

MINUTES

**MONTANA HOUSE OF REPRESENTATIVES
52nd LEGISLATURE - REGULAR SESSION**

COMMITTEE ON TAXATION

Call to Order: By DAN HARRINGTON, CHAIR, on March 12, 1991, at 9:02 A.M.

ROLL CALL

Members Present:

Dan Harrington, Chairman (D)
Bob Ream, Vice-Chairman (D)
Ben Cohen, Vice-Chair (D)
Ed Dolezal (D)
Orval Ellison (R)
Russell Fagg (R)
Mike Foster (R)
Bob Gilbert (R)
Marian Hanson (R)
David Hoffman (R)
Jim Madison (D)
Ed McCaffree (D)
Bea McCarthy (D)
Tom Nelson (R)
Mark O'Keefe (D)
Bob Raney (D)
Ted Schye (D)
Barry "Spook" Stang (D)
Fred Thomas (R)
Dave Wanzenried (D)

Members Absent: Rep. Ellison (R)

Staff Present: Lee Heiman, Legislative Council
Lois O'Connor, Committee Secretary

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

HEARING ON HB 935

Presentation and Opening Statement by Sponsor:

REP. S.J. HANSEN, House District 57, Missoula, stated HB 935 is a senior citizen's bill. It is an act to establish a trust fund and a supplemental program for Montana's older citizens and for persons who are developmentally and physically disabled through a tax on video gambling machines. The Legislature finds that the needs for older citizens or persons who are developmentally and physically disabled exceed the resources that this state has

available. The best interest for all Montanans are served by providing these services. The Legislature declared that it is a policy of the state to provide for the needs of the older citizens and people who are disabled.

HB 935 will set up a trust fund and the money taken from the tax on video machines will go into that fund. When the fund meets \$50 million, it will then be appropriated back to the state. This piece of legislature has come before the Legislature in 1983, 1985, 1987, 1989, and again in 1991. At no time has it ever been funded with more than \$500,000. It is not easy to meet the needs of the older Americans on that amount of money.

REP. HANSEN reminded the opposition to HB 935 that you will soon be a senior citizen (60 years or older), and some of them are going to need this in-home care. The average cost of a rest home patient is \$2,200 per month. She asked how many of them could afford that kind of money?

Proponents' Testimony:

Harley Warner, Montana Association of Churches, provided written testimony. EXHIBIT 1

Maureen Martin, West Mont, stated West Mont provides in-home care for individuals. In the past five years, they have had to increase their rates by 35% which is due almost solely to salary increases for their employees. The end result is fewer people are being served in our community. West Mont strives to keep people in their homes.

LeDean Lewis, American Association of Retired Persons, stated in-home services programs for Montana's older citizens are needed. In-home services enable older persons who need some assistance, but do not require expensive medical supervision, to maintain their independence. Statistics show that the population, age 75 and older, is projected to grow by 51% by 2005. She urged the committee's support.

Ena Simpson, Legacy Legislature Board, said they have waiting lists for people who need in-home health care, homemaker services, and home delivered meals. She stated that when a person pays \$2,000 or more a month for nursing homes, it doesn't take long to use up their savings. More and more people are asking for in-home care because they are more happy at home, more independent, and they can not afford nursing home care.

Duane Lutke, Montana Area of the Aging Directors Association, provided a graph to show the committee what can be expected over the next few years. He stated that there has been inadequate funding for the frail elderly over the years. This is the time that we must make a provision for the futures of our elderly. In the previous Legislatures, we have asked for funding. The common response was "show us where the dollars can come from". We feel

this year we have a funding mechanism that potentially can provide for the needs of older citizens without serious destruction of that mechanism. **EXHIBIT 2**

Judith Carlson, Montana Senior Citizens Association, stated the value of in-home services to the younger senior citizen. Many parents are in need of in-home services. If these programs were not available, it would place a great worry on those people who need to provide for a loved one. She urged the committee's support.

Opponents' Testimony:

Mark Staples, Montana Taverns Association, stated that no one contacted the Association when the money mechanism was being discussed. We believe, in a democracy, that all people should contribute to pay for societies needs. The taverns and business of Montana already supply thousands of jobs and pay many taxes. Video machines being used pour into the state coffers \$20 million a year. We also feel that machine play has plateaued. It has reach a saturation point evident by a recent slate of bankruptcies. Liquor, wine, and beer took the brunt of the federal excise attempt to balance the budget.

Video machines are the difference between survival and distinction of small bars. It was to save these small taverns that the Department of Justice legalized these machines. If you increase the tax 33 1/3% as HB 935 proposes, many of the taverns who are now trying to purchase their own machines will collapse. In order to avoid splitting revenues with distributors and manufacturers, tavern owners pay \$5,000 a machine and most pay for them on time at a 15% interest rate. If you tax them to the point where they can not make those payments, you will be robbing the state of the independence, competition, and wide participation by everyone that the AG and we feel is crucial to the integrity of this industry.

Todd Gilbreath, Owner, Gilley's Casino, stated that a year ago he changed the format of the restaurant to emphasis recreational gambling. A year ago, they had 8 employees; today they have 48 employees. We already pay tax on the gaming machines off the top of what his business grosses. Then they pay wages and the rest of the expenses. HB 935 increases the tax on the machines by 33 1/3 %. In his business, this means layoffs and cutbacks on promotions which will ultimately reduce total taxes and revenue to the state and local government. He is in the business because he believes that if given a chance, he can make it successful. He doesn't mind paying his fair share. He already pays tax of 15% of his gross income which he feels is more than fair.

Jack Snyder, Montana Taverns Association, feels that the tavern owners pay their fair share of taxes, and enough is enough. Taverns and the Association are great contributors to charities and any local events. He has nothing against the senior

citizens, but HB 935 is singling out an industry to get their revenues. We feel it is an obligation of all of the public to take care of the senior if they have a problem.

Larry Akey, Gaming Industry Association, stated even the most successful business in his organization, can not afford this 33 1/3% tax increase. Financial information of the industry is something that the people in the industry are sensitive about. We are a highly competitive industry. If the competitors find out what the other is making, gives us cause for concern.

HB 935 and the program that establishes for older Montanans may be a good program. The funding mechanism is not. Our industry pays its fair share of taxes. They are, in fact, the most heavily taxed service industry in the state. They pay 15% tax off the top of their gross income and a 15% sales tax on the entertainment value that they sell.

Wally Trerise, Exchange Supper Club, spoke against the funding source of HB 935. He stated that he could not afford an additional tax on the machines. His club pays close to \$5,500 on licenses and fees only plus the 15% of their gross income and pay full retail for their products in the liquor line. They use 90% of their gambling income to pay the expenses of his place. The remaining 10% is profit. If 33 1/3% more is added beyond what he is paying now, it will wipe out the 10% profit.

John Poston, Montana Coin Machine Operators, said they are not against the senior citizen needs, but the coin machine operators are against the funding mechanism. In 1973 and 1974, after the new constitution was passed which allowed the Legislature to authorize gambling, the Legislature passed a law which authorized certain forms of keno and bingo. A number of year passed with only the cities, towns, and counties licensing them. It became apparent that the state wanted a uniform taxation of the machines. After wide debate, the figure of 15% of the adjusted gross was arrived at.

The industry itself has three levels: manufacturers, distributors, and locations. The coin machine operators are at the distributor level. They lease the machines to various bar owners. The average income of a machine in Montana is \$10,000. Eighty three percent plus of the machines are in places that have 10 or less machines. If their tax is increased by 33 1/3%, many people will be out of business.

Kevin Olsen, Smith's Place, East Helena, said that he has been in business for 13 years; and for the last 6 years, he has been looking for different avenues to make ends meet. Within the last year, he was forced to buy his own machines. Every year there seems to be a new tax put on the tavern owner. He opposed HB 935.

Helen Hancock, R. & J. Amusement, Butte, said that they have a lot of expenses and opposed HB 935.

Harold Bittner, Flippers Inc., Missoula, stood in opposition of HB 935.

Rich Miller, Best Bet Casino, Missoula, urged the committee to Do Not Pass HB 935 because they can not afford it.

Ron Reiland, IGT of Montana, stated Montana has the highest taxes and the lowest average per day per machine return in any gaming market. He opposed HB 935.

Rose Bullock, Silver Saddle, Basin, stated that they had to only business in town. She stood in opposition of HB 935.

Don Ferritier, Grub-stake Lounge and Restaurant, stated they employ 30 people, and if HB 935 is passed, he will have to lay people off. He opposed HB 935.

REP. PAVLOVICH provided written testimony from **REP. LARSON.**
EXHIBIT 3

Wally Jackovich, Silver Bow County Taverns Association stood in opposition to HB 935.

Announcement: SIDE 2 OF THIS TRANSCRIPTION TAPE WAS DEFECTIVE. UNABLE TO TRANSCRIBE THE REMAINDER OF HB 935.

Questions From Committee Members: None

Closing by Sponsor:

REP. S.J. HANSEN gave no closing statement.

HEARING ON HB 801

Presentation and Opening Statement by Sponsor:

REP. MENAHAN, House District 67, Anaconda, stated HB 801 defines polluted land for the purposes of taxation. In the new section, he would like to designate that these polluted lands be designated as EPA sights.

Proponents' Testimony:

Gene Vuckovich, City/County Manager of Anaconda/Deer Lodge County, provided written testimony. **EXHIBIT 4**

Gordon Morris, Montana Association of Counties, stood in support of HB 801.

Chris Kaufman, Montana Environmental Information Center, stated HB 801 would provide incentives to clean up polluted land. She urged the committee's support.

Opponents' Testimony:

Ward Shanahan, Montana Mining Associations, stated that HB 801 would create a tax law, which on its face is arbitrary and is probably creates the taking of property without due process of law. He provided written testimony. EXHIBIT 5

Chase Hibbard, Montana Stock Growers Association, stated that the definition of polluted property in HB 801 occurring in Section 2, (1) is extremely vague. It states that polluted property means land or improvements that have been rendered environmentally unsound or nonproductive because of the effects of mining, smelting, refining, or other human activities. What does it mean by the term "effects of mining"--direct effects, indirect effects, or any effects at all? What is nonproductive? What is environmentally unsound? How are these things measured? Being in agriculture, he would like to know what is construed as "other human activity"? He is opposed to HB 810 as written because of the extreme vagueness of the definition.

Questions From Committee Members:

REP. RANEY asked **REP. MENAHAN** if he meant just superfund sites or ETA sites. **REP. MENAHAN** said he thought either or both. Superfund sites would probably be the best way to start.

REP. GILBERT asked if **REP. MENAHAN** could give the status of the Clark Fork River from Anaconda to Missoula. It is a proposed superfund sight and asked how he proposed to tax that. **REP. MENAHAN** said the river is public ownership and it is a polluted stream. The land underneath belongs to the public. The people who polluted the river should be the ones to pay.

REP. THOMAS said that our state Constitution has a provision of equal valuation and asked **Ward Shanahan** if HB 801 would be conflicting to the Constitution. **Mr. Shanahan** said that was his point in that it is arbitrary to none of the standard assessment methods and merely assigns a value to said property.

Closing by Sponsor:

REP. MENAHAN stated that the land around Anaconda used to be agricultural land 60 to 70 years ago, and he would like to see it restored to what it used to be. When they try to do economic development, none of this land can be used. People have moved and they have lost over half of their tax base. Arco used the area as a tax write-off and left the county high and dry. He wants to see the bill amended so that his county can restore some of its tax base.

HEARING ON HB 802

Presentation and Opening Statement by Sponsor:

REP. MENAHAN, House District 67, Anaconda, stated HB 802 is an act defining "recreational land" for the purpose of taxation. The law states that agriculture property sets the market value of many properties based upon the secular purpose which do not reflect the productive capability of agriculture land. If this is used a recreational land, then the purpose is to tax it as such.

Proponents' Testimony:

Gene Vuckovich, City/County Manager of Anaconda/Deer Lodge County, provided written testimony. EXHIBIT 6

Robert Rasmussen, Montana Association of Planners, supported HB 802 because of its concept of addressing the inequity of within the tax structure that was talked about by Mr. Vuckovich. The current tax classification structure provides an economic driving force for creating parcels that are larger than 20 acres in size. This goes hand in hand with the present definition of subdivisions. The tax structure should be based upon the use of the property not the size, and it should also provide adequate revenue for the required service for whatever use is made of the property.

Gordon Morris, Montana Association of Counties, stated HB 802 was a MACO resolution brought to them by Anaconda/Deer Lodge County and supported the bill.

Chris Kaufman, Montana Environmental Information Center, stood in support of HB 802.

Tony Schoenen, Skyline Sportsman Club, stood in support of HB 802. He stated that Ted Turner, for example, bought a large ranch near Bozeman and is selling bull elk for \$6,500 each. He is sure that none of that is put in the tax base of Gallatin County. Mean while, Mr. Turner is blocking off the public from not only BLM and Forest Service land but state lands.

Many out of state people buy land in Montana for several reasons: (1) because the land is cheap; (2) because they get many different subsidies; and (3) they get the CRP programs. These are wealthy out of staters who are capable of paying the taxes but aren't paying because they are hitting every loophole they can. Taxation should be equal for everyone.

Bill Holdorf, Skyline Sportsmans Association, stated that the Hearsh Ranch at Sheepcreek has block off a tremendous amount of federal land, both BLM and Forest Service. If he was an

outfitter, he would have to lease a chunk of land from them. It is turning into a recreational complex and has nothing to do with ranching.

Opponents' Testimony:

Chase Hibbard, Montana Stock Growers Association, stated he wasn't testifying to the trend of large agricultural holdings going into ranchettes and the treatment of those properties. He wants to talk about the change of the tax classification from agricultural to recreational if land is leased for recreational purposes. There are many legitimate, in-state, family owned agricultural operations that depend on some recreational lease income for their existence. It is unfair that a minor use of this land would dictate the taxation policy for the entire year and the entire operation of the ranch. The income derived from recreational leasing is already subject to tax in the form of income tax.

If the intent of HB 802 is to provide a disincentive to land owners to lease out their land for recreational uses, it may, in fact, produce the opposite result. If the tax burden goes up on agricultural lands, the pressures to derive more income from that land will present so leasing will look better than it does now. The committee must consider also that there is a lot of state owned recreational land in the state also when you are talking about raising the taxes on land that is used for recreational in the state.

REP. GILBERT stated his concern with HB 802 is that it repeals 15-7-2021 (1), which says if a person has over 20 acres and it is not being used for anything then it becomes commercial property. He has purchased a parcel of land in Lewis and Clark County that he pays taxes on and it is just lying there. HB 802 proposed to increase his taxes. This is not a wealthy out of stater we are talking about. He submitted a letter from **John Reinhardt, Wise River**, who wanted to go on record in opposition to HB 802.

EXHIBIT 7

REP. M. HANSON stated if HB 802 is passed, three things will happen: (1) all of the private land in the state will be closed; (2) ranchers will send the sportsmen a bill for their pasture; and (3) it will drive family farms out of the state.

Jo Brunner, Montana Outfitters and Guides Association, said it has taken a number of years for the landowners and sportsman to get to the point where they are now. All is not perfect, but more of the land owners are willing to allow and encourage hunting on their land with specific provisions for the owners protection. There are many landowner outfitters who find it necessary to supplement their income by using their out of season farmland for outfitting. Less than 5% of the land leased for recreational purposes in Montana is leased to outfitters and guides. The outfitter also excepts all liability from the

landowner. Montana's outfitters and guides do use leased for nonresident hunting. If the intent of HB 802 is to reduce the income from agriculture, this would be accomplished because outfitters will not be able to afford the tax that the landowner would have to tack on. If this bill is passed, it would not accomplish a higher tax base nor would it open up land for public use.

Ward Jackson, Rancher, Madison County, provided written testimony. EXHIBIT 8

Nancy Espy, Montana Stockgrowers Association, urged the committee to oppose HB 802.

Lorraine Gillies, Montana Farm Bureau Federation, provided written testimony. EXHIBIT 9

Bob Stephens, Montana Grain Growers Association, stood in opposition to HB 802.

Questions From Committee Members: None

Closing by Sponsor:

REP. MENAHAN stated that one of the points brought out was that agricultural land should be classified according to its use. This idea has to be brought into it. If recreation is the use for some agricultural land, then classify it as that and tax it as such.

HEARING ON HB 809

Presentation and Opening Statement by Sponsor:

REP. PETERSON, House District 1, Eureka, stated HB 809 tries to correct a long standing problem in fire investigation.

Proponents' Testimony:

Mark Racicot, Attorney General, stated HB 809 provides for an increase in the taxes of fire insurance premiums for maintenance of the state fire marshals office. Presently, the taxes are set at 3/4 of 1% of the fire portion of insurance premiums and out of that is generated approximately \$470,000. The proceeds of the tax are paid into the general fund.

The purpose of this bill is twofold: (1) to create a fire prevention and investigation account in the state special revenue fund into which the tax proceeds would be paid and used to fund fire prevention and investigation activities for the Department of Justice; (2) to fund the Departments fire prevention and investigation activities at a level that is adequate to perform the duties that are required by law. For fiscal year 1991, the 3/4 of 1% amounted to \$346,974 which is \$125,000 less than the

total amount generated by the fire insurance tax. This is the reason that we have requested the special revenue account.

One of the principal functions of the Fire Marshall Bureau is to oversee the inspection of all public buildings in the state at regular intervals. The Bureau is responsible for yearly inspection of each state institution, each unit of the Montana university systems, daycare center, and all public buildings including dance hall, theaters, banks, etc.

The Fire Marshall Bureau simply can not perform the requirements mandated by law. Last year the state was the recipient of a lawsuit for the failure to inspect a motel in Southeast Montana where two young people died as a result of carbon monoxide poisoning. There will be a substantial amount of difficulty defending this. We can not come close to scratching the surface of living up to our responsibilities.

If we were to secure this kind of increase in the number of FTEs through the funding mechanism that we provided, we would see a significant expansion in the Fire Marshal Bureau from 9 FTEs to 25. Ten more fire inspectors would be available, one more attorney, and five would be support staff in the Bureau. Under the proposed bill, they would see an increase of about \$1 per person in fire insurance premiums.

Ray Blelim, State Fire Marshal, stated that state fire marshalls are responsible for providing a wide range of services state wide. He provided written testimony. **EXHIBIT 10**

Anita Varone, Fire Marshal Bureau, stated that Montana's law requires the Fire Marshal Bureau to keep a record of all fires occurring in the state. To do this, the Bureau has opted to participate in the federal interest program. There are 489 fire recording areas in Montana. Only 49% or 244 are submitting reports to the Fire Marshal Bureau. As a result of this, the accuracy of the Bureau's data is questionable. Additional staff would allow the to provide education but also make direct contact with all the areas.

Rich Levandowski, Deputy Fire Marshal, stated the Fire Marshal Bureau works with the local fire officials to implement and develop fire prevention programs. A thorough inspection program based upon adopted standards and codes has been recognized as affective measures in preventing fires. The Bureau has been trying to comply with the statutes; but approximately 1/2 of the 50,000 buildings, according to the DOC, have not had a fire, life, safety code enforcement inspection. This statistic shows that we are not providing the level of safety that the public expects.

In the fourteen county area that he personally covers the inspections. The yellow circle item is the number of inspection within that area. Those areas that have established inspection

programs are in Great Falls, Helena, Butte, Anaconda, Bozeman, Belgrade, and Dillon. He is responsible for inspecting all the other properties. A map was provided for the committee and he urged their support. **EXHIBIT 11**

Lyle Nagel, Montana State Fire Chiefs Association, stood in support of HB 809.

James Lofftus, Montana Fire Districts Association, urged the committee's support of HB 809.

Opponents' Testimony:

Roger McGlenn, Independent Insurance Agents Association, stood in reluctant opposition to HB 809. The services provided by the fire marshal are necessary and valuable to the state, however, the independent insurance agents are opposed to the funding mechanism provided in HB 809. Montana is the second highest state in the nation for fire premium taxes. The current breakdown of the premium tax is 2 3/4% which all insurance policies pay, 3/4 of 1% which the fire marshal's office gets, and a 1 1/2% for the volunteer firefighter pension program. We do not feel it is appropriate to increase the insurance premium by increasing the fire insurance premium. This is not the only cost that will be passed along to the insurance consumer, but the administrative costs will also be passed along.

The fire premium tax are not an equal tax. It is more so in the firefighters' pension tax and also fire marshal's tax. He explained by saying that the better fire protection you have in the area in which you live or pay fire insurance, property is less expensive to insure. The lower the fire rating, the less the fire protection; the higher the number, the more you pay. If HB 809 were to be funded from the existing taxes collected and or from the general fund, they could support the legislation.

Jackie Terrell, American Insurance Association; and Gene Phillips, Alliance of American Insurers; went on record in opposition to HB 809.

Questions From Committee Members: None

Closing by Sponsor:

REP. PETERSON stated that we are all in this together. We want and need professional and timely fire inspections and improved service. Montana needs to improve fire inspections, and the 1.5% on the fire portion of the direct premium seems to be a fair amount. The cost collections are already being assumed. This tax was first instituted in 1911. Times have changed, and we need the 1.5%.

HEARING ON HB 874Presentation and Opening Statement by Sponsor:

REP. CONNELLY, House District 8, Kalispell, stated HB 874 came about from complaints that she has heard from local fisherman on paying the same tax on motorboats as someone who owns a cabin cruiser. She investigated and found out that the tax is based on the size of the motor. She then talked to the County Treasurers, and they said that the bill would cause more problems than it would solve. She asked the committee to table HB 874.

Proponents' Testimony: None

Opponents' Testimony: None

Questions From Committee Members: None

Closing by Sponsor: None

EXECUTIVE ACTION ON HB 874

Motion/Vote: CHAIR HARRINGTON MOVED HB 874 BE TABLED. Motion carried unanimously.

HEARING ON HB 910Presentation and Opening Statement by Sponsor:

REP. MADISON, House District 75, Jefferson, stated HB 910 proposed to tax minerals in place in the way that we tax other types of property. Minerals in place would be classified as Class 4 property and would be taxed at 3.86% of market value. The bill also exempts the small person. Whether the exemption should be \$1 million or some other amount, is open to question. The thought behind the \$1 million is to exclude all of the people who have small patented or unpatented mining claims or other small holding. HB 910 applies only to holdings of \$1 million or more.

States have taken various means and methods of taxing minerals. Montana took the avenue of taxing minerals as they were severed. The other approach is to tax minerals in place. This bill is not revolutionary. Many years ago, the Montana Supreme Court determined the net proceeds tax was a tax on land. The background is already in Montana law as far as taxing minerals is concerned. There is a question as to double taxation. He doesn't feel this is a issue in HB 910.

His only problem with the fiscal note is that it almost ends up being a political statement rather than a fiscal note. He has no objection is someone would say "we can not compute the affects of HB 910 either revenue wise or otherwise". Any new taxes will have many questions that need to be answered.

Proponents' Testimony:

SEN. TOWE, Senate District 46, Billings, stated that he was co-sponsor of HB 910. He stated that the concern is that the state has not been competitive with other states on our mineral taxation. If that is the case, then one way to improve this is to do like other states. Most other state make some attempt to tax minerals in place. Minerals in place are part of the real estate just like the ground itself. If a ranch is worth \$11 million, you can bet that is on the property tax roles, and it is taxed. But if minerals are worth \$11 million and sold for \$11 million, they are not. Why is this? They are both real estate and the law is exactly the same as to both. If it is real property, why shouldn't it be taxed.

He presented the committee with an article taken from the Billings Gazette. He stated these mining companies are not taxed. If we are going to be fair with the property tax base, we ought to include major items of property. One major item of property not tax in the state is minerals in place. He also gave the committee a list of states that tax minerals in place.

EXHIBITS 12, 13

Opponents' Testimony:

John Fitzpatrick, Pegasus Gold Corporation, stated the taxation of mineral in place is very impractical. There are three major problems: (1) there is a difficult time in identifying the quantity of minerals to be taxed; (2) there is a problem with idea of valuing the mineral in the ground; and (3) the administration of the tax.

HB 910 is very simple in its construction, but what it deals with is very complicated. One of the major problems is the definition of what are minerals in place. It is minerals available in commercially producible quantities. What does this mean? What happens in a situation where there are two minerals in place in the ground--one is being mined, the other is not? This is not clearly defined. What happens when you have an operating mine that is losing money?

The bill does not have any guidelines as to how you are going to determine quantities or values. It simply says that these minerals are taxable, and it leaves it to the DOR to make up the administrative rules. This will get the Department into trouble right away.

Ore by definition is a mineral that is capable of being extracted at a profit. The definition changes all the time. When a mining company calculates an ore reserve, it talks about what it believes it can do with that particular deposit at that particular period of time giving the cost of production and the amount of revenue in can anticipate in receiving from the

extraction. An increase in the cost of production reduces the ore reserve. Simply changes in either the cost of production or the revenue received renders some minerals uneconomical. The problem of determining value and quantities is very important, and HB 910 will create some major administrative headaches from the DOR.

Lynette Hintze, Richland County Economic Development Corp. provided written testimony. **EXHIBIT 14**

Chase Hibbard, Montana Stockgrowers Association, stated there may be a consequence to HB 910 in that if some mineral deposits might be identified under some agricultural property, they would be taxed at a value that is not appropriated to the use of the land. The land may be used to run six cows; and if there is over \$1 million worth of mineral in the property, it is not taxed based on the cows even though there may be no intent to develop the land.

Jim Mockler, Montana Coal Council, stated there is not a coal company in the state that owns any of the coal. It is all leased and in spite of the language, you can send all of the tax bills you want to the federal, state, and Indian governments, and they will not pay.

Carl Iverson, Cattleman and Small Oil and Gas Producer, stated his opposition to HB 910. He stated it will create confusion and erode the tax base.

Dennis Burr, Montana Taxpayers Association, said that there is a fundamental difference in taxing minerals in place and a proceeds tax as a for of taxation. If you tax minerals in place, you are encouraging exploitation of that resource. Montana adopted the gross proceeds tax which has since been replaced by local government severance tax which is a form that taxes the production of the holding of the mineral as a conservation measure. The limitation of the \$1 million will not necessarily eliminate the little guy from the tax.

Jerome Pederson, Shell Western E & P Inc. stood in opposition of HB 910 because, if adopted, it will mean that they will be double taxed.

Jim Tutwiler, Montana Chamber of Commerce, stood in opposition of HB 910. We can not do the job of encouraging mineral mining in the state if we follow a taxation policy that is based upon taxing what you might have.

Janelle Fallon, Montana Petroleum Association, went on record in opposition to HB 910. She submitted written testimony from **Warren Ross** who also wanted to go on record in opposition to the bill. **EXHIBIT 15**

SEN. TVEIT, stood in opposition to HB 910.

Ward Shanahan, Chevron Corporation, opposed HB 910.

Ken Williams, Entech Production, feels that production and sale establishes the value, and opposed HB 910

Questions From Committee Members: None

Closing by Sponsor:

REP. MADISON said that he did not propose to have the answers to all the questions that could be raised. He stated that he values the comments of **John Fitzpatrick and Jim Mockler.**

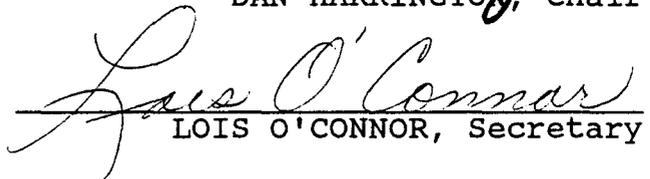
Announcements: CHAIR HARRINGTON said HB 801 and HB 802 would be referred to the Property Tax Subcommittee; HB 935 and HB 809 would be referred to the Income/Severance Tax Subcommittee.

ADJOURNMENT

Adjournment: 12:05 p.m.



DAN HARRINGTON, Chair



LOIS O'CONNOR, Secretary

DH/lo

HOUSE OF REPRESENTATIVES

TAXATION COMMITTEE

ROLL CALL

DATE 3/12

NAME	PRESENT	ABSENT	EXCUSED
REP. DAN HARRINGTON	✓		
REP. BEN COHEN, VICE-CHAIRMAN	✓		
REP. BOB REAM, VICE-CHAIRMAN	✓		
REP. ED DOLEZAL	✓		
REP. JIM ELLIOTT	✓		
REP. ORVAL ELLISON	7:00 ✓	✓	
REP. RUSSELL FAGG	✓	✗	
REP. MIKE FOSTER	✓		
REP. BOB GILBERT	✓	✗	
REP. MARIAN HANSON	✓		
REP. DAVID HOFFMAN	✓	✗	
REP. JIM MADISON	✓		
REP. ED MCCAFFREE	✓		
REP. BEA MCCARTHY	✓	✗	
REP. TOM NELSON	✓		
REP. MARK O'KEEFE	✓		
REP. BOB RANEY	✓		
REP. TED SCHYE	✓		
REP. BARRY "SPOOK" STANG	✓		
REP. FRED THOMAS	✓		
REP. DAVE WANZENRIED	✓	✗	

EXHIBIT 1
DATE 3-12-91
HB 935

Montana Association of Churches

MONTANA RELIGIOUS LEGISLATIVE COALITION • P.O. Box 745 • Helena, MT 59624
PHONE: (406) 442-5761



Date Submitted: March 12, 1991
Bill Number: HB 935
Submitted by: Harley E. Warner

WORKING TOGETHER:

American Baptist Churches of the Northwest

Christian Churches of Montana (Disciples of Christ)

Episcopal Church Diocese of Montana

Evangelical Lutheran Church in America Montana Synod

Presbyterian Church (U. S. A.) Glacier Presbytery

Presbyterian Church (U. S. A.) Yellowstone Presbytery

Roman Catholic Diocese Great Falls - Billings

Roman Catholic Diocese of Helena

United Church of Christ Mt.-N. Wyo. Cont.

United Methodist Church Yellowstone Conference

Chair, members of the committee, for the record I am Harley E. Warner. I represent the Montana Association of Churches.

We support the legislature in its efforts to provide a wide range of coordinated services to enable older Montanans to maintain an independent lifestyle, avoid unnecessary institutional care, and live in dignity.

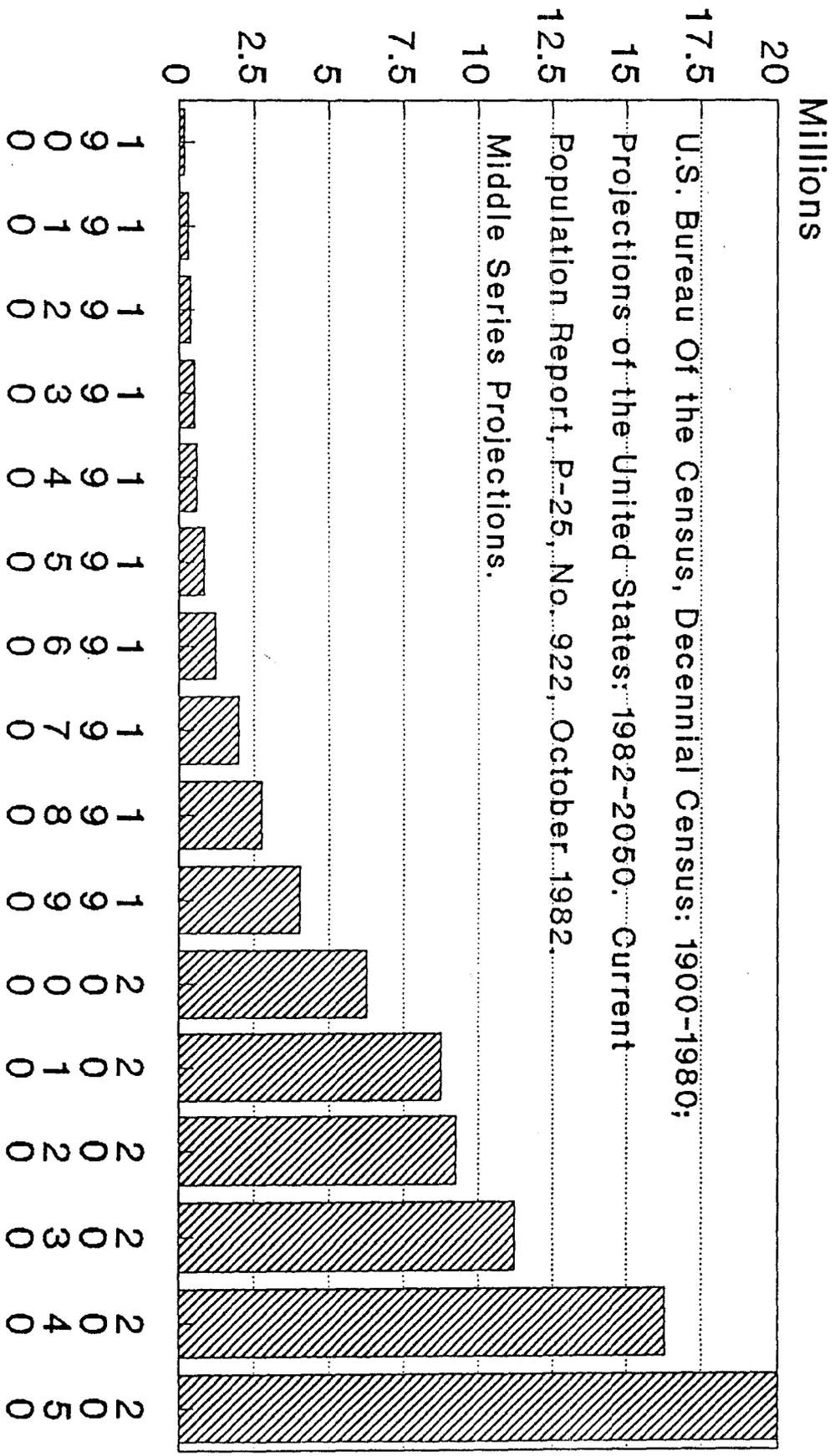
The Montana Association of Churches understands that older Montanans want choices. The elderly want options in the delivery of health care and social services and those services should be provided in the least restrictive environment feasible. In-home services for the aging must be available to ensure that senior and disabled citizens receive the most appropriate level of care.

Human beings of whatever age and station deserve to be treated with respect and to be enabled to take as great a part as they are able in the functioning of their own lives. The delivery of health and supportive services should be designed to prolong independence and to bolster individual dignity.

Older and disabled Montanans should be encouraged to continue an active life in their own communities, remain in their own home or family setting and retain a sense of personal dignity and independence in decision making.

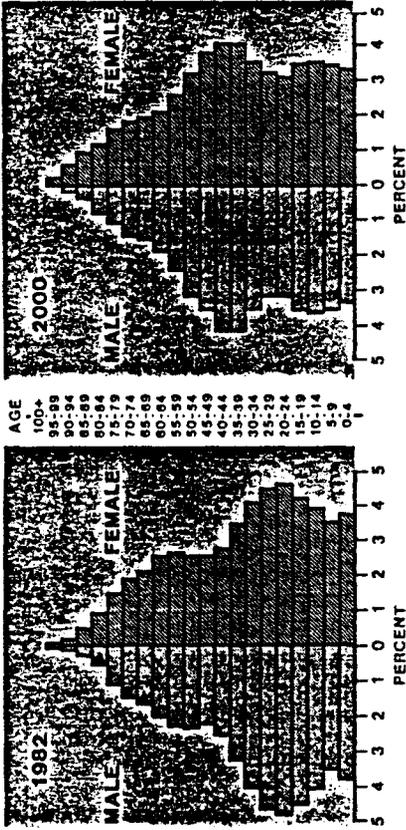
The Montana Association of Churches feels the enactment of House Bill 935 will be a large step towards meeting these goals. We therefore urge you give this bill a do pass recommendation.

ACTUAL AND PROJECTED INCREASE IN POPULATION 85 YEARS AND OLDER 1900 - 2050



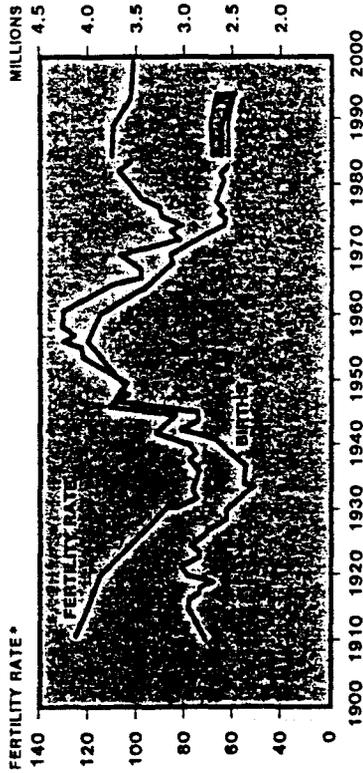
CHANGING AGE AND SEX DISTRIBUTION OF U.S. POPULATION

Ex. 2
3-12-91
HB 935



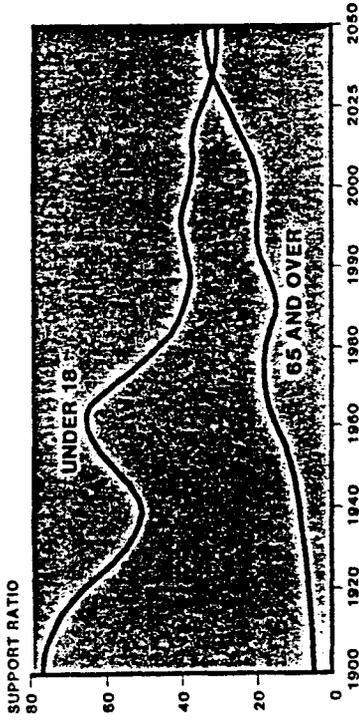
SOURCE: U.S. CENSUS BUREAU, 1984

DESPITE DECLINING FERTILITY, A BABY "BOOMLET" IN THE 1990s



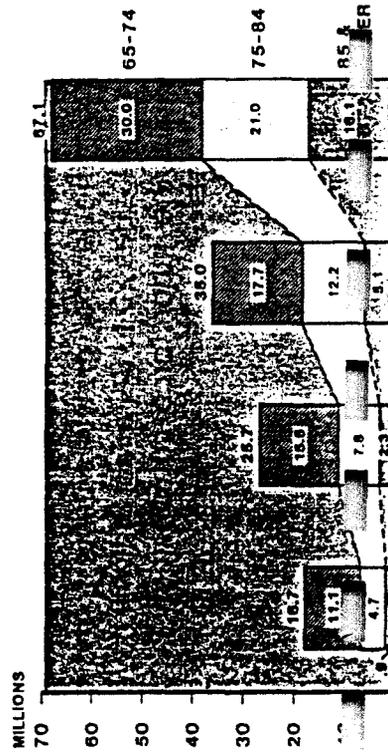
* ANNUAL NUMBER OF LIVE BIRTHS PER 1,000 WOMEN AGES 15-44.
SOURCE: U.S. NATIONAL CENTER FOR HEALTH STATISTICS

GROWING ELDERLY DEPENDENCY (YOUNG AND ELDERLY SUPPORT RATIOS: 1900-2050)

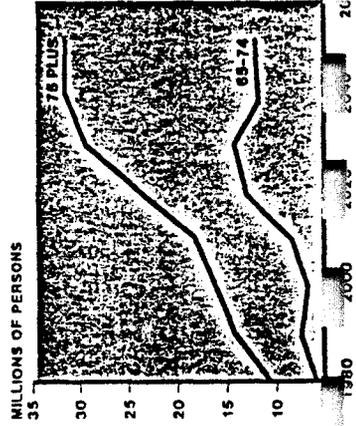


"YOUNG" SUPPORT RATIO IS THE NUMBER OF PERSONS UNDER 18 PER 100 AGED 18 TO 64 YEARS.
"ELDERLY" SUPPORT RATIO IS THE NUMBER 65 AND OVER PER 100 AGED 18 TO 64 YEARS.
SOURCE: U.S. CENSUS BUREAU, 1983

MORE ELDERLY PEOPLE



ESCALATING NUMBERS OF INFIRM ELDERLY (LIMITATION IN ACTIVITY DUE TO CHRONIC CONDITIONS) ACTUAL AND PROJECTED



3/91

Montana Area Agencies on Aging estimates of service types and additional units of service required to meet estimated demand ** during a twelve month period, at current population levels. All units per standard definition per "Montana Aging Services Manual - Policies and Procedures".

Homemaker Services	84,400 units
Home Chore Service	37,000 units
Personal Care	20,436 units
Home Health Aide	7,000 units
Health Promotion/screening	21,415 units
Care/Case Management Svcs	126 clients
Outreach	1,000 units
Telephone Reassurance	39,142 units
Friendly Visiting	2,000 units
Respite Care	3,600 units
I&R, Advocacy & Ombudsman	9,672 units
Home Delivered Meals	168,660 units
Minor Home Repair	130 clients
Other Misc. Services	2,000 units

** Estimates derived from agencies response to question "What services and units of service would your agency provide if the following additional funding was to be made available for you next year?" Additional funding estimate used was \$2.5 million statewide allocated by current statewide funding formula.

ARTICLE 3
DATE 3-12-91
HB 935

*300
The same as the
proposed one*

Testimony for House Bill 935

A five percent tax increase on gambling machines taxes blue collar, elderly and tourists.

You cannot have it both ways. You decline to expand gambling--expand an economic base, as has been the talk of the legislature for the past two months. You reject all the gambling initiatives which would expand that base, then you elect to add taxes onto the existing industry.

Gambling is an integral part of the tourism industry. It is an industry, a clean air industry, that presumably we want to expand.

Gambling is a major source of relief for local governments. If you increase the taxes on the machines, you depress play and depress the ultimate revenues to local governments.

These taxes will be passed on. ~~Thekkkk~~ The machines are a saviour for the tavern industry. The industry was just hit at the first of the year with major liquor tax increases. These will just be passed on to the working people of Montana.

Rep. Don Johnson

ANACONDA-DEER LODGE COUNTY

Courthouse - 800 South Main

Anaconda, Montana 59711

Telephone (406) 563-8421

DATE 3-29-91

HB 801



Testimony on H.B. #801, presented by Gene Vuckovich, City/County Manager of Anaconda/Deer Lodge County before the House Taxation Committee on March 12, 1991

Chairman Harrington and Committee Members, for the record, I am Gene Vuckovich, City/County Manager of Anaconda/Deer Lodge County.

This legislation was proposed by Anaconda/Deer Lodge County and endorsed by the Montana Association of Counties at their Annual Convention.

This proposed legislation is vital, not only to Anaconda/Deer Lodge County, but to all counties in Montana where property has been rendered environmentally unsound or nonproductive due to pollution from mining, smelting, refining or other human activities.

This legislation is not meant to be vindictive legislation with regard to the property owners, but rather to provide an incentive to property owners to make the polluted property environmentally sound and productive once more.

As an example of some of the decimation of land in Montana by past industrial pollution, Anaconda/Deer Lodge County has in excess of six thousand (6,000) acres of identified polluted land within its borders that make up part of the largest superfund site in the country as listed on the National Priorities List by the Federal Government.

There are many extenuating problems associated with polluted properties that result in problems not only for local governments, but also in private sector development such as difficulty in obtaining financing for proposed development because of lender liability judgments. As you are aware, without financing for development, local economies can stagnate.

Montana is projecting itself as an environmentally sound area to visit and live in. This legislation would provide incentive to property owners to restore polluted land to productive, environmentally sound property once more. I urge your support of H.B. #801.

EXHIBIT 5
DATE 3-12-91
HB 801

MONTANA MINING ASSOCIATION
STATEMENT IN OPPOSITION TO HB 801

March 12, 1991

This bill would create a tax law which on its face is arbitrary, capricious, and probably creates a taking of property without due process of law. Please examine the following problems:

THE STANDARD IS AMBIGUOUS. The legislature is asked to delegate its law-making power to an administrative agency without a clear guideline. In short, it can adopt a standard of its own. ("definitions used by" p.2, line 2).

THE DEFINITION IS DELEGATED TO THE AGENCY. The amendment (p.6, line 9) is not a definition because the meaning of the terms "environmentally insured" or "unproductive" are left entirely up to the agency or some other agency of the federal government.

THE INTENT IS TRANSPARENT. This is a bill to stigmatize mining, smelting, and refining as an "undesirable" human activity. Clearly the sponsors do not intend to leave "all other human activity" in this bill:

agriculture will want its usual exemption for saline seep, for herbicide and pesticide residues, for livestock wastes, for feed lot accumulations, and for land destroyed by noxious weeds;

small business will want out also so that "mom and pop" will not be hurt by chemical problems from dry cleaning, paint shops, service stations, food service and liquor businesses, junkyards, and so forth.

THE OPERATION IS ARBITRARY. This means it has no logical foundation. It is just done as a punishment to restore a tax base, to force a tax base out of property whose use has changed. Let me illustrate.

The tax classification, Class Twenty-one "polluted property" is double the taxable rate for other class four property, 3.86×2 or 7.72%.

The property must be assessed at 100% of its market value - which is never less than the average value of "all other commercial and industrial property" (Section 3 page 3. The actual value of the property is destroyed by the classification itself, then its value is artificially established, by the bill. How can environmentally unsound or unproductive property be compared to property which is sound and productive? The classification is arbitrary and the assessment standard is arbitrary.

The solution to this conundrum is left to the department of revenue to develop a general and uniform method of appraising polluted property (p 8 line 20). Of course two years are given to do this (p 12 line 23) but we submit it can't be done, where the marketability standard has been abandoned, a stigma has been attached which destroys the value and an artificial "comparability" standard has been established.

The bill is unworkable and can have unintended effects;

let me illustrate:

"A certain church organization at this very moment owns a high school football field. There is a basketball gymnasium also located on the same property. This property was purchased by the church in 1961, when it was a vacant lot. There were no visible signs of "pollution" on the property, and the church paid market value for it. However, in 1989, after the passage of the state superfund act the Montana Department of Health advised the church that the athletic facility was sitting on the same location as an old oil refinery that ceased to do business sometime before WWII. DHES has classified this site as a state superfund site and has forced the church to spend thousands of dollars to drill holes to determine the location of underground pollutants. The church believes that it is an "innocent purchaser" of this property and shouldn't be punished by the state. However, that matter is unresolved at this time.

The football field and the basketball gymnasium in the above example are classified as tax exempt property. HB 801 makes no provision for this. Is it possible that the owner of such property could lose its tax exemption because it has been classified under HB 801 as the owner of "polluted property?" If it loses its tax exemption, will it also suffer the loss of the substantial improvements it has placed on the surface since 1961? HB 801 doesn't answer this question. It has quirky and irregular results.

HB 801 has no real objective but to punish the owners of mining, smelting, refining, property that has been rendered environmentally unsound or nonproductive as the result of "such human activity." HB 801 makes no distinction between those who actually did the mining, smelting, or refining, on the property which caused the pollution, and those who merely purchased the property or inherited it after the offending activity had ceased. In effect, it creates a "sin of ownership." More importantly, perhaps, HB 801 places any property owner of polluted property in an untenable position, which in many cases could result in the surrender of the property to the taxing authority. How do you get a piece of property out of this classification? What choice do you have?

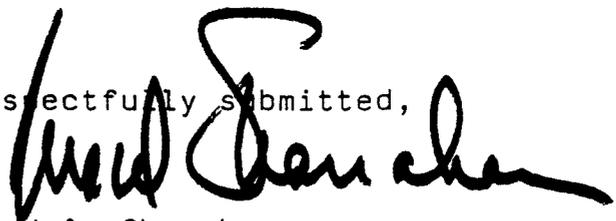
EXHIBIT 5
DATE 3-12-91
HB 801

What will the county or the city do with the property when it has been surrendered for taxes under these circumstances? Now that it has been classified as polluted property, will the government have to clean it up? Certainly the county or the city won't be able to find any buyers stupid enough to purchase such property and assume this burden. If the local government entity gives the property away, who would take it? What would be their burden if they did take it?

We respectfully submit that HB 801 is an unworkable proposal. Although it is intended to affect certain property owners, it could cause much greater harm than the sponsors intend. It will also affect many more people than the sponsors intend.

We respectfully submit that you give HB 801 a DO NOT PASS.

Respectfully submitted,



Ward A. Shanahan
Montana Mining Association
First Bank Building
P. O. Box 1715
Helena, MT 59624
(406 442-8560)

8994W

ANACONDA-DEER LODGE COUNTY

Courthouse - 800 South Main
Anaconda, Montana 59711
Telephone (406) 563-8421

EXHIBIT 6
DATE 3-12-91
HB 802



Testimony on H.B. #802, presented by Gene Vuckovich, City/County Manager of Anaconda/Deer Lodge County before the House Taxation Committee on March 12, 1991.

Chairman Harrington, Committee Members, for the record, I am Gene Vuckovich, City/County Manager of Anaconda/Deer Lodge County.

During the past ten (10) years or more, most cities, towns and school districts in Montana have seen a steady eroding of their property tax base for one reason or another.

One reason is that more and more family ranches and farms that were historically and traditionally used solely for agricultural purposes has changed dramatically with the exodus of persons from cities and towns to suburban areas or onto 'ranchettes'. Most of these 'ranchettes' are used as homesite or recreational sites and not primarily for agricultural uses.

As you are all aware, property tax at the present time is the single most important source of revenue for cities, towns and school districts.

Another issue is that large and sometime out-of-state corporations or individuals are purchasing many of Montana's prime ranches and farms and are turning said lands into private recreational areas that operate on a 'pay for use' bases such as private hunting, fishing, hiking, skiing, snowmobiling and other recreational uses. This has caused many Montana residents to be unable to enjoy the pleasures of Montana's great outdoors because of the expense involved.

Much of Montana's agricultural land that once was open to the public for hunting, fishing, etc. is now becoming increasingly scarce because the land is being leased for recreational purposes that bear a closer relationship to commercial land than to truly agricultural land.

Ex 6
3-12-91
HB 802

This legislation attempts to equalize the tax burden by attempting to address the issue of unequal taxation for those suburban homeowners with twenty (20) acres or more who do not use their land primarily for agriculture with those homeowners with less than twenty (20) acres. This legislation would also go a long way in helping Montanans enjoy what Montana has to offer by addressing the problem, perceived or real, that many wealthy out-of-state individuals are buying Montana and want to keep it as their own private playground.

I would urge your support of House Bill #802.

EXHIBIT 7
DATE 3-12-91
HB 802

Testimony on HB 802

By John Reinhardt
Wise River, Montana

I am opposed to House Bill 802. For many reasons:
It tends to put the bulk of the tax burden on Ag. In other words you are riding a good horse to death. The tax doesn't address John Q. Public that lives in town and does bussiness out of his residence. Does he pay a commercial tax on said property? How about people that might take an IRS deduction by claiming one room in their home as an office.

You talk of an eroding tax base over the last 10 years. Could it be that we should maybe sunset SB 526 that has to do with FW&P for buying land? That bill helps erode your tax base because FW&P pay in lieu of taxes. Maybe we should tax all FW&P land as recreational land..

It appears to me that this Legislative session along with the cities and towns have this love affair with recreation and Agriculture is expected to pay more than its fair share.

Well folks it's PAY UP TIME. Lets impose a 6% sales tax. 4¢ to state; 2¢ to cities and counties. Make it a 50 year tax before it can be raised period, and cut property tax by 100%.

You folks bemoan the sales tax, but think nothing about going out of state and paying it. What's the difference? We're only kidding our selves. Let's get some Black Jack and Slots in. These people come from out of state and tell us the pit falls of this type of gambling, but I don't see them curtailing or quitting in their own state. The reason is simple folks; it's revenue and greed. Once you like it, you won't change it.

This bill calls for taxing 1 acre farmsteads as recreational. Equipment and buildings are included in a farmstead. Can you in good conscience tax a manure spreader, a calving shed, or a tractor on a recreational base?

My recomendation is do not pass tins bill.

MR. CHAIRMAN, MEMBERS OF THE COMMITTEE
I'm WARD JACKSON, RANCHER FROM MADISON COUNTY.

I'm OPPOSED TO HB 802 FOR MANY REASONS.
#1. WHAT ABOUT STRONG HOLDS? THIS BILL DOES NOT ADDRESS THEM. A STRONG HOLD IS USUALLY A RANCH, AND SOMETIMES FAIRLY LARGE ACRESSES. BOUGHT BY SOMEBODY FROM OUT OF STATE WHO IS WEALTHY. THEY TAKE THE LAND OUT OF PRODUCTION, DON'T ALLOW THE GENERAL PUBLIC TO HUNT IN ANY FORM OR MANNER, AND SIMPLY HOLD THE LAND FOR THEIR OWN RECREATIONAL PLEASURE. NOW THOSE PEOPLE HURT THE TAX BASE. WHERE AS A RANCHER WHO IS TRYING TO HOLD HIS RANCH TOGETHER BY RENTING OUT TRESPASS PRIVILEGES IS GOING TO BE SEVERELY PUNISHED.

#2. WHERE IS THE FAIRNESS? IF A RANCHER IN WESTERN MONTANA LEASES OUT 600 ACRES OF PRIME ELK HABITAT THAT WOULD BE AGRICULTURALLY APPRAISED AT 100.⁰⁰/ACRE FOR SAY 2000.⁰⁰ PER YEAR. AND A RANCHER IN EASTERN MONTANA LEASES TRESPASS RIGHTS ON SAY 6000. ACRES, VALUED AT 100.⁰⁰/ACRE, FOR THE SAME 2000.⁰⁰. THE EASTERN MONTANA RANCHER WILL BE SEVERELY PUNISHED, TAX WISE, FOR TRYING TO PICK UP A COUPLE THOUSAND DOLLARS TO HELP GET HIS BACK TOOTHED DAUGHTER THROUGH COLLEGE.

#3 I WOULD LIKE TO EXPLAIN TO THE COMMITTEE WHAT THIS BILL AS IT IS WRITTEN WOULD DO TO US. WE HAVE SOME DEEDED LAND THAT IS PRETTY MUCH SURROUNDED BY BLM LAND. IN THE PAST WE'VE HAD SEVERE DAMAGE DONE TO OUR PRIVATE PROPERTY, CATTLE STOLEN, HILL SIDES ERODED, TREES CUT, ETC. THIS PARCEL OF LAND IS A LONG WAYS FROM OUR HOME, ALMOST IMPOSSIBLE FOR US TO WATCH, OR AFFORD TO HIRE A WATCHMAN, SO WE LET TWO BROTHERS COME IN, BUILD A CABIN, WHICH WE GET WHEN THE LEASE

EX 8

3-12-91

HB 802

EXPIRES, FOR THEIR EXCLUSIVE RECREATIONAL USE OF OUR PROPERTY. WE GET TO USE THE CABIN FOR OUR OWN PERSONAL USE WHEN THEY'RE ABSENT. LAST YEAR MY WIFE AND I FOUND THE TIME TO RELAX AND SPEND ONE NIGHT IN THE CABIN. THIS BILL WOULD RAISE OUR PROPERTY TAXS 1200.00 / YEAR. THAT CABIN, TO US, IS GOING TO WIND UP BEING THE MOST EXPENSIVE MOTEL ROOM IN MONTANA, AND WE HAVE TO CHANGE OUR OWN SHEETS. ALL THIS JUST BECAUSE ALL WE WANTED WAS TO KEEP THE MASSES OFF OUR PRIVATE PROPERTY, AND TO PROTECT IT.

IF THIS BILL PASSES IT WILL BECOME CHEAPER FOR US TO GAME FENCE OUR LAND, FORCE THE BIG GAME ANIMALS OUT, LOCK THE GATE. THERE BY ELIMINATING THE PROBLEM ALL-TO-GETHER, OF COURSE IN THE PROCESS A GOOD CHUNK OF WINTER RANGE WILL BE LOST TO THE ELK, BUT THATS ALRIGHT BECAUSE THEY AREN'T NATIVE ANYWAY, I GUESS WE COULD ~~THE~~ ALSO SUBDIVIDE IT, AND MAKE SOME REAL MONEY.

#4, I'M WONDERING IF THERE ISN'T A HIDDEN AGENDA, OR IS THIS BILL TRYING TO ADDRESS A PROBLEM THAT REALLY DOESN'T EXIST TO ANY CONSEQUENCE. IS THIS BILL ABOUT CLASS STRUGGLE, BETWEEN THE BIG BAD RANCHER AND THE POOR WORKING CLASS HERO. I HOPE I'M WRONG, IF NOT THEN ITS GETTING KINDA PERSONAL.

AS A FINAL COMMIT, I WOULD ASK ANYBODY TO SHOW ME A OUTFITTER OR RANCHER THAT DRIVES A NEW CADILLAC OR LINCOLN CONTINENTAL BOUGHT WITH RECREATIONAL MONEY, BECAUSE I WOULD SURE LIKE TO MEET HIM AND FIND OUT HOW HE DOES IT.



MONTANA FARM BUREAU FEDERATION

502 South 19th • Bozeman, Montana 59715
Phone: (406) 587-3153

EXHIBIT 1
DATE 3-12-91
HB 802

BILL # HB 802 ; TESTIMONY BY: Lorraine Gillies

DATE March 12, 1991 ; SUPPORT _____ ; OPPOSE Oppose

Mr Chairman, members of the committee:

For the record, I am Lorraine Gillies, representing Montana Farm Bureau.

We voice strong opposition to HB 802. This bill would not only increase taxes paid on some agricultural land, it will also further erode the landowner-sportsman relationship. If this is a method to discourage fee hunting, it will also encourage more closures to any kind of recreational access. The backlash of this piece of legislation will undo any progress that has been made.

The problem of an eroding tax base can much better be handled by tax reform than with this piecemeal, controversial method.

We urge this committee to give HB 802 a no vote.

Thank you.

SIGNED: Lorraine Gillies

STATE
OF
MONTANA

DEPARTMENT OF JUSTICE
FIRE MARSHAL BUREAU

Room 371, Scott Hart Building, 303 North Roberts, Helena, Montana 59620-1417 (406) 444-2050

FIRE MARSHAL BUREAU PROGRAMS

INSPECTIONS

The Bureau has responsibility for inspections in virtually every type of occupancy except private homes. The majority of effort gets placed on inspections which have separate statutory requirements such as the university system, institutions, homes for the developmentally disabled, and day care centers. In recent years, inspections related to flammable liquids and liquor license transfers have increased dramatically.

CODE DEVELOPMENT AND ADOPTION

The Bureau adopts model codes for fire prevention inspections, with such modifications as are needed to insure that the adopted codes conform to state law. Further, in those areas of regulation where there is no model code available, the Bureau develops administrative rules to implement state law .

INSPECTION SUPERVISION AND CODE INTERPRETATION

The Bureau is responsible for supervision and direction of local officials in implementation and enforcement of fire safety rules adopted to provide for public safety.

FIRE INVESTIGATION AND INSPECTION TRAINING

The Bureau presents training programs to fire and law enforcement personnel, as time and resources permit. Budgeted funds are offset by fees charged to particular parts in the programs. The Bureau also participates with the Fire Services Training School in course development and delivery.

FIRE PREVENTION AND SAFETY

The Bureau provides information to public officials and the public on fire safety. This includes home safety, heating safety, fire prevention grant administration, wild land fire interface safety, public presentations, development of PSA's and other efforts.

FIRE INVESTIGATION

The Bureau provides assistance in the determination of fire cause and origin to local authorities and further investigation of suspicious and incendiary fires.

Ex. 10
3-12-91
HB 809

THREATS OF EXPLOSIVES IN STATE BUILDINGS

The Bureau is responsible for establishing rules for buildings housing state offices.

FIRE REPORTING PROGRAM

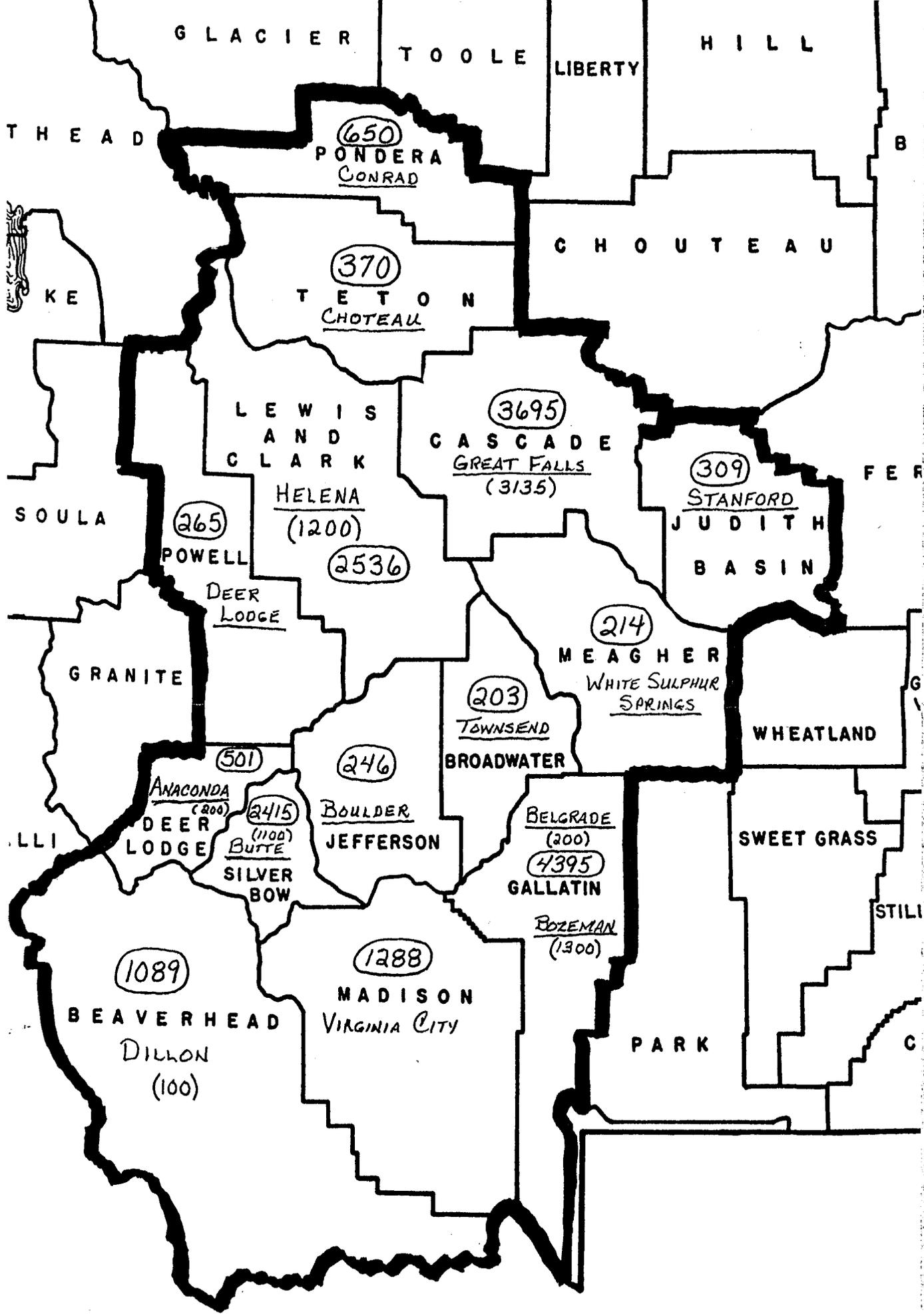
The Bureau collects fire and hazardous materials reports on forms provided by the Bureau to local agencies. The MFIRS system used is based on the National Fire Information System and Montana data is included in the national data base. The Bureau provides training to local agencies as time and resources permit.

FIRE PROTECTION EQUIPMENT

The Bureau provides licenses, permits and certificates of registration for fire extinguishers, fire alarm systems and fire extinguishing systems. These are required to install, service or sell such equipment.

LIAISON ACTIVITIES

Bureau personnel participate in programs with local, state and federal governments as well as insurance organizations and model code bodies on fire related issues.



R.S.
2/24/91

Mining firms buy MPC properties

Two major mining companies announced last week they have bought the non-coal properties of Western Energy Co., a subsidiary of Montana Power Co.'s non-utility arm.

Canyon Resources Corp. of Colorado and Phelps Dodge Mining Co. bought the properties for \$11 million. Canyon said in a news release.

The purchase includes 900,000 acres of mineral rights throughout Western Montana and the Seven-Up Pete and McDonald gold properties near Lincoln, the release said. Canyon Resources operates the Kendall mine near Lewistown.

18 states - All surrounding states and coal states
16 of them Tax Minerals in Place.

Minerals In Place Taxes

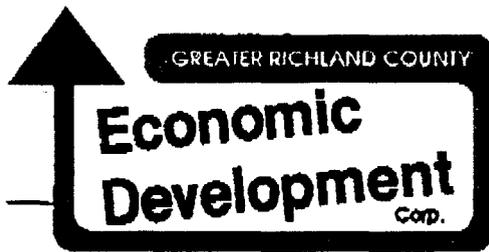
- | | |
|-------------------|---|
| Alaska
(No) | exempts all natural resources in place from 6/90 to 7/1/92 from municipal taxation. |
| Alabama
(Yes) | mineral rights are self assessed @ \$5.00 per acre. |
| Arizona
(Yes) | A special provision for taxing all patented and unpatented producing mines or were producing during any of 3 preceding years. Non producing taxed like any other realty. 11.5% is statewide average for all property including minerals. FMV based on capitalised net income approach or comparative sales. |
| Colorado
(Yes) | Non producing severed mineral interest assessed at 29% FMV Tax is 1/10th of 1% of assessed value. Appraisers use estimated ore reserves to include in determining capitalized net income; CNI assessed at 30%. |
| Florida
(Yes) | mineral rights which have been sold or otherwise transferred or acquired by reservation are treated as interest in realty subject to taxation separate and apart from fee or ownership of the fee or other interest in the fee. |
| Idaho
(Yes) | Tax mines and mining claims at the price paid to the U.S. unless used for other than mining. Non patented mining claims are exempt. Tax cannot exceed 1% of FMV. |
| Illinois
(Yes) | Any realty on which there is coal is valued at 33 1/2 % fair cash value; coal at 33 1/2% of its reserve economic value. |
| Indiana
(Yes) | Separate rules for mineral or quarry rights. True cash value; coal @ \$60 per acre. Tax rate is 1%; incorporated 2%; unincorporated 1.25%. |

Ex. 13

3-12-91

HB 910

Kansas (Yes)	Mineral lease hold interests assessed at 30% FMV.
Kentucky (Yes)	State taxes only; unmined coal and interests therein at FMV; tax at 1/10th of 1 cent per \$100.
Minnesota (Yes)	Mineral interests owned separately from surface rights are taxed @ 25 cents per acre; no additional value will be assessed for unmined mineral value except for iron ore or talconite.
New Mexico (Yes)	Mineral property assessed separately for realty
North Dakota (Yes)	Coal and other minerals owned separately from overlying lands are taxed separately to owner of mineral rights. Minerals in place are exempt if they will be subject to a severance tax.
Ohio (Yes)	The market value of minerals in place is based on sales of similar properties; or leases and physical characteristics if there are no sales. 35%fmv. Tax rate (in 1976) 4.39%
Pennsylvania (Yes)	There are separate rules for mineral lands in each county. In Greene County mineral rights have no market value until they are sold to a coal operator.
Tennessee (Yes)	The actual value is based on the discounted value of recoverable reserves. 40% FMV. Tax rate average 3.5%
West Virginia (Yes)	Mining interests are assessed to the owner at 60% FMV
Wyoming (No)	The property is assessed at the market value of the previous year's output. State 0.6%; county 6.3%.

EXHIBIT 14
DATE 3-12-91
HB 910

123 West Main, Sidney, Montana 59270 — Telephone: (406) 482-4679

March 11, 1991

Rep. Dan Harrington, Chairman
Montana House Taxation Committee
Montana State Legislature
Helena, MT 59260

Dear Rep. Harrington,

The Greater Richland County Economic Development Corp. is in **OPPOSITION** to House Bill 910, which would tax minerals in place with a value in excess of \$1 million as Class Four property.

Richland County lies in the heart of the Williston Oil Basin, and is rich in oil and gas and coal reserves. What kind of message would legislation like this send the oil and gas industry, which has already left Montana to better tax climates in North Dakota and Wyoming? It sure isn't saying, "Come on back, we want you here."

Not only would HB 910 deter oil and gas development, it would also set a dangerous precedent. If we go ahead and tax undeveloped minerals, what's next--gravel, or how about the trees in our front yards?

There are many mineral owners in Richland County who are concerned about this bill, and the ramifications it could have for them. There are also many questions about how minerals in place can be defined or measured. Surely there are other more logical forms of revenue the state could pursue. Vote **NO** to HB 910.

Sincerely,

Lynnette Hintze
Executive Director
Greater Richland County Economic Development Corp.

Rte. 71, Box 18
Chinoook, MT 59523

EXHIBIT 15
DATE 3-12-91
HE 910

357-3593
Warren H. Ross
Donald T. Ross
406-357-2745

ROSS 8-7 RANCH, INC.

COMMERCIAL HEREFORDS SINCE 1887

HOUSE TAXATION COMMITTEE:

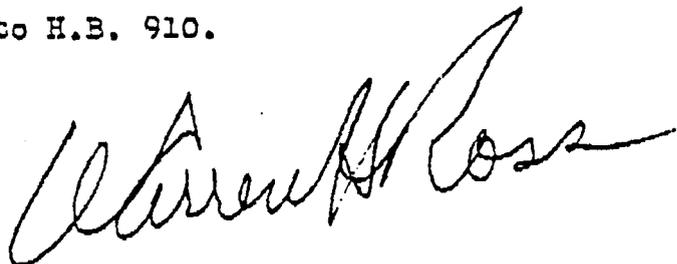
My name is Warren Ross. I am a land and mineral owner, a rancher in Blaine County. I am the present chairman of the Montana Oil and Gas Conservation Board.

My first experience with evaluating mineral interests was at the time of Dad's estate planning. The ranch was leased for oil and gas at that time (late 1970's). The leases were dropped in the early 1980's with the drilling of a couple of dry holes. Our land is separated from the highly productive Tiger Ridge gas field by only our North fence line!

The unpredictability of minerals underlying any specific acreage is graphically demonstrated by the failure of finding production in infill drilling in proven fields. The reports we get show a high percentage of plugged and abandoned dry holes.

H.B. 910 would place a tax burden based on pure speculation. I think it would be unfair to the mineral owner. It would have a very chilling effect on any leasing of publicly owned minerals. It would seem also to be unnecessary in relation to private minerals because if they are leased the income is already taxed.

I am strongly opposed to H.B. 910.



HOUSE OF REPRESENTATIVES

VISITOR'S REGISTER

1064

Taxation

COMMITTEE

BILL NO. 48935

DATE 3/12

SPONSOR(S)

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NAME AND ADDRESS	REPRESENTING	BILL	OPPOSE	SUPPORT
Rich E Miller Missoula	Best Bet Casino	935	X	
LARRY AKEY	GAMING INDUSTRY ASSOCIATION	935	X	
KEVIN E OLSON	SMITH'S PLACE	935	✓	
Wendel Jander	Quintake	935	✓	
Lewis Perino	CRIBBAGE BOARD	935	✓	
Marvin W Ratchiff	Montana Independent Miners	910	✓	
MICHAEL P CETRARO	VLWAGE in PIZZA MYSELF + MY PERSONAL PROPERTY	935	✓	
LYNN H. MILLER	MILLER'S CAVE HELENA	935	✓	
Tommy Weisler Great Falls	self	935	X	
Clyde Darrow	self	935		✓
Erlyn Hancock	Hill Country Amusement BATTLE MOUNTAIN	935	X	
Delores Hancock Dale Hanson	R & J Amusement Commercial Bar Town	935	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

TAXATION COMMITTEE BILL NO. HB 935
 DATE 3/12 SPONSOR(S) S. HANSEN

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NAME AND ADDRESS	REPRESENTING	BILL	OPPOSE	SUPPORT
WALTER F. JACKOVICH	SILVER BOW CO. HANSEN ASSOC.	HB 935	X	
George Crabtree	Construction Co	935	X	
John H. Hines	CAUSEWAY CHARTER	935	X	
James L. Sullach	Selma Sullach Assoc	935	X	
Christa R. Bunkel	Basin Mont	935	X	
W.E. TRERISE Helena	The Exchange Supper Club	935	X	
JERRY BELISLE	Trold Nugget Casino	935	X	
Gary Bennett	VLC Inc.	935	X	
RON REILAND	IGT-MONTANA	935	X	
CHRIS WARREN	CAPITAL MUSIC	935	X	
Sid Smith	Deft	935	X	
Bob Hansen	Sell		X	
John Hansen	Sell		X	

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HOUSE OF REPRESENTATIVES

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VISITOR'S REGISTER

Taxston COMMITTEE BILL NO. HB 935
 DATE 3/12/91 SPONSOR(S) Rep. S. Hansen

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NAME AND ADDRESS	REPRESENTING	BILL	OPPOSE	SUPPORT
Le Brian Lewis 6425 Underhill Blvd. Helena	AAR P	935		X
Maurcen Martin 2525 Colonial Drive HARLEY WARNER Box 705, KELETA 59624	West Mont MONTANA ASSOC OF CHURCHES	935		X
Randy Reger	GIH	935	X	
David Norman	Self	935	X	
HAROLD BITTNER	Flippers Inc	935	X	
Mark E. Durkee	Mt Tavern Area	935	X	
Chuck Anders	Gold Nugget Casino	935	X	
Scott Kottler	Riley	935	X	
Quill Johnson	Yacht Basin	935	X	
Wanda Johnson	Yacht Basin	935	X	
Wanda Johnson	Gillis Casino	935	X	
Wanda Johnson	MTA	935	X	

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HOUSE OF REPRESENTATIVES

VISITOR'S REGISTER

Taxation COMMITTEE BILL NO. H.B. 801
 DATE 3/12/91 SPONSOR(S) Rep. Menahan

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NAME AND ADDRESS	REPRESENTING	BILL	OPPOSE	SUPPORT
Gere Vuckovich	Ansonville/Deer Lodge Co	801		X
Mon B... ..	MSG A / MWGA		X	
Marvin Barber	F. P. F.	801	X	
Jim Petersen	MSG A		X	
Harold Kaffin	mass rally Deer Lodge		X	
Chase Hibbard	MSG A / MWGA		X	
B J	Melrose		X	
CAROL MOSHER	MT. CATTLEWOMEN		X	
KAY NERENBERG	WIFE		X	
Ward Saucaba	Mount. Mining	801	X	
Gordon Drouin	MA Co	801		X
Chris Kaufman	MEIC	801		X
GARY LANGLEY	MT. MINING ASSN.	801	✓	

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HOUSE OF REPRESENTATIVES

1 of 2

VISITOR'S REGISTER

TAXATION COMMITTEE BILL NO. HB 802
 DATE 3/12/91 SPONSOR(S) Rep. Menahan

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NAME AND ADDRESS	REPRESENTING	BILL	OPPOSE	SUPPORT
WARD JACKSON	JACKSON RANCH		X	
Gene Vuckovich	Aspen/D Deer Lodge Co	802		X
Susan Brooks	MSSA/MWGA		X	
Marilyn Barber	A.P.A.	802	X	
Jan [unclear]	MSSA	802	X	
Lorraine Gillies	MT Farm Bureau		X	
Chase Hibbard	MSSA MWGA MTTAX DIVERS	802	X	
Dan Hansen	Self		X	
[unclear]	Nelma		X	
Jim [unclear]			X	
CAROL MOSHER	MT. CATLEWOMEN		X	
KAY NIREMBERG	WIFE		X	
[unclear]	MSSA		X	

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HOUSE OF REPRESENTATIVES

VISITOR'S REGISTER

Taxation COMMITTEE BILL NO. HB 809
 DATE 3/12/91 SPONSOR(S) Rep. Peterson

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NAME AND ADDRESS	REPRESENTING	BILL	OPPOSE	SUPPORT
<i>Gene Phillips</i>	<i>Fire Marshal Bureau</i>			<input checked="" type="checkbox"/>
GENE PHILLIPS	NAT. ASSOC. IND INS ALLIANCE AMER. INS	HB 809	<input checked="" type="checkbox"/>	
Jackie Terrill	AMERICAN INS ASSOC		<input checked="" type="checkbox"/>	
Ray Blum	State Fire Marshal	HB 809		<input checked="" type="checkbox"/>
Roger McGlenon	INDEPENDENT INS AGENTS ASSOC. OF MT	HB 809	<input checked="" type="checkbox"/>	
<i>Rich Lewandowski</i>	<i>Deputy Fire Marshal</i>	HB 809		<input checked="" type="checkbox"/>
JAMES A. LOFFTUS	MT FIRE DIST. ASSN	HB 809		<input checked="" type="checkbox"/>
Lyle Ward	<i>MT Fire Marshal</i>			<input checked="" type="checkbox"/>
Henry E. Lohr	MT St. Vol. Fire Fighters Assn			<input checked="" type="checkbox"/>
Gene Browning	State Fire Marshal	HB 809	<input checked="" type="checkbox"/>	

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HOUSE OF REPRESENTATIVES

VISITOR'S REGISTER

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Taxation COMMITTEE BILL NO. HB 910
 DATE 3/12/91 SPONSOR(S) Rep. Madison

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NAME AND ADDRESS	REPRESENTING	BILL	OPPOSE	SUPPORT
Sharon Robbins	NEGA / MUGA		X	
STEROME ANDERSON	SHALL WESTERN ERP INC.	910	X	
WARD JACKSON	JACKSON RANCH		X	
Heaschel Robbins	MUSS. Valley Dev. Corp		X	
Don Jenkins	Golden Sun light Mines		X	
Marvin Barber	A.P.A.	910	X	
Jim Peterson	MSSA		X	
PEX MANUEL	CENEX Petroleum	910	X	
Jim Twitler	MT Chamber C.		✓	
Chas H. ...	MUGA MUGA		X	
BJ Holmes	Welton		X	
CAROL MASHER	MT. CATTLEMAN		X	
KAY NOREMBERG	WIFE		X	
Tom Harmon	MT Society of CPAs		X	

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Gaule Fallon MT Petroleum X
 Jim Jensen MEIC X

HOUSE OF REPRESENTATIVES

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VISITOR'S REGISTER

Taxation

COMMITTEE

BILL NO.

HB 910 (cont)

DATE 3-12

SPONSOR(S) Madison

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NAME AND ADDRESS	REPRESENTING	BILL	OPPOSE	SUPPORT
TOM EBZERY	Wesco	910	✓	
GARY LANGLEY	MT. MINING ASSN.	910	✓	
Lynnette Hintze	Greater Richland Co. Econ Dev. Corp	910	✓	
Ken Williams	Entech	910	✓	
JIM PAIADICHUK	M. D. U.	910	✓	
WARD SHANDHAN	CHRYSLER-STILLWATER	910	✓	
Ted J. Doney	ASARCO	910	✓	
Jim McPhie	MT Coal Council	910	✓	
CARL IVERSON	SELF	910	✓	
John Fitzpatrick	Pegasus Gold Corp MT Mining Ass	910	✓	
Doc Abelie	N. MONTANA OIL GAS	910	✓	
Steve Brown	Notanda	910	✓	
Jan Cool	EXXON	910	✓	

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James Burr
Rep Feland

MTGA
SELF

910 ✓
910 ✓