

MINUTES

MONTANA SENATE 52nd LEGISLATURE - 2nd SPECIAL SESSION

COMMITTEE ON TAXATION

Call to Order: By Chairman Halligan, on July 9, 1992, at 1:05 p.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: Dave Bohyer (Legislative Council)

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

Announcements/Discussion:

HEARING ON SENATE BILL 4

Presentation and Opening Statement by Sponsor:

Senator Steve Doherty, District 20, explained that all mortgage interest payments are now deductible, and said he is in favor of what is encouraged. He further explained that interest payments on motor homes are also deductible, and that SB 4 allows deduction of mortgage interest on one principal residence only.

Senator Doherty said that, if it is assumed that some people pay less, but get more deductions, the bill would generate tax equality and fairness. He stated that the recent emphasis is on trying to do the right thing, and that he believes the bill does this - providing revenue in a painless way.

Proponents' Testimony:

There were no proponents.

Opponents' Testimony:

Dennis Burr, Montana Taxpayers Association, stated that persons with lots of equity in a first home could place a second mortgage on the first home to finance a second home.

Tom Hopgood, Montana Association of Realtors, agreed with Dennis Burr, and explained that people could move out of state, be subject to income tax in that state, and still deduct interest paid on a cabin in Montana. He said the bill discriminates against Montanans with second homes, and that the bill is a piece-meal approach. Mr. Hopgood urged the Committee to take a more comprehensive look at the bill.

Questions From Committee Members:

Senator Brown asked about the fiscal impact of SB 4. Jeff Miller, Department of Revenue, (DOR), explained the Department is having trouble estimating the impact, as there is no delineation between kinds of interest in Montana. He stated DOR would extrapolate from federal statistics, and that the bill may need technical amendments.

Senator Thayer asked if a married couple could put one home in the husband's name and another home in the wife's name. Senator Doherty replied that they would be treated as one for these purposes.

Senator Towe asked what the technical amendments would be. Jeff Miller replied that the bill needs a more clear definition of "qualified residence" - specifically tied to federal codes. He further stated that personal items are not deductible, but that he believed the amendments would be minor.

Senator Gage asked if people could still purchase cars on open-end mortgages. Jeff Miller replied he believed they could, and said the limit is \$1 million in Montana, plus \$100,000 for medical and student loans.

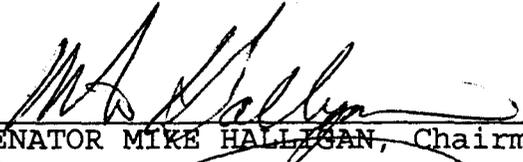
Closing by Sponsor:

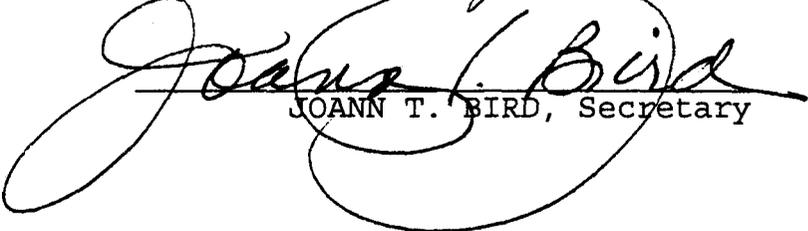
Senator Brown commented that John Cadby usually supports his bills, but could not be present this date. He said some may try to find ways to circumvent the bill, but the current situation discriminates against Montanans without vacation homes on the lakes.

Senator Halligan announced that the Committee would wait for the fiscal notes before taking action on the bill.

ADJOURNMENT

Adjournment At: 1:22 p.m.


SENATOR MIKE HALLIGAN, Chairman


JOANN T. BIRD, Secretary

MH/jtb

ROLL CALL

Sen. Taxation COMMITTEE

DATE 7-9-92

52nd LEGISLATIVE SESSION

NAME	PRESENT	ABSENT	EXCUSED
Brown	1		
Doherty	1		
Eck	1		
Gage	1		
Harp	1		
Halligan	1		
Koehnke	1		
Thayer	1		
Towe	1		
Van Valkenburg	1		
Yellowtail	1		

Each day attach to minutes.

