

TAXATION COMMITTEE
45TH LEGISLATURE

Rep. Herb Huennekens, Chairman, called the committee to order at 8:00 a.m. March 16, 1977, in room #434, Capitol Building, Helena. All members were present. This was an executive meeting.

Rep. Williams, as chairman of the subcommittee on HB 735 and 817, advised the subcommittee recommends amendments to HB 735 as per attached copy. Their sentiment is that an interim study should be made, and propose a resolution be drawn up to that effect. They recommended that HB 817 BE TABLED.

Rep. Williams moved that HB 735 be amended in accord with attached amendments. They would permit each bank to deduct a portion of money ingovernment bonds of their capital stock surplus which is approximately 6% of their bonds.

John Cadby advised the council came up with this from a dissenting opinion of a U. S. Supreme Court judge and from the department of business and regulation. Can deduct only to the extent that that part of the capital stock is to the proportion of all investments. \$3 million dollars would be lost in revenue for the biennium.

If the banks win the court suit, they won't have to pay any tax for 1976. If they lose it, they lose the ball game and would revert back to the \$2.6 million dollars tax. 2/3 of the total paid in 1976, \$4 million dollars is tied up in the court case. Property exempt by taxation is deductible in the ratio of capital to assets. If federal obligations are not deductible, the banks would have to pay the full amount for 1976, 1977, and 1978. Hope a study can show a better way to tax investment institutions.

How does this bill accomplish anything? Feel banks will go along with this for a couple of years and urge that this be done so counties can derive the same revenue as in 1975. Maintains the same floor of revenue. The study is designed to come up with an alternative tax in 1979 and so that is why there is a self-destructing tax on it. There isn't enough time to determine any other better method of taxing financial institutions. Legality can still be covered by courts. This bill is the lesser of three evils and has a chance. 19 states still have bank shares tax. No court has raised the question of whether banks can deduct federal obligations from their tax. If we have this bill, the DOR with this bill will have a little better grounds to work on with this exemption.

Rep. Williams moved that the proposed amendments be adopted. There were no Noes. Reps. Fabrega, Waldron, Gilligan, Lien were absent.

Rep. Williams urges looking forward to a long-range equalized taxation for all institutions.

Rep. Williams recommended HOUSE BILL 735 DO PASS AS AMENDED. Motion carried unanimously.

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Rep. Williams moved HOUSE BILL 817 BE TABLED. He recommends that HB 817 be included in the proposed study. The study should also include a possibility of taxing loans. Motion carried unanimously. Reps. Fabrega, Gilligan, Lien, Fagg and Waldron were absent.

Rep. Williams recommended these two resolutions be put into an oversight committee which should handle all matters dealing with revenue - there will only be one committee.

HOUSE BILL 45 - Rep. Williams moved HOUSE BILL 45 BE TABLED. Motion carried unanimously. Reps. Lien, Waldron, Fabrega, Gilligan, Fagg were absent.

HOUSE BILL 333 - (Halvorson) and SENATE BILL 31 - (Watt) were discussed. The federal approach is a tax credit rather than an exemption. The question before the committee is to do some thinking about the merits of House and Senate bill and give some consideration to one-half of total estate exemption as opposed to the House \$150,000 exemption. The Watt sponsored bill is the result of an interim subcommittee study.

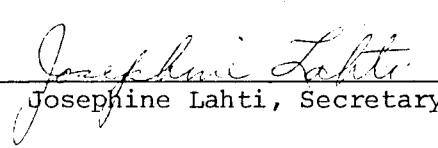
Another way may be to minimize the impact by cutting down on exemptions while continuing one-half of estate to the surviving spouse.

HOUSE BILL 824 - Gould. Mel Underdal moved that HOUSE BILL 824 BE TABLED. Motion carried. Rep. Lien, Gilligan, Fagg were absent.

Meeting adjourned at 10:00 a.m.



REP. HERB HUENNEKENS, CHAIRMAN



Josephine Lahti, Secretary