

MINUTES

MONTANA SENATE  
52nd LEGISLATURE - 1st SPECIAL SESSION

COMMITTEE ON TAXATION

Call to Order: By Chairman Mike Halligan, on January 15, 1992,  
at 9:03 a.m.

ROLL CALL

Members Present:

Mike Halligan, Chairman (D)  
Dorothy Eck, Vice Chairman (D)  
Robert Brown (R)  
Steve Doherty (D)  
Delwyn Gage (R)  
John Harp (R)  
Francis Koehnke (D)  
Gene Thayer (R)  
Thomas Towe (D)  
Fred Van Valkenburg (D)  
Bill Yellowtail (D)

Members Excused: none

Staff Present: Jeff Martin (Legislative Council)

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

Announcements/Discussion:

EXECUTIVE ACTION ON HOUSE BILL 14

Discussion:

Senator Towe asked Dennis Adams what he found on the possibility of accelerating the effective implementation date of HB 14. Mr. Adams replied he still could not do it until June. He explained that the Department would need to hold public hearings, and meet time frames for rule-making, in addition to printing and sending out forms. He stated he was unwilling to go ahead without public input, and the normal rules procedure takes about four months.

Senator Thayer commented that the result would be the same whether the legislation is implemented in 1992 or 1993, and asked why time was being taken to discuss the matter. Senator Halligan responded that Terry Johnson testified the Legislature would have to wait until April, 1993 to get figures, if the bill is not effective in 1992.

Senator Towe said he thought the figure for people failing to file in Montana might be larger than ten percent, and that he wanted to know what it could be. He commented that there is a cash flow problem now, and that \$30 million in revenue would be collected earlier if the bill is given a 1992 effective date. Senator Van Valkenburg added that this would provide a better data base to work with in the 1993 Legislature.

Senator Brown stated that the purpose of the bill is to balance the budget, and that TRANS have always been issued to cover this. He advised the Committee that this meeting is critical to getting out on Friday.

Senator Van Valkenburg asked if DOR could be ready to implement the bill by September, 1992. Mr. Adams replied that the state is going to get the best filing percentage when it overlaps federal time. He explained that the September date means CPAs would have to go back through the year, at additional cost to taxpayers. Mr. Adams stated that as soon as the state goes off the April 15 date, it will lose \$11 million in 1992. He said there would also be a problem with trying to reorient taxpayers from September 15 to April 15.

Senator Van Valkenburg asked if there were somewhere the administration would compromise. Mr. Adams replied he hadn't seen any place.

Senator Towe asked why simply implementing the penalty provision for September 15 would not work. He commented that good tax preparers will tell their clients that the law is changed.

Senator Doherty said he didn't understand the problem with implementation of a penalty when taxes are due in October. Mr. Adams replied that most people wait until December or January since there is no penalty.

Senator Doherty stated that this is an immediate and unfair problem.

Senator Halligan advised the Committee that he was waiting to hear DOR's legal information before taking executive action on the bill.

Senator Van Valkenburg provided information from the LFA exempting retirees and the concurrent revenue loss (Exhibit #1). He explained that of 49,000 retirees paying the tax, 37,800 of them would not be affected, and the remaining 11,000 would make up that \$8.1 million. He explained that if adjusted gross income were cut from \$40,000 to \$30,000, it would cut that \$8.1 million in half, and if they were cut to \$20,000, that figure would be cut in half again. Senator Van Valkenburg reminded the Committee that Mr. Sheehy had testified that he only represented federal retirees.

Art Whitney, Vice President, Montana Retired Public Employees, said his comments were the same for HB 14, as they were for SB 1 - that the retirees are opposed to being included in the bill. He advised the Committee that retirees will be either 15 or 3 months behind on payments, depending upon what the Committee does with this bill. Mr. Whitney also said that anything given to retirees of PERS would help.

Senator Van Valkenburg, asked Tom Harrison, Montana CPAs, to speak. Mr. Harrison asked that the penalty for state be made the same as it is for federal, because the software is already there. He stated that adopting 10 percent makes for an entirely separate computation.

Senator Towe responded that private preparers can't figure this amount at all, and would let the federal people figure it out and then send that amount. He asked why it shouldn't be made possible for these people to figure by using 10 percent, and said he could not believe it would be that difficult for CPAs.

Senator Halligan asked Dennis Adams to respond. Mr. Adams replied that about half of the taxpayers prepare their own returns. He said the federal rate is about 11 percent right now, and that he believes 10 percent is easier to do. Mr. Adams added that he was willing to compromise in this area.

Senator Doherty asked how much additional revenue would be generated by including farmers and ranchers. Mr. Adams replied it would be about \$1 million, on an annualized basis, and would come in during the last quarter.

Senator Van Valkenburg asked Mr. Adams to explain his statement that the Governor would veto the bill if it were amended to a 1992 effective date. Mr. Adams replied that was his response to the Associated Press.

Senator Van Valkenburg stated that a veto would put the state \$31 million in the hole, and said he wanted the opportunity to advise his party caucus that the Governor intends to veto on this basis. He commented that this is irresponsible budget balancing.

Senator Eck asked for a legal opinion of DOR on the cash flow issue. Mr. Adams replied that Greg Petesch, Director of Legal Services, Legislative Council, and Dal Smilie, Attorney, Department of Administration (DOA), both came to the conclusion that there is no problem in borrowing from other funds to pay off TRANS.

Senator Towe asked if TRANS would be paid off before the end of the biennium. Mr. Adams replied it is to be paid off at the end of the fiscal year.

Senator Harp commented that this administration has made a major move toward compromising on a major tax issue, and that to say differently is a major deviation from the truth.

Senator Doherty commented that there is a good government reason for trying to get data, and it should be done fairly.

Senator Thayer stated he did not believe he heard a good enough reason to back-date the bill, and thrust it on the taxpayers so quickly. Senator Brown replied that the idea is to give the taxpayers as long as possible to prepare for the change.

Recess: The Committee recessed at 9:42 a.m.

Reconvene: The Committee reconvened at 11:17 a.m.

Roll call was taken and all members were present.

Senator Van Valkenburg advised the Committee that he had concluded it was not in the best interest of the state to make the bill effective in CY 92, nor to continue the fight with the Governor. He said he would abandon his desires in this area, and wait for more input to resolve this issue and end it as soon as possible.

Senator Brown said he believed Senator Van Valkenburg was right, and thanked him for his statement.

Senator Van Valkenburg asked about the potential for exemption in the bill for people earning retirement income with a tax liability of less than \$500. Mr. Adams replied he believes it is "lousy tax policy" to do so, but if the Committee could get the money to do it, he would not oppose it.

Senator Van Valkenburg said he had an interest in excluding retirees with a Montana adjusted gross income of \$20,000 or less. Senator Harp asked where the Committee would make up this nine-tenths of a million dollar cut. Senator Van Valkenburg replied he didn't know, and said he was not suggesting that the Committee do this. He further stated that he believes whatever is done should be done responsibly to work with what the Legislature has done with retirement income.

Amendments, Discussion, and Votes:

Senator Doherty moved to include farmers and ranchers in the bill. The motion failed 9-2 (roll call vote attached).

Recommendation and Vote:

Senator Towe moved that HB 14 be concurred in. The motion carried with all members voting aye except Senator Doherty. Senator Brown was asked to carry the bill.

EXECUTIVE ACTION ON HOUSE JOINT RESOLUTION 1Discussion:

Senator Van Valkenburg asked Jeff Miller, Income and Miscellaneous Tax Division, DOR, to explain his graph on growth in receivables in the Division. Mr. Miller replied that the dangerous drug tax numbers are extremely soft.

Senator Van Valkenburg asked Jeff Miller what he estimated that each collector could bring in on delinquencies. Mr. Miller replied that three FTE in the Division could collect \$1 million in FY 92 and \$1.6 million in FY 93, or about nine-tenths of \$1 million per collector. He explained that legal collectors are a little less productive than phone collectors.

Senator Van Valkenburg asked if delinquencies were now in excess of \$20 million. Jeff Miller replied they are about \$19 million.

Senator Van Valkenburg told the committee he was trying to find a way to get \$3 million more in delinquencies to put in as revenue in HJR 1. He explained that if this were possible, \$150,000 could be put into HB 2 for the additional staff to collect it, or DOR could contract with private agencies. Jeff Miller replied he would not expect to work with private agencies, and would look more toward putting on evening workers. He said he believes there is adequate inventory to address.

Senator Van Valkenburg asked Mr. Miller for a plan on how he would collect \$3 million in delinquencies.

Senator Harp asked if a lot of this \$19 million is tied up in drug cases. Jeff Miller replied that miscellaneous tax includes dangerous drug cases, but it is not counted in the \$19 million.

Senator Towe asked if it were realistic to provide DOR with two telephone collectors and one field person to collect \$3 million. Mr. Miller replied he could envision increased activity and broader hours, but could not say he would generate that amount, but felt that the Division could get some of it.

Senator Gage asked how much is protested or would add to the foundation program for taxes on the reservations. Mr. Adams replied he didn't know, but DOR was computing that figure now and might have it later this date.

Recess: The Committee recessed at 11:37 a.m.

Reconvene: The Committee reconvened at 3:31 p.m.

Roll call was taken and all members were present.

Jeff Miller advised the Committee his division is already committed to collecting significant additional revenue of \$4.1 million over the biennium. He said that if he committed to collecting another \$1.5 million, that would bring the total to \$5.6 million for the biennium. Mr. Miller further advised the Committee that collection plans already implemented are on track.

Mr. Miller stated that statutory changes would make the Division more effective, but now is not the time and place. He suggested that in 1993, Professional and Occupational Licensing be required to be in good standing with DOR, and implementing the failure to file penalty.

Mr. Miller reported that he is within \$150,000 of the parameters suggested by Senator Van Valkenburg, and said he would hire one compliance agent (G12), one office auditor (G10), one business tax agent (G10), and one phone officer (G10). He explained that if these people were hired in May, it would cost \$39,367 in FY92, and \$126,700 in FY 93, or \$166,000 over the biennium, and that he could bring in an additional \$1 million in revenue in FY 93.

Senator Van Valkenburg asked why the Division would hire only one phone collector for receivables. Mr. Miller explained that 45 percent of accounts in the examination section will pay voluntarily.

Senator Van Valkenburg asked why the Division would not use outside collection agents, and if it is giving up on old accounts receivable. Mr. Miller replied he is sending old bad debts to the State Auditor for debt collection, who sends them to private agencies after they have been reduced to judgment status. He explained that the state must be careful of privacy, and that he is optimistic the Division will collect on old accounts.

Senator Thayer asked how old some accounts are. Mr. Miller replied if they are more than 735 days old, it is because they are in bankruptcy or are making payments. He said ten percent are in this category.

Senator Thayer asked how old the accounts are which are turned over to the State Auditor. Mr. Miller replied they are three, four, and five years old.

Senator Halligan asked how collections compare to other states. Mr. Miller replied that the Division's accounts receivable system is state-of-the-art, and that it compared favorably seven months ago.

Senator Doherty asked if newer accounts are easier to collect. Mr. Miller replied they are.

Senator Doherty asked why the Division is not doing more to collect on delinquencies, and how he could explain this to his constituents when they might be hit with tax increases. Mr. Miller replied that is a valid concern, and said that of the \$19 million in question, \$4-5 million is still in suspense category, while \$3.6 million is in notice of assessment; \$9.2 million is prime collectable income; and \$1.2 million is withholding. He further stated that \$10.4 million is already on the receivables balance.

Senator Harp said he was not sure the addition of \$150,000 in staff could collection \$1 million, and if the Division could really do this. Mr. Miller replied he is not sure what the point of diminished return is, and is comfortable with \$1 million, but not more. He explained that the Department has set aside taxpayer service to concentrate on generating income for general fund revenue.

Miller advised the Committee that 48,000 notices per year generate \$12-15 million annually through assessment, offset and claims on amounts owed, and collecting.

Senator Towe commented that \$1 million seems to be very conservative, and if there weren't a comfort zone greater than that. Mr. Miller replied there was not.

Senator Van Valkenburg asked if there are other taxes with significant accounts receivable, such as corporation tax. Mr. Adams replied that audits are in progress in this area, and involve significant amounts. He stated that Jerry Foster's natural resources tax collections will be between \$2-3 million more than originally estimated.

#### Amendments, Discussion, and Votes:

Senator Van Valkenburg moved to amend page 4, lines 10-12 to correspond with totals in HB 2. The motion carried unanimously.

Senator Van Valkenburg moved to amend HJR 1 by inserting \$1 million in FY93. He explained that this amount would come from enhanced collection efforts of the Income and Miscellaneous Tax Division of DOR, and that if this were not accepted in HB 2, it would be taken back out of HJR 1.

Jeff Miller commented that freight line and general telephone license tax are general fund, and comprise \$200,000 of that \$1 million.

Senator Van Valkenburg asked that Jeff Martin, Research Staff, Legislative Council, put this amendment in the proper places in the bill.

Senator Van Valkenburg's motion to amend carried unanimously.

Senator Van Valkenburg said he would like to add \$3 million for the biennium to the audit portion of the tax on the natural resources area.

Senator Harp asked if this would be collected from natural resources. Mr. Adams replied this could come from corporation tax.

Senator Harp asked if this were something new. Mr. Adams replied that DOR reallocated resources in corporation tax to accelerate audits in a three-year cycle. He explained that this is normally done on a five-year cycle, and that the Department is confident the dollars are there.

Senator Harp commented that this bill originated in the ROC, and went through a full hearing in the House and the Senate, and asked how this was missed. Mr. Adams replied it was pointed out in House Taxation Committee.

Senator Towe asked if more personnel would be required. Mr. Adams replied he would check with Jerry Foster. Senator Towe computed a \$1.9 million increase in FY 92 and \$2.1 million in FY 93, for \$3 million over the biennium, and asked if there would be any problem with putting this amount in HJR 1. Jack Ellery, DOR, replied that Jerry Foster told the House Taxation Committee that the \$5 million in the bill right now would be easy to do.

Senator Towe asked if this would be at increased expense. Mr. Ellery replied he did not believe so. Senator Towe explained that the accurate figures for rents and royalties reflect a 5 percent increase two years ago, a 15 percent increase last year, and estimated 14, 12, and 10 percent increases in 1991, 1992, and 1993 respectively, or \$9.3 million. He stated that if that were averaged, it would be reduced by \$3.4 million, and that 14 percent is valid, if the Committee accepts that 15 percent is valid. He stated that he is more comfortable with 10 percent, but is not prepared to say the House is wrong.

Senator Harp said he hoped the Committee would send a message to the Conference Committee on HB 2, that these dollars are solid, but are not to be put on the spending side of the equation. Senator Van Valkenburg stated he would join Senator Harp in this request.

Jack Ellery reported that he could not locate Jerry Foster to verify the collection figure, but spoke with the Corporations License Tax Bureau Chief who said he believed the Committee could count on \$2 million.

Senator Towe moved to increase line 15, page 6, to \$13.257 million (a \$2 million increase). The motion carried unanimously.

Senator Towe moved to amend page 9, line 14 (Exhibit #2) - Steve Bender's numbers. He explained that he computed an \$11.1 million ending fund balance, less \$9.6 million found by the Committee, which left \$1.5 million and meets the Governor's proposal.

Senator Towe advised the Committee that Mr. Bender presented the figures in this amendment to the ROC, but they did not go over. He said he talked with Terry Johnson about the miscellaneous items, who said they may not be \$5.6 million. Senator Towe stated that Mr. Johnson is convinced of the \$1.7 million in insurance and revenue from motor vehicles.

Senator Harp commented that revenue has increased by \$5.1 million since 11 a.m. this morning. He asked if a message could be sent to the Conference Committee on HB 2 to reduce spending by \$1.7 million.

Senator Towe stated he believes the Conference Committee on HB 2 is working on this now, but is not optimistic of a cut in this amount.

Senator Thayer advised the Committee that the ROC left this category alone deliberately, and asked why the Committee wanted to change it now.

Terry Johnson advised the Committee that year-to-date collections for insurance taxes are behind last year's receipts, and that the Committee may want to exercise caution in this area. He explained that the ROC purposely did not look at small sources of revenue, as some are doing as well as expected and some are not, so the ROC assumed they would offset each other.

Terry Johnson went on to explain that there is a \$3 per barrel difference in oil prices between HJR 1 and current prices. He said over \$55 million is built in now for audit income, painting an optimistic picture for revenue.

Senator Thayer asked Terry Johnson if he thought rents and royalties were too high at \$2.9-\$3.4 million. Mr. Johnson replied that he recommended zero percent for income, and made no recommendation to the House Taxation Committee for growth. He said the figures are 9 percent for 86-87, 5 percent for 88-89, and 15 percent for 89-90. Mr. Johnson went on to state that 14 percent is consistent with CYs 89-90, and that changes in federal law have made this variable. He told the Committee there was not time to determine what the appropriate growth rate should be.

Steve Bender, Office of Budget and Program Planning (OBPP), advised the Committee that his amendment was designed to narrow the gap between the executive proposal and where HJR 1 was. He stated he did not believe it would be wise to add this into the resolution now, on top of the \$2 million just added. Mr. Bender told the Committee he was very concerned about this issue.

Senator Towe commented that Mr. Bender already used insurance premium tax revenues, but the ROC did not. Mr. Bender replied that he did, and said his bottom-line estimates are more accurate, and that he believes an additional cushion is really needed.

Senator Towe asked if his concern was the \$9.3 million in rents and royalties that the House put into the bill. Mr. Bender replied it was.

Senator Harp referred to the salmon-colored sheets, and said \$8 million has already been plugged into supplementals. He stated that the Department of Social and Rehabilitation Services (SRS) is in the black again, and asked why the Legislature did not stop plugging dollars into the revenue side, but put pressure on the people adding dollars into HB 2 instead. He commented that there is no such thing as zero-based budgeting.

Senator Towe said he did not believe the Finance and Claims Committee can do the job, and that the Senate Taxation Committee should be responsible at \$9.6 million.

Senator Van Valkenburg asked Senator Towe to withdraw his motion, and offer it on the Senate floor or in a special committee, after the Committee sees what the conference Committee on HB 2 does.

Senator Towe deferred and withdrew his motion to amend HJR 1.

Senator Van Valkenburg moved to change \$125 million in TRANS in FY 93 to \$145 million on page 6, line 9 of the bill. The motion carried unanimously.

Senator Doherty asked about platinum and palladium increases from 92 to 93 on page 7, lines 7-8. Terry Johnson replied that the ROC anticipated stepped-up production at the Stillwater Mine, after receiving figures from that company.

#### Recommendation and Vote:

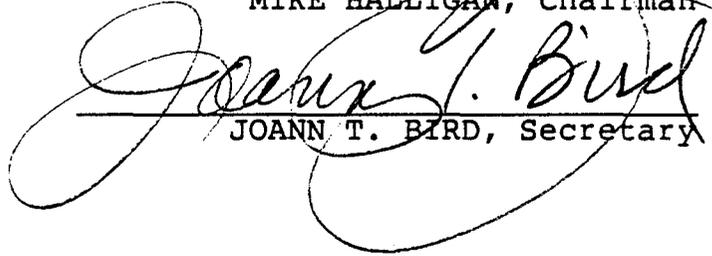
Senator Van Valkenburg moved that HJR 1 be concurred in as amended. The motion carried with all members voting aye except Senators Thayer and Doherty who voted no.

ADJOURNMENT

Adjournment At: 4:50 p.m.



MIKE HALLIGAN, Chairman



JOANN T. BIRD, Secretary

MH/jtb

ROLL CALL

SENATE TAXATION COMMITTEE

DATE 1-15-92  
9 am - 11 am  
3:30 pm

LEGISLATIVE SESSION

NAME	PRESENT	ABSENT	EXCUSED
SENATOR BOB BROWN	✓ ✓		
SENATOR STEVE DOHERTY	✓ ✓		
SENATOR DELWYN GAGE	✓ ✓		
SENATOR JOHN HARP	✓ ✓		
SENATOR FRANCIS KOEHNKE	✓ ✓		
SENATOR GENE THAYER	✓ ✓		
SENATOR TOM TOWE	✓ ✓		
SENATOR FRED VAN VALKENBURG	✓ ✓		
SENATOR BILL YELLOWTAIL	✓ ✓		
SENATOR DOROTHY ECK, V CHR	✓ ✓		
SENATOR MIKE HALLIGAN, CHAIR	✓ ✓		

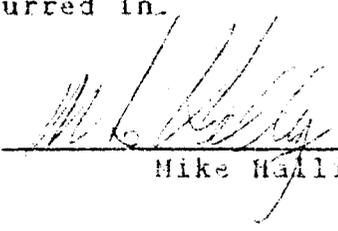
Each day attach to minutes.

SENATE STANDING COMMITTEE REPORT

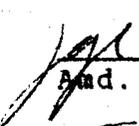
Page 1 of 1  
January 15, 1992

MR. PRESIDENT:

We, your committee on Taxation having had under consideration House Bill No. 14 (third reading copy -- blue), respectfully report that House Bill No. 14 be concurred in.

Signed: 

Mike Halligan, Chair

 1-15-92  
Ad. Coord.

JB 1-15  
Sec. of Senate

Amendments to House Joint Resolution No. 1  
Third Reading Copy

For the Committee on Taxation

Prepared by Jeff Martin  
January 15, 1992

1. Page 4, line 11.  
Strike: "\$463,405,000"  
Insert: "\$469,896,000"  
Strike: "\$471,738,000"  
Insert: "\$484,634,000"

2. Page 4, line 12.  
Strike: "\$373,217,000"  
Insert: "\$375,407,000"  
Strike: "\$366,918,000"  
Insert: "\$371,494,000"

3. Page 6, line 9.  
Strike: "\$125.000"  
Insert: "\$145.000"

4. Page 6, line 12.  
Strike: "\$15.597"  
Insert: "\$16.397"

5. Page 6, line 15.  
Strike: "\$11.257"  
Insert: "\$13.257"

6. Page 6.  
Following: line 15  
Insert: "FY Other Audits (Millions)"

\$0.200

7. Page 9, line 4.  
Strike: "\$203.212000"  
Insert: "\$203.714000"  
Strike: "\$402.296000"  
Insert: "\$402.798000"

8. Page 9, line 6.  
Strike: "35.970000"  
Insert: "37.190000"  
Strike: "68.487000"  
Insert: "69.707000"

9. Page 9, line 9.  
Strike: "20.499000"  
Insert: "21.717000"  
Strike: "38.159000"  
Insert: "39.377000"

## SENATE STANDING COMMITTEE REPORT

Page 1 of 2  
January 16, 1992

MR. PRESIDENT:

We, your committee on Taxation having had under consideration House Joint Resolution No. 1 (third reading copy -- blue), respectfully report that House Joint Resolution No. 1 be amended and as so amended be concurred in:

1. Page 4, line 11.

Strike: "\$463,405,000"

Insert: "\$469,896,000"

Strike: "\$471,738,000"

Insert: "\$484,634,000"

2. Page 4, line 12.

Strike: "\$373,217,000"

Insert: "\$375,407,000"

Strike: "\$366,918,000"

Insert: "\$371,494,000"

3. Page 6, line 9.

Strike: "\$125.000"

Insert: "\$145.000"

4. Page 6, line 12.

Strike: "\$15.597"

Insert: "\$16.397"

5. Page 6, line 15.

Strike: "\$11.257"

Insert: "\$13.257"

6. Page 6.

Following: line 15

Insert: "Other Audits (Millions)"

\$0.200

7. Page 9, line 4.

Strike: "\$203.212000"

Insert: "\$203.714000"

Strike: "\$402.296000"

Insert: "\$402.798000"

8. Page 9, line 6.

Strike: "35.970000"

Insert: "37.190000"

Strike: "68.487000"

Insert: "69.707000"

9. Page 9, line 9.

Strike: "20.499000"

Insert: "21.717000"

Strike: "38.159000"

Insert: "39.377000"

10. Page 9, line 12.  
Strike: "43.652000"  
Insert: "43.932000"  
Strike: "86.203000"  
Insert: "86.483000"

11. Page 9, line 23.  
Strike: "4.125000"  
Insert: "4.325000"  
Strike: "8.134000"  
Insert: "8.334000"

12. Page 10, line 13.  
Strike: "\$481.214000"  
Insert: "\$484.634000"  
Strike: "\$951.110000"  
Insert: "\$954.530000"

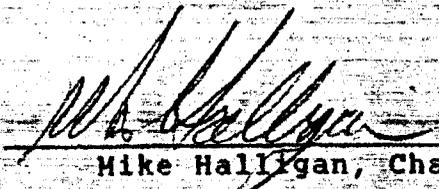
13. Page 10, line 25.  
Strike: "\$92.222000"  
Insert: "\$92.450000"  
Strike: "\$182.571000"  
Insert: "\$182.799000"

14. Page 11, line 4.  
Strike: "16.806000"  
Insert: "17.376000"  
Strike: "31.999000"  
Insert: "32.569000"

15. Page 11, line 18.  
Strike: "\$262.475000"  
Insert: "\$263.273000"  
Strike: "\$526.342000"  
Insert: "\$527.140000"

16. Page 12, line 11.  
Strike: "\$370.696000"  
Insert: "\$371.494000"  
Strike: "\$746.103000"  
Insert: "\$746.901000"

Signed:



Mike Halligan, Chairman

*JM* 1-16-92  
Ad. Coord.

*JPB* 1-16-92  
Sec. of Senate

CX 1  
1-15-92  
HB 14



STATE OF MONTANA

Office of the Legislative Fiscal Analyst

STATE CAPITOL  
HELENA, MONTANA 59620  
406/444-2986

TERESA OLCOTT COHEA  
LEGISLATIVE FISCAL ANALYST

January 14, 1992

Senator Fred Van Valkenburg  
Montana Senate  
Seat #15  
Helena, MT 59620

Dear Senator Van Valkenburg:

Following is in response to your question regarding the effect of exempting retirees from payment of estimated taxes imposed in HB 14.

In the table there are four options considered:

1. All retirees are exempt.
2. Retirees with Montana adjusted gross income (MAGI) less than \$40,000 are exempt.
3. Retirees with MAGI less than \$30,000 are exempt.
4. Retirees with MAGI less than \$20,000 are exempt.

Retirees are defined as all resident retirees who claimed at least some retirement exemption in tax year 1990. Only retirees which have "excess liability" above \$500 are included. Excess liability is defined as tax liability less withholding and/or estimated payments already made. The impacts in the table include the effects of Senate Bill 226 passed by the 1991 legislature. Of the \$8.2 million in accelerated liability paid by retirees, approximately \$3.3 million will be paid by private retirees. It should be noted that retirees will pay the same amount in taxes whether they are exempt from HB 14 or not. The revenue loss depicted in the table is the impact on anticipated collections from HB 14, which accelerates into this biennium tax revenue that would normally be received in fiscal 1994.

The revenue impacts in the table are for tax year 1990. Two adjustments should be made to estimate the effects in fiscal 1993. The first is that the liabilities will grow approximately 11 percent. The second adjustment should subtract those payments of estimated taxes paid by retirees which already fall within the accelerated period. The magnitude of the second adjustment is not known.

Please let me know if can provide with further information.

Sincerely,

*James E. Standaert*  
James E. Standaert

HB 14  
1-15-92

**IMPACTS ON REVENUE FROM HOUSE BILL 14 FROM EXEMPTIONS FOR  
RETIREES, TAX YEAR 1990**

Total Income Decile Brackets (Individuals)	Number of Retired Taxpayers	Number of Retired Taxpayers Not Subject to Estimated Tax	Revenue Loss to HB 14 from Exempting				
			All Retirees	Retirees With MAGI < \$40,000	Retirees With MAGI < \$30,000	Retirees With MAGI < \$20,000	
< 0	\$2,909	1,500	1,500	0	0	0	0
2,910	5,749	2,955	2,955	0	0	0	0
5,750	8,539	5,922	5,922	0	0	0	0
8,540	11,489	6,032	5,865	48,675	48,675	48,675	48,675
11,490	14,509	5,957	5,934	13,027	13,027	13,027	13,027
14,510	18,419	5,753	5,371	154,252	154,252	154,252	154,252
18,420	23,179	5,352	3,965	491,530	491,530	491,530	485,933
23,180	29,369	4,836	2,894	833,911	833,911	833,911	231,190
29,370	39,009	5,074	1,948	1,964,804	1,964,804	651,559	264
39,010	And Over	5,689	1,457	4,680,902	894,313	12,450	4,651
All Retired Taxpayers		49,070	37,811	8,187,101	4,400,512	2,205,404	937,991

Amendments to House Joint Resolution No. 1  
Third Reading Copy

X  
HJR1  
4:20 PM  
1-15-92

Requested by Sen. Towe  
For the Committee on Taxation

Prepared by Jeff Martin  
January 15, 1992

1. Page 9, line 14.  
Strike: "18.518000"  
Insert: "18.539000"  
Strike: "17.885000"  
Insert: "19.680000"  
Strike: "36.403000"  
Insert: "38.219000"

2. Page 10, line 5.  
Strike: "6.973000"  
Insert: "7.243000"  
Strike: "7.448000"  
Insert: "7.798000"  
Strike: "14.421000"  
Insert: "15.041000"

3. Page 10, line 6.  
Strike: "7.882000"  
Insert: "9.132000"  
Strike: "8.056000"  
Insert: "9.446000"  
Strike: "15.938000"  
Insert: "18.578000"

4. Page 10, line 7.  
Strike: "2.710000"  
Insert: "2.950000"  
Strike: "2.781000"  
Insert: "3.071000"  
Strike: "5.491000"  
Insert: "6.021000"

5. Page 10, line 13.  
Strike: "\$469.896000"  
Insert: "\$471.677000"  
Strike: "\$481.214000"  
Insert: "\$485.039000"  
Strike: "\$951.110000"  
Insert: "\$956.716000"

