

TAXATION COMMITTEE
45TH LEGISLATURE

This hearing was called to order March 11, 1977, at 8:00 a.m., by Rep. Herb Huennekens, chairman, in room #434, Capitol Building, Helena. All members were present except Rep. Edward Lien who was excused because of conflicting committee meetings. Bills to be heard this day were SB 100, SJR 2, SB 87, and SB 118.

Senator Jean A. Turnage, District 13, Lake County, sponsor of SB 100, stated SB 100 states no penalty will be imposed for filing quarterly returns on personal delcarations of estimated income tax. He questioned why the penalty was not being assessed. The Director of the Revenue Department, Wm. Groff, pointed out that there wasn't any authority in the law and the Legislature had been asked to clarify. He recommended this be clarified and SB 100 intends to do that.

SENATE BILL
100

John Northey, counsel for the Legislative Auditor, was present to answer questions.

Bill Groff, DOR, stated quite a few people pay estimated taxes. You throw half of your income in that October if you have a good year, and if you have a bad year, you can throw the estimated tax back, or if paid, receive a refund. Three bills on this subject have all been killed. The Legislature has the opportunity to take adverse action, but the DOR cannot do wo.

Senator Robert D. Watt, Missoula County, sponsor of SJR 2, stated this is a bipartisan resolution requestion the legislative committee on priorities to appoint the appropriate standing committee to conduct an interim study of the best means of promoting good quality middle and lower income housing through the investment of coal trust funds, and to present recommendations and proposed legislation to the 46th Legislature.

SENATE JOINT
RESOLUTION 2

The board of housing seconded and put out its first loans, so 6 1/4% loans are starting to be made to persons whose income is in the range of \$16,000. He thinks this is not sufficient because it does not meet the needs of those in the lower income ranges. In other trust funds, the "prudent man rule" is abided by. In case of the coal trust fund, it will have new moneys added to it soon, and this is an excellent source of funds to be invested in Montana at 3 or 4% interest rate. This resolution asks for a study to determine this proposal. The general idea back ot it is to use these funds in Montana. There are great amounts of Montana money invested in Canada and big industrial states because they pay the biggest returns. This should come under the supervision of other boards as to where some of these funds might be invested. SB 100 will cover uses other than for housing.

Wm. Groff advised funds are put out on a bid basis and anyone can big those funds on a time certificate basis and were doing so at 6½ to 8% for a time. The philosophy is to get the higher return. If bid at 8%, have to loan it out at 10%.

Rep. Underdal feels that it is advisable to give Montana banks and lending associations a little bit of benefit. Even though you loan money at 6-7%, the local people benefit through jobs. Even a little bit of money generates a chain reaction across the state. He wants to give Montanans a break. This is a study that has to be made.

Senator Watt suggested the resolution be given to the priorities committee for their consideration.

Senator McOmber, sponsor of this bill, explained it changes the terms of officers of the county tax appeal board, beginning in 1980, and shortens the time period during which assessments may be appealed. Recently the assessment date was changed from March 1 to January 1. This would back up hearings in appeals cases and give them time to start their work sooner. The other change is that in cases where the county tax appeals board is faced with an unusually heavy load, this would aid the state tax appeals board by allowing them more time to consider appeals.

SENATE BILL

118

Bob Raundal, state tax appeals board, advised SB 118 is to move up the appeal season to give the state tax appeals board more time to consider appeals. A survey was taken by the Association of Counties, and they all approved this and the DOR has approved - urges passage.

Gregg McCurdy, Montana Association of Counties, supports this bill as being a positive measure in resolving contested cases as this will contribute to the solution of a problem that has been faced by counties whereby appeals have affected the budgeting process.

Senator Lowe, sponsor of SB 87, agrees with the synopsis prepared by Terry Cohea. This is an addenda to 84-1502. A corporation is treated as an individual in most cases. When Montana created its income tax laws, one provision of allowable deductions has persisted to this day, the allowance of charitable contributions as a deduction from state income tax. Corporations rightfully should be the ones we should look to for charitable giving and they should and can be substantial givers to these particular efforts.

SENATE BILL

87

The DOR helped some with this bill and they did not oppose it. There would be some calculated fiscal impact in reduction to the state. Much of the revenue that might be lost might reappear in other ways. Montana needs these charitable donations from corporations. There is some tendency to donate to a state where they are allowed a deduction. Hope you will agree that charitable deductions are O.K.

Chad Smith believes it is best for the public good to receive charitable money. This deduction allowance could bring a greater amount of money to the community. Any loss in income tax would be more than compensated for in other ways. Corporations that would be giving to institutions would qualify as 501-C-3 type corporations, and they are allowed deductions on federal returns, and are also allowed deductions in most states. These corporations usually allocate for so much of their budgets to be spent for charitable giving for good will purposes, and try to get most for their money by spending in deduction-allowed states.

Pat McKittrick, representing the Montana Independent Colleges, such as Acroll College, College of Great Falls, Rocky Mountain College of Billings, supports this bill's philosophy. Money donated has provided 5% of college budgets, and if not

forthcoming, colleges will suffer. Nearly 50% of all corporation donations were given by fewer than 1,000 corporations. We have a definite opportunity to allow corporations to contribute to charitable institutions on a state level incentive. He supports this bill.

Questions from the committee revealed that with the state 6 3/4% corporate license tax, \$85 per corporation would be the tax impact. For every \$100 donated, \$7 would be lost from income tax. It is conjecture as to how much more corporations would donate because of this incentive. Corporations that have set up foundations are allowed greater deductions, but not too many corporations have foundations. More corporations could be affected by this bill.

Wm. Groff explained this deduction would be the same as on the federal return. It would be given within the state and would be prorated back to the state. Deductions made in other states would not apply to Montana since so much is allocated to Montana and other states. This deduction has been illegal in Montana all along. Only one or two states don't allow this deduction.

Committee recessed to an executive session.

HOUSE BILL 627 - Rep. Waldron suggests different percentages in allocating money. Rep. O'Keefe suggested making an amendment to 12½% on hard liquor. Bars would probably raise their prices to 5¢ a drink more although the tax would raise the cost about 1¢ per drink. Rep. Sivertsen feels tax money should be spent by local need instead of just administrative costs. Rep. Huennekens advised the committee taxation is to raise money and not spend it.

County and state each get 1% of revenue generated by present 5% tax on hard liquor. Police department of county and city are having trouble handling drunks because drunkenness is not a criminal offense, and the police can only take them to jail where they do not have the care they need. Under this bill the alcoholism program will receive 6%. There is no reason for the state keeping a junk of the money. 9% of the people consume 41% of the alcohol. Question of whether to leave the tax at 5%, 7½% or 10% for hard liquor was considered.

Rep. Gilligan moved that the tax on hard liquor be returned to 15%. Motion was approved with Reps. Sivertsen and Hirsch voting No, all other yes.

Rep Gilligan moved that the tax on beer be returned to \$1.75 per barrel. The beer tax goes to the state. Motion was unanimously adopted.

Rep. Fabrega moved that the distribution of funds be returned to what was in the original bill - 2/3 and 1/3 page 27, lines 17 and 19. Motion carried. Reps. Lien, Harrington and Dassinger were absent.

Rep. Fabrega moved that HOUSE BILL 727 AS AMENDED DO PASS. There were no Noes. Reps. Lien, Harrington, Dassinger were absent.

Rep. Vincent would like to have some comment from people working in this field. Recommends checking of functioning of line items to see if the money is being used correctly. People in the industry want to know where this money is going. This tax would raise a great deal of money.

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HOUSE BILL 699 - HB 699 was recommended AS AMENDED DO PASS second reading copy when it was returned to the committee.

HOUSE BILL 207 - Family farm inheritance tax proposal. There are three separate methods for tax relief in the federal return.

Rep. Bertelsen moved that on page 7, section 9, line 5, following: "land."; strike: "A"; insert: "In addition to the lien imposed in 91A-3-1010 and 91-4415, a" be recommended. Motion carried. Reps. Dassinger, Lien, Fabrega, Gilligan, Harrington, Waldron were absent.

Rep. Huennekens feels small businesses should be included. He feels any family operated business should have this privilege.

Rep. Bertelsen moved that HOUSE BILL 207 AS AMENDED DO PASS. Motion carried.

House bill 333 was discussed and will be considered in connection with SB 31.

Meeting adjourned at 10:00 a.m.



REP. HERB HUENNEKENS, CHAIRMAN