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HOUSE TAXATION COMMITTEE

46th Legislature

Representative Herb Huennekens called the meeting to order on January 11, 1979, in Room 434, Capitol Building, Helena, Montana, at 9:00 a.m. All members were present except Representative Vicki Johnson. Randy McDonald Staff Attorney, was present.

Bills to be heard were HB 85 and 86.

Representative E.N.Dassinger took chairmanship of the committee.

Rep. Herb Huennekens, District #68, Billings, sponsor of House Bill 85, said there is a whole series of new sections because of drafting peculiarities when amending statutes.

HOUSE BILL 85 Two years the Interim Revenue Oversight Committee was created as a statutory committee to deal with a department of state government that has the greatest effect on every citizen.

There is a large area of contact between the Department of Revenue and state government. The legislature meets every two years, creates a bunch of laws, and then goes home. The executive branch proceeds to administer the laws. The Revenue Oversight Committee reviews the administration of the law. The question is whether the department should be reviewed by the Oversight Committee.

HB 85 makes it clear that the Oversight Committee will have the duty of overseeing the Department of Revenue. The original bill passed in 1975 had a sunset provision which said "prove you can do something worthwhile. If you can do the job, come back and get it continued." HB 85 extends and ends the temporary portion of the first bill. Pages 5, 6 and into 7 deal with an amendment of the statutory provisions that govern the administrative code so they do not conflict. Other pages are a repeat of what was contained in the first bill.

Rep. Fabrega, District #44, Great Falls, served on the Revenue Oversight Committee during the interim. Bills of great magnitude on taxation were handled with the concept of the Revenue Oversight where continuation of the concept of bills is necessary. Extremely complex items were considered - everything is interconnected. It seems easy enough to change something and pretty soon the chain of effect takes place. It is difficult for any session to carry on without continued studies. There could have been additional meetings to continue certain aspects but having some kind of oversight of the department was beneficial. Establishing equity and making taxation understandable to the taxpayer cannot be carried out without such an oversight committee.

John Vincent, cosponsor of this legislation in the beginning, and signer of this bill is really in support of the principle of this bill. He said he had never worked on a committee that was more cooperative and because of the bipartisanship nature of it. The make up of committee members is on tax expertise. The bulk of members comes from taxation committees in

the House and Senate thereby utilizing people who already have experience in taxation. He thinks people should come and express their opinions during the interim. This committee provides citizen access otherwise not available. It provides the basis for providing a forum for new ideas. When something comes up that hasn't arisen during the session, it can be placed into the works before the next session.

The Oversight Committee made no recommendation on the indexing of income taxes because there was not enough time to put it into legislation. The Committee had to provide their own funding. It will be necessary to have a specific appropriation and justify it by providing the legislature a check on administration of taxation laws adopted. He wholeheartedly supports this legislation.

Bill Groff, Department of Revenue, largely supports this bill. He feels it is an outstanding feature for the legislature, and is a very essential thing, but should not be an executive branch of government. There will be disagreements between the committee and the executive branch, but the Committee should be strictly an advisory group. What the legislation says must be what you mean. The Department of Revenue does want an oversight committee very badly.

Rep. Robert Sivertsen, a member of the Oversight Committee, said this is a good example of the way our system works. Committee members did not always agree on the proposals brought up and some were very serious tax measures, but there was a respectful and congenial attitude. It is necessary to have persons who do not always agree who can compromise, come in with an open mind, deliberate and consider very openly. He felt it was a very worthwhile committee.

Rep. Williams, a member of the committee, said the Committee provides a line of communication between the Legislature and the Department of Revenue which is very important and something which has been lacking in years gone by, especially in the case of rules and regulations between people involved in claims with the Department. Gives them some guidance to follow. Research done is very important. The Oversight Committee is in a better position to do research and interpret legislation that is already in the law books. He feels it is an extremely important tool as a line of cooperation between Department of Revenue and the Legislature. Properly set up it certainly justifies its existence.

There were no opponents.

Rep. Huennekens closed saying he was the original sponsor of the bill and Chairman of the Oversight Committee. He had not asked anyone to speak on this measure because he wanted the Committee members to speak on their own. Chairman of the Committee does not appoint the whole committee. The Speaker of the House and the Committee on Committees in the Senate appoint members. This practice will be continued. This Committee works for a better relationship between the Senate and House. House members sat with Senators and worked with them and have achieved a working relationship with the Senate. Very well worthwhile.

Rep. Fagg asked how many bills were handled during the interim: At least 6 or 7 major issues were considered - 40 bills were reviewed.

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The Committee was well aware that their function was to provide a critique of the function of the Department, and that their actions were that of a committee and not the whole Legislature.

The Committee had an appropriation of \$30,000 for the interim. They met about every two months to allow for review of information supplied by researcher and Department. The Committee had access to the Research Department of the DoR. This time allowed the members to have a chance to review material more carefully.

In answer to Rep. Robbins, Mr. Groff said their Legal Division is reviewing FB 85 and may have amendments. The Department does not want two bosses. \$30,000 was a good starting figure, but they will need a great deal more. The knowledge in the Department of Revenue is large, but they are approaching the time when the whole taxing system needs to be reviewed by the Oversight Committee to find out how much the taxes affect you, the individual. The Oversight Committee is not too far from the time \$150,000 will be needed. This has never been done, but the time is coming when an advisory relationship will be extremely valuable; but if it goes the other way, it would only cause trouble.

Rep. Hirsch mentioned the Department of Revenue takes some problems to court in an effort to bring out legislative intent.

Rep. Huennekens said the people sitting on the Taxation Committees are best suited to serving on the Revenue Oversight Committee. He asked how the members felt about this rule. As far as this preliminary advisory function goes, should it reside in the Taxation Committee?

Mr. Groff was 95% in full agreement. Present committee is outstanding. There will come a time when the Department and the Committee may disagree. He doesn't like the words "administrative law". The Legislature passes a bill and says to write a rule according to directions in the law; this makes for potential disagreement. Mr. Groff has no problem with some legislative committee reviewing the rules, but he prefers a Revenue Oversight Committee to review the rules.

Representative Herb Huennekens, District #68, Billings, sponsor of HB 86, asked the committee to kill this bill. It was originally prepared by the
HOUSE BILL Department, and is a first run at the problem. The Department has a better version. He suggested the committee Table HB 86.

86 Mr. Groff explained they had a rough draft and a final draft and he inadvertently brought over the rough draft; afterwards bringing over the final draft. He apologized for the inconvenience.

There were no opponents.

Mr. Vralsted, Department of Revenue, income tax division, said the purpose is to clarify taxes on income tax and trusts. There is too much more to the problem than present law comprises.

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Committee executive session:-

Rep. Huennekens moved that House Bill 86 be Tabled, Unanimously adopted, Representative Johnson Was absent,

Rep. Fagg moved that House Bill 20 DO PASS. Motion was unanimously adopted. Rep. Johnson was absent.

Rep. Fagg made a motion that HB 20 be placed on the consent calendar subject to rules of the floor..

Rep. Underdal questioned advisability of doing this without a fiscal note. Rep. Fagg advised HB 20 has only a \$6 or \$8 effect on revenue. Motion was unanimously adopted. Rep. Johnson was absent.

Committee adjourned at 10:15 a.m.



REPRESENTATIVE HERB HUENNEKENS, Chairman

Josephine Lekki
Secretary