

MINUTES

**MONTANA SENATE
55th LEGISLATURE - REGULAR SESSION**

COMMITTEE ON TAXATION

Call to Order: By **CHAIRMAN GERRY DEVLIN**, on February 6, 1997, at 8:00 a.m., in Room 413.

ROLL CALL

Members Present:

Sen. Gerry Devlin, Chairman (R)
Sen. Mike Foster, Vice Chairman (R)
Sen. Mack Cole (R)
Sen. Bob DePratu (R)
Sen. Dorothy Eck (D)
Sen. Wm. E. "Bill" Glaser (R)
Sen. Mike Sprague (R)
Sen. Barry "Spook" Stang (D)
Sen. Fred R. Van Valkenburg (D)

Members Excused: None

Members Absent: None

Staff Present: Jeff Martin, Legislative Services Division
Renée Podell, Committee Secretary

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

Committee Business Summary:

Hearing(s) & Date(s) Posted: HB 70; HB 82; HB 87
Executive Action: HB 24 (BCI);
SB 177 (DP);
HB 87 (BCI)

HEARING ON HB 87

{Tape: 1; Side: A; Approx. Time Count: .5; Comments: None.}

Sponsor: REP. MARIAN HANSON, HD 1, ASHLAND

Proponents:

Mary Whittinghill, Department of Revenue

Opponents: None

Opening Statement by Sponsor:

REP. MARIAN HANSON, HD 1, ASHLAND says HB 87 gives the Department of Revenue the option of sending some assessment notices by Regular Mail instead of by Certified Mail.

Proponents' Testimony:

Mary Whittinghill, Department of Revenue EXHIBIT 1
Ms. Whittinghill explains this eliminates the requirement to send the notices by Certified Mail which will amount to \$9,000 in savings each year.

Opponents' Testimony: None

Questions from Committee Members and Responses:

SEN. MACK COLE asks if there are other places in the bill besides line 22 where there will be changes in the dates. Ms. Whittinghill responds not within this bill.

CHAIRMAN GERRY DEVLIN inquires where the savings comes from. Ms. Whittinghill says this is a continued attempt to make the process more efficient and that saves money.

SEN. MIKE FOSTER asks if there is a penalty for not providing information. Ms. Whittinghill indicates there is a penalty of up to 20% for refusing to provide information.

Closing by Sponsor:

REP. HANSON closes stating the system will be significantly simplified. The flexibility is a good idea.

SEN. MACK COLE will carry the bill.

EXECUTIVE ACTION ON HB 87

{Tape: 1; Side: A; Approx. Time Count: 17.4; Comments: None.}

MOTION/VOTE: SEN. WILLIAM GLASER MOVED HB 87 BE CONCURRED IN.
MOTION CARRIED 8-1 with SEN. BARRY STANG voting
no.

EXECUTIVE ACTION ON SB 177

{Tape: 1; Side: A; Approx. Time Count: 19.1; Comments: None.}

MOTION: SEN. MIKE FOSTER MOVED SB 177 DO PASS

DISCUSSION:

SEN. MIKE FOSTER: This bill expands the \$800 exclusion to include dividend income for the Elderly Homeowners Tax Credit. Options were explored but the bill as presented is his preference.

SEN. FRED VAN VALKENBURG: Why is the change from \$800 to \$675 too complicated? **SEN. FOSTER** explains we will have losers by doing that.

SEN. DOROTHY ECK: Whose program is going to be cut \$600,000?
SEN. FOSTER responds the cause is a just one.

SEN. BOB DEPRATU: He understands the loss of revenue but believes this affects a lot of people in the 65 and older group; he would like to see it stay at \$800.

VOTE: MOTION CARRIED 5-4 with CHAIRMAN DEVLIN, SEN. ECK, SEN. STANG and SEN. VAN VALKENBURG voting no.

EXECUTIVE ACTION ON HB 24

{Tape: 1; Side: A; Approx. Time Count: 27.1; Comments: None.}

MOTION: SEN. DOROTHY ECK MOVED HB 24 BE CONCURRED IN.

MOTION: SEN. MIKE SPRAGUE MOVED AMENDMENTS 2401.ajm

DISCUSSION:

SEN. MIKE SPRAGUE: AMENDMENTS 2401.ajm EXHIBIT 2
Amendments 2401.ajm raises the homestead exemption from \$60,000 to \$80,000.

SEN. WILLIAM GLASER: Prefers to stay at \$60,000.

SEN. MACK COLE: Agrees with \$60,000.

SEN. MIKE SPRAGUE: Explains this has not been adjusted for approximately 20 years. This is the "last asset." Now banks have made it so you have to negotiate for the exemption.

SEN. BOB DEPRATU: This will help the elderly facing bankruptcy due to medical bills and so forth.

SEN. FRED VAN VALKENBURG: Someone always pays when others aren't paying what has been legitimately incurred as a debt. It affects young people who haven't gone bankrupt.

SEN. DOROTHY ECK: The impact is on older people.

VOTE: MOTION TO ADOPT AMENDMENTS 2401.ajm FAILED 4-6 with SEN. DEPRATU, SEN. ECK, SEN. SPRAGUE and SEN. STANG voting yes.

VOTE: MOTION THAT HB 24 BE CONCURRED IN CARRIED UNANIMOUSLY.

HEARING ON HB 70

{Tape: 1; Side: A; Approx. Time Count: 36.7; Comments: None.}

Sponsor: REP. CHASE HIBBARD, HD 54, HELENA

Proponents:

Pat Melby, Montana Ski Areas Association
Terry Ablin, Montana Ski Areas Association
Kevin Taylor, Great Divide Ski Area
Peter Pitcher, Discovery Ski Area
Tim Prather, Red Lodge Ski Area
George Willett, Showdown Ski Area
Ken Hoovestol, Montana Snowmobile Association
SEN. MIKE FOSTER, SD 20, TOWNSEND
SEN. BARRY STANG, SD 36, ST. REGIS
SEN. BOB DEPRATU, SD 40, WHITEFISH

Opponents: None

Sponsor's Opening Statement:

REP. CHASE HIBBARD, HD 54, HELENA states HB 70 exempts recreational leases from the beneficial use property tax. This applies to ski areas. Their use is not "exclusive."

Proponent's Testimony:

Pat Melby, Montana Ski Areas Association says HB 70 reflects an honest difference of opinion between the Ski Areas Association and the Department of Revenue. He supports the bill.

Terry Ablin, Montana Ski Areas Association, Bridger Bowl Ski Area, speaks for himself and for six ski areas that are not in attendance today. They agree with the proposal and urge support of the bill.

Kevin Taylor, Great Divide Ski Area states the land on which his ski area is situated is used by many types of recreationalists. The tax would impose a significant financial burden; he urges support of the bill.

Peter Pitcher, Discovery Ski Area goes on record in support of the bill. He states this is a matter of fairness.

Tim Prather, Red Lodge Ski Area indicates ski areas pay many fees and taxes already. This tax would add approximately \$25,000 to this area's property tax. He supports the bill.

George Willett, Showdown Ski Area says they have been operating for 60 years. This tax is more than they can stand. Please support the legislation which would allow them to stay in business.

Ken Hoovestol, Montana Snowmobile Association supports the bill.

SEN. MIKE FOSTER, SD 20, TOWNSEND comments this bill should not be here today. The department over-stepped its bounds; ski hills should not be taxed like this; he strongly urges the Committee support this bill.

SEN. BARRY STANG, SD 36, ST. REGIS goes on record as a proponent of this bill.

SEN. BOB DEPRATU, SD 40, WHITEFISH goes on record as a proponent of this bill.

Opponent's Testimony: None

Questions from Committee Members and Responses:

SEN. DOROTHY ECK asks if there is a concern this will hurt our case. **Dave Woodgerd, Department of Revenue** responds this bill will not affect our case.

Close by Sponsor:

REP. CHASE HIBBARD closes stating he has a concern for the economics but indicates this bill is about doing what is right. There is no fiscal impact as the Department has not imposed this tax; without this bill the tax will be imposed.

SEN. MIKE FOSTER will carry the bill.

HEARING ON HB 82

{Tape: 1; Side: A; Approx. Time Count: 59.9; Comments: None.}

Sponsor: **REP. CHASE HIBBARD, HD 54, HELENA**

Proponents:

Lynn Chenoweth, Department of Revenue

Opponents: None

Opening Statement by Sponsor:

REP. CHASE HIBBARD, HD 54, HELENA explains this bill was requested by the Department of Revenue. It changes the 10% penalty for late corporate taxpayers to a graduated penalty of 1% per month. It also changes the statute of limitation from 5 to 3 years. This is a taxpayer-friendly bill which encourages people to pay their taxes early.

Proponent's Testimony:

Lynn Chenoweth, Department of Revenue states the Department sees this as a fairness issue and urges Committee support of the bill. This addresses uniformity as requested by the American Institute of Certified Public Accountants.

Opponent's Testimony: None

Questions from Committee Members and Responses:

SEN. BARRY STANG asks how this compares with the federal penalty. **Mr. Chenoweth** the federal penalty has a 25% maximum with 1/2% per month graduation.

SEN. MIKE SPRAGUE inquires if this affects Subchapter S's as well. **Mr. Chenoweth** responds it does.

SEN. SPRAGUE asks what was the opposition to the 1/2% graduation if we are trying to achieve uniformity. **Mr. Chenoweth** indicates his personal concern is that it may encourage people not to pay on time.

Close by Sponsor:

REP. HIBBARD closes stressing this is a taxpayer-friendly bill. The percent or the cap can be amended if anyone on the Committee feels strongly about it; he thinks it's fair as it is.

SEN. BARRY STANG will carry the bill.

ADJOURNMENT

Adjournment: 9:14 a.m.



SEN. GERRY DEVLIN, Chairman



RENEE PODELL, Secretary



MEG ANGELL, Transcriber

GD/ma