MINUTES OF THE MEETING
TAXATION COMMITTEE
MONTANA STATE SENATE

February 15, 1977

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

ROLL CALL: Roll call found all of the members present.

The following witnesses were present:

Ed Nelson	Mont. Taxpayers Assoc.
Steve Turkiewicz	Mont. Assoc. of Counties
Steve Gunderson	Mont. Farmers Union
Bill Asher	Agri. Preservation Assoc.
Bob Gilbert	Mont. Woolgrowers, Mont. Stockgrowers
Bill Groff	Dept. of Revenue
Ray Dore	Dept. of Revenue

CONSIDERATION OF SENATE BILL 352: Senator Jergeson, Dist. 3, presented his bill briefly stating the bill would allow income over a five-year period to be averaged, as is permitted with the federal income tax. He said this would be particularly advantageous for farmers and ranchers who have an uncertain market, but would benefit everyone and apparently have little financial impact. He introduced several other proponents of the bill including Mr. Gilbert who said he represented a group who were faced with years when they made a great deal of money and felt the average system is much better. Mr. Gunderson presented written testimony, see Exh. #1, attached, favoring the bill. Mr. Asher also asked to be shown as being in full support of the bill. Mr. Nelson next spoke in support of the bill and thought those in agriculture perhaps would benefit more than those on wages but thought it could be of significant benefit to those not on fixed incomes.

Chairman Mathers called for other proponents or opponents of the bill and when Sen. Jergeson said he had no further remarks to make on the legislation, permitted questions from the committee. The question was raised about averaging benefits if the very good year is at the bottom of the five-year average and the committee then discussed how the averaging would thus affect taxpayers.

Following the discussion, Sen. Turnage suggested that the bill be held with other such bills to see how such bills, if passed, would affect the state and its revenue. The committee then agreed that they would take no immediate action.

CONSIDERATION OF SENATE BILL 422: Sen. Watt said he believed the bill has some very interesting features but he felt it could also cause some problems with other bills on related subject matter. He asked Mr. Groff to explain the bill in greater detail and Mr. Groff then presented exhibit no. 2, as attached, which contained fiscal information which would result from the bill. He said the bill did several things, requires everyone to file on the state as they do the federal; earmarks for the use of the cities and counties 3% of the surcharge; and leaves the state surcharge of 5%. He said the bill utilizes the family concept of income and will produce about $1 million more income for use in cities and towns . He said the bill attempts to follow the federal standards.

Mr. Dore also spoke briefly about the Department's feeling toward the bill. Mr. Turkiewicz spoke also as a proponent saying the 3% share of the surcharge is needed by the cities and counties and thought that it was indeed time for the state to begin sharing moneys with local governments. He asked the committee's support to fund a revenue sharing measure for the cities and towns.

Mr. Nelson spoke also and said he was not totally in opposition to some of the concepts of the bill but he believed there are some features that should be looked at more closely. He thought the legislation was a bit of a financial break for those with lower incomes, however, those in higher brackets,husband and wife with separate incomes, were being hit a bit harder. He thought this was a progressive tax also. He said that federal revenue sharing has increased the national debt and wondered about the relation of this to the state's revenue program. He distributed Exh. #3, attached.

Chairman Mathers then called for questions from the committee and it was brought out that there were presently advantages in filing separate returns for husbands and wives having separate incomes. Also it was mentioned if the exemptions were increased to $750 per person the outcome would be much the same as the deduction of $41 in computations of tax.

They discussed several other bills also dealing with the state income tax problem, mentioning also Sen. Towe's 'piggyback' bill and Mr. Groff said that no matter what legislation is eventually selected as the vehicle, some sort of revenue-sharing must be finally decided upon. He said he felt this was a very complex problem and one that should be dealt with by members of the Tax committees of the Legislature soon, and some legislation on this subject must be adopted.

It was brought out also that any tax study would have to take into consideration inflation as it affects individuals' incomes.

Following discussion on related matters, the Chairman concluded the hearing on SB422.

DISPOSITION: SB251 had previously been heard by the committee and held for executive action. HB434 dealt with relaed matters and it was thought it could be combined with 251 and would accomplish what the committee wished.

Sen. Brown Moved SB251 As Amended, Do Pass. The motion was seconded by Sen. Watt and passed, unanimously.

Sen. Towe then Moved SB285 Do Not Pass. This motion was seconded and carried unanimously.

Following a discussion on SB193 and mention of the fact that amendments had been proposed for it, it was also brought out that Mr. Burr of the Revenue Department had been asked to bring in additional information concerning SB193.

ADJOURN: Sen. Towe moved the meeting adjourn and motion was carried unanimously.

Mathers

WILLIAM MATHERS CHAIRMAN

ROLL CALL

SENATE TAXATION COMMITTEE

45th LEGISLATIVE SESSION - - 1977 Date 2/15/77

NAME	PRESENT	ABSENT	EXCUSED
SEN. WATT	✓		
SEN. BROWN	✓		
SEN. GOODOVER	✓		
SEN. HEALY	✓		
SEN. MANNING	✓		
SEN. NORMAN	✓		
SEN. ROSKIE	✓		
SEN. TOWE	✓		
SEN. TURNAGE	✓		
CHAIRMAN MATHERS	✓		

SEN BILL 352,422

SENATE TAXATION COMMITTEE

VISITORS' REGISTER

DATE 2/15

NAME	REPRESENTING	BILL #	(check one) SUPPORT	OPPOSE
Ed Nelson	Mont. Taxpayers Assoc	SB 352	✓	
Ed Nelson	" " "	422		✓
Steve Turkiewicz	Mont. Assoc. of Counties	422	✓	
Steve Gunderson	Mont. Farmers Union	352	✓	
Bill Asher	Agri. Preservation Assn.	352	✓	
Bob Gilbert	MT. Woolgrowers MT Stockgrowers	352	✓	
Bill Groff	Dept of Rev	422	✓	

TESTIMONY BEFORE THE TAXATION COMMITTEE, MONTANA STATE SENATE, HEARING ON SENATE BILL 352, TUESDAY, FEBRUARY 15, 1977.

Exh. #1

I am Steve Gunderson, legislative assistant for Montana Farmers Union, a statewide farm and ranch organization of approximately 7,500 family members, with headquarters in Great Falls.

I'm also an active grain producer with an interest in a family farm operation near Power in Cascade county.

I appear today in support of Senate Bill 352 to allow five-year income averaging for state income tax purposes.

There probably is no other economic pursuit in Montana in which income can and does fluctuate more widely than in agriculture.

This legislation then could be especially important to farmers and ranchers by permitting them to level off their income tax brackets and payments through averaging.

And, because the farmers and ranchers make up such a large portion of the income taxes paid in this agricultural state, it also could significantly level off some of the peaks and valleys in annual state tax collections.

Additionally, by the conformity with federal income tax computation, it would aid in preparation of the two sets of income tax forms.

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STATE OF MONTANA

Ex. # 8 REQUEST NO 4[illegible]-77

FISCAL NOTE WORKSHEET

Form BD-14

AUTHORITY: Chapter 53, Laws of Montana, 1965 — Thirty-Ninth Legislative Assembly

TO: Revenue
Agency or Unit

Completed worksheets are due in the Office of Budget & Program Planning on or before 2-15-77

Note: The copy of the proposed legislation must be returned to the Budget Director with the completed worksheets.

A Fiscal Note estimate and statement are requested for:

S.B. 422

H.B. ______

Amended S.B. ______
Amended H.B. ______
Date of Amendment ______

S.J.R. ______

H.J.R. ______

I. Estimated Effect on Revenue and/or Expenditures	1977-78 (Fiscal Year 1978) Estimated Amount Under Current Law	Estimated Amount Under Proposed Law	Estimated Increase (Decrease)	1978-79 (Fiscal Year 1979) Estimated Amount Under Current Law	Estimated Amount Under Proposed Law	Estimated Increase (Decrease)
A. Effect on Revenue By Source: (List in Detail)						
Individual Income Tax collections	$123.722 M	$129.048M to 131.078M	$5.316M to $7.346M	$140.093 M	$146.273M to $148.634M	$6.18M to $8.541M
TOTAL REVENUE	$123.722 M	$129.048M to $131.078M	$5.316M to $7.346M	$140.093 M	$146.273M to $148.634M	$6.18M to 8.541M
B. Effect on Expenditures by Category:						
Personal Services						
Operating Expenses						
Capital Outlay						
Local Assistance, Grants Benefits & Claims (Local share of Income tax)	0	$4.288M to $4.357M	$4.288M to $4.357M	0	$4.985M to $5.066M	$4.985M to $5.066M
TOTAL EXPENDITURES	0	$4.288M to $4.357M	$4.288M to $4.357M	0	$4.985M to $5.066M	$4.985M to $5.066M
NET EFFECT (A less B)	$123.722 M	$124.76M to $126.721M	$1.022M to $2.989M	$140.093 M	$141.288M to $143.568M	$1.195M to $3.475M

(Prepare Original and One Copy)

C4 #2

1976 Tax Rate Schedules

If Form 1040, line 47 is more than $20,000, figure your tax on the amount on Form 1040, line 47, by using the appropriate Tax Rate Schedule on this page. Enter tax on Form 1040, line 16.

SCHEDULE X—Single Taxpayers Not Qualifying for Rates in Schedule Y or Z

Use this schedule if you checked the box on Form 1040, line 1—

If the amount on Form 1040, line 47, is: Over—	But not over—	Enter on Form 1040, line 16:	of the amount over—
$20,000	$22,000	$5,230+38%	$20,000
$22,000	$26,000	$5,990+40%	$22,000
$26,000	$32,000	$7,590+45%	$26,000
$32,000	$38,000	$10,290+50%	$32,000
$38,000	$44,000	$13,290+55%	$38,000
$44,000	$50,000	$16,590+60%	$44,000
$50,000	$60,000	$20,190+62%	$50,000
$60,000	$70,000	$26,390+64%	$60,000
$70,000	$80,000	$32,790+66%	$70,000
$80,000	$90,000	$39,390+68%	$80,000
$90,000	$100,000	$46,190+69%	$90,000
$100,000	----	$53,090+70%	$100,000

SCHEDULE Y—Married Taxpayers and Qualifying Widows and Widowers

If you are a married person living apart from your spouse, see page 7 of the instructions to see if you can be considered to be "unmarried" for purposes of using Schedule X or Z.

Use this schedule if you checked the box on Form 1040, line 2 or 5—

Married Taxpayers Filing Joint Returns and Qualifying Widows and Widowers (See page 7)

If the amount on Form 1040, line 47, is: Over—	But not over—	Enter on Form 1040, line 16:	of the amount over—
$20,000	$24,000	$4,380+32%	$20,000
$24,000	$28,000	$5,660+36%	$24,000
$28,000	$32,000	$7,100+39%	$28,000
$32,000	$36,000	$8,660+42%	$32,000
$36,000	$40,000	$10,340+45%	$36,000
$40,000	$44,000	$12,140+48%	$40,000
$44,000	$52,000	$14,060+50%	$44,000
$52,000	$64,000	$18,060+53%	$52,000
$64,000	$76,000	$24,420+55%	$64,000
$76,000	$88,000	$31,020+58%	$76,000
$88,000	$100,000	$37,980+60%	$88,000
$100,000	$120,000	$45,180+62%	$100,000
$120,000	$140,000	$57,580+64%	$120,000
$140,000	$160,000	$70,380+66%	$140,000
$160,000	$180,000	$83,580+68%	$160,000
$180,000	$200,000	$97,180+69%	$180,000
$200,000	----	$110,980+70%	$200,000

Use this schedule if you checked the box on Form 1040, line 3—

Married Taxpayers Filing Separate Returns

If the amount on Form 1040, line 47, is: Over—	But not over—	Enter on Form 1040, line 16:	of the amount over—
$20,000	$22,000	$6,070+48%	$20,000
$22,000	$26,000	$7,030+50%	$22,000
$26,000	$32,000	$9,030+53%	$26,000
$32,000	$38,000	$12,210+55%	$32,000
$38,000	$44,000	$15,510+58%	$38,000
$44,000	$50,000	$18,990+60%	$44,000
$50,000	$60,000	$22,590+62%	$50,000
$60,000	$70,000	$28,790+64%	$60,000
$70,000	$80,000	$35,190+66%	$70,000
$80,000	$90,000	$41,790+68%	$80,000
$90,000	$100,000	$48,590+69%	$90,000
$100,000	----	$55,490+70%	$100,000

SCHEDULE Z—Unmarried (or legally separated) Taxpayers Who Qualify as Heads of Household (See page 7)

Use this schedule if you checked the box on Form 1040, line 4—

If the amount on Form 1040, line 47, is: Over—	But not over—	Enter on Form 1040, line 16:	of the amount over—
$20,000	$22,000	$4,800+35%	$20,000
$22,000	$24,000	$5,500+36%	$22,000
$24,000	$26,000	$6,220+38%	$24,000
$26,000	$28,000	$6,980+41%	$26,000
$28,000	$32,000	$7,800+42%	$28,000
$32,000	$36,000	$9,480+45%	$32,000
$36,000	$38,000	$11,280+48%	$36,000
$38,000	$40,000	$12,240+51%	$38,000
$40,000	$44,000	$13,260+52%	$40,000
$44,000	$50,000	$15,340+55%	$44,000
$50,000	$52,000	$18,640+56%	$50,000
$52,000	$64,000	$19,760+58%	$52,000
$64,000	$70,000	$26,720+59%	$64,000
$70,000	$76,000	$30,260+61%	$70,000
$76,000	$80,000	$33,920+62%	$76,000
$80,000	$88,000	$36,400+63%	$80,000
$88,000	$100,000	$41,440+64%	$88,000
$100,000	$120,000	$49,120+66%	$100,000
$120,000	$140,000	$62,320+67%	$120,000
$140,000	$160,000	$75,720+68%	$140,000
$160,000	$180,000	$89,320+69%	$160,000
$180,000	----	$103,120+70%	$180,000

STANDING COMMITTEE REPORT

February 15 1977

MR. PRESIDENT

We, your committee on TAXATION

having had under consideration SENATE Bill No. 251

Respectfully report as follows: That SENATE Bill No. 251,
be introduced bill, be amended as follows:

1. Amend title, line 4.
Following: "INCLUDE"
Strike: "SPRINKLERS"
Insert: "sprinkler"

2. Amend title, line 5.
Following: line 4
Strike: "IN THE LIST OF"
Following: "IRRIGATION"
Strike: "AND DRAINAGE"
Following: "FACILITIES"
Strike: "WHICH ARE"
Insert: "with properties"

3. Amend title, lines 6 and 7.
Following: "TAXED"
Strike: "AS LIKE FACILITIES OF THE FEDERAL AND STATE GOVERNMENTS"
Insert: "under class seven"
DOxPASSx

4. Amend title, line 7.
Following: "SECTION"
Strike: "84-204"
Insert: "84-301"

Chairman.

STATE PUB. CO.
Helena, Mont.

CONTINUED

5. Amend the bill, page 1.
Strike: all of the bill following the enacting clause
Insert:

"Section 1. Section 84-301, R.C.M. 1947, is amended to read as follows:

"84-301. Classification of property for taxation. For the purpose of taxation the taxable property in the state shall be classified as follows:

Class One. The annual net proceeds of all mines and mining claims, except coal mines, after deducting only the expenses specified and allowed by section 84-5403; also where the right to enter upon land, to explore or prospect, or dig for oil gas, coal or mineral is reserved in land or received by mesne conveyance (exclusive of leasehold interests), devise or succession by any person or corporation, the surface title to which has passed to or remains in another, the state department of revenue shall determine the value of the right to enter upon said tract of land for the purpose of digging, exploring, or prospecting for gas, oil, coal or minerals, and the same shall be placed in this classification for the purpose of taxation.

Class Two. All agricultural and other tools, implements and machinery, gas and other engines and boilers, threshing machines and outfits used therewith, automobiles, motor trucks and other power-driven cars, vehicles of all kinds except mobile homes, boats and all watercraft, harness, saddlery and robes and except as provided in Class Five (a) of this section, all poles, lines, transformers, transformer stations, meters, tools, improvements, machinery and other property used and owned by all persons, firms, corporations, and other organizations which are engaged in the business of furnishing telephone communications, exclusively to rural areas, or to rural areas and cities and towns provided that any such city or town has a population of ~~eight-hundred-(800)~~ persons or less; and provided further, that the average circuit miles for each station on the system is more than ~~one-and-one-quarter-(1 1/4)~~ miles.

Class Three. Livestock, poultry, and unprocessed products of both; furniture and fixtures used in commercial activities; the annual gross proceeds of underground coal mines; and all office or hotel furniture and fixtures, except improvements included in Class Nine.

Class Four. (a) All land, town and city lots, with improvements, except improvements included in Class Nine, and all trailers affixed to land owned, leased, or under contract or purchase by the trailer owner, manufacturing and mining machinery, fixtures and supplies, except as otherwise provided by the constitution of Montana, and except as such property may be included in Class Five, Class Seven or Class Eight.

(b) Mobile homes without regard to the ownership of the land upon which they are situated, except those held by a distributor or dealer of mobile homes as part of his stock in trade, and except as such property may be included in Class Eight.

Class Five. (a) All poles, lines, transformers, transformer stations, meters, tools, improvements, machinery and other property used and owned by co-operative rural electrical and co-operative rural telephone associations organized under the laws of Montana except those within the incorporated limits of a city or town in which less than ~~ninety-five-per-cent-(95%)~~ of the electric consumers and/or telephone users are served by a co-operative organization, and as to the property enumerated in this sub-section (a) within incorporated limits of a city or town in which less than ~~ninety-five-per-cent-(95%)~~ of the electric consumers or users will be served by a co-operative organization, such property shall be put in Class Two.

(b) All unprocessed agricultural products either on the farm or in storage, irrespective of whether said products are owned by the elevator, warehouse or flour mill owner or company storing the same, or any other person whomsoever, except all perishable fruits and vegetables in farm storage and owned by the producer, and excepting livestock and poultry and the unprocessed products of both.

(c) The dwelling house, and the lot on which it is erected, owned and occupied by any resident of the state, who has been honorably discharged from active service in any branch of the armed forces, who is rated ~~one hundred-per-cent-(100%)~~ disabled due to a service-connected disability by the United States veterans administration or its successors.

In the event of the veteran's death, the dwelling house, and the lot on which it is erected, so long as the surviving spouse remains unmarried and the owner and occupant of the property, shall remain within this classification.

Class Six. Property formerly included in this class is now classified by section 84-308, R.C.M. 1947.

Class Seven. (a) All new industrial property. New industrial property shall mean any new industrial plant, including land, buildings, machinery and fixtures which, in the determination of the state department of revenue, is used by a new industry during the first ~~three-(3)~~ years of operation not having been assessed prior to July 1, 1961, within the state of Montana. New industry shall mean any person, corporation, firm, partnership, association, or other group which establishes a new plant or plants in this state for the operation of a new industrial endeavor, as distinguished from a mere expansion, reorganization, or merger of an existing industry or industries. Provided, however, that new industrial property shall be limited to industries that manufacture, mill, mine, produce, process or fabricate materials, or do similar work in which capital and labor are employed and in which materials unserviceable in their natural state are extracted, processed or made fit for use or are substantially altered or treated so as to create commercial products or materials; industries that engage in the mechanical or chemical transformation of materials or substances into new products in the manner defined as manufacturing in the 1972 Standard Industrial Classification Manual, prepared by the United States office of management and budget; and in no event shall the term new industrial property be included to mean property used by retail or wholesale merchants, commercial services of any type, agriculture, trades or professions. New industrial property does not include a plant which will create an adverse impact on existing state, county, or municipal services. The department shall promulgate regulations for the determination of what constitutes an adverse impact taking into consideration the number of people to be employed and the size of the community in which the location is contemplated. Once the department has made an initial determination that the industrial facility qualifies as new industrial property, the department shall then upon proper notice hold a hearing to determine if the new industrial classification should be retained by the property. The local taxing authority may appear at the hearing, and it also may waive its objection to retention of this classification if the industry agrees to the prepayment of taxes sufficient to satisfy tax requirements created by the location and construction of the facility during construction period.

In the event of a prepayment of taxes, the maximum amount or prepayment shall be the amount without the application of the Class 7 (a) to such property.

If a major new industrial facility qualifies under Class 7 (a) the reduction of its yearly payment of property taxes for reimbursement of its prepaid taxes as provided for in section 84-41-105, R.C.M. 1947, shall not begin until the Class 7 qualification expires. And provided further, that new industrial property shall not be included to mean property which is used or employed in any industrial plant which has been in operation in this state for ~~three-(3)~~ years or longer. Any person, corporation, firm, partnership, association or other group seeking to qualify its property for inclusion in this class shall make application to the state department of revenue in such manner and form as may be required by said department.

(b) All sprinkler irrigation systems, including all pipes, hoses, rollers, spray attachments, connectors, pumps, and other items integral to the functioning of a sprinkler irrigation system, installed and used on a farm, or ranch, but excluding underground water distribution lines and other elements of a system sufficiently affixed to land that they become real property.

~~(b)~~ (c) Business inventories. Business inventories shall include goods intended for sale or lease in the ordinary course of business, and shall include raw materials and work in progress with respect to such goods, but shall not include goods actually leased or rented on the lien date, or mobile homes held by a dealer or distributor as a part of his stock in trade.

~~(c)~~ (d) Air pollution control equipment as defined in section 69-392

~~(d)~~ (e) A capital investment in a recognized nonfossil form of energy generation, to the extent provided under section 84-7403.

Class Eight. (a) Any improvement on real property, trailers affixed to land or mobile home belonging to any person who qualifies under any one or more of the hereinafter set forth categories, with appurtenant land not exceeding ~~five-(5)~~ acres, which together have a market value of not more than ~~twenty-seven-thousand-five-hundred-dollars (\$27,500)~~, which dwelling is owned or under a contract for deed, and which is actually occupied for at least ~~ten-(10)~~ months per year as the primary residential dwelling of:

(1) a widow ~~sixty-two-(62)~~ years of age or older, whether with or without minor dependent children, who qualifies under the income limitations of (4), or

(2) a widower ~~sixty-two-(62)~~ years of age or older, whether with or without minor dependent children, who qualifies under the income limitations of (4), or

(3) a widow or widower with minor or dependent children regardless of age, who qualifies under the income limitations of (4), or

(4) a recipient or recipients of retirement or disability benefits whose income from all sources is not more than ~~six-thousand-dollars (\$6,000)~~ for a single person and ~~six-thousand-eight-hundred-dollars~~

~~($6,800)~~ for a married couple total per annum whether said dwelling is occupied by a single person or a married couple. Provided, further, that one who applies for classification of property under this class must make an affidavit to the state department of revenue on a form as may be provided by the state department of revenue supplied without cost to the applicant, as to his income, if applicable, as to his retirement benefits, if applicable, or, as to his marital status, if applicable, and to the fact that he or she actually occupies or maintains as his or her primary residential dwelling, such land and improvements with right of the county welfare board to investigate the applicant, on the completion of the form, as to answers given on the form. Provided, further, the assessed value of said property shall not be increased during the life of the recipient of retirement benefits or widow or widower covered under this class, unless the owner-resident makes a substantial improvement in the dwelling. For the purposes of the affidavit required for classification of property under this class, it shall be sufficient if the applicant signs a statement swearing to or affirming the correctness of the information supplied, whether or not the statement is signed before a person authorized to administer oaths, and mails the application and statement to the department of revenue. This signed statement shall be treated as a statement under oath or equivalent affirmation for purposes of section 94-7-203, R.C.M. 1947, relating to the criminal offense of false swearing.

(b) A capital investment in a building for an energy conservation purpose, to the extent provided under section 84-7403.

Class Nine. The incremental increase in the value of real estate attributable to repairing, maintaining or improving existing improvements.

Class Ten. The annual gross proceeds of coal mines using the strip mining method.

Class Eleven. Centrally assessed utility allocations after deductions of locally assessed properties and except as provided in Class Two for rural telephones and Class Five (a) for cooperatives, and all other property not included in the ~~ten-(10)~~ preceding classes."

AND AS SO AMENDED,

DO PASS

BA

WILLIAM MATHERS CHAIRMAN

415

STANDING COMMITTEE REPORT

February 15 19 77

MR. PRESIDENT

We, your committee on TAXATION

having had under consideration SENATE Bill No. 285

Respectfully report as follows: That SENATE Bill No. 285

DO NOT PASS

~~BE PASS~~

G.A.

MATHERS Chairman.

STATE PUB. CO.
Helena, Mont.