#### MINUTES

#### MONTANA HOUSE OF REPRESENTATIVES 53rd LEGISLATURE - REGULAR SESSION

#### COMMITTEE ON TAXATION

Call to Order: By CHAIRMAN BOB GILBERT, on January 28, 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 219, HB 221, HB 298 Executive Action: HB 298, HB 221

#### HEARING ON HOUSE BILL 298

#### Opening Statement by Sponsor:

REP. JODY BIRD, HD 52, Superior, said HB 298 is being introduced at the request of the Department of Revenue (DOR). It changes from 30 to 60 days the deadline for appeals on individual income tax from the State Tax Appeals Board (STAB).

#### Proponents' Testimony:

Dave Woodgerd, Chief Counsel, DOR, expressed support for the bill.

John McNaught, Chairman, State Tax Appeals Board, said the bill simply brings individual income tax appeals in line with other appeal deadlines. He stated he has no problem with the bill.

Opponents' Testimony: None

#### Questions From Committee Members and Responses:

REP. BOB REAM asked how this bill relates to the intermediate réview bill. Mr. Woodgerd said this 60 day appeal period applies to appeals from STAB to the courts. The previous bill addressed appeals from the county board to STAB.

#### Closing by Sponsor:

REP. BIRD closed.

#### HEARING ON HOUSE BILL 221

#### Opening Statement by Sponsor:

REP. TED SCHYE, HD 18, Glasgow, said HB 221 allows for the use of any or all of the two mills allocated for museums and fine arts facilities for a non-profit museum or non-profit fine arts facility. This is not an I-105 "buster". It simply allows whatever mills are not used to be applied in support of a like non-profit facility.

#### Proponents' Testimony:

Gloria Hermanson, Montana Cultural Advocacy, expressed support for the bill on behalf of 75 non-profit art and museum facilities in the state. She also submitted written testimony from Arlynn Fishbaugh, Executive Director, Montana Arts Council, in support of the bill. EXHIBIT 1

Elizabeth Gans, Director, Holter Museum of Art, Helena, said the Holter is a private non-profit art center. It operates on a \$100,000 budget. The bill would allow private non-profit art

centers to receive support from local governments which is critical to the continuing existence of these organizations in tight economic times.

Opponents' Testimony: None

Questions From Committee Members and Responses: None

Closing by Sponsor:

REP. SCHYE closed.

#### HEARING ON HOUSE BILL 219

#### Opening Statement by Sponsor:

REP. BOB GILBERT, HD 22, Sidney, said HB 219 encourages the use of alternative clean air fuels in Montana state vehicles. It provides an incentive for use of alternative fuels. He said he did not agree with the fiscal note, did not sign it, and has submitted amendments to correct the projections. EXHIBIT 2 He noted there is still a substantial fiscal impact of \$200,000 spread over a five year period. He felt the beneficial impact on the health of Montanans who suffer from the effects of air pollution in the western towns of the state might offset the fiscal impact.

#### Proponents' Testimony:

John O'Donnell, Commercial Energy Services, Montana Power Company (MPC), presented testimony in support of the bill. EXHIBIT 3

Duane Anderson, Montana Dakota Utilities (MDU), presented testimony in support of the bill. EXHIBIT 4

Paul Sliter, Montana Petroleum Marketers Association (MPMA), said MPMA supports the bill. He expressed some concern about the impact on highways since there is no road tax in the bill.

Van Jamison, Administrator, Energy Division, Department of Natural Resources, said passage of the 1982 National Energy Policy Act created a number of incentives and mandates for conversion of transportation services to a broader mix of transportation fuels. He noted the bill mandates the state to purchase 10% of its vehicles as alternatively fueled vehicles by 1996 increasing to 75% in the year 2000. Aside from the clean air benefits, the state will have a head start on federal mandates for alternative fuels usage.

REP. SHEILA RICE, HD 36, Great Falls, Marketing Director, Great Falls Gas Company, said Canada has more natural gas fueled vehicles than any other country in the world due to tax credits and incentives for conversion. There was a surplus of natural

gas on Canada's west coast and were importing oil on the east coast. The incentives enabled them to make use of a local product. This bill would give a boost to the natural gas market in Montana. Every fleet vehicle that is converted will use, on an annual basis, close to the same amount of natural gas as two houses. She said the fiscal note, as amended, will cost some money. The tax credit will generate some conversion activity. The Clean Air Act passed because some cities have unbelievable pollution on some winter days. The use of compressed natural gas and the Clean Air Act will help alleviate that problem.

#### Opponents' Testimony: None

#### Questions From Committee Members and Responses:

- REP. ED McCAFFREE asked about inclusion of a road tax provision.
  REP. GILBERT replied there is a road tax on compressed natural
  gas of seven cents per gallon, propane requires a \$102 permit per
  year. He stated there are several flaws in the fiscal note
  regarding the number of propane vehicles in the state and the
  number of conversions projected for the next few years. He said
  he has requested a revised fiscal note and will be meeting with
  Mr. Lewis to make sure it contains accurate assumptions.
- REP. REAM asked if this bill is part of the executive budget. REP. GILBERT said it is not.
- **REP. REAM** asked how much the credit would actually be. **REP. GILBERT** said the amendments will set the credit at half the conversion cost. The estimates for conversions run close to \$3,000.
- REP. JIM ELLIOTT asked why corporations are getting a tax break when they could do their own conversions. REP. GILBERT said corporations' dollars are as hard to come by as ours as individuals. He said we need demonstrators and corporations are good places for conversion demonstrators to be produced.
- REP. ROLPH TUNBY asked if the tax on propane and natural gas is comparable to the gasoline tax. REP. GILBERT said it probably is not. The tax on compressed natural gas is not. The tax on propane is supposed to be realistic.
- REP. MIKE FOSTER asked if DNRC has its own fleet of vehicles and, if so, how many. Mr. Jamison replied DNRC probably has less than ten vehicles.
- REP. FOSTER asked if DNRC would convert 10% of its vehicles. Mr. Jamison said DNRC would have to under provisions of the law.
- REP. FOSTER asked Mr. Jamison if he remembered HB 144 from the 1991 Legislative Session. Mr. Jamison said he remembered it very well.

- REP. FOSTER said HB 144 specified the state should be purchasing gasohol for its vehicles wherever it is reasonably available and competitively priced. He said he had recently sent a letter to all state departments asking how much gasohol had been purchased. He said DNRC replied it had not purchased any gasohol since the bill passed in 1991. He noted that this was not an uncommon response. He wondered if there would be the same lack of commitment if this bill were to pass. Mr. Jamison said DNRC was unable to calculate a number in reply to the inquiry, however, has asked anyone using a DNRC vehicle to refuel at the one gasohol station in Helena and note it on their receipts. He said the problem is that central services does not keep a record of those purchases.
- REP. FOSTER asked if HB 144 had a record-keeping requirement.

  Mr. Jamison said it did and DNRC has interpreted that requirement as a function of the Auditor's office.
- REP. ED DOLEZAL asked if industry provides any incentives for conversion. Mr. O'Donnell said MPC does not offer any financial incentives, but does offer technical assistance and the ability to refuel, on a pilot basis, at their stations.
- Mr. Anderson said MDU offers incentives for leasing at 0% for conversion of fleet vehicles, 0% financing for direct purchase, and demonstration projects for individuals and fleet owners. MDU is currently participating in a demonstration project in Billings with two police cars and an airport vehicle.
- REP. DAN HARRINGTON asked about the engine life of converted vehicles. Mr. Anderson replied MDU has been running converted vehicles since 1981, and has extended oil changes from 2000 to 4000 miles. There have been dramatic increases in the life of the engine of the natural gas powered vehicles when compared to the gasoline engine.
- REP. JERRY DRISCOLL asked if the committee could be provided with a conversion chart for natural gas cubic feet as compared to gallons of gasoline. Mr. Anderson said he would supply that information for the committee.

#### Closing by Sponsor:

REP. GILBERT said Ford has built a prototype natural gas fueled car with the aluminum tanks. The car got 28 miles to the gallon and ran very well with a 280 mile range. Most of the smaller vehicles that have been converted are using one tank and have about a 70 to 80 mile range. They are ideal in cities where presently this fuel usage is most beneficial. The future lends itself well to further development and this bill provides incentives for pioneers in this field. Vehicles can be modeled after the fuel rather than modeling the fuel after the vehicle as is now being done. Compressed natural gas is also lighter than air which is a safety advantage.

#### EXECUTIVE ACTION ON HOUSE BILL 298

<u>Motion/Vote</u>: REP. ELLIOTT MOVED HB 298 DO PASS. The motion carried unanimously.

#### EXECUTIVE ACTION ON HOUSE BILL 221

<u>Motion/Vote</u>: REP. HARPER MOVED HB 221 DO PASS. The motion carried unanimously.

#### Informational Presentation:

The Department of Revenue presented the committee with an information sheet on tax year 1992 valuations and estimated taxes paid by agriculture. **EXHIBIT 5** 

#### ADJOURNMENT

Adjournment: The meeting adjourned at 11:00 a.m.

BOB GILBERT, Chairman

JILL ROHYANS, Secretary

BG/jdr

### HOUSE OF REPRESENTATIVES

ROLL CALL

<del></del>	TAXATION		OMMITTEE	
		האייני	1/28/03	

NAME	PRESENT	ABSENT	EXCUSED
REP. GILBERT, CHAIRMAN	J		
REP. FOSTER	/		
REP. HARRINGTON	V		
REP. ANDERSON	V		
REP. BOHLINGER	V		
REP. DOLEZAL			
REP. DRISCOLL	~		
REP. ELLIOTT	. /		
REP. FELAND	V		
REP. HANSON		· · · · · · · · · · · · · · · · · · ·	
REP. HARPER			* · .
REP. HIBBARD			
REP. KELLER		· · · · · · · · · · · · · · · · · · ·	
REP. McCAFFREE	V		
REP. McCARTHY	<b>✓</b>		
REP, NELSON	· ·		
REP. ORR			
REP BANEY			
REP. REAM			
REP. TUNBY	V		
			ļ
		·	

#### HOUSE STANDING COMMITTEE REPORT

January 28, 1993
Page 1 of 1

Mr. Speaker: Wo, the committee on Taxation report that House
Rill 298 (first reading copy -- white) do pass.

signed: Bol Billu

Bob Gilbert, Chair

F/2:/13

221058SC.Hpf

### HOUSE STANDING COMMITTEE REPORT

January 28, 1993 Page 1 of 1

Hr. Speaker: We, the committee on Taxation report that House Bill 221 (first reading copy -- white) do pass.

Signed: Bob Gilbert,

### MONTANA ARTS COUNCIL



MARC RACICOT, GOVERNOR

316 NORTH PARK AVENUE CITY COUNTY BUILDING, ROOM 252

# STATE OF MONTANA

(406) 444-6430 FAX: (406) 444-6548 PO BOX 202201 HELENA, MONTANA 59620-2201

BY HAND

January 26, 1993

Representative Robert Gilbert, Chairman
Taxation Committee
House of Representatives
State Capitol

Helena, MT 59620

Dear Representative Gilbert:

Re: HB221.

Please enter this letter into the record in support of HB221.

This bill provides a great deal more flexibility in funding options for museums and cultural facilities across our state. With the advent of I-105, this flexibility would be most beneficial to these organizations.

Sincerely,

Arlynn Fishbaugh

Executive Director

AF:s

EXHIBIT\_ DATE HB.

### **AMENDMENTS TO HB 219**

1. Page 1, In 5

Following:

"FUEL"

Strike:

"OR FOR"

2. Page 1, In 6

Strike:

"INSTALLATION OF AN ALTERNATIVE FUEL REFUELING

STATION"

3. Page 1, In 12

Following:

"conversion"

Strike:

"--refueling stations."

4. Page 1, In 16

Following:

"for"

Insert:

"50% of the"

5. Page 1, In 17

> Following: Insert:

"fuel"

" "

6. Page 1, In 18-19

Strike:

In their entirety

7. Page 2, In 1-15

Strike:

In their entirety

Renumber: Subsequent subsections

8. Page 3, In 8

Following:

"conversion"

Strike:

"and"

Insert:

" "

9. Page 3, In 9

Strike:

"refueling stations."

Page 3, In 10 10.

Following:

"fuel"

Strike:

"or to"

11. Page 3, In 11

Strike:

"install an alternative fuel refueling station are"

Insert:

"is"

12. Page 3, In 17-24

Strike:

In their entirety

Renumber:

Subsequent sections

DATE 1/28/93 HB 219

Remarks on Behalf of House Bill 219 January 28, 1993

by John O'Donnell, Director of Commercial Energy Services The Montana Power Company 40 East Broadway Street Butte, Montana Air pollution is one of the greatest threats to public health we now face. For years, we've heard about smog in the L. A. Basin, but the problem is more pervasive than that. It also affects cities in Montana. The Missoula greater urban area has recently been identified as a "nonattainment area" for carbon monoxide under the 1990 Federal Clean Air Act. The Environmental Protection Agency currently mandates an air mitigation program for all gasoline-fueled vehicles in Missoula. The leaders of several other Montana communities find they must evaluate total airshed pollutant loads when considering potential business expansions.

The emissions produced by burning fossil fuels have been identified as the single greatest source of air pollution. About half of those fossil fuel emissions come from motor vehicles. Motor vehicles and people go together. People drive cars, trucks and buses, and they drive them where other people work and live.

Vehicle emissions generally contain a few common ingredients: carbon monoxide, carbon dioxide, reactive hydrocarbons, nitrogen oxides, particulates, heat, and water. Four have been identified as the most common and pervasive fossil fuel pollutants:

- <u>Carbon monoxide</u> reduces the blood's oxygen level, inducing physical sluggishness and endangering people with heart and circulatory problems.
- Reactive hydrocarbons and nitrogen oxides react with sunlight to form ground-level ozone, which has been identified as a cause of respiratory distress, particularly in asthmatics, children and older people. Reactive hydrocarbons are suspected carcinogens.
- <u>Particulates</u> are emitted in large quantities by most diesel-fueled vehicles. This particulate matter, often black carbon soot, can cause eye, throat and respiratory problems.

Social, economic and health concerns have sparked intense interest in the promotion and use of cleaner burning alternative fuels for Montana transportation. Natural gas, propane, hydrogen, ethanol, methanol, and electricity are recognized alternatives to conventional gasoline and diesel fuels. Each of these cleaner fuels has its various positive attributes. A matrix comparing these alternative fuels with gasoline is attached. It can be seen that many factors can

affect the selection of a single fuel: direct fuel costs, vehicle cost premium, range and safety in addition to emissions reductions.

With these possibilities and the increased public interest in doing something about pollution, we might ask why we are still struggling to make even one viable clean-fuel alternative available.

One major roadblock is the absence of developed clean-fuel servicing and refueling stations in the state, and the relatively high cost and risk of investing in such infrastructure. The automotive industry will not produce an alternatively fueled car that nobody will buy, and nobody will buy a car that they can't refuel.

A second major stumbling-block may involve a basic human characteristic - resistance to change. In the absence of incentives, the average citizen will most likely opt to use conventional gasoline and diesel fuels over alternative clean-fuels. The greatest number of us are generally not willing to make significant personal sacrifices in the cost, performance, or use of the vehicle we drive without some kind of incentive. I believe this holds even when we perceive that the change we might have made could have been in society's best interest.

Federal lawmakers have recently given attention to the issues of assisting the development of alternative fueling infrastructure and reducing investment risk. Tax deductions will be allowed after July 1, 1993 for investments in clean-fuel stations and clean-fuel vehicle conversions and purchases. Certain mandates regarding clean-fuel federal fleet purchases in the future should also encourage more development of the nation's clean-fuel infrastructure.

Many of Montana's citizens, interested in the clean-fuel options, have contacted our company to inquire about the various technologies and the possibility of any incentives offered.

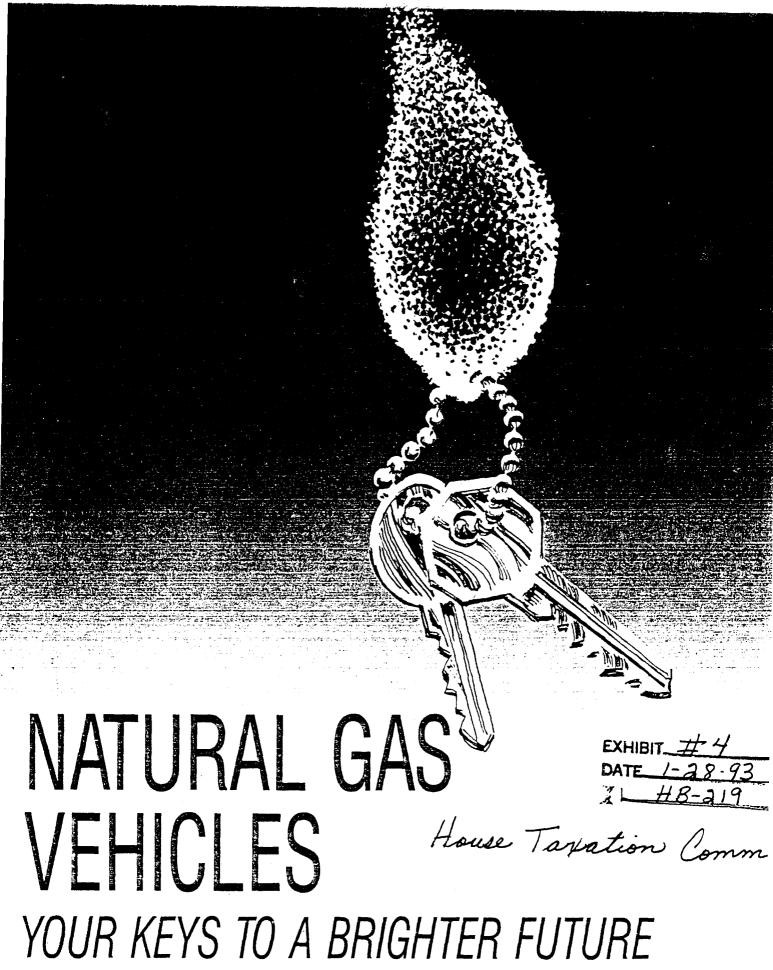
I believe that the positive incentive of the tax credit in the act at hand will send a signal to these Montanans that the issue of cleaner air, with its positive impacts on quality of life, health and the economy is one of merit, and will encourage them to follow through with the conversion of their vehicle to a cleaner alternative fuel.

# A Comparison of Alternative Vehic

issue			
	Gasoline	Natural Gas	Propane
Fuel Supply	- U.S. petroleum resource base is equal to 745 quadrillion Btu <sup>1</sup> - At current consumption rates, U.S. petroleum resource base represents a 20 year supply <sup>2</sup> - Net imports of crude oil and petroleum products are 41% of total petroleum supply <sup>3</sup> - Motor gasoline consumption is 43% of total petroleum supply <sup>4</sup>	-U.S. natural gas resource base equal to 1,206 quadrillion Btu <sup>5</sup> - At current consumption rates, U.S. natural gas resource base represents more than 80 years of supply -Net imports of natural gas are 7% of U.S. consumption, with virtually all imports supplied by Canada <sup>6</sup> - A million vehicles would require 100 billion cubic feet, less than 1% of U.S. consumption <sup>7</sup>	- Propane supply dependent on natural gas production, crude oil refining and imports - U.S supply approximately 15.2 bil. gallons <sup>5</sup> -Net imports are approximately 9% of total supply <sup>5</sup> -To fuel 1 million vehicles would require 1.4 billion gallons, 9% of current U.S. consumption <sup>9</sup>
Fuel Cost <sup>/8</sup>	\$1.07 - \$1.21/gal. <sup>19</sup>	\$0.71/gal. <sup>19</sup>	\$0.88/gai. <sup>19</sup>
Maintenance Costs	Intentionally left blank <sup>21</sup>	-Better than gasoline -Strong potential for cost savings in oil usage, spark plug life, valve train wear and engine wear <sup>22</sup>	-Better than gasoline -Should improve engine wear and lessen engine deposits
Vehicle Cost Premium	intentionally left blank <sup>21</sup>	\$800-\$800 <sup>24</sup> for OEM <sup>25</sup> and \$1,800- \$2,500 <sup>24</sup> for CONV <sup>26</sup>	\$500-\$1,000 <sup>27</sup> for CONV <sup>26</sup>
Range <sup>31</sup>	Intentionally left blank <sup>21</sup>	-38% of gasoline <sup>32</sup>	-50% of gasoline <sup>33</sup>
Emissions	intentionally left blank <sup>21</sup>	-Reactive hydrocarbons 80-93% lower <sup>34</sup> -Carbon monoxide over 90% lower <sup>34</sup> -Air toxics 90% lower <sup>34</sup> -Nitrogen oxides similar to or lower than gasoline <sup>35</sup> -Carbon dloxide 24% lower <sup>36</sup> -Can meet heavy-duty vehicle particulate matter standard <sup>37</sup>	-Hydrocarbons lower under lean operation 38 -Lower evaporative hydrocarbon emissions 38 -Carbon dioxide the same or lower 38 -Nitrogen oxides generally lower 38
Safety -	intentionally left blank <sup>21</sup>	-Less of a health hazard than gasoline or diesel fuel <sup>41,43</sup>	-Risks of ingestion less than gasoline -Fiammability limits, autoignition temperatures and heat of vaporization similar to gasoline

# lar Fuels with Conventional Gasoline

Fuel Type			
Reformulated Gasoline	Methanol	Electricity	Elhanol
-Capacity to produce large volumes unknown at this time -Given sufficient time supplies should be adequate -Adjustments to U.S. gasoline pool to meet reformulation targets should take most of 1990s. 10	- Methanol can be produced from natural gas, oil, coal and biomass - U.S. capacity is 1.9 billion galions II - Net imports represent 23% of total consumption I2 - To fuel 1 million vehicles would require 95% of U.S. methanol capacity I3	-Without capacity additions, the only way to provide electricity to large volumes of vehicles is through off-peak electricity generation <sup>14</sup>	-Total U.S. capacity is 1.3 billion gallons 15 -Imports account for 8% of total consumption 15 -Each increase of 1 billion gallons beyond 3 billion gallons could increase com price by 8-28 ¢/bushel 16 - To fuel 1 million ethanol vehicles would require 115% of current U.S. capacity 17
\$1.25 - \$1.50/gal. <sup>20</sup>	\$1.44/gal. <sup>19</sup>	\$1.56/gai. <sup>19</sup>	\$1.51 - \$2.47/gal. <sup>19</sup>
-Should be similar to gasoline	-Possibly worse than gasoline due to increased engine wear and increased solvent action on exterior -Could reduce chamber deposits	-Less than gasoline -No oil changes and decreased maintenance <sup>23</sup> -Will experience increased tire wear due to increased weight <sup>23</sup>	-Worse than gasoline due to increased engine wear and increased solvent action on exterior -Could reduce chamber deposits
Should be no cost premium	\$200-\$400 <sup>28</sup> for OEM <sup>25</sup> \$1500 <sup>29</sup> for CONV <sup>26</sup>	\$1,950-\$7,800 <sup>24,30</sup>	\$100-\$300 <sup>27</sup> for OEM <sup>25</sup>
Same as gasoline	-57 to 60% of gasoline <sup>32</sup>	-12 to 55% of gasoline <sup>32</sup>	-67% of gasoline <sup>33</sup>
-Exhaust hydrocarbons 21% lower <sup>19</sup> -Evaporative hydrocarbons 36% lower <sup>39</sup> -Carbon monoxide 28% lower <sup>39</sup>	-Hydrocarbons variable <sup>40</sup> -VOC evaporatives lower <sup>40</sup> -Carbon monoxide and nitrogen oxides same or higher <sup>41</sup> -Aldehydes 300-500% higher <sup>40</sup>	-Non-methane hydrocarbons and carbon monoxide 90% lower <sup>36</sup> -Nitrogen oxides 150% higher <sup>36</sup> -Sulfur oxides 5625% higher <sup>36</sup> -Carbon monoxide 32% higher <sup>36</sup> -Significantly increased solid waste <sup>36</sup>	-Non-methane hydrocarbons, carbon monoxide and nitrogen oxides same <sup>42</sup> -Aldehydes same or slightly higher <sup>42</sup> -Carbon dloxide unclear given uncertainty regarding CO <sub>2</sub> reabsorption and plant efficiency <sup>42</sup>
Intentionally left blank <sup>21</sup>	-Lack of flame luminosity makes fires difficult to detect -Toxic if ingested -Lower flammability limits imply that is less likely to ignite in open- air situations <sup>41</sup>	-All batteries will present risk of electrical shock	-Appears to have fire benefits relative to gasoline, but further research needed 12



The original is stored at the Historical Society at 225 North Roberts Street,

Helana, MT 59620-1201. The phone number is 444-2694

### HOUSE OF REPRESENTATIVES VISITOR'S REGISTER

HB	719
48	77/

			HBRZ
Nouve Jakation	COMMITTEE	BILL NO.	HA 798
DATE //28/93 SPONSO	R(8) Helbert Schue	$R_{i}$ $I$	
DATE $1/28/93$ SPONSO	K(B) MILLUIT - LOUNC	1 KILAN	

## PLEASE PRINT PLEASE PRINT PLEASE PRINT

NAME AND ADDRESS	REPRESENTING	SUPPORT	OPPOSE
Soh Smichanfro	State tay appeal Board		
Reporter Bird	HD52	HB 298	
Hous Elemenson	no Cultina alm	HB221	
PAUL SLITER	MT PETROLEUM MARKETERS ASSN. HB 219		TWA 1
Valetamson	DNRC	NEV 48219 asamuds	(
John O'Donnell	MPC	HB 219	
Elizabeth Gons	Holder Musson	HB 22/	
Dave Woodsmil	DOR	4298	
Duane A. Anderson	Morriana Dakotalltilities	HB-319	
Dary ist filling	Most Power Co.	14. 13. 219	
			.*

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