

MINUTES OF THE MEETING
TAXATION COMMITTEE
MONTANA STATE SENATE

January 14, 1977

The sixth meeting of the Taxation Committee was called to order on the above date in Room 415 of the State Capitol Building by Chairman Mathers at 8:00 a.m.

ROLL CALL: Roll call found all members present.

The following witnesses were present:

David N. Ottolino	
Pat DeVries	
Edward W. Nelson	Mont. Taxpayers Assoc.
John Dracon	School Admin. of Mont.
T. Carl Johnson	"
Steve Elliot	Wesco Resources
Don Driscoll	School Admin. of Montana
Stephen Turkiewicz	Mt. Assoc. of Counties
Joseph H. Lutz	Sch. Dist. 16, Havre
Jim Mochler	Mont. Coal Council

Chairman Mathers opened the meeting saying there were some people who had been unable to attend yesterday's hearing on SB44 and 48 and had testimony on SB44. First to speak was Mr. Dracon who expressed his support of the bill and which he felt gave the schools the kind of support they need. Mr. Mochler next spoke and asked the committee to consider the conference committee report issued when the 30% severance tax was passed in 1975. His statement is attached, see Exhibit #1.

Mr. Elliott spoke next and said he felt the committee should look closely at some of the problems that arise in the impact areas as the problems have to be faced by those areas. Mr. Turkiewicz next spoke and said he objected to two sections of the bill in particular, saying he did not feel the counties should have to go to a state coal board in order to obtain impact area funds to help the distressed counties. He also objected to the new distribution that is to go into county planning funds. Mr. Johnson stated his agreement with the testimony of Mr. Dracon as did Mr. Driscoll; neither wished to give oral testimony.

Chairman Mathers then permitted Sen. Manning to present his testimony. Due to time limitations at the previous day's meeting, he had not presented his testimony. Sen. Manning read from a prepared statement, Exhibit #2, attached. He also submitted a chart to the committee which showed taxable valuations and mill levies for Big Horn, Rosebud and Treasure counties, the most affected counties in the impact area, Exhibit #3, attached.

Sen. Manning continued his presentation, saying he had made 3 trips to Washington, D.C., since the last Legislature, in his attempt to obtain a designation of Impact Area for the three-county

area and received the assurance of the Sec. of Transp., that highway funds will also be forthcoming for that area. He continued his testimony saying that other areas adjacent to the affected counties also feel results of the impact that the coal industry has caused. He said they too have problems with increase in population, schools, roads, etc., but do not receive direct aid as do the impact area counties. He asked why could the counties not go directly to the coal board with the evidence of their being so affected and obtain grants, rather than have a comparatively small group, the county's commissioners, determine how the large amount of funds is to be distributed, and this only in the counties designated as impact counties. He then read from the testimony presented in Washington, D.C., see Exhibit #4, attached.

His statement detailed some of the problems the impact areas have had and roads were of great importance. He said he had asked for the funds and would not want to see the credibility of the Tax Oversight Committee and the Highway committee, both of which had done much work in this area, to be questioned.

The Chairman then asked committee members if they had any questions and Sens. Goodover, Towe and Turnage opened discussion on various points, including the amounts that the counties of Big Horn and Rosebud had received in the past two years in grants from the coal board. Sen. Turnage questioned Turkiewicz concerning some of the Association's objections, as did Sen. Manning and Sen. Towe. He stated the Association feels that money should not be taken from the affected counties to benefit other counties. There followed considerable discussion on the bill and Sen. Watt asked if money is to be distributed in the impact counties by county commissioners only, without regard to school boards or town councils who also are elected officials.

Chairman Mathers called for any further questions on SB44 and there being none, the hearing was closed.

CONSIDERATION OF SENATE BILL 28: Sen. Watt presented his bill, reading portions from the Montana State Income Tax booklet and said his bill was to convert personal exemptions into income tax credits. He also pointed out a chart to the committee and said he thought the bill was an advantage to those with incomes of \$16,000 or less.

Mr. Nelson next spoke and said the bill would not save those in that middle income bracket money, as Sen. Watt indicated. He cited an example showing an increase of but \$11.50 over Sen. Watt's figures, and although he agreed the difference was slight, he said the amount would graduate in the higher income brackets. Thus he felt the bill would raise personal income taxes. He stated he would like the opportunity to submit a written report to the committee when they next considered this bill.

Mr. Groff of the Department of Revenue was also present and said the computer in the Department had come up with the figures used in the bill and that they would check Mr. Nelson's figures. He felt the philosophy of the bill was good.

Chairman Mathers asked if anyone else wished to give testimony on the bill and Sen. Towe asked if the % figure arrived at by the Department were corrected would it make the bill acceptable and if it could then do as was originally intended. Mr. Nelson said he felt the tax burden would fall on the middle income taxpayer and also that it would create a more progressive tax rate. Sen. Watt said the intent of the committee was not to raise additional revenue, that was to remain the same, but he too felt the figures should be looked at again. Sen. Goodover mentioned there were several bills in the House that increased personal exemptions to \$1,000 and he asked how these would relate to this bill. Mr. Groff responded and added also that part of the surplus in the General Fund was due to investments bringing in larger returns than had been anticipated due to inflation and property tax revenues also were larger due to inflation. Sen. Turnage asked if the subcommittee had done any work on the adjustment of the surcharge tax. The permanence of this was discussed with Roger Tippy also volunteering pertinent information.

CONSIDERATION OF SENATE BILL 60: Chairman Mathers invited witnesses to give testimony on this bill and first to speak was Mr. Ottolino, who distributed a copy of his testimony. Members also received the Fiscal Note for the bill. Mr. Ottolino said the bill was a marriage tax and said that tax will go up from 20 to 30% for married couples where both husband and wife have separate incomes. He distributed written testimony and a chart supporting his arguments, see Exhibit #5, attached. He feels the tax burden is being shifted to people with marriage licences. Ms. DeVries also gave testimony, supporting that of Mr. Ottolino.

Sen. Watt responded by saying he has no pride of authorship on the bill and would agree with some of the earlier testimony, but he did not feel it would increase taxes of married people, and that he would not want to penalize people, through heavier taxes, for getting married.

Chairman Mathers called for other witnesses on the bill and there being none, said action will be held up until additional information has been received from the Department of Revenue.

A motion for adjournment was made by Sen. Goodover with Sen. Turnage seconding the motion.


WILLIAM MATHERS CHAIRMAN