

MINUTES

MONTANA SENATE 53rd LEGISLATURE - REGULAR SESSION

COMMITTEE ON TAXATION

Call to Order: By Senator Mike Halligan, on February 4, 1993, at 8:05 a.m.

ROLL CALL

Members Present:

Sen. Mike Halligan, Chair (D)
Sen. Dorothy Eck, Vice Chair (D)
Sen. Bob Brown (R)
Sen. Steve Doherty (D)
Sen. Delwyn Gage (R)
Sen. Lorents Grosfield (R)
Sen. John Harp (R)
Sen. Spook Stang (D)
Sen. Tom Towe (D)
Sen. Fred Van Valkenburg (D)

Members Excused: Senator Bill Yellowtail (D)

Members Absent: None.

Staff Present: Jeff Martin, Legislative Council
Bonnie Stark, Committee Secretary

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

Committee Business Summary:

Hearing: HB 119, HB 149, HB 160
Executive Action: HB 103, HB 119, HB 149, HB 160, SB 228

HEARING ON HB 160

Opening Statement by Sponsor:

Representative Roger DeBruycker, representing House District 13, presented HB 160, which would require the payment of property taxes by any department or agency of the United States when the department or agency acquires interest in the property through foreclosure. Representative DeBruycker said the Treasurer of Choteau County asked him to sponsor this bill. Federal agencies, such as the FHA and SBA, are presently exempt from paying property tax on foreclosures. Under HB 160, the lessor, including a Federal agency, is liable for payment of property taxes when any property is acquired through foreclosure.

Proponents' Testimony:

None.

Opponents' Testimony:

None.

Informational Testimony:

Dave Woodgerd, Chief Counsel for the Department of Revenue, said HB 160 will accomplish what Senator Eck's bill, Senate Bill 141, will do, but with just a little different approach. The Department thinks both bills have merit and both bills should go through so the Department can tax these properties.

Questions From Committee Members and Responses:

In answer to questions from Senator Halligan about why Senate Bill 141 and HB 160 were not combined, Mr. Woodgerd said the Department had considered this and other options when they saw that both bills were trying to do the same thing, and decided that the easiest and simplest way was to let both bills go through.

Closing by Sponsor:

Representative DeBruycker said he was unaware of Senate Bill 141, and is presenting HB 160 at the request of his County Treasurer.

EXECUTIVE ACTION ON HB 160**MOTION/VOTE:**

Senator Harp moved HB 160 BE CONCURRED IN. The motion CARRIED UNANIMOUSLY on oral vote. Senator Grosfield will carry the bill on the Senate floor.

HEARING ON HB 119**Opening Statement by Sponsor:**

Representative Marian Hanson, representing House District 100, presented HB 119 at the request of the Department of Revenue. The DOR currently uses the 10-year census cycle figures for the distribution of beer and wine tax revenue. The Legislative Auditor recommended using estimates every two years. House Bill 119 allows the Department to adjust population estimates on July 1 following the date of publication of the estimates by the U. S. census bureau.

Proponents' Testimony:

None.

Opponents' Testimony:

None.

Informational Testimony:

Don Bentson, Administrator of the Centralized Services Division, Department of Revenue, said the Department agreed with the Legislative Auditor's recommendation for HB 119. This bill will merely change distribution of beer and wine taxes which would be either annually or every two years, whenever the U.S. census bureau estimates are available.

Questions From Committee Members and Responses:

Mr. Bentson, responding to questions by Senator Towe, said the census figures are currently available every two years but there may be some figures at the local level which would allow annual revision. The adjusted distribution formula would then remain in effect for the entire fiscal year.

Closing by Sponsor:

Representative Hanson said she would appreciate the support of the committee.

EXECUTIVE ACTION ON HB 119

MOTION/VOTE:

Senator Towe moved HB 119 BE CONCURRED IN. The motion CARRIED UNANIMOUSLY on oral vote. Senator Harp will carry the bill on the Senate floor.

EXECUTIVE ACTION ON HB 103

MOTION/VOTE:

Senator Eck moved HB 103 BE CONCURRED IN. The motion CARRIED UNANIMOUSLY on oral vote. Senator Eck will carry the bill on the Senate floor.

HEARING ON HB 149**Opening Statement by Sponsor:**

Representative Don Larson, House District 65, presented HB 149, which will allow the Department of Transportation to enter into agreements with other governmental units to collect fuel taxes. Fuel dealers can presently go out of state with their tanker load of fuel without paying the tax. They can buy fuel at a terminal without paying a tax, say they are leaving the state when, in fact, they never cross the state border. They can then deliver that fuel to a Tribal gasoline station, or use it in their own station, sell it and make a \$2,000 profit on the tank load, all without paying any taxes on it. Under HB 149, the DOT will be able to collect taxes on fuel that would leave another state to come into the Montana, and it allows another state to collect taxes on fuel that leaves Montana without paying taxes.

Representative Larson said the estimates are over millions of dollars in lost state tax revenues. HB 149 would give the DOT the regulatory tool needed to collect these taxes.

Proponents' Testimony:

None.

Opponents' Testimony:

None.

Informational Testimony:

Bill Salisbury, Administrator of the Administration Division of the Department of Transportation, spoke in support of HB 149. The DOT collects the motor fuels for the State of Montana. Mr. Salisbury presented written testimony, Exhibit No. 1 to these minutes. HB 149 will give the DOT the means to track fuels in the state, and enter into agreements with other states, the Federal Government and foreign countries, to aid in fuel tax collection and prosecution of violations. Mr. Salisbury said legitimate businesses are being put out of business because of people who are trafficking in illegal fuel. There are over millions of dollars lost on the national level, which has a lower tax than Montana, so the state's lost revenue is substantial.

Questions From Committee Members and Responses:

Senator Gage asked Mr. Salisbury about language in HB 149 regarding revoking licenses and how it would apply to Tribal governments. Mr. Salisbury said authority to cancel licenses would be covered in agreements, and HB 149 is primarily meant for other state governments and Canada. He said other bills before the Legislature will deal more directly with the Indian Tribes on similar issues.

Senator Towe asked Mr. Salisbury how HB 149 would be applied. Mr. Salisbury said other legislative bills would give the DOT tracking capabilities, and HB 149 would allow an agreement with another state. Once the DOT finds out about illegal activities, the other state would collect the tax for Montana and refund it upon proof of payment of Montana tax. Montana will reciprocate for another state under agreements allowed by HB 149.

Closing by Sponsor:

Representative Larson said that when HB 149 is first implemented, there likely will be prosecution of quite a few people who may owe a large sum of tax revenue to the state. Once people realize they can't get away with fuel tax evasion, the revenue source would decrease. He urges concurrence in this bill.

EXECUTIVE ACTION ON HB 149

MOTION/VOTE:

Senator Towe moved to AMEND HB 149 to add an immediate effective date (hb014901.ajm). Motion CARRIED UNANIMOUSLY on oral vote.

MOTION/VOTE:

Senator Towe moved HB 149 BE CONCURRED IN AS AMENDED. Motion CARRIED UNANIMOUSLY on oral vote. Senator Stang will carry the bill on the Senate floor.

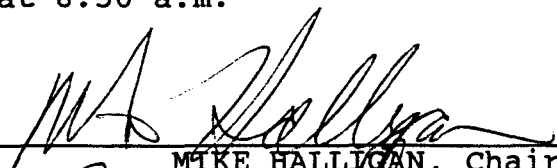
EXECUTIVE ACTION ON SB 228

MOTION/VOTE:

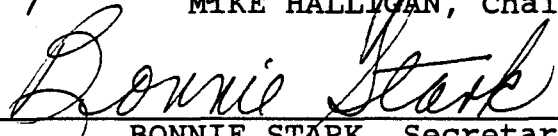
Senator Stang moved to AMEND SB 228 to add an effective date of July 1, 1993. Motion CARRIED UNANIMOUSLY on oral vote.

ADJOURNMENT

Adjournment: The meeting adjourned at 8:50 a.m.



MIKE HALLIGAN, Chair



BONNIE STARK, Secretary

ROLL CALL

SENATE COMMITTEE TAXATION

DATE 2-4-93

[illegible]

FC8

Attach to each day's minutes

SENATE STANDING COMMITTEE REPORT

Page 1 of 1
February 4, 1993

MR. PRESIDENT:

We, your committee on Taxation having had under consideration House Bill No. 160 (first reading copy -- blue), respectfully report that House Bill No. 160 be concurred in.

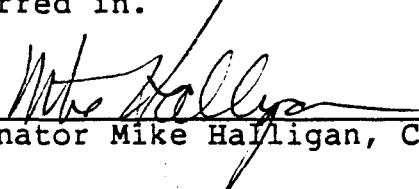
Signed: 
Senator Mike Halligan, Chair

SENATE STANDING COMMITTEE REPORT

Page 1 of 1
February 4, 1993

MR. PRESIDENT:

We, your committee on Taxation having had under consideration House Bill No. 119 (first reading copy -- blue), respectfully report that House Bill No. 119 be concurred in.

Signed: 

Senator Mike Halligan, Chair

SENATE STANDING COMMITTEE REPORT

Page 1 of 1
February 4, 1993

MR. PRESIDENT:

We, your committee on Taxation having had under consideration House Bill No. 103 (first reading copy -- blue), respectfully report that House Bill No. 103 be concurred in.

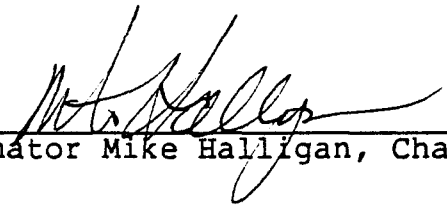
Signed: 
Senator Mike Halligan, Chair

SENATE STANDING COMMITTEE REPORT

Page 1 of 1
February 4, 1993

MR. PRESIDENT:

We, your committee on Taxation having had under consideration House Bill No. 149 (first reading copy -- blue), respectfully report that House Bill No. 149 be amended as follows and as so amended be concurred in.

Signed: 

Senator Mike Halligan, Chair

That such amendments read:

1. Title, line 9.

Following: "AGREEMENTS"

Insert: "; AND PROVIDING AN IMMEDIATE EFFECTIVE DATE"

2. Page 2.

Following: line 4

Insert: "NEW SECTION. Section 2. Effective date. [This act] is effective on passage and approval."

-END-

SENATE TAXATION

EXHIBIT NO. 1

DATE 2-4-93

BILL NO. HB 149

Date: February 4, 1993

HOUSE BILL 149

SUBMITTED BY: WILLIAM SALISBURY, ADMINISTRATOR
ADMINISTRATION DIVISION
MONTANA DEPARTMENT OF TRANSPORTATION

"AN ACT AUTHORIZING THE DEPARTMENT OF TRANSPORTATION TO ENTER INTO AGREEMENTS WITH OTHER GOVERNMENTS RELATING TO THE TAXATION OF CERTAIN FUELS AND LIMITING THE POWERS THE DEPARTMENT MAY DELEGATE IN THE AGREEMENT".

Allows the Montana Department of Transportation to sign fuel tax agreements and/or compacts with other States, the Federal Government and foreign countries to aid in fuel tax collection. Effective upon passage and approval.

The Montana Department of Transportation appears before this committee to offer our support for House Bill 149.

It's currently possible to import and sell any amount of fuel into Montana without paying any tax to the State, because Montana has no written agreements or compacts with neighboring states, the Federal government, or other countries such as Canada concerning the importing or exporting of fuels. Agreements and compacts would provide the necessary resources to discourage sales of imported and exported, non-taxed, on-highway fuels. House Bill 149 allows the Montana Department of Transportation to sign fuel tax agreements and/or compacts with other states, the Federal Government, and other countries such as Canada to aid in the collection of fuel taxes. The department currently has agreements with other states and Canada concerning the collection of diesel taxes through the International Fuel Tax Agreement (IFTA) and the International Registration Plan (IRP).

The Montana Department of Transportation urges this committee to give this proposal a do-pass recommendation.

DATE 2-4-93

SENATE COMMITTEE ON Taxation

BILLS BEING HEARD TODAY: HB 119, 149, 160

Name	Representing	Bill No.	Check One	
			Support	Oppose
<i>Tom Bunker</i>	<i>Dept of Rev.</i>	<i>119</i>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
<i>Dave Woodgerd</i>	<i>DOR</i>	<i>HB 119 HB 160</i>	<input checked="" type="checkbox"/>	<input type="checkbox"/>

VISITOR REGISTER

PLEASE LEAVE PREPARED STATEMENT WITH COMMITTEE SECRETARY