

MINUTES

MONTANA SENATE 55th LEGISLATURE - REGULAR SESSION

COMMITTEE ON TAXATION

Call to Order: By CHAIRMAN GERRY DEVLIN, on March 27, 1997, at
8:00 a.m., in Room 413.

ROLL CALL

Members Present:

Sen. Gerry Devlin, Chairman (R)
Sen. Mike Foster, Vice Chairman (R)
Sen. Mack Cole (R)
Sen. Bob DePratu (R)
Sen. Dorothy Eck (D)
Sen. Wm. E. "Bill" Glaser (R)
Sen. Mike Sprague (R)
Sen. Barry "Spook" Stang (D)
Sen. Fred R. Van Valkenburg (D)

Members Excused: None

Members Absent: None

Staff Present: Jeff Martin, Legislative Services Division
Renee Podell, Committee Secretary

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

Committee Business Summary:

Hearing(s) & Date(s) Posted: None
Executive Action: SB 392 (DPAA);
SB 395 (DPAA);
SB 397 (Discussion only)

EXECUTIVE ACTION ON SB 392

{Tape: 1; Side: A; Approx. Time Count: .2; Comments: None.}

AMENDMENTS 39202.ajm

EXHIBIT 1

CHAIRMAN GERRY DEVLIN explains the amendments change the size of
the Committee from 16 to 12.

MOTION: SEN. MIKE FOSTER MOVED THE AMENDMENTS.

DISCUSSION:

SEN. MIKE SPRAGUE asks if there would be an advantage to an "odd" number to avoid ties. **SEN. FOSTER** comments that the way it works is if you have 1/4 of the members supporting a plan getting on the menu that's all it takes, so you only need three members. **SEN. MACK COLE** inquires if there is a breakdown of House and Senate members on the Committee. **Jeff Martin** responds there are six from each house, three from each party. **CHAIRMAN DEVLIN** explains the Committee on Committees appoints the members from the Senate side and the Speaker of the House appoints those from the House.

VOTE: MOTION CARRIED UNANIMOUSLY.

MOTION: SEN. FOSTER MOVED SB 392 DO PASS AS AMENDED.

DISCUSSION:

SEN. WILLIAM GLASER asks if the 2% increase is just the taxes that they're collecting or if it includes fees also. He notes some counties depend on over 50% in fees. If this doesn't include fees it makes an inequity between counties.

SEN. DOROTHY ECK says the major ones are impact fees and there is no way they could support the increases without the use of fees. Some counties may use fees for their general operations.

SEN. BOB DEPRATU notes there needs to be a change in the effective date. The title and page 10 need to reflect on passage retroactive to 1996.

MOTION: SEN. MIKE FOSTER MOVED SECTION 9 BE AMENDED TO SAY THIS ACT IS EFFECTIVE UPON PASSAGE AND APPROVAL WITH AN APPLICABILITY DATE OF JANUARY 1, 1997.

DISCUSSION:

Jeff Martin suggests the applicability date should be December 31, 1996.

AMENDED MOTION: SEN. FOSTER'S MOTION IS AMENDED TO SHOW THE APPLICABILITY DATE OF DECEMBER 31, 1996. THE REMAINDER OF THE MOTION STAYS THE SAME.

VOTE: MOTION CARRIED UNANIMOUSLY.

DISCUSSION:

SEN. BARRY STANG reminds the Committee that the primary objection was the cost of the election for local governments.

SEN. MIKE FOSTER responds his understanding is they would like to have a 2% increase without a vote the first year.

SEN. DOROTHY ECK suggests we could deal long term with those cities and counties that have relatively small populations; those are the ones where the election costs might be a factor.

SEN. WILLIAM GLASER says if you do away with elections in the small communities those folks will rebel.

SEN. MIKE SPRAGUE can't support anything that takes the vote away from the people.

MOTION: SEN. FOSTER MOVED AN AMENDMENT ALLOWING FOR A 2% INCREASE FOR THE FIRST YEAR FOR CITIES AND TOWNS, AFTER THAT IT HAS TO BE BY VOTE OF THE PEOPLE.

DISCUSSION:

SEN. GLASER indicates this does not include chartered cities because chartered cities are stuck to a particular number of mills.

SEN. ECK believes that is not true for all chartered cities.

DISCUSSION OF CLASSIFICATION OF CITIES/TOWNS: Towns are those populations up to 1,000 people; Class III cities are 1,000 to 5,000; Class II cities are 5,000 to 10,000; Class I cities are more than 10,000.

AMENDED MOTION/VOTE: SEN. FOSTER AMENDS THE AMENDMENT TO SPECIFY CITIES AND TOWNS WITH POPULATIONS UP TO 5,000.

VOTE: MOTION CARRIED 8-1 with SEN. GLASER voting no.

SEN. FRED VAN VALKENBURG asks how this bill melds with SB 195.

CHAIRMAN DEVLIN responds the coordinating language needs to be included.

MOTION/VOTE: SEN. FOSTER MOVED SB 392 DO PASS AS AMENDED. MOTION CARRIED 7-2 with SEN. GLASER and SEN. VAN VALKENBURG voting no.

EXECUTIVE ACTION ON SB 395

{Tape: 1; Side: A; Approx. Time Count: 25.6; Comments: None.}

MOTION: SEN. MIKE SPRAGUE MOVED SB 395 DO PASS.

AMENDMENTS 39503.ajm

EXHIBIT 2

MOTION: SEN. FRED VAN VALKENBURG MOVED THE AMENDMENTS

SEN. VAN VALKENBURG explains this amendment excludes rental cars that have been rented pursuant to a contract of insurance.

DISCUSSION:

SEN. DOROTHY ECK asks if these cars are licensed in Montana.

SEN. BOB DEPRATU explains a great percentage of the cars from the larger franchises such as Hertz and Avis, are licensed out of Salt Lake or Boise where the licensing rates are low. He estimates \$45,000 to \$50,000 per year that would be brought in with the 6% tax from insurance rentals.

SEN. MIKE SPRAGUE indicates for some it's big business; for others it's little business. He will resist the amendment.

SEN. MIKE FOSTER supports the amendment.

SEN. BARRY STANG asks who will audit this. **David Galt**, Department of Transportation responds the Department of Transportation will do the auditing; he would like Rule Authority to do so.

SEN. VAN VALKENBURG responds there are a number of other exceptions to the rental vehicle; more than 30 days, capacity of 1 ton or more, etc. This is not a singular exception to deal with insurance companies. He believes it's the insurance companies which will do the auditing.

VOTE: MOTION CARRIED 6-3 with SEN. COLE, SEN. GLASER and SEN. SPRAGUE voting no.

AMENDMENTS 39501.AJM

EXHIBIT 3

MOTION: SEN. MACK COLE MOVED THE AMENDMENTS.

EXPLANATION: **SEN. BARRY STANG** explains the amendments require remittance of the taxes on a quarterly basis rather than an annual basis. The refund is then applied for at the end of the year. The amendment also requires the Department to deposit the surcharge into an account.

SUBSTITUTE MOTION: SEN. COLE MOVED THE AMENDMENTS WITH #9 AND #10 SEGREGATED OUT.

DISCUSSION:

SEN. DEPRATU indicates the 75% will reduce the amount to where it's financially better for rental companies to license their vehicles out of state. However, there will be no claim on the 6% for reimbursement for those they license out of state.

VOTE: MOTION CARRIES 7-2 with CHAIRMAN DEVLIN and SEN. FOSTER voting no.

AMENDMENTS 39502.ajm

EXHIBIT 4

MOTION: SEN. COLE MOVED THE AMENDMENTS

SEN. COLE explains this is a substitute for #9 and #10 as segregated out above.

SEN. SPRAGUE references the car collection out of state and the Towe Collection. Need to address properties "from" Montana and those "in" Montana.

{Tape: 1; Side: B; Approx. Time Count: 0; Comments: Tape turned, 8:52 a.m..}

SEN. VAN VALKENBURG asks who makes the determination what property will be purchased. Lobbyist, Candace Torgerson, explains the Montana Heritage Commission will make the determination. The Commission members are appointed by the Governor.

CHAIRMAN DEVLIN asks if the Commission is mentioned in the bill. Jeff Martin responds the Commission account is mentioned both in this bill and in HB 5.

SEN. MIKE FOSTER has concerns regarding priorities for the money; he wants to ensure the money goes first for Virginia City and Nevada City.

SEN. MIKE SPRAGUE agrees with SEN. FOSTER.

SUBSTITUTE MOTION: SEN. VAN VALKENBURG MOVED AN AMENDMENT TO THE AMENDMENT WHICH WOULD ADD "IF ADDITIONAL MONEY IS AVAILABLE, PURCHASING, RESTORING, AND MAINTAINING HISTORICALLY SIGNIFICANT PROPERTIES IN OR FROM MONTANA."

VOTE: MOTION CARRIED UNANIMOUSLY.

SEN. GLASER comments this needs to benefit people throughout the state; not just a Virginia City bill over the next ten years and not just a Great Falls bill or a Billings bill.

MOTION/VOTE: SEN. DEPRATU MOVED TO CHANGE THE EFFECTIVE DATE TO ON PASSAGE AND APPROVAL. MOTION CARRIED UNANIMOUSLY.

MOTION: SEN. SPRAGUE MOVED SB 395 DO PASS AS AMENDED.

SEN. FOSTER comments the State of Montana needs to stand together to preserve very important pieces of our culture regardless of where they happen to be within the state. Cultural heritage is not where we should draw distinctions.

SEN. GLASER comments the people who worked on this proposal purposely didn't draw lines in the sand. The rural parts of Montana have been supportive of these various projects.

CHAIRMAN DEVLIN comments when you have the very ones who are getting soaked 6% coming in and supporting this bill there is something wrong. He would like to see them pay their fair share. He has concerns about who is going to enforce this. He will resist the motion.

SEN. COLE comments 10% goes to the Department of Transportation for administration of this.

VOTE: MOTION THAT SB 395 DO PASS AS AMENDED CARRIED 7-2 with **CHAIRMAN DEVLIN** and **SEN. GLASER** voting no.

DISCUSSION OF SB 397

{Tape: 1; Side: B; Approx. Time Count: 21.9; Comments: None.}

SEN. GLASER indicates staff are still working on this bill; answers are needed prior to voting on the bill. The bill as currently written takes school money and give it to mines.

SEN. STANG indicates that if he had to vote today he would probably vote to table the bill.

SEN. ECK needs time to look at the Hard Rock Mining Impact Act; she isn't sure what their ability is to recoup their prepaid taxes.

SEN. FOSTER thinks it's important to look at the technical part of the bill. He agrees with the bill conceptually; he believes it's to help schools.

SEN. STANG says this could be a big issue in his district if the Rock Creek Mine should continue to go through; he wants to ensure it's fair to all school districts.

SEN. SPRAGUE agrees this is complicated and needs more discussion.

SEN. GLASER believes the underlying problem is "do-able and fixable."


SEN. ECK suggests the Committee meet at 12:30 on Wednesday to deal with this bill.

CHAIRMAN DEVLIN wants answers today and meet later today to take action.

{Tape: 1; Side: B; Approx. Time Count: 38.0; Comments: None.}

ADJOURNMENT

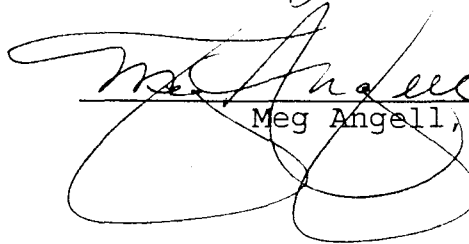
Adjournment: 9:30 a.m.



Sen. Gerry Devlin, Chairman



Renee Podell, Secretary



Meg Angell, Transcriber

GD/ma