

MINUTES

MONTANA SENATE
54th LEGISLATURE - REGULAR SESSION

COMMITTEE ON TAXATION

Call to Order: By CHAIRMAN GERRY DEVLIN, on March 3, 1995, at
8:00 a.m.

ROLL CALL

Members Present:

Sen. Gerry Devlin, Chairman (R)
Sen. Mike Foster, Vice Chairman (R)
Sen. Mack Cole (R)
Sen. Delwyn Gage (R)
Sen. Lorents Grosfield (R)
Sen. John G. Harp (R)
Sen. Dorothy Eck (D)
Sen. Barry "Spook" Stang (D)
Sen. Fred R. Van Valkenburg (D)

Members Excused: SEN. DELWYN GAGE (presenting a bill in another committee), SEN. FRED VAN VALKENBURG, and SEN. MIKE FOSTER (presenting a bill in another committee)

Members Absent: None

Staff Present: Jeff Martin, Legislative Council
Renée Podell, Committee Secretary

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

Committee Business Summary:

Hearing: SB 359, SB 397
Executive Action: SB 107, SB 162, SB 358, SB 397

HEARING ON SB 359

Opening Statement by Sponsor:

SEN. DOROTHY ECK, SD 15, Bozeman, explained SB 359 allows a city or town to impose a local option gas tax. She stated Bozeman is in a very difficult situation experiencing rapid growth, and severe traffic problems. SEN. ECK reported Bozeman has a transportation plan which will require a great deal of money and the funding is not available. She stated in the last election the city put to the vote of the people a five mill levy to build roads and streets, and it passed. She admitted there are problems with collecting a local option tax acknowledging the

legislature has the obligation to provide the means for city government to fund services that are needed.

Proponents' Testimony:

Alec Hansen, Montana League of Cities and Towns, stated this bill is a necessary piece of legislation for the future of cities and towns in this state.

James E. Wysocki, Bozeman City Manager, submitted written testimony. EXHIBIT 1.

Opponents' Testimony:

Dennis Burr, Montana Taxpayers Association, questioned if this piece of legislation will do any good for city road problems. He stated it isn't good tax policy to identify one small segment of the local economy to bear this particular type of burden. **Mr. Burr** commented the real impact of this legislation would be on the people who sell the fuel, and not those who buy the fuel.

Ronna Alexander, Montana Petroleum Marketers Association, explained no matter how a local option tax is written the industry will oppose it. She stated this will create a anti-competition situation and urged the committee to reject SB 359.

Dave Wenzenerd, Watkins Shephard Trucking, Missoula, commented he represents an industry that already pays the fourth highest tax rates in the United States on diesel fuel. He affirmed opposition to the bill.

Ben Havdahl, Montana Motor Carriers Association, presented written testimony. EXHIBIT 2.

Bob Stevens, Montana Grain Growers Association, reported he wishes there was another way for Bozeman. He acknowledged there must be a better way to fund roads than is found in this bill.

Informational Testimony:

None

Questions From Committee Members and Responses:

SEN. LORENTS GROSFIELD asked **SEN. ECK** if 2¢ was the maximum amount of tax proposed in the bill. **SEN. ECK** stated, "that is correct."

SEN. GROSFIELD questioned **Mr. Burr** in regard to putting a sales tax through. **Mr. Burr** stated a general tax probably makes more sense. He explained the House is looking at a proposal of a luxury tax.

SEN. GROSFIELD asked SEN. ECK about the fiscal note assuming collection costs are going to be reimbursed from revenue and questioned if she contemplates the Department of Transportation will be able to recover their costs out of this tax. SEN. ECK responded language on Page 2, Line 20 relates to a contract with the department.

CHAIRMAN GERRY DEVLIN asked Mr. Wysocki if this legislation was enacted how much money will the legislature be looking at. Mr. Wysocki stated he wasn't sure how much money it would be.

Closing by Sponsor:

SEN. ECK acknowledged many legislative sessions have discussed unshackling local governments but nothing has been done about it. She commented the problem of collecting the tax is always a problem, however, not more than it would be if there was a local option sales tax of any kind. SEN. ECK recommended a study by the Revenue Oversight Committee of local finances because local governments still depend on the state for authority to raise money.

{Tape: 1; Side: A; Approx. Counter: 48.4; .}

HEARING ON SB 397

Opening Statement by Sponsor:

SEN. ECK, SD 15, Bozeman, reported she carried a bill two years ago by the request of the Department of Revenue, allowing taxing of some federal property that was being used for income producing purposes. She explained most were houses that the federal government picked up because of defaults and they were being rented. SEN. ECK stated the federal government is now leasing some of these properties to non-profit organizations for public charity purposes. She gave an example of one organization in Bozeman who benefits homeless people and suddenly found they were faced with a large state tax on the property. She stated language in this bill addresses properties leased from a governmental entity by a public charity organization shall be tax exempt.

Proponents' Testimony:

Jeff Rupp, Director, District 9 Human Resource Development Council (HRDC) in Bozeman, explained in 1991, the HRDC entered into a lease with the Department of Housing and Urban Development. He explained HRDC leases two properties for \$1.00 a year and they pay the maintenance costs, taxes, garbage, etc. He stressed no rent is charged to clients by HRDC. He stated all money is contributed by United Way, donations from churches, and local charities. Mr. Rupp reported in 1995, a state tax bill was received for \$4,000.00 a year for the properties. He stated they

will not be able to keep their doors open with taxes like this. He requested support for this legislation.

Opponents' Testimony:

None

Informational Testimony:

None

Questions From Committee Members and Responses:

CHAIRMAN DEVLIN asked Mr. Rupp if this problem with the taxes just showed up this last year. Mr. Rupp responded "yes", remarking they have leased the properties since 1991, and their first tax bill came in July, 1994. He explained he is working with the Department of Revenue who states their hands are tied unless this legislation goes through.

CHAIRMAN DEVLIN asked SEN. ECK if she knows of any other entities that might be affected other than housing for the homeless. SEN. ECK stated there is a possibility there are other properties that would fit into this category and more in the future. She stated there is a policy of not taxing properties that are public charities.

SEN. GROSFIELD asked Mr. Wilke if there are other properties that will be affected by this bill. Mr. Wilke said this bill is tight in terms of who it affects. He stated the department is only aware of a couple instances this would apply to.

Closing by Sponsor:

SEN. ECK closed stating this is a simple but a needed bill.

EXECUTIVE ACTION ON SB 397

Motion: SEN. GROSFIELD MOVED SB 397 DO PASS.

Discussion: None

Vote: MOTION CARRIED UNANIMOUSLY.

{Tape: 1; Side: B; Comments: Turn Tape.}

EXECUTIVE ACTION ON SB 107

Discussion: CHAIRMAN DEVLIN explained this bill is the phase in of the three year reappraisal.

SEN. ECK commented there are several bills that deal with this issue.

CHAIRMAN DEVLIN stated there is a Constitutional question in regard to phasing in without a vote of the people.

CHAIRMAN DEVLIN asked Mick Robinson if he would respond to the Constitutional question. Mr. Robinson said the concern he voiced in the hearing is if the valuation process is going to be changed the language in the Constitution needs to be changed allowing more flexibility, because there will a court challenge. He stated his main concern was in relation to the non-phase in of the decrease in value.

Motion: SEN. JOHN HARP MOVED TO TABLE SB 107.

Vote: MOTION CARRIED UNANIMOUSLY.

EXECUTIVE ACTION ON SB 162

Discussion: SEN. GROSFIELD stated this bill is by the request of the Environmental Quality Council (EQC) and this committee requested SEN. DOHERTY to get data on how much tax credit comes from capital investment and how much tax credit comes from the use of recycled material. Jeff Martin stated he would call the EQC. He suggested considering putting SB 358 and this bill together.

CHAIRMAN DEVLIN suggested SB 358 have a sunset put into it regarding what kind of machinery can be listed and a limit on types of machinery.

ADJOURNMENT

Adjournment: 9:24 a.m.



GERRY DEVLIN, Chairman



RENEE J. PODELL, Secretary

GD/rp

MONTANA SENATE
1995 LEGISLATURE
TAXATION COMMITTEE

ROLL CALL

DATE *March 3, 1995*

NAME	PRESENT	ABSENT	EXCUSED
MACK COLE	✓		
DELWYN GAGE			✓
LORENTS GROSFIELD	✓		
JOHN HARP	✓		
DOROTHY ECK	✓		
BARRY "SPOOK" STANG	✓		
FRED VAN VALKENBURG			✓
MIKE FOSTER, VICE CHAIRMAN			✓
GERRY DEVLIN, CHAIRMAN	✓		

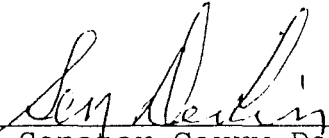
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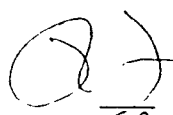

SENATE STANDING COMMITTEE REPORT

Page 1 of 1
March 3, 1995

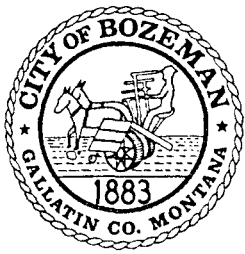
MR. PRESIDENT:

We, your committee on Taxation having had under consideration SB 397 (first reading copy -- white), respectfully report that SB 397 do pass.

Signed: 
Senator Gerry Devlin, Chair


Amd. Coord.
 Sec. of Senate

501107SC.SRF



THE CITY OF BOZEMAN

411 E. MAIN ST. P.O. BOX 640 PHONE (406) 586-3321
BOZEMAN, MONTANA 59771-0640

SENATE TAXATION

March 3, 1995
1
SB 359

February 28, 1995

Senator Gerry Devlin, Chair
Senate Taxation Committee
Montana State Legislature
Capitol Station
Helena, Montana 59715

Dear Committee Members,

Please give positive consideration to Senate Bill 359! This bill would do three primary things, all of which would have to be approved by the local voters, after action by the local elected body places the question on the ballot.

These changes are as follows:

1. Allows a city or town to act on a local gas tax separate from the county.
2. Provides for the funds derived from the local gas or special fuels to be pledged for the retirement of bonds that were sold to do transportation projects, in addition to "pay as you go" repair, maintenance, construction or reconstruction of streets.
3. Establishes that the collection will be made at the pump by a "vendor" which is defined as such.

If the electorate approves the ballot measure, the State would continue to receive the funds from the vendors who would be compensated one percent of the collections for the cost of compliance with the collection procedures.

Thank you for your positive vote for S.B. 359.

Sincerely,

James E. Wysocki
City Manager

Statement of Montana Motor Carriers Assn.
Senate Committee on Taxation
SB 359 - Local Option Fuel Tax

SENATE TAXATION
DATE March 3, 1995
COMMITTEE NO. 2
SB 359

Mr. Chairman and Members of the Committee. For the record I am Ben Havdahl representing the Montana Motor Carriers Association. MMCA is opposed to the enactment of SB359 enabling municipalities to tax special fuel or diesel fuel as a local taxing option now limited to only gasoline.

MMCA is opposed to expanding the potential authority to counties and cities and towns to levy diesel fuel taxes. We are strongly opposed to increasing the diesel fuel tax rate by any means and by any level of government.

The diesel fuel tax rate in Montana of 27.75 cents is the fourth highest in the nation surpassed only by New York, Pennsylvania and Rhode Island. The average diesel fuel tax rate in the country is 20.28 cents, seven and a half cents under Montana's current rate, as you can see from the attached listing. A two cent increase in the tax rate enacted by a city or county, would make Montana's rate, the second highest behind only New York. In addition the federal diesel fuel tax rate is 20 cents per gallon.

State primary highways and some secondary highways that truckers do use in or around municipalities are reconstructed and maintained by the Division of Highways within the MT DOT. As we testified before this committee earlier in this session, truckers support and pay for highway routes that we are principal users of and those routes do not include city streets.

Three cents of the seven cent increase in the diesel fuel tax passed by the 1993 session was slated for county secondary roads. MMCA opposed that hike for the secondary road program, but it was enacted notwithstanding our view. Now to allow counties to further increase the diesel fuel tax as proposed under SB 359, is not in the best interest of motor carriers in the State and their shipping customers.

Diesel fuel is the primary fuel consumed by over the road motor carriers transporting commodities and passengers from Montana all over the country. The fuel is purchased in truck stops and in bulk quantities, some located within cities. Over the road truckers, rarely if ever, use city streets because many cities in Montana and elsewhere preclude them from doing so. To include diesel fuel within the scope of authority for local taxing options, in or view, is unwarranted, is unfair and adds to an undesirable economic burden imposed on over the road trucking in Montana.

For the committee's information, I have attached to my statement a publication outlining the current cost of government imposed on a typical truck combination operated by all MMCA members. The total government imposed costs add up, an increment at a time, to a very large impact. Thank you.

DIESEL FUEL TAX RATE COMPARISON

January 1990 through January 1995

(Composite rates in cents per gallon, including sales taxes, surtaxes, etc.)

	January 1990	January 1991	January 1992	January 1993	January 1994	January 1995
Alabama	14.00	14.00	14.00	19.00	19.00	19.00
Alaska	8.00	8.00	8.00	8.00	8.00	8.00
Arizona	17.00	18.00	18.00	18.00	26.00	26.00
Arkansas	12.50	12.50	18.50	18.50	18.50	18.50
California	14.30	23.50	22.98	25.30	26.00	26.00
Colorado	18.50	18.00	20.50	20.50	20.50	20.50
Connecticut	20.00	22.00	18.00	18.00	18.00	18.00
Delaware	16.00	19.00	19.00	19.00	19.00	22.00
Dist. of Col.	18.00	18.00	18.00	20.00	20.00	20.00
Florida	9.70	15.90	18.70	21.00	23.60	23.90
Georgia	12.00	11.70	10.99	11.00	11.90	11.90
Hawaii	11.00	11.00	16.00	16.00	16.00	16.00
Idaho	18.00	18.00	21.00	21.00	21.00	21.00
Illinois	25.60	27.80	27.60	27.40	27.50	27.50
Indiana	27.00	27.00	27.00	27.00	27.00	27.00
Iowa	22.50	22.50	22.50	22.50	22.50	22.50
Kansas	17.00	18.00	19.00	20.00	20.00	20.00
Kentucky	19.20	19.20	19.20	19.20	19.20	19.20
Louisiana	20.00	20.00	20.00	20.00	20.00	20.00
Maine	20.00	20.00	20.00	20.00	20.00	20.00
Maryland	18.50	18.50	18.50	21.75	24.25	24.25
Massachusetts	11.00	21.00	21.00	21.00	21.00	21.00
Michigan	13.60	13.60	13.60	13.60	13.40	15.60
Minnesota	20.00	20.00	20.00	20.00	20.00	20.00
Mississippi	18.20	18.00	18.00	18.00	18.00	18.00
Missouri	11.00	11.00	11.00	13.00	13.00	15.00
Montana	21.00	20.00	20.00	21.40	24.75	27.75
Nebraska	22.00	26.50	23.80	24.60	26.00	24.20
Nevada	22.00	22.00	24.50	27.00	27.00	27.00
New Hampshire	14.00	16.00	18.00	18.00	18.00	18.00
New Jersey	13.50	13.50	13.50	13.50	13.50	13.50
New Mexico	16.20	16.00	16.00	16.00	18.00	18.00
New York	17.30	20.60	33.74	33.64	33.94	33.71
North Carolina	21.95	22.55	22.55	22.55	22.25	21.95
North Dakota	17.00	17.00	17.00	17.00	18.00	18.00
Ohio	18.00	23.00	24.00	24.00	25.00	25.00
Oklahoma	14.00	14.00	14.00	14.00	13.00	13.00
Oregon	0.00	0.00	0.00	0.00	0.00	0.00
Pennsylvania	23.40	23.80	28.40	28.40	28.40	28.40
Rhode Island	20.00	21.00	26.00	26.00	28.00	28.00
South Carolina	16.00	16.00	16.00	16.00	16.00	16.00
South Dakota	18.00	18.00	18.00	18.00	18.00	18.00
Tennessee	17.00	18.00	18.00	18.00	18.00	18.00
Texas	15.00	15.00	20.00	20.00	20.00	20.00
Utah	19.00	19.00	19.00	19.00	19.00	19.00
Vermont	23.00	26.00	26.00	26.00	26.00	26.00
Virginia	19.70	19.50	19.50	19.50	19.50	19.50
Washington	18.00	22.00	23.00	23.00	23.00	23.00
West Virginia	20.35	20.35	20.35	20.35	25.35	25.35
Wisconsin	20.80	21.50	22.20	22.20	23.20	23.10
Wyoming	9.00	9.00	9.00	9.00	9.00	9.00
Average	17.04	18.17	19.09	19.53	20.12	20.28

TAKE A TYPICAL TRACTOR-SEMITRAILER
COMBINATION EARNING \$88,000 IN GROSS
RECEIPTS A YEAR:

FEDERAL, STATE AND LOCAL TAXES AND
THE COSTS OF GOVERNMENT REGULATION
TAKE OVER 36%, MORE THAN A THIRD, OF
THAT TRUCK'S EARNINGS!

ADD UP THE COSTS OF ALL THESE TAXES
AND REGULATIONS AND THAT TRUCK
WINDS UP WITH AN AVERAGE PROFIT
MARGIN OF 2% —

ONLY \$1,760 IN A WHOLE YEAR!

AND THIS SMALL PROFIT STANDS TO BE
REDUCED FURTHER BECAUSE OF
INCREASING GOVERNMENT TAXES AND
REGULATIONS.

EXHIBIT 2
DATE 3-3-95
SB359

THE TRUCKING INDUSTRY: GOVERNMENT'S CASH COW

DO YOU KNOW WHAT
TAXES AND
GOVERNMENT
REGULATION COST YOU?

WELL, LOOK HERE...



Statistics compiled by
ATA State Laws Department.
For further information, call
(703) 838-1797.

THESE COSTS ARE BASED ON THE FOLLOWING ASSUMPTIONS.

The COMPANY: A truckload carrier operating 100 trucks in 48 states. It hauls some hazardous materials, and has two terminals for maintenance and fueling. It has 130 employees, including drivers.

The TRUCK: A 5-axle, 18-wheel tractor-semitrailer combination, 80,000 pounds GVW, traveling 80,000 miles a year in interstate commerce. The operations of

this truck earn the company \$88,000 in gross receipts a year.

The DRIVER: A company employee earning \$35,000 a year, plus benefits of \$15,000.

ANNUAL GROSS INCOME OF ONE INTERSTATE TRACTOR-SEMITRAILER COMBINATION: \$88,000 100.0%

ANNUAL GOVERNMENT-IMPOSED COSTS FOR ONE INTERSTATE TRACTOR-SEMITRAILER COMBINATION:

I. FEDERAL TAXES
- Annual Costs per Truck -

Fuel Tax	\$2,821	
Deficit Reduction Fuel Tax	604	
Heavy Vehicle Use Tax	550	
Tire Tax	84	
Vehicle Excise Tax	1,600	
Subtotal - Federal Taxes:	\$5,659	6.4%

II. STATE & LOCAL TAXES
- Annual Costs per Truck -

Fuel Taxes	\$2,837	
Vehicle Registration Fees	1,238	
Weight-Distance Taxes	680	
Tolls	811	
Insurance Registration Fees	259	
Decal Fees	141	
Trip Permits	130	
Hazardous Waste Fees	11	
Environmental Fees	25	
Subtotal - State & Local Taxes:	\$6,132	7.0%
Total - Federal, State & Local Taxes:	\$11,791	13.4%

III. MANDATED COMPLIANCE COSTS
- Annual Costs per Truck -

Operating Tax Compliance	\$1,480
Low-Sulfur Fuel	561
Reduction in Vehicle Emissions	500
Fuel Storage Tanks	75
Storm-Water Runoff	127
Community Right-to-Know Laws	12
Hazardous Waste Disposal	187
Human Resources Mandates	1,000
Drug & Alcohol Testing	169
MCSAP Inspections	150
Terminal Inspections	100
Hours-of-Service Compliance	1,434
Vehicle Maintenance Compliance	60
Driver Qualification	65
Hazardous Regulations	318
Equipment Standards	333
Total - Government Regulation:	\$6,571

IV. GENERAL BUSINESS TAXES AND COMPLIANCE COSTS
- Annual Costs per Truck -

Employment Taxes	\$3,112
Corporate Income Taxes	721
Property Taxes	830
Sales & Use Taxes	358
Franchise & Business Taxes	10
Gross Receipts Taxes	13
Unemployment Taxes	1,400
Business Tax Compliance	88
Workers' Compensation	7,000
Total - General Taxes and Compliance:	\$13,532
Grand Total -	\$31,894
Government-Imposed Costs:	36.3%

THE AMERICAN TRUCKING INDUSTRY OPERATES 1.3 MILLION TRACTOR-SEMITRAILER COMBINATIONS. THIS MEANS A TOTAL INDUSTRY COST OF OVER \$41 BILLION.

GET INVOLVED IN REDUCING GOVERNMENT-IMPOSED COSTS!

DATE March 3, 1995

SENATE COMMITTEE ON Taxation

BILLS BEING HEARD TODAY: SB 359 Senator Eck
SB 397 Senator Eck

< ■ > PLEASE PRINT < ■ >

Check One

Name	Representing	Bill No.	Support	Oppose
w. James Kembel	City of Billings		✓	
ED SHARNEY	DANIELS Co.	SB 777		✓
Penna Alexander	MT Petroleum Marketers	359		✓
Ben Howard	MT Motor Carriers Assn	359		✓
DENNIS BURT	MONTAX	359		✓
Alex Hames	MLCT	359	✓	AM
DAVE WENZENDORF	WATKINS-SHERARD			✓
Jeff Rupp	HRDC / Dist IX	397	*	

VISITOR REGISTER

PLEASE LEAVE PREPARED STATEMENT WITH COMMITTEE SECRETARY