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MONTANA CONSTITUTIONAL CONVENTION

STATE CAPITOL • HELENA, MONTANA 59601 • TELEPHONE 406/449-3750

REVENUE AND FINANCE COMMITTEE

Place of Meeting: 3rd Floor
Meeting Room
Historical Society

Date Meeting Held: 1/24/72
Time Meeting Held: 10:00 a.m.
1:30 p.m.

Committee Chairman: Sterling Rygg

MINUTES OF THE SIXTH MEETING OF THE REVENUE AND FINANCE COMMITTEE

SUBJECT OF MEETING: General Hearing on Taxation Articles

Roll Call:

Sterling Rygg, Chairman	<u>Present</u>
Maurice Driscoll, Vice Chairman	<u>Absent</u>
William Artz	<u>Present</u>
E. M. Berthelson	<u>Present</u>
Dave Drum	<u>Absent</u>
Noel Furlong	<u>Absent</u>
Russell McDonough	<u>Present</u>
Mike McKeon	<u>Present</u>
Roger Wagner	<u>Present</u>

Time of Adjournment:

DISCUSSION:

Chairman Sterling Rygg opened the meeting at 10:10 a.m. in the 3rd Floor Meeting Room of the Historical Society Building. He introduced the committee members to those guests and witnesses present.

The committee heard testimony from A. W. Scribner, who represented the Montana Automobile Dealers' Association. Mr. Scribner told the committee that he was not at this time appearing on a specific proposal but that a delegate proposal would be introduced during the next few days upon which Mr. Scribner said he would appear formally. He wanted the committee to be thinking of the possibility of a fee system of licensing motor vehicles rather than the present system. He gave several reasons in favor of the fee system, including ease of enforcement and equality of assessment, two factors which are not inherent in the present system. Mr. Scribner also told the committee that his association favored retention of the anti-diversion amendment, although he thought it might need some minor revisions. He will also appear on this amendment later.

The committee then heard testimony from Senator Pat Gilfeather of Great Falls, who appeared in support of enacting a statewide property tax in Montana. Discussion followed.

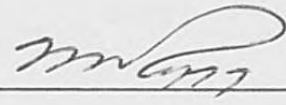
The committee recessed at 11:30.

The committee went back into session at 1:30 to hear testimony from Delegate A. W. Kamhoot of Forsyth, who discussed the net proceeds tax with the committee. Discussion followed.

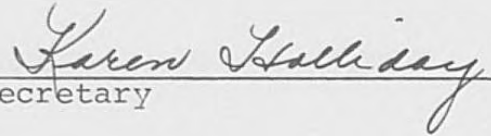
The committee spent the remainder of their time discussing the Citizen Suggestions assigned to the committee.

The meeting was adjourned.

Time of Adjournment: 3:30 p.m.



Chairman



Secretary

Sen. Gilfeather asked that the committee retain in the new Constitution the provision that state funds cannot be invested in private stocks and bonds, and any investment should show actual and not paper profits. Section 1 of Article XIII should also be retained, as well as Sections 2 and 3 of Ordinance 1, and Section 8 of Article XXI.

Mr. McDonough asked Sen. Gilfeather to explain his position on money from state mortgaged lands.

Mr. McKeon asked if the state were allowed to invest funds in capital voting stock, would would vote it. Sen. Gilfeather replied that he thought the governor would. Mr. McKeon then asked the Senator his opinion of the taxation of mines. Sen. Gilfeather replied that he thought there should be two restrictions: that the actual value be used for rate base purposes; and for condemnation action by the state. Mr. McKeon asked if he would favor elimination of the provision on the taxation of mines and leaving it to the legislature. Sen. Gilfeather replied that he would have to make a study of it before he could make any definite recommendation on this, but told the committee that he would support a more realistic severance tax.

Mr. Artz asked if he would consider a statewide tax in areas other than education.

TESTIMONY:

Mr. Kamhoot appeared before the committee to ask them to consider a method other than the net proceeds tax for taxing natural resources. He cited several examples of the present inequities in this tax.

In 1970, Western Energy paid \$147,000 in net proceeds tax on 1,600,000 tons of coal while Peabody Coal Company paid \$28,000 on 1,700,000 tons of coal.

He said that Montana has vast coal reserves and that in the future coal will probably leave the state as energy; he cited the fact that Peabody is planning to build a large generating plant at Colstrip to generate electrical power to Minnesota and Wisconsin and the Dakotas. The state must find some other way to tax this coal taken from Montana, other than the net proceeds tax. Since this tax is essentially a property tax, and since the state cannot tax resources found on federal land, and since a great deal of this coal is found on federal land, the state is missing a great deal of revenue. In determining a new method of taxation, he said, attention should be given to incentives for reclamation, since the Colstrip history has proven that mined land, when reclaimed, is better land than it was before the resources were taken from the ground.