

## **MINUTES**

### **MONTANA HOUSE OF REPRESENTATIVES 54th LEGISLATURE - REGULAR SESSION**

#### **COMMITTEE ON TAXATION**

**Call to Order:** By **CHAIRMAN CHASE HIBBARD**, on March 8, 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 393  
HB 506  
HB 568  
Executive Action: HB 568 - Tabled  
HB 535 - Do Pass as Amended  
SB 126 - Concur as Amended  
HB 567 - Do Pass as Amended

HEARING ON SB 393Opening Statement by Sponsor:

**SEN. GARY AKLESTAD**, Senate District 44, Galata, informed the Committee that SB 393 would take care of a situation that arose in a Montana city that resulted in a successful class action suit. Following the lawsuit, individuals who had not filed a protest of their taxes and were not a party to the lawsuit received refunds. The bill clarifies the requirements for bringing a class action suit for tax refunds and provides that a member of the class must have paid the tax under protest in order to receive a refund.

Proponents' Testimony:

**Larry Fasbender**, Cascade County Coalition, advised that the city, county and school districts were all obligated when the lawsuit was settled and had to find the money to pay the settlement. When a taxpayer files a protest, his tax money goes into a fund and when a settlement is made, funds can be withdrawn from that fund to settle the case. In this particular instance, a class action was filed and a number of people who had not filed a protest became members of the class (all taxpayers in Cascade County) and eventually were paid a refund. The problem that occurred was that the settlement required that the refunds could not be paid by levying emergency mills to raise the money. Consequently, the local government units had to use reserve funds to make the payment. It has become clear that there must be a readily available fund to make refunds. He said the legislation will make it clear that in the future, whenever a suit is filed that may become a class action suit, in order to maintain the members of the class, all of the members would have had to file their taxes under protest. The money would be placed into a fund to provide a source of revenue to make the settlement payment. By putting this legislation in place, the problem may not occur again.

**Larry Allen**, Attorney, Montana Department of Revenue (DOR), expressed support for SB 393. He said it would provide a uniform refund procedure for taxpayers.

Opponents' Testimony:

None.

Questions From Committee Members and Responses:

**REP. ELLIOTT** asked how a taxpayer would know that a class action suit would be filed because it could be filed after the deadline for protesting taxes. **Mr. Fasbender** said that was correct. The remedy in the law now does not require that and it creates a problem because the taxes were not set aside to create a fund from which to pay refunds. The standard used nationwide is that

the taxpayer must have filed a protest in order to be considered a member of the class. To follow up, **REP. ELLIOTT** said the taxpayer might not protest because he was not aware that the tax was improper. **Mr. Fasbender** said that in most cases the amount of money involved would not make it significant and doesn't change the fact that someone may get a refund and someone else may not. That is the situation under the law at the present time.

**REP. STORY** asked what happens to the money when a taxpayer pays under protest. **Mr. Fasbender** said it is held in a special account until the case is settled. **REP. STORY** asked if all tax money was held. **Mr. Fasbender** replied that it would only be the protested portion. **REP. STORY** asked how a determination was made of how much went into the fund. **Mr. Fasbender** said it was the amount protested, such as the increase over the previous year.

**REP. WENNEMAR** asked if this would lead to increased filings under protest. **SEN. AKLESTAD** said he did not believe it would. He said a class action was not the normal procedure.

**REP. STORY** said that he thought it would be possible that following a reevaluation, everyone would file under protest in the event there could be a class action. **Mr. Allen** said the taxpayer must file under protest in order to be a member of a class. He provided an example of how the process would work.

#### Closing Statement by Sponsor:

**SEN. AKLESTAD** said the DOR had requested the bill to make sure the intent of the statute is plain.

### HEARING ON HB 506

#### Opening Statement by Sponsor:

**REP. TOM NELSON, House District 11, Billings**, opened the hearing on HB 506 which would impose a 5% surcharge on the base price of a rental vehicle in Montana and would be a reimbursement for the taxes and fees paid on the rental vehicle at the time of registration. A copy of Rep. Nelson's opening statement is attached. EXHIBIT 1.

#### Proponents' Testimony:

**Steve Costley, President, Montana Car Rental Association**, testified in support of the bill. An outline of his testimony is attached. EXHIBIT 2.

**Jeff Taylor, Dollar Rent a Car, Missoula**, rose in support of the bill. A copy of his testimony is attached. EXHIBIT 3.

{Tape: 1; Side: B.}

Gerald B. Woodahl, Hertz, Missoula, said he was in favor of HB 506. His written testimony is attached. EXHIBIT 4.

Rob Doyle, Avis Rent a Car, Missoula, rose in support of the bill.

Dave Leipheimer, Avis Rent a Car, Butte, Helena, Great Falls, and Glacier Park, said he hoped the Committee would pass this legislation.

Dave Galt, Administrator of Motor Carrier Services, Department of Transportation, said he was appearing before the Committee because cars owned by companies involved in rental operations between states must follow vehicle registration guidelines that are under the International Registration File (IRP), which is a responsibility of the Department of Transportation. He said the Department is neither a proponent or opponent of the bill. The bill would offer a possible solution to concerns the Department has in dealing with interstate rental car units. He said the Department feels they do not get their fair share of registration and tax fees. A provision in the bill would allow rental agencies to add a surcharge and, at the end of the year, a breakdown of the fee distribution should be the same breakdown as the license fees. Vehicles that are licensed when new would pay new car sales tax. As far as the IRP is concerned, the DOT requires rental agencies from other states to show how much of their total revenue is earned in Montana. They take that percentage and apply it to the percentage of the fleet and that is the number of vehicles they pay on in the State of Montana.

Opponents' Testimony:

None.

Questions From Committee Members and Responses:

REP. MURDOCK said she had not understood from Mr. Galt's statement the percentage the rental companies pay to the State of Montana. Mr. Galt explained that on interstate rental car fleets they look at the total revenue the company has earned and the states in which it was earned. For example, if 25% of the rental car revenue was earned in Montana, the DOT requires that they license 25% of the rental car fleet in Montana and they pay the full registration for that percent of the cars to the county treasurer.

REP. ORR asked whether the bill would require the DOT to do a large amount of auditing and whether they would need additional employees to do it. Mr. Galt said they audit now and the Department could continue without additional FTE's.

**REP. REAM** said he didn't have a problem with the bill but he wondered why the revenue would be distributed as proposed. **Dave Brown, President of the Montana Car Rental Association**, said he had met with the DOT and the Department of Justice and it was decided that the best place to put the money would be back into the highway fund. It also gives the county road fund and the general fund a little more money. He said he would have no objection to altering the distribution. **REP. REAM** commented that some of the distributions would be so small, it might be more worthwhile to put it all into the county road fund. **Mr. Brown** said he had checked with the Legislative Fiscal Analyst and a suggestion had been made to strike Section 2 of the bill and place all the funds in the county road fund.

**REP. SOMERVILLE** said the most taxed piece of equipment he owned was his automobile. He asked if it would be possible to take the money to provide some relief to the people who own automobiles. **REP. NELSON** said the Committee could discuss that issue during executive action on the bill.

**REP. SWANSON** what the purpose was for asking for the surcharge. **Mr. Costley** replied that it was to make them more competitive with other states. He said this was particularly true in the Yellowstone Park area. He said the State of Wyoming has enacted surcharge legislation on both rental cars and trucks because it has made it so much easier for them to enforce the IRP.

**REP. ELLIOTT** asked if the rental rates were set locally or nationally. **Mr. Costley** said most of them were set locally except for a few contract rates for large customers that are set on a national basis.

**REP. WELLS** said the rental agencies pay fees and they are written off as a business expense. He asked if, under this bill, the agency would be reimbursed for the fees up to the level paid for all registration fees. **Mr. Costley** said that was correct. **REP. WELLS** asked if it was correct that the excess would go to the Department of Transportation and the company would also be paying additional taxes because the profit margin of the company would be going up. **Mr. Costley** said that was what he hoped would happen.

**REP. HANSON** asked what would happen if the bill was not passed. **Mr. Brown** said he had been skeptical when first asked about this bill. The more familiar he became with the IRP problems that resulted from the national legislation two years ago, and the difficulty the Department has in trying to be sure the car rental agencies are doing their percentage share registrations and the impact that has on local government, he was convinced that without the legislation the situation will become untenable for both the state and the industry. With the legislation, all of the problems would be resolved. He pointed out that all the companies operating out of airports are already being audited.

**REP. ROSE** asked what happened to the money that was collected in Wyoming. **Mr. Costley** said the funds are allocated back to the county highway fund in the county where the cars were reported.

**REP. SWANSON** asked how the public would be informed of the surcharge. **Mr. Costley** said it was printed on the rental contract. **REP. SWANSON** asked why the proposed surcharge was 5% when the break-even point was 3% and surrounding states that have enacted the surcharge have lesser rates. **Mr. Costley** said his organization had asked the DOT what they thought would be a proper rate and they suggested 5%.

*{Tape: 2; Side: A.}*

**Mr. Brown** said the bill was not intended to generate revenue for the state and, until they can see how it will work, they would like to see the percentage left at 5% to make sure the costs are covered.

**REP. ELLIOTT** asked how the State of Washington handled this situation. **Mr. Costley** said the law in Washington is identical with what is being proposed for Montana except they require a one-time registration charge per year per car in addition to the surcharge. **REP. ELLIOTT** asked where the advantage would be if the surrounding states have the same tax. **Mr. Costley** said there would be no advantage but it would put them on a level playing field.

**CHAIRMAN HIBBARD** said he understood the registration fees the car rental companies pay is a difficult matter because rental cars are mobile and fees could be paid on larger cars in another state and used primarily in Montana. He asked **Mr. Galt** to comment on the current situation for figuring out whether the fees that are being assessed and collected are equitable, fair and adequate. He also asked him to explain how this bill might alter the situation. **Mr. Galt** said he has received complaints that out-of-state rental cars are licensing their more expensive cars in other states where taxes are less. There is some question as to whether Montana is getting a fair distribution on the larger cars. Part of the problem is language in the IRP which says the rental car agency only has to license a percentage of their vehicles in Montana based on the percentage of revenue they earn in the state. HB 506 would provide a safety net for the state to insure that it is getting a fair share of the fees. It will shift some of the auditing responsibility to local governments. As far as whether the system is fair and equitable, Montana has a high license tax for vehicles and it is one of the reasons this bill has been brought forward. **Mr. Galt** concluded that vehicles would still have to be licensed in the State of Montana and registered under the IRP whether the bill passes or not, but the bill would provide insurance that Montana would receive its fair share of the fees.

**Closing by Sponsor:**

REP. NELSON thanked the Committee for the hearing and said the questions would provide the basis for good discussion during executive action on the bill.

**HEARING ON HB 568**

CHAIRMAN HIBBARD advised the Committee that REP. MARJORIE FISHER, House District 80, sponsor of HB 568, was attending an Appropriations Committee meeting and was unable to leave. Therefore, REP. HARPER agreed to present the opening statement on the bill.

**Opening Statement by Sponsor:**

REP. HARPER said he would read testimony prepared by Rep. Fisher as follows: "This bill was requested and drafted because of the unequal tax burden carried by Montana ski areas. Ski lifts are permanently affixed to land, like buildings, but are taxed at nearly three times the amount. All costs of installation are calculated. Also, ski areas may be affected by recent amendments to the beneficial use tax. Montana desperately needs to increase winter recreation and add to summer tourism. High taxation of lifts and land discourages the development of new ski area and improvements to existing areas. Taxation of ski areas is complicated and needs to be addressed in a comprehensive manner. The Department of Revenue and the ski areas have recently agreed to sit down over the interim with affected local governments to review this situation. For these reasons, I ask the Committee to table this bill so the interested parties can work out an agreement providing fair and uniform taxation."

**Proponents' Testimony:**

None.

**Opponents' Testimony:**

None.

**Questions From Committee Members and Responses:**

None.

**Closing by Sponsor:**

None.

EXECUTIVE ACTION ON HB 568Motion/Vote:

REP. ROSE MOVED TO TABLE HB 568. The motion passed unanimously.

EXECUTIVE ACTION ON HB 535

CHAIRMAN HIBBARD advised that the information requested from the Department of Revenue relative to the fiscal impact of HB 535 had been received. EXHIBIT 5. The revised fiscal information indicates the average annual credit would be approximately \$267,000 rather than \$20,000 as proposed in the original fiscal note.

Discussion:

REP. BOHLINGER said he thought \$287,000 was a small price to pay for preserving Montana's history. What is offered in HB 535 is reasonable and fair. He encouraged the Committee's support in this effort to preserve some of the wonderful elegance of Montana's turn-of-the-century buildings.

REP. ELLIOTT said he assumed the bill, if passed, would have the contingent voidness clause added.

Motion:

REP. SOMERVILLE MOVED THAT HB 535 DO PASS.

Discussion:

REP. SOMERVILLE said he would support the bill and spoke of his experience in visiting the City of Livingston which has preserved several blocks. Kalispell has done a poor job in preserving its buildings. He said HB 535 would support further restoration.

{Tape: 2; Side: B.}

REP. WENNEMAR said he thought it was appropriate for the state to invest in its fine old buildings and put them to use.

REP. BOHLINGER asked the Committee to consider that remodeling is much more expensive than building something new; therefore, the bill would provide an incentive.

REP. STORY spoke in opposition to the bill. He said it was commendable to want to help with the restoration of old buildings but the pricetag was too costly. He said there are better places to put the money.

REP. RYAN said he was highly in favor of the bill.



REP. ROSE asked who would certify the building as a historical structure. CHAIRMAN HIBBARD said there is an elaborate federal guideline process that must be followed.

Vote:

On a roll call vote, the motion passed, 13 - 7.

Motion:

REP. HANSON MOVED TO ADD THE CONTINGENT VOIDNESS CLAUSE TO HB 535. EXHIBIT 6.

Discussion:

REP. STORY said this was a "close call" relative to the contingent voidness provision. The way the bill is written, it provides a tax credit and many people probably wouldn't claim the credit so the amount would be well below the \$350,000 limit. He said he had no objection to adding the clause.

REP. ELLIOTT said the consensus of the Committee was to add contingent voidness to bills that cost over \$350,000 in a biennium. The Committee is not looking at future costs of these bills and this bill could cost as much as \$500,000 in a biennium. He would support adding the clause.

REP. REAM suggested that the 25% could be reduced in order to bring the cost down.

REP. HARPER said it is irresponsible to look at only one biennium.

Vote:

On a voice vote, the motion to add the contingent voidness clause passed, 17 - 3.

CHAIRMAN HIBBARD said HB 535 would be held in the Committee along with other bills containing the contingent voidness clause to be prioritized by the Committee later in the session when they would all be sent to the floor for discussion at the same time.

EXECUTIVE ACTION ON SB 126

Motion:

REP. HARPER MOVED THAT SB 126 BE CONCURRED IN.

Discussion:

REP. HARPER said there was an amendment to the bill which would allow the Office of the Legislative Fiscal Analyst or any

legislative agency or committee access to the information without charge. EXHIBIT 7.

REP. ELLIOTT asked why a fee is charged to other state agencies.

CHAIRMAN HIBBARD said he had wondered the same thing. He asked if the bill allows a charge to other government agencies. REP. ELLIOTT said it does allow a charge to other state agencies but not to local government entities.

Mary Whittinghill, DOR, said the information requested by the LFA or other agencies would be the valuation summaries. She said the DOR does not have a problem with the amendment. However, other state agencies request information that requires a lot of special programming and printing. For example, the extension agency requests labels and the DNRC requests detailed lists of acreage to determine flood plains and these are the services they would charge for.

REP. ORR said he was in favor of the amendment because it charges federal agencies, state agencies and other entities but exempt those agencies having a need to know.

Vote:

On a voice vote, the motion passed unanimously.

Motion:

REP. HANSON MOVED THAT SB 126 AS AMENDED BE CONCURRED IN.

Discussion:

REP. ELLIOTT said he had confidentiality concerns about the bill because anyone could "cruise through" the data.

REP. REAM asked for clarification from the Department on this issue.

Without objection, Ms. Whittinghill explained that no confidential information, such as the realty transfer certificate information, would be given out on tape. The information is the same as what could be obtained from the assessor's office at any time. The only difference is that it is furnished in a different format.

REP. ARNOTT said she was concerned because, from testimony heard previously, the counties claimed they were charged for information. She said she also thought it was ridiculous for one state agency to charge another state agency and she suggested that an agency could send its own data processing people to the other agency to acquire information.

REP. NELSON said that is a budgetary thing that exists in state government.

REP. RYAN said the bill did not deal with what was public information and what was not. If it was, it would be in the Judiciary Committee. He said it was a good bill.

{Tape: 3; Side: A.}

REP. HARPER said he didn't think the DOR would want someone from another agency coming in and getting into their computers. If there was no limit, or charge, there would be no constraints on other agencies to get as much work as possible from the DOR. The bill makes good sense in terms of work and budgetary considerations.

REP. BOHLINGER said he saw SB 126 as an accommodation to the business community and, since confidentiality is preserved, it was a worthwhile bill.

Vote:

On a roll call vote, SB 126, as amended, was concurred in, 14 - 6.

EXECUTIVE ACTION ON HB 567

REP. CHASE HIBBARD, House District 54, Helena, said he was the sponsor of HB 567 which was passed out of the Business and Labor Committee on a vote of 18 - 0. During discussion on the floor, he moved to re-refer the bill to the Committee on Taxation because there is a fiscal note on the bill of \$500,000 for each year of the biennium. His opinion was that the bill should have a contingent voidness clause added. There was no opposition to the bill; therefore, the decision was made that it would not be necessary to hold another hearing. He said he would like to explain what the bill does and, without objection, would like to call on a proponent, Mr. John Markey, to answer questions.

REP. HIBBARD said the bill is an economic development bill, while complicated, does some simple things. The bill would extend tax credits, facilitate the development of a small business investment capital company in Montana by conforming the Montana statutes to be consistent with federal rules and regulations, and require that debt acquired from the Montana Science and Technology Alliance be repaid in the same fashion as it would be repaid to any other investor or lender. It also expands the applicability of tax credits to qualified retirement plans. REP. HIBBARD explained that the Legislature in 1983 created the Capital Companies Act to encourage the formation of venture equity capital in Montana for use in diversifying, strengthening and stabilizing the Montana economy by increasing Montana's employment and business opportunities. It provided a 25% tax

credit for investments made into Montana capital companies. It was later determined that the 25% credit was inadequate and subsequent legislation raised the credit to 50% and authorized additional tax credits in 1985, 1987, 1989, and 1991. \$2 million of the \$3 million authorized in 1991 remains and is due to expire as of July 1995. HB 567 would extend the \$2 million in income tax credit for an additional two years. The reason for doing this is to allow time for the Montana Small Business Investment Capital Company to raise a sufficient amount of capital to get up and running. They have been unable to do that because the Small Business Administration (SBA) was in the process of revising its rules and regulations and, when finished, the rules no longer conformed to Montana law. HB 567 would conform the Montana statutes so that SBA participation could be obtained.

**REP. ELLIOTT** asked what action the Committee was expected to take. **REP. HIBBARD** said the object was to add the contingent voidness clause and also consider a technical amendment to correct an error that was made in the bill.

**REP. ROSE** asked for an explanation of Section 6. **Mr. Markey** replied that the federal government requires a two-for-one match of money raised at the state level and, in doing so, the federal government doesn't want onerous restrictions on the investments. **Mr. Markey** stated that investments are only made in Montana. Under the current act, 10% of the investments must be made in counties with populations of less than 20,000. The federal government feels that is too restrictive.

**REP. ROSE** asked what was meant by "qualify." **REP. HIBBARD** explained there were two tests -- the first is that the statute only allows one small business investment capital company to be certified by the Department of Commerce and, in order to become certified, it must show that the purpose is to make investment capital available to businesses in Montana. The second test is that investments have to be made in accordance with a prescribed schedule. He said the statute is very complicated to explain but does require that the company must be licensed by the SBA, must commence operations with \$500,000 of investment capital, and the investments must conform with SBA rules and regulations.

**REP. SWANSON** asked why the fiscal note indicates a reduction in individual income and corporate income tax. **REP. HIBBARD** said it is because the tax credit would be available against payments of income tax. If the tax credit is taken, there will be a lesser flow of income tax for both individuals and corporations. He said the bill appropriates \$2 million to be used as a credit against that tax. He said the budget office is assuming that only a half of the credit will be used, but the potential is there to use the entire \$2 million.

**REP. NELSON** said he had noted that qualified retirement plans were included. **REP. HIBBARD** said they were not included previously but the bill would allow them to invest in the small

business investment capital company and tax credits would be passed through to the individual. He said this was not uncommon in other states.

**REP. REAM** asked where the \$2 million came from. **REP. HIBBARD** explained that in the 1991 biennium, \$3 million was approved by the Legislature to provide tax credits for investment capital companies' use. The capital companies used up all their credits and subsequently were prohibited statutorily from receiving further credits. Approximately \$2 million remains for use by small business capital investment companies (as contrasted to capital companies). Because of the statutory limitation, the \$2 million credit will expire at the end of this biennium. Part of what HB 567 would do is extend the limitation for another two years to allow the formation of a small business investment capital company. **REP. REAM** asked if the \$2 million was included in the Governor's budget. **REP. HIBBARD** replied that because it was due to expire, it was not put in the budget. He said the reason he had the bill referred to Taxation was to add the contingent voidness clause.

**REP. ROSE** asked if a retirement fund could be placed in jeopardy by investing in this company. **REP. HIBBARD** said his understanding was that if a retirement fund makes an investment in the small business investment capital company, it would be like any other investment with a certain amount of risk. The advantage for doing it would be the tax credit that passes through to the individual who owns the retirement plan.

**REP. STORY** said that if all the Committee was going to do was vote on the contingent voidness amendment, he did not think further discussion was necessary.

**Mr. Helman** said there was a minor technical amendment to the bill.

Motion/Vote:

**REP. STORY MOVED THAT THE TECHNICAL AMENDMENT BE ADOPTED.** On a voice vote, the motion passed unanimously.

Motion/Vote:

**REP. REAM MOVED THAT THE CONTINGENT VOIDNESS AMENDMENT BE ADOPTED.** On a voice vote, the motion passed unanimously.  
**EXHIBIT 8.**

Motion/Vote:

**REP. STORY MOVED THAT HB 567 AS AMENDED DO PASS.** On a voice vote, the motion passed 19 - 1.


ADJOURNMENT

Adjournment: 10:55 a.m.



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CHASE HIBBARD, Chairman



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DONNA GRACE, Secretary

CH/dg

# HOUSE OF REPRESENTATIVES

## Taxation

ROLL CALL

DATE March 8, 1995

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

March 15, 1995

Page 1 of 1

Mr. Speaker: We, the committee on Taxation report that **House Bill 535** (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 7.

Following: "PROVIDING"

Insert: "EFFECTIVE DATES,"

Following: "DATE"

Insert: ", AND A CONTINGENT VOIDNESS PROVISION"

2. Page 2, line 10.

Insert: "NEW SECTION. Section 4. Contingent voidness. In order to maintain a balanced budget, because [this act] reduces revenue, it may not be transmitted to the governor unless a corresponding identified reduction in spending is contained in House Bill No. 2. If a corresponding identified reduction in spending is not contained in House Bill No. 2, [this act] is void."

Renumber: subsequent section

3. Page 2, line 13.

Insert: "NEW SECTION. Section 6. Effective dates. (1) Except as provided in subsection (2), [this act] is effective December 31, 1995.

(2) [Section 3] and this section are effective on passage and approval."

-END-

Committee Vote:

Yes 13, No 7.

601458SC.Hbk





## HOUSE STANDING COMMITTEE REPORT

March 8, 1995

Page 1 of 1

Mr. Speaker: We, the committee on Taxation report that Senate Bill 126 (third reading copy -- blue) be concurred in as amended.

Signed: \_\_\_\_\_

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

*Chase Hibbard, Chair*

Carried by: Rep. Nelson

And, that such amendments read:

1. Page 2, line 10.

Strike: "THE OFFICE OF LEGISLATIVE FISCAL ANALYST, OR"

2. Page 2, line 11.

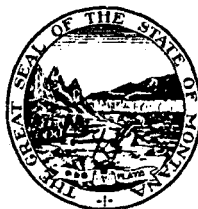
Following: "BOARD"

Insert: ", or any legislative agency or committee"

-END-

Committee Vote:  
Yes 14, No 6.

541325SC.Hbk



## HOUSE STANDING COMMITTEE REPORT

March 15, 1995

Page 1 of 1

Mr. Speaker: We, the committee on Taxation report that **House Bill 567** (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 18.

Following: "DATE"

Insert: " AND A CONTINGENT VOIDNESS PROVISION"

2. Page 10, line 8.

Strike: "OR"

Insert: "and"

3. Page 13, line 4.

Insert: "NEW SECTION. Section 11. Contingent voidness. In order to maintain a balanced budget, because [this act] reduces revenue, it may not be transmitted to the governor unless a corresponding identified reduction in spending is contained in House Bill No. 2. If a corresponding identified reduction in spending is not contained in House Bill No. 2, [this act] is void."

Renumber: subsequent section

-END-

Committee Vote:

Yes 19, No 1.

601459SC.Hbk

# HOUSE OF REPRESENTATIVES

## ROLL CALL VOTE

DATE \_\_\_\_\_ BILL NO. 535 NUMBER \_\_\_\_\_

MOTION: Do pass

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	✓	

13

7

# HOUSE OF REPRESENTATIVES

## ROLL CALL VOTE

DATE \_\_\_\_\_ BILL NO. 535 NUMBER \_\_\_\_\_

MOTION: conting. order

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		

# HOUSE OF REPRESENTATIVES

## ROLL CALL VOTE

DATE 3/8/95 BILL NO. 58126 NUMBER       

MOTION: Concur as amended

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	✓	

14 6

Rep. Nelson

3/8/95

You have my proxy on file.  
action.

NO 567

Rep. Linott

SB 126

Proxy  
yes

on Amend

No on bill

I designate Roger Somerville on further  
exec. action

Dan Fuhs

EXHIBIT 1  
DATE 3/8/95  
HB 506

STATEMENT OF REPRESENTATIVE TOM NELSON ON HOUSE BILL 506 BEFORE  
THE HOUSE TAXATION COMMITTEE

March 8, 1995

Mr. Chairman and Members of the Committee:

For the record I am Tom Nelson, House District 11, Billings. I am here today as the sponsor of House Bill 506 at the request of the Montana Car Rental Association.

House Bill 506 imposes a 5% surcharge on the base price of a rental vehicle in Montana and is a reimbursement for the taxes and fees paid on the rental vehicle at the time of registration.

On or before February 15 of each year, the owner of the rental vehicle will file a report with the Department of Transportation stating the total amount of taxes and fees paid in the previous calendar year, the total amount of surcharge collected, and the amount by which the surcharge exceeded the taxes and fees paid. The owner then remits the excess surcharge to the state treasurer for deposit in the same fashion as new car registrations: 90 percent to the state highway special revenue account; 7 percent to the county road fund; 2.5 percent to the state general fund; and .5 percent to the highway patrol retirement fund.

The bill also adds to the Department of Transportation audit function the ability to audit rental car owner records as a routine check on accuracy of reporting.

This legislation will not affect local government revenues now collected on rental car registrations and would add an estimated \$55,087 to the county road funds annually.



EXHIBIT 2  
DATE 3/8/95  
HB 506

# **RENTAL CAR SURCHARGE**

## **HB506**

### **RENTAL CAR LEGISLATION**

RENTAL CAR COMPANIES ARE SEEKING LEGISLATIVE RELIEF FROM THE PRESENT PROPERTY TAX THAT MAKES IT MORE COSTLY TO DO BUSINESS IN MONTANA VERSUS MOST OTHER STATES.

RENTAL CAR AGENCIES PRESENTLY PAY THE STANDARD PROPERTY TAX AND REGISTRATION FEES.

### **THE CONCERN**

TO INSURE THAT MONTANA RECEIVES ALL REGISTRATIONS AND MONIES DUE FROM RENTAL AGENCIES OPERATING WITHIN THE STATE.

BECAUSE OF THE HIGH COST OF LICENSING RENTAL FLEETS IN MONTANA, COMPANIES TEND TO OFFER LESS OF A SELECTION, BOTH IN NUMBERS OF CARS AND TYPES OF VEHICLES

### **THE MUTUALLY BENEFICIAL SOLUTION**

THE CAR RENTAL INDUSTRY WOULD LIKE TO CHARGE A TRANSACTION FEE ON EACH RENTAL CONTRACT AS A PERCENTAGE.

THE BREAK EVEN RATE WOULD BE APPROXIMATELY 3% THE STRUCTURE OF THE FEE WOULD BE REVENUE POSITIVE FOR MONTANA (i.e.-5%)

RENTAL COMPANIES WOULD CONTINUE TO PAY THE PROPERTY TAX AND REGISTRATION FEES ON THE CITY, AND COUNTY LEVEL AND WOULD RECOUP ITS MONEY THROUGH THE YEAR ON THE TRANSACTION FEE.

THE STATE WOULD RECEIVE ANY AMOUNT COLLECTED ABOVE AND BEYOND THE REGISTRATION AND PROPERTY TAX PAID.

THE FEE WOULD BE PLACED ON ALL VEHICLES RENTED IN MONTANA, NOT JUST REGISTERED.

### **WHAT WOULD THIS LEGISLATION DO?**

ALLOW RENTAL CAR COMPANIES TO UPGRADE FLEET SIZE AS WELL AS QUALITY(i.e.-LUXURY, VANS, SPORT UTILITY), INVESTING MORE CAPITAL IN MONTANA. AS A RESULT, BETTER SERVICE TO OUR CUSTOMERS, AND MORE BUSINESS THAT WOULD OTHERWISE BE TURNED AWAY WILL BE ACCEPTED.

MAKES MONTANA MORE ATTRACTIVE AND COMPETITIVE WITH CONTIGUOUS STATES

DOES NOT CHANGE MONTANA'S REVENUE STREAM, AND SHOULD RESULT IN INCREASED REVENUE

IT WILL EASE THE ADMINISTRATIVE AND ENFORCEMENT BURDEN COST BY ELIMINATING THE INCENTIVE TO PLATE IN LOWER COST STATES

WILL RESULT IN MORE MONTANA REGISTRATIONS, INCREASING TOURISM AND CONVENTION AVAILABILITY

ADDITIONAL REVENUES TO THE STATE ARE ESTIMATED AT \$550,00.00 TO \$700,00.00 DOLLARS (based on a 5% rental surcharge)

# **RENTAL CAR SURCHARGE**

## **HB506**

### **IS THIS SIMPLY A PASS THROUGH TAX ON MONTANA RESIDENTS ?**

NO... THE VAST MAJORITY OF RENTAL CONTRACTS ARE INITIATED BY PEOPLE FROM OUT OF MONTANA.  
ESTIMATED AT 95%

**MONTANA HB 506**

YEAR	INDUSTRY			STATE		STATE	
	REVENUE	LICENSE	FEES PAID	REVENUE	REVENUE	REVENUE	REVENUE
				4	4.5	5	
1994	27807000	834210		278071	417105	556140	
1995	30587700	917631		305877	458815	611754	
1996	33646470	1009394		336465	504697	672929	

29-Jan-95

**US Rent A Car**

a:VWissouri.wk4

<u>State</u>	<u>Year Effective</u>	<u>Rate</u>
<b><u>States Enacted</u></b>		
Rhode Island	7/94	6.0%
Maine	7/94	3.0%
Pennsylvania	8/94	2.0%
South Dakota	7/94	4.5%
Wyoming	5/94	4.0%
Nebraska	1/94	4.5%
Arkansas	9/94	4.5%
Maryland	6/93	11.5%
Washington	1/93	6.9%
Louisiana	7/93	\$2.00/DAY
Tennessee	7/93	2.0%
Nevada	7/93	6.0%
Arizona	1992	5.0%
Iowa	1992	5.0%
Indiana	1992	4.0%
New Mexico	1991	6.0%
South Carolina	1991	3.5%
Oklahoma	1991	6.0%
Kansas	1991	3.5%
Mississippi	1991	6.0%
Colorado	1988	2.0%

**Plating Cost Comparison (nearby Missouri)**

<u>State</u>	<u>Full Year Fees</u>	<u>Pass Thru</u>	<u>%</u>	<u>Abatements</u>	<u>Net After</u>	<u>Reason</u>	<u>Applicable Taxes Paid (or Fees)</u>
Missouri	\$303.65	N	-	N	\$303.65	-	Property Tax
Illinois	\$121.00	N	-	Y	\$100.67	-	City Sticker Fee
Oklahoma	\$43.50	Y	6.0%	Y	\$43.50	Tax Elimination	Excise Tax
Kansas	\$38.25	Y	3.5%	Y	\$23.50	Tax Elimination	Excise Tax
Nebraska	\$429.50	Y	4.5%	Y	\$20.33	Tax Recovery	Excise Tax
Indiana	\$374.65	Y	4.0%	Y	\$17.75	Tax Recovery	Excise Tax
Tennessee	\$104.00	Y	2.0%	Y	\$0.00	Recover All Fees	No Taxes

**Corpat Inc.**

**dba National Car Rental**

Licensee  
P.O. Box 4866  
818 West Central  
Missoula, Montana 59806  
(406) 549-3355



FEBRUARY 24, 1995

TO: HOUSE TAXATION COMMITTEE  
FROM: NATIONAL CAR RENTAL OF MONTANA  
RE: HOUSE BILL #506

DEAR MR. CHARIMAN:

PLEASE ACCEPT THIS LETTER IN SUPPORT OF HOUSE BILL 506.

CORPAT, INC D/B/A NATIONAL CAR RENTAL OPERATES AIRPORT RENTAL LOCATIONS IN MOST MAJOR CITIES IN MONTANA, (MISSOULA, KALISPELL, BILLINGS, GREAT FALLS, BOZEMAN, HELENA, AND WEST YELLOWSTONE). WE GENERATE ABOUT \$6,000,000 ANNUALLY WITH 95% OF OUR REVENUE COMING FROM OUT-OF-STATE CUSTOMERS. IN 1994 WE PAID \$150,000 IN LICENSE PLATE FEES. DURING THE PEAK SEASON WE OPERATE APPROXIMATELY 800 CARS. WE PRESENTLY OPERATE IN FOUR STATES; NAMELY MONTANA, NORTH DAKOTA, WASHINGTON, AND IDAHO.

WE SUPPORT H.B. 506 FOR THE FOLLOWING REASONS:

- 1) 5% RENTAL TAX WILL GENERATE MORE REVENUE FOR THE STATE OF MONTANA. JUST FOR OUR COMPANY IT WOULD GENERATE \$150,000 IN EXCESS OF 1994.
- 2) THIS BILL WOULD PUT MONTANA ON AN EQUAL FOOTING WITH SURROUNDING STATES REGARDING LICENSING FEES WHICH WOULD ENCOURAGE OUT-OF-STATE COMPANIES TO BUY MONTANA PLATES.
- 3) IT WOULD ELIMINATE PRESENT "INTERNATIONAL REGISTRATION PROGRAM" PROBLEMS.
- 4) THIS BILL WOULD GIVE RELIEF TO RENTAL COMPANIES REGARDING LICENSING FEES.
- 5) THIS BILL WOULD GENERATE REVENUE FROM OUT-OF-STATE VISITORS WHO PRESENTLY USE OUR HIGHWAYS AND STATE PARKS FREE.
- 6) H.B. 506 WOULD NOT ALIENATE ANY TOURIST AS THEY ALREADY PAY A RENTAL TAX IN MOST OTHER STATES THAT THEY VISIT.

WE BELIEVE THIS BILL IS IN THE BEST INTEREST OF THE STATE OF MONTANA AND ITS CITIZENS AND WE URGE YOUR SUPPORT OF H.B. 506.

SINCERELY,

RICHARD A. CORRELL, PRESIDENT

NATIONAL CAR RENTAL SYSTEM, INC.

RESERVATIONS CALL TOLL FREE 800 CAR RENT

EXHIBIT 3  
DATE 3/8/95  
HB 506



March 6, 1995

To: House Taxation Committee  
From: Jeff Taylor  
Re: House Bill 506

Dear Mr. Chairman:

This letter is written to you in support of HB 506.

Clark Fork Valley Rentals, Inc. is a Montana based corporation and operates as Dollar Rent A Car, with locations in both Missoula and Kalispell. In 1994, we paid approximately \$50,000.00 in license plate fees and we license all of our vehicles in Montana.

We favor HB 506 for the following reasons:

- 1) It would generate more money for the State of Montana, and would shift some of the tax burden from Montana business's to out of state tourists who currently use our roads for free;
- 2) This bill would level the playing field allowing Montana car rental companies to remain competitive with rental companies in neighboring states with similar programs;
- 3) It is also our belief that HB 506 would not cause any tourists to abstain from visiting Montana as rental taxes are a norm throughout most of the country.

We believe this bill is in the best interest of the State of Montana and would like to encourage you to support HB 506.

Sincerely,

A handwritten signature in black ink that reads "Jeff Taylor".

Jeff Taylor



WESTERN RENTALS, INC.  
Hertz System Member  
P.O. Box 7976  
Missoula, Montana 59807  
Telephone: 406-549-9511

DATE: March 6, 1995

TO: House Taxation Committee Members

FROM: Gerald B. Woodahl, President

REF: House Bill 506

This letter is written to you in favor of House Bill 506.

Western Rentals Inc. operates the Hertz Rent a Car Franchise at the Missoula International Airport. We are a Missoula owned business and have operated the Hertz Franchise in Missoula for 20 years.

As mentioned in other testimony, the 5% surcharge on car rental receipts will generate additional revenue for the State of Montana. Our current license fees are 2 1/2% of revenue, and with over \$1,000,000 in volume, we would collect an additional \$25,000 just out of our one Hertz location.

Approximately 15% of our revenue is generated from vehicles that belong to other Hertz locations. The license fees for those vehicles are paid in another counties or states. If the 5% surcharge were applied to this revenue, that would generate and additional \$7500 in tax revenue for the state.

Pass-thru legislation similar to HB 506 has been passed in 21 other states, including neighboring states of South Dakota, Wyoming, and Washington. Passage of this bill is necessary in order for us to remain competitive with car rental companies operating in other states. It does not cost a tourist any more money to fly into Spokane Washington than in does to fly into Missoula when they want to tour Western Montana.

I would like to encourage you to support House Bill 506,

Sincerely,

A handwritten signature in cursive script, appearing to read "Gerald B. Woodahl".

Gerald B. Woodahl

# State of Montana

Marc Racicot, Governor

EXHIBIT 5

DATE 3/8/95

HB 535



Department of Revenue

Mick Robinson, Director


P.O. Box 202701

Helena, Montana 59620-2701

## MEMORANDUM

**DATE:** March 6, 1995

**TO:** House Taxation Committee  
Room 437, Capitol Building

**FROM:** Mick Robinson, Director   
Montana Department of Revenue

**RE:** Fiscal Impact of HB535

HB535 provides for a tax credit against individual or corporation income taxes for the preservation of historic buildings. The state credit allowed is equal to 25% of the federal credit allowed. The federal credit allowed is 20% of the qualifying costs of rehabilitation.

The fiscal impact the Department calculated on the original fiscal note for this bill relied on federal data and an allocation to Montana of the federal credit amounts based on population. Based on information we recently received from the State Historic Preservation Office, it is apparent that the original fiscal impact (\$20,000) is too low. That information shows that expenditures for certified historic projects totaled \$3,582,000 in FY1992; \$8,189,400 in FY1993; \$4,088,000 in FY1994; and \$7,123,313 in FY1995.

Assuming that all of these expenditures would qualify for the credit, this results in state tax credits ranging from \$179,000 to \$409,000; with an average annual credit of \$287,000 over the four-year period. This fiscal impact for this bill is more likely in this range, than in the range suggested by the original fiscal note.



EXHIBIT 6  
DATE 3/8/95  
HB 535

Amendments to House Bill No. 535  
First Reading Copy

For the Committee on Taxation

Prepared by Lee Heiman  
March 8, 1995

1. Title, line 7.

Following: "PROVIDING"

Insert: "EFFECTIVE DATES,"

Following: "DATE"

Insert: ", AND A CONTINGENT VOIDNESS PROVISION"

2. Page 2, line 10.

Insert: "NEW SECTION. **Section 4. Contingent voidness.** In order to maintain a balanced budget, because [this act] reduces revenue, it may not be transmitted to the governor unless a corresponding identified reduction in spending is contained in House Bill No. 2. If a corresponding identified reduction in spending is not contained in House Bill No. 2, [this act] is void."

Renumber: subsequent section

3. Page 2, line 13.

Insert: "NEW SECTION. **Section 6. Effective dates.** (1) Except as provided in subsection (2), [this act] is effective December 31, 1995.

(2) [Section 3] and this section are effective on passage and approval."

EXHIBIT 7  
DATE 3/8/95  
SB 126

Amendments to Senate Bill No. 126  
Third Reading Copy

Requested by Rep. Harper  
For the Committee on Taxation

Prepared by Lee Heiman  
March 3, 1995

1. Page 2, line 10.  
Strike: "THE OFFICE OF LEGISLATIVE FISCAL ANALYST, OR"
2. Page 2, line 11.  
Following: "BOARD"  
Insert: ", or any legislative agency or committee"

EXHIBIT 8  
DATE 3/8/95  
HB 567

Amendments to House Bill No. 567  
Second Reading Copy

Requested by Rep. Hibbard  
For the Committee on Taxation

Prepared by Lee Heiman  
March 7, 1995

1. Title, line 18.

Following: "DATE"

Insert: " AND A CONTINGENT VOIDNESS PROVISION"

2. Page 10, line 8.

Strike: "OR"

Insert: "and"

3. Page 13, line 4.

Insert: "NEW SECTION. **Section 11. Contingent voidness.** In order to maintain a balanced budget, because [this act] reduces revenue, it may not be transmitted to the governor unless a corresponding identified reduction in spending is contained in House Bill No. 2. If a corresponding identified reduction in spending is not contained in House Bill No. 2, [this act] is void."

Renumber: subsequent section

HOUSE OF REPRESENTATIVES

VISITOR'S REGISTER

Isolation COMMITTEE BILL NO. SB 393  
 DATE 3/8/95 SPONSOR(S) Sen. Aklestad

PLEASE PRINT

PLEASE PRINT

PLEASE PRINT

NAME AND ADDRESS	REPRESENTING	BILL	OPPOSE	SUPPORT
Larry Tasbender	Cascade Coalition			<input checked="" type="checkbox"/>

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 506  
 DATE 3/8/95 SPONSOR(S) Rep. Nelson

PLEASE PRINT

PLEASE PRINT

PLEASE PRINT

NAME AND ADDRESS	REPRESENTING	BILL	OPPOSE	SUPPORT
TERRY WOODARD	HERTZ	506		X
Robert Ward	Enterprise	506		X
Rob Doyle	AVIS MSO Bldg Kal.	506		X
Jeff Taylor	Dollar / Rent A Wreck	506		X
David F. Lapham	Avis RAC BDMGT ALA	506		X
DAVE Brown	Montana Car Rental Association	506		X
Steve Costen	Hertz - Billings and President MT. Car Rental Assn	506		X

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

HOUSE OF REPRESENTATIVES

VISITOR'S REGISTER

Location \_\_\_\_\_ COMMITTEE \_\_\_\_\_ BILL NO. HB 568  
 DATE 3/8/95 SPONSOR(S) Rep. Nisher

PLEASE PRINT

PLEASE PRINT

PLEASE PRINT

NAME AND ADDRESS	REPRESENTING	BILL	OPPOSE	SUPPORT
Pat Melbey	Mt Ski Areas Ass'n	HB 568		
JERRY WOODALL				

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