MINUTES

MONTANA SENATE
53rd LEGISLATURE - REGULAR SESSION

COMMITTEE ON TAXATION

Call to Order: By Chairman Mike Halligan, on February 18, 1993, at 8:00 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)
Sen. Bill Yellowtail (D)

Members Excused: None.

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: None.
Executive Action: None.
Discussion: SB 191, SB 235, SB 283

Senator Tom Keating presented a tax reform proposal which he believes will stimulate industrial growth, equalize education funding and taxation, and reduce general fund spending by adjusting the state tax structure. Copies of this information are attached to these minutes.

DISCUSSION ON SB 191

Mick Robinson, Director of the Department of Revenue (DOR), presented the Fiscal Note for SB 191, a copy of which is attached to these minutes. Mr. Robinson reviewed this information which allows certain persons 62 years of age or older to defer increases in the market value of their primary residences. This information was requested in a previous meeting and is in relationship to an approach offered in a previous legislative session by John Vincent. Mr. Robinson said a 20% factor is used for the average percent of assessed value deferred, and the average taxable value deferred is $335. Mr. Robinson explained how this amount is derived.

The DOR used a relationship of 6,599 actual residential sales in the state during 1991. Of those sales, 3,767 houses actually had sales amounts above the property's assessed value. The remaining sales, 2,832, had sales below the property's assessed value. The average number of residences where the DOR would expect to see an increase in appraised value would be 57%, and the average increase for each of those residences equalled 20 percent.

Forty-three percent of the sales were below the assessed value, and the average decrease, or percent below the assessed value, was 14%. Mr. Robinson said when the Department talks about 20%, they are trying to get a relationship in terms of how many pieces of property owned by people in this age group will have an increase in value, which is where the deferral would be. There would be some properties statewide which would have a decrease in value. Using all of those values, there is a 5% overall state increase in sales above assessed value. Mr. Robinson said 20% is not the average increase expected statewide; it is going to be approximately 5%.

Relating this in terms of a fiscal impact and tax revenue, the DOR is estimating that 57% of the 64,100 households, or 36,537, will have a deferral; 20% times $43,368 (the average assessed value) gives the average deferred assessed value of $8,674; times a tax rate of 0.0386, gives the average deferred taxable value of $335. Mr. Robinson said the 20% is applied only to residences where there is an expected increase in value. Other residences, statewide, will have a decrease in value, but they would not opt for a present value, they would opt for the appraised, decreased value.

Averages on all units, statewide, would have an assessed value change of 5%, average deferred taxable value of $84, which becomes a $28 increase in taxes.

Senator Towe asked Mr. Robinson if the $28 average increase in taxes is enough to make an adjustment in the 0.0386 tax rate. Mr. Robinson said the DOR does not have the statewide total data completed, and would like to defer answering this question until all their information is complete.

No executive action was taken on SB 191, which will be discussed further at a future committee meeting.

DISCUSSION ON SB 235

In response to previous questions by Senator Eck, Mick Robinson, Director of the Department of Revenue (DOR), said SB 235 provides for an exemption of $15,000 for qualified pension benefits. The cost of providing that level of exemption is almost $14 million, as shown on a DOR Memorandum dated February 17, 1993, regarding Cost of Alternative Retirement Exclusions in SB 235, a copy of which is attached to these minutes. This is a move from the present $3,600 per taxpayer to the $15,000 level per taxpayer. The memorandum also shows related figures if a lower figure is allowed for qualified pension benefits.

In response to questions by Senator Halligan and Senator Towe, Mr. Robinson said when the $15,000 qualified pension benefit was originally presented, it was $15,000 per household, then was changed to $15,000 per individual over 65 years of age. Senator Bruce Crippen, sponsor of SB 235, said the figures of $12,000 to $18,000 have been used in various bills in past legislative sessions, with a thought towards keeping retirees as residents of Montana. Senator Crippen said we must dovetail Montana's pension benefit with what the Federal government is doing.

Senator Eck said a retirement exemption figure of $12,000 has been considered in the past, and there already is a $5,000 to $6,000 exemption by law. She would like the committee to look at exempting $8,000 retirement income and add on the additional current exemption. Senator Eck asked if the increases in retirement pay to make up what a retiree pays in taxes would continue to be allowed, and if that amount is figured in SB 235. Jeff Martin, Legislative Council Staff, said that 2 1/2% figure would be out if SB 235 passes.

Senator Gage asked if the DOR could furnish information on cost figures involved for a pensioner with above $30,000 income where the pensioner would lose $1 for every $2 over $30,000.

Mick Robinson discussed the DOR Amendments to SB 235, dated February 18, 1993, a copy of which is attached to these minutes. These proposed amendments are as follows:

1. The purpose of this amendment is to exempt intrastate transportation services from the sales and use tax. SB 235 presently provides an exemption for interstate transportation. Surrounding states do not tax intrastate transportation and the DOR does not want to present anything in the sales tax that is not comparable to surrounding states and which would make the business environment in Montana noncompetitive. This item was included in the $313 million estimate, and approval of this amendment would have a decrease in revenue of approximately $5.5 million.

2. This amendment provides that a purchaser of property or services remains liable for the sales tax if the sales tax was not paid or collected on that transaction previously. This will further strengthen the language already in SB 235 regarding Indian Reservation sales. Mr. Robinson said this would mostly be handled through negotiated agreements with the Tribes. If the sales tax is not collected on the Reservation, this gives the DOR the opportunity to collect the tax by holding the purchaser liable for payment. This amendment will also affect out-of-state purchases when people bring those purchases into Montana. For instance, if a sales tax is paid in another state, there would be a credit allowed in Montana for the sales tax paid in that state. The DOR has not put a fiscal amount on this amendment.

3. The purpose of this amendment removes the exemption for minerals used or integrated into jewelry, which will be taxed when the final product is sold, and clarifies that exempt sales of minerals are sales by the producer and does not include minerals used to produce energy. Dave Woodgerd, Chief Legal Counsel, DOR, explained that natural gas, for instance, would be taxed when used as a utility, but not when it is sold as a mineral. This amendment has no revenue impact.

4. This amendment is to clarify that only irrigation water used for the production of agricultural products produced in quantities sufficient for commercial purposes is exempt from sales tax.

5. This amendment is to exempt from sales and use tax construction services used in the construction of residential and commercial buildings. The materials used in residential and commercial construction would still be taxed; but the services would not be subject to a sales tax. The revenue estimate is not available, but there will a downward impact.

6. This amendment is to clarify that electricity used in the reduction or refinement of ores shall be considered a component part of the product. The electricity that becomes part of the final component part would be exempt. There is no dollar amount included in the DOR estimate.

7. This amendment clarifies that the sale of property to a person engaged in the business of leasing to the ultimate consumer is a nontaxable transaction. In a leasing business, the DOR would levy the tax on the use of that product, or the lease payment that is made. The purchase of a car by a leasing company is exempt, but the lease to the consumer is taxable. There is no cost associated.

8. This amendment is to conform the collection of delinquent sales tax owed by corporations to the collection of delinquent withholding tax owed by corporations.

9. This amendment is to remove the term "gross receipts" from the section concerning fraternal organizations.

10. This amendment is to delete the amendment exempting unprocessed products of livestock. No revenue impact is involved.

11. This amendment is to clarify that new and used vehicles purchased for the purpose of being placed in a fleet of vehicles used for rental car purposes are exempt from tax. The sales tax will not be levied on the purchase of that vehicle, but the sales tax will be levied on the lease.

12. This amendment deletes the requirement that increases in property tax classification rate are subject to 2/3 vote of the Legislature and a vote of the public.

Mr. Robinson said the DOR is studying more amendments; one will deal with exemption of tuition for private schools, and another will deal with prescription medical devices.

Mr. Robinson reviewed the DOR Memorandum dated February 8, 1993, entitled Estimated Sales Tax Revenue Losses from Proposed Amendments to SB 235, a copy of which is attached to these minutes, and explained the DOR recommendations regarding the amendment requests.

National Association of Theater Owners (NATO): The bill presently provides an exemption for the leasing of motion pictures because of the sale/resale situation. The Department of Revenue does not support any changes in this request from NATO.

Montana Power Company (MPC): Mr. Robinson said the DOR needs to do more research on MPC's requests for amendments, and hasn't finalized its recommendations.

Montana Building Industry Association: The DOR has tried to address this in terms of compression services. The revenue loss estimate is approximately $6,300,000.

Montana Motor Carriers Association: To exempt intra-state freight charges, the DOR estimates revenue loss of $3-$5 million.

Montana Solid Waste Contractors: This would increase revenue of approximately $40,000.

Montana Retail Association (MRA): The MRA is proposing a change from $50 per month to $150 per month ($1,800 per year) or 1.5% of the tax payable, whichever is lower, to reimburse vendors allowances. Mr. Robinson said this amendment would not impact the DOR's previous estimate in terms of net sales tax revenue. The DOR does look favorably towards this amendment.

Montana Petroleum Association (MPA): Mr. Robinson said the DOR needs to do more research on the exemption request where the affiliated entities are involved. The DOR does not support the other amendment requests of MPA for exemption of purchased property used exclusively for exploration/production/processing of oil and gas, or for exemption of all pollution control devices.

DISCUSSION ON SB 283

Larry Finch, Department of Revenue, reviewed the DOR Memorandum dated February 16, 1993, on Overall Tax Burdens, a copy of which is attached to these minutes. Mr. Finch said these same income groups were used in the SB 235 presentations, and show comparisons between the current taxes and proposed taxes under SB 283. These overall tax burdens include income taxes, property taxes, and sales tax. The sales tax information is the same under SB 235 and SB 283; there is a difference between the two bills in the income tax impacts and property tax impacts.

Mr. Finch said the overall burdens on property taxes don't drop as much under SB 283 as they do under SB 235; one of the reasons is SB 283 does not have the $200 refundable renter credit. SB 235 provided for a flat $20,000 exclusion in the market value of all property; SB 283 provides for 65% of market value up to $50,000. Under SB 235, a $20,000 house, in the low income groups, would all be excluded; under SB 283, 65% would be excluded.

Senator Eck asked why Class 7, under SB 283, is even with the current law figures. For explanation, Mr. Finch compared Class 7 with Class 6, which shows an increase under the proposed law, and said for people involved in Class 7, their sales tax would go up approximately $75, but their income tax relief is approximately $65 more, and because their home has a higher market value, they have a larger property tax break, of approximately $110. When all these are combined, the overall tax rate for Class 7 is approximately the same as it is under the current law.

In response to questions by Senator Towe, Mr. Finch said the income tax proposal in SB 283 provides for a retirees credit of the first $3600 in retirement benefits.

Senator Eck asked if there is information available on low income and elderly credit programs that are now in place, the impacts, and which households are taking advantage of those credits now.

Mick Robinson reviewed the Impact of Reducing the Tax Rate for Class 8 Personal Property to the Top Ten Valued Class 8 Property Industries, a copy of which is attached to these minutes. Mr. Robinson said these figures show reductions from 9%

to 3.86% in personal property tax rates for these businesses. Each of these businesses will pay an increase in taxes under a sales tax proposal, but the DOR doesn't have estimates on what that sales tax is because they do not have the data available based on the spending patterns for the businesses.

Senator Eck asked if the revenue from the sales tax will be more than is expected, in light of the sales tax revenues from businesses. Mr. Robinson said the DOR has a reasonable estimate of anticipated sales tax revenue based on national information developed into Montana's economic model and refined over the past two years.

Senator Gage asked if the Legislative Fiscal Analysts Office agrees with the figures furnished by the DOR. Terry Johnson responded that their office hasn't done any independent analysis of the sales tax revenue potential.

Russ Ritter, Public Affairs Division, Montana Resources, Inc. (MRI), said the biggest hit MRI would take would be on utilities, and their increased net additional tax would be $461,000. If the utilities portion was dropped from the sales tax, it would be about a wash-out.

John Lahr, Montana Power Company, said the net cost to utility customers under SB 235 is $23 million additional taxes, and a net increase under SB 283 is $13 million. The difference is in the treatment of the property tax. Mr. Lahr said the direct add-on to the customers is $16.8 million. In addition, the tax for purchases made by the utility company is about $6.6 million.

No executive action was taken; both SB 235 and SB 283 will be discussed further in future meetings.

ADJOURNMENT

Adjournment: The meeting adjourned at 10:00 a.m.

M Halligan
MIKE HALLIGAN, Chair

Bonnie Stark
BONNIE STARK, Secretary

MH/bjs

ROLL CALL

SENATE COMMITTEE TAXATION DATE 2-18-93

NAME	PRESENT	ABSENT	EXCUSED
Sen. Halligan, Chair	✓		
Sen. Eck, Vice Chair	✓		
Sen. Brown	✓		
Sen. Doherty	✓		
Sen. Gage	✓		
Sen. Grosfield	✓		
Sen. Harp	✓		
Sen. Stang	✓		
Sen. Towe	✓		
Sen. Van Valkenburg	✓		
Sen. Yellowtail	✓		

FC8

Attach to each day's minutes

2-11
Keating

TAX REFORM

GOALS: --STIMULATE INDUSTRIAL GROWTH

--EQUALIZE EDUCATION FUNDING AND TAXATION

--REDUCE GENERAL FUND SPENDING

CURRENT REVENUES:

	(in millions)	
PERSONAL PROPERTY	117	
REAL PROPERTY	403	
PROCEEDS	5	525

CURRENT ALLOCATION:

COUNTIES	117	
CITIES	48	
SCHOOL DISTRICTS	195	
FOUNDATION PROGRAM	155	
UNIVERSITY	10	525

PROPOSED

PROPERTY TAXES:

REPEAL PERSONAL	117	
REDUCE REAL	100	217
BALANCE-REAL PROPERTY REV		308

DISTRIBUTION:

COUNTIES	117	
CITIES	48	
FOUNDATION PROGRAM	135	
UNIVERSITY	8	308

SALES TAX REVENUE:

FOUNDATION PROGRAM	300
BALANCE-GENERAL FUND	NA

Suggested by:
Senator Tom Keating
2-2-93

Breakdown of Estimated Taxes Levied TY 1992

Based on Tax Year 1992 Taxable Values and Tax Year 1992 Mill Levies

(Estimated taxes levied for State, County, School, and City/Town purposes.)

County	Real Property	Personal Property	Proceeds	Total
Beaverhead	3,371,406	1,667,211	109,872	5,148,489
Big Horn	3,017,500	2,581,331	0	5,598,831
Blaine	2,825,419	1,041,630	0	3,867,049
Broadwater	1,784,174	597,847	621,023	3,003,044
Carbon	4,315,524	1,170,583	21,148	5,507,254
Carter	875,155	487,710	700,290	2,063,155
Cascade	34,526,249	5,916,646	0	40,442,895
Chouteau	5,931,291	1,757,344	0	7,688,634
Custer	4,873,945	1,539,048	0	6,412,993
Daniels	1,746,985	579,188	0	2,326,173
Dawson	4,904,476	2,044,501	0	6,948,977
Deer Lodge	2,769,165	601,082	0	3,370,247
Fallon	1,369,099	1,079,712	0	2,448,811
Fergus	5,560,533	2,277,286	201,826	8,039,645
Flathead	32,210,003	5,998,184	0	38,208,187
Gallatin	23,003,507	5,366,358	80,584	28,450,448
Garfield	1,086,096	467,552	0	1,553,648
Glacier	4,059,738	1,056,371	0	5,116,109
Golden Valley	1,153,917	224,448	0	1,378,366
Granite	1,425,608	450,782	8	1,876,398
Hill	7,241,156	2,053,354	0	9,294,509
Jefferson	3,009,837	2,268,682	531,606	5,810,125
Judith Basin	1,981,182	601,410	0	2,582,592
Lake	8,575,724	1,173,759	0	9,749,483
Lewis And Clark	22,109,318	5,973,397	34,041	28,116,757
Liberty	1,934,242	588,692	14,024	2,536,957
Lincoln	5,274,179	1,951,583	319,126	7,544,889
Madison	3,806,056	1,427,490	533,187	5,766,733
Mccone	1,698,323	711,522	0	2,409,845
Meagher	1,790,037	417,169	872	2,208,077
Mineral	2,142,355	476,038	0	2,618,393
Missoula	42,412,373	12,093,330	369	54,506,071
Musselshell	1,602,737	617,832	0	2,220,569
Park	6,148,680	1,760,379	121,951	8,031,009
Petroleum	400,804	246,459	0	647,263
Phillips	2,931,982	1,473,776	333,408	4,739,165
Pondera	3,602,094	1,226,688	0	4,828,782
Powder River	1,353,203	1,033,746	0	2,386,949
Powell	2,795,073	827,162	0	3,622,235
Prairie	856,004	364,650	0	1,220,654
Ravalli	8,411,454	1,663,175	0	10,074,629
Richland	3,850,559	2,542,218	0	6,392,777
Roosevelt	5,166,824	1,094,903	0	6,261,726
Rosebud	21,842,254	3,498,145	0	25,340,399
Sanders	5,261,621	1,692,093	0	6,953,714
Sheridan	2,274,120	1,171,813	0	3,445,933
Silver Bow	14,719,990	7,131,769	1,703,149	23,554,908
Stillwater	3,895,657	1,536,053	357,646	5,789,356
Sweet Grass	2,036,978	624,337	0	2,661,315
Teton	3,978,102	1,385,944	0	5,364,046
Toole	3,739,415	1,160,954	0	4,900,369
Treasure	1,098,022	252,722	0	1,350,744
Valley	6,898,376	1,639,882	0	8,538,258
Wheatland	1,794,685	411,633	0	2,206,318
Wibaux	724,410	377,558	0	1,101,968
Yellowstone	53,658,441	16,038,021	0	69,696,462
TOTAL	401,826,053	116,413,153	5,684,129	523,923,336

Tax Year 1992

Property Type	Class	Tax Rate	Market and Taxable Values for Tax Year 1992 By Property Type: 1992 Total Assessed Value	1992 Total Taxable Value	Assessed Value Within Cities/Towns	Taxable Value Within Cities/Towns	Estimated Taxes Levied for Tax Year 1992 By Property Type — 1992 Taxes Levied by: University (6mills)	State Equalization (95 mills)	County	Local Schools	Cities/ Towns	Total Estimated 1992 Taxes Levied	Effective Tax Rate	Average Mill Levy for Property Type
Utilities Real														
Electric Companies Real	9	12.000%	1,176,359,118	140,943,279	6,766,964	797,133	845,660	13,389,612	4,849,255	6,353,249	86,201	25,523,976	2.17%	181.09
Gas & Electric Companies Real	9	12.000%	917,879,200	110,040,887	31,206,057	3,715,019	660,245	10,453,884	5,627,537	8,621,402	378,712	25,741,782	2.80%	233.93
Rural Co-op companies Real	5	3.000%	250,457,057	7,513,709	11,289,695	338,691	45,082	713,802	576,272	837,390	34,388	2,206,935	0.88%	293.72
Railroads Real	12	7.530%	634,706,054	47,793,361	36,777,971	2,769,380	286,760	4,540,369	3,484,131	5,367,743	294,285	13,973,289	2.20%	292.37
Airlines Real	12	7.530%	63,698,777	4,796,517	8,065,757	607,370	28,779	455,669	375,447	770,693	46,993	1,677,582	2.63%	349.75
Pipelines Real	9	12.000%	298,794,783	35,855,368	1,050,219	126,028	215,132	3,406,260	2,341,404	3,656,417	14,132	9,633,344	3.22%	268.67
Telecomm. Companies Real	9	12.000%	317,258,425	38,071,012	124,811,243	14,977,349	228,426	3,616,746	2,955,499	5,219,490	1,480,261	13,500,422	4.26%	354.61
Indep. Tele. Companies Real	7	8.000%	6,151,987	492,159	101,391	8,111	2,953	46,755	38,625	58,795	1,161	148,289	2.41%	301.30
- Subtotal			3,665,305,401	385,506,292	220,069,297	23,339,080	2,313,038	36,623,098	20,248,170	30,885,180	2,336,132	92,405,617	2.52%	
- Subtotal Percent of Column Statewide Total			12.9%	23.6%	2.0%	4.9%	23.6%	23.6%	17.4%	15.9%	4.9%	17.6%		
- Subtotal Average Mill Levy							6.00	95.00	52.52	80.12	100.10	239.70		
Utilities Personal														
Electric Companies Personal	9	12.000%	53,097,578	6,371,709	1,746,192	209,542	38,230	605,312	394,410	516,286	18,694	1,572,932	2.96%	246.86
Gas & Electric Companies Personal	9	12.000%	342,485,455	41,098,242	147,328,848	17,679,812	246,589	3,904,333	3,332,370	6,118,410	1,751,159	15,352,861	4.48%	373.56
Rural Co-op companies Personal	5	3.000%	90,988,831	2,729,666	22,957,516	688,725	16,378	259,318	205,704	301,661	71,006	854,068	0.94%	312.88
Railroads Personal	12	7.530%	23,721,154	1,786,202	2,561,334	192,868	10,717	169,689	124,157	230,152	24,242	558,957	2.36%	312.93
Airlines Personal	12	7.530%	3,381,303	254,610	1,609,168	121,168	1,528	24,188	20,566	41,759	10,040	98,080	2.90%	385.22
Pipelines Personal	9	12.000%	45,710,890	5,485,307	2,928,613	351,433	32,912	521,104	375,988	580,945	44,243	1,555,192	3.40%	283.52
Telecomm. Companies Personal	9	12.000%	260,482,067	31,257,849	166,256,381	19,950,765	187,547	2,969,496	2,393,756	4,281,002	1,960,942	11,792,743	4.53%	377.27
Indep. Tele. Companies Personal	7	8.000%	3,124,700	249,975	543,908	60,734	1,500	23,748	18,422	29,024	7,343	80,036	2.56%	320.18
- Subtotal			822,991,978	89,233,560	345,931,960	39,255,048	535,401	8,477,188	6,865,372	12,099,238	3,887,669	31,864,869	3.87%	
- Subtotal Percent of Column Statewide Total			2.9%	5.5%	3.2%	8.2%	5.5%	5.5%	5.9%	6.2%	8.2%	6.1%		
- Subtotal Average Mill Levy							6.00	95.00	76.94	135.59	99.04	357.10		
Statewide Total			28,421,290,593	1,632,622,989	10,796,146,332	479,190,956	9,795,738	155,099,184	116,521,468	194,825,491	47,681,456	523,923,336	1.84%	320.91
- Statewide Average Mill Levy							6.00	95.00	71.37	119.33	99.50	320.91		

Compiled from data submitted to the Department of Revenue by County Assessors.
Estimated taxes levied for tax year 1992 based on tax year 1992 taxable values and tax year 1992 mills levied for state, county, local school, and city/town purposes.
Office of Research and Information, Montana Department of Revenue, December 1992.

Tax Year 1992

Property Type	Class	Tax Rate	1992 Total Assessed Value	1992 Total Taxable Value	Assessed Value Within Cities/Towns	Taxable Value Within Cities/Towns	University (6mills)	State Equalization (95 mills)	County	Local Schools	Cities/ Towns	Total Estimated 1992 Taxes Levied	Effective Tax Rate	Average Mill Levy for Property Type
			Market and Taxable Values for Tax Year 1992 By Property Type				Estimated Taxes Levied for Tax Year 1992 By Property Type (1992 Taxes Levied by:)							
Proceeds														
Net Proceeds	1	100.000%	8,401,789	8,401,789	0	0	50,411	798,170	682,976	560,167	0	2,091,723	24.90%	248.96
Gross Proceeds of Coal Strip Mines	2	45.000%	0	0	0	0	0	0	0	0	0	0	—	—
Gross Proceeds of Underground Coal	2	33.300%	0	0	0	0	0	0	0	0	0	0	—	—
Gross Proceeds of Metal Mines	2	3.000%	361,545,209	10,846,321	6,842,393	205,272	65,078	1,030,400	858,932	1,617,998	19,998	3,592,406	0.99%	331.21
- Subtotal			369,946,998	19,248,110	6,842,393	205,272	115,489	1,828,570	1,541,907	2,178,165	19,998	5,684,129	1.54%	
- Subtotal Percent of Column Statewide Total			1.3%	1.2%	0.1%	0.0%	1.2%	1.2%	1.3%	1.1%	0.0%	1.1%		
- Subtotal Average Mill Levy							6.00	95.00	80.11	113.16	97.42	295.31		
Vehicles														
Trucks over 1 Ton (9%)	8	9.000%	82,302,640	7,407,165	13,991,274	1,259,413	44,443	703,681	574,101	907,789	126,519	2,356,533	2.86%	318.14
Buses	8	9.000%	1,243,782	111,945	352,266	31,705	672	10,635	7,794	13,787	3,218	36,106	2.90%	322.53
Trailers (9%)	8	9.000%	53,879,259	4,850,800	8,618,777	776,210	29,105	460,826	377,895	596,048	77,037	1,540,910	2.86%	317.66
Coal and Ore Haulers	8	9.000%	25,992,081	2,339,289	23,284	2,096	14,036	222,232	144,841	207,017	204	588,330	2.26%	251.50
Locally Assessed Trucks & TrailersTrailers (3%)	5	3.000%	1,396,120	50,038	605,470	24,045	300	4,754	3,578	5,549	2,841	17,023	1.22%	340.20
- Subtotal			164,813,882	14,759,237	23,591,071	2,093,469	88,555	1,402,128	1,108,209	1,730,190	209,819	4,538,901	2.75%	
- Subtotal Percent of Column Statewide Total			0.6%	0.9%	0.2%	0.4%	0.9%	0.9%	1.0%	0.9%	0.4%	0.9%		
- Subtotal Average Mill Levy							6.00	95.00	75.09	117.23	100.23	307.53		
Livestock														
Horses	6	4.000%	40,517,404	1,618,013	431,692	17,220	9,708	153,711	125,491	189,214	1,645	479,790	1.18%	296.53
Cattle	6	4.000%	637,778,848	25,512,088	115,696	4,624	153,073	2,423,648	1,999,629	2,703,224	328	7,279,902	1.14%	285.35
Sheep	6	4.000%	12,343,888	493,914	1,647	67	2,963	46,922	43,757	48,335	6	141,983	1.15%	287.46
Swine	6	4.000%	2,477,263	99,124	1,293	52	595	9,417	7,679	10,111	3	27,804	1.12%	280.50
Other Livestock	6	4.000%	5,155,845	206,264	54,319	2,173	1,238	19,595	15,869	22,401	242	59,344	1.15%	287.71
- Subtotal			698,273,248	27,929,403	604,647	24,136	167,576	2,653,293	2,192,424	2,973,305	2,223	7,988,822	1.14%	
- Subtotal Percent of Column Statewide Total			2.5%	1.7%	0.0%	0.0%	1.7%	1.7%	1.9%	1.5%	0.0%	1.5%		
- Subtotal Average Mill Levy							6.00	95.00	78.50	106.46	92.12	286.04		

Tax Year 1992

Property Type	Class	Tax Rate	1992 Total Assessed Value	1992 Total Taxable Value	Assessed Value Within Cities/Towns	Taxable Value Within Cities/Towns	University (6mills)	State Equalization (95 mills)	County	Local Schools	Cities/ Towns	Total Estimated 1992 Taxes Levied	Effective Tax Rate	Average Mill Levy for Property Type
			Market and Taxable Values for Tax Year 1992 By Property Type				Estimated Taxes Levied for Tax Year 1992 By Property Type — 1992 Taxes Levied by:							
Personal Property														
Furniture and Fixtures	8	9.000%	382,292,519	34,406,847	295,566,028	26,601,567	206,441	3,268,650	2,737,999	5,129,005	2,674,439	14,016,535	3.67%	407.38
Locally Assessed Co-op Pers. Prop.	5	3.000%	16,561,016	496,830	471,978	14,158	2,981	47,199	34,845	56,062	1,772	142,859	0.86%	287.54
Machin. other than Farm, Min., Manuf.	8	9.000%	297,777,091	26,800,415	43,442,232	3,914,430	160,802	2,546,039	1,783,524	2,780,222	389,024	7,659,611	2.57%	285.80
Repair Tools	8	9.000%	1,219,220	109,731	771,506	69,436	658	10,424	8,998	15,443	6,735	42,259	3.47%	385.12
Manufacturing Machinery	8	9.000%	812,857,191	73,157,168	71,404,872	6,426,455	438,943	6,949,931	5,353,210	9,682,075	613,140	23,037,300	2.83%	314.90
Mining Machinery	8	9.000%	8,403,378	756,301	124,576	11,211	4,538	71,849	52,627	85,050	914	214,978	2.56%	284.25
Ski Lifts	8	9.000%	7,390,944	665,184	0	0	3,991	63,192	59,183	74,527	0	200,894	2.72%	302.01
Supplies and Materials	8	9.000%	72,935,786	6,566,342	12,659,487	1,140,906	39,398	623,802	437,208	766,811	105,813	1,973,032	2.71%	300.48
All Other Property	8	9.000%	830,090	74,710	664,145	59,410	448	7,097	5,370	8,590	4,396	25,902	3.12%	346.70
Rural Telephone Property	7	8.000%	695,998	55,679	99,100	7,928	334	5,290	4,371	8,899	726	19,620	2.82%	352.38
Air and H2O Pollution Control	5	3.000%	441,880,678	13,256,426	19,404,632	582,139	79,539	1,259,360	363,537	523,286	43,019	2,268,741	0.51%	171.14
New & Expanding Ind- Air & H2O P C	5	1.500%	4,412,491	66,188	1,825,320	27,380	397	6,288	3,980	8,501	2,300	21,466	0.49%	324.32
All Gasohol Related Property	5	3.000%	17,309	519	0	0	3	49	46	54	0	152	0.88%	293.34
R & D Personal Property	5	3.000%	1,475,131	44,254	718,605	21,558	266	4,204	3,240	5,829	2,622	16,161	1.10%	365.18
New & Expanding R & D Pers Prop	5	1.500%	750,621	11,260	3,250	49	68	1,070	875	1,323	5	3,340	0.44%	296.58
Aluminum Electrolytic Equipment	5	3.000%	35,157,158	1,054,715	0	0	6,328	100,198	98,131	152,681	0	357,337	1.02%	338.80
Malting Barley Processing Equipment	6	4.000%	0	0	0	0	0	0	0	0	0	0	—	—
Canola Seed Processing Equipment	6	4.000%	0	0	0	0	0	0	0	0	0	0	—	—
Cable TV Systems	8	9.000%	12,656,891	1,139,022	8,494,742	764,193	6,834	108,207	91,003	161,593	76,716	444,358	3.51%	390.12
Theatre and Sound Equipment	8	9.000%	913,578	82,222	844,685	76,021	493	7,811	5,863	11,424	7,387	32,978	3.61%	401.09
Radio and TV Broadcasting Equip.	8	9.000%	11,592,052	1,043,292	4,470,246	402,321	6,260	99,113	84,528	165,612	43,267	398,780	3.44%	382.23
CB's and Mobile Phones	8	9.000%	1,252,553	112,743	300,521	27,049	676	10,711	7,772	12,166	2,822	34,146	2.73%	302.87
Rental Equipment (Less Than $5,000)	6	4.000%	5,466,708	218,951	4,249,210	174,913	1,314	20,800	17,476	31,612	17,886	89,089	1.63%	406.89
Rental Equipment	8	9.000%	17,355,110	1,561,968	12,374,036	1,113,897	9,372	148,387	105,424	201,718	100,020	564,921	3.26%	361.67
Class 4 Out of Production PP	8	9.000%	0	0	0	0	0	0	0	0	0	0	—	—
New & Expanding Ind- Mach & Eq	8	4.500%	99,918,326	4,496,323	17,080,978	768,645	26,978	427,151	329,912	592,715	81,214	1,457,970	1.46%	324.26
New Industry - Personal Property	5	3.000%	63,024,929	1,890,748	82,918	2,488	11,344	179,621	39,207	45,883	220	276,275	0.44%	146.12
Oil & Gas Field Equipment	8	9.000%	85,772,009	7,719,481	782,432	70,420	46,317	733,351	545,638	705,423	7,538	2,038,271	2.38%	264.04
Oil & Gas Flow Lines	8	9.000%	33,459,787	3,010,918	39,694	3,573	18,066	286,037	231,035	265,018	411	800,566	2.39%	265.89
Ag Implements	8	9.000%	605,193,680	54,467,547	1,271,215	114,408	326,805	5,174,417	4,273,399	5,798,836	9,174	15,582,632	2.57%	286.09
Loc Assd Util Intra-Co Lines	8	9.000%	937,847	81,622	305,841	27,525	490	7,754	6,526	7,723	2,205	24,704	2.63%	302.66
Value Added Machinery (15-24-2403)	8	0.000%	0	0	0	0	0	0	0	0	0	0	—	—
Failure to Report Penalty	2	7.937%	10,008,439	794,380	3,617,341	323,506	4,766	75,466	60,477	103,683	31,291	275,683	2.75%	347.04
- Subtotal			3,032,208,530	234,141,786	501,069,591	42,745,588	1,404,851	22,243,470	16,745,402	27,401,782	4,225,055	72,020,560	2.38%	
- Subtotal Percent of Column Statewide Total			10.7%	14.3%	4.6%	8.9%	14.3%	14.3%	14.4%	14.1%	8.9%	13.7%		
- Subtotal Average Mill Levy							6.00	95.00	71.52	117.03	98.84	307.59		

Tax Year 1992

Property Type	Class	Tax Rate	1992 Total Assessed Value	1992 Total Taxable Value	Assessed Value Within Cities/Towns	Taxable Value Within Cities/Towns	University (6mills)	State Equalization (95 mills)	County	Local Schools	Cities/ Towns	Total Estimated 1992 Taxes Levied	Effective Tax Rate	Average Mill Levy for Property Type
			Market and Taxable Values for Tax Year 1992 By Property Type				Estimated Taxes Levied for Tax Year 1992 By Property Type — 1992 Taxes Levied by:							
Commercial Land														
Suburban Tracts Commercial	4	3.860%	205,963,960	7,950,193	31,912,522	1,231,813	47,701	755,268	642,647	1,151,508	140,999	2,738,122	1.33%	344.41
City/town Lots Commercial	4	3.860%	867,279,191	33,474,709	839,902,463	32,417,852	200,848	3,180,097	2,574,914	4,970,331	3,275,065	14,201,255	1.64%	424.24
Industrial Sites	4	3.860%	72,521,484	2,799,312	18,199,384	702,491	16,796	265,935	213,159	408,270	67,169	971,328	1.34%	346.99
New Industry Land	5	3.000%	33,438	1,003	0	0	6	95	22	28	0	151	0.45%	150.89
R & D Land	5	3.000%	29,214	876	0	0	5	83	68	103	0	259	0.89%	295.90
Qualified Golf Courses	4	1.930%	8,586,242	165,714	1,563,964	30,185	994	15,743	12,872	23,699	2,826	56,135	0.65%	338.74
Locally Assessed Co-op Land	5	3.000%	230,585	6,917	50,431	1,011	42	657	486	797	106	2,088	0.91%	301.93
Eligible Mining Claims	3	30.000%	43,401	13,040	5,471	452	78	1,239	1,353	1,836	36	4,542	10.47%	348.31
Nonproductive Land Under 20 Acres	4	3.860%	1,833,589	70,774	221,892	8,313	425	6,724	5,784	10,597	863	24,392	1.33%	344.64
Class 4 Out of Production Land	4	3.860%	33,630	1,299	8,286	232	8	123	112	149	48	441	1.31%	339.54
- Subtotal			1,156,554,734	44,483,837	891,864,412	34,392,349	266,903	4,225,965	3,451,418	6,567,317	3,487,112	17,998,714	1.56%	
- Subtotal Percent of Column Statewide Total			4.1%	2.7%	8.3%	7.2%	2.7%	2.7%	3.0%	3.4%	7.3%	3.4%		
- Subtotal Average Mill Levy							6.00	95.00	77.59	147.63	101.39	404.61		
Commercial Improvements														
Impr. on Surban Tracts Commercial	4	3.860%	587,838,532	22,690,545	92,621,183	3,575,164	136,143	2,155,602	1,815,765	3,199,083	383,956	7,690,549	1.31%	338.93
Impr. on City/Town Lots Commercial	4	3.860%	2,536,817,392	97,911,369	2,335,226,600	90,653,510	587,468	9,301,580	7,747,048	14,725,793	9,095,687	41,457,577	1.63%	423.42
Impr. on Rt of Way - Commercial	4	3.860%	21,754,218	839,719	18,130,549	699,841	5,038	79,773	60,317	102,517	73,686	321,332	1.48%	382.67
Locally Assessed Co-op Improvements	5	3.000%	2,767,700	103,901	33,178,883	5,702	623	9,871	10,837	8,054	592	29,977	1.08%	288.52
Impr. on Hydraulic Power Works	4	3.860%	0	0	0	0	0	0	0	0	0	0	—	—
Impr. on Qualified Golf Courses	4	1.930%	21,440,461	413,800	2,746,464	53,007	2,483	39,311	32,471	62,014	5,233	141,512	0.66%	341.98
Impr. on Industrial Sites	4	3.860%	620,850,348	23,964,823	125,187,224	4,832,221	143,789	2,276,658	1,873,564	3,111,076	459,401	7,864,490	1.27%	328.17
New Industrial Improvements	4	1.964%	40,307,433	791,600	17,895,485	350,943	4,750	75,202	58,997	112,884	38,113	289,945	0.72%	366.28
Impr. on New Industry Land	5	3.000%	354,339	10,630	0	0	64	1,010	589	943	0	2,606	0.74%	245.11
Remodeled Commercial Improvements	4	1.792%	5,150,790	92,298	4,752,680	84,635	554	8,768	7,040	13,775	9,419	39,556	0.77%	428.57
R & D Improvements	5	3.000%	677,000	20,310	0	0	122	1,929	1,577	2,381	0	6,010	0.89%	295.90
New and Expanding R & D Improvements	5	1.500%	998,100	14,972	0	0	90	1,422	1,163	1,755	0	4,430	0.44%	295.90
Remodeled R & D Improvements	5	0.000%	0	0	0	0	0	0	0	0	0	0	—	—
- Subtotal			3,838,956,313	146,853,967	2,629,739,068	100,255,023	881,124	13,951,127	11,609,369	21,340,273	10,066,088	57,847,985	1.51%	
- Subtotal Percent of Column Statewide Total			13.5%	9.0%	24.4%	20.9%	9.0%	9.0%	10.0%	11.0%	21.1%	11.0%		
- Subtotal Average Mill Levy							6.00	95.00	79.05	145.32	100.40	393.92		

Tax Year 1992

Property Type	Class	Tax Rate	1992 Total Assessed Value	1992 Total Taxable Value	Assessed Value Within Cities/Towns	Taxable Value Within Cities/Towns	University (6mills)	State Equalization (95 mills)	County	Local Schools	Cities/ Towns	Total Estimated 1992 Taxes Levied	Effective Tax Rate	Average Mill Levy for Property Type
			Market and Taxable Values for Tax Year 1992 By Property Type				**Estimated Taxes Levied for Tax Year 1992 By Property Type** (1992 Taxes Levied by:)							
Agricultural Land														
Tillable Irrigated	3	30.000%	46,229,817	13,870,335	139,073	41,746	83,222	1,317,682	1,023,522	1,563,325	3,752	3,991,502	8.63%	287.77
Tillable Non-Irrigated	3	30.000%	279,649,497	83,898,272	27,375	8,208	503,390	7,970,336	6,690,822	8,931,407	1,494	24,097,449	8.62%	287.22
Grazing Land	3	30.000%	127,011,262	38,113,082	52,710	15,870	228,678	3,620,743	3,000,583	4,009,293	1,626	10,860,924	8.55%	284.97
Wild Hay	3	30.000%	18,341,382	5,503,331	10,964	3,132	33,020	522,816	440,984	609,063	291	1,606,175	8.76%	291.86
Timber Land	10	4.000%	164,235,440	6,569,447	68,964	2,758	39,417	624,097	501,752	876,597	209	2,042,073	1.24%	310.84
- Subtotal			635,467,398	147,954,467	299,086	71,714	887,727	14,055,674	11,657,663	15,989,686	7,373	42,598,123	6.70%	
- Subtotal Percent of Column Statewide Total			2.2%	9.1%	0.0%	0.0%	9.1%	9.1%	10.0%	8.2%	0.0%	8.1%		
- Subtotal Average Mill Levy							6.00	95.00	78.79	108.07	102.81	287.91		
Residential Land														
Farmstead 1 Acre	11	3.088%	141,021,932	4,353,801	437,640	13,514	26,123	413,611	331,404	562,078	1,250	1,334,465	0.95%	306.51
Farmstead 1 Acre - Low Income	11	1.799%	1,933,265	34,782	0	0	209	3,304	2,708	4,517	0	10,738	0.56%	308.73
City/town Lots Residential	4	3.860%	1,525,349,591	58,875,861	1,370,188,795	52,886,729	353,255	5,593,207	4,591,887	8,676,939	5,319,364	24,534,652	1.61%	416.72
Suburban Tracts Residential	4	3.860%	1,569,124,668	60,568,134	25,877,207	998,856	363,409	5,753,973	4,801,928	8,389,961	109,620	19,418,890	1.24%	320.61
Suburban Tracts - Low Income	4	2.266%	60,584,659	1,372,796	36,846,429	840,446	8,237	130,416	108,123	194,497	84,942	526,214	0.87%	383.32
- Subtotal			3,298,014,115	125,205,374	1,433,350,071	54,739,545	751,232	11,894,511	9,836,050	17,827,992	5,515,175	45,824,959	1.39%	
- Subtotal Percent of Column Statewide Total			11.6%	7.7%	13.3%	11.4%	7.7%	7.7%	8.4%	9.2%	11.6%	8.7%		
- Subtotal Average Mill Levy							6.00	95.00	78.56	142.39	100.75	366.00		
Residential Improvements														
Impr. on Ag and Timber Land	11	3.088%	1,790,101,639	55,278,284	3,765,133	116,239	331,670	5,251,437	4,336,423	6,401,047	10,966	16,331,542	0.91%	295.44
Impr. on Ag Land - Low Income	11	1.862%	7,716,331	143,686	0	0	862	13,650	10,956	17,865	0	43,333	0.56%	301.58
Impr. on Disparately Owned Ag Land	11	3.088%	3,723,822	115,010	13,036	402	690	10,926	9,276	15,148	48	36,087	0.97%	313.78
Impr. on Disparately Owned Ag Land	4	3.860%	14,484,339	559,081	3,298,647	127,326	3,354	53,113	43,371	61,113	8,350	169,301	1.17%	302.82
Impr. on Rt of Way - Agricultural	4	3.860%	2,578	100	0	0	1	10	8	16	0	33	1.30%	333.87
Impr. on Class 4 Out of Production	4	3.860%	93,891	3,624	55,875	2,157	22	344	344	519	282	1,511	—	—
Remodeled Ag/Timber Improvements	11	0.000%	0	0	0	0	0	0	0	0	0	0	—	—
Impr. on Surban Tracts Residential	4	3.860%	3,254,222,628	125,613,092	55,465,535	2,140,965	753,679	11,933,244	9,770,930	17,588,939	234,319	40,281,110	1.24%	320.68
Impr. on City/Town Lots Residential	4	3.860%	5,033,518,179	194,286,424	4,460,393,258	172,914,898	1,165,719	18,457,210	15,434,609	28,837,923	17,008,872	80,904,333	1.61%	416.42
Impr. on Tracts and Lots - Low Income	4	2.244%	174,074,858	3,906,572	102,521,792	2,347,010	23,439	371,124	320,475	560,581	228,982	1,504,602	0.86%	385.15
Impr. on Rt of Way - Residential	4	3.860%	1,068,067	41,229	54,375	2,099	247	3,917	2,439	3,842	271	10,716	1.00%	259.93
Remodeled Residential Improvements	4	2.316%	1,986	46	1,986	46	0	4	4	7	6	22	1.09%	469.07
Mobile Homes	4	3.860%	432,492,255	16,686,674	111,497,276	4,297,009	100,120	1,585,234	1,285,088	2,266,842	420,997	5,658,282	1.31%	339.09
Mobile Homes - Low Income	4	2.229%	15,243,720	339,833	5,286,240	116,953	2,039	32,284	26,297	46,367	11,322	118,310	0.78%	348.14
Mobil Homes on Ag and Timber Land	11	3.088%	10,725,713	331,317	20,247	625	1,988	31,475	25,128	31,952	114	90,657	0.85%	273.63
Mobile Homes/Ag - Low Income	11	0.154%	1,287,990	1,984	411,335	4,003	12	188	137	197	281	815	0.06%	410.69
- Subtotal			10,738,757,996	397,306,956	4,742,784,735	182,069,733	2,383,842	37,744,161	31,265,483	55,832,358	17,924,811	145,150,655	1.35%	
- Subtotal Percent of Column Statewide Total			37.8%	24.3%	43.9%	38.0%	24.3%	24.3%	26.8%	28.7%	37.6%	27.7%		
- Subtotal Average Mill Levy							6.00	95.00	78.69	140.53	98.45	365.34		

[illegible] 2-15-93

SCHOOL EQUALIZATION:	
SEA FROM STATE	390
SEA FROM SALES TAX	300
TOTAL	690

(154,000 STUDENTS $4,500 PER)

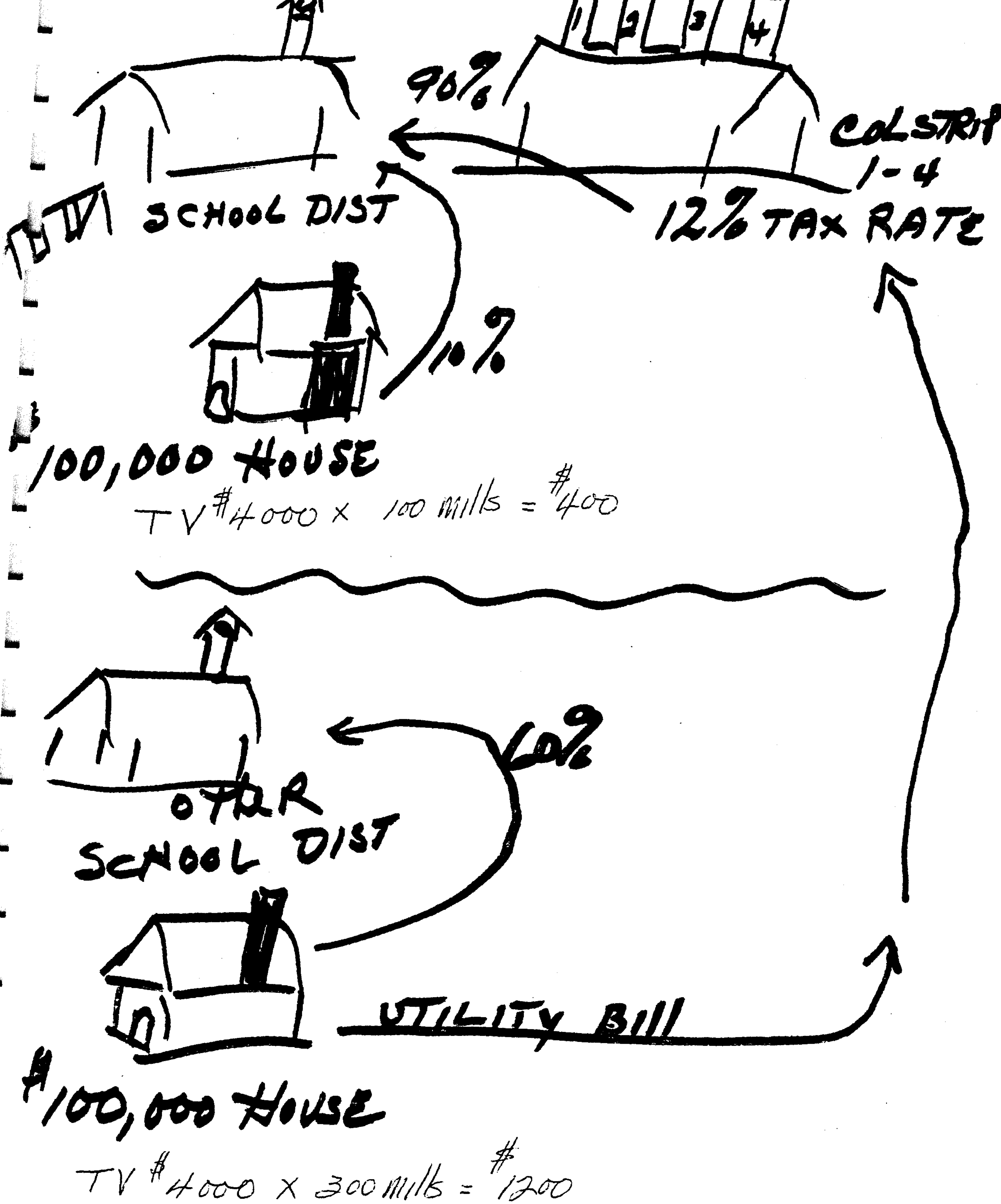
LOCAL SCHOOLS: RETAIN:
LT VEHICLE TAX
PROCEEDS/LGST

REDUCE GENERAL FUND: ELIMINATE	
GUARANTEED TX BASE	46
PROPERTY RE-IMBURSEMENT	20
PERSONAL PROPERTY ADM	5
CENTRAL APPRAISAL	10
	81

OTHER:	
REPEAL ASSUMED COUNTIES	10
DOWNSIZE GALEN	5
	15

REPEAL I-105

2-13
Sen. Keat


1
2
3
4
90%
COLSTRIP
1-4
12% TAX RATE
SCHOOL DIST
10%
$100,000 HOUSE
TV $4000 x 100 mills = $400
60%
OTHER
SCHOOL DIST
UTILITY BILL
$100,000 HOUSE
TV $4000 X 300 mills = $1200

STATE OF MONTANA - FISCAL NOTE

Form BD-15

In compliance with a written request, there is hereby submitted a Fiscal Note for SB0191 , as introduced.

DESCRIPTION OF PROPOSED LEGISLATION:

An act allowing certain persons 62 years of age or older to defer increases in the market value of their primary residences; establishing eligibility requirements; granting rule making authority to the Department of Revenue; and providing effective dates and an applicability date.

ASSUMPTIONS:

1. In Montana there are 64,100 people aged 62 or older who own and occupy their housing unit. (U.S. Bureau of Census, 1990)
2. It is estimated that 57% of those meeting the age requirement would also be in a position to defer market value.
3. Average assessed value of the residential property is $43,368.
4. The average percent of assessed value deferred is estimated to be 20%.
5. The average taxable value deferred is $335. The statewide total deferred taxable value is $12,232,491. Of this total, 45% is within a city/town.
6. Average mill levies for the impacted property are 6.00 mills for universities, 95.00 mills for the school foundation program, 78.66 mills for counties, 140.97 mills for local schools, and 98.98 mills for city/town.
7. Given the applicability date the proposal will impact fiscal year 94 and fiscal year 95 expenditures and fiscal year 95 property tax revenues.

FISCAL IMPACT:

Revenues:

The proposal results in a total net reduction in property tax revenue of $4,466,951 in FY 95 and subsequent fiscal years. The results are summarized in tables below:

Estimated Property Tax Revenue Loss Due to the Proposal

	FY94	FY95
Universities	$ 0	$ (73,395)
School Foundation	0	(1,162,087)
Total	$ 0	$(1,235,482)

EFFECT ON COUNTY OR OTHER LOCAL REVENUES OR EXPENDITURES:

Estimated Property Tax Revenue Loss Due to the Proposal

	FY94	FY95
Counties	$ 0	$ (962,208)
Local Schools	0	(1,724,414)
City/Town	0	(544,847)
Total	$ 0	$(3,231,469)

DAVID LEWIS, BUDGET DIRECTOR DATE
Office of Budget and Program Planning

GARY AKLESTAD, PRIMARY SPONSOR DATE
Fiscal Note for SB0191, as introduced

SB 191

************* Units with an Increase *************

1991 total house sales

Total Number of Sales	6,599
Number with deferrment	3,767
Percent with with deferrment	57%
Average Percent of TY 92 Assessed Value Deferred	20%

Number of 62 and older	64,100
Number with Deferment	36,537

Avg AV TY 1992	$43,368
Avg Deferred AV	$8,674

Tax rate	0.0386
Avg deferred TV	$335
Total deferred tv	$12,232,491

Avg Mills for Residential Property		Tax
University	6	$73,395
SFP	95	$1,162,087
	Subtotal	$1,235,482
Counties	78.66	$962,208
Schools	140.97	$1,724,414
% in city/town	45%	
City/Town	98.98	$544,847
	Subtotal	$3,231,469
	TOTAL	$4,466,951

Based on the calander year 1991 sales data used in the TY 1992 sales assessment ratio study. The unit sale value was used as an estimated TY 1993 reappraisal value.

************* Units with an Decrease **************

Total Number of Sales	6,599
Number with decrease	2,832
Percent with decrease	43%
Average Percent of TY 92 Assessed Value decrease	−14%

Number of 62 and older	64,100
Number with Decrease	27,563

Avg AV TY 1992	$43,368
Avg Deferred AV	($6,071)

Tax rate	0.0386
Avg deferred TV	($234)
Total deferred tv	($6,459,614)

Avg Mills for Residential Property		Tax
University	6	($38,758)
SFP	95	($613,663)
	Subtotal	($652,421)
Counties	78.66	($508,113)
Schools	140.97	($910,612)
% in city/town	45%	
City/Town	98.98	($287,718)
	Subtotal	($1,706,443)
	TOTAL	($2,358,864)

Based on the calander year 1991 sales data used in the TY 1992 sales assessment ratio study. The unit sale value was used as an estimated TY 1993 reappraisal value.

***************** ALL Units *****************

Total Number of Sales	6,599
Number with increase or decrease	6,599
Percent with increase or decrease	100%
Average Percent of TY 92 Assessed Value change	5%

Number of 62 and older	64,100
Number with a change	64,100

Avg AV TY 1992	$43,368
Avg Deferred AV	$2,168

Tax rate	0.0386
Avg deferred TV	$84
Total deferred tv	$5,365,128

Avg Mills for Residential Property		Tax
University	6	$32,191
SFP	95	$509,687
	Subtotal	$541,878
Counties	78.66	$422,021
Schools	140.97	$756,322
% in city/town	45%	
City/Town	98.98	$238,968
	Subtotal	$1,417,311
	TOTAL	$1,959,189

Based on the calander year 1991 sales data used in the TY 1992 sales assessment ratio study. The unit sale value was used as an estimated TY 1993 reappraisal value.

State of Montana

Stan Stephens, Governor

Department of Revenue
Denis Adams, Director

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

February 16, 1993

MEMORANDUM

TO: Mick Robinson
Director

FROM: Larry Finch, Program Manager
Office of Research and Information

RE: Overall Tax Burdens - SB283

Attached are two graphs showing the shift in overall tax burden under the comprehensive tax reform proposal contained in SB283. These graphs reflect the following overall tax burdens:

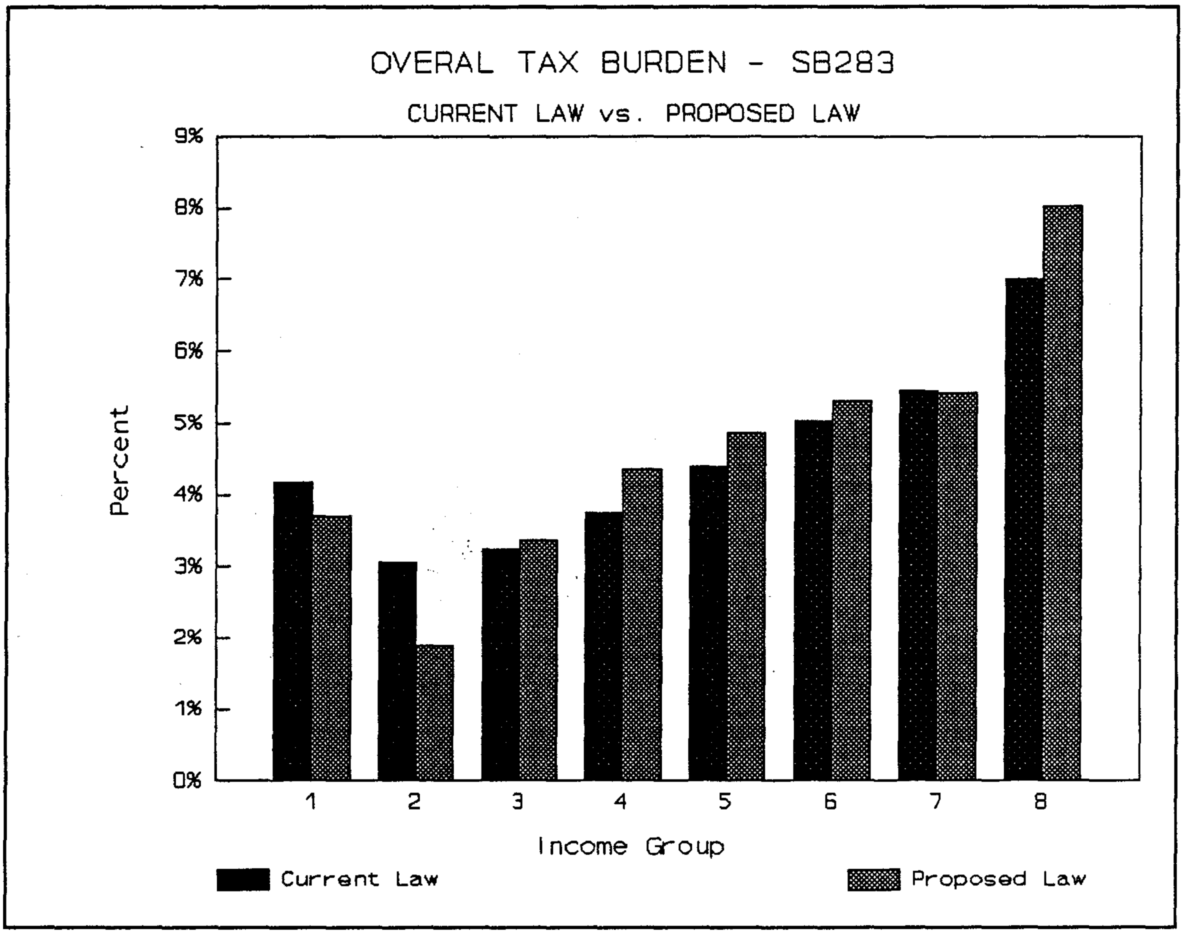
SB283 - Change in Overall Tax Burden (%)

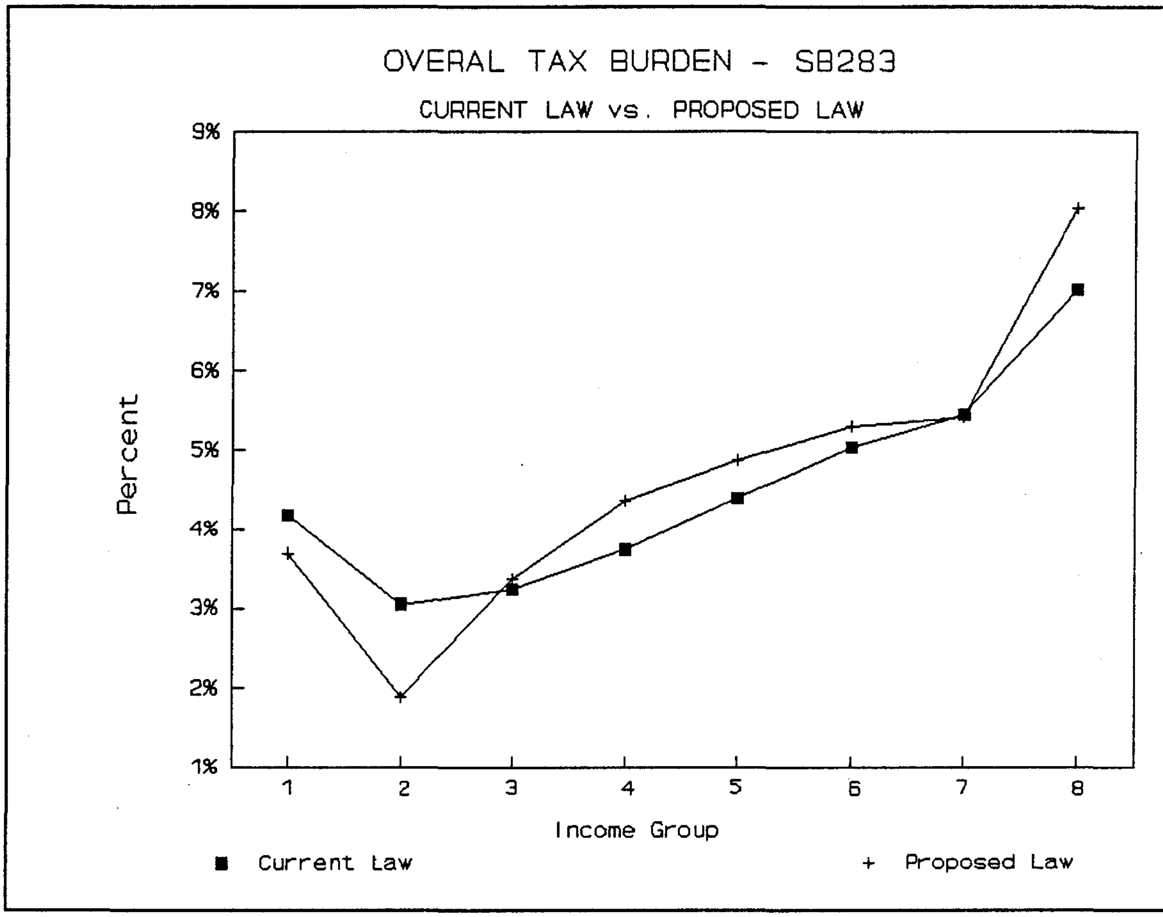
	INCOME GROUP							
	1	2	3	4	5	6	7	8
Current	4.18	3.05	3.24	3.75	4.40	5.04	5.45	7.01
Proposed	3.69	1.89	3.37	4.36	4.87	5.30	5.41	8.03

Overall tax burdens are lower under the proposal for income groups 1, 2, and 7. Burdens increase for all other income groups.

Also attached is the spreadsheet that calculates these burdens. Let me know if you have questions.

cc: Judy Rippingale
Jeff Miller


OVERAL TAX BURDEN - SB283
CURRENT LAW vs. PROPOSED LAW
Percent
9%
8%
7%
6%
5%
4%
3%
2%
1%
0%
1
2
3
4
5
6
7
8
Income Group
Current Law
Proposed Law


OVERAL TAX BURDEN - SB283
CURRENT LAW vs. PROPOSED LAW
9%
8%
7%
6%
5%
4%
3%
2%
1%
Percent
1
2
3
4
5
6
7
8
Income Group
Current Law
Proposed Law

IMPACT OF TAX REFORM PROPOSAL SB283 ON AVERAGE TAX BURDEN
STATEWIDE AVERAGE, ALL HOUSEHOLDS

	All Consumers	Less Than $5,000	$5,000 to $9,999	$10,000 to $14,999	$15,000 to $19,999	$20,000 to $29,999	$30,000 to $39,999	$40,000 to $49,999	$50,000 and Over
Average Income Before Taxes	31,308	2,420	7,502	12,331	17,357	24,555	34,474	44,550	79,151
Total Expenditures	28,323	11,552	12,416	16,630	19,859	25,025	32,367	37,251	55,299
Average Number in Household	2.5	1.7	1.9	2.1	2.4	2.6	2.8	3.1	3.1
Total Number of Households	306,919	22,480	38,514	37,551	34,306	60,206	45,073	28,560	40,226
– Number of Homeowner Households	231,399	10,566	21,568	23,282	25,043	49,369	39,664	25,704	36,203
– Number of Renter Households	75,517	11,914	16,946	14,269	9,263	10,837	5,409	2,856	4,023
– Proportion of Homeowner Households	0.75	0.47	0.56	0.62	0.73	0.82	0.88	0.90	0.90
– Proportion of Renter Households	0.25	0.53	0.44	0.38	0.27	0.18	0.12	0.10	0.10
A. SALES TAX									
– Average Sales Tax, CL	0	0	0	0	0	0	0	0	0
– Average Sales Tax, PL	516	213	226	300	354	458	591	665	1,015
– Sales Tax Credit, PL	(47)	(153)	(171)	(113)	0	0	0	0	0
– Net Sales Tax, PL	469	60	55	187	354	458	591	665	1,015
– Change in Tax	469	60	55	187	354	458	591	665	1,015
B. INCOME TAX									
– Average Tax, CL	1,148	11	90	222	393	727	1,262	1,786	4,351
– Average Tax, PL	1,097	1	43	173	322	628	1,087	1,541	4,638
– Change in Tax	(51)	(10)	(47)	(49)	(71)	(99)	(175)	(245)	287
– % Change in Tax	-4%	-91%	-52%	-22%	-18%	-14%	-14%	-14%	7%

	All Consumers	Less Than $5,000	$5,000 to $9,999	$10,000 to $14,999	$15,000 to $19,999	$20,000 to $29,999	$30,000 to $39,999	$40,000 to $49,999	$50,000 and Over
	======	======	======	======	======	======	======	======	======
	0								
C. PROPERTY TAX									
– Average Property Tax, CL	429	90	139	178	257	352	474	640	1,197
– Average Property Tax, PL	135	28	44	56	81	111	149	204	706
– Change in Tax	(294)	(62)	(95)	(122)	(176)	(241)	(325)	(435)	(491)
– Average Renter's Credit, CL	0	0	0	0	0	0	0	0	0
– Average Renter's Credit, PL	0	0	0	0	0	0	0	0	0
– Change in Tax	0	0	0	0	0	0	0	0	0
– Net Change in Property Tax/Rent	(294)	(62)	(95)	(122)	(176)	(241)	(325)	(435)	(491)
D. TOTAL TAX									
– Average Tax, CL	1,576	101	229	400	650	1,079	1,736	2,426	5,548
– Average Tax, PL	1,701	89	142	416	757	1,197	1,827	2,410	6,359
– Change in Tax	125	(12)	(87)	16	107	118	91	(15)	811
– Average Tax Rate, CL	5.03%	4.18%	3.05%	3.24%	3.75%	4.40%	5.04%	5.45%	7.01%
– Average Tax Rate, PL	5.43%	3.69%	1.89%	3.37%	4.36%	4.87%	5.30%	5.41%	8.03%
		1	2	3	4	5	6	7	8
Market Value of Home	40,291	16,800	18,697	20,561	24,964	30,447	38,173	50,399	94,307

DOR 2-18-93

State of Montana

Stan Stephens, Governor

Department of Revenue
Denis Adams, Director

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

February 17, 1993

MEMORANDUM

TO: Mick Robinson
Director

FROM: Larry Finch, Program Manager
Office of Research and Information

LEF

RE: Cost of Alternative Retirement Exclusions in SB235

The following schedule shows the estimated cost of providing alternative retirement blanket exclusion amounts for all qualified pension benefits, for the income tax proposal in SB235:

Exclusion Level	Cost of Exclusion
$ 5,000	$ 5,361,000
$ 6,000	$ 6,585,000
$ 8,000	$ 8,736,000
$ 10,000	$ 10,567,000
$ 12,000	$ 12,136,000
$ 15,000	$ 13,988,000

Let me know if you have further questions regarding these costs.

cc: Judy Rippingale
Jeff Miller

235 DOR 2-18-93

Impact of Reducing the Tax Rate for Class 8 Personal Property to the Top Ten Valued Class 8 Property Industries

	Class 8 TY 1992 Market Value	Estimated Impact: Reduce Tax Rate from 9% to 3.86% — Estimated Tax Liability (@ 9%)	Estimated Tax Liability (@ 3.86%)	Decrease in Tax Liability
Stone Container Corp.	$116,738,323	$3,599,124	$1,543,624	($2,055,500)
Exxon Company U.S.A.	68,000,693	1,761,278	755,393	(1,005,886)
Continental Oil Co.	56,947,112	1,629,519	698,883	(930,636)
Western Energy Co.	49,932,371	632,370	271,216	(361,154)
Decker Coal Company	45,940,675	731,918	313,911	(418,006)
Champion International *	40,678,777	1,294,017	554,990	(739,027)
Montana Tunnels Mining	34,200,052	837,464	359,179	(478,285)
Montana Resources, Inc.	34,080,742	1,564,306	670,913	(893,393)
Spring Creek Coal Co.	31,595,474	503,373	215,891	(287,482)
Farmers Union Central	31,263,254	906,797	388,915	(517,882)
TOTAL	$509,377,473	$13,460,165	$5,772,915	($7,687,250)

* Totals for Champion International include values from sites in Libby and Bonner.

Impact to Railroads

	Railroad TY 1992 Market Value	Reduce Tax Rate from 7.53% to 6.48% — Estimated Tax Liability (@ 7.53%)	Estimated Tax Liability (@ 6.48%)	Decrease in Tax Liability
Railroads	658,427,208	14,532,246	12,505,837	(2,026,409)

Impact includes $10,000 exemption for commercial property (SB 235)

Data compiled by the Office of Research and Information, Montana Department of Revenue, Feb 1993.
Market values provided by the Industrial Property Bureau, Property Assessment Division, MDOR
Consolidate mill levies provided by the local County Assessors.

B

Senate Bill 235

AMENDMENTS

DEPARTMENT OF REVENUE
February 18, 1993
Prepared by Bruce McGinnis and Dave Woodgerd

1. The purpose of this amendment is to exempt intrastate transportation services from sales and use tax.

Page 8
Line 7
Insert: "(15) "Transportation services" means the transportation of persons or property by air, ground, or water from a point within this state to a another point within this state or a point without this state, along with any reasonably necessary associated services."
Renumber: Subsequent subsections

Page 24,
Line 7
Insert: "NEW SECTION. **Section 28. Exemption -- transportation services.** The sale or use of transportation services is exempt from the sales and use tax."
Renumber: Subsequent sections

Page 27.
Line 11
Strike: Section 35 in its entirety
Renumber: Subsequent sections

2. This amendment specifically provides that a purchaser of property or services remains liable for the sales tax if for any reason the sales tax was not paid or collected on a transaction subject to tax. This section already applied to the use tax. The amendment makes it applicable to the sales tax.

Page 11, line 15.
Following: "of"
Insert: "sales and"
Line 15.
Following: "in this state who"
Insert: "buys or"
Following: "property"
Insert: "or services"
Line 16
Following: "payment of the"
Insert: "sales or"
Following: "tax if"
Strike: "the"

Insert: "a"
Line 17
Following: "payable on the"
Insert: "sale's price or"
Following: "property"
Insert: "or services"
Line 19
Following: "has paid the"
Insert: "sales or"

3. The purpose of this amendment is twofold. First it removes the exemption for minerals used or integrated into jewelry. As a practical matter, these minerals should be exempt as a sale for resale. The jewelry itself will be taxable.

This section also clarifies that exempt sales of minerals are sales by the producer and does not include minerals which will be used to produce energy unless they are converted for resale. In other words, the intent is to make sales of coal and natural gas taxable when they are sold to the final consumer of the energy they produce. This is consistent with the fact that utilities are taxable.

Page 21, line 22 through 23.
Following "minerals" on line 22
Strike: " -- exception for jewelry" on line 23
Line 23
Following: "(1)"
Strike "The"
Insert: "Except as provided in subsection (2), the"
Following: "sale or use"
Insert: "by the miner, or the producer of the mineral or by a broker acting upon behalf of the miner or producer"
Line 23.
Following: "mineral"
Strike: ","
Page 22, line 1
Strike: Subsection (2) in its entirety.
Insert: "(2) Minerals used for the purpose of producing energy or conversion into energy are subject to the sales and use tax unless converted for subsequent resale as a form of energy."

4. The purpose of this amendment is to clarify that only irrigation water used for the production of agricultural products produced in quantities sufficient for commercial purposes is exempt from sales tax.

Page 23, line 13.
Following: "herbicides; or"
Insert: "irrigation"
Page 23, line 14.

Following: "for"
Strike: "commercial irrigation"
Insert: "production of agricultural products in commercial quantities"

5. The purpose of this amendment is to exempt from sales and use tax construction services used in the construction of residential and commercial buildings.

Page 24
Line 7
Insert: "<u>NEW SECTION.</u> **Section 28. Exemption -- Construction services.** The sale and use of construction services for the construction, fabrication, or remodeling of residential and commercial buildings are exempt from sales and use tax."
Renumber: Subsequent sections

incl. Electricity

6. The purpose of this amendment is to clarify that electricity used in the reduction or refinement of ores shall be considered a component part of the product.

Page 25, line 5.
Following: "(2)"
Insert: "(a)"

Page 25
Line 8
Insert: subsection "(b) Electrical energy or electricity used or consumed by electrolytic deposition used in the reduction or refinement of ores shall be considered a component part of the product for purposes of this section.

7. This amendment clarifies that the sale of property to a person engaged in the business of leasing to the ultimate consumer is a nontaxable transaction.

Page 25, line 8.
Following: "sale"
Insert: "or use"
Lines 10 through 11.
Following: "property," on line 10
Strike: "other than furniture and appliances, and the rental or lease of property,"
Line 12.
Following: "and mobile homes"
Insert: "purchased in this state"
Line 17.
Following: "leasing"
Strike: "or selling"
Line 18.
Following: "type"
Strike: "leased"

Insert: "sold"

8. The purpose of this amendment is conform the collection of delinquent sales tax owed by corporations to the collection of delinquent withholding tax owed by corporations.

Page 48, lines 22 through 25.
Strike: Subsection (a) in its entirety.

9. The purpose of this amendment is to remove the term "gross receipts" form the section concerning fraternal organizations. This term is not meaningful since the tax is imposed on sales and use, not gross receipts.

Page 73, line 15.
Following: "that"
Strike: "the receipts"
Insert: "sales"
Lines 16 and 17.
Following: "society, the"
Strike: "gross receipts"
Insert: "sales"
Line 21.
Following: "(b)"
Strike: "Receipts from dues"
Insert: "Dues"
Line 22.
Following: "and"
Strike: "from"

10. The purpose of this amendment is to delete the amendment to § 15-6-207 which exempts unprocessed products of livestock. These products are already exempt under subsection (1)(a) which exempts agricultural products in farm storage and owned by the producer.

Page 114, line 20
Strike: subsection (h) in its entirety.
Renumber: subsequent sections

11. The purpose of this amendment is to clarify that new and used vehicles purchased for the purpose of being placed in a fleet of vehicles used for rental car purposes are exempt from tax. This exemption is similar to nontaxable transaction for property purchased for the purpose of lease or rental contained in § 31.

Page 136, line 1.
Following: "in interstate commerce,"
Insert: "vehicles registered as part of a fleet as defined in 61-3-318(2),"
Page 139, line 10.
Following: "in interstate commerce,"

Insert: "vehicles registered as part of a fleet as defined in 61-3-318(2),"
Page 143, line 8.
Following: "interstate commerce,"
Insert: "and vehicles registered as part of a fleet as defined in 61-3-318(2)"

12. The purpose of this amendment is to delete the requirement that increases in property tax classification rate are subject to two-thirds vote of the legislature and a vote of the public. It is not the intent of this bill to limit the tax rate for property taxes.

Page 188,
Line 13
Strike: Section 166 in its entirety
Renumber: subsequent sections

Page 189 and 190
Line (25)
Strike: Subsection (6) in its entirety

A

State of Montana

Marc Racicot, Governor

Department of Revenue

Mick Robinson, Director

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

February 8, 1993

MEMORANDUM

TO: Mike Halligan, Chair
Senate Taxation Committee

FROM: Mick Robinson, Director
Department of Revenue

SUBJECT: **Estimated Sales Tax Revenue Losses from Proposed Amendments to SB 235**

This memo summarizes the results of the estimation of the revenue impact of various proposed amendments to SB 235. In a few cases the estimate was derived directly from the Department of Revenue's detailed sales tax projection model. However in most cases, estimates had to be constructed from data available from other sources, with varying levels of precision.

National Association of Theatre Owners

Exempt motion picture admissions

This estimate came directly from the Department's sales tax projection model. The FY 1995 estimate is:

$600,000

Exempt the leasing of motion pictures

$100,000–$200,000

Montana Power Company

Sale of personal property that is leased back

The Department does not have a revenue loss estimate at this time. Real property is already exempt under SB 235.

Purchases of goods and services from affiliated corporations

Data for this estimate came primarily from a small sample of audit reports from the 20 largest corporate license taxpayers. These data were inflated to the population of the top 100 taxpayers, with the assumption that smaller corporations do not have these purchases from affiliated corporations. Because the sample was small, the interval estimate is wide. The best estimate at this time is:

$3,000,000–$15,000,000

Purchases of minerals for resale and for in-plant energy use

It appears that the interpretation that the Department has been using for taxing natural gas sales by a utility is incorrect, given the current language of SB 235. The revenue associated with this interpretation of taxing natural gas sales by utilities is about $5 million. The new exemption would decrease the present revenue estimate by:

$500,000 (assuming only industrial energy use); **$2,000,000** (if commerical energy use is included)

Excluding bad debts expense

Using national data on bad debts expenses by industry, Montana information on taxable sales, and assuming all businesses are on an accrual basis, the revenue loss would be about:

$2,000,000

Montana Building Industry Association

Exempt purchased materials and construction services (sub-contracting) for single/multi-family housing

The Department's revenue loss estimate, which is similar to the association's estimate, is approximately:

$6,300,000

Montana Motor Carriers Association

Exempt intra-state freight charges

The Department's revenue loss estimate is as follows:

$3,000,000--$5,000,000

Montana Solid Waste Contractors

Add refuse disposal to taxable government services

This amendment adds revenue of maybe $40,000.

Montana Retail Association

Increase the vendor allowance to the lesser of $150 per month ($1,800 per year) or 1.5 % of the tax payable

SB 235 presently defines a vendor allowance as the lesser of $50 per month or 1.5% of tax payable. Estimating the revenue loss from this proposed amendment is fairly complicated because of the necessity of estimating the number of establishments by size of sales, on a monthly basis. If all establishments kept 1.5% as a vendor allowance, the lost revenue would be about $4.7 million. This amendment will result in additional lost revenue over the current SB 235 vendor allowance scheme. How much additional revenue will be lost is currently unknown.

<u>Montana Petroleum Association</u>

Exempt <u>service</u> transactions among affiliated entities as defined by Title 26, Section 1504, U.S.C.

The same small sample of audit reports of corporate license taxpayers used for the related Montana Power Company proposed exemption for both property and services, was used in part for this estimate. Also used was U.S. Bureau of the Census information for Montana on auxiliary establishments that administratively support other establishments of a corporation or a group of corporations. The estimate for this amendment is:

$2,000,000--$10,000,000

Exempt purchased property used exclusively for the exploration/production/processing of oil and gas

Using national non-depreciable property purchasing percentages for the oil/gas mining industry and the petroleum refining industry, and applying the percentages to Montana sales for these industries yields an estimate of $1.4 million. Adding in a rough estimate for depreciable property yields:

$2,000,000--$5,000,000

Exempt all pollution control devices

Scaling to Montana U.S. data of household and business expenditures on pollution abatement yields:

$7,000,000

These estimates were as thoughfully constructed as possible, given the time and data constraints. Let me know if you have questions.