

TAXATION COMMITTEE
45TH LEGISLATURE

Rep. Herb Huennekens, Chairman, called the committee to order at 8:00 a.m., February 14, 1977, in room #434, Capitol Building, Helena. Reps. Melvin Williams and Peter J. Gilligan, Jr., were excused. All other members were present. Bills to be heard were HB 728, 699, 737, and 743.

Rep. Jack Ramirez, District #64, Yellowstone County, explained this bill allows fees paid to an employment agency during a taxable year to be deductible in all instances from their state income tax return. Certain circumstances influence employment and some fees were not deductible on an income tax return.

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743 John Bell, Montana Association of Private Employment Agencies, Helena, said we have two classes of employment agencies - state employment agencies and private employment agencies. The latter live on the fees that they charge job applicants for whom they find employment. The fees are set by statute. Probably the DOR will end up with a new plus as a result of this legislation. It will take some people off the unemployment and welfare roles. The DOR revenue might be a minus for that taxable year, but will be a plus in the next year because it will make a person pay more in income taxes because of employment.

Bud Clem, President of Montana Employment Agencies, supports HB 743. He thinks the intent of the legislation will benefit the state much more in the long run. See his testimony attached.

The federal government allows deductions for all agency fees now, but this will allow for it on the state income tax returns. This would have some effect on private agencies as they may have more people use them to obtain jobs. The state does not supply private businesses with a list of people available except for farm workers, fire fighters, etc. The private agencies list semi-skilled and skilled personnel. The question of whether fees for getting more than one job for a person in a year can be deducted arose - he could possibly do so. This is under present law as long as he stays in the same profession.

Rep. Sivertsen believes employment service should cover all fields of employment.

Rep. E. N. Dassinger, Vice-Chairman, took over the chairmanship.

Rep. Herb Huennekens, District #68, Yellowstone County, sponsor of HB 737, explained this bill intends to make life a bit better for retired people. Taxes on earlier purchases are sometimes too high for older people to be able to continue to pay. Lowering these taxes would be accomplished by a new Class 12 for recreational vehicles owned and used by a person 60 years of age or older whose total annual income is \$8,000 for a single person and \$10,000 for a married couple. The effective tax rate on qualified vehicles would be halved - from 13.3% of market value to 6.7%.

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Rep. Huennekens suggested some amendments, on line 6, after "trailer"; strike ","; and on line 10, following line 9, insert "who is essentially retired from full employment and".

Lloyd Anderson, Treasure State Wheelers, Helena, supports this bill recommending amendments. He advised 42% of persons with recreational vehicles go out of state for licenses for their vehicles. Truckers pay a GVW and wheel tax. People would rather stay in Montana than make a new home out of state. He suggested this bill should include persons on disability retirement regardless of age and delete total income limitation. Treasure State Wheelers support HB 737 with amendments suggested.

Stewart G. Stewart, State Director of the Good Sam Club, Stevensville, stated people who are totally retired do not stay in Montana although they may own land in the state. They return only as a tourist rather than as a resident. Taxes continue to encourage flight of middle income class residents to other states having taxes that are not as high as those in Montana. It is just more practical to use a permanent address in Montana, but not live here. Good Sams would support HB 737. We must stop forcing people who are not tax consumers out of Montana as Montana is going to be short taxes in other ways. See his testimony attached.

Creath Tooley, Yellowstone County Assessor, Billings, supports HB 737, and recommends this bill be associated with Class 8 and its limitations, and exclude boats.

There were no opponents:

Rep. Huennekens wants income limitations, but will consider the proposals regarding income limitations. He would consider age limitation at 62.

Many states have fees on motor homes and trailers instead of taxes. Persons buying out of state would have to pay a sales tax, but would not have to pay such high taxes afterwards.

Rep. Lien recommends "boats" be stricken and the sponsor agrees that this could be done.

Rep. Bob Marks, District #80, Jefferson County, sponsor of HB 699, said this bill's purpose is to try to come to grips with reappraisal effects on new revaluations. This bill allows the levies for elementary and high school district foundations programs to go lower than the current
HOUSE BILL 25 mills and 15 mills, respectively, now levied. The amount
699 levied would be fixed by the Legislature each biennium, depending on available revenue. The bill further provides that
an interim study should be conducted to learn whether other
statutory levies should be allowed to float, in view of the cyclical reappraisal plan.

This will amount to an increase in state valuation of between 18-30% and most of this will fall on individual homeowners. HB 699 provides that after

those reappraisals are completed, 40 mills would raise a great deal of money but it should not exceed what the Legislature deems necessary to fund public schools. When school districts establish the amount of money necessary for their operation for the year; and when reappraisals are complete, there will be enough millage applied to bring in just that much money. If this isn't done, the 40 mill levy will apply on the new valuations and the tax will be greatly raised. The Legislature figures out how much money it needs for schools, then a tax is applied to reach that figure.

S. Keith Anderson, Montana Taxpayers Association, Helena, says HB 699 guarantees a floating levy on the statutes. If the Legislature passes a higher levy, it can be applied to new reappraisals. He recommends amendments. See his testimony. This bill would allow you to go under 40 mills, but not over.

Rep. Marks recommends adoption of the amendments proposed by Mr. Anderson. The school foundation program would be fully funded even if the Legislature did not allocate any other funds; this would make for a very large mill levy on property since the program would be funded.

Rep. Vincent, District #78, Bozeman, sponsor of HB 728, explained this bill. It would allow a family with a handicapped child living at home a deduction of \$1,000 off their income tax return. If the child is not in a state institution, the state does not have to pay for his care, and as an incentive to keep that child home, this might be a good approach. He suggested a \$1,500 deduction instead of the proposed \$1,000 exemption. Page 2, line 3, section 3(g) might need some clarification. This bill could save the state some money in the long run, and it might be better for the well-being of the child. In response to Rep. Williams question of whether consideration had been made on an income limitation figure, Rep. Vincent said he would have no objection to setting an income limitation.

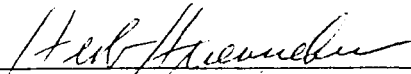
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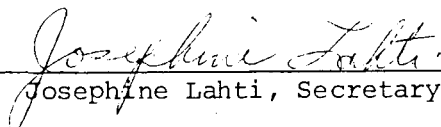
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The committee recessed to an executive session.

HOUSE BILL 743 - Rep. Fabrega moved to recommend HB 743 DO PASS. Motion carried with a 10-3 vote. Reps. Huennekens, Harrington, Hirsch, Lien were absent.

Meeting adjourned at 10:30 a.m.


REP. HERB HUENNEKENS, CHAIRMAN


Josephine Lahti, Secretary