

MINUTES OF THE MEETING
TAXATION COMMITTEE
MONTANA STATE SENATE

April 13, 1977

The sixty-ninth meeting of the Taxation Committee was held on the above date in Room 415 of the State Capitol Building, called to order by Chairman Mathers.

ROLL CALL: Roll call found all the members present.

The following witnesses were present:

Tom Stoll	Dept. of Revenue
Wm. Groff	"
Ray Dore	"
Dennis Burr	"
Hugh P. McElwain	National Gd. Assoc.
John F. Walsh Jr.	Nat'l. Gr. Assoc.
Ed Nelson	Mont. Taxpayers Assoc.
Harry W. Thode	Dept. Military Affairs
Zack Stevens	Farm Bureau
Tom Winsor	Mont. C. of C.
Bill Asher	Agri. Preserv. Assoc.

CONSIDERATION OF HOUSE BILL 728: Rep. Vincent, Dist. 78, said this bill had received a 99 to 1 vote in the House. He said it provided a double exemption for parents of a handicapped child. He felt there was justification for the bill and he believed that most parents spend more to maintain that child in the home than if he were normal, therefore he felt they should be compensated in a small way. He noted that if the child were placed in an institution, cost would be considerably higher, and he felt this bill would assist them financially. He said the bill provided for a documentation to the Department of Revenue by a licensed physician attesting to the fact the child is handicapped. He called attention to the Fiscal Note and said he believed it was not right.

Mr. Groff said he was not opposing the bill but believed it should be tightened up to conform with the Federal statutes, to specify the term 'handicapped' for the purposes of the exemption. It was pointed out the Federal laws allow percentages of disability in order to receive benefits. The question of those who are blind being included was mentioned, as they now have a double exemption.

Rep. Vincent in closing said he believed the committee understood his intent and if they chose to tighten the bill insofar as definitions of handicapped were concerned, he would not object to such changes. There followed several questions of Sen. (Dr.) Norman concerning degrees or percentages of handicap and the committee elected to hold the bill for further discussion.

CONSIDERATION OF HOUSE BILL 821: Rep. Halvorson, Dist. 16, presented her bill, saying she knew tax relief was needed, but she felt the tax relief measures that have been considered thus far appear to be only for one segment of society. She felt that a study made by qualified people is needed for the state. She said she felt input is needed from a wider based group in order to get a clearer picture of the tax situation and that such a group will take into consideration the effect of taxes on the average taxpayer. She therefore asked the committee to take a good look at this bill, even though studies had been recommended through various others bills, directing studies of the bank share tax, the coal trust tax, property tax, etc.

Mr. Nelson said he would like to comment in support of the concept of this bill regarding a tax study. He said there have been a number of bills dealing with tax studies, but his concern is that each study we go through is a revenue study, not a tax study. He said he would like the study to be an economical study, not how best to get more money for government, and he felt the question to be answered is do you want equity or do you want revenue.

Mr. Groff spoke next, not as an opponent, but in support of the idea with the consent of the Legislature and the Department working to help in such a study. He said a legislative group combined with the executive could help in coming up with some conclusions. Too often particular groups of people participate in such studies and aim at legislation that will help their own clientele, their own situation, rather than opt for the good of the many.

Rep. Halvorson closed her presentation with the statement that she felt it was up to the Taxation Committee to study all of the proposals for such tax studies and then address themselves to the problems that exist.

Sen. Healy Moved HB821 Be Concurred In and the bill then be sent to Finance and Claims. He later withdrew his motion in favor of other committee action. The committee discussed the bill again and following several questions, closed the hearing.

CONSIDERATION OF HOUSE BILL 168: Rep. Moore, Dist. 41, introduced his bill, saying he felt it was time something is done for the National Guard. He said these are the people who have helped the state in times of emergency and have served in quite a number of emergencies. He said the guard force is down to about 3,000 people at this time. He said it is hoped that the \$1,000 exemption from their state income tax from their guard earnings will provide an incentive to get membership up to the approximate 3,350 to 3,500 force that would be a full force. He introduced Mr. McElwain who gave his support of the bill and said he represented the two guard associations. He said they

have a problem in maintaining full strength and hoped that this tax exemption would induce new recruits as well as encourage present guards people to re-enlist. He introduced Exh. #1, attached. Mr. Walsh also gave his support of the bill as did Mr. Thode, who presented testimony, see Exh. #2, attached.

Mr. Madison spoke representing the Army Reserve Units in the state and said he agreed with the thrust of the bill and the theory, but he would like to see the bill amended to include the words "reserve component." He presented Exh. #3.

Mr. Dore said he believed there were several amendments that should be included, one of them being an effective date.

Rep. Moore in his closing said he would reject the amendment that would include "reserve components" as he felt these were Federal people and he had aimed his bill at helping only Montana guards people. He pointed out that communities are benefited by guard units located there and that the guard people help in community affairs on many occasions. He continued, saying that in Miles City alone they had a loss of 45 members and the resultant loss to the economy was approximately \$32,000.

Following his closing the committee asked a number of questions and Sen. Towe said he failed to see the distinction between guards and reserves. Rep. Moore replied that the guards people are the state militia and therefore felt the Federal Reserve people are separate. There followed several other questions and the hearing on 168 was closed.

CONSIDERATION OF HOUSE BILL 207: Rep. Bradley, Dist. 77, presented her bill and said the purpose of the bill was to give some relief to holders of agricultural land affected by inheritance taxes. She said she did not believe the bill had loopholes as much study had gone into it before bringing it over to the Legislature. She said she felt there were problems in following the Federal system of inheritance tax, but she had attempted to keep the state laws more simple and used values that are already on the books of the state.

Mr. Stevens rose to give his support of the bill and said he felt taxing on the productivity of the land instead of the developmental qualities of the land is a better system. Mr. Asher also gave his support to the bill.

There were no opponents to testify against the bill and as Rep. Bradley had no closing statement, the meeting was then open to the committee for questions.

Sen. Towe stated that the Federal had a 'three-pronged approach' to problem of inheritance tax and he wondered if the state should conform to those laws. Sen. Turnage asked about corporation lands and several representatives of the Department of Revenue also participated in the discussion.

Sen Turnage asked how the values of agricultural land are arrived at, and if the assessed value of the land is based on its productivity, or market value. Mr. Burr gave him the formula that is used by the Department. Sen. Turnage also expressed his concern with the ability of the Department to police land that is passed to the heirs for the 15 years required in order that such heirs evade inheritance tax. Mr. Stoll gave input to the discussion as well, and it was brought out that both the Federal and State would have liens on the land until there is satisfaction of those inheritance taxes, or, under this legislation, until the 15 years had elapsed. Mr. Stoll stated also that one of the problems would arise because some estates would qualify under the Federal law but not under this law so there could thus be problems in this. Following this discussion, the hearing on HB207 closed.

CONSIDERATION OF HOUSE BILL 689: Rep. Frates said his bill is an effort to encourage the installation of coal-fired boilers in the state in order to convert to this fuel from oil or gas. The investment credit would be 10% of the installation costs. He said the aim of his bill is to get the industry to start converting, and although some companies in the state are already converting, he felt this tax incentive would encourage others to do so. Mr. Winsor said the Chamber has supported this concept. He said a concern of the Chamber is that in the event of a gas or oil shortage, there are approximately 10,000 jobs that could be lost in the state. He said they feared a crisis may yet be faced in Montana, as it was elsewhere in the country last winter, and this type of incentive could preserve those jobs in the event of such an emergency.

There were no other proponents present and Mr. Dore of the Department spoke as a neutral, saying the committee should look again at HB599, passed out by this committee, as there would be carry backs and carry overs that must be considered in relation to this bill. Rep. Frates made a brief closing statement, saying industry uses 40% of our gas in Montana and he felt this legislation would do much in helping them with the expense of converting.

There followed questions and discussion by the committee and it was pointed out that with HB599 there could be a doubling of tax credits. Mr. Winsor again stated he felt it was worthwhile to get off the use of natural gas and on to the use of coal much as possible. This concluded the hearing on HB689.

The committee then took up several of the bills heard today and agreed to move several of them, following discussion.

DISPOSITION: Sen. Towe Moved HB821 Be Not Concurred In. The motion carried with Sens. Brown and Healy voting "No." Also, note the absence during voting of Sen. Manning.

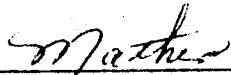
5-4/13

DISPOSITION: Sen. Towe then Moved HB168 Be Not Concurred In. This motion also carried, however Sens. Healy, Goodover and Roskie voted "No" and Sen. Manning was absent at this time.

DISPOSITION: Sen. Towe moved to Amend HB169 by adding language that specified the car must be "furnished without charge by the dealer to the school district" and his motion carried unanimously.

Sen. Turnage then Moved HB169 As Amended, Be Concurred In. His motion carried with a "No" vote cast by Sen. Roskie.

Following disposition of these bills the committee moved to adjourn with possibility of meeting again this day, on adjournment.



WILLIAM MATHERS CHAIRMAN

DATE 4/13/77

HOUSE BILLS

~~COMMITTEE ON~~

TAXATION

18,207,

62, 728, 821

VISITORS' REGISTER

[illegible]

(Please leave prepared statement with Secretary)

SENATE COMMITTEE TAXATION

Date 4/13/77 41 Bill No. 169 Time _____

NAME	YES	NO
SEN. WATT	X	
SEN. BROWN	X	
SEN. GOODOVER	X	
SEN. HEALY	X	
SEN. MANNING	(absent)	
SEN. NORMAN	X	
SEN. ROSKIE		X
SEN. TOWE	X	
SEN. TURNAGE	X	
CHAIRMAN MATHERS	X	

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Nita Fjeseth
Secretary

William L. Mathers
Chairman

Motion: As Am Be Core In

(include enough information on motion--put with yellow copy of committee report.)

4/13
12 April 1977
Encl. #1

Chairman
Committee on Taxation
Montana State Senate
Helena MT 59601

Sir:

I am writing in support of HB 168 introduced by Representatives Moore and Johnston.

Very briefly, the National Guard is having problems maintaining strength. HB 168, which would grant a \$1,000 tax exemption on drill pay, is designed as an incentive to assist in recruiting new members and more importantly to retain the already trained individuals when their present enlistment expires.

During the past few years, the National Guard strength has decreased by approximately 500 people. If this trend continues, it will result in loss of authorized units and supporting full time technician positions throughout the State.

The deletion of one armored cavalry squadron with an authorized priority strength of 899 would mean a loss of 25 or more technicians. The loss to a small community by withdrawal of a 50 man unit would be approximately \$103,000. This includes salary for full time technicians and military pay for training assemblies and annual training. Communities like Missoula, Kalispell, Bozeman, Billings and Helena with major units would suffer greater losses.

The National Guard exists to defend the nation as a first-line element of our Armed Forces, and to assist civil authorities in the States in time

4/13

Exp # 12



Departments of the Army and the Air Force, National Guard Bureau

4/13

Encl. #3

That House Bill No. 168 be amended as follows:

1. Amend the title, line 6.

Following: line 5

Strike: "NATIONAL GUARD"

Insert: "RESERVE COMPONENT"

2. Amend page 1, line 24.

Following: "a"

Strike: "national guard"

Insert: "reserve component"

The Big Sky Country

MONTANA LEGISLATIVE SENATE

SEN. WILLIAM L. (BILL) MATHERS
BOX 267
MILES CITY, MONTANA 59301

COMMITTEES:
TAXATION, CHAIRMAN
EDUCATION
RULES

April 13, 1977

Committee on Priorities
Senator Stan Stephens, Senate Chairman

Dear Senator Stephens:

By motion of the Senate Committee on Taxation adopted April 12, 1977, I am directed to request that the Priorities Committee authorize the study called for by Senate Joint Resolutions 2 and 44, and to assign the interim subcommittee to study House Bills 482 and 754. The subject of all these measures is an investment policy for the coal tax trust fund.

Sincerely,

W.L. Mathers
Chairman, Committee on Taxation

WLM/cm

STANDING COMMITTEE REPORT

April 13 19 77

MR. PRESIDENT

We, your committee on TAXATION

having had under consideration HOUSE Bill No. 292

Respectfully report as follows: That HOUSE Bill No. 292,

third reading bill, be amended as follows:

1. Amend page 21, section 7, line 22.

Following: line 22

Insert: "Section 8. Extension of existing classifications. Any classification of property under the provisions of 84-7403, R.C.M. 1947, that existed prior to the effective date of this act, approved by the department of revenue before April 19, 1977, shall continue in effect until December 31, 1982. On January 1, 1983, the taxable percentage of such property shall be determined under Chapter 3, title 84, R.C.M. 1947 or that chapter as it may be recodified or amended.

Renumber: following section

AND AS SO AMENDED,

BE CONCURRED IN

~~WILLIAM~~

STANDING COMMITTEE REPORT

April 13, 1977 19

MR. PRESIDENT

We, your committee on FINANCE AND CLAIMS

having had under consideration HOUSE Bill No. 569

Respectfully report as follows: That HOUSE Bill No. 569, third reading copy, be amended as follows:

1. Amend page 7, section 13, line 7.
Following: "until"
Strike: "March 15"
Insert: "June 30"

2. Amend page 7, section 13, line 8.
Following: line 8
Insert: "Section 14. There is a new R.C.M. section that reads as follows:
"Subject to federal funding. The appropriation made by this act is subject to receipt of federal funds. If federal funds are not received, the moneys appropriated in section 11 of this act shall revert to the general fund."

Renumber: subsequent section

AND AS SO AMENDED, BE CONCURRED IN

DO PASS
XXXXXX

STANDING COMMITTEE REPORT

April 13 19 77

MR. PRESIDENT

We, your committee on TAXATION

having had under consideration HOUSE Bill No. 169

Respectfully report as follows: That HOUSE Bill No. 169,

third reading bill, be amended as follows:

1. Amend page 4, section 1, line 10.

Following: "line 9

Strike: "used"

Insert: "furnished without charge by the dealer to the school district for use"

AND AS SO AMENDED,

BE CONCURRED IN

~~DO PASS~~

STANDING COMMITTEE REPORT

April 13 19 77

MR. PRESIDENT

We, your committee on TAXATION

having had under consideration HOUSE Bill No. 821

Respectfully report as follows: That HOUSE Bill No. 821

BE NOT CONCURRED IN

~~DO PASS~~

STANDING COMMITTEE REPORT

April 13 19 77

MR. PRESIDENT

We, your committee on TAXATION

having had under consideration HOUSE Bill No. 168

Respectfully report as follows: That HOUSE Bill No. 168

BE NOT CONCURRED IN

DO PASS