

## **MINUTES**

### **MONTANA HOUSE OF REPRESENTATIVES 53rd LEGISLATURE - SPECIAL SESSION**

#### **COMMITTEE ON TAXATION**

**Call to Order:** By **CHAIRMAN BOB GILBERT**, on November 29, 1993, at  
1:30 p.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 3, HB 15, HB 16  
Executive Action: None

HEARING ON HOUSE BILL 3

**Opening Statement by Sponsor:** REP. PAT GALVIN, HD 40, Great Falls, said HB 3 increases the accommodations tax from 4% to 8% and provides local governments the opportunity to impose an additional 1% accommodations tax. His testimony is contained in the attached Exhibit #1.

**Proponents' Testimony:**

Alec Hansen, Montana League of Cities and Towns (MLCT), said his organization has supported the accommodations tax for the past ten years. Using the increase for local services would alleviate local property tax increases. He said the MLCT is not looking for money, rather, it is looking for property tax relief and a way of stabilizing local government property tax systems. He said the accommodations tax proceeds would be better used to fund property tax rebates than to take more money from the arts, human services, and local government services.

**Opponents' Testimony:**

Greg Bryan, President, Montana Tourism Coalition, presented testimony in opposition to the bill (Exhibit #2).

Opposition testimony was presented from Larry McRae, Manager, Outlaw Inn, Kalispell (Exhibit #3).

Stuart Doggett, Executive Director, Montana Innkeepers Association, said the bill would have a potential negative impact on the lodging industry and the economy of the state. The Innkeepers Association supported the original accommodations tax because the tax was to be used for enhancement of tourist promotion both regionally and statewide. As a result, tourism is now the second largest industry in the state. He said a Purdue University study has indicated that for every 10% increase in room rates due to taxes, there is a 4.4% decrease in number of rooms rented. The lodging industry is an important economic component of the state providing jobs for college students and second incomes for families.

David Owen, Montana Chamber of Commerce, said he agreed with the previous testimony. He noted the bill would negatively impact the innkeepers' marketing ability if there is no commensurate easing of property taxes. He pointed out the assumption that tourism is putting a heavy drain on local community services is not completely true. The impact is felt in several high profile tourist locales. Without a full study of the tourist impact across all communities in the state, this proposal is not the vehicle to provide an equitable reimbursement to local governments.

**John Noel, Director, Department of Commerce,** said the bill has several technical flaws which would preclude the Department from immediately implementing the bill. The local option tax is not detailed enough for the efficient flow of money back to the communities where it was generated. Tourism is currently centered in only a few areas in the state. The Tourism Division and Advisory Council are endeavoring to generate tourism interest across all areas in the state. He pointed out that this is not a tax solely on tourists. It is a direct tax on Montanans who use the state's hotels, motels, and campgrounds and is, therefore, a direct tax increase.

**Pat Melby, Montana Ski Area Association,** expressed his agreement with the previous testimony. He said tourism promotion has worked well in the state and should not be jeopardized by a higher tax.

**Questions From Committee Members and Responses:**

**REP. NELSON** asked about the impact of state employees' lodging costs on the state budget.

**REP. GALVIN** replied there is provision in current law for state employee lodging and that is not changed by HB 3.

**REP. BOHLINGER** asked **Mr. Doggett** for figures comparing surrounding states' accommodations taxes to Montana. **Mr. Doggett** said he would obtain the information for the Committee.

**REP. FOSTER** asked if a local government entity can add a 1% additional accommodation tax without a vote of the people.

**REP. GALVIN** said that is correct.

**REP. HARPER** asked the sponsor to react to the suggestion that the proceeds of the bill be used to fund property tax rebates.

**REP. GALVIN** said his reaction was positive. The money should go back to the people one way or another.

**Closing by Sponsor:** **REP. GALVIN** said the bill represents a common sense approach which is not a politically sensitive issue. He said the proceeds should not benefit innkeepers exclusively, but be used to help alleviate property taxes.

HEARING ON HOUSE BILL 15

Opening Statement by Sponsor: REP. DON LARSON, HD 65, Seeley Lake, said the bill imposes the collection of a special fuel tax on clear special fuel (diesel) in order to conform to federal government regulations. The bill is revenue neutral with no fiscal impact. He deferred to representatives of the Department of Transportation to present the bill.

Proponents' Testimony:

Bill Salisbury, Administrator, Administration Division, Department of Transportation (DOT), presented testimony in support of the bill (Exhibits #4 and #5).

Ronna Alexander, Montana Petroleum Marketers Association, said her organization represents 110 members who are licensed to collect and remit fuel taxes to DOT. Evasion of the Montana fuel tax was the impetus for HB 539 of the 1993 regular legislative session. This bill implements that legislation and clarifies a very confusing issue. HB 15 simplifies and corrects the enforcement of the law.

Opponents' Testimony: There were no opponents.

Questions From Committee Members and Responses:

REP. HIBBARD asked if the agricultural purchaser who buys undyed (clear) diesel fuel can apply for a tax refund if the fuel is not used on highway.

Mr. Salisbury replied affirmatively. He noted an agricultural purchaser could have bought dyed diesel fuel and not paid any tax at all as long as the fuel was used off highway. He noted the bill provides for a revision of the application for special fuel authorization forms making it easier for people to receive their refunds.

REP. HANSON asked if the standard 60% gasoline deduction refund for agriculture would apply to diesel as well.

Mr. Salisbury replied that it would.

REP. FOSTER asked how these procedures differ from those currently in use.

Mr. Salisbury replied these are technical corrections designed to reinstate provisions that were mistakenly eliminated during the codification process.

REP. FOSTER said the high fine and jail term penalty provisions seem to be excessively high. He asked why they were set at those levels.

Mr. Salisbury said the penalty provisions were designed to mirror the federal violation penalties.

Closing by Sponsor: REP. LARSON said the federal fuel tax law rules have only recently been promulgated. The Department is anxious to have this bill passed in order to issue the Montana rules by January 1, 1994. He noted a logger, two independent operators, and a rancher had hoped to testify in support of the bill but were unable to appear because of scheduling problems.

#### HEARING ON HOUSE BILL 16

Opening Statement by Sponsor: REP. JOHN COBB, HD 42, Augusta, said HB 16 lowers the tax rate of Class Four property from the present level of 3.86% to 3.6% which corresponds to the statewide valuation of 7.3% across the state. The lower rate would be effective this tax year rather than next and should result in a \$9 - \$10 million reduction in taxes next year.

Proponents' Testimony: There were no proponents.

#### Opponents' Testimony:

Gordon Morris, Executive Director, Montana Association of Counties (MACO), said his organization opposes what is assumed to be a revenue neutral adjustment of ratios applied to class four property. On a statewide basis, it would be impossible to achieve revenue neutrality due to the myriad taxing jurisdictions.

Alec Hanson, Montana League of Cities and Towns, said the pattern of reappraisals is very irregular in Montana. Although some valuations have soared, in twenty eastern Montana counties values dropped. Changing the process would aggravate an already difficult situation and have a devastating effect in some areas. He based his opposition on the fact that a different set of problems would be created every place the new rate is applied.

Shelly Laine, Director of Administrative Services, City of Helena, presented her testimony in opposition to the bill (Exhibit #6).

Questions From Committee Members and Responses:

The Committee members had several questions regarding technical sections of the bill. REP. COBB said the fiscal note had not been prepared in time for the hearing. He would be meeting with Jeff Martin, Legislative Council, to review the fiscal data and would present the information requested by the Committee for discussion at executive session.

Closing by Sponsor: REP. COBB closed.

ADJOURNMENT

Adjournment: The meeting adjourned at 3:15 p.m.



BOB GILBERT, Chairman



JILL ROHYANS, Secretary

BG/jdr

# HOUSE OF REPRESENTATIVES

TAXATION

COMMITTEE

ROLL CALL

DATE

11/29/93

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



*The Big Sky Country*

EXHIBIT 1  
DATE 11/29/93  
HB 3

## MONTANA HOUSE OF REPRESENTATIVES

### REPRESENTATIVE PATRICK G. "PAT" GALVIN

HELENA ADDRESS:  
CAPITOL STATION  
HELENA, MONTANA 59620  
PHONE: (406) 444-4800

HOME ADDRESS:  
105 29TH AVENUE N.W.  
GREAT FALLS, MONTANA 59404  
PHONE: (406) 453-8464

COMMITTEES:  
STATE ADMINISTRATION  
LABOR & EMPLOYMENT RELATIONS  
HIGHWAYS & TRANSPORTATION  
MINORITY VICE-CHAIRMAN

November 29, 1993

Mr. Chairman, and ladies and gentlemen of the taxation committee:

Thank you for allowing the time to consider House Bill 3. House Bill 3 is a timely and necessary bill that will allow an increase in the accommodations tax on tourists to the state of Montana.

My name is Pat Galvin, I represent House District 40 in Great Falls. House District 40 is situated West of the Missouri River and North of the Sun River; it is an area consisting generally of modest homes owned by middle-class and lower middle-class working people and includes the railroad yard and its facilities.

House Bill 3, as it is written today, will increase the accommodations tax from 4% to 8%. The additional 4% revenue, that will be generated, will be distributed to the State General Fund. Additionally, House Bill 3 will provide counties, cities, and towns the opportunity, and right, to impose an additional 1% accommodations tax for deposit in their own general fund. House Bill 3 will provide an immediate effective and applicability date.

Unfortunately, we are all too aware of the condition of Montana's state budget. It is this budget that brings us here today and is precisely why it is so necessary to seek revenue from those folks who come and use our beautiful state. It is time that we, the representatives of the people of this beautiful state, allowed the users of this state to help each of us pay for the maintenance, and in time the improvements, of the infrastructure and other amenities (police, fire protection, etc.) which are now solely supported by this state's property taxes.



House Bill 3 is not a tax on any innkeeper or his/her facility. House Bill 3 is not a tax on any Chamber of Commerce - local or statewide. House Bill 3 is strictly a tax on the tourists who use our beautiful state. In consideration of Montanans and their business travel - I traveled this beautiful state, within my employment, for 42 years. In my statewide travels any and all expenses which I incurred were listed and credited as business expenses on my tax forms. If, however, I were to leave my home in Great Falls to visit Billings or Colstrip, for my own pleasure, and stayed overnight in a motel in Lewistown, I would then be a tourist!

In the Montana Department of Commerce publication Tourism and Marketing Plan 1991-1992, on page 11, there is a graph for tourism funding. This graph outlines the projected fiscal year '92 Lodging Tax Revenues as \$6,152,847.00 and how the projected revenue is distributed. In Travel Update, Montana Volume 4, Issue 2, July 1993 - Montana Department of Commerce, on page 1, a graph depicting distribution of Lodging Tax for fiscal year '94, projected revenues are \$7,576,498.00. This is an increase of \$1,413,651.00 over fiscal year '92, more than a 20% increase. House Bill 3 leaves the original 4% accommodations tax for all these monies intact. House Bill 3 will not infringe on how the Department of Commerce dispurses that money.

The Innkeepers and Chambers of Commerce want to keep the accommodations tax as their exclusive source of revenue. But, as this state's representatives, elected by the voting populace, and sent here to Helena, it is our responsibility to represent all of the peoples of this state, not merely a select few, nor a select group or entity that seeks "special privilege." As representatives of all Montanans it is our responsibility to keep this state solvent. Clearly, we can not keep this state solvent on the backs of this state's homeowners.

I will appreciate a "do pass" from this committee and will be happy to entertain any questions at this time.

- - - - - I reserve the right to close - - - - -

A few weeks ago Mr. Bob Anez of the Associated Press interviewed me on the issues contained in House Bill 3. Mr. Anez questioned why I thought that House Bill 3 would pass and be signed during this Special Session. My answer, "Common Sense." As we are all aware, this is not a politically sensitive bill. As I stated previously House Bill 3 is a necessary move to help relieve this state's property tax burden.

The accommodations tax is a source of revenue no different from the coal, oil, mineral, beer, wine, cable TV, gambling, or any other revenue source. The accommodations tax should not be considered as an exclusive source of revenue strictly for Innkeepers. This bill, House Bill 3, will help relieve property taxes for all Montanans. A similar bill passed both houses during the regular session with bi-partisan support.

Thank you.

### House Bill 3 - Representative Pat Galvin

House Taxation 1:30 PM - Room 437

Chairman: Rep. Bob Gilbert

Good afternoon Mr. Chairman and committee members.

My name is Greg Bryan, President of the Montana Tourism Coalition and a small business owner. I stand before you to speak in opposition to **H.B. 3**. This bill is in direct conflict with the wishes of the people - no more taxes. It also seeks to increase the tax burden on one segment of the industry for the benefit of the whole.

At a time when tourism is down and the Canadian exchange is high, this bill could produce a crushing blow to a productive industry. A wise investment was made in 1987 to return over a million dollars to the general fund and utilize a bed tax to promote Montana's natural resources. The intent was to add another horse to the team and help pull out Montana's sagging economy. That investment worked, yet now this bill seeks to make the lodging industry a pack mule and carry a heavier burden. A burden that could very likely slow down the production and pace.

As an industry we have responded positively to broad-based efforts - 7% solution, one-time administrative transfer, and 6.5% to Parks. We pay our way in property taxes and user fees for sewer and water, gambling, etc.

We are very willing to work to assess the impacts of tourism and seek qualified revenue streams that match up impacts and benefits. But we are opposed to the selective band-aid approach that does not really solve any long-term problems.

We have committed to work with local communities to quantify these myriad of impacts that are tossed about and then work to address them in a prudent and responsible way. These are our communities and places of business. We want to be a part of the solution - not the pack mule.

Increased taxation in this manner will be counter-productive to increasing business - which means jobs and economic growth.

I urge you not to pass **H.B. 3** either as a general fund resource or for local option taxes. As my uncle use to say: *The fastest way to move a herd is to walk them.* This bill seeks to stampede them.

November 29, 1993

Mr. Chairman and Members of the Committee:

My name is Larry McRae, and I manage the Outlaw Inn in Kalispell, Montana. I wish to testify in opposition to House Bill Number 3.

My industry supported the legislation that created the accommodations tax of 4%, passed in 1987. That legislation enabled the legislature to put a million dollars annually toward other needs, as promotion efforts had previously been paid from the general fund. The legislation has been very successful, and Montana's economy has had a dramatic boost from the millions of visitors leaving nearly a billion dollars throughout our state each year.

At the last regular session of the legislature, we supported legislation to divert 6 1/2 % of the accommodations tax to the Department of Fish, Wildlife and Parks to assist in maintaining our state parks. This bill passed and will provide significant funds toward maintaining our parks over the coming years.

Canadian visitation is vitally important to the economy of our state, especially along the northern border. The business communities recognize the importance of these visitors and spend significant dollars promoting Canadian visitation to shop and recreate. Unfortunately, as the exchange rate on their currency rises, visitation drops, and we have seen dramatic decreases in visitation over the past 18 months or so. An additional tax of 4 or 5% will give them another reason not to come down.

An additional tax also makes it difficult for our industry to adjust our rates to cover the inflationary costs of doing business. There is a "glass ceiling" in terms of what the consumer is willing or able to pay for accommodations. An increase of 4 or 5% is a significant increase in our rates, and far exceeds my annual rate increases over the past seven years.

There are allegations by many of our city and county governments that tourism causes great financial hardships, and that to cover these costs, they should be allowed to tax these visitors. I strongly disagree with that premiss and would like to provide you with some facts about revenues which my own city gains because of visitors to our area.

Kalispell received nearly \$760,000 dollars from video gaming tax collections and table and dealers license fees. The city received nearly \$280,000 dollars from

Page two  
McRae Testimony, H.B. 3

state fuel taxes, as well as over \$100,000 dollars from it's share of state liquor, beer and wine taxes. The city levies license fees for the sale of alcohol which adds another \$18,000 to the coffers. I don't think it's unrealistic to expect that as much as half of these "fees and taxes" are collected because of expenditures made by visitors to our community.

There are charges that tourists tear up our streets, and create the need for additional police and fire protection. Kalispell levied over \$400,000 in fines and forfeitures last year which at \$25 an hour would pay for almost 16,000 hours of police protection, or up to 12 or 14 additional full time officers. Our streets have more damages from frost heaves than from traffic caused by tourists.

We are told that tourists use our sewer and water without paying for it, yet my business paid over \$75,000 dollars for water and sewer use over the past twelve months. That should have mitigated the costs of my guests using the "facilities".

Of the top twenty taxpayers in our county six of us are directly tied and six others are indirectly tied to the visitor industry. The property and personal property taxes on my business were over \$207,000 dollars this year so you can see that we do pay significant amounts of dollars to support the city and county.

Our business will generate a payroll in excess of \$1,200,000 in 1993. We will spend over \$1,000,000 for locally produced goods and services, and make significant interest payments to our local lending institutions. All of these dollars multiply in the economy, creating more tax base and additional jobs.

If additional taxes are levied on our visitors, it may ultimately result in fewer visitors, which will result in lower tax revenue collections from gaming, fuel and alcohol sales. It will also result in fewer jobs, and cause us greater difficulty in paying our property taxes.

My industry already carries a full tax burden, and this bill will not only cause us an additional financial hardship with more taxes, but could cause us a loss of revenues. I urge you to kill this bill.

Date: November 29, 1993

HOUSE BILL 15

Submitted by: William Salisbury, Administrator  
Administration Division  
Montana Department of Transportation

"AN ACT TO IMPOSE THE COLLECTION OF SPECIAL FUEL TAXATION ON  
CLEAR SPECIAL FUEL WHICH WILL CORRESPOND WITH THE FEDERAL  
GOVERNMENT."

Recently passed federal legislation on diesel fuel creates  
situations which make it impossible for consumers to comply  
with HB539 passed by the 53rd legislature of the State of  
Montana.

The Montana Department of Transportation appears before this  
committee to offer our support for House Bill 15.

The discrepancy between federal law and Montana law exists  
for two items: (1) exempt sales of 200 gallons or more,  
and (2) the restrictions on dyed fuel.

Montana law      If a consumer purchases special fuel (diesel)  
without the Montana tax and operates vehicles  
under 26,000 lbs, HB539 passed by the 53rd  
legislature requires the consumer to purchase  
a special authorization permit since the  
consumer has access to untaxed special fuel.  
The special authorization permit is a  
prepayment of the Montana taxes which allows  
the consumer to use the untaxed special fuel  
in on highway vehicles.

Federal law      If a consumer purchases special fuel (diesel) without the Federal tax the fuel is dyed. Federal law prohibits the use of dyed diesel fuel in on highway vehicles.

Montana grants special authorization permit holders the right to use untaxed special fuel (which could be dyed) in the on highway vehicles. Federal law prohibits the use of dyed diesel fuel on the highway. Under current state law, the Montana consumer would be forced to purchase the special fuel from the retail station and also buy the special authorization permit to protect themselves from the federal government's fines. This results in double taxation of Montana's consumer.

HB15 places the Montana tax on undyed (clear) special fuel (diesel) and allows dyed special fuel, any amount, to be purchased without the state tax. This method of taxation corresponds to the Federal legislation.

HB15 provides a refund of the taxes paid when the undyed special fuel is used off highway, and also provides a refund to governmental agencies regardless of usage. This is the same procedure currently used for gasoline.

HB15 provides for enforcement of the act to correspond to the Federal legislation and to eliminate the confusion and conflict between the State and Federal statutes.

DETAIL ON HB539  
VERSUS  
SPECIAL SESSION LEGISLATION HB15

Recently passed federal legislation on diesel fuel creates situations which make it impossible for consumers to comply with the recently passed Montana HB539.

Effective October 1, 1993, the **FEDERAL GOVERNMENT (EPA)** requires high sulphur diesel be dyed blue and not used in **on highway** vehicles.

Effective January 1, 1994, the **FEDERAL GOVERNMENT (IRS)** imposes the following:

**Diesel fuel (clear)**

- Federal tax is charged on undyed diesel fuel (clear) at the terminal/refinery level.
- Federal tax on diesel fuel (clear), which would ordinarily be taxed, may still be purchased federal-tax free by farmers for tax exempt uses or by state and local governments. The fuel vendor, who is required to pay the federal tax, will claim refund on those gallons delivered to the farmer and governmental agencies.

**Diesel fuel (dyed)**

- No federal tax is charged for dyed diesel fuel. Dyed diesel fuel is **only for off highway use**. (This could be high or low sulphur.)
- If dyed diesel fuel is used in **highway vehicles**, the penalty is \$1,000.00 or \$10.00 per gallon -- whichever is greater.

The 53rd Legislative Session of the **STATE OF MONTANA** passed HB539 which moves the point of taxation on special fuel (effective January 1, 1994) from the retail level to the distributor level. The only exemptions from the Montana tax are as follows:

- The United States Government, State of Montana, any other state and any county, incorporated city, town or school district of this state
- Bulk delivery quantities of 200 gallons or more
- Exports



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The discrepancy between federal law and Montana law exists for two items: (1) exempt sales of 200 gallons or more, and (2) the restrictions on dyed fuel. If a consumer purchases special fuel (diesel) without the Montana tax and operates vehicles under 26,000 lbs, HB539 requires the consumer to purchase a special authorization permit since the consumer has access to untaxed special fuel. The special authorization permit is a prepayment of the Montana taxes which allows the consumer to use the untaxed special fuel in on highway vehicles.

Thus, Montana grants special authorization permit holders the right to use untaxed special fuel (which could be dyed) in the on highway vehicles. Federal law prohibits the use of dyed diesel fuel on the highway. Under current state law, the Montana consumer would be forced to purchase the special fuel from the retail station and also buy the special authorization permit to protect themselves from the federal government's fines. However, this results in double taxation of Montana's consumer.

The impact on the industries is explained in detail on the following pages:

- Agricultural - Page 3
- Motor Carriers (Trucking) - Page 4
- Contractors, Logging, Miners and Railroads - Page 5
- Special Fuel Dealers - Page 6
- Special Fuel Distributors - Page 7
- Governmental Agencies - Page 8

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**AGRICULTURAL**

Current Montana law, effective January 1, 1994, allows the agricultural user to purchase bulk special fuel (diesel) in quantities of 200 gallons or more and not pay the Montana tax.

Montana law requires agricultural users, who fuel on highway vehicles **over** 26,000 lbs GVW, from bulk special storage, to keep a complete dispersal record on all special fuel withdrawn from storage and report the usage to the department quarterly.

Agricultural users who own vehicles **under** 26,001 lbs GVW and has access to untaxed special fuel are required to purchase a special authorization permit which eliminates the record keeping for those vehicles.

**PROPOSED LEGISLATION**

Agricultural users can purchase dyed special fuel (diesel) in **any** quantity without paying the Montana tax. Dyed special fuel **cannot** be used in **on highway** vehicles.

Agricultural users will pay the Montana tax on clear special fuel (diesel) regardless of usage, but will be allowed to apply for refund on those gallons used off highway.

Agricultural users who operate vehicles **under** 26,001 lbs GVW will not be required to permit or report the usage to the department.

Agricultural users who fuel on highway vehicles **over** 26,000 lbs GVW from bulk special storage must keep a complete dispersal record on all special fuel withdrawn from storage and report the usage to the department quarterly.

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• **MOTOR CARRIERS (TRUCKING)**

Current Montana law, effective January 1, 1994, allows the trucking industry to purchase bulk special fuel in quantities of 200 gallons or more and not pay the Montana tax.

Montana law requires carriers, who fuel on highway vehicles **over** 26,000 lbs GVW from bulk special fuel storage, to keep a complete dispersal record on all special fuel withdrawn from storage and report the usage to the department quarterly.

Carriers who own vehicles **under** 26,001 lbs GVW and has access to untaxed special fuel are required to purchase a special authorization permit which eliminates the record keeping for those vehicles.

• **PROPOSED LEGISLATION**

Carriers can purchase dyed special fuel (diesel) in **any** quantity without paying the Montana tax. Dyed special fuel **cannot** be used in **on highway** vehicles.

Carriers will pay the Montana tax on clear special fuel (diesel) regardless of usage, but will be allowed to apply for refund on those gallons used off highway.

Carriers who operate vehicles **under** 26,001 lbs GVW will not be required to permit or report the usage to the department.

Carriers, who fuel on highway vehicles **over** 26,000 lbs GVW from bulk special fuel storage, must keep a complete dispersal record on all special fuel withdrawn from storage and report the usage to the department quarterly.

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**CONTRACTORS, LOGGERS, MINERS, RAILROADS**

Current Montana law, effective January 1, 1994, allows the contractor, logger, miner, and railroad to purchase bulk special fuel in quantities of 200 gallons or more and not pay the Montana tax.

Montana law requires consumers, who fuel on highway vehicles **over** 26,000 lbs GVW from bulk special fuel storage, to keep a complete dispersal record on all special fuel withdrawn from storage and report the usage to the department quarterly.

The consumers, who own vehicles **under** 26,001 lbs GVW and have access to untaxed special fuel, are required to purchase a special authorization permit which eliminates the record keeping for those vehicles.

**PROPOSED LEGISLATION**

Contractor, logging, mining and railroad industries can purchase dyed special fuel (diesel) in **any** quantity without paying the Montana tax. Dyed special fuel **cannot** be used in **on** highway vehicles.

Contractor, logging, mining and railroad industries will pay the Montana tax on clear special fuel (diesel) regardless of usage, but will be allowed to apply for refund on those gallons used off highway.

Contractor, logging, mining and railroad industries who operate vehicles **under** 26,001 lbs GVW will not be required to permit or report the usage to the department.

Contractor, logging, mining and railroad industries, who fuel on highway vehicles **over** 26,000 lbs GVW from bulk special fuel storage, must keep a complete dispersal record on all special fuel withdrawn from storage and report the usage to the department quarterly.

**Contractors**

All special fuel, regardless of color, consumed in conjunction with a highway project is subject to Montana tax.

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• **SPECIAL FUEL DEALER**

Current Montana law, effective January 1, 1994, eliminates the special fuel dealer requirements to be licensed, bonded and report retail sales and remit payment to the department. This change is do to moving the point of taxation on special fuel to the distributor level.

**Exemptions at the retail or bulk dealer level:**

- Special fuel sold in quantities of 200 gallons or more not intended for resale, or
- Special fuel sold to governmental agencies.

**Credits**

- The fuel dealer, who is required to pay the Montana tax, will claim a refund on those gallons to the supplier.

• **PROPOSED LEGISLATION**

The special fuel dealer will charge the Montana tax on all **clear special fuel** sold and **not** charge the Montana tax on **dyed special fuel sold** (regardless of quantities). The consumer can apply back to the State for refund on those gallons of clear special fuel used off highway.

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• **SPECIAL FUEL DISTRIBUTORS**

Current Montana law, effective January 1, 1994, requires the special fuel distributor to report and remit Montana tax on all sales of special fuel in this State.

**Exemptions at the distributor level:**

- Special fuel sold in quantities of 200 gallons or more not intended for resale, or
- Special fuel sold to governmental agencies.

**Credits**

- The distributor will claim a credit on the distributor's report for those gallons sold by the distributor and the gallons sold by the distributor's customer.

• **PROPOSED LEGISLATION**

The special fuel distributor will charge the tax on all **clear special fuel** sold and **not** charge the Montana tax on **dyed special fuel** sold (regardless of quantities). The consumer can apply back to the State for refund on those gallons of clear special fuel used off highway.

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• **GOVERNMENTAL AGENCIES**

The United States government, State of Montana, any other state, and any county, incorporated city, town, or school district of this state are exempt from the tax on special fuel regardless of usage.

• **PROPOSED LEGISLATION**

The governmental agencies will pay the tax and apply to the department for refund on all gallons regardless of usage.

CA:diesel

MR CHAIRMAN/MEMBERS OF THE COMMITTEE:

MY NAME IS ~~SHELLY GAINES~~, AND I AM THE DIRECTOR OF ADMINISTRATIVE SERVICES FOR THE CITY OF HELENA. THE CITY OPPOSES HOUSE BILL 16.

*as has been pointed out*  
~~IT IS IMPORTANT TO POINT OUT ONE HISTORICAL FACT: SINCE 1972~~ *the 70's*  
EACH TIME PROPERTY WAS ~~REAPPRAISED~~, THE TAXABLE MULTIPLIER WAS REDUCED TO MITIGATE THE IMPACT. THUS, HOLDING THE DOLLARS THAT CAN BE RAISED FROM ONE MILL OF PROPERTY TAXES, ~~CONSTANT~~.

*virtually*  
AT THE SAME TIME, THE ~~COST~~ OF PROVIDING LOCAL GOVERNMENT SERVICES, SUCH AS ~~FIRE~~ PROTECTION, ~~PARKS AND RECREATION~~, AND ~~POLICE~~ PROTECTION, HAVE NOT REMAINED CONSTANT. ~~INFLATION~~ CONTINUES. ~~MILL~~ ~~LEVIES~~ HAVE GONE UP--OUT OF NECESSITY. WITH ~~1-105~~ NOW IN PLACE, THE MILL LEVIES ARE LIMITED AS WELL. LOCAL GOVERNMENTS ~~MUST~~ HAVE SOME MEANS OF KEEPING PACE WITH ~~INFLATION~~ IF THEY ARE TO CONTINUE TO PROVIDE SERVICES.

THIS BILL ALSO ~~REDUCES THE MULTIPLIER~~ BY A ~~SET~~, BLANKET AMOUNT. THE INCREASES (OR DECREASES) WERE ~~NOT~~ UNIFORM FROM COUNTY TO COUNTY OR CITY TO CITY. THIS BILL WILL REDUCE TAX VALUES BY A SET PERCENTAGE--REGARDLESS OF THE PERCENT INCREASE.

IN ADDITION, MUCH OF HELENA'S INCREASE WAS DUE TO NEW CONSTRUCTION. THE ASSESSOR'S OFFICE COULD NOT PROVIDE US WITH THE ~~BREAKOUT~~, BUT *(in Helena)* IT HAD TO BE SIZEABLE. WE GOT WALMART, SHOPKO AND NUMEROUS NEW RESIDENTIAL STRUCTURES. THESE NEW PROPERTIES PLACE ~~ADDITIONAL~~ ~~DEMANDS~~ ON CITY SERVICES AND ~~SHOULD~~, THEREFORE, GENERATE ADDITIONAL ~~REVENUES~~.

THIS BILL WILL GIVE THE ~~SAME~~ BENEFIT TO THE NEW PROPERTIES WITH THE ADDITIONAL DEMANDS, PROPERTIES WITH DECREASED VALUES, ETC. IT IS NOT AN EQUITABLE BILL.

PLEASE CONSIDER THIS BILL CAREFULLY AND GIVE IT A ~~DO NOT~~ PASS RECOMMENDATION.

~~THANK~~ YOU.

- med. insurance
- Salaries
  - unions
  - binding arbitration
- cost of materials
- cost of training
  - liability in police fire
- used cash reserves
- videotape recording
- some other



HOUSE OF REPRESENTATIVES

TAXATION COMMITTEE

WITNESS STATEMENT

PLEASE PRINT

NAME

Von Noel

BILL NO.

HB 3

ADDRESS

1217 Commerce

DATE

WHOM DO YOU REPRESENT?

1217 Commerce

SUPPORT

OPPOSE

☒

AMEND

COMMENTS:

HOUSE OF REPRESENTATIVES  
VISITOR REGISTER

HB3 - GALVIN  
HB15 - ~~COBB~~ LAM  
HB16 - COBB

Name Taxation

COMMITTEE

BILL NO.

DATE 11/29/93 SPONSOR(S) \_\_\_\_\_

PLEASE PRINT

PLEASE PRINT

PLEASE PRINT

NAME AND ADDRESS	REPRESENTING	SUPPORT	OPPOSE
Bill Salisbury	Dept of Transportation	X HB15	
Stuart Dyer/H	MT Truckers Assoc.		X HB3
ROB HANSON	Helena Stamp Works		HB #3
Shelly Laine	City of Helena		HB16
Alec Hansen	MLCT	HB3	
David Owen	MT Chamber		HB3
Gordon Morris	MAC	HB3	HB16
Pat Melby	MT Ski Areas Assn		HB3
Don Walden			HB16
Keith S. Colby	Tourism Coalition		#HB3
Greg Bryan	MT Tourism Coalition		HB3
Ronan Alexander	Petroleum Marketers	HB15 X	
Brad Griffith	MT Retail Assoc		
North Abercrombie	MT Petroleum Assn		

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

HOUSE OF REPRESENTATIVES  
VISITOR REGISTER

HOUSE TAXATION

COMMITTEE

BILL NO. HB 16

DATE 11-29-93 SPONSOR(S) \_\_\_\_\_

PLEASE PRINT

PLEASE PRINT

PLEASE PRINT

NAME AND ADDRESS	REPRESENTING	SUPPORT	OPPOSE
<i>Eric Jean</i>	<i>MEA HB16</i>		<input checked="" type="checkbox"/>

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