

61-E
3/26/79.

HOUSE TAXATION COMMITTEE

46th Legislature

Rep. E.N.Dassinger, Vice-chairman, called the committee to order at 8:30 a.m., March 26, 1979, in room 434, Capitol Building, Helena. Reps. Fabrega, Fagg, Vinger and Williams were absent. Randy McDonald, Staff Attorney was present.

This was an executive session.

HOUSE BILL 321 - Rep. Dassinger explained HB 321 would change exemptions into tax credits. \$44 as a tax credit would make for a zero impact. Everybody would have the same dollar amount of return, whereas with an exemption the person with a bracket return gets more. Rep. Nordtvedt said the philosophy is to take off so much income as is needed for support before arriving at taxable income. Dependents ought to be a credit rather than a deduction.

Rep. Burnett moved that HB 321 DO NOT PASS. Rep. Dassinger voted No. Reps. Fabrega, Fagg, Robbins, Dozier, Harrington, Vinger, Williams were absent. Motion succeeded - DO NOT PASS.

HOUSE BILL 501 - Rep. Sivertsen reported the subcommittee recommended HB 501 DO NOT PASS. HB 501 was to do away with the surtax but not lower the tax itself. It would convert the surtax in with the taxation with the regular brackets except that the way 501 was designed part of the surtax was added into the existing brackets, part of it was added into the bill by adding more brackets and taxing more people at a higher rate. The bill raises the taxation on over \$30,000 up to 18%. Our present highest rate is 11% with a 10% surtax. Motion that HB 501 DO NOT PASS was adopted. Rep. Dassinger voted No. Reps. Fagg, Fabrega, Robbins, (Rep. Williams came in) Dozier were absent.

Rep. Huennekens took over as chairman. Rep. Vinger came in.

HOUSE BILL 151 - Rep. Dassinger moved HB 151 BE TABLED because it has a big fiscal impact. This is a straight repealer of the surtax. Motion was adopted with Reps. Underdal, Burnett, Nordtvedt voting No. Harrington was absent.

HOUSE BILL 221 - HB 221 has a \$2.5 million impact. Provides for a standard deduction equal to 10% of adjusted gross income up to \$500 single, \$1,000 married. Amends to 15% deduction up to \$1,000 single and \$2,000 married filing jointly. Rep. Sivertsen said with the standard deduction, exemption, homestead relief and renter relief act and a compromise bill out of the senate taxation committee would provide \$25 million in tax relief. The exemption bill for \$900 to begin this year that is another \$27 million for a total of about \$53-\$54 million in tax relief.

Rep. Dassinger moved HB 221 DO PASS, saying he thinks most of these bills are going to end up in a conference committee and can better be made at the end of the session rather than now. Rep. Huennekens said if the senate accepts, there will be no conference committee. Rep. Dassinger doesn't think a complete decision should be made at this time. Rep. Sivertsen said he thinks the taxation committee has worked very hard and that this committee should at least maybe recommend to the full House. Thinks we should make a pretty decisive package. Rep. Huennekens agrees that a pretty decisive package should be passed. Rep. Huennekens recommends passing House bills, and if the Senate kills them, can go into special session.

Rep. Dassinger what the amount of money to be spent is. Rep. Sivertsen said \$518 million less \$452 million for HB 483, leaves us \$66 million. \$58 million is necessary to cover a number of spending measures coming up. If we can hold the line, we should have about \$458 million.

Rep. Reichert moved that HB 221 be amended on page 1, line 17, strike \$1,000 insert \$750; page 1, line 19, strike \$2,000, insert \$1,500. Rep. Nordtvedt said out of 345,000 returns filed, 85,000 used the standard deduction. Rep. Vinger asked what would this cost? How many people would use it then? Rep. Nordtvedt advised the department of revenue didn't know how many would use it then. Rep. Burnett said it takes \$18,000 to raise a child - realized we couldn't get that as an exemption. Would oppose any reduction of a \$1,000 exemption.

Motion to amend HB 221 was adopted with Reps. Johnson, Hirsch, Vinger voting No. Reps. Fabrega, and Fagg were absent. Motion carried. Rep. Huennekens said there would be a \$12 million impact because of tax relief changes and would be mostly counties' loss. The state will lose some on the 6-mill levy on the university system.

Rep. Dassinger moved that HB 221 DO PASS, was changed to HB 221 DO PASS AS AMENDED and was adopted unanimously with Reps. Fagg and Fabrega absent.

HOUSE BILL 629 - Rep. Dassinger moved HB 629 BE TABLED. It is a straight repealer on the surtax. Reps. Nordtvedt and Burnett voted No. Reps. Fagg and Fabrega were absent. Motion carried,

HOUSE BILL 256 - This is a sliding scale that would eliminate the surtax over several years. Rep. Huennekens asked for a showing of hands of those interested in favoring a sliding scale. Three hands were raised - interest was very little.

Rep. Dozier mentioned an increase to \$750 would have an \$11 million impact on the general fund. Rep. Lien moved that the committee adopt an \$800 exemption which would have a \$16.6 million impact. Rep. Johnson made a substitute motion that it be \$750 which would have an \$11 million impact. Motion failed 7-9 - 3 absent. Reverted to Rep. Lien's motion to use an \$800 exemption which was adopted with Rep. Burnett voting No - 3 absent.

Rep. Dassinger said the \$1,000 exemption really deals with the top and not the bottom. \$1,000 exemption means a difference the person in the highest bracket is paying. Rep. Johnson feels property tax relief is more beneficial than income tax relief. Rep. Sivertsen said getting back to the Homestead act - it was not a tax break, it was a tax shift. The middle class wage earners are those who are really paying the greater tax in the state.

Rep. Dozier said one of the reasons we see a lot of people objecting to paying their property tax, is that they see it go out in a big chunk. Supports the Homestead tax relief program. Using one tax to give relief to another. A lot of people, especially older persons, don't even pay much income tax but pay a lot of property tax.

Rep. Huennekens since we are going to probably make an adjustment, would suggest that if you promise somebody \$700 and give him \$800, he will feel good. Might be smarter to start low and go up later - \$750 for 1979. The federal code is \$1,000 for taxable years after 1978.

Rep. Nordtvedt made a substitute motion to use the figure of \$850 which would have an impact of \$21,800,000.

Rep. Gilligan moved HB 256 DO NOT PASS. There were no Noes. Reps. Fagg, Fabrega, Harrington were absent.

HOUSE BILL 287 - Rep. Gilligan thinks HB 287, which is Rep. Huenneken's bill, should be adopted. Rep. Dassinger recommended this bill because he thinks Rep. Huennekens could carry it best on the floor.

Rep. Robbins moved HB 287 DO PASS. Rep. Robbins then moved amendments which were unanimously adopted - 4 members were absent, Reps. Harrington, Sivertsen, Fagg, Fabrega.

HOUSE BILL 11 - Rep. Lien moved HB 11 DO NOT PASS. Rep. Dassinger moved a substitute motion TO TABLE HB 11 - motion fails 3-13. Motion to DO NOT PASS was adopted with no Noes.

HOUSE BILL 303 - Rep. Nordtvedt moved HB 303 DO PASS with an effective date of January 1, 1981, which means we would use base year for purposes of year 1980 tax system and CPI. Motion to amend to 1980 adopted with no Noes.

Rep. Sivertsen said growth of government has to be based on something and haven't taken into consideration how long the people can afford to bear the burden. Rep. Huennekens said he has reservations about using CPI in Montana. Economists agree which will be approximately correct - the actual level may not be in line but an increase in the CPI will be in the area, but it won't give a definite figure.

Rep. Williams said there are 70,000,000 retired people in the U.S. right now. They have no way of bringing it down. The one whose income is going up will be reduced. Rep. Nordtvedt said the social security payment is adjusted every year for payment - this makes for indexing. Rep. Williams said social security is a small portion of retired persons' income. Rep. Hirsch doesn't favor constitutional approach to limiting growth. Rep. Dassinger doesn't approve of putting a restriction on future legislatures with indexing.

Motion that HB 303 DO PASS AS AMENDED, was adopted with Rep. Dassinger voting No.

HOUSE BILL 64 - Rep. Reichert said she would support HB 64. Rep. Williams thinks it will avoid a special session. Rep. Gilligan asked how many gallons will Montana lose if rationing goes into effect? Ron Richards, highway department, thought 2 gals per day per vehicle perhaps would be the rationing figure. Rep. Gilligan feels that we need motor vehicle transportation, but can't in all honesty support this bill. Rep. Vinger agrees with Rep. Gilligan - feels this will not get out of hand in two years. Rep. Bertelsen said this has been on the books but was not put into effect.

Rep. Dassinger moved to add amendments back into the bill, one of which was to use a 5% increment instead of what the bill originally stated and raise to 1 1/2¢ per gallon. Want to add onto the bill the wording as stated in the department of revenue documents to the governor that if gasoline consumption has been reduced by 5% or more, tax would be decreased by 1 1/2¢ per gallon, but not less than 10¢ per gallon. Based upon this documentation the governor may authorize both departments to proceed with imposition of the additional tax. That would give a check on documentation and by the governor who is an elected person.

Rep. Sivertsen asked what base period is being used. Randy McDonald, staff attorney, said these amendments are the same with the extra amendment that the governor can implement procedure to put the extra tax into effect.

Rep. Robbins moved HB 64 DO PASS AS AMENDED. Roll call vote showed 8-8 tie vote. Reps. Fagg, Fabrega, Harrington were absent. Would leave committee with no recommendation.

HOUSE BILL 512 - Rep. Dassinger moved HB 512 DO PASS. He then moved amendment on page 2, line 16 be adopted. Amendments were adopted with no Noes. He moved an amendment on page 3, line 12. This amendment was adopted with Reps. Nordtvedt, Bertelsen and Underdal voting No. Reps. Burnett, Fagg, Fabrega, Harrington were absent. Rep. Huennekens mentioned there seems to be no procedural way of limiting growth of government at the moment.

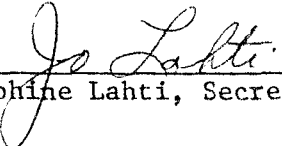
Motion of DO PASS HB 512 was adopted with Rep. Vinger voting No.

HOUSE BILL 844 - Rep. Dozier moved that the Statement of Intent on HB 844 be adopted. There were no Noes.

Meeting adjourned at 11:00 a.m.



REP. HERB HUENNEKENS, Chairman



Josephine Lahti, Secretary