

MINUTES OF THE MEETING
TAXATION COMMITTEE
MONTANA STATE SENATE

March 4, 1977

The thirty-second 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 8:10 a.m.

ROLL CALL: Roll call found all the members present.

The only witness to sign the register was Mr. Madison of the Miscellaneous Tax Division of the Department of Revenue.

CONSIDERATION OF HOUSE BILL 93: Rep. Underdal, Dist. 12, introduced this bill at the request of the Department of Revenue, and said the bill was to repeal a portion of the tax law which taxed express companies operating intrastate. He said the revenue produced by such companies was such a small amount the D.R. did not feel such a tax was necessary since collection costs often exceeded the revenue. Mr. Madison was present also and gave some input to the discussion.

Sen. Norman raised the question if such a repeal would also include United Parcel Service, now operating quite extensively in Montana. There followed some discussion and the codes were consulted to determine if the repeal of such law would ultimately apply to UPS, thus saving them a considerable amount of revenue. It was brought out that at present UPS is applying for license to operate interstate as well and if HB93 were passed, the law could be interpreted to exclude them from paying tax as well as express companies.

Chairman Mathers then suggested that perhaps the committee should hold this bill until the law as it applied to companies such as UPS could be checked more thoroughly with the D.R. attorney staff.

CONSIDERATION OF HOUSE BILL 94: Rep. Underdal also introduced this bill by request of the D.R., and said the bill was a repealer of the telegraph license tax. Mr. Madison also contributed to the discussion and said that a total of only \$50 in taxes had been collected in 1975 and \$561 in 1976, the increase the result of Western Union pushing their Mailgram promotion.

Following their presentation there was discussion by the committee and agreement to move the bill.

DISPOSITION: Sen. Towe Moved HB94 Be Concurred In. The motion was carried unanimously.

CONSIDERATION OF HOUSE BILL 18: Roger Tippy presented this bill in the absence of Rep. Marks and explained the various portions of the bill with Mr. Madison again giving input to the ex-

planation. It was pointed out that the approximate \$78,000 revenue presently received from Amtrak would not be affected by this bill. Following a number of questions by the committee, they decided to move the bill.

DISPOSITION: Sen. Turnage Moved HB18 Be Concurred In. The motion was carried unanimously.

Sen. Watt then presented the committee with Exh. #1, a copy of tables showing different tax schedules as compiled by Mr. Clark of the D.R. He explained the difference in the proposals and the amount of tax to be generated by each. Proposal #1 was compared to Proposal #2, and discussed by both Sen. Watt and Mr. Clark, supporting Sen. Watt's intention to prepare a bill that would encourage income splitting for married couples. There followed considerable discussion and Mr. Clark told the committee that the table in Proposal #1 would result in approximately 11.4% raise for singles and those who filed jointly would have a 14.3% decrease. In Proposal #2 singles would have an increase of 14.05% while joint filers would have a decrease of 13%.

Sen. Watt made a motion that the committee adopt the proposal of income-splitting from either Proposal #1 or #2 and that the committee limit such legislation to two years, further that there be an interim study and if no other legislation were to come out of that study, that the state could return to the present system. His motion was discussed and Chairman Mathers called for a voice vote from the members in an effort to get their opinions. The vote was 6 for and 3 against, Sens. Towe, Turnage and Manning voting "no." Several of the committee members stated their reluctance to consider legislation that would raise taxes. They also expressed the thought that perhaps action should wait until they could consider other tax bills. Chairman Mathers stated that it appeared from information he had that appropriations were going to be somewhat greater than anticipated and the committee discussed briefly the financial status of the state, anticipated budget, etc., and how the need to generate additional revenues will affect any legislation they may enact.

Sen. Watt asked the feeling of the committee in regard to SB303 which repeals the Homestead Relief Act of the Governor's. A show of hands indicated an 8-2 vote against the bill.


Sen. Watt also stated he did not wish to promote any income splitting legislation unless he had support from the committee. A suggestion was also made to bring out a committee bill and they again looked at SB422 to see if some tax schedule changes could be written into it.

The committee then directed their attention to SB31, on inheritance taxes and Sen. Turnage said he had a number of problems with the bill. The committee discussed the bill more thoroughly and Sen. Turnage itemized the objections he had to the bill, giving his reasons, and these were discussed by the committee.

The amendments as proposed by Sen. Turnage were as follows: amend by striking section 1 in its entirety; amend page 8, section 4, lines 15 and 18, striking 40,000 inserting 60,000 and striking 15,000 and inserting 30,000; amend page 9, line 6, change to \$30,000; amend page 11,12, regarding the bonding in section 6; and amend this with new language to be prepared by Mr. Tippy, allowing the heir 5 years in which to pay the tax, (this to be consistent with Federal regulations.)

Sen. Turnage moved the amendments and the motion carried unanimously.

The committee then requested the D.R. to draw up a new Fiscal Note taking into consideration the changes proposed by the above amendments. This note is to be available for the committee's consideration at Saturday's meeting.



WILLIAM MATHERS CHAIRMAN

PRESENT INCOME TAX RATE SCHEDULE

TAXABLE INCOME GREATER THAN	BUT NOT MORE THAN	TAX
0	1000	2% OF TAXABLE INCOME
1000	2000	\$20 PLUS 3% OF EXCESS OVER \$1000.
2000	4000	\$50 PLUS 4% OF EXCESS OVER \$2000.
4000	6000	\$130 PLUS 5% OF EXCESS OVER \$4000.
6000	8000	\$230 PLUS 6% OF EXCESS OVER \$6000.
8000	10000	\$350 PLUS 7% OF EXCESS OVER \$8000.
10000	14000	\$490 PLUS 8% OF EXCESS OVER \$10000.
14000	20000	\$810 PLUS 9% OF EXCESS OVER \$14000.
20000	35000	\$1350 PLUS 10% OF EXCESS OVER \$20000.
35000		\$2850 PLUS 11% OF EXCESS OVER \$35000.

PROPOSAL #1

TAXABLE INCOME GREATER THAN	BUT NOT MORE THAN	TAX
0	1000	2% OF TAXABLE INCOME
1000	2000	\$20 PLUS 3% OF EXCESS OVER \$1000.
2000	3000	\$50 PLUS 4% OF EXCESS OVER \$2000.
3000	4000	\$90 PLUS 5% OF EXCESS OVER \$3000.
4000	5500	\$140 PLUS 6% OF EXCESS OVER \$4000.
5500	7000	\$230 PLUS 7% OF EXCESS OVER \$5500.
7000	9000	\$335 PLUS 8% OF EXCESS OVER \$7000.
9000	12000	\$495 PLUS 9% OF EXCESS OVER \$9000.
12000	18000	\$765 PLUS 10% OF EXCESS OVER \$12000.
18000		\$1365 PLUS 11% OF EXCESS OVER \$18000.

5x Million

* OVERALL DECREASE IN REVENUE OF 2.18%

* UNLIMITED INCOME SPLITTING BY MARRIED COUPLES ALLOWED

PROPOSAL #2

TAXABLE INCOME GREATER THAN	BUT NOT MORE THAN	TAX
0	1000	2% OF TAXABLE INCOME
1000	2000	\$20 PLUS 3% OF EXCESS OVER \$1000.
2000	3000	\$50 PLUS 4% OF EXCESS OVER \$2000.
3000	4000	\$90 PLUS 5% OF EXCESS OVER \$3000.
4000	5000	\$140 PLUS 6% OF EXCESS OVER \$4000.
5000	6000	\$200 PLUS 7% OF EXCESS OVER \$5000.
6000	8000	\$270 PLUS 8% OF EXCESS OVER \$6000.
8000	12000	\$430 PLUS 9% OF EXCESS OVER \$8000.
12000	18000	\$790 PLUS 10% OF EXCESS OVER \$12000.
18000		\$1390 PLUS 11% OF EXCESS OVER \$18000.

210,000
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* OVERALL DECREASE IN REVENUE OF 0.21%.

* UNLIMITED INCOME SPLITTING BY MARRIED COUPLES ALLOWED.

STANDING COMMITTEE REPORT

March 4 19 77

MR.**PRESIDENT**.....

We, your committee on**TAXATION**.....

having had under consideration**HOUSE**.... Bill No.**18**.....

Respectfully report as follows: That**HOUSE**.... Bill No.**18**.....

BE CONCURRED IN

~~DO PASS~~



STANDING COMMITTEE REPORT

March 4 19 77

MR. **PRESIDENT**

We, your committee on **TAXATION**

having had under consideration **HOUSE** Bill No. **94**

Respectfully report as follows: That **HOUSE** Bill No. **94**

BE CONCURRED IN

~~DO PASS~~

