	31,287.88
Granite	21,316.11	12,897.97	34,214.08	2,059.02	10,485.56	1,989.15	0.00	0.00	48,747.81	1,408.04	9,386.94	0.00	59,542.79
Hill	90,282.01	112,068.00	202,350.01	27,489.51	91,943.46	3,282.81	0.00	0.00	325,065.79	7,540.57	50,270.48	0.00	382,876.84
Jefferson	71,356.34	75,866.91	147,223.25	2,697.61	87,673.54	2,947.30	0.00	0.00	240,541.70	7,858.41	52,389.41	0.00	300,789.52
Judith Basin	26,210.72	27,731.03	53,941.75	1,116.58	19,044.39	1,110.79	0.00	0.00	75,213.51	1,843.51	12,290.06	0.00	89,347.08
Lake	42,992.04	68,988.56	111,980.60	20,679.13	47,682.37	5,762.09	0.00	0.00	186,104.19	4,172.92	27,819.50	8,345.85	226,442.46
Lewis And Clark	114,979.51	162,352.43	279,989.68	146,199.11	260,001.05	116.90	2,657.74	44,284.97	686,306.74	10,383.28	69,221.88	21,268.37	787,180.27
Liberty	36,992.53	33,583.00	70,575.53	1,280.96	19,232.90	385.78	0.00	0.00	91,475.17	2,516.54	16,776.95	0.00	110,768.67
Lincoln	63,495.91	147,308.15	219,353.11	10,946.66	187,828.91	3,414.91	8,549.05	0.00	421,543.59	11,850.54	79,003.61	23,701.08	536,098.82
Madison	73,964.87	71,746.40	145,711.27	4,814.13	45,785.91	11,235.03	0.00	0.00	207,546.34	5,232.28	34,881.89	0.00	247,660.52
Mccone	49,346.11	38,056.59	87,402.70	4,425.77	13,363.28	35.57	0.00	0.00	105,227.32	2,456.26	16,375.08	0.00	124,058.66
Meagher	12,822.34	12,701.50	25,523.84	1,973.99	11,785.53	836.72	0.00	0.00	40,120.08	976.29	6,508.58	0.00	47,604.95
Mineral	12,120.11	21,401.02	33,521.13	2,478.37	42,191.79	1,712.67	0.00	0.00	79,903.96	1,736.45	11,576.36	3,472.91	96,689.69
Missoula	462,927.91	475,839.06	946,730.36	296,191.63	641,135.33	121,434.13	7,963.39	85,005.51	2,005,491.45	30,434.66	202,897.75	61,743.08	2,300,566.93
Musselshell	21,974.78	20,487.42	42,462.20	2,764.64	16,444.39	319.54	0.00	0.00	61,990.77	1,532.06	10,213.71	0.00	73,736.53
Park	32,327.70	58,792.97	91,120.67	22,364.08	59,261.52	1,688.64	0.00	0.00	174,434.91	3,824.74	25,498.25	7,649.48	211,407.38
Petroleum	5,231.12	7,873.95	13,105.07	73.72	5,029.48	0.00	0.00	0.00	18,208.27	377.92	2,519.46	0.00	21,105.65
Phillips	42,997.74	76,615.46	119,613.20	6,589.17	52,244.11	1,101.02	0.00	0.00	179,547.50	6,023.52	40,156.79	0.00	225,727.81
Pondera	54,339.82	62,150.31	116,490.13	8,464.97	57,057.72	3,088.77	0.00	0.00	185,101.59	4,004.18	26,694.55	0.00	215,800.32
Powder River	87,809.79	48,218.08	136,027.87	1,880.31	35,946.22	54.35	0.00	0.00	173,908.75	3,508.05	23,386.97	0.00	200,803.76
Powell	24,347.53	33,181.26	57,528.79	4,103.88	36,093.73	285.87	0.00	0.00	98,012.27	2,719.48	18,129.87	5,438.96	124,300.58
Prairie	23,192.69	17,855.55	41,048.24	2,127.28	4,809.68	67.05	0.00	0.00	48,052.25	1,255.03	8,366.84	0.00	57,674.12
Ravalli	44,846.38	58,652.20	103,498.58	21,531.95	57,866.55	4,349.74	0.00	0.00	187,246.82	4,195.79	27,971.96	8,391.59	227,806.17
Richland	121,297.00	173,156.87	294,453.87	18,436.25	107,591.82	0.00	0.00	0.00	420,481.94	11,503.94	76,692.97	0.00	508,678.85
Roosevelt	58,623.94	81,037.08	139,661.02	11,516.38	40,180.13	7,128.42	0.00	0.00	198,485.95	5,704.08	38,027.21	0.00	242,217.24
Rosebud	32,146.72	130,911.46	163,058.18	7,074.97	43,259.42	7,426.30	0.00	0.00	220,818.87	13,156.97	87,713.13	0.00	321,688.97
Sanders	34,690.10	39,225.95	73,916.05	7,165.35	40,710.25	542.97	0.00	0.00	122,334.62	2,956.81	19,712.03	0.00	145,003.46
Sheridan	78,501.85	114,022.37	192,524.22	9,174.34	82,767.01	4,453.91	0.00	0.00	288,919.48	8,207.06	54,713.72	0.00	351,840.26
Silver Bow	229,992.37	199,416.71	432,424.63	34,663.51	376,259.95	46,598.40	3,015.55	34,447.93	889,946.49	12,062.86	80,419.04	24,378.41	1,006,806.80
Stillwater	57,003.86	67,557.43	124,561.29	11,028.31	60,354.70	6,483.66	0.00	0.00	202,427.96	4,715.67	31,437.80	0.00	238,581.44
Sweet Grass	18,462.85	19,110.29	37,573.14	4,420.43	19,505.57	0.00	0.00	0.00	61,499.14	1,342.04	8,946.96	0.00	71,788.14
Teton	58,683.39	62,550.83	121,234.22	5,295.62	63,720.90	1,073.27	0.00	0.00	191,324.01	3,868.05	25,786.99	0.00	220,979.05
Toole	106,662.71	66,091.35	172,754.06	14,652.66	52,508.34	2,667.81	0.00	0.00	242,582.87	6,635.99	44,239.95	0.00	293,458.81
Treasure	12,937.15	13,834.66	26,771.81	1,092.45	11,204.83	125.02	0.00	0.00	39,194.11	1,037.67	6,917.81	0.00	47,149.59
Valley	50,865.65	69,523.37	120,389.02	17,004.31	82,076.78	36.36	0.00	0.00	219,506.47	4,768.67	31,791.16	0.00	256,066.31
Wheatland	12,896.64	13,202.38	26,099.02	1,945.90	11,295.84	0.00	0.00	0.00	39,340.76	936.75	6,244.97	0.00	46,522.47
Wibaux	47,666.31	22,447.67	70,113.98	2,230.14	6,444.39	841.82	0.00	0.00	79,630.33	2,119.22	14,128.12	0.00	95,877.67
Yellowstone	538,111.61	705,583.24	1,255,550.73	242,953.33	789,958.72	45,691.61	11,855.89	0.00	2,334,154.39	46,772.15	311,814.34	0.00	2,692,740.89
Total	4,238,097.57	4,981,860.12	9,219,957.68	1,295,560.52	5,028,278.69	395,515.30	122,769.00	393,904.52	16,455,985.71	347,629.13	2,317,527.55	217,416.98	19,338,559.37

***** As of 1/12/93 *****

Attachment A

EX. #2
DATE 1-26-93
Informational

ELIGIBILITY REQUIREMENTS FOR AGRICULTURAL LAND

	Montana	Wyoming	North Dakota	South Dakota	Idaho
Acre Requirement	≥20	>40	>10	>20	>5
*Proven Income from the Land	$1,500	$1,000		$2,500	$1,000
*Application Process	Yes	No	No	Yes	Yes
Primary Use	Ag	Ag	Ag	Ag	Ag
*Loss of Ag Land Status with Restrictions Prohibiting Ag Use	Yes	Yes	Yes	Yes	Yes
Years Devoted to Ag Use - If Any	0	2+	0	5+	January 1st

*To achieve ag land status for acreage less than the acreage requirements shown, an applicant must meet each of these tests.

ELIGIBILITY REQUIREMENTS FOR COMMERCIAL TIMBERLANDS

	Montana	Idaho	Washington	Oregon	California
Timber Acreage Requirements	>15	>5	>20	>2	20-80[1]
Application Required	No	Yes	Yes[2]	Yes	Yes
Management Plan	No	Yes	Yes[3]	Yes	Yes
Primary Use	No Requirement	Growing and harvesting timber	Growing and harvesting timber	Growing and harvesting timber	Growing and harvesting timber
Loss of Timber Status with Restrictions Prohibiting Timber Use	Yes	Yes	Yes[4]	Yes	Yes

[1]State requirement is no greater than 80 acres. Individual counties can choose to have a lower acreage requirement. The counties cannot have a higher acreage than the state limit. The range is from 20 to 80 acres.

[2]Classified Lands - generally speaking these are non-industrial lands.

[3]Management plan is not an absolute requirement, but may be requested by individual county assessors.

[4]Not formalized in state statutes.

NOTE: All information on eligibility requirements was obtained from a March 1991 report.

State of Montana
Stan Stephens, Governor

Department of Revenue
Denis Adams, Director

Room 455, Sam W. Mitchell Building
Helena, Montana 59620

MEMORANDUM

TO: Dave Woodgerd, Chief Legal Counsel

FROM: Paul Van Tricht, Tax Counsel
Office of Legal Affairs

DATE: December 9, 1991

SUBJECT: Taxation of Natural Gas from Other States and Canada

Current Montana Taxes on Natural Gas: Montana currently has three direct taxes on natural gas: the Montana Oil & Gas Severance Tax; the Local Government Severance Tax; and the Resource Indemnity Trust Tax. All three taxes are on natural gas produced in Montana. The combined tax rate is up to 18.40% of the gross value of gas at the well head. These taxes do not apply to natural gas imported from Canada or another state.

Legal Problems In Taxing Natural Gas Imported from Canada and Other States: There are several constitutional and treaty restrictions on the ability of Montana to tax natural gas imported into Montana. The interstate and international commerce clauses of the U.S. Constitution generally allow Montana to tax interstate and international commerce, but prevent Montana from adopting taxes or regulations which discriminate against interstate or international trade.

An additional restriction on Montana's ability to tax Canadian natural gas is found in the U.S. - Canadian "Free Trade" Agreement (FTA). When Congress approved the treaty the enabling legislation provided the FTA would "prevail over - (A) any conflicting State law. . ." 19 USC 2112.

The legal staff of the Department of Revenue currently is assisting the United States Trade representative in litigation with Canada under the FTA. This litigation involves regulation of Canadian beer sales by Montana and other states. During the course of that litigation I asked attorneys for the U.S. Trade Representatives about restrictions in the FTA on Montana's ability to tax Canadian goods and services. I received a letter from Joshua B. Bolten, General Counsel for the U.S. Trade Representative and talked with staff attorneys for the U.S. Trade Representative.

Based on my research to date I believe Montana can tax natural gas imported from Canada so long as the legislation complies with the FTA and the General Agreement on Tariffs and Trade (GATT) which is incorporated in FTA. GATT Article III requires "national treatment" of Canadian goods on internal taxation. This "national treatment" obligation generally means that imported goods will be taxed the same as goods of local origin. Chapter 5 of the FTA also specifies that this rule requires, with respect to a province or state, treatment of imported goods no less favorable than the <u>most favorable</u> treatment accorded by such province or state to like, directly competitive or substitutable goods of the Party (i.e., the United States or Canada).

These FTA restrictions appear to be greater and more specific than the restrictions under the interstate and international commerce clause of the U.S. Constitution. They mean, for example, Montana can tax Canadian natural gas under a consumption or sales tax but the tax must apply to both natural gas and competing substitutable fuels from Montana, other states, and Canada. The treaty also requires that the highest tax rate on Canadian natural gas can be no higher than the lowest tax rate on a Montana fuel. For example, if Montana did not tax any competing substitutable fuel (e.g., fuel oil) or category of a fuel (e.g., natural gas from "stripper" wells), it could not tax Canadian natural gas.

Possible Legislation: It may be possible for Montana to adopt a general consumption or sales tax on all energy consumed in Montana and give a credit in that tax for other Montana severance and sales taxes previously collected on the energy. However, further research is advisable.

/vh

EXHIBIT #2
DATE 1-26-93
Informational

Regional Comparison of Production Taxes
Precious Metals

State	Tax Base	Rate	Credits
Colorado	Gross Value Above $11 million	2.25%	Credit for Property Tax Paid
Idaho	Gross Income minus Federal Depletion Allowance	2.00%	None
Montana	Gross Value above $250,000 – Concentrates	1.60%	None
	Gross Value above $250,000 – Dore/Bullion	1.81%	None
North Dakota	----- NOT TAXED -----		
South Dakota	First $50 million of Gross Value	2.00%	None
South Dakota	Above $50 million of Gross Value	1.00%	None
South Dakota	Net Profits from Metal Mining	8.00%	None
Wyoming	Gross Value	2.00%	None

Attachment D

EXHIBIT 3
DATE 1/26/93
HB 268

Amendments to House Bill No. 268
First Reading Copy

Requested by Rep. Harper
For the Committee on Taxation

Prepared by Lee Heiman
January 26, 1993

1. Title, line 4.
Strike: "AND"
Insert: ","

2. Title, line 5.
Following: "TOWNS"
Insert: ", AND CONSOLIDATED CITY-COUNTY GOVERNMENTS"

3. Page 1, line 10.
Following: "(1)"
Insert: "(a)"

4. Page 1.
Following: line 15
Insert: "(b) The governing body of a consolidated city-county may establish a fire service area to provide the services and equipment set forth in [section 2] in areas of the city-county that are not part of a fire protection service district, rural fire district, or fire service area."

EXHIBIT 4
DATE 1/26/93
HB HB 268

Testimony of William J. Verwolf, representing the City of Helena regarding HB 268

FIRE SERVICE AREA

The proposed bill to allow fire service area operations inside a city or town does several things.

It allows the governing body to establish a fee structure that is representative of the benefits received by each property, rather than just a mill levy on property value.

It provides a mechanism that requires all property receiving fire protection participate in the funding of that protection. This includes all tax exempt property as is currently authorized for street maintenance districts, storm water drainage districts, park maintenance districts, and all utility services such as water, sanitary sewer, and solid waste disposal. For any given level of fire protection service, this will result in lower costs for the residential property tax payer than the current structure of funding only with property taxes.

It provides a process for the established fire department to provide service to areas adjacent to the city or town if those areas desire that service. We are already seeing fire service areas established outside of cities and contracting with the city to provide this service.

This is actually a locally controlled method of tax reform that allows user fees for fire protection rather than the property tax. As has been done for the maintenance districts mentioned earlier, this bill should be amended to include a clarification that it is excluded from the requirements of I-105. It should also be amended to provide that it is applicable to consloidated governments as well as cities and towns.

The City Commission of the City of Helena is on record supporting this bill.

EXHIBIT 5
DATE 1/26/93
HB 268

Testimony on HB 268
General Services Division
January 26, 1993

The General Services Division of the Department of Administration neither supports nor opposes this particular legislation, but merely rises to question its effect on government buildings and how governmental agencies will be funded to pay for fire service area fees.

As you are undoubtably aware, government buildings are not subject to property taxation by cities and counties. We do pay numerous fees to these entities for water quality districts, street and lighting districts and any number of other special use assessments. This bill would allow municipalities to assess government buildings for fire protection. While I have no comment on the merits of the bill or the proposed fees, neither do I currently have funding to pay for a fire protection area.

If this bill passes, government agencies should have advance notice of the assessments to enable them to obtain funding for the fees.

HOUSE OF REPRESENTATIVES
VISITOR'S REGISTER

House Taxation COMMITTEE BILL NO. HB 250 HB 254 HB 327 HB 268

DATE 1/26/93 SPONSOR(S) ______

PLEASE PRINT PLEASE PRINT PLEASE PRINT

NAME AND ADDRESS	REPRESENTING	SUPPORT	OPPOSE
Tom Hopgood	Mt. Assoc. Realtors HB268		✓
Patrick McKelvey	STAB	X	
Bill Verwolf	City of Helena HB268	✓	
Ron Hurni	" " " "	✓	
Debra Fulton	Dept of Administration HB268		
Ray McKenna	City of Helena HB268	✓	
Dave Woodgerd	Dept. of Rev. HB250	250 ✓	
Steve Turkiewicz	Mt. Auto Dealers Assn		✓

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