

TAXATION COMMITTEE
45TH LEGISLATURE

Chairman Rep. Herb Huennekens called the Taxation Committee to order at 8:10 a.m., February 8, 1977, in room #434, Capitol Building, Helena. Rep. John Vincent was excused; all other members were present. Bills to be heard were HB 9, 10, 11, 599 and 637.

Rep. Seifert, District #26, Lake County, chief sponsor, explained this is an act to amend present law to provide for a 2% deduction of the tax paid to allow for shrinkage, spillage and evaporation of fuel. Page 4, lines 21-25 explains this bill. A licensed special fuel dealer is allowed a deduction equal to 2% of the taxes paid by the dealer under 84-1832.1 as an allowance for shrinkage, spillage, and evaporation of special fuels and other losses beyond the dealer's control.

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He presented information on shrinkage factors. (attached)

There are problems, a special fuel dealer is required to fill out a report each month which requires a great amount of detailed bookkeeping which gets to be a hassle, so he feels they are entitled to some compensation.

Rep. Seifert called on Larry Huss, Montana Truck Stop Operators, who spoke briefly and called on the following truck stop operators who spoke on accounting costs, taxes paid on shrinkage and loss on retail sales: Charles Cornet, East and West Husky Parkway, Billings, who left a statement; Ray Havig, Bairs Truck Stops, Butte; Walter Bazzanella, Walts Travel Center, Butte; Les Stevenson, North Central Truck Stop Operators, Havre; Harry H. Allen, Husky Truck Stop, Helena.

Larry Huss noted other states do have this privilege and Montana provides a similar tax reduction on gasoline dealers. Costs are above the 2% relief.

OPPONENTS:

Jim Beck, Department of Highways, said the fiscal impact would be \$155,693 per year if this committee passes this bill. This is one of many bills taking away from highway trust funds. Each bill by itself is not much money, but together they add up. We can't argue with their plight inasmuch as gas dealers get this relief. Suggest it be amended to provide special fuel dealers with the identical relief as gas dealers by inserting "first 6¢ of the" following "2% of the" on page 4, line 22.

Rep. Seifert closed saying this would be applicable to special fuel dealers. He would go along with Mr. Beck's amendment rather than lose the bill.

Rep. Jack Moore, District #41, Cascade County, chief sponsor, advised this bill would raise the personal income tax exemption for each person from \$650 to \$750. This would include spouses and dependents 65 and over and blind. The department of revenue projects the state would lose around \$2.9 to \$5.9 million dollars the first year and \$3.9 to \$5.9 million dollars in 1979.

HOUSE BILL

W. A. Groff, Director of the Department of Revenue, said he doesn't know how long this can be continued as it is necessary to realize someone has to pay taxes. If you want to do this, we will have to go back to rate schedules.

Howard Vralsted, Administrator of the Income Tax Division, DOR, proposed two amendments as shown on his written testimony.

Rep. Moore closed saying he had no qualms about the proposed amendments; however, the effective date would affect the people after December 1976, and if it were sooner, it would be better.

Rep. Jack Moore, chief sponsor of HB 11, said what this bill really does is it saves the Montana individual income taxpayer between \$11.8 and \$12 million dollars which he does get to keep. HB 10 is not a political bill, but is something to help individuals in the state. He cited figures on the number of persons paying income taxes in Montana. This bill repeals the 10% surtax on state income taxes.

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Edward W. Nelson, Montana Taxpayers Association, pointed out that despite the fact the state showed a surplus last fiscal year, it has lost money out of its surplus account since the state spent \$800,000 more than it took in. Montana does have a progressive income tax, and adding to that the effects of inflation, income taxpayers when they get increases, actually lose money from a tax standpoint.

Tom Winsor, Montana Chamber of Commerce, presented some figures and said he would submit a statement.

OPPONENTS:

W. A. Groff, Department of Revenue, said this bill could be called a federal tax relief bill since the federal government would pick up the 10% surtax.

Rep. Jack Moore, chief sponsor of HB 9, said this is the third of a series of tax bills that will affect the taxpayers. There was a referendum which people did pass that only affects around 150,000 persons who will get \$100 to \$104 back for each of two years; beyond that, doesn't know where the money will come from. This is for the little taxpayers; for people who don't itemize their deductions. This bill raises the standard deduction allowed in computing gross income for state income tax purposes from 10% to 15%.

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Rep. Moore closed saying he does have an amendment, and that all three bills should have an effective date.

There were no opponents.

Rep. Edward Lien, District #49, McCone County, sponsor of HB 599, explained this bill allows small corporations, unincorporated businesses, and partnerships whose owners report business income under individual income tax to take an

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HOUSE BILL investment credit in certain depreciable property, as allowed under federal tax law, in calculating state income taxes. This works on the federal level and will work on the state level. 599 The bill would allow the credit for taxable years beginning after December 31, 1977.

Rep. Lien called on Ottley R. Tschache, Small Business Administration, who feels this bill is very appropriate and explained what the Small Business Administration is. This bill would be one of the most progressive steps forward to assist new businesses. This will insure continued growth.

Tom Winsor, Montana Chamber of Commerce, read from a statement copy of which will be given to the secretary. He called on W. Joseph Wiloynski, Montana Chamber of Commerce, tax accountant, who spoke and left a statement explaining how investment credit works.

Ed Nurse, Helena Area Chamber of Commerce, spoke briefly, in support of HB 599.

Russ Livergood, Montana Retail Association, is in support of this bill.

Rod Wilson, Billings Chamber of Commerce, feels this is needed to provide the incentive for business growth and to help small businessmen in the state.

Mike Fitzgerald, Office of Commerce, read a statement.

Edward W. Nelson, Montana Taxpayers Association, would like to endorse this concept and is in favor of this bill.

There were no opponents.

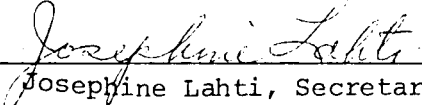
Rep. Lien closed stating this type of tax incentive, whatever it costs initially, will be returned many fold in increased taxes and all depreciable property will go on property tax roles.

Committee recessed to an executive session.

HOUSE BILL 141 - Rep. Fabrega moved that HB 141 DO PASS. After discussion by the committee, Rep. Fabrega moved that the effective date shall be changed from July to January 1, 1977. There were 16 voting Yes; Rep. Vincent was excused. Motion carried. Rep. Waldron moved to amend HB 141 by inserting "for only the taxable year 1977"; 13 voted No, and Reps. Waldron, Fagg, and Bertelsen voted Yes. Rep. Vincent was excused. Motion failed. Vote was taken on the motion by Rep. Fabrega that HB 141 AS AMENDED DO PASS. Reps. Fagg, Underdal, Waldron voted No. All other members voted Yes. Rep. Vincent was excused. Motion carried.

HOUSE BILL 576 - Rep. Fabrega moved that HB 576 DO NOT PASS. Motion carried unanimously.

Meeting adjourned at 10:55 a.m.


Josephine Lahti, Secretary


REP. HERB HUENNEKENS, CHAIRMAN