

57-E  
3/22/79

HOUSE TAXATION COMMITTEE  
46th Legislature

Rep. Herb Huennekens, Chairman, called the committee to order in Room 434, Capitol Building, at 8:30 a.m., March 22, 1979. All members were finally present. Staff attorney was present.

This was an executive session.

HOUSE BILL 830 - Rep. Burnett moved HB 830 DO PASS. Rep. Dassinger said the subcommittee felt these bills shouldn't pass and suggested Yardley's bill be moved out - you wouldn't have the problem with inheritance tax. He doesn't think WIFE understands how little taxes there would be. A \$400,000 estate hardly ever has to pay any estate taxes. People have to pay federal estate taxes and then want to cut state taxes. On a \$1 million estate, if you owed \$200,000, you wouldn't have to pay any estate taxes. Most farmers don't pay any income taxes - 17% pay taxes. He feels that farmers pay so little income tax that they should pay more inheritance tax.

Tom Stohl, Inheritance Division of the Department of Revenue, said on \$300,000 mortgage applied against \$500,000 estate, leaving \$200,000 and without taking anything to meet expenses, that \$200,000 is again reduced by 50% and the remaining by \$40,000 - so on a \$1 million estate you would end up with \$595 net tax due.

Rep. Huennekens said the burden is not what people think it is. Since the inheritance tax, like income tax, has social implications - is it appropriate that people have more when they die should pay more. The idea that many witnesses had on a \$200,000 estate is that the taxes would be \$2,400 - that was a misunderstanding. Have to consider if there is some sort of equity that a series of people die leaving estates of \$200,000 to \$1 million pay larger inheritance tax when that estate is split up. There is more than just academic interest here because part of our whole social theory is that there should be some sort of greater responsibility on those who somehow managed to come out at the time of their death with a larger estate. We should also consider that there is no indication that Montana inheritance taxes are inequitable. The federal is levied on the estate as a whole. The Montana tax is based on how the estate goes out in bits and pieces. Thinks everybody in this room believes that the wife deserves half the credit. Don't see quite how children should be exempt. The wife pays less, the children pay a little more - try to set social justice.

Rep. Burnett thinks you have missed the point. Never could pay his wife for the time she has spent. Feels a wife has worked as hard as a man and either should be allowed to have any property they have accumulated tax free on the death of either of them if they have earned it. Some credit should be allowed to a son or daughter also.

Rep. Johnson doesn't believe in inherited wealth - you should work for what you get. It is so difficult to get started however.

Motion HB 830 DO PASS failed by a roll call vote of 11-6. Reps. Lien and Fabrega were absent. Vote was reversed so HB 830 leaves committee with a DO NOT PASS recommendation.

HOUSE BILL 637 - Rep. Nordtvedt moved HB 637 DO PASS. Roll call voted failed - motion was reversed that HB 637 DO NOT PASS. Do Pass motion failed 7-10.

HOUSE BILL 510 - Rep. Dassinger moved HB 510 BE TABLED. Rep. Hirsch voted No. Reps. Fabrega and Lien were absent. All others voted Yes. Motion succeeded.

HOUSE BILL 814 - Rep. Vinger moved HB 814 DO PASS. Rep. Dassinger moved proposed amendments be adopted. The amendments would strip the bill of all record of the estate taxes and have only inheritance taxes in the bill. Rep. Huennekens said in the federal estate tax it is in the consolidated exemption. Estate taxes are a credit against the federal tax based on the taxable federal estate, so it really has nothing directly to do with the amount of state taxes. If you eliminated Montana's estate and inheritance tax, the money would in effect go to Washington instead of Montana, Mr. Stohl explained. Rep. Dassinger said the bill repeals inheritance tax. Mr. Stohl said the fiscal impact varied from \$1.2 million to \$1.8 million on revenue income. Motion succeeded with no Noes.

Rep. Sivertsen mentioned this has a delayed effective date of 2 years - takes effect after December 31, 1980. Rep. Johnson moved that all the dates of 1978 be changed to 1980, and 1979 be changed to 1981. Motion succeeded with no Noes. Reps. Robbins, Fabrega, Lien absent. Rep. Williams does not approve date change.

Rep. Williams made a substitute motion that HB 814 DO NOT PASS. Motion succeeded with a roll call vote of 12-5. Reps. Fabrega and Lien were absent.

HOUSE BILL 633 - Rep. Harrington moved HB 633 DO PASS. Rep. Williams feels people should have the right to vote, but it would be difficult to get this through. Subcommittee recommended HB 479, HB 546, HB 643 DO NOT PASS. HB 64, which is the 2¢ reserve tax, committee voted 4-1 to see if there was a possibility that this could be reconsidered. This is the variable tax. Rep. Nordtvedt feels a 2¢ optional tax is totally adequate - would be instituted by the county commissioners. He moved that the proposed amendments by the subcommittee NOT BE ADOPTED. Rep. Huennekens said this bill provides a route for a local gas tax that is prohibited by statute at this time. Rep. Bertelsen said commissioners could propose it by a vote of the people. Rep. Fabrega said it causes a lot of hassle to hold a special election. A lot of farmers said they weren't going to go for it. When people hear there is a public hearing by the county commissioners on a proposed 2¢ gas tax increase, people will attend and provide input into the meeting. Rep. Harrington said the commissioners are elected by the people and if they feel the sense of the people for it, they could put on a tax by a public hearing.

Rep. Sivertsen explained if people really wanted a gas tax there would be no problem, but to give the county commissioners the right to impose a gas tax simply because they were elected officials, he opposes. Would rather require a hearing by county commissioners and would provide for withdrawal of the 2¢ gas tax by county commissioners on a vote of the people. Rep. Nordtvedt moved that this proposed amendment DO NOT PASS. Motion fails by a roll call vote of 7-9. So amendments were adopted by reverse vote.

Rep. Hirsch asked if they could still sell fuel? Rep. Harrington said Yes. Chapter 71 deals with liquefied petroleum gas. Rep. Hirsch asked if the subcommittee made any recommendation about diesel fuel being eliminated? He then moved to amend to eliminate diesel fuel - page 1, line 13, after the word "of" strike fuels taxable under Title 15" and insert "gasoline" There were no Noes. Reps. Gilligan and Fabrega were absent.

On Rep. Harrington's motion HB 633 DO PASS AS AMENDED - motion carried with no Noes. Rep. Fabrega and Lien were absent.

HOUSE BILL 479 - Rep. Harrington moved HB 479 DO NOT PASS. Rep. Sivertsen made a substitute motion that HB 479 DO PASS. Rep. Harrington moved amendments be adopted. There were no Noes. Motion succeeded with Reps. Gilligan, Fabrega, Lien absent.

Rep. Sivertsen said even with this additional revenue we are falling behind in the maintenance alone about 25-30% per year. In order to keep up with maintenance, something must be done. Unless these are kept up, we aren't going to have any streets or highways left. This is one approach.

Rep. Williams is opposed to a tax that goes back to cities and towns. Think they should pay for their own streets and road problems. Definitely opposed to a statewide tax to go back to cities and counties.

Rep. Fagg feels farm vehicles are causing Billings a great deal of trouble and should pay. Rep. Reichert supports revenue sharing. She asked how much gas taxes are there going to be overall? There was a 1¢ tax for interstate; a bill in the senate similar to Mannings with a possibility of 2¢; there might be a variable up to 2¢; and this would be another.

Rep. Dozier feels some of these bills should be combined - should find a better solution. Rep. Sivertsen regardless of whether we pass this bill, we are going to have to fund highway and street maintenance and repair. The people who use the streets and roads are going to have to pay for them. Shock absorbers are expensive - safety is a problem on poor roads.

Rep. Huennekens said the automobile is a must - those expenses to maintain automobiles are imposed on people - tax of repairing is imposed on us by whomever is responsible for repairing the streets and roads.

Motion that HB 479 DO PASS AS AMENDED succeeded with no Noes. Rep. Fabrega was absent.

HOUSE BILL 546 - Rep. Dassinger moved HB 546 DO PASS. He moved amendments be adopted. Amendments would change HB 546 into what HB 64 had been. Rep. Harrington said the subcommittee did recommend a fuel tax reserve. Would go along with the motion. If usage of gas and diesel fuel should drop by 5% then the tax would be increased by .5¢ for each 5%. This bill just goes up 1¢ increase. Rep. Lien is opposed to amendments. Rep. Dassinger doesn't think HB 64 would have died had we known what happened to the department of highways. It is a very important problem. (Rep. Fabrega came in)

Rep. Dassinger said it won't cost a penny unless it is needed. The committee can tie down whoever handles the money. The effect will show up mainly on state primary roads. Rep. Bertelsen mentioned such a possibility was on the books previously but was not used. Tie it to an elected official if reluctant to leave it in the hands of an agency, if committee approves.

Rep. Fagg feels a sunset clause would make it more palatable. It's the worst possible precedent to allow a department of government to set taxes for a government that he represents. Rep. Fabrega reminded without federal match, there would be no interstate construction.

Ron Richards, department of highways, advised there is no federal money going into maintenance - totally a state responsibility for interstate, secondary and primary road maintenance. Rep. Sivertsen said there are some monies available for maintenance. Mr. Richards said for interstate rehabilitation perhaps, but not for maintenance. A 5% reduction in gasoline consumption translates itself into \$2.5-\$3 million which represents over 10% of the maintenance budget.

Rep. Huennekens asked what about a provision that such a decision would be made by the governor - some sort of a sunset provision? Rep. Nordtvedt opposes on the simple principle that he doesn't think the legislature should give up their control - should not give up to the executive branch any power the legislature has. There is nothing so unique to the highway system that two years will make all that much difference.

Rep. Huennekens feels this is a definite constitutional problem - \$1,800,000 goes to cities, towns and counties - we are destroying part of that purpose. Has a constitutional question. HB 64 - would have to move to suspend the rules, which requires 2/3 vote - going through the rules committee takes a majority vote. Suggests tabling HB 546 and go to rules committee about HB 64.

Rep. Williams moved that the committee go to the rules committee in order to try to get HB 64 back into committee. Could find ourselves in a desperate situation in a year and this would be a cheaper way than having to call ourselves into a special session. Motion succeeded by a roll call vote of 10-7. Reps. Gilligan and Reichert were absent.

Rep. Fagg made a substitute motion HB 546 BE TABLED. There were no Noes. Rep. Gilligan was absent. Motion succeeded.

Rep. Sivertsen asked what the budget of highway department is. Mr. Richards advised the budget is \$214 million. Rep. Sivertsen suggested perhaps there is maybe enough inefficiency in the Highway Department that if they really need this additional monies, there are some areas they can do a better job in and come up with these monies. Rep. Fabrega said that \$214 million has all the federal dollars included in it. Mr. Richards said their general operation of highway department is about \$7 million. The federal match is 9-1, and if money is put into maintenance, present funds would not provide enough money for matching purposes. There is going to be a very significant decline in consumption and a significant decline in revenues. Unless let maintenance go, will have to put 9-1 matching money into maintenance. Did show some of you that the highway department has not had a gas tax increase for the highway department for additional revenues for their programs since 1958. Increases in gas tax have gone to local governments. The 1/4¢ of 1¢ was put on to help payment of maintenance of an additional 330 miles of construction put on. The tax represents about a 1/6 of what is put on at the pump. Today it is 1/10.

Rep. Bertelsen mentioned if they were on a percentage basis and this gas goes up because of a shortage, you would get an additional revenue and could keep on an even basis. Rep. Dozier mentioned smaller cars go further although they use less gas.

HOUSE BILL 429 - Rep. Lien recommended HB 429 be amended. He then moved HB 429 DO PASS AS AMENDED. He moved amendments be adopted. Rep. Sivertsen explained this covers not only aliens, but also qualifying mining companies that buy up a ranch for mining purposes and have a reclamation bond - they would be disallowed.

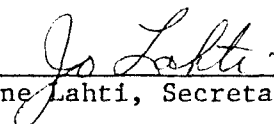
Amendments were adopted with Rep. Nordtvedt voting No. Reps. Robbins, Gilligan absent. Motion HB 429 DO PASS AS AMENDED succeeded. Rep. Nordtvedt voted No; Reps. Gilligan and Robbins and Reichert were absent.

HOUSE BILL 291 - Rep. Lien moved HB 291 BE TABLED. There were no Noes. Reps. Robbins and Fagg were absent.

HOUSE BILL 496 - Rep. Lien moved HB 496 DO PASS. Rep. Lien moved amendments be adopted. Amendment failed on a roll call vote 8-9. Reps. Gilligan and Reichert were absent. HB 496 DO PASS motion succeeded. Rep. Nordtvedt voted No. Reps. Gilligan and Reichert were absent.

A motion by Rep. Nordtvedt to reconsider action taken'on HB 429 was not accepted.

Meeting adjourned at 11:15 a.m.

  
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Josephine Lahti, Secretary

  
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REP. HERB HUENNEKENS, Chairman