

MINUTES

MONTANA HOUSE OF REPRESENTATIVES 51st LEGISLATURE - REGULAR SESSION

COMMITTEE ON TAXATION

Call to Order: By Chairman Harrington, on March 21, 1989, at
8:00 a.m.

ROLL CALL

Members Present: All

Members Excused: None

Members Absent: None

Staff Present: Dave Bohyer, Legislative Council

Announcements/Discussion: None.

HEARING ON HOUSE BILL 779

Presentation and Opening Statement by Sponsor:

Rep. Janet Moore, District 65, stated HB 779 is a luxury surcharge tax directed toward non-essential items. She said the bill will be a 4% tax on entertainment, jewelry, watches over \$200.00, recreation activities, luxury cars and trucks over \$15,000.00, sporting goods, souvenirs and novelty items, and services such as alcohol served on the premises, cable TV such as HBO, theater ticket sales, and sporting events designed for profit. Rep. Moore stated there is a \$100.00 exemption certificate allowance in the bill and there is a 2% penalty if the tax is not collected. She urged support and thanked the committee for their time.

Testifying Proponents and Who They Represent:

Rep. Orville Ellison, House District 81

Proponent Testimony:

Rep. Orville Ellison stated the bill has good possibilities since this would be a tax no one would be forced to pay. He said this is strictly a matter of choice and does not tax necessities. He stated the bill should be seriously considered.

Testifying Opponents and Who They Represent:

Ray Brandewere, Manufactured Housing and Recreational
Vehicle Association

Bob Durkee, Montana Tavern Association

Don Engles, Montana Chamber of Commerce
Tom Harrison, Montana Auto Dealers Association
Bonnie Tippy, Montana Innkeepers Association

Opponent Testimony:

Ray Brandewere stated the bill is a 4% sales tax on items people use and enjoy. He said recreation is very important to everyone and should not be taxed. He suggested an amendment to include luxury clothing such as furs. He stated a sales tax should be on everything, not a few items.

Bob Durkee stated his organization opposes any sales tax. He said that currently, 58.5% of the total price on a bottle of liquor is taxes. He urged opposition to the bill.

Don Engles stated his organization opposes selective sales taxes in any form.

Tom Harrison said his organization opposed the bill. He said the tax on cars over \$15,000.00 should be exempted and the tax applied on any amount over \$15,000.00. He stated automobiles costing \$15,000.00 are not luxury cars. He asked the committee to consider this suggestion.

Bonnie Tippy stated her organization opposed the bill. She urged defeat by the committee.

Questions From Committee Members: Rep. Patterson asked Rep. Moore if she would object to including furs in the bill. Rep. Moore replied she would not object.

Rep. Good asked Rep. Moore how this tax would be put into effect. Rep. Moore replied the retailer would be given a list of things that are covered by the 4% tax.

Rep. Hanson asked Rep. Moore if she would object to raising the truck price to \$20,000.00 before they would be taxed. Rep. Moore stated she had no objection to that. Rep. Hanson then asked about camping equipment in regard to outfitters. Rep. Moore stated they would be eligible for the certificate of exemption under the bill.

Rep. Ellison asked Rep. Moore if she would object to striking trucks completely from the bill, add furs and other luxury clothing and strike liquor by the drink from the bill. Rep. Moore said she would not object.

Closing by Sponsor: Rep. Moore thanked the committee for their time and attention. She said she would not object to the suggested amendments to the bill. She stated RVs could have a limit of \$10,000.00. She said the intent of the bill is to tax those best able to pay.

DISPOSITION OF HOUSE BILL 779

Motion: None.

Discussion: None.

Amendments, Discussion, and Votes: None.

Recommendation and Vote: None.

HEARING ON HOUSE BILL 787

Presentation and Opening Statement by Sponsor:

Rep. Bob Raney, District 82, stated HB 787 is a tax on the export of merchantable logs. Rep. Raney said the lumber companies export their logs because there are no mills in the adjacent areas where they are harvesting the timber. He said the lumber companies are suffering from a shortage of logs and some are closing. He stated the problem of the exportation of logs out of the United States needs to be addressed. Rep. Raney stated, under the bill, a 4% tax would be placed on merchantable logs to which no value is added within four months of harvest. He said the tax would be paid quarterly into a trust fund at the state treasury. Rep. Raney stated the interest from this fund would be available for grants for research and development of value added processing for wood products, for reforestation or for rehabilitation of areas damaged by forest practices. He said the four month period may not be long enough and the bill may have to be amended to extend this time. Rep. Raney said he was waiting for information to this effect before presenting an amendment. He stated the lumber people do not believe any logs are being shipped out of the country currently but this will surely be done in the future since Montana's mills are closing. He urged the committee's consideration of the bill.

Testifying Proponents and Who They Represent:

Rep. Jerry Driscoll, House District 92

Proponent Testimony:

Rep. Jerry Driscoll wished to be recorded as a proponent.

Testifying Opponents and Who They Represent:

Rep. Barry Stang, House District 52
Rep. Leo Giacometto, House District 24
Stan Kaleczyc, Attorney, Plumcreek Lumber Company
Tucker Hill, Champion International

Opponent Testimony:

Rep. Barry Stang stated he was opposed to the bill as written. He said if the bill was amended to include the surrounding states, he would support it. Rep. Stang said, in his area, the mills receive most of their logs from Idaho. He stated the bill as written would put these mills out of business.

Rep. Leo Giacometto said in his area, lumber is private. He stated the logs are shipped to other states so they can use the land as grazing land. He opposed the bill as an unfair tax.

Stan Kaleczyc stated the bill will solve problems that do not exist. He said Plumcreek Lumber does not export any lumber out of the state but they do import from other states. Mr. Kaleczyc stated the bill imposes the tax on inventory kept after four months. He said this is an unrealistic time frame. He stated there would be additional administrative costs to the mills to process this tax and additional costs to the Department of Revenue for auditing. He said the bill is not needed today nor in the immediate future.

Tucker Hill stated he does not feel there is a problem nor will there be any such problem. He said he checked with other producers and they do not export logs nor are they aware of anyone who does. He stated the logs are separated by species and not the time they are received in the mill, therefore the four month time period would be very difficult. He urged opposition to the bill.

Questions From Committee Members: Rep. Patterson asked Rep.

Raney how this would be administered. Rep. Raney responded it would be known when logs are being exported, and then the guidelines would be established by the Department of Revenue for tax collection.

Rep. Elliott asked Mr. Kaleczyc what Plumcreek's FOB Seattle costs were when exporting logs overseas. Mr. Kaleczyc stated he did not know but would get this information for the committee.

Rep. Koehnke asked Mr. Kaleczyc to whom the logs were shipped by Plumcreek. Mr. Kaleczyc stated they primarily go to Japan.

Rep. Cohen asked Mr. Kaleczyc about Plumcreek bringing logs in from Idaho. He asked where they are processed. Mr. Kaleczyc stated in Kalispell. Rep. Cohen said the mills have a 11% assessment rate of taxes but apparently this does not deter them from processing logs. Mr. Kaleczyc said the industry is cyclical and currently, they are doing very well so the tax is not a burden at this time.

Rep. Ellison asked Rep. Raney about the fact that there is a spring break up when mills cannot log and they must keep their inventory. He said he thought the inventory was self-regulating and the four month time frame was unnecessary. Rep. Raney replied the reason for including a time period was to address the constitutionality of taxing interstate commerce. He said he would be glad to make the time period one year.

Rep. Ream asked Mr. Kaleczyc about the Columbia Falls lumber plant that receives logs from Canada. He asked if there would be any problem with the Canadian Free Trade Agreement and with interstate commerce. Mr. Kaleczyc replied there could be some problems but he was unsure on this issue.

Closing by Sponsor: Rep. Raney stated resource taxation in Montana was nothing new but renewable resource taxation was new. He said there is no reason to wait until the problem exists before taking action. Rep. Raney stated the problem will exist very soon because of the closing of the lumber mills in the state and there is exporting of a sizable amount of logs currently. He said he had no objection to change the time limit to one year and include all surrounding states and provinces. Rep. Raney stated there will be a loss of many jobs in Montana due to exportation of logs out of the country.

DISPOSITION OF HOUSE BILL 787

Motion: None.

Discussion: None.

Amendments, Discussion, and Votes: None.

Recommendation and Vote: None. Action will be taken at a later date.

HEARING ON HOUSE BILL 783

Presentation and Opening Statement by Sponsor:

Rep. Mark O'Keefe, District 45, stated HB 783 is a bill to allow the state of Montana, through the Department of Revenue, to negotiate with anyone who wants to issue a State of Montana affinity credit card. He said the banks are anxious to do this. He stated the bill allows the DOR to negotiate with the banks and anyone who wanted to have a Montana State credit card could apply. He said whatever amount is negotiated with the banks, such as 1%, would come back to the state each time the credit card is used. He submitted a handout that explained how Catholic charities use credit cards in their fundraising. (Exhibit 1). Rep. O'Keefe submitted a fiscal note (Exhibit 2), but stated he did not sign it because he did not agree with it. He said

he will prepare a sponsor's fiscal note for the committee. Rep. O'Keefe said there would be an amendment to include credit unions in the bill. He said this is strictly voluntary and people could cut their taxes by participating in this program.

Testifying Proponents and Who They Represent:

Chip Erdeman, Montana League of Savings Institutions
Earl Johnson, First Bank System
Rep. Jerry Driscoll, District 92
Rep. Bob Ream, District 54

Proponent Testimony:

Chip Erdeman stated this was an innovative bill. He said he did not know how the system would be set up or what technical problems might be encountered but it certainly deserved a chance. He proposed an amendment to the bill to allow savings and loan companies to participate. (Exhibit 3).

Earl Johnson stated his organization supports the bill. He said this will raise revenue in a non-traditional way. He urged passage of the bill.

Rep. Jerry Driscoll stated he had a credit card from his union that has no annual fee and charges 14% interest. He said with each purchase, charities receive \$.05. Rep. Driscoll stated this is an easy way to pay taxes.

Rep. Bob Ream wished to be recorded as a proponent.

Testifying Opponents and Who They Represent:

Rep. Leo Giacometto, District 24

Opponent Testimony:

Rep. Leo Giacometto wished to be recorded as an opponent to the bill.

Questions From Committee Members: Rep. Ellison asked Rep. O'Keefe how many other state credit cards are currently available in Montana. Rep. O'Keefe responded he did not know but there are no affinity group cards that have been issued on any Montana state bank. Rep. Ellison asked about the percentage the state would receive since there are many other credit cards available. Rep. O'Keefe replied according to projections on the national average, no other state has done this. He said the banks are very interested in this since, if it works in Montana, other states will be interested in issuing cards.

Rep. Leo Giacometto asked Rep. O'Keefe what collateral would

be used for this credit card. Rep. O'Keefe replied there is no backing and the risk is taken by the banks who are the marketeers. He said the state has no liability in this situation.

Rep. Elliott asked Rep. O'Keefe if there was any possibility of marketing the credit cards out of state to former residents or anyone who would just like to have a Montana state card. Rep. O'Keefe said he was not sure about this but the marketers will be the banks. He said the first year the state may make little money since most of it will go into advertising the card.

Rep. Ream asked Rep. O'Keefe why banks in Montana have not been interested in this. Rep. O'Keefe replied he thought it was because the credit card business is so competitive. He said there needs to be a large pool of customers in order to interest the banks.

Rep. Good directed this same question to John Cavney of the Montana Banker's Association who was in the audience. Mr. Cavney said the Bank of Montana System in Great Falls issues credit cards. He said anyone who issues credit cards would be able to participate in this program plus out of state financial institutions.

Closing by Sponsor: Rep. O'Keefe stated this must work for the banks in order to implement this system. He said he was working with the DOR on this and he saw no reason why Montana state should not have a credit card and receive needed revenue in this manner when credit cards are so much a way of life today.

DISPOSITION OF HOUSE BILL 783

Motion: None.

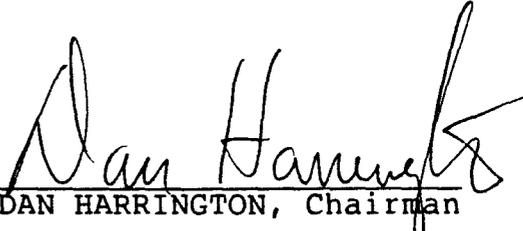
Discussion: None.

Amendments, Discussion, and Votes: None.

Recommendation and Vote: None. Action will be taken at a later date.

ADJOURNMENT

Adjournment At: 9:30 a.m.


REP. DAN HARRINGTON, Chairman

DH/lj

6515.min

DAILY ROLL CALL

TAXATION

COMMITTEE

51st LEGISLATIVE SESSION -- 1989

Date March 21, 1989

NAME	PRESENT	ABSENT	EXCUSED
Harrington, Dan, Chairman			
Ream, Bob, Vice Chairman	✓		
Cohen, Ben	✓		
Driscoll, Jerry	✓		
Elliott, Jim	✓		
Koehnke, Francis	✓		
O'Keefe, Mark	✓		
Raney, Bob	✓		
Schye, Ted	✓		
Stang, Barry	✓		
Ellison, Orval	✓		
Giacometto, Leo	✓		
Gilbert, Bob	✓		
Good, Susan	✓		
Hanson, Marian	✓		
Hoffman, Robert	✓		
Patterson, John	✓		
Rehberg, Dennis	✓		

SATURDAY, JANUARY 21, 1989 C17

THE WASHINGTON POST

RELIGION

Catholic Charities' Fund-Raising Tack

Percentage of MasterCard Charges to Be Used to Aid the Needy.

By George W. Cornell
Associated Press

NEW YORK—U.S. Roman Catholicism's social-service arm, Catholic Charities, launched a system this week of raising money to help the needy through credit cards.

The plan is called "Project Caritas," Latin for generous love.

Half of 1 percent of the amount charged on a specially endorsed Caritas MasterCard credit card will be channeled by participating banks to the church's work among the needy.

The Rev. Thomas J. Harvey of

Washington, executive director of Catholic Charities U.S.A., called it a "creative way" of bolstering efforts at "lessening human suffering."

Other nonprofit groups, devoted to such causes as the environment, college alumni associations or higher education, also participate in such "affinity" credit card programs.

Officials at the news conference said the National Conference of Synagogue Youth also has begun such a program, and others are being considered by the Salvation Army and YMCA.

Auxiliary Bishop Joseph Sullivan of

Brooklyn, representing U.S. bishops, termed the new plan a "very responsible way" to raise money and to "get the message out" for aid to the homeless, hungry, sick, children and other needy.

Harvey estimated that at least 20,000 people would use the new card the first year, increasing to 250,000 in five years, when it would funnel an estimated \$4 million a year into church charities. That estimate was based on the average annual spending per card of \$1,800.

The Caritas MasterCard is being marketed by a bankcard organiza-

tion, Magna Carda Inc., of Alexandria, with two issuing banks: State Street Bank and Trust of Boston and First Financial Savings Association of Milwaukee.

Harvey emphasized that the church didn't want to promote "credit dependency" and would not benefit from interest on deferred payment of charges. "We are not encouraging debt," he said.

Noting that Catholic Charities serves the needy without regard to creed, with 75 percent of help going to non-Catholics, he said the card was being promoted ecumenically among "all people of good will."

Returns from the card program will be divided 30 percent locally, 30 percent nationally for training leadership, and 40 percent for work among troubled youth and AIDS patients.

STATE OF MONTANA - FISCAL NOTE
Form BD-15

EXHIBIT 2

DATE 3/21/89

In compliance with a written request, there is hereby submitted a Fiscal Note for HB783, as introduced

HB 783

Rep. O'Keefe

DESCRIPTION OF PROPOSED LEGISLATION:

An act authorizing the Department of Revenue to negotiate with banks to allow the state to be the sponsoring entity for a bank credit card; providing that the fee negotiated by the department in exchange for being a sponsoring entity be deposited in the general fund and the school equalization fund; and providing an immediate effective date.

FISCAL IMPACT:

Assuming that the state is allowed to become a sponsoring entity for a bank credit card, it is projected that total cumulative net revenue to the state through the year 1993 could total \$8.2 million. These funds would be split 50% to the state general fund and 50% to state equalization aid to public schools.

NO FURTHER ACTION
MONTANA DEPARTMENT OF REVENUE

[Signature] DATE 3/20/89

BOB KUCHENBROD, DEPUTY DIRECTOR

Office of Budget and Program Planning

DATE
MARK O'KEEFE PRIMARY SPONSOR

Fiscal Note for HB783, as introduced

PROPOSED AMENDMENTS TO HB 783
Introduced Copy

EXHIBIT 3
DATE 3/21/89
HB 783
*Rep. J. Mark
O'Keefe*

Page 1, line 5, following "BANKS", insert
OR OTHER LENDING INSTITUTIONS

Page 1, line 6, following "BANK", insert
OR OTHER LENDING INSTITUTION

Page 1, line 5, following "bank" insert
or other lending institution

Page 1, line 8, following "banks" insert
or other lending institutions

Page 1, line 8, following "32-1-105" insert
and 32-2-103

Page 1, line 10, following "bank" insert
or other lending institution

Page 2, line 3, following "bank" insert
or other lending institution

Page 2, line 14, following "Bank" insert
or other lending institution

Page 2, line 15, following "32-1-105" insert
or a building and loan association as defined in
32-2-103

Page 2, line 16, following "Bank" insert
or other lending institution

Page 2, line 18, following "bank" insert
or other lending institution

Page 2, line 20, following "bank" insert
or other lending institution

