

MINUTES

MONTANA HOUSE OF REPRESENTATIVES 54th LEGISLATURE - REGULAR SESSION

COMMITTEE ON TAXATION

Call to Order: By **CHAIRMAN CHASE HIBBARD**, on January 24, 1995,
at 8:00 a.m.

ROLL CALL

Members Present:

Rep. Chase Hibbard, Chairman (R)
Rep. Marian W. Hanson, Vice Chairman (Majority) (R)
Rep. Robert R. "Bob" Ream, Vice Chairman (Minority) (D)
Rep. Peggy Arnott (R)
Rep. John C. Bohlinger (R)
Rep. Jim Elliott (D)
Rep. Daniel C. Fuchs (R)
Rep. Hal Harper (D)
Rep. Rick Jore (R)
Rep. Judy Murdock (R)
Rep. Thomas E. Nelson (R)
Rep. Scott J. Orr (R)
Rep. Bob Raney (D)
Rep. John "Sam" Rose (R)
Rep. William M. "Bill" Ryan (D)
Rep. Roger Somerville (R)
Rep. Robert R. Story, Jr. (R)
Rep. Emily Swanson (D)
Rep. Jack Wells (R)
Rep. Kenneth Wennemar (D)

Members Excused: None.

Members Absent: None.

Staff Present: Lee Heiman, Legislative Council
Donna Grace, Committee Secretary

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

Committee Business Summary:

Hearing: SB 57
HB 199
HB 227

Executive Action: HB 143 - Discussion Only
HB 141 - Do Pass as Amended
HJR 7 - Tabled
HB 164 - Do Pass

{Tape: 1; Side: A.}

CHAIRMAN HIBBARD distributed copies of a "Comparison of Coal Severance Tax -- Effective Rates on Taxable Production - Montana and Wyoming" which was requested by the Committee. EXHIBIT 1.

HEARING ON 199

Opening Statement by Sponsor:

REP. JIM ELLIOTT, House District 72, Sanders County, explained that in 1991 the Legislature passed a bill which gave a 10% income tax credit for contributions to both private and public colleges in Montana. The law will sunset on December 31, 1995, and this bill would repeal the sunset and put the law on the books permanently. He said this has been a successful program for the colleges and universities throughout Montana, helping to secure some \$855,000 in contributions in 1993 alone. In view of decreasing funding for colleges, continuing this program will be of increasing value to higher education.

Proponents' Testimony:

Robert Dunlop, Helena, said he supports this bill. He informed the Committee that it was a pleasant surprise when he went to pay his taxes and found that he would be receiving the tax credit. He suggested that the bill should go further and provide the same credit for elementary schools.

Marilyn Wessle, Montana State University, Bozeman, and the MSU-Bozeman Foundation and the MSU-Billings Foundation, said she would echo Rep. Elliott's comments and reported that MSU-Bozeman is currently raising funds privately to support its graduate program for nurse practitioners, a program the people of Montana have said they want. It is being funded with a federal grant and private funds and having legislation like this available while fundraising is valuable because most of the money will come from Montanans. She encouraged that the tax credit be continued on a permanent basis.

Bob Frazier, University of Montana Foundation, said there are three reasons why this legislation is important. Many of the donations go to students under scholarship programs, the money is used to improve programs on the campus, and is used to buy equipment. Over the past years, technology has graphically increased and this is an important source of revenue to augment what the state has provided for this equipment. He asked support for continuation of this legislation.

Jeff Baker, Commissioner of Higher Education, spoke in favor of the bill from the standpoint of the direction higher education has taken in the last ten years with greater reliance on the private side for funding. This bill is an incentive in that

direction. It has served well in the past and will continue to stimulate funding from private sources.

David Owen, Montana Chamber of Commerce, said the Chamber has members from all over the state and many have colleges in their towns. They are very proud of them and feel this legislation is a way to stimulate local contributions.

Russ Ritter, President of the Washington Foundation, stood in support of the bill. The founder of the Washington Foundation, Dennis Washington, is a big supporter of the University of Montana and this is a way to stimulate increased contributions, especially in the area of endowments and funding outside the normal process which is so necessary in higher education today.

Opponents' Testimony:

None.

Informational Testimony:

Judy Paynter, Department of Revenue (DOR), said she had been asked to appear before the committee, on behalf of the DOR, to bring an awareness of what is good tax policy and suggest that the Committee might like to evaluate the justification for using the tax system, such as for charitable giving and tax credit. For example, there were 1,469 returns using this credit in 1993 out of 450,000 returns that were filed. When credits are put on, DOR must establish a tracking mechanism and some of the credits and checkoffs are rarely used in relationship to the whole. When talking about the efficiency of the tax system, she asked that the Committee think about how the process can be complicated adding to the administrative expenses that go with a very small program.

Questions From Committee Members and Responses:

REP. BOHLINGER asked Dr. Baker to trace the level of support the state is providing for higher education today as opposed to ten years ago. **Dr. Baker** said that in 1985 the combination of millage and state support on a per student basis funded about 77% of the expenditures and tuition funded about 19%. Ten years later the tuition has doubled to 38%. **REP. BOHLINGER** then asked if this wouldn't provide sufficient reason to support HB 199. **Dr. Baker** said this is the way higher education, both public and private, is going and the way to move ahead is through philanthropy. Presidents of universities are now hired on their ability to raise funds.

REP. NELSON asked if a person itemizing deductions would also be able to deduct this credit as a charitable contribution, therefore getting a double benefit under this bill. **Ms. Paynter** replied that she was not sure.

REP. JORE referred to Mr. Dunlop's comment that this should be extended to the elementary school level. He asked the sponsor to comment. **REP. ELLIOTT** said there is nothing to prevent people from contributing to elementary schools and these contributions can be deducted. This would be outside the scope of this bill.

Closing by Sponsor:

REP. ELLIOTT said that Judy Paynter's comments were not about good tax policy, they were about ease of administration. Good tax policy stimulates the economy. He pointed out that the Department of Revenue works for the people of the State of Montana and not for the administrator of the Department of Revenue. In regard to the bill, he said it is a good bill that has done good work in the past and should be continued.

HEARING ON SB 57

Opening Statement by Sponsor:

SEN. KEN MESAROS, Senate District 25, Great Falls, said SB 57 would provide for changes in time requirements of the tax appeal process. Currently, through reclassification or evaluation, the taxpayer receives an assessment notice and the taxpayer, if he disagrees, must file an application for review on or before the first Monday in June or 15 days after receiving the notice. **SEN. MESAROS** said he felt this amount of time was inadequate and the bill would extend this period to 30 days, as well as extend the 15-day formal review period by the Department of Revenue to 30 days. He indicated that following the last valuation there was a lot of confusion and taxpayers did not have an adequate amount of time to review the assessment notices. He thought this change might reduce the number of tax appeals.

Proponents' Testimony:

Patty Foster, Member, Tax Appeals Board, testified as neither a proponent or opponent, but did point out that when this bill was introduced, the Tax Appeals Board looked into what the effect would be on their operations and concluded that it would affect the state board as well as the county tax boards. Most county tax boards have no objections to this bill although it could extend their appeals calendar and, if so, their budgets would increase. Financially, they do not expect this bill to dramatically impact the State Board's operations other than in timing. It will delay the hearing schedules. This bill may stimulate more people to file appeals. If that is the case, the appeal load will increase, which will in turn increase the amount of per diem for the county boards. She also pointed out that this bill will affect only those taxpayers that actually receive an assessment notice because of a change of ownership, change in valuation, change in classification or a change in the property itself.

REP. JIM ELLIOTT, House District 72, Trout Creek, said he would like to go on record as a proponent of this bill.

Opponents' Testimony:

None.

Questions From Committee Members and Responses:

REP. ROSE asked Ms. Foster if she had any idea how much her budget might increase. She said that at this point in time it would be impossible to project but they don't foresee much of an increase.

REP. REAM said the current statute states 15 days after "receiving" the notice and he would like to know how that is determined. **Ms. Foster** said it is open to interpretation but usually they allow three days for mail time. If the taxpayer comes in for a hearing and there is a timeliness issue, and there is good cause, they normally accept the appeal. Often people are out of town, or for other reasons, don't receive their notices.

Closing by Sponsor:

SENATOR MESAROS said that in rural areas delivery is often postponed and the courts use a reasonable approach. He questioned whether there would be an additional load on the appeals boards because, by extending the time period, it increases the time for communication and many questions concerning valuations can be answered by informal review.

If SB 57 is concurred in, **REP. DEBRUYCKER** will carry the bill on the floor of the House.

{Tape: 1; Side: B; Comments: Side B of this tape was not used due to difficulty in getting the tape started.}

{Tape: 2; Side: A.}

HEARING ON HB 227

Opening Statement by Sponsor:

REP. PAT GALVIN, House District 48, Great Falls and Cascade County, presented HB 227, a bill to increase the accommodation tax from 4% to 8% to provide for property tax relief through a refundable income tax credit to resident owners of dwellings on a flat per-residence amount and allowing a local government unit to impose an additional 1% accommodation tax for deposit in its general fund. Rep. Galvin's remarks relative to the bill are attached as EXHIBIT 2.

Proponents' Testimony:

Alex Hanson, League of Cities and Towns, said his organization had been working for twelve years to persuade the Legislature to provide some local funding out of the accommodations tax without success. In FY 88, \$3.4 million was collected in accommodations tax; in FY 94 it had increased to \$8.4 million. The question is whether Montana can afford to spend this kind of money on advertising and promotion without addressing the impacts. He stated that you cannot bring seven million people into a state and not have a cost effect on police, fire, emergency medical, streets and other public services. Not one dollar of this tax money goes back to the cities, towns and counties to fund these services. Rep. Galvin's bill will increase taxes and because of this Legislature's reluctance to raise taxes, the League of Cities and Towns has provided two alternatives for consideration which would not raise taxes. These recommendations are attached as EXHIBIT 3.

Tim Bergstrom, Firefighter, City of Billings, testified that he could provide first-hand knowledge of the impacts on local government services relative to the tourism industry. The industry continues to grow in Montana and the growth is due in large part to the revenues generated by the current appropriations tax being used to promote Montana. Montana businesses enjoy the benefits of increased tourism, but local governments have incurred tremendous costs associated with providing emergency services to these people who lodge in the state's hotels and motels. He noted that in Billings there were 105 calls to the Billings Fire Department for emergency services to hotels and motels in 1990, 167 in 1991, 162 in 1992, 195 in 1993 and 203 in 1994. This indicates that calls to hotels and motels have doubled in the past five years and most of these were for emergency medical services. He emphasized the cost of equipment and training required to train the emergency technicians and the cost for maintenance of equipment. **Mr. Bergstrom** encouraged the Committee to give favorable consideration to this bill.

Jim Tillotson, City Attorney, Billings, said he was appearing before the Committee in support of this bill on behalf of the City of Billings. The bill is long overdue. Millions of dollars have been used to increase the tourism industry and no money has been spent to help local governments address impacts. The current tax is solely for the benefit of private enterprise and he suggested that this is a pretty strange tax. This bill would be a vehicle to begin to address the longstanding problems that local governments have. The City of Billings supports the bill as it is and would also support the bill with either of the amendments suggested by Mr. Hanson.

Ron Mason, Finance Director, City of Missoula, also rose in support of the local option facility tax because tourists and

travelers are heavy users of municipal services. Property taxes generated by the facilities they use are insufficient to cover the cost of the services they use. Most states provide for distribution of a portion of the state's facility tax to local governments to implement their own local options. Montana facility taxes are among the lowest in the nation and the taxes are paid by tourists and out of state travelers; therefore, they support HB 227 and the two amendments.

Opponents' Testimony:

Robert Dunlop, Helena, said he ran a RV park and campground. He said he had heard that if this bill is not passed it will cost the state money. He did not agree with that. The tourist industry has brought people to Montana that ordinarily would not come here and has provided jobs for people who pay taxes. It is not true that the people who work in the tourist industry have low paying jobs. He said they pay a minimum to high school kids and up to \$8 an hour and these jobs are very important to the people who have them. He said that he paid \$6,300 in taxes on his campground last year. When tourists do come into the state they do pay taxes -- gas tax. He said that if the Department of Revenue wants to collect more taxes, let them collect their own taxes because he didn't want to be a tax collector.

Keith Colbo, Montana Tourism Coalition, spoke in opposition to the bill on behalf of the 35 tourism-related organizations that benefit or are impacted by tourism. Over a course of time the success of the accommodations tax has brought pressure to increase the tax. Industry has expanded under the accommodations tax by funding information centers and changed the focus of promotion of the State of Montana to funding of state parks to benefit both residents and non-residents. The tourism industry joined and cooperated with Montana Association of Counties (MACO) during the last special session to sponsor a study of the impacts of tourism on local governments. The study was preliminary but a first step toward a better understanding of how the tourist industry impacts local governments. The study was done by the Institute of Tourism and Recreation Research at the University of Montana and was inconsistent. Local governments did cooperate and the tourism industry, through the Coalition, funded the study. From the data gathered, which was volunteered by the local governments, they could not come to the conclusion that there was an impact. The tourism industry wanted to balance the impact if there was one and what they found was that it was a wash.

{Tape: 2; Side: B.}

Mr. Colbo said that between 30% and 40% of the accommodations tax is paid by Montana residents. It is a tax on a very small segment of what is a very large industry and, as such, is a very questionable candidate for meaningful tax reform. For those who may benefit from property tax relief, it is a question of what

pocket you take it out of and where you put it. If this bill were enacted it would be somewhere in the vicinity of 3.4%, based on \$708 million in property tax, would provide an impact of 1% in the general fund of local government units. The tourists are not only contributing to the communities but contributing to the well-being of the State of Montana. The industry also supports the Governor's recommendations regarding the tourist industry.

Stewart Doggett, Montana Innkeepers Association, spoke against the bill. They are opposed because it is a tax increase bill that will take money out of some Montanans' pockets and it could injure a growing industry that is providing jobs across the state. During the last year, in some areas, visitor travel has been down. In Whitefish, visitor travel was down 21%. By doubling the tax, it will further hinder recovery in those areas. Income generated by the accommodations tax has been used wisely and, as a result, the industry has grown. The Governor's Advisory Committee is looking at new ways to improve how the bed tax dollars are spent; for example, they support the new three-point plan to refocus some of the collections to create a grants program for tourism-related infrastructure such as visitor facilities, designing and implementing a new and more efficient customer service program, and provide more funds for rural communities. The bed tax has worked for the purpose it was intended and the industry is more than hotel and motel rooms with much of the tourism money spent in restaurants and for gasoline. He urged the Committee to oppose HB 227.

Pat Melby, Montana Ski Areas Association, said the ski areas pay substantial property taxes and employ a lot of people. They do not pay taxes in cities and towns but they do support schools and county government. The Montana Ski Areas Association oppose this bill.

Page Dringman, Helena, appeared before the Committee on behalf of her parents who are dude ranchers in Sweetgrass County. She stated that agriculture is the primary business in that county but it is not always a profitable business, so her parents now operate a dude ranch for three months during the summer. This tax also applies to dude ranches and the outfitting and guiding business. There are other taxes in Montana that were instituted for specific purposes and what has happened is that the state has departed so far from the original purposes and they now fund government. She recognized that there might be a need for some diversion of the present 4% or an allocation that would benefit some of the local services that are provided. In her parents' case, they live 40 miles from Big Timber and they don't receive services from the larger communities experiencing impacts on emergency services. They pay their fair share of property and income tax and imposing an additional tax burden on them is not fair.

David Owen, Montana Chamber of Commerce, said he admired Rep. Galvin but he did not agree with him on this issue. The cities

and towns have a legitimate complaint but this additional tax is not the answer. There is a concern about the number of people coming in, and hotels probably don't represent the most comprehensible point of collection. He has heard Montana described as being nine months of winter and three months of relatives and perhaps there should be a collection device aimed at all those people harboring relatives. The Chamber does not support this bill.

Charles Brooks, Billings Chamber of Commerce, said he had instructions from his Board to oppose any increases in the tourism tax. They have a number of members in the tourism industry. He said he can understand the impacts but he is not sure this is the way to take care of those impacts. If there is to be any increase in the accommodations tax, it should be directed toward specific areas or uses directly involved with the travel and tourism industry. The Billings Chamber supports the Montana Tourism Council and its recommendations. The industry should be respected for the benefits it brings to the state rather than taken advantage of through taxation. Travel is a discretionary expense and if it costs too much, tourists will take shorter vacations and business trips. He would also suggest that this issue is an economic development issue because most of the people who work in the industry are not the large corporations but are small rural businesses and they provide the major jobs in our state. This is not the way to solve the problems Rep. Galvin has addressed. On the matter of the local option tax, the Billings Chamber of Commerce has made a decision to remain neutral.

Dennis Burr, Montana Taxpayers Association, said the bill indicated that the tourism industry in Montana is not "pulling its weight." Most studies of property tax systems would say that there has to be a good mix of residential and commercial property in a taxing jurisdiction because residential demands more services than it pays for and commercial properties pay more tax than the costs of services they receive. The bill also illustrates the problem of using a narrowly defined tax base to cause some reform in a broad based tax. It does not seem to be cost effective to use this method to reduce local property taxes because the effect would be minimal. **Mr. Burr** indicated that he also opposed the local option tax contained in the bill.

Brad Griffin, Montana Retail Association, rose in opposition to HB 227 because it is bad tax policy. The people of Montana voted for no new taxes and this flies in the face of that mandate. The bed tax is an earmarked fund dedicated to the promotion of Montana's tourism trade, the state's greatest growth industry. Once the door is opened, the tax will be used for other purposes and he urged the Committee to keep the bed tax dedicated to its original purpose.

REP. BOB RANEY, House District 26, Livingston, said he thought the policy proposed in the bill was legitimate and it should be

discussed; however, he did not like the way the bill was written. He said he thought the entire bed tax legislation should be reviewed. The Committee has heard the comments of the industry and the local governments but it has not heard from the people of Montana. He suggested that the citizens of Montana aren't totally enamored with the growth in tourism. They are finding tourists in their favorite fishing holes and their favorite hunting spots, they are in the fishing access sites and the state parks, they are floating the rivers and people are beginning to say, "Wait a minute," -- how long does this go on? It is now proposed that \$9 million will be spent to promote Montana in the next year. He wondered if the people of Montana really wanted \$9 million spent on promoting the "last best place." He suggested that they do not. He commented that perhaps the tax should be lowered to 3% or 2% and a portion of that be given to local governments. He questioned whether 75% of the accommodations tax should be used to promote tourism and the motion picture industry. Perhaps it should be lowered to 50% and he would suggest that the other 25% could be distributed to local governments for maintenance and acquisition of parks and natural areas in local communities. The tourists are using the natural areas the communities are establishing and they could do much more if they were funded. He said he thought this bill presented an opportunity to totally examine the tourist tax and decide what the citizens of Montana really want.

Hen Hoovestall, Montana Snowmobile Association, said they support the Montana Tourist Coalition and noted that the study done by the University indicated that the number of tourists coming into Montana to snowmobile had doubled since 1988 and is now a \$40 million business. He said this tax is becoming a victim of its own success, and his organization opposes the increase.

Questions From Committee Members and Responses:

{Tape: 3; Side: A.}

REP. BOHLINGER asked if someone had figures on the trends in bed occupancy. **Mr. Dunlop** said his business is seasonal and he would not have figures for 1995 but in 1991 they had 8,500 camper nights and in 1992 there were 9,000 camper nights and in 1993 it was down to 8,000 and last year, because of Canadian dollars, it dropped to 6,000.

Matthew Cohn, Administrator, Travel Promotion Division, Department of Commerce, reported that they monitor different national reports on occupancy and the average occupancy rate in Montana through the first ten months of 1994 was about 65%, down 1% from previous years. Some communities are down more than others for a variety of factors.

REP. BOHLINGER referred to accommodation tax rates in other states and asked if someone knew what the accommodations tax rates were within the region. **Mr. Cohn** said Wyoming has a local

option tax of 2% but they also have a sales tax. Idaho has the same situation with a 2% bed tax plus the sales tax. In Washington local jurisdictions have authority to levy different types of taxes and presently in Seattle it would be 14% shared between the city, county and state. Alberta has a provincial tax as well as a general sales tax which can run from 10% to 20%.

REP. BOHLINGER requested that someone prepare a written document for the Committee providing these comparisons.

REP. ROSE asked if the Billings Fire Department had a breakdown of the number of calls attributed to Montana residents attending conventions in Billings and the number of out-of-state residents. **Mr. Bergstrom** said he couldn't do that without going back through the records. Calls to motels and hotels account for 8% of the total calls.

REP. ARNOTT asked if the Department of Commerce could provide information on what becomes of the 75% of the bed tax distributed to the Travel Promotion Division. **Mr. Cohn** said that of the approximately \$7 million they will receive, \$1.7 million is returned to the tourism regions and the qualifying convention and visitor bureaus and the Department of Commerce receives \$5.3 million of which \$2.4 million is used for advertising, nationally and internationally. The remainder is used in a variety of programs which include visitor information centers, the telemarketing component, tourism development programs working with rural communities, the Super Host program and 6% of the budget is used for the film industry in terms of attracting movies, magazines and commercials. In the last year, 60 TV commercials were filmed in Montana. General administration is 4.4% of the budget. **REP. ARNOTT** asked how many FTE are employed to handle all the phone calls. **Mr. Cohn** said the prison system is used for handling the phone calls and they are looking at new ways to do this. When the system began, they were receiving 100,000 phone calls and that has increased to 400,000 and there is a physical limitation on the number of phone lines to Deer Lodge and, because it is a maximum security prison, only six prisoners can be together in the telemarketing trailer at one time. **REP. ARNOTT** then asked what the increase in the number of FTE's was since the Travel Montana division was established. **Mr. Cohn** said he did not know how many employees there were in 1988 but there are currently 20 employees. Two FTE's were added in the last session for duties related to the film division and the tourism development section.

REP. REAM asked Mr. Colbo if he was aware of a bill to de-earmark the bed tax revenues and asked him to comment. **Mr. Colbo** said SB 83 has been heard and the industry opposed the de-earmarking of the accommodations tax because the continued earmarking would serve the state and future development of the tourist industry. **REP. REAM** said the program has been successful, with revenues doubling, and then asked at what point, if this growth continues, the industry could start sharing some of the revenue with local

governments or schools. **Mr. Colbo** said he didn't think there was an adequate answer to the question. Issues raised by Rep. Raney are valid and are also a concern to the industry. The shift in funding has already begun with bed tax dollars being used for maintenance of state parks and visitor centers. There will be more of this shifting which will provide a capping on promotion.

REP. REAM said this was an issue that would have to be addressed because there is a growing feeling of concern among Montanans that the tourism industry is viewing the state as "all ours." He said he didn't think the addition of the 4% rate would be a deterrent in the decision-making process that any tourist would make because they are coming to Montana as a result of the promotion. The decline in tourism in Whitefish is due entirely to the Canadian exchange rate. He asked for **Mr. Colbo's** opinion. **Mr. Colbo** said he objects to some of the rates in the places he stays and some states have increased the accommodation tax up to between 10% and 18% before they had to back off because they weren't being considered for conventions. This would be one of many factors going into a decision of where to vacation.

CHAIRMAN HIBBARD said he understood the Governor was proposing to cap the tax and make some redistributions over and above what is being done. He asked if it was in the form of legislation now. **Mr. Colbo** advised that it was a recommendation contained in the Governor's executive budget.

REP. BOHLINGER referred to **Mr. Bergstrom's** testimony in which he stated that in 1990 the fire department responded to 105 calls and that has doubled, yet the study indicates that the impact on local governments is minimal. **Mr. Colbo** responded that these figures weren't presented to the study group doing the impact assessment although they were aware of the figures. He emphasized again that the study was incomplete. **REP. BOHLINGER** then asked if other cities around the state had provided data that would indicate what the workload and he asked why the study was considered inconclusive. **Mr. Colbo** said they had not gathered enough data. What they had intended to do in the study was recognize, on the industry's part, that this issue had been debated. On the other hand, there are beneficial impacts that flow from the tourism industry to a local government, but representatives of local governments debate that there is a disproportionate growth and demand for services. They attempted to offset those two things -- the direct impacts and the direct costs. He said he would be happy to share the study with the Committee.

REP. ELLIOTT asked if it was appropriate for convicts to be answering calls promoting Montana. **Mr. Cohn** said the system was devised in 1988 and has worked well with the average length of calls being 58 seconds. He admitted that there were disadvantages.

REP. RANEY asked if Mr. Hoovestall represented the snowmobile industry or individual snowmobile riders. **Mr. Hoovestall** replied that he represented individuals and families. **REP. RANEY** said he wondered why he would oppose this legislation and promote tourism. A significant number of snowmobilers in his area express the opinion that they don't like the overcrowding due to tourism. **Mr. Hoovestall** said that one reason is it increases participation of Montana residents but the primary reason is that the snowmobile program is funded with fuel tax refunds -- highway tax paid for gas used in their machines. They feel the tourists' machines will burn over a million dollars worth of gas in their snowmobiles which will help support the program. The program is available to both in- and out-of-state users. Contributions put in by the people from out of state are used for better trails, better facilities and better trailheads for use of in-state as well as out-of-state users. If they didn't have the tourists, they wouldn't have the facilities. There is a correlation that works both directions.

{Tape: 3; Side: B.}

REP. ROSE asked Mr. Cohn to furnish the Committee with a chart showing where the tourists spend their dollars. **Mr. Cohn** said he would be happy to.

REP. SWANSON asked if Mr. Hanson was familiar with the study which was done by MACO and the Tourism Coalition. **Mr. Hanson** said he was and he encouraged the Committee to look at the study. His opinion was that the study was not inconclusive. It is preliminary but it includes some interesting facts and figures that the Committee should see. For example, he noted that the property taxes in Kalispell average \$201 per person while in Havre, a town of approximately the same size, they average \$111. He mentioned that law enforcement in Whitefish and Kalispell average \$90 per person while in Great Falls it is half that much. **REP. SWANSON** said she understood that the benefit to the local governments was tourism growth and, if the impact is increasing, the local governments should be able to absorb the impact because of increased property tax. **Mr. Hanson** replied that any new facilities built as a result of tourism would add to the taxable valuation of the city but the additional tax is not covering the cost of the impacts although tourism is providing an economic benefit to the State of Montana. However, it is also creating significant local impacts.

REP. HARPER referred to a comment made previously about "keeping this tax to its purpose" for which it was passed and he felt this was necessary to keep faith with the people upon whom the tax is levied. He said that the link between increased tourism promotion and exposure in the state and rising property taxes has been the fact that tourists see what we have, want to live here, come here and build homes, the homes are very nice and taxes are elevated for the homes around them. He asked if someone would explain this link and if this was a legitimate way that tourists

are driving up property taxes for local residents. **Mr. Hanson** said the link is obvious because all the increases are in the western part of the state. There have been no increases in 26 Eastern Montana counties. He said there is not enough money in this bill to compensate people for the increases in property tax and this is a serious problem which needs a combination of solutions.

Closing by Sponsor:

REP. GALVIN said he had been listening to people talk about how hard this bill would be on the tourist industry. He referred to a graph he had passed out earlier which shows how Montana tourist dollars are spent and commented that a part of those dollars should be going to the homeowner. He questioned how many of the opponents to the bill were obligated to the Innkeepers' Association. The bill states that it is for tax relief. When the bill was first passed the Association claimed that 65% of the tax would be paid by Montanans, now they feel it is 30%. This bill will help give a little money back to the parents of the girl who testified earlier and will relieve some part of the taxes on their home. The reason the Canadians are not coming to Montana, reducing tourism in some areas, is because their dollar is worth 30% less than it was. **REP. GALVIN** used an illustration from a San Francisco newspaper comparing tourism taxes throughout the country indicating rates as high as 19% plus additional fees. The bill requests a 4% increase for a total of 8% which is well below taxes in other states. Passing this bill would be common sense. It is not a politically sensitive bill. HB 227 is a necessary move to help relieve the state's property tax burden. The accommodations tax is a source no different from coal, oil or other minerals, beer, wine, cable TV or gambling, or other revenue source. It should not be considered as an exclusive source of revenue strictly for innkeepers. It will help relieve property taxes for all Montanans who own their homes.

EXECUTIVE ACTION ON HB 143

CHAIRMAN HIBBARD advised that executive action on HB 143 had been interrupted on January 20 because further clarification of information provided in the fiscal note was necessary. The Committee was working on a **Do Pass as Amended** substitute motion made by **REP. ELLIOTT**.

Lee Heiman discussed a revised fiscal note dated January 20. The word "share" was changed to "generated." This clarified that \$160,000 would be available statewide for use by District Courts for records retention.

REP. ELLIOTT refreshed the memories of the Committee on the purpose of the bill, the importance of preservation of court records. The fee proposed in the bill is a fee imposed only on

the persons who use the service. He recommended a "Do Pass" on this bill.

REP. BOHLINGER disagreed with Rep. Elliott, not that he did not think there should be a source of funding for retention of records, but there is funding now and he could not support the increase.

REP. ARNOTT suggested that the fees collected are not for record retention but are for other judicial costs. **REP. REAM** said he would agree with that and he wasn't sure that all the fees even went to the courts. He asked for further information. **Nancy Sweeney, Lewis and Clark District Court**, explained that currently none of the money is specifically appropriated for record retention. In some rural areas, such as Virginia City, they have never microfilmed and the books are falling apart because they cannot afford to have someone come in for repairs. It is at the county commissioners' discretion whether to appropriate any money for this purpose. Throughout the state only a small amount goes back to the District Court. She referred to a schedule passed out at the hearing which indicates that it goes toward battered spouse programs, judicial salaries and a variety of other programs. A small percentage is kept with the county and nothing is actually earmarked for the Clerks of Court. With the passage of this bill, the District Court Clerks would not have to depend on the county commissioners to provide funds for record preservation and retention.

{Tape: 4; Side: A.}

REP. ARNOTT inquired about the destruction of records. **Ms. Sweeney** advised that before any record can be destroyed it must be presented to a records committee and the state archivist serves on that committee. If there is any interest in the documents for either legal or historical reasons, the records are transmitted to the Montana Historical Society. A large variety of the Lewis and Clark County original documents are now preserved at the Historical Society. Marriage licenses are routinely destroyed on a yearly basis after notice is published in the newspaper advising that they are available.

REP. WENNEMAR said he thought the bill would serve a good purpose. He suggested that perhaps the old records could be auctioned off after they have been microfilmed.

REP. FUCHS said he thought the Committee agreed that it was important to preserve the documents; however, he would vote against the bill because he would like to leave it to the discretion of the local governments to determine the importance of appropriating funds.

REP. REAM asked the Committee to look at page 3, line 4, as an example of the various fees. Of the \$125 for dissolution of a marriage, \$40 goes into the state's general fund, \$35 goes to the

judges' retirement fund, \$5 to the children's trust fund, \$20 to the judicial salary fund and \$20 to the county District Court fund. Only \$5 of the fee would go for preservation of records. The only way for the courts to get that \$5 is to come to the legislature and ask for a portion of the general fund contribution. **REP. REAM** indicated that this is an important bill and he did not see any other alternative.

CHAIRMAN HIBBARD asked Ms. Sweeney to explain whether the county commissioners have any say in how the funds are spent. **Ms. Sweeney** said that for anyone to receive funds for record preservation, they would have to go to the county commissioners during the budgeting process. The funds come from capital outlay and a small amount is allocated. For many years this was not done because the county commissioners were more concerned with daily operations of the county and records preservation was not considered a priority.

REP. ELLIOTT inquired if the District Clerks were the only agency in county government having record-keeping necessities. **Ms. Sweeney** said that all local governments are required to keep many records. The Clerk and Recorder and the District Court Clerks have the greatest number because many of their records are designated as permanent. **REP. ELLIOTT** explained that his point was that the District Clerks were in competition with other agencies in the county for these funds. **Ms. Sweeney** explained that the Clerk and Recorders do have a statutory provision to provide for record retention.

Motion:

REP. HARPER moved that the title of the bill and the bill be amended to reduce the amount of \$40 now going to the general fund to \$35 and add that \$5 will go to a fund for record retention and preservation.

Discussion:

REP. HARPER said the money going to the general fund was not earmarked for any special purpose.

REP. HANSON asked if that meant the \$5 proposed in the bill would be increased to \$10. **REP. HARPER** replied that it did not as the \$5 from the amount going to the general fund would replace the \$5 requested in the bill.

Mr. Heiman said there are several places in the bill where money is sent to the general fund and he asked if \$5 should be taken from each one. **REP. HARPER** said that was correct.

REP. SWANSON spoke about the rule recently passed relative to the contingency voidness clause and she wondered if that would apply in this case. **REP. REAM** said he understood that only applied in cases of revenue decreases so that if a tax break was given to

someone, it would be necessary to make up for the loss of revenue in HB 2 by decreasing spending. When taxes are increased, it would not apply.

REP. RANEY said a new fiscal note would be required if the bill is amended as suggested because it would mean a decrease of approximately \$160,000 in the general fund.

REP. HANSON asked if this would be considered new money. **REP. RANEY** replied that the way the bill was written, it would be, but with the Harper amendment, it would not be.

REP. ELLIOTT recommended that a straw vote be taken on the bill and amendment and if it looks like the Committee is in favor of amending and passing the bill, that Mr. Heiman be asked to draft the amendments, request a new fiscal note and postpone action on the bill until the amendment is received. **CHAIRMAN HIBBARD** agreed, and called for a show of hands of those in favor of the Harper amendment which indicated there was enough interest for the Committee to proceed.

REP. HARPER indicated that he also had some questions on how the contingency voidness clause worked. He assumed it might come into play when the time comes to balance the budget. The way the budget committees are operating, there probably will be \$160,000 at that time. His question was how productive it would be for the Taxation Committee to try to tell the Appropriations Committee where it should find the \$160,000.

REP. REAM said he was confident that the contingency voidness clause would not apply in this case because revenue would not be decreased. **CHAIRMAN HIBBARD** said that the \$160,000 that was in the last budget would not be in this budget so the amendment would decrease the general fund by \$160,000. **REP. REAM** agreed but stated that revenues coming in would not be reduced. There would be substitution which would have to be accounted for but the amount is so small, it would have relatively no impact on the general fund. **REP. RANEY** said he felt the amount would be considerably less than \$160,000.

REP. STORY recommended bringing the money into the general fund and earmarking it back out.

REP. SOMERVILLE asked what the long-range impact would be when earmarking fund. **CHAIRMAN HIBBARD** said that was a valid question and every bill coming out of the committee could have a voidness contingency clause and at the end of the process the Committee would have to repeat it all to see which bills are to be funded. He said he was not in a position to answer and it may be necessary to have leadership come in to explain how it will work. He expected that this would apply to many bills coming through the Committee.

REP. ELLIOTT said it was the opinion of the Clerks of the District Court that Rep. Harper's amendment would generate significantly less revenue than the \$160,000.

REP. REAM suggested that as the Committee takes action on bills that do have a fiscal impact, that becomes part of the entire budget balancing process as the Governor's Budget Office and the Fiscal Analyst keep track of every bill that has a fiscal impact. Adjustments are then made either up or down on many bills.

Motion: REP. RANEY THEN MADE A MOTION TO AMEND THE AMENDMENT TO PROVIDE THAT FROM THE FUNDS GOING TO THE GENERAL FUND, 50% BE RETURNED TO THE LOCAL GOVERNMENT FOR RECORDS RETENTION.

Discussion:

REP. RANEY explained that his motion would provide a starting point and the percentages could be adjusted either up or down to provide the funds which are needed.

Mr. Heiman said that the way the bill is written, since the fees are different for different filings, if \$5 is taken from each fee it would be easier to work with. If percentages were used it would be necessary to take a different percentage from each fee which would be much more difficult to administer.

REP. RANEY WITHDREW HIS MOTION.

CHAIRMAN HIBBARD announced that there were additional questions to be answered; therefore, he asked Mr. Heiman to prepare the amendment and action on the bill will be delayed until more information on voidness contingency is received. A new fiscal note will be requested.

In response to a request from the Chairman, REP. RANEY stated that the effect of his amendment would be to take \$5 of the money from the fees currently going to the general fund and give it to the local level for record preservation and retention.

EXECUTIVE ACTION ON HB 141

Motion: REP. HANSON MOVED THAT HB 141 DO PASS.

Discussion:

CHAIRMAN HIBBARD advised that there was an amendment to the bill.

REP. STORY explained that the amendment would change the title and the effective date of the section dealing with the rebate system and the other amendments would change the technical language requested by the banking community. These amendments were requested by the Department of Transportation.

Motion/Vote: REP. STORY MOVED THAT THE AMENDMENTS TO HB 141 DO PASS. On a voice vote the motion passed unanimously.

Motion/Vote: REP. HANSON MOVED THAT HB 141 DO PASS AS AMENDED. On a voice vote, the motion passed unanimously.

EXECUTIVE ACTION ON HJR 7

CHAIRMAN HIBBARD said he had received more information from the Department of Revenue after the hearing on HJR 7. He said that the County Tax Appeal Board in 1986, pre-CAMAS, received 12,954 appeals, and in 1993, post-CAMAS, received 4,800 and, excluding the appeals in the Great Falls lawsuit, 2,800 appeals received. State Tax Appeal Board cases declined from 3,300 to 2,500. There have been two audits of the system, one performed by the LFA in 1987 and one by the LFA in 1990. CHAIRMAN HIBBARD questioned the need for an additional audit.

REP. SOMERVILLE reported that he had visited the DOR and audited his personal records on the CAMAS system and he found the information to be correct.

REP. ELLIOTT said he knew Ken Morrison, former administrator at the DOR, in a professional capacity and for a private citizen to come before the Committee to report that an audit at this time was unnecessary told him a lot.

Motion/Vote: REP. ELLIOTT MOVED THAT HJR 7 DO NOT PASS. On a voice vote, the motion passed 16-4.

Motion/Vote: A MOTION WAS MADE TO TABLE THE BILL. On a roll call vote, the motion failed, 11-9.

EXECUTIVE ACTION ON HB 164

Motion/Vote: REP. HARPER MOVED THAT HB 164 DO PASS. On a voice vote, the motion passed unanimously, 20-0.

ADJOURNMENT

Adjournment: 11:45 A.M.



CHASE HIBBARD, Chairman



DONNA GRACE, Secretary

CH/dg

HOUSE OF REPRESENTATIVES

Taxation

ROLL CALL

DATE 1/24/95

NAME	PRESENT	ABSENT	EXCUSED
Rep. Chase Hibbard, Chairman	✓		
Rep. Marian Hanson, Vice Chairman, Majority	✓		
Rep. Bob Ream, Vice Chairman, Minority	✓		
Rep. Peggy Arnott	✓		
Rep. John Bohlinger	✓		
Rep. Jim Elliott	✓		
Rep. Daniel Fuchs	✓		
Rep. Hal Harper	✓		
Rep. Rick Jore	✓		
Rep. Judy Rice Murdock	✓		
Rep. Tom Nelson	✓		
Rep. Scott Orr	✓		
Rep. Bob Raney	✓		
Rep. Sam Rose	✓		
Rep. Bill Ryan	✓		
Rep. Roger Somerville	✓		
Rep. Robert Story	✓		
Rep. Emily Swanson	✓		
Rep. Jack Wells	✓		
Rep. Ken Wennemar	✓		



HOUSE STANDING COMMITTEE REPORT

January 24, 1995

Page 1 of 2

CNC PAGE 2

Mr. Speaker: We, the committee on Taxation report that **House Bill 141** (first reading copy -- white) do pass as amended.

Signed: _____

A handwritten signature in cursive script, appearing to read "Chase Hibbard", is written over a horizontal line.

Chase Hibbard, Chair

And, that such amendments read:

1. Title, line 14.

Strike: "AN IMMEDIATE"

Strike: "DATE"

Strike: "DATES"

2. Page 8, line 7.

Strike: "date"

Insert: "dates"

Following: "date."

Insert: "(1)"

Strike: "This act] is"

Insert: "Sections 1, 2, and 4 through 9 and this section] are"

3. Page 8.

Following: line 7

Insert: "(2) [Section 3] is effective January 1, 1996."

4. Page 7, line 7.

Strike: "a special, qualified, conditional, or restrictive endorsement"

Insert: "conditions pertaining to endorsement by the department that are"

5. Page 7, line 9.

Following: "liabilities"

1-24

Mur

Committee Vote:

Yes 20, No 0.

201358SC.Hbk



HOUSE STANDING COMMITTEE REPORT

January 24, 1995

Page 1 of 1

Mr. Speaker: We, the committee on Taxation report that **House Bill 164** (first reading copy -- white) do pass.

Signed: _____

A handwritten signature in cursive script, appearing to read "Chase Hibbard".

Chase Hibbard, Chair

1-24
mm

Committee Vote:

Yes 20 . No 0 .

201329SC.Hbk

HOUSE OF REPRESENTATIVES

ROLL CALL VOTE

DATE 1/24/95 BILL NO. _____ NUMBER _____

MOTION: HJR 7- table

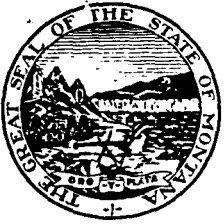
NAME	YES	NO
Vice Chairman Marian Hanson		✓
Vice Chairman Bob Ream		✓
Rep. Peggy Arnott		✓
Rep. John Bohlinger	✓	
Rep. Jim Elliott	✓	
Rep. Daniel Fuchs	✓	
Rep. Hal Harper		✓
Rep. Rick Jore		✓
Rep. Judy Rice Murdock		✓
Rep. Tom Nelson	✓	
Rep. Scott Orr	✓	✓
Rep. Bob Raney		✓
Rep. Sam Rose	✓	
Rep. Bill Ryan		✓
Rep. Roger Somerville		✓
Rep. Robert Story	✓	
Rep. Emily Swanson	✓	
Rep. Jack Wells		✓
Rep. Ken Wennemar		✓
Chairman Chase Hibbard	✓	

Comparison of Coal Severance Tax Effective Rates on Taxable Production Montana and Wyoming

<u>Year</u>	<u>Montana</u>	<u>Wyoming</u>	<u>Difference</u>
1985	21.08%	8.18%	12.90%
1986	19.78%	7.96%	11.82%
1987	18.57%	6.15%	12.42%
1988	16.17%	6.66%	9.51%
1989	14.44%	6.62%	7.82%
1990	13.24%	6.14%	7.11%
1991	10.92%	5.98%	4.93%
1992	10.09%	6.03%	4.07%
1993	10.24%	4.97%	5.27%

Comparison of Coal Production Montana and Wyoming (Millions of Tons)

<u>Year</u>	<u>Montana</u>	<u>Wyoming</u>	MT as % <u>of WY</u>
1985	31.21	136.98	22.78%
1986	32.42	146.51	22.13%
1987	32.85	162.50	20.21%
1988	36.88	169.50	21.76%
1989	34.47	171.04	20.15%
1990	34.89	183.91	18.97%
1991	35.33	194.04	18.21%
1992	36.37	190.03	19.14%
1993	33.03	210.05	15.73%



The Big Sky Country

EXHIBIT 2
DATE 1/24/95
HB 227

MONTANA HOUSE OF REPRESENTATIVES

REPRESENTATIVE PATRICK G. 'PAT' GALVIN
HOUSE DISTRICT 48

HELENA ADDRESS:
CAPITOL BUILDING
HELENA, MONTANA 59620-0400
PHONE: (406) 444-4800

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

COMMITTEES:
STATE ADMINISTRATION
HOUSE HIGHWAYS
(VICE-CHAIR—MINORITY)
STATE-FEDERAL RELATIONS

Mr. Chairman, Members of the Committee;

My name is Pat Galvin, Representative from House District 48, Great Falls and Cascade County.

Today I am pleased to bring you HB 227. House District 48 is a middle income area composed of modest homes and working people. As you are aware this district, as well as all of Great Falls, was subject to House Bill 703 of the 1989 session and Senate Bill 412 of the 1991 session which raised property taxes unfairly in Cascade County and were ruled unconstitutional.

These two laws increased taxes to the tune of some \$6 million to our property owners and the resulting lawsuits cost the state of Montana millions of dollars in fees and refunds. The property owners were refunded \$2.5 million of the \$6 million overcharge. This bill (HB227) then is the result of Montana taxpayers revolt against unfair and illegal taxation.

Please be informed at the outset that this bill is revenue neutral, the kind of bill every legislator dreams of.

The voters of Cascade County have asked me to bring them property tax relief. This bill will do that. This bill will not place any burden on or will it displace any part of the user fee now in place. It leaves the Innkeepers' 4% tax in place as dictated in the Montana State Codes. This bill, as the title indicates, increases the user fee and dedicates that fee to property tax relief to all Montana homeowners.

Using the information before you, you can see Montana has the absolute lowest bed tax in the nation.

Railroad and oil tax income is gone - that tax was transferred to homeowners. Montana's tourist tax is the laughingstock of the nation. No other state has an exclusive tax for the benefit of private business.

This additional 4% is for the relief of property taxes paid by Montana homeowners.

Resistance to this user fee is indicative of the power of the Tourism industry in this state. Special interest Innkeepers Association.

If the committee is interested in relieving property taxes in Montana, it will pass this bill on to the House floor. Failure in the past to bring this bill out of committee, has cost this state's revenue \$15 million over the last four years.

Failure to move this bill to the House floor strengthens the theory that we legislators are under the control of special interest lobbies as was the case when the Anaconda Company controlled the state.

Thank you for allowing the time to consider House Bill 227. House Bill 227 is a timely and necessary bill that will allow an increase in the accommodations tax on tourists to the state of Montana. House Bill 227 will provide an immediate effective and applicability date.

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 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 227 is not a tax on any innkeeper or his/her facility. House Bill 227 is not a tax on any Chamber of Commerce --- local or statewide. House Bill 227 is strictly a fee 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!

House Bill 227 leaves the original 4% accommodations tax for all these monies intact. House Bill 227 will not infringe on how the Department of Commerce disburses that money. In fiscal 1995, this fee will generate in the area of \$9 million.

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, not 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 cannot 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. I represent 8,000 to 10,000 proponents. Special interests represent opponents.

I reserve the right to close...

A few weeks ago the Daily Interlake of Kalispell interviewed me on the issues contained in House Bill 227. The Interlake questioned why I thought that House Bill 227 would pass and be signed during this Session. My answer, "Common Sense". As we are all aware, this is not a politically sensitive bill. The Interlake interviewer compared my bill to the Governor's pledge to return some \$25 million to Montana taxpayers, stating that would amount to about \$100.00 each. He then said your bill would amount to about \$35.00 each. My answer was, but my bill would be \$35.00 the first year, the second year, the third year, etc. As I stated previously, House Bill 227 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 227, will help relieve property taxes for all Montanans who own their homes.

I now quote our Majority Leader, Rep. Larry Grinde, "It's time to start showing these people "(tax payers)" we think more of them than we do the government". Great Falls Tribune, 1-18-95.

Thank you.

Montana Travel UPDATE

Travel Montana, Department of Commerce, Matthew T. Cohn, Travel Director, 406-444-2654



Preliminary Report: 1994 Lodging Tax Collection up 4%

A preliminary third quarter report on Montana's 1994 accommodations tax collections show a 2% statewide increase over last year and 4% growth for the year's collection through September. Third quarter report totals will be updated throughout January and it is expected that the figures presented in this story may change 1%-2% in a positive direction. A more complete report will be available in February 1995.

According to the preliminary figures, July-September, 1994, lodging tax collections in Glacier, Missouri River, Yellowstone and Custer Counties held steady or grew from their 1993 levels. Third quarter declines are being reported by Gold West and Russell Counties. By county: Glacier, Yellowstone and Custer report 5% increases for the quarter and between 4% and 7% growth through September. Missouri River held even for the quarter and was up 1% for the year, while Gold West and Russell showed 1% and 11% third quarter declines, respectively. Gold West is up 2% and Russell is down 6% through September. Missoula and West Yellowstone lead the state's communities with 9% third quarter lodging tax collection growth. They were followed by Bozeman with a 6% increase, Helena up 4%, Billings and Kalispell up 2%, Great Falls, Butte and Whitefish with declines of 10%, 4% and 1%, respectively.

How Montana's Tourism Dollars are Spent

Montana's nonresident visitors spent \$1.1 billion during their stay in Big Sky Country during 1993. This makes tourism Montana's second largest industry, right behind agriculture.

The Total America's visitor do economy of Montana's Recreation, sales, food items, transportation, and tourism.

When tax funds much more. Commerce over has community SUPERment, a film and public.

marketing, fulfilling consumer requests for statewide travel information, and industry education programs. Just over 40% of Travel Montana's budget is spent on print and TV ad production and buys, and only 4% on administration. With the Governor's and the 1995 Legislature's approval, even more of Travel Montana's future bed tax funds will be invested in Montana's communities for visitor and resident attractions and services.

Strong Interest in Montana from Meeting Planners and Tour Groups

HOTEL TAXES OF TOP TOURIST CITIES

Hotel room taxes of the top 20 convention/tourist trade cities			
City	Avg. daily room rate	Daily tax on avg. room	Total tax
New York	\$135.66	\$28.12	19.25% plus \$2.00/room
Washington, D.C.	125.46	15.30	11% plus \$1.50/room
Monterey	114.55	11.46	10%
Palm Springs	110.00	11.88	10.8%
San Francisco	109.99	12.10	11%
Boston	101.81	9.88	9.7%
Seattle	94.10	13.36	14.2%
Portland	89.93	8.09	9%
Honolulu	89.41	8.05	9%
New Orleans	82.43	9.07	11%
Miami	80.89	10.11	12.5%
Los Angeles	75.50	9.44	12.5%
San Diego	75.15	6.76	9%
San Jose	74.62	7.46	10%
Long Beach	73.91	8.13	11%
Phoenix	73.58	7.54	10.25%
Anaheim	71.38	9.28	13%
Orlando	59.52	5.95	10%
Sacramento	58.75	6.46	11%
Las Vegas	49.35	3.95	8%
Reno	41.32	3.72	9%

SOURCE: Pannell Kerr and Forster

5]



NEW YORK STOCK EXCHANGE

Montana League of Cities and Towns



PROPOSAL TO AMEND HB-227
HOUSE TAXATION COMMITTEE
JANUARY 24, 1995

In the last 14 years, the Montana League of Cities and Towns has supported legislation to distribute accommodations tax receipts to local governments to cover the costs of providing services to tourists. There are ways of easing the pressures on local governments without a general increase in the rate of the tax, and cities and towns are suggesting two possible revisions to HB-227.

OPTION ONE

1. Maintain the current tax rate of 4% on accommodations.
2. Allocate 75% of the proceeds of the tax as provided by current law.
4. Allocate 25 percent of the proceeds of the tax to incorporated cities and towns and counties for public safety services.
5. Distribute 50% percent of the local funds to the municipal and county governments where they are collected, with the balance spread on the basis of population.

Similar results could be achieved if the Legislature capped the distribution of funds under current law at approximately \$6-million, with an adjustment for inflation, and distributed the remaining revenues to local governments.

OPTION TWO

1. Maintain the current tax rate and distribution formula.
2. Authorize cities, towns and counties to impose a local option accommodations tax of up to two percent. ~~_____~~
3. Provide a point of origin and population formula for the distribution of a county-wide tax, and limit the local rate on accommodations to two percent.

The administrative costs of either of these options would be minimal. In West Yellowstone, for example, the town employs a part time clerk to collect almost \$1-million in resort taxes. Distribution of state accommodations tax receipts would be no more difficult than the allocation of local promotional funds under current law.

HOUSE OF REPRESENTATIVES

VISITOR'S REGISTER

Loyation COMMITTEE BILL NO. SB 57
 DATE 1/24/95 SPONSOR(S) Senator Musaros

PLEASE PRINT

PLEASE PRINT

PLEASE PRINT

NAME AND ADDRESS	REPRESENTING	BILL	OPPOSE	SUPPORT
	<u>Park Plaz.</u>			
<u>Patti Foster</u>	<u>State Tax Appeal Bd.</u>			

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

HOUSE OF REPRESENTATIVES

VISITOR'S REGISTER

Taxation COMMITTEE BILL NO. HB 199
 DATE 1/24/95 SPONSOR(S) Rep. Elliott

PLEASE PRINT

PLEASE PRINT

PLEASE PRINT

NAME AND ADDRESS	REPRESENTING	BILL	OPPOSE	SUPPORT
Robert Dunlop	5820 N. Mountain			✓
Russ Ritter	Wash. Fdn			✓

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

HOUSE OF REPRESENTATIVES

VISITOR'S REGISTER

Taxation COMMITTEE BILL NO. HB 227
 DATE 1/24/95 SPONSOR(S) Rep. Galvin

PLEASE PRINT

PLEASE PRINT

PLEASE PRINT

NAME AND ADDRESS	REPRESENTING	BILL	OPPOSE	SUPPORT
Robert Dunlop	5820 N. Montana		✓	✗
Keith Colbo	Tourism Coalition		✓	
Charles R. Brooks	B/gschmber	227	✓	
Brad Griffin	MT Retail Assoc	227	✓	
Stuart Duggell	MT Innskeepers Assoc.	227	✓	
Peg Dringman	Carroll's VanCleave Dude Ranches, Big Timber, MT	227	✓	

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

HOUSE OF REPRESENTATIVES

VISITOR'S REGISTER

DATE _____ COMMITTEE _____ BILL NO. HB 227
 SPONSOR(S) REP. GALVIN

PLEASE PRINT

PLEASE PRINT

PLEASE PRINT

NAME AND ADDRESS	REPRESENTING	BILL	OPPOSE	SUPPORT
Tim BERGSTROM	BILLINGS FIRE DEPT	HB227		X
Jim Tillotson	City of Billings	HB227		X
Robert Dunlap	5820 N. ^{Hydrex} Montana		✓	
Pat Melby	MT Ski Areas	HB227	✓	
Dennis Buttr	MT TAXPAYERS ASSOC		✓	
Tom Ebzery	MT AIRPORT MGT ASSN		✓	
Ken Hoovestel	MT. Snowmobile Assn.	HB 227	✓	

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