

TAXATION COMMITTEE  
45TH LEGISLATURE

Chairman Herb Huennekens called the taxation committee to order in executive session at 8:00 a.m., March 25, 1977, in room #434, Capitol Building, Helena, MT. All committee members were present.

Rep. Mel Williams moved that serious consideration be given to SB 31, and amend it back as it was when it came out of the interim tax committee. On a \$200,000 estate, your present inheritance tax laws would tax the estate \$4,000. As it came out of the interim tax committee, it would be taxed about \$2,000. This motion was withdrawn.

A discussion ensued regarding the permission for deferment of payment of taxes for five years by posting a bond. The bond cost is around 1.5% of total amount due with a yearly renewal requirement.

Rep. Williams moved that the committee work with SB 31 as the subcommittee recommended. He moved that HB 333 Be Tabled. The subcommittee will continue to consider SB 31 and clean it up, and table HB 333. Committee approved unanimously.

Rep. Dassinger opposes HB 754 and HB 482, saying they take money out of present areas. He agrees that taking a portion of that money and doing what Rep. Fabrega is trying to do by loaning some of this money at low interest rates for low-cost housing is a good idea. He thinks we should set up definite programs funded from our general fund moneys received from coal revenues.

Rep. Sivertsen believes it is necessary to be concerned with all segments, not just one. He thinks everyone should have some tax relief. We are going at it in a piecemeal way. We are allowing loans for housing, but have a lot of young people who can't afford to have houses at the present time, and we are not doing anything for them. He suggests cutting back on the cost of state government and leaving more money in the people's pockets.

The Meloy bill, HB 754, deals principally with energy conservation elements.

Just the interest from the trust fund money is spendable - the trust fund money itself is being invested everywhere by the Montana Department of Investments because of higher interest rate returns. It will take a long, long time for the interest to become big enough to do much good.

Rep. Dassinger opposes the Meloy bill also. He wants to save the money for future generations, but he believes that interest money should be put into our Board of Investments and the interest from it used now and not 30 or 40 years from now.

The Driscoll bill, HB 825, is a recommendation for a constitutional amendment.

Rep. Fabrega said he has seen interest rates increase above 10% because lenders were making large gifts to get the people to deposit with them and thereby take the money out of the state. As long as we maintain a 10% interest ceiling, we

are going to have funds going to wherever they get the highest rate of interest. Is that the best way to invest our money? He feels housing is the logical place, but if they are not going to be able to be hooked up to gas, this may be a deterrent. Loans for housing that have alternative energy systems built into them could be considered as we have to subsidize them somehow. The question of retrofitting is part of it. We need all the gas and oil we have for mobile uses. Maybe housing with alternative energy systems incorporated into them for up to \$50,000 at 8% would be beneficial. He doesn't want to have the money taken out of Montana because of the 10% ceiling, which is not good.

Rep. Bertelsen doesn't feel enough is known at this time to go ahead and set up some provisions for investment of this money. Some real stringent controls to protect the total trust are necessary. He thinks the money should be invested in Montana after it has been studied by some kind of an interim committee working closely with the Board of Investments. He is afraid of the bills before us.

Rep. Sivertsen said in the state of Montana, due to the present overall tax structure, it is different in that it is much higher in other states because of more development. They are able to pay more for the use of our funds until the day comes when tax equity is reached. We have to put ourselves on the same basis as other states.

Rep. Hirsch thinks maybe we don't have to give an interest break to persons who build new homes and equip them with solar or other energy conservation homes. This would stimulate the state's economy and also address the energy question at the same time. If you assume that we have to do something with the money, I am sure that some of us don't feel that way.

Rep. O'Keefe asked what the average interest rate received under the "prudent man" rule is. The average is approximately 7.16%. The amount of inflation last year was around 4.8%.

Rep. Fabrega said under HB 825, the interest becomes principal until the year 2001. He doesn't like the concept of piling up money for money's sake.

Rep. Bertelsen thinks the principal should be retained intact and the interest used. Rep. Vincent advised this money can be spent to aid people. Rep. Dassinger mentioned counties' share has been cut down to 1% already. Rep. Williams thinks the main trust fund should be inviolate, but the interest should be used.

Rep. Severson said money is nothing unless you have some use of it. Can't buy anything by locking up something for 20 some years because we can't look ahead that far. He doesn't want to lock it up that tight.

Rep. Hirsch believes it best to loan the principal in the state. Rep. O'Keefe says to invest in Montana.

Rep. Underdal is opposed to HB 825 as far as locking up the interest with the rest of the fund, but doesn't feel the fund itself should be spent. Invest the principal for the benefit of the people in Montana.

Rep. Waldron feels we are going to pay for that coal development. We haven't done anything to broaden the tax base in Montana - capital does this. A tax break won't do this. We can't solve the problems in Montana with a few tax breaks. He has no problem with the bill.

Rep. Gilligan feels the discussion on this bill has been one of the best discussions he has participated in.

Rep. Fabrega moved HOUSE BILL 825 DO NOT PASS. Rep. Dassinger made a substitute motion that it Be Tabled. He hopes to have all three bills tabled for discussion by an interim committee who would make a study of what to do with the interest money.

Rep. Huennekens advised a Table motion should not be discussed, but asked the committee if they wished to have a short discussion. There was no objection. After discussion the motion was withdrawn.

A vote on the first motion of DO NOT PASS made by Rep. Fabrega carried with Rep. Waldron voting No, and all others voting for the motion.

HOUSE BILL 482 allows the principal to be invested in Montana. This would allow use of the total trust fund available. There was a return of 7.16% on the investment fund in 1976, and in 1975 the return was 7.67%.

Rep. Dassinger feels that the intent of the bill is excellent and feels that there should be an interim committee study. Part of it should be handled by the Board of Investments to use as they see best. The money is there in short-term investments, and once that is invested in 15- or 20-year investments it is gone for that length of time. The need is there and the money should be used. Assurance that the money does not go into the hands of realtors, etc., is a most important matter.

Meeting adjourned at 10:00 a.m.

Herb Huennekens

REP. HERB HUENNEKENS, CHAIRMAN

Josephine Lahti

Josephine Lahti, Secretary