MINUTES

MONTANA SENATE
51st LEGISLATURE - SPECIAL SESSION

COMMITTEE ON TAXATION

Call to Order: By Senator Bob Brown, on June 22, 1989, at 8:20 a.m.

ROLL CALL

Members Present: Senator Brown, Senator Hager, Senator Norman, Senator Eck, Senator Bishop, Senator Halligan, Senator Walker, Senator Harp, Senator Gage, Senator Severson, Senator Mazurek, Senator Crippen

Members Excused: None

Members Absent: None

Staff Present: Jill Rohyans, Committee Secretary
Jeff Martin, Legislative Council

Announcements/Discussion: None

DISPOSITION OF SENATE BILL 4

Discussion:

Senator Brown announced the amendments offered on the floor and which accompanied the bill back to committee were drafted and proposed by Department of Revenue Director Nordtvedt. They were then given to the sponsor who had them distributed on the floor. At no time did they pass through the Senate Amendments Coordinator or the process for amending. Senator Brown felt if for no other reason than the separation of power issue it was important for the bill to be rereferred to committee.

Senator Brown said Senator Halligan made a motion previously to simply exempt federal retirees from taxation to comply with the court decision. He has said he prefers not to propose that amendment at this time.

Senator Harp wondered if we really need a bill to accomplish this. He asked why the Department of Revenue couldn't piggyback this legislation as they have done other federal legislation.

Senator Mazurek said DOR has a statute on the books they have to follow. The Montana statute has not been held unconstitutional, only the Michigan statute. We know we are in violation, but the Department has to continue to follow the state law even though they know they will incur liability because we have not corrected the problem.

Senator Norman asked what would happen if we did nothing until the next session.

Senator Mazurek said it was his understanding that the cost of the two if we do nothing, not looking at the retroactive issue, would be $2.6 million. This would be taking federal from a $3600 exemption to unlimited. The private retiree would be kept at $3600. Senator Mazurek said if someone sues and relies on the Supreme Court decision they can force the repayment of the money.

Senator Brown said that is inevitable and therefore the bill should be cleaned up and passed.

Senator Norman said he would like to set the state and federal employees at the same level.

Senator Brown said that was the effect of the proposed Halligan amendment.

Senator Norman said that leaves the federal retirees wide open and might well be more expensive than if nothing was done at all.

Senator Gage said it is possible the federal statute will be repealed and, if it is, there will be no problem.

Senator Bishop felt we should do the very least possible as once something is in place it is very difficult to back away from it.

Amendments and Votes: None

Recommendation and Vote:

Senator Norman MOVED TO TABLE SB 4.

Senator Bishop said the cost if we have to go back and repay for five years this will cost around $30 million.

Senator Eck said Representative Cohen has a bill in the House which will go back two years, it does not deal with the employer contribution, and calls for study and negotiation with the various public employee groups over the next two years. That bill is supposed to cost $2.2 million including the study.

Senator Bishop contended this is a very complex and costly bill dealing with annuities, pensions, incomes, definitions, all of which are unclear and the impacts are very large. He felt we cannot just slap something together and then if it is not right, let it sunset in two years.

Senator Mazurek said, as an immediate action, not long term, he would like to go with the $18,000 exemption for pensions and not deal with the non-pension over age 62 area at all.

The motion CARRIED with Senators Hager, Halligan, Crippen, and Senator Mazurek voting no.

DISPOSITION OF SENATE BILL 6

Discussion: (see discussion under recommendation and vote)

Amendments and Votes: None

Recommendation and Vote:

Senator Crippen Moved SB 6 Do Pass. The committee reviewed the fiscal note from SB 463 of the regular session. Senator Crippen suggested waiting for the fiscal note for the bill to be drafted if that is the desire of the committee members.

Senator Eck said if a committee study resolution is introduced, this bill might fit into it.

Senator Crippen withdrew his motion pending arrival of the fiscal note.

ADJOURNMENT

Adjournment At: 8:54 a.m

SENATOR BOB BROWN, Chairman

BB/jdr

MINJDR.622

ROLL CALL

TAXATION COMMITTEE

SPECIAL

51st LEGISLATIVE SESSION -- 1989 Date 6/23/89

NAME	PRESENT	ABSENT	EXCUSED
SENATOR BROWN	X		
SENATOR BISHOP	X		
SENATOR CRIPPEN	X		
SENATOR ECK	X		
SENATOR GAGE	X		
SENATOR HAGER	X		
SENATOR HALLIGAN	X		
SENATOR HARP	X		
SENATOR MAZUREK	X		
SENATOR NORMAN	X		
SENATOR SEVERSON	X		
SENATOR WALKER	X		

Each day attach to minutes.

SENATE TAXATION
EXHIBIT NO. 1
DATE 6/22/89
BILL NO. SB4

Proposed Amendments to SB 4
2nd Reading (yellow) Copy

1. Title, Lines 7 and 8.
   Strike: "FOR PERSONS 62 YEARS OF AGE OR OLDER"

2. Page 2, lines 24 and 25.
   Following: "is"
   Strike: "~~subject~~ LIMITED to ~~the following limitations:~~"
   Insert; "subject to the following limitations:"

3. Page 3, line 6.
   Following: "~~15-30-101~~"
   Insert: "(a) for taxpayers who are under 62 years of age, the allowable exclusion amount is limited to the lesser of:
   (i) the exclusion amount calculated pursuant to subsection (1); or
   (ii) benefits received from pension and annuities as defined in 15-3-101;"

4. Page 3, line 7.
   Following: "~~(b)--for~~"
   Insert: "(b) for"
   Strike: "."
   Insert: ","

5. Page 3, line 10.
   Strike: "(A)"
   Insert: "(i)"

6. Page 3, line 12.
   Strike: "(B)"
   Insert: "(ii)"

7. Page 9, line 10.
   Strike: "FOR TAXPAYERS 62 YEARS OF AGE OR OLDER,"

Version #2

6/20/89

SB 6

STATE OF MONTANA -- FISCAL NOTE
Form BD-15

In compliance with a written request, there is hereby submitted a Fiscal Note for SB463, as introduced

DESCRIPTION OF PROPOSED LEGISLATION:

An act revising certain provisions relating to the taxation of the income of individuals and corporations; restructuring the tax brackets applicable to the taxation of the income of individuals; extending the exclusion of interest income to all individuals; establishing capital gains and losses as a specific type of income and subjecting capital gains and losses to taxation; revising the standard deduction allowable in calculating adjusted gross income for the purpose of determining individual income taxes; indexing for inflation the amount of retirement income that is excludable from adjusted gross income; revising for nonresidents the filing threshold associated with individual income taxes; revising the exemptions allowable in calculating individual income taxes; reallocating corporation license taxes collected from banks and savings and loan associations; and providing an immediate effective date and a retroactive applicability date.

ASSUMPTIONS:

1. Individual income tax collections are projected to be $239,124,000 in FY90, and $254,428,000 in FY91 (REAC).
2. Corporation license tax collections are projected to be $49,207,000 in FY90, and $49,503,000 in FY91 (REAC).
3. The distribution of net long-term capital gains and realizations across holding periods for Montana is the same as the national distribution.
4. The proposed law tax bracket boundaries, exemption levels, standard deduction amounts, interest exclusion amounts, and retirement exclusion amounts are base year 1980 values.
5. The proposal is not anticipated to impact Department of Revenue administrative expense.
6. The proposal applies to taxable years beginning after December 31, 1988, and all tax revenue recorded on or after December 31, 1989.
7. The line item impacts of the provisions of this proposal are estimated to be as follows:

PROVISION	IMPACT
Adjust Capital Gains for Inflation	$(8,209,000)
Extend Elderly Interest Exclusion to All Filers	(6,031,000)
Adjust Interest Exclusion for Inflation	(1,707,000)
Adjust Retirement Exclusion for Inflation	(1,131,000)
Change Base Year Standard Deduction	(12,177,000)
Change Base Year Exemption Value	(9,615,000)
Change Base Year Tax Brackets	(2,606,000)
Interaction Effects	(152,000)
Total Change	$(41,628,000)

Ray Shackleford DATE 3/10/89
RAY SHACKLEFORD, BUDGET DIRECTOR
Office of Budget and Program Planning

DATE 3-13-89
BRUCE D. CRIPPEN, PRIMARY SPONSOR

Fiscal Note for SB463, as introduced

SB 463

FISCAL IMPACT:

Revenue Impact:	FY90 Current Law	FY90 Proposed Law	FY90 Difference	FY91 Current Law	FY91 Proposed Law	FY91 Difference
Individual Income Tax	$239,124,000	$197,496,000	$(41,628,000)	$254,428,000	$212,800,000	$(41,628,000)
Coporation License Tax	49,207,000	49,207,000	0	49,503,000	49,503,000	0
Total	$288,331,000	$246,703,000	$(41,628,000)	$303,931,000	$262,303,000	$(41,628,000)

Fund Information:

	FY90 Current Law	FY90 Proposed Law	FY90 Difference	FY91 Current Law	FY91 Proposed Law	FY91 Difference
General Fund	$168,024,932	$143,797,436	$(24,227,496)	$177,087,090	$152,859,594	$(24,227,496)
Foundation Program	87,312,824	75,311,549	(12,001,275)	92,240,133	81,507,360	(10,732,773)
Sinking Fund	28,871,813	24,709,013	(4,162,800)	30,428,893	26,266,093	(4,162,800)
Local Govt. - All	4,121,431	2,060,716	(2,060,715)	4,174,885	0	(4,174,885)
Nonschool Local Govt.	0	824,286	824,286	0	1,669,954	1,669,954
Total	$239,124,000	$197,496,000	$(41,628,000)	$303,931,000	$262,303,000	$(41,628,000)

SB 463

ROLL CALL VOTE

SENATE COMMITTEE TAXATION

Date 6/27/89 Senate Bill No. 4 Time 8:29 am

NAME	YES	NO
SENATOR BROWN	X	
SENATOR BISHOP	X	
SENATOR CRIPPEN		X
SENATOR ECK	X	
SENATOR GAGE	X	
SENATOR HAGER		X
SENATOR HALLIGAN		X
SENATOR HARP	X	
SENATOR MAZUREK		X
SENATOR NORMAN	X	
SENATOR SEVERSON	X	
SENATOR WALKER	X	

Bill D. Rohyans
Secretary

SENATOR BOB BROWN
Chairman

Motion: Sen Senator Norman to Table SB4

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