

MINUTES OF THE MEETING
TAXATION COMMITTEE
MONTANA STATE SENATE

January 15, 1985

The sixth meeting of the Senate Taxation Committee was called to order at 8:07 by Chairman Thomas E. Towe in Room 415 of the Capitol Building. Because of the large number of persons wishing to attend the hearing, the meeting was recessed immediately to reconvene in the Old Supreme Court Chambers. Senator Towe reconvened the meeting at 8:10 am.

ROLL CALL: All members of the committee were present.

CONSIDERATION OF SB 4: Senator Delwyn Gage, chief sponsor of the bill, was recognized. SB 4 basically creates a fund for local government to absorb the impact of the decline of revenue from coal until that impact of decline account reaches \$20 million. At that time the diverted money would go back into the educational trust fund. The bill also changes the responsibility for designation of coal impacted counties from the Department of Commerce to the Coal Board. Currently 50 percent of the funds can be used for nondesignated counties, 50 percent must be used in designated counties. This bill would allow up to 75 percent of the money to go to nondesignated counties.

PROPONENTS

Jack Stevens, Vice Chairman of the Montana Coal Board, was recognized. His written testimony is attached here (Exhibit 1).

OPPONENTS

There were no opponents to SB 4.

Questions from the committee were called for.

Senator Goodover asked for examples of counties that would be eligible for increased funding in the nondesignated county area. Murdo Campbell, Administrator for the Coal Board, was recognized and said that Dawson, Custer and Powder River counties were examples. Rosebud, he added, is the only designated county. Senator Goodover asked if the designated county has received all the funding it needs. Mr. Campbell said that some requests had been denied, but that 60 to 75 percent of the available funding had gone to that county. Senator Goodover asked if areas impacted by other things could receive funding. Mr. Campbell said that currently only those impacted by coal developments qualify.

Senator Gage closed without further comment on SB 4.

Vice Chairman Mazurek assumed the chair for the hearing on SB 48.

CONSIDERATION OF SB 48: Senator Towe, chief sponsor of the bill was recognized and said that the bill was a product of the Revenue Oversight Committee. He asked Representative Mel Williams, House District 85, to explain the background of the bill.

Representative Williams reviewed the title, saying that it was all inclusive. The Revenue Oversight Committee bill is a result of extensive study in response to the need for property tax revision addressed by a joint resolution of the last session requesting such a study. The study came about because of a need for revision to attain equity, the need for change in railroad taxation and other federally protected property taxation, and the need for legislative and administrative changes to comply with federal law. The bill as drafted is responsive to the following assumptions: 1) federal law places some property in a protected status and if the legislature doesn't act the courts will; 2) the state property tax base should not be changed by reclassification; 3) county tax bases should be affected as little as possible; 4) the classes of property should be affected as little as possible; 5) existing classes should be kept in tact as much as possible. Representative Williams stated that whatever is done with the bill legislative intent should be made absolutely clear so that intent and policy of the legislature could be clearly interpreted by a court.

Senator Towe then proceeded to discuss the bill. The changes, he said, were made to comply with federal law; and other classes were readjusted in order to provide equity and impact taxpayers the least. He pointed out that as commercial property was defined it did not include farm homes and improvements. Agricultural properties were generally carved out so that they would not be affected. He then handed out Exhibit 2 which was prepared by the Department of Revenue as an explanation of the bill.

He noted the definition of market value on page 26 as the average retail value of commercial property. He said that was done because if wholesale value was used the tax loss from the railroads would create an enormous burden.

Senator Towe said that annual revaluation would cost the state dollars, but that using a trending factor could keep that minimal.

PROPOSERS

John LaFaver, Director of the Department of Revenue, was recognized in support of the bill. He called SB 48 the flagship of property taxation legislation this session. Its importance, he said, was not in fiscal impact but in the legal and constitutional impact of property tax legislation.

Tom Beck, President of the Montana Association of Counties said that the bill would eliminate the need for counties getting hurt by law suits brought against the Department of Revenue. He supported annual revaluation, and generally opposed any erosion of the tax base of local government. He commented on the tax loss impact to counties which is addressed in Exhibit 3.

Don Peoples, Chief Executive for Butte-Silver Bow, also supported the bill for reasons already stated. He said that any changes must carefully anticipate litigation and concluded by saying that SB 48 addressed consistency, balance of revenue and litigation possibilities.

Mike Young, representing the League of Cities and Towns said that SB 48 protects the tax base from special interests and would institute a reliable, predictable system with no significant redistribution of the tax base.

Verner Bertelson, Ovando, Chairman of the Revenue Oversight Committee strongly supported the bill. He said a serious effort was made and that the committee should not over react to minor and unavoidable changes which must occur. He said that amendment would be necessary, but that the status quo will not comply with federal acts. He said this is the most equitable method of solving the problem.

Dennis McNair, Burlington Northern Railroad, rose in support based on the bill's compliance with the federal act and what it requires. He said that the annual appraisal must be compared to market transactions and that the formula in SB 48 produces a weighted mean average. He noted, for the record, that litigation would contest whether a weighted mean or weighted median should be used. He said that to ease the burden of the Department of Revenue, additional funding and staff must be forthcoming to administer the bill. He said the bill is not absolutely necessary for compliance with the federal law and he also discussed the taxes that Burlington Northern has been paying. Market value cannot be legislated, said Mr. McNair, and he suggested references to that be stricken from the proposed bill.

Les Loble representing Northwest Airlines supported the bill saying that they have already filed law suits in six or seven counties awaiting the actions of the legislature with this matter.

Terry Murphy, Montana Farmers Union, said that the bill treats agriculture favorably with respect to machinery, implements, agricultural trucks, etc. He said it should address the treatment of farm homes with more specific language to differentiate value from an urban home's value.

Tom Ryan, Montana Senior Citizens Association, said this bill would stop the erosion of the property tax base and, therefore, help the senior citizen home owner.

Don Judge, AFL-CIO, supported the bill with particular reference to the separation of commercial and industrial property from residential property.

Phil Campbell, Montana Education Association, supported the bill's attempt to halt reduction in the tax base and also cut down on the dollars in tax protest funds.

OPPONENTS

Ward Shanahan, representing himself as a lawyer doing tax law, said he had questions about the bill. First, he found the statement on purpose misleading. He said commercial and industrial property had always been discriminated against and this bill tried to make that practice legal. He said that noncommercial land and farm homes needed clearer definition. He pointed out that the bill would freeze the opinion of the Department of Revenue in statute and make litigation and appeal impossible. He cited examples of the necessity of leaving open the ability to defend economic and functional obsolescence.

Mike Zimmerman, Montana Power Company, objected to his company's taxes being raised from 12 to 12.8 percent. He submitted written testimony which is attached here (Exhibit 4).

Gary Langley, Executive Director of the Montana Mining Association, said the bill would effect a tax increase in two ways: 1) by raising the evaluation of mining machinery; and 2) by using market value as a valuation of property tax. He said this bill alone would not put mining companies out of business but that it would be one more straw. He said that ASARCO paid 6.4 times more taxes on one operation than it made in profit.

Jim Hughes, Mountain Bell, said his company did not oppose the whole bill, but that they had concern about using replacement cost value. He said the bill is unclear in application to centrally-assessed utilities. Montana's branch of Mountain Bell, he said, already pays the highest taxes in the region. He pointed out that the tax hike also meant a rate hike to Mountain Bell consumers. As his company is subjected to increased competition in a high tech area he felt that the federal protections afforded railroads and airlines might come to Mountain Bell as well.

Alan Eck, Montana Farm Bureau Federation, opposed the eradication of the 20 percent farm home discount and the taxes on grazing and timber value which would amount to taxing twice the same piece of land. His written testimony is attached here (Exhibit 5).

Don Allen, Montana Wood Products Association, said his members are already being taxed up to 400 percent more since 1983 and he indicated concern about standing timber being excessively taxed. He said that could result in premature harvest to avoid taxation. If it was the intention to treat all properties in a similar way to their current taxation, he said this did not happen for timber and grazing lands. Equality, he felt, was certainly not happening.

Gene Phillips, Pacific Power and Light, said that this increases substantially the tax on electric utilities by using replacement cost. He said it was not necessary to increase taxes to comply with federal law.

James D. Mockler, Executive Director of the Montana Coal Council,

said the bill could not be considered without a fiscal note. He said there would be tremendous fiscal impact, the largest tax increase in five sessions. He pointed out conflicts within the bill when market value is suddenly switched to retail value. He used as an example the tax on heavy, medium or light trucks which would increase up to 42 percent.

John Alke, Montana Dakota Utilities, opposed the bill because of the unfair use of replacement cost less depreciation. He said utility companies cannot expect fair treatment from the Public Service Commission or the Department of Revenue and that one reduces rates while the other increases taxes.

Dennis Burr, Montana Taxpayers Association, said his opposition was not based on the committee effort to comply with federal law. He discussed the necessity for sales-ratio adjustments and suggested the language of the bill should be expanded. He discussed the problems with farm home taxation and said this bill should not be used to address those problems. Other objections were putting timber in a separate class, using replacement cost to prevent taxpayers from appealing, and the separation of residential and commercial properties. He said leaving them together would create a brake on increasing property taxes.

Mons Teigen, Montana Stock Growers Association, repeated the concern about farm home taxation, saying the bill has not addressed that properly.

Representative Jack Rameriz, House District 87, said that he is not really an opponent to the bill, but that he wanted the Senate committee to know that an alternative bill is being drafted by the council. He said that the problems with federal statutes can be addressed without reclassification and can be dealt with administratively as nine of 13 Western states have done. He said the House and Senate taxation committees need to meet together to work this out.

Ben Havdahl, Montana Motor Carriers Association, opposed the changes of classification and definition of commercial property.

Janelle Fallan, Montana Chamber of Commerce said they opposed the bill, with particular concern about the separation of commercial and residential property. They felt that it would leave main street businesses in a precarious position.

Senator Towe was recognized and given five minutes to close on the bill. He assured the committee that no action would be taken on the bill without a fiscal note. Further, he felt the farm home situation was not critical and would not have to be in this bill. He said replacement value only makes statutory current regulation. He said the real problem comes in wholesale and retail values as taxing the railroads at wholesale would mean an enormous reduction in their taxes. He said he did not intend the bill to increase mining taxes and the bill clearly decreased taxes for mining equipment. He said that the phone companies and

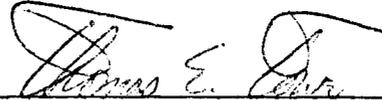
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railroads are currently taxed at 15 percent while electric utilities are taxed at 12 percent. This bill would tax all utilities equally at 12.8 percent.

He felt decoupling commercial from residential property was probably not necessary. He pointed out that the purpose of the bill indeed was more than to comply with federal law.

As Chairman of the committee he said that a time for questions from the committee would be announced.

Senator Mazurek adjourned the meeting at 10 am.



Chairman

ROLL CALL

SENATE TAXATION COMMITTEE

49th Legislative Session -- 1985

Date 15 January

Location -- Room 413-415

Name Present Absent Excused

Name	Present	Absent	Excused
Senator Brown	✓		
Senator Eck	✓		
Senator Goodover	✓		
Senator Hager	✓		
Senator Halligan	✓		
Senator Hirsch	✓		
Senator Lybeck	✓		
Senator Mazurek	✓		
Senator McCallum	✓		
Senator Neuman	✓		
Senator Severson	✓		
Senator Towe	✓		

DATE 15 January 85

COMMITTEE ON TAXATION

VISITORS' REGISTER

NAME	REPRESENTING	BILL #	Check One	
			Support	Oppose
Rick Johnson	Altestad - McCallum - Tutor	—		
T.M. Rollins	ASARCO, INC	SB 48		✓
REGG GROEPPER	DEPT OF REVENUE	SB 48	✓	
Jim Mochler	MT. Coal Council			✓
Nim Hughes	MOUNTAIN BELL	SB 48		X
GENE PHILLIPS	PACIFIC POWER & LIGHT	SB 48		X
Gene Pigeon	MONT DAK UTIL	SB 48		X
GARY A LANGLEY	MONT MINING ASSN			X
Jim PIRADICHUK	MONT DAK UTIL	SB 48		X
Mike Zimmerman	MPCo	SB 48		X
Ken Williams	Western Energy Co	SB 48		X
JPEG JACKSON	Urban Coalition	SB 48	X	
Don Allen	MT. Wood Product Assoc	SB 48		X
Dennis Burr	MONTAY	SB 48		X
Geoff Smith	Missoula Chamber			X
LES LOBLE	Northwest Airlines	SB 48	✓	
Jewell Fallon	Mont Chamber	SB 48		X
Tom Beck	MACO	SB 48	X	
GORDON MORRIS	MACO	SB 48	X	
Ole Cristof	MACO	SB 48	X	
Marguerite	Mont. Farm Bureau	SB 48		X
Richard Hall	Western Energy	SB 48		
John Alke	MDU	SB 48		X
Mary Foyt	Coal Board	SB 48	✓	
Wend Stanley	Chevron Resources	SB 48		✓
Alan Eck	Montana Farm Bureau	SB 48		✓

(Please leave prepared statement with ...)

DATE 15 January 85

COMMITTEE ON

Taxation

VISITORS' REGISTER

NAME	REPRESENTING	BILL #	Check One	
			Support	Oppose
Pat Wilson	Montco / Thermal	✓		
Larina Lubinus	WIFE	48		
Bill Anderson	OPI	2-3	✓	
George Allen	MT. Retail Assn	SB48		✓
Mike Young	League of Cities/Towns	SB48	✓	
Don Peoples	Beats Silver Bow	SB48	✓	
Arner L. Bartelsen	Sell	SB48	✓	
Ken Pires	MT Alliance	SB48	✓	
Connie McKinnis	BN	SB48		
Mous Teigen	MT Stockgrowers Assn	SB48		✓
Doc Judge	MT STATE AFL-CIO	SB48	✓	
Tom Murphy	MT Farmers Union	SB48	✓	
Tom Ryan	MSEA Assn	SB48	✓	
Ben Hardahl	Montana Motor Carriers	SB48		✓
DAVID LACKMAN	MT Public Health Assn	SB2-3	X	

NAME Jeanette Fallon BILL NO. S48
ADDRESS Box 1730, Helena DATE 4/15/85
WHOM DO YOU REPRESENT Montana Chamber
SUPPORT _____ OPPOSE X AMEND _____

PLEASE LEAVE PREPARED STATEMENT WITH SECRETARY.

Comments:

Particularly concerned about
separation of commercial & residential
- serious implication for Main St.
Business

NAME Mons Teriga ^S BILL NO. 48

ADDRESS Helena DATE 1/15/54

WHOM DO YOU REPRESENT Mon. F. Stockgrowers Assn

SUPPORT _____ OPPOSE AMEND _____

PLEASE LEAVE PREPARED STATEMENT WITH SECRETARY.

Comments:

NAME Terry Murphy BILL NO. SB 48

ADDRESS Box 2447 Great Falls DATE 1-15-85

WHOM DO YOU REPRESENT mt Farmers Union

SUPPORT OPPOSE AMEND

PLEASE LEAVE PREPARED STATEMENT WITH SECRETARY.

Comments:

General support. Request more specifics as to tax treatment of farm houses

NAME Tom Ryan BILL NO. SB 48
ADDRESS Box 473 Helena DATE Jan 5
WHOM DO YOU REPRESENT MSOA
SUPPORT OPPOSE AMEND

PLEASE LEAVE PREPARED STATEMENT WITH SECRETARY.

Comments:

Prevents Erosion of property tax
base -
MANY SENIOR Citizens, Home Owners, need
to be Relieved of in excess mill levies -
This bill will contribute to the
senior Citizen property tax Relief
EFFORTS

NAME Don Judge BILL NO. SB 48
ADDRESS P O Box 1176 Helena DATE 1/15/85
WHOM DO YOU REPRESENT MT STATE AFL-CIO
SUPPORT OPPOSE AMEND

PLEASE LEAVE PREPARED STATEMENT WITH SECRETARY.

Comments:

The Montana state AFL-CIO believes strongly that the separation of commercial/Industrial properties from those considered residential properties will allow for a more realistic approach to property appraisal. We believe that SB 48 will accomplish that goal and, in the end, result in a property tax system which could allow for tax growth relief for residential taxpayers --- workers and their families. We urge you to support SB 48

NAME Alan Eck BILL NO. SB #48

ADDRESS 502 S 19th Bozeman DATE 1-15-75

WHOM DO YOU REPRESENT Montana Farm Bureau

SUPPORT OPPOSE AMEND

PLEASE LEAVE PREPARED STATEMENT WITH SECRETARY.

Comments:

DEPARTMENT OF COMMERCE
COMMUNITY DEVELOPMENT DIVISION



TED SCHWINDEN, GOVERNOR

COGSWELL BUILDING—ROOM C 211
CAPITOL STATION

STATE OF MONTANA

(406) 444-3757

HELENA, MONTANA 59620

January 15, 1985

EXHIBIT 1

January 15, 1985

Senate Taxation Committee
SB 4

The Honorable Tom Towe, Chairman
Senate Taxation Committee
Room 413
State Capitol Building
Helena, Mt. 59620

Senator Towe and Members of the Senate Taxation Committee:

Senate Bill 4, being heard here this morning would:

1. Establish a method to deal with impacts associated with a decline in population and a drain on local government resources associated with such a decline. This account should be established now, before the decline begins, - a hard lesson learned from the States experience with ARCO's pullout in the Butte, Anaconda and Great Falls area. It is obvious to us all that there is no real constituency to represent the people when the boom has faded and disappeared and the decline and bust cycle is thrust upon us.
2. This legislation would give the Coal Board the flexibility it needs at a time when coal development in Montana has leveled off and many of the direct impacts associated with rapid growth have been adequately dealt with. This bill would allow the Coal Board to reduce by one half, from 50% to 25%, the amount of grants that must be awarded to these rapid growth local governments that are now beginning

Senate Bill 4 (Cont.)

to benefit from the large tax base available as a result of the valuations of the new facilities. This important change in the legislation gives the Board a chance to consider more requests from local governmental units less seriously impacted, or sometimes referred to as secondary impacts. These impacts must be a direct result of coal development and are addressed to always take into consideration the possibility of a renewal in development and that a sound plan be in place to ensure orderly growth. The anticipated reduction in the number of requests originating from former rapid growth areas coupled with the Board's policy to realistically document and consider secondary impacts should result in a faster accumulation of funds into the impact of decline account than might have earlier been forecasted.

3. The reversion of Coal Board funds into the impact of decline account, sought in this bill, is not a permanent arrangement, since once the \$20 million ceiling in the impact of decline account is reached, the funds not granted by the Coal Board would revert to the Educational Trust Fund as is the current practice. The Coal Board has always been and will continue to be a staunch supporter of education. In fact, by statute, two members of the seven member Coal Board must be representatives of the field of education. The Coal Board, in its eight year history, has awarded 54% of its total grant funds to school districts for construction, equipment, and planning

Senate Taxation Committee
Helena, Montana
January 15, 1984
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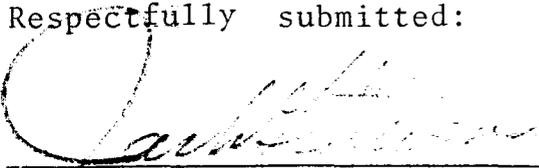
Senate Bill 4 (Cont.)

for educational facilities. This totals \$28 million in Coal Board grants that have gone directly to assist education in Montana. It would be a logical assumption that School Districts would be among the first units of local governments affected by a decline and therefore would continue to be recipients of future Coal Board grants under this legislation. The total picture of how the Coal Severance Tax directly benefits education in this state is that \$85.4 million has been provided to education over the past eight years from Coal Severance Tax collections. I think this demonstrates that education has certainly been treated fairly in the past and has not been short changed by any standard when considering the total severance tax picture.

4. This legislation will require a biennial appropriation which I understand is best addressed in the appropriation bill so I will defer that detail to your better judgement.

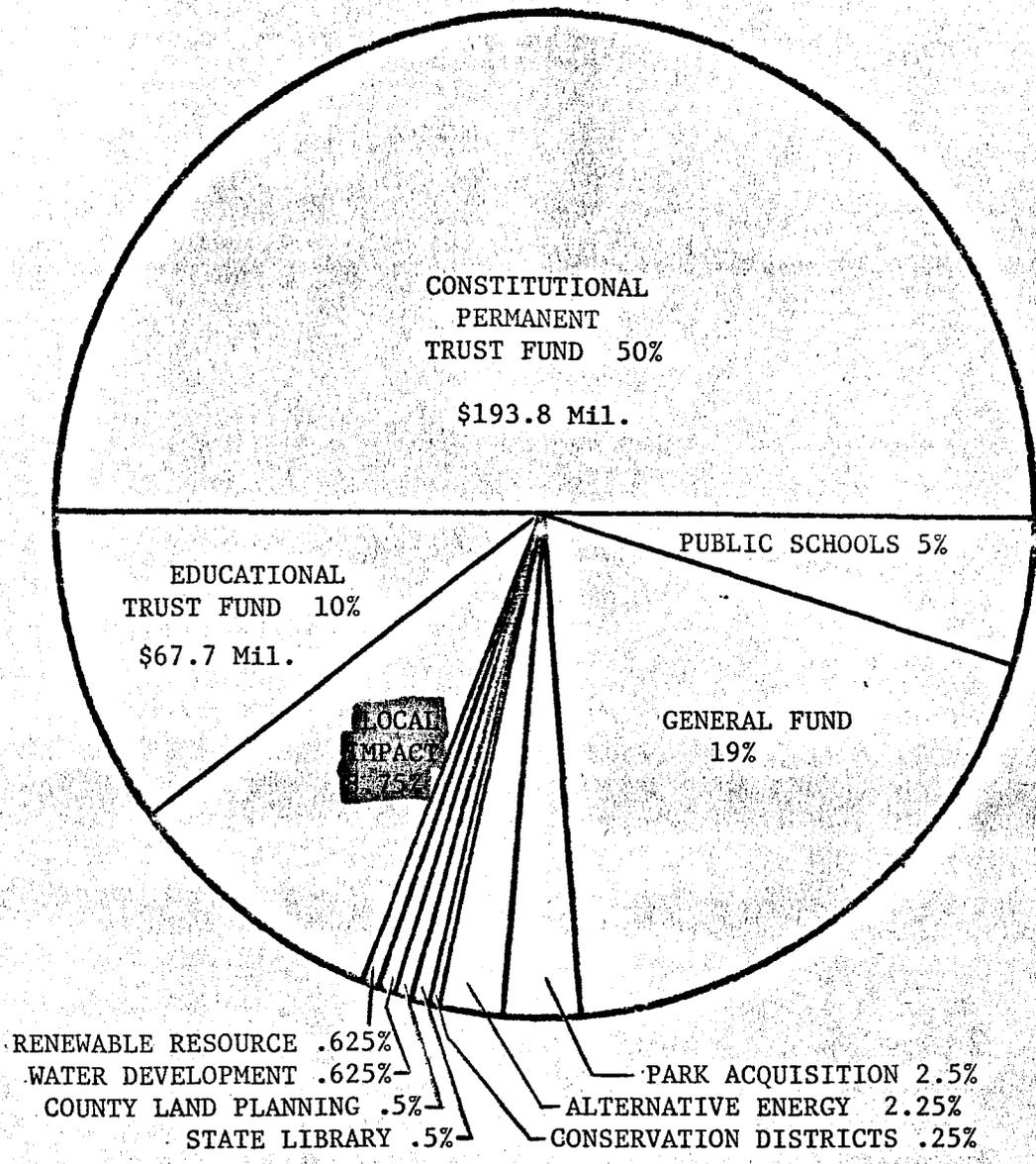
In closing, I would like to express my thanks to Chairman Towe, Senator Gage, and the other members of the Committee and I will now respond to any questions from the Committee at this time.

Respectfully submitted:



JACK G. STEVENS, VICE-CHAIRMAN
Montana Coal Board

MONTANA'S SEVERANCE TAX
DISTRIBUTION FORMULA

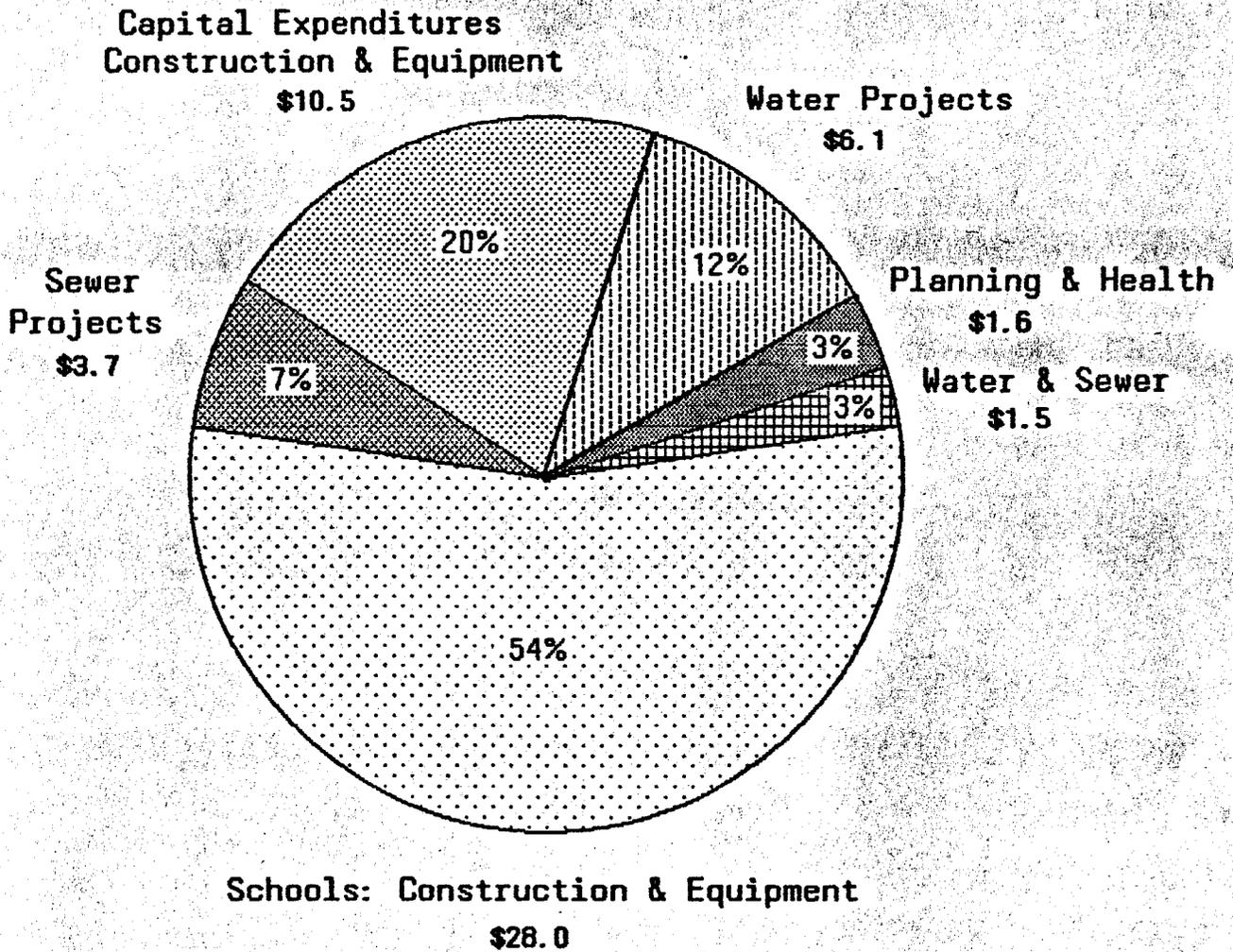


SEVERANCE TAX INCOME PROJECTIONS

FUND	PERCENT		PERCENT	
	FY 85 & FY 86	FY 85	FY 86	FY 87
TOTAL		\$ 91,809,000	\$ 103,866,000	\$ 112,033,000
Constitutional Trust Fund	50%	45,904,500	51,933,000	56,016,500
General Fund	19%	17,443,710	19,734,540	18,731,918
Educational Trust Fund	10%	9,180,900	10,836,600	9,858,904
Local Impact	8.75%	8,033,288	9,088,275	8,626,541
Public Schools	5%	4,590,450	5,193,300	4,929,452
Alternative Energy	2.25%	2,065,703	2,336,984	2,218,253
Park Acquisition	2.5%	2,295,225	2,596,650	2,464,726
Water Development	.625%	573,806	649,163	616,181
Renewable Resources	.625%	573,806	649,163	616,181
Conservation Districts	.250%	229,522	259,665	246,474
County Land Planning	0.5%	459,045	519,330	492,945
State Library	0.5%	459,045	519,330	492,945
Highway Reconstruction				6.0% 6,721,980

COAL BOARD FUNDED PROJECTS

FY 1976 — 1984

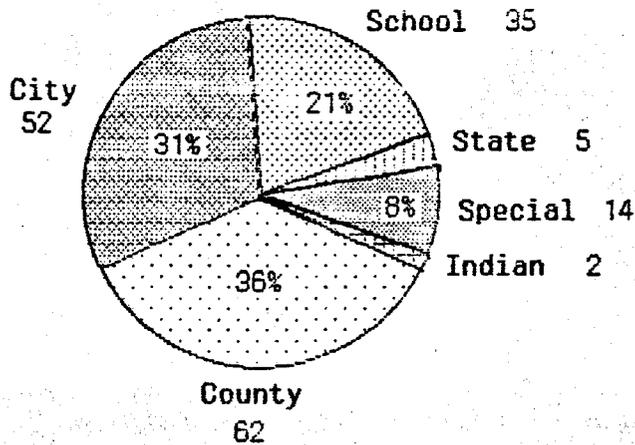


COAL BOARD GRANTS

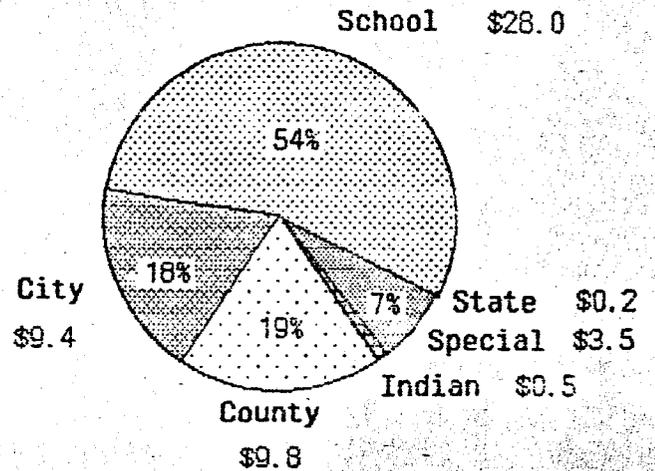
January 1976 — June 1984

(by units of local governments)

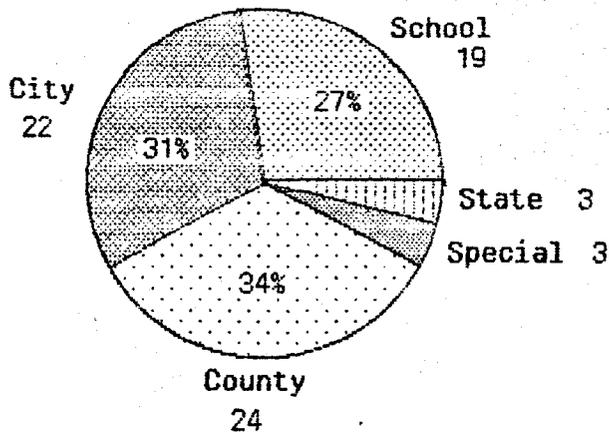
Grants Awarded



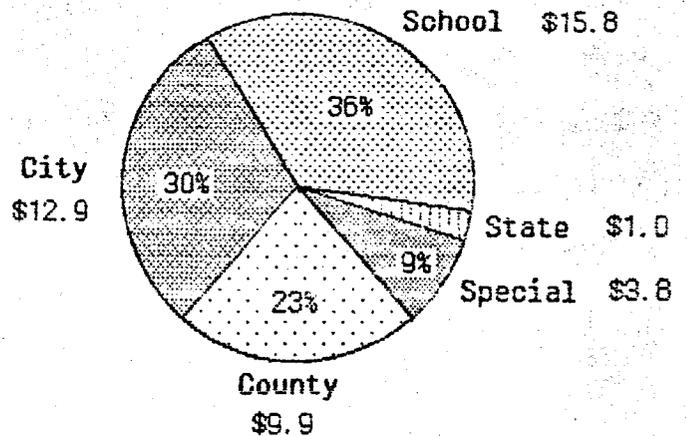
Amount Awarded



Grants Denied



Amount Denied

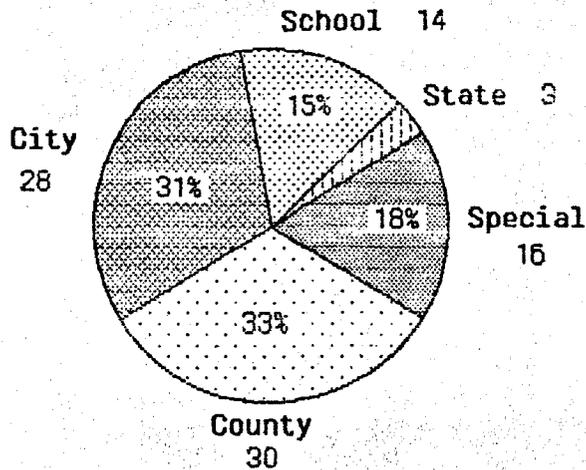


COAL BOARD GRANTS

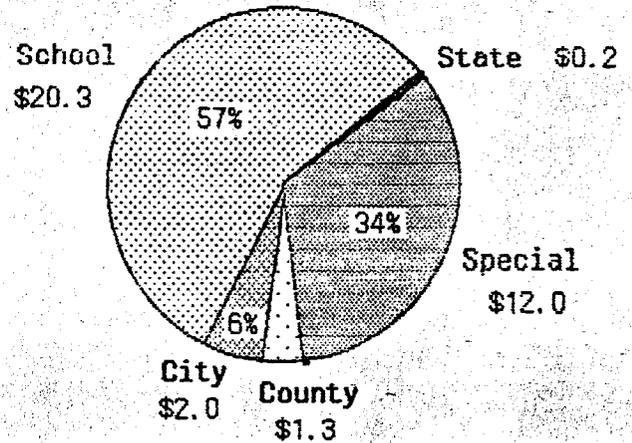
January 1976 — June 1984

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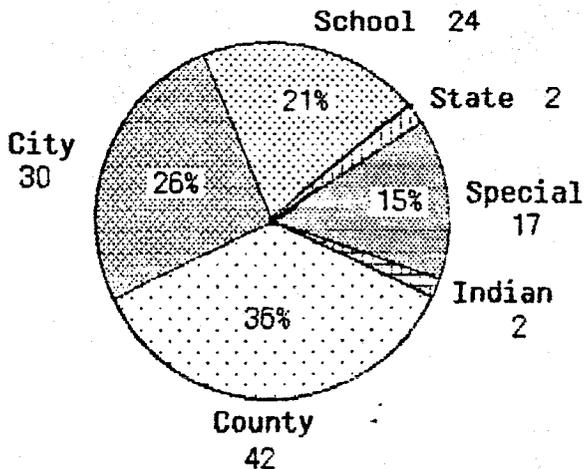
Number Reduced



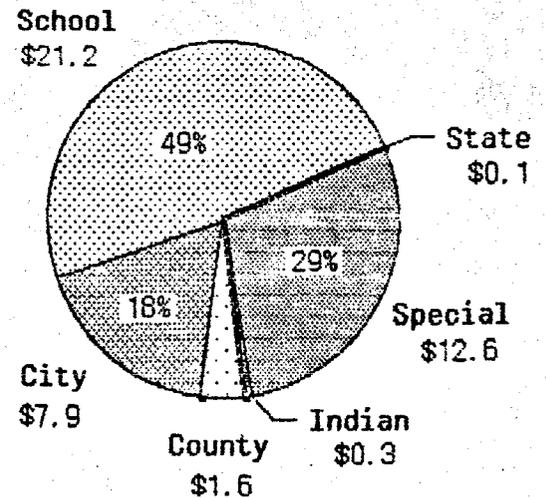
Amount Reduced



Local Match Number

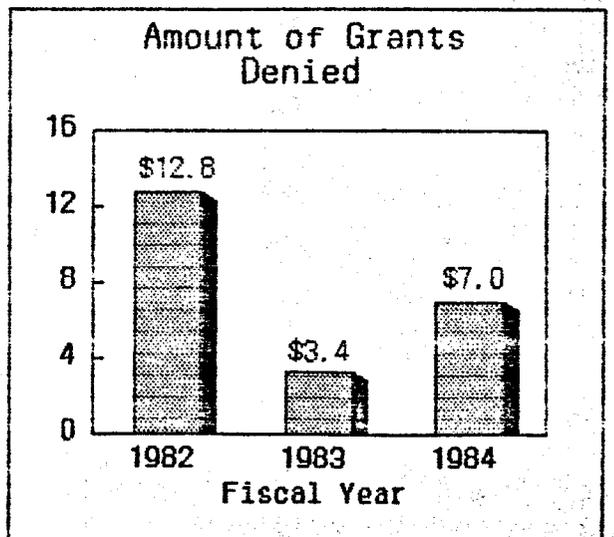
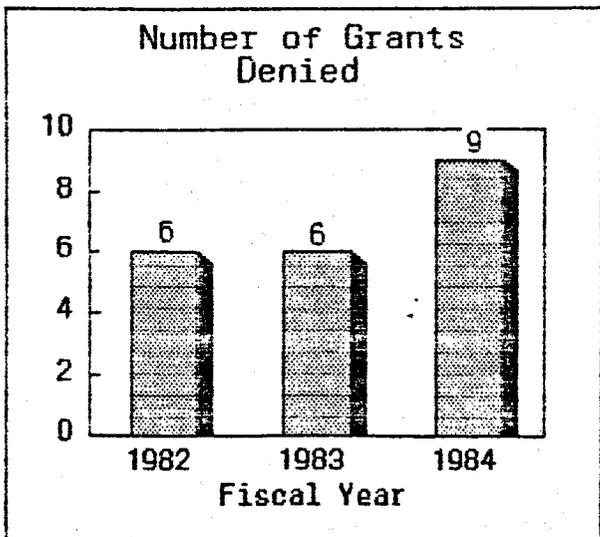
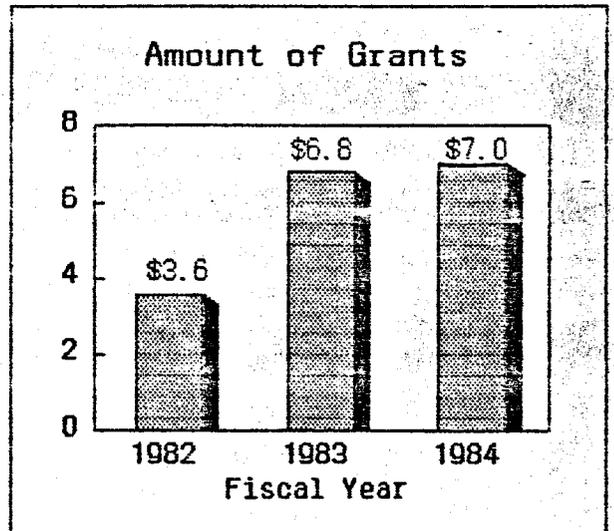
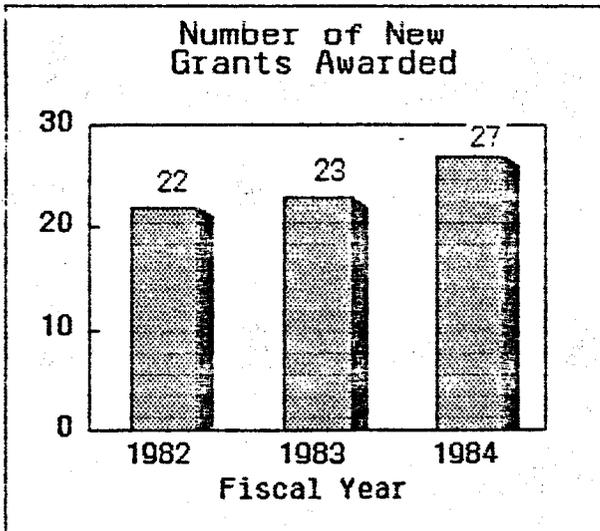
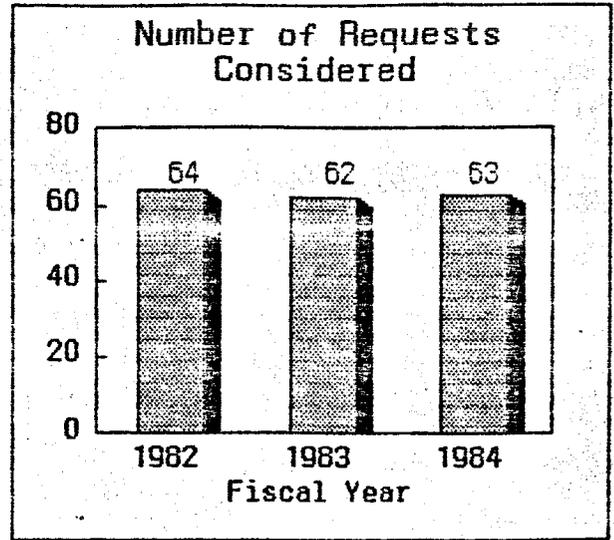
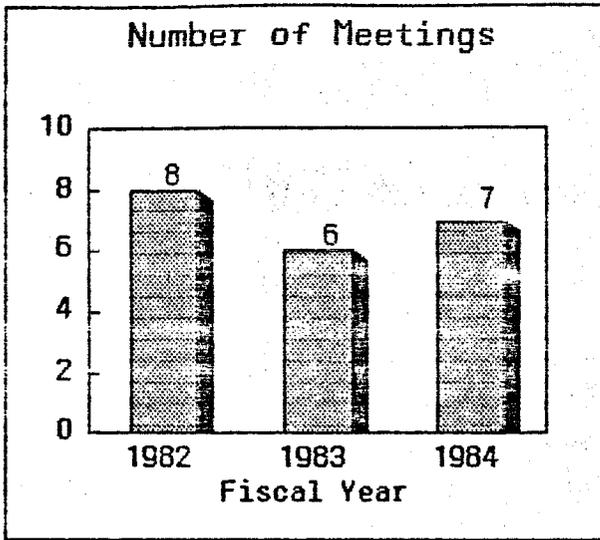


Local Match Amount



COAL BOARD

FY 1982 - 1984



COAL BOARD GRANTS

#0002	Colstrip Elementary School	\$1,799,636.33
#0002/0003	Colstrip School Equipment	93,696.97
#0003	Colstrip High School	1,022,317.50
#0004	Ashland Elementary School	800,000.00
#0005	Rosebud School District	465,000.00
#0006	Rosebud County Planning	32,000.00
#0007	Forsyth Elementary School	2,499,428.81
#0008	Forsyth High School	27,000.00
#0009	Forsyth Water Treatment	615,000.00
#0010	Forsyth Wastewater Pump	150,000.00
#0012	Forsyth Sewage	25,000.00
#0014	Colstrip Sewage Treatment	538,000.00
#0015	Ashland Water & Sewer	71,080.00
#0016	Rosebud County Jail	100,000.00
#0017	Hardin Sewer & Lagoon	266,475.00
#0018	Hardin Capital Equipment	128,154.76
#0019	Lodge Grass Capital Equipment	125,250.00
#0020	Hysham Water Distribution	388,440.00
#0022	16th Judicial District	24,829.23
#0024	Lodge Grass Water Line	171,556.18
#0027	Forsyth Capital Equipment	154,682.53
#0028	Hardin Elementary School	2,041,647.99
#0029	Hardin High School	1,167,999.99
#0030	Treasure Co. Health Nurse	9,355.00
#0031	Sagebrush Library	51,272.00
#0033	Miles Community College	1,526,455.52
#0037	Colstrip Street Cleaner	82,102.56
#0038	Colstrip Water Treatment	620,215.35
#0042	Dawson County Census	11,108.34
#0043	McCone County Planning	42,000.00
#0046	Hardin Water System	260,900.00
#0047	Hardin Sewer Trunk Main	746,978.55
#0054	Laurel Public Schools	228,825.00
#0055	Hysham Sewer System	56,360.00
#0056	Laurel Water Treatment	583,772.00
#0057	Forsyth Municipal Water	81,331.71
#0058	Forsyth Capital Equipment	44,273.06
#0059	Colstrip Elementary School Equipment	38,544.70
#0060	Rosebud County Sewer	49,400.00
#0061	Treasure Co. Patrol Car	6,667.31
#0062	Ashland Volunteer Fire Dept.	44,741.00
#0063	Lodge Grass Capital Equipment	60,619.95
#0064	Forsyth Solid Waste	203,934.50
#0068	Tri-County Solid Waste Plan	268,004.34
#0069	Big Horn County Courthouse	416,000.00
#0072	Hysham Capital Equipment	49,982.00
#0074	Custer County Water & Sewer	358,000.00
#0075	Forsyth Elem. School/Const. & Equipment	193,082.18
#0076	Forsyth High School/Const. & Equip.	290,938.88
#0078	Hardin Capital Equipment	57,388.00
#0079	Treasure County Planning	17,000.00

#0080	Colstrip Community Services Facility	324,526.00
#0081	Forsyth Capital Equipment/Truck	26,278.70
#0083	Big Horn County Rural Fire Equip.	75,000.00
#0085	Ashland Water & Sewer Bond	102,844.00
#0086	Forsyth Schools/Remodeling & Equip.	35,000.00
#0087	Treasure County Shop Complex	389,833.00
#0089	Hardin Capital Equip./Black Topper & Truck	15,877.60
#0090	Lame Deer Schools/Comprehensive Plan	18,420.00
#0091	Miles City Public Library	82,600.00
#0093	City of Billings/Planning Grant	50,000.00
#0094	Laurel Sewer Line Extension & Equip.	231,419.00
#0095	Hardin Water Line Replacement	463,173.71
#0099	Hysham Water Renovation	101,900.00
#0100	Big Horn County/Law Enforcement Comm. Equip.	38,900.00
#0103	Ashland Sewer Line Repair	101,400.00
#0107	Forsyth H.S./Remodeling & Additions	1,750,000.00
#0109	Colstrip Schools/Educational Facilities Plan	34,500.00
#0111	Colstrip Fire Truck	51,750.00
#0113	Financial Assessment System	44,000.00
#0114	City of Glendive/Street Paving	38,516.00
#0115	City of Red Lodge/Comprehensive Plan	7,362.00
#0117	Rosebud Co./Law Enforcement Equip. & Services	48,198.68
#0119	Spring Creek Co. Water & Sewer/Facilities Const.	196,742.31
#0120	Rosebud County/Mental Health Services	20,514.31
#0121	Hardin Storm Sewer System Improvement Study	9,488.15
#0122	Lame Deer Schools Construction	449,954.86
#0123	Rosebud County/Gravel Crushing Equipment	189,249.00
#0124	Colstrip Elem. School/New Construction	1,665,000.00
#0125	Colstrip High School/New Construction	3,367,833.00
#0126	Forsyth City Hall	225,000.00
#0128	Rosebud Co./Emergency Medical Services Radio	2,180.00
#0129	Rosebud Co./Juvenile Probation Officer	18,000.00
#0131	DCA/Impact Assistance Field Office	43,235.55
#0132	Rosebud County/RSID #74	662,298.50
#0133	Town of Hysham/Building Addition	20,886.90
#0135	Treasure County/Law Enforce. Vehicles & Services	27,354.00
#0136	Big Horn County/Nursing Home Construction	250,000.00
#0137	Treasure County/Capital Equipment	35,000.00
#0138	Rosebud Co. RSID #74/Transmission Water Main	103,725.00
#0139	Rosebud Co. RSID #74/Water Storage Reservoir	312,925.00
#0142	Rosebud Co. RSID #74/Consolidated Water & Sewer	404,850.00
#0146	Big Horn County/Road Equipment	322,000.00
#0147	City of Hardin/Water System Expansion	675,000.00
#0149	Big Horn County/Decker Area Shop Facility	137,500.00
#0150	Treasure County/Front-end Loader & Attachments	172,945.00
#0151	City of Billings/Special Crime Invest. Unit. Equip.	125,400.00
#0152	Forsyth Fire Truck	99,857.29
#0154	Treasure County Health Center	11,626.00
#0157	Town of Lodge Grass/Planning Study & Line Repair	47,596.01
#0158	Town of Lodge Grass/Law Enforce. Const. & Equip.	57,000.00
#0159	Cascade County/Comprehensive Plan	98,000.00
#0160	Rosebud Co./Colstrip Water Treat. Plant Expansion	1,106,000.00
#0161	Rosebud County/Comprehensive Human Service Program	685,820.00
#0162	Dawson Co./West Glendive Wastewater Survey Study	53,500.00
#0163	Town of Wibaux/Water & Wastewater System Plan. Study	16,000.00

#0164	Rosebud County/Mental Health Services Renewal	35,000.00
#0165	Big Horn County/Decker Area Employee Housing	71,317.00
#0166	Custer County/Impact Planning	21,000.00
#0167	Treasure County School District/Storage Building	17,300.00
#0169	City of Hardin/Sewer Cleaning Equipment	50,000.00
#0170	Colstrip Fire District/Fire Station Const. & Equip.	153,212.00
#0174	Rosebud County (RSID#1-72-S)/Sewage Plant Improv.	205,000.00
#0176	Eastern Counties/Law Enforcement Support Services	650,920.00
#0178	Montana State University/Impact Assess. Modeling	40,000.00
#0179	Rosebud County/Airport Necessity Study	15,095.00
#0180	City of Forsyth/Sewer Trunk & Collection Lines	610,000.00
#0181	City of Glendive/Water & Sewer System Analysis	54,096.99
#0182	Treasure County/Ambulance	37,708.00
#0186	Town of Lodge Grass/Water System Improvements	43,878.61
#0187	Town of Lodge Grass/Sewer System Improvements	181,876.00
#0188	Dawson County/Jail Planning Study	59,195.38
#0190	Forsyth School District #4/Paving and Equipment	185,258.00
#0191	Rosebud County/Mental Health Services Renewal II	40,061.36
#0192	Big Horn County/County Hospital Remodeling	1,088,162.00
#0193	Montana Board of Crime Control/Impact Handbook	25,000.00
#0194	Treasure County School District/School Constr.	1,395,403.50
#0195	Treasure County/Road Equipment and Services	175,000.00
#0196	Rosebud Co./Airport Site Study	46,404.00
#0197	City of Hardin/Pumper Fire Truck	64,000.00
#0198	Lame Deer School District #6/Phy. Ed. Facility	2,215,968.00
#0199	Dawson Community College Dist.#1/Student Center	298,000.00
#0200	Rosebud County/Colstrip Ambulance	44,000.00
#0201	Big Horn County/Solid Waste Canister Site	44,530.00
#0202	Rosebud County/Maintenance Equipment	136,291.00
#0205	Musselshell County/Rural Planning Study	36,650.00
#0209	Hardin School District#1/Boiler Conversion	271,000.00
#0210	Lodge Grass Elem. S.D.#27/Classroom Constr.	536,228.00
#0211	Lodge Grass High S.D. #2/Boiler Retrofit	507,600.00
#0212	Huntley Project S.D. #24/Elementary Addition	369,261.00
#0213	City of Hardin/Equipment Storage Building	67,937.00
#0214	Ashland School District #32J/Teacher Housing	212,298.12
#0215	City of Forsyth/Water System Improvements	10,000.00
#0216	Ashland Fire District/Construction & Equip.	46,000.00
#0217	Treasure County/Sheriff's Patrol Car	9,975.00
#0218	Rosebud County RSID#75/Water & Sewer Improv.	920,000.00
#0219	Forsyth School District #4/Storage Bays & Paving	175,100.00
#0221	Big Horn County/Nursing Home Storage Facility	25,554.00
#0222	Rosebud County/Mental Health Services - Ren III	39,652.79
#0223	City of Hysham/Fire Equipment	3,935.00
#0224	City of Forsyth/Fire Apparatus Testing Equipment	7,092.50
#0226	Miles Co. College/Colstrip Education Center	119,235.00
#0228	Big Horn County/Decker Community Hall	130,043.70
#0229	Montana State Univ./Coaltown Model Renewal	43,000.00
#0232	Rosebud County/Hospital Construction	219,000.00
#0233	Lodge Grass H.S. Dist. #2/Vo-Ed. Construction	1,626,186.00
#0234	Rosebud School Dist./Wall Reinforcing	97,259.12
#0235	Rosebud County/Colstrip Building Addition	70,700.00
#0237	City of Forsyth/Water System	193,850.00
#0240	Custer S.D. #15/Classroom Construction	491,000.00
#0241	Daniels Co. Cons. Dist./Water Monitoring	96,638.00

#0243	Northern Cheyenne Tribe/Community Center	317,500.00
#0244	Northern Cheyenne Tribe/Dorm & Student Union	150,000.00
#0245	Rosebud County/Colstrip Capital Equip.	83,700.00
#0246	Rosebud County/Search & Rescue Equip.	30,361.41
#0247	Rosebud County/Mental Health Computer	24,948.00
#0248	Dawson County/Hospital Comp. Plan	30,000.00
#0250	City of Hardin/Sewer Trunk Main	329,400.00
#0251	City of Hardin/Capital Equip.	110,695.00
#0252	City of Forsyth/Comm. Center & Pool	1,123,280.00
TOTAL.....		\$ 51,460,997.29

1984 ADJUSTED PER SB 48

TAXABLE

CLASS PERCENTAGE TYPE OF PROPERTY

I 100% Net Proceeds of all Mines and Mining Claims Except Coal and Metal Mines.

II 3% Gross Proceeds of Metal Mines

33 1/3% Gross Proceeds of Underground Coal Mines

45% Gross Proceeds of Coal Mines Using the Strip-Mining Method

III 30% All Agriculture Land

IV 8.55% All noncommercial land, including, for farm homes, 1 acre of agricultural land at market value, except that specifically included in another class;

8.55% All noncommercial improvements except those specifically included in another class;

8.55% A trailer or mobile home used as a residence except when:
 (i) held by a distributor or dealer of trailers of or mobile homes as his stock in trade; or
 (ii) specifically included in another class;

Varies from 0% to 7.695% Depending on the Adjusted Gross Income
 So much of the market value of any improvement on real property, or mobile home and the appurtenant land not exceeding 5 acres, as does not exceed \$35,000, when such dwelling and land are owned under contract for deed, by certain widows, retired, disabled and other persons whose adjusted gross income as reported on their latest federal income tax return, is not more than \$8,000 if single or \$10,000 if married.

4.275% All Golf Courses, including land and improvements actually and necessarily used for that purpose, that:
 (1) Consist of at least 9 holes and not less than 3,000 lineal yards; and
 (2) were used as Golf Courses January 1, 1979 and owned by a nonprofit Montana Corporation.

1984 ADJUSTED PER SB 48

CLASS	TAXABLE PERCENTAGE	TYPE OF PROPERTY
V	3%	All property used and owned by Cooperative Rural Electrical and Cooperative Rural Telephone Associations organized under the laws of Montana, except property owned by Cooperative organizations, described in subsection (1)(c) of 15-6-137 (Class VII).
	3%	Air and Water Pollution Control Equipment
	3%	Property that meets the requirements for "New Industry"
	3%	Any Personal or Real Property used primarily in the production of gasohol during construction and for the first 3 years of its operation.
VI	4%	Livestock and poultry and the unprocessed products of both;
	4%	All unprocessed agricultural products on the farm or in storage except all perishable fruits and vegetables in farm storage and owned by the producer;
	4%	Items of personal property intended for lease in the ordinary course of business provided each item of personal property satisfies all of the following: (i) the full and true value if the personal property is less than \$5,000; (ii) the personal property is owned by a business whose primary business income is from rental or lease of personal property to individuals wherein no one customer of the business accounts for more than 10% of the total rentals or leases during a calendar year; and (iii) the lease of the personal property is generally on an hourly, daily, or weekly basis.
VII	11.1024%	All property used for noncommercial purposes which is not real property or an improvement to real property and which is not in another classor exempt from taxation under Title 15, Chapter 6, Part 2; and
	11.1024%	All agricultural machinery and equipment used in a bona fide farm, ranch, or stock operation.

1984 ADJUSTED PER SB 48

TAXABLE

CLASS PERCENTAGE TYPE OF PROPERTY

VIII 8.55% All land except that specifically included in another class; and
 8.55% All improvements except those specifically included in another class.

IX 11.7189% Buses and trucks having a rated capacity of more than three-quarters of a ton but less than or equal to 1 1/2 tons;

11.7189% Truck toppers weighing more than 300 pounds;

11.7189% Furniture, fixtures, and equipment, except that specifically included in another class, used in commercial establishments as defined in this section;

11.7189% X-ray and medical and dental equipment;

11.7189% Citizens' band radios and mobile telephones

11.7189% All mining machinery, fixtures, equipment, tools, and supplies except those included in class five;

11.7189% All manufacturing machinery, fixtures, equipment, tools, and supplies except those included in class five;

11.7189% All trailers up to and including 18,000 pounds maximum gross loaded weight, except those subject to a fee in lieu of property tax;

11.7189% All goods and equipment intended for rent or lease, except goods and equipment specifically included and taxed in another class;

11.7189% All other machinery except that specifically included in another class;

11.7189% Radio and television broadcasting and transmitting equipment;

11.7189% Cable television systems;

11.7189% Coal and ore haulers;

11.7189% All trailers exceeding 18,000 pounds maximum gross loaded weight, including those prorated under 15-24-102 and except those subject to a fee in lieu of property tax;

1984 ADJUSTED PER SB 48

CLASS	TAXABLE PERCENTAGE	TYPE OF PROPERTY
	11.7189%	Theater projectors and sound equipment;
	11.7189%	Electric transformers and meters; electric light and power substation machinery; natural gas measuring and regulating station equipment, meters, and compressor station machinery owned by noncentrally assessed public utilities; and tools used in the repair and maintenance of this property;
	11.7189%	Tools, implements, and machinery used to repair and maintain machinery not used for manufacturing and mining purposes; and
	11.7189%	All other property not included in any other class except that property subject to a fee in lieu of a property tax.
		NOTE: "Commercial establishment" includes any hotel; motel; office; petroleum marketing station; or service wholesale, retail, or food-handling business
X	Tax Rate Derived From Formula	All railroad transportation property; and (11.2063%)
	Tax Rate Derived From Formula	All airline transportation property. (11.2063%)
XI	12.8055%	Centrally assessed electric power companies' allocations;
	12.8055%	Allocations for centrally assessed natural gas companies having a major distribution system in this state; and
	12.8055%	Centrally assessed companies' allocations except: <ul style="list-style-type: none"> (i) electric power and natural gas companies' property; (ii) property owned by cooperative rural electric and cooperative rural telephone associations and classified in class five; and (iii) property owned by organizations providing telephone communications to rural areas and classified in class nine; and (iv) Airline and railroad transportation property included in class ten;

1984 ADJUSTED PER SB 48

TAXABLE

CLASS PERCENTAGE TYPE OF PROPERTY

XI 12.8055% All property used and owned by persons, firms, corporations, or other organizations that are engaged in the business of furnishing telephone communications exclusively to rural areas or to rural areas and cities and towns of 800 persons or less; and

12.8055% All property owned by cooperative rural electrical and cooperative rural telephone associations that serve less than 95% of the electricity consumers or telephone users within the incorporated limits of a city or town where the average circuit miles for each station on the telephone communication system is more than 1 mile.

XII 30% All commercial timberland.

CHANGES

TAXABLE PERCENTAGE TYPE OF PROPERTY

CLASS	TAXABLE PERCENTAGE	TYPE OF PROPERTY	CHANGES
VII	8%	Tools, implements, and machinery used to repair and maintain machinery not used for manufacturing and mining purposes.	Moves to Class IX (11.72%)
VIII	11%	All agricultural implements and equipment;	Moves to class VII (11.1%)
	11%	All mining machinery, fixtures, equipment, tools, and supplies except: (i) those included in class five; and (ii) coal and ore haulers;	If commercial - Class IX (11.72%) or If noncommercial - Class VII (11.1%)
	11%	All manufacturing machinery, fixtures, equipment, tools, and supplies except those included in class five;	" " "
	11%	Motorcycles;	" " "
	11%	Watercraft;	" " "
	11%	All trailers up to and including 18,000 pounds maximum gross loaded weight, except those subject to a fee in lieu of property tax;	" " "
	11%	Aircraft;	" " "
	11%	All-terrain vehicles;	" " "
	11%	Harness, saddlery, and other tack equipment;	" " "
	11%	All goods and equipment intended for rent or lease, except goods and equipment specifically included and taxed in another class; and	" " "
	11%	All other machinery except that specifically included in another class.	" " "
IX	13%	Buses and trucks having a rated capacity of more than three quarters of a ton but less than or equal to 1 1/2 tons;	If commercial - Class IX (11.72%) or If noncommercial - Class VII (11.1%)
	13%	Truck toppers weighing more than 300 pounds;	If used in a Bona Fide Farm/Ranch or Stock Operation move to Class VII (11.1%)
	13%	Furniture, fixtures, and equipment, except that specifically included in another class, used in commercial establishments as defined in this section;	" " "
	13%	X-ray and medical and dental equipment; and	" " "

1984 TAX CLASSIFICATION

CLASS	TAXABLE PERCENTAGE	TYPE OF PROPERTY	CHANGES
	13%	Citizens' band radios and mobile telephones.	" " "
X	16%	Radio and television broadcasting and transmitting equipment;	If Commercial move to Class IX (11.72%)
	16%	Cable television systems;	If Noncommercial move to Class VII (11.1%)
	16%	Coal and ore haulers;	If used in a Bona Fide Farm/Ranch or Stock Operation move to Class VII (11.1%)
	16%	Trucks having a rated capacity of more than 1 1/2 tons, including those prorated under 15-24-102;	" " "
	16%	All trailers exceeding 18,000 pounds maximum gross loaded weight, including those prorated under 15-24-102 and except those subject to a fee in lieu of property tax;	" " "
	16%	Theater projectors and sound equipment; and	" " "
	16%	All other property not included in the preceding nine classes except that property subject to a fee in lieu of a property tax.	" " "
XI	12%	Centrally assessed electric power companies' allocations;	Move to Class XI (12.8%)
	12%	Allocations for centrally assessed natural gas companies having a major distribution system in this state; and	Move to Class XI (12.8%)
	15%	Centrally assessed railroads, telecommunications, pipelines, and airlines.	Move Centrally Assessed Railroads and Airlines to Class X - Tax Rate Derived from Formula
XII	8.55%	A trailer or mobile home used as a residence giving the same elderly benefits afforded in class IV.	Move to Class IV (8.55%)

	1984 Taxable Value	Adjusted Taxable Value Per LC420	Percent Change
Beaverhead	\$15,155,776	\$15,404,055	+1.64%
Big Horn	\$127,755,762	\$128,341,485	+.46%
Blaine	\$34,312,334	\$34,245,921	-.19%
Broadwater	\$10,927,608	\$11,197,221	+2.47%
Carbon	\$28,234,173	\$28,009,266	-.80%
Carter	\$6,795,445	\$6,684,208	-1.64%
Cascade	\$89,419,814	\$88,625,821	-.89%
Chouteau	\$30,209,895	\$30,234,461	+.08%
Custer	\$18,274,984	\$18,301,479	+.14%
Daniels	\$8,170,427	\$8,263,563	+1.14%
Dawson	\$29,365,423	\$29,481,180	+.39%
Deer Lodge	\$12,460,024	\$12,685,380	+1.81%
Fallon	\$115,772,404	\$115,719,763	-.05%
Fergus	\$21,874,930	\$21,856,566	-.08%
Flathead	\$86,418,103	\$86,665,509	+.29%
Gallatin	\$59,488,206	\$59,063,952	-.73%
Garfield	\$6,689,940	\$6,664,664	-.38%
Glacier	\$45,796,324	\$45,928,970	+.29%
Golden Valley	\$5,239,576	\$5,413,848	+3.33%
Granite	\$5,562,353	\$5,676,890	+2.06%
Hill	\$45,368,815	\$45,498,093	+.28%
Jefferson	\$15,386,711	\$15,592,523	+1.34%
Judith Basin	\$9,108,873	\$9,307,997	+2.19%
Lake	\$26,443,146	\$26,569,192	+.48%
Lewis & Clark	\$60,101,835	\$59,451,993	-1.18%
Liberty	\$20,161,061	\$20,285,360	+.62%
Lincoln	\$33,310,642	\$33,862,572	+1.66%
Madison	\$16,180,061	\$16,168,064	-.08%
McCone	\$10,781,673	\$10,783,095	+.01%
Meagher	\$7,954,134	\$8,133,143	+2.25%
Mineral	\$4,473,586	\$4,575,854	+2.29%
Missoula	\$123,133,283	\$123,569,233	+.35%
Musselshell	\$27,277,779	\$27,194,680	-.30%
Park	\$18,360,936	\$18,486,881	+.69%
Petroleum	\$3,183,470	\$3,204,827	+.67%
Phillips*	\$39,347,917	\$38,748,231	-2.54%
Pondera	\$25,177,170	\$25,165,255	-.05%
Powder River	\$67,513,144	\$67,505,980	-.01%
Powell	\$13,803,337	\$14,228,517	+3.08%
Prairie	\$6,497,419	\$6,650,933	+2.36%
Ravalli	\$23,896,228	\$23,752,787	-.62%
Richland	\$124,659,036	\$124,625,868	-.03%
Roosevelt*	\$76,933,437	\$74,942,709	-2.59%
Rosebud	\$244,364,813	\$255,479,076	+4.55%
Sanders	\$20,933,587	\$21,943,211	+4.82%
Sheridan	\$87,866,888	\$87,822,694	-.05%
Silver Bow	\$46,787,562	\$47,170,984	+.82%
Stillwater	\$14,977,997	\$15,260,698	+1.89%
Sweet Grass	\$6,708,983	\$6,839,570	+1.95%
Teton	\$18,634,944	\$18,754,975	+.64%
Toole	\$48,027,545	\$48,291,646	+.55%
Treasure	\$4,587,439	\$4,876,474	+6.30%
Valley*	\$43,777,973	\$42,072,711	-3.9%
Wheatland	\$7,089,882	\$7,506,866	+5.88%
Wibaux	\$28,176,939	\$28,166,429	-.04%
Yellowstone	\$201,971,002	\$202,131,318	+.08%

EXHIBIT 3
 Senate Taxation Committee
 January 15, 1985
 SB 48

*The counties showing losses in value per LC420 have substantial line property. Pipelines are presently trying to get the same legislation through congress that railroads and airlines have.

1/14/85

Senate Bill 48

Senate Bill 48 would revise Montana property tax classification law to comply with requirements of federal law. In addition it would increase the rate of tax and the method of determining the value of certain classes of property. Because the bill would substantially increase The Montana Power Company's (MPC) property tax burden, we oppose it.

Increase in Tax Rate

Substantially all of MPC's utility property is classified as class eleven property. It is presently taxed at 12% of market value. In 1984, the market value of MPC's class eleven property was deemed to be \$1,009,096,725. Taxes paid on this value totalled \$23,737,000. Senate Bill 48 would increase the rate of tax applicable to MPC's property, from 12.0% to 12.8% of market value. This would result in taxes of \$25,320,000, or 6.66% more than taxes paid in 1984.

Taxes are part of the cost of service reflected in rates MPC is permitted to charge. Higher taxes result in higher rates. MPC urges this committee to not adopt this increase.

Replacement Cost

The value of class eleven property subject to taxation is determined using several indicators. One of the indicators, the cost indicator, uses the original cost depreciated of the utility property. Senate Bill 48 would require the use of replacement cost depreciated. This is a significant change that would substantially increase MPC's taxes.

EXHIBIT 4
Senate Taxation Committee
January 15, 1985
SB 48

1/14/85

Requiring the use of replacement cost depreciated would increase the conclusion regarding the value of MPC's class eleven property by more than 40%. The value would increase from \$1,009,096,725 to \$1,467,455,078. This is a \$458,358,333 increase. It may be safely assumed that if the conclusion of value is increased by more than 40%, then MPC's tax payments would increase by more than 40%. This increase would be reflected in consumer rates.

Making this change would not be appropriate. The cost indicator is used to determine the "market value" of property subject to property tax. An investor who would purchase this property would not pay more for the property than he could earn with it. Yet, under current regulation, a utility can earn only on the original cost depreciated of the property. Since MPC is not given an opportunity to earn on the replacement cost depreciated of its class eleven property, it should not be required to pay taxes on its replacement cost depreciated.

For these reasons, MPC is opposed to the enactment of Senate Bill 48.

For: The Montana Power Company

By: Michael E. Zimmerman



502 South 19th

Bozeman, Montana 59715

Phone (406) 587-3153

TESTIMONY BY: Alan Eck

BILL # SB-48 DATE 1/15/85

SUPPORT _____ OPPOSE XXX

Mr. Chairman and members of the committee.

For the record my name is Alan Eck. I'm representing the Montana Farm Bureau Federation. We would like to go on record as opposing item (a) under section 3 on page 6, which says "all noncommercial land including farm homes, 1 acre of land at market value". We also oppose item(3)under section 10 page 21 & 22, which says "at 30% of the combined appraised value of the standing timber and grazing productivity of the property".

We are opposed to the first item because it would do away with the 20% farm home discount which has been in effect for many years and would increase the property taxes of the majority of bona fide ranchers and farmers in Montana. We are opposed to the second item because it looks as if we'd be getting taxed twice on the same ground, once for the grazing value and once for the timber value.

The Montana Farm Bureau asks that you strike or make more fair these two sections in Senate Bill #48.

EXHIBIT 5
Senate Taxation Committee
January 15, 1985
SB 48

Alan Eck
SIGNED