

MINUTES

**MONTANA HOUSE OF REPRESENTATIVES
52nd LEGISLATURE - 2nd SPECIAL SESSION**

COMMITTEE ON INCOME/SEVERANCE TAX

Call to Order: By BOB REAM, CHAIRMAN, on July 15, 1992, at 12:30 P.M.

ROLL CALL

Members Present:

Rep. Bob Ream, Chairman (D)
Rep. Jim Elliott (D)
Rep. Mike Foster (R)
Rep. Bob Gilbert (R)
Rep. Marian Hanson (R)
Rep. Jim Madison (D)
Rep. Bea McCarthy (D)
Rep. Tom Nelson (R)
Rep. Bob Raney (D)
Rep. Barry Stang (D)

Members Excused: None

Members Absent: Bob Gilbert

Staff Present: Lee Heiman, Legislative Council
Theda Rossberg, Committee Secretary

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

Announcements/Discussion:

CHAIR. REAM announced the bills the committee would consider are: HB 17 - Bed Tax, HB 34 - Cigarette Tax, HB 43 - \$2 Camping Fee, HB 47 - 4% Credit Card Tax, HB 50 - Insurance Premium Tax, HB 54 - Income Tax Bill and HB 27 - Corp. Tax.

HEARING HB 17

CHAIR. REAM reviewed the 9% bed tax with the committee.

EXECUTIVE ACTION - HB 17

Motion: REP. ELLIOTT moved that HB 17 DO NOT PASS.

Discussion:

REP. ELLIOTT said, that bill was not liked in my district. 50% of the bed tax is paid for by Montana residents.

REP. RANEY recommended that the committee not do "DO PASSES". It

would be better if we just did "TABLE ACTION".

Motion Withdrawn: REP. ELLIOTT WITHDREW motion.

REP. RANEY suggested that any major tax bills that may die, we may want to keep on the table to be revisited.

Motion/Vote: REP. STANG moved to TABLE HB 17. Motion PASSED (CHAIR. REAM voting no).

EXECUTIVE HB 34

Motion: REP. STANG moved DO NOT PASS on HB 34.

Discussion:

REP. STANG said, any area in the state where cigarettes are sold on or off reservations, drives those merchants deeper in the hole. It has cost us probably about 50% of our cigarette sales to out-of-state people. If we keep increasing this tax and we don't enter into an agreement with the tribes, we would be letting them escape with \$4 million in taxes. I think we should enter into an agreement with the tribes to put them on a quota system so that the money which is raised from cigarettes goes into the state fund. More people are going to the reservations to buy their cigarettes because of the taxes.

Substitute Motion/Vote: REP. ELLIOTT moved to TABLE HB 34. Motion PASSED UNANIMOUSLY.

EXECUTIVE ACTION ON HB 43

Motion: REP. RANEY moved to DO NOT PASS on HB 43.

Discussion:

REP. RANEY said, he agreed with opponents of the bill with the concept of taxing private campgrounds for the purpose of supporting our public campgrounds. I do not like putting money into our state camp grounds to turn them into RV sites. I like the campgrounds looking like Montana rather than a KOA. I am against taking money from our parks to support the general fund.

REP. ELLIOTT said, he did not like the bill for some of those reasons, therefore, I support the DO NOT PASS motion.

Substitute Motion/Vote: REP. STANG moved to TABLE HB 43. Motion PASSED 8 - 1 (REP. ELLIOTT voting no).

HEARING ON HB 47

REP. RANEY asked, if the statements from the credit card companies that show what was done for the whole year? REP. McCARTHY said, no it doesn't show your activities, it only shows the interest paid. I use my credit for travel and I would have

to keep track of my monthly bills in order to differentiate what was in-state use or out-of-state use.

EXECUTIVE ACTION ON HB 47

Motion: REP. STANG moved to DO NOT PASS on HB 47.

Discussion:

REP. STANG said, people can go to Spokane and not have to pay their sales tax. The same would be true for the 4% credit tax, because they do not have such a tax. This is something to look at but probably not now.

REP. RANEY said, I like the idea of the 4% credit card fee, because being a small business owner this would just about cover the profit margin of which most would be paid by tourists. I would rather the 4% was charged at the till rather than providing for rebate.

REP. McCARTHY said, the problem with this bill is that I would have to file for the rebate.

REP. RANEY said, perhaps we could add an addition to the bill saying that all companies doing credit card business in Montana give Montana residents a run-down on it, which would make it workable.

CHAIR, REAM asked the Department of Revenue what would have to be done to put something like this in place?

Rep. of DOR said, I cannot answer that question as we have not work with this.

Substitute Motion/Vote: REP. FOSTER moved to TABLE HB 47.
Motion PASSED 7 - 2 (REP. RANEY, REP. REAM votes no).

EXECUTIVE ACTION ON HB 50

Motion: REP. RANEY moved that HB 50 DO NOT PASS.

Discussion:

REP. RANEY said, he recommended a do not pass because he felt there was not enough information to determine this is what we want to do. It doesn't make sense to impose \$200,000 on insurance companies when we aren't even sure that is what it is worth. If we want more money from the insurance companies, it would make more sense to raise the premium tax.

REP. NELSON said, if you look at the fiscal note it appropriates \$70,000 and it would have to go through appropriations.

Substitute Motion/Vote: REP. NELSON moved to TABLE HB 50.
Motion PASSED UNANIMOUSLY.

EXECUTIVE ACTION HB 54

Motion: REP. RANEY moved to DO PASS HB 54.

Discussion:

REP. RANEY said, this tax is for taxing the part-time residents, tourists, etc. They use Montana's tax leniency to decide where they are going to be living and I think they should pay their fair-share while they are here.

REP. ELLIOTT said, what this bill will do is tax people on their total annual income. I live where some people earn income in 3 states, Washington, Idaho and Montana. If hypothetically they earn \$20,000 in each state, they have a \$60,000 a year annual income. In Montana it puts them at a 11% marginal tax rate. If they are only taxed on their Montana income the tax would only be a 5% marginal rate. For that reason I would be in favor of the bill.

REP. HANSON said, these people would have to live out-of-state and make their money here. It would be similar to a rancher who has property in Montana and derives all or part of his income here but claims residency in another state. Is that my understanding of the bill? I have to pay non-residence tax to California for the income I make.

Rep. DOR said, in Montana on the \$60,000 you would take a third of the income times the tax rate. You are paying California tax because you are a resident and you get a tax-break for paying out-of-state tax on that income from Montana. Most of the other states do the same thing.

REP. REAM said, it seems that we are treating people the same as California is treating you (REP. HANSON). If you are filing your California tax you have to include your Montana income in computing your total income and then figuring it out on the tax table.

REP. HANSON said, it computed out that 40% of my total income was derived from California and that was the percentage that they used to tax me on.

REP. RANEY said, this bill will do to California what California is doing to you.

Rep. DOR said, I have a copy of a California tax return and it's the same treatment as it would be in Montana.

Vote: Motion PASSED UNANIMOUSLY on HB 54.

EXECUTIVE ACTION ON HB 27

Motion: REP. ELLIOTT moved to DO PASS on HB 27.

Discussion:

REP. ELLIOTT said, I have several amendments to this bill which have just been drafted and I am not prepared at this time to explain these amendments.

Substitute Motion: REP. ELLIOTT moved to TABLE HB 27.

Discussion:

REP. ELLIOTT said, I would rather the full committee consider this bill as amended.

REP. FOSTER asked, is this the bill where a corporation could have a net loss and still wind up paying a tax? REP. ELLIOTT said, my amendment would exclude corporations.

Vote: Motion to TABLE HB 27 PASSED UNANIMOUSLY.

ADJOURNMENT

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Adjournment: 1:00 P.M.



BOB REAM, Chair



THEDA ROSSBERG, Secretary

BR/TR

HOUSE OF REPRESENTATIVES

INCOME/SEVERANCE TAX SUBCOMMITTEE

ROLL CALL

DATE

7/15/92

NAME	PRESENT	ABSENT	EXCUSED
REP. JIM ELLIOTT	✓		
✓ REP. MIKE FOSTER	✓		
✓ REP. BOB GILBERT	✓		
REP. MARIAN HANSON	✓		
REP. BEA MCCARTHY	✓		
REP. JIM MADISON	✓		
✓ REP. TOM NELSON	✓		
✓ REP. BOB RANEY	✓		
✓ REP. BOB REAM, VICE-CHAIR	✓		
REP. BARRY STANG	✓		
REP. DAN HARRINGTON, CHAIRMAN			