

MINUTES OF THE MEETING  
TAXATION COMMITTEE  
MONTANA STATE SENATE

January 29, 1979

The thirteenth meeting of the committee was called to order on the above date in Room 415 of the State Capital Building by Chairman Turnage.

ROLL CALL: Roll call found all of the members present.

Witnesses giving testimony are listed on attached Register.

CONSIDERATION OF SENATE BILL 195: Sen. Lowe said criteria of industrial development bonds in that section of the law, is that it provides that counties and municipalities give tax incentives to industries and business for fiscal plant operations through issuance of such bonds. The intent of the law, Sen. Lowe said, is to encourage development, but he now feels such projects are getting out of hand. He felt counties and municipalities should be given some guide lines, in the public interest, in order that they can turn down some applications.

Following his presentation Chairman Turnage asked for additional testimony from the proponents and then, from the opponents. There were no other witnesses and members were able to question Sen. Lowe next. Sen. Lowe said it was not the intent, after questioning, to inhibit competition with this legislation. After further questioning, discussion on SB195 was closed.

CONSIDERATION OF SENATE BILL 167: Sen. Smith presented this bill and said it would raise personal exemption for state income tax to \$1000 from \$650. He said he felt that overspending by the state agencies was not necessary and he believed the people of Montana deserved this increased exemption. He said he felt many state agencies were ignoring legislative dictates, and he believed that unless some break in tax is forthcoming, the state of Montana could find in itself in the same situation as California, where people rejected much of state taxes. He distributed Exh. #1, a and b, which showed a chart that traced climb in state expenditures as well as personal incomes over the past several years, but said the expenditures were increasing at much larger rate than the income.

Rep. Keyser also spoke on the bill and said the impact of this proposal would probably run about \$17 to \$19 million. He distributed an amendment, Exh. #2. Mr. Nelson spoke and said his association had conducted a membership survey which indicated 90% of those surveyed believed income taxes were too high. Ms. Fallan also favored the bill, quoting results of a survey which supported such beliefs by an 89% majority. Rep. Nordtvedt also spoke as a proponent.

Chairman Turnage asked for other proponents and there being none, called for opponents. Mr. Groff said he was neutral, but he disagreed with the Fiscal Note on the bill. He said he would like to have a committee meet with the Department and Mr. LaFaver, Fis-

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cal Analyst. He felt the cost to the state would be more like \$38 million, figuring each return in the state averaging approximately \$5,240 and average tax due of \$17.50. Mr. Fitzpatrick next spoke and said there would be a probable revenue loss of \$38 million, this loss having a significant impact on the state government. He distributed Exh. #3 showing how such an amount would affect state government.

Sen. Smith was allowed to close and said he would have no objection to meeting with Mr. LaFaver. He also mentioned several specific places where budget money could be saved in an effort to make up for the loss to state revenue should this legislation be passed.

There followed discussion by the committee and the subject was raised that some sort of a lid should be put on government spending. Question was asked about a 10% personnel cut and too, members asked Mr. Fitzpatrick why, when economy was mentioned, did state officials automatically mention closing Western (Montana College at Dillon.) Mr. Fitzpatrick responded that there were essential areas in which cuts would have to be made and although some agencies would not be seriously affected, some of the smaller agencies would feel quite . . severely such cuts. In answer to a question, he said Highway and Fish and Game both operate with ear marked revenue funds so they would not be affected by cuts. Rep. Nordtvedt also contributed information that the recommended cut would be about \$26 million for a year and a half, with the proposed amendment.

It was also mentioned that the Governor had appeared before the Finance Committee in October and said his recommendation would be to hold the spending level to the last biennium. The question was raised if such a budget had been prepared, if the level of spending equaled the last biennium. Mr. Fitzpatrick said some of the increase was simply inflationary, and some was due to the Homestead Tax Relief act.

Sen. Norman asked if some of the committee could meet with Mr. Fitzpatrick or others and come back with more accurate figures on the cost cut they were discussing. The Chairman then asked Senators Norman, Towe, Roskie and Goodover to get together with Sen. Smith to obtain added information on the impact of this legislation. Rep. Keyser and Nordtvedt will also meet with the above group, Sen. Goodover to serve as Chairman. This closed hearing on SB 167.

The Chairman then asked the members to again review SB162 and 163, heard Saturday. Sen. McCallum Moved to Adopt Amendments, as attached. Motion Carried.

Sen. Goodover then Moved SB162, As Amended, Do Pass. The motion carried. It was noted for the record "No" votes were cast by Senators Towe, Watt and Norman.

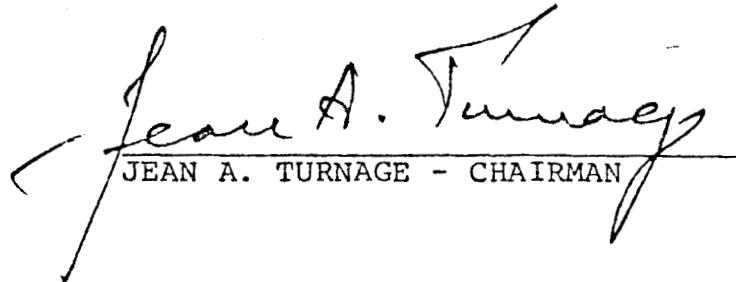
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The committee then discussed SB163 again and the amendments proffered by the bill's sponsor were looked over and accepted.

Sen. McCallum Moved the Amendments to SB163, on Exh. #3 of January 27th meeting, Be Adopted. His motion carried.

Sen. Goodover then Moved SB163 As Amended, Do Pass. A roll call vote was taken which resulted in the motion being carried 9-3; copy of this vote is attached. They also made the motion to add an Effective Date, included in the Amendment motion.

Following this discussion, meeting was adjourned.

  
JEAN A. TURNAGE - CHAIRMAN

Date Jan. 29, 1971

ROLL CALL.

SENATE TAXATION COMMITTEE

46th LEGISLATIVE SESSION - 1979

Each Day Attach to Minutes.

SEIU  
BALL

COMMITTEE ON

## TAXATION

DATE JAN-29-1979

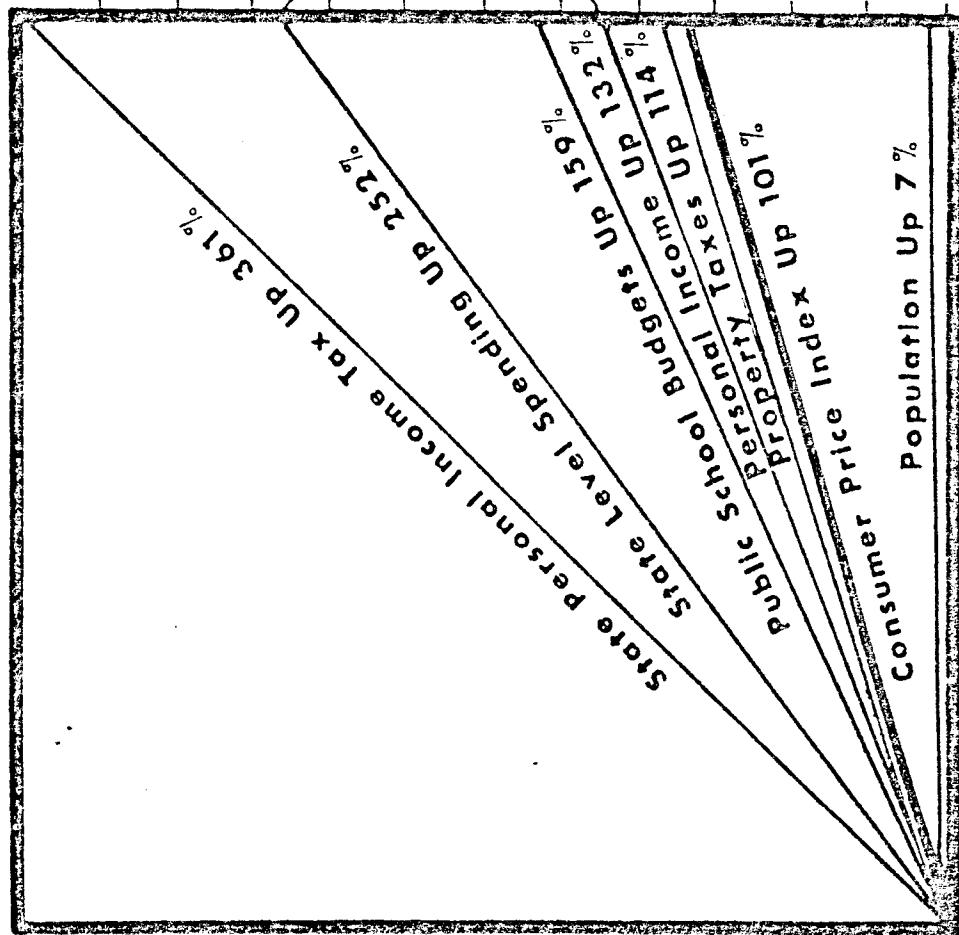
167-195

VISITORS' REGISTER

Montana adjusted Gross Income		279.00 this bill nearly a 30% reduction	
1978 TAX YEAR (ASSUMPTIONS - FOUR EXEMPTIONS JOINT RETURN) STANDARD DEDUCTION)		5,000 10,000 15,000 20,000 25,000 30,000 35,000 40,000 45,000	
5,000	10,000	15,000	20,000
500	1,000	1,000	1,000
2,600	2,600	2,600	2,600
6,400	11,400	16,400	21,400
			26,400
			31,400
			36,400
			31,400
			36,400
			41,400
			41,400
			45,000
Montana adjusted Gross Income		Less: Standard Deduction Exception Deduction Taxable Income	
47	254	602	1,025
5	25	60	103
52	279	662	1,129
			1,639
			2,182
			2,182
			2,722
			2,722
			3,204
			3,204
			3,962
Current Law		3,554	
Tax			3,004
10% Surcharge			300
Total Tax			300
			355
Option 1: Eliminate Surcharge		3,554	
Tax			3,004
Tax Savings			325
% of Adjusted Gross			.79
			.79
Option 2: Increase Exemption Deduction to 1,000		3,554	
Exemption Deduction Increase			3,554
Taxable Income			3,554
Tax			3,554
10% Surcharge			3,554
Total Tax			3,554
Tax Savings			3,554
% of Adjusted Gross			3,554
			3,554
Option 3: Eliminate Surcharge and Increase Exemption Deduction		500	
Combined Tax Savings			500
% of Adjusted Gross			1.13
			1.13

## Montana - State & Local Spending

Outstrips Inflation Percent Increase  
360 %



Personal up - 132  
State spending up - almost - double.

1967 8914  
1978 14847 projected

not included there  
Contracted

Just 11 years later.  
417 m + 14 m. supplemental.

1967 126.5 M  
First year  
Second in sequence

*E.H.A.*

Proposed amendments to Senate Bill 167

Strike 1978 and insert 1979 on the following lines

15 -19- page 1

1-5-13 -17 page 2

10 page 3

9 page 7

EXECUTIVE BUDGET 1981 BIENNIAL GENERAL FUND

APPROPRIATIONS TO SELECTED STATE AGENCIES

<u>EDUCATION</u>	<u>INSTITUTIONS</u>	<u>OTHER STATE AGENCIES</u>
Montana Tech	\$ 5,677,709	\$ 3,107,395
Eastern Montana College	9,581,706	939,131
Western Montana College	3,325,827	5,922,656
Northern Montana College	4,852,211	2,164,600
Coop. Extension Service	2,356,211	3,864,921
Forest & Cons. Ext. Service	576,929	1,119,967
	<u>\$26,370,593</u>	<u>352,936</u>
		<u>10,364,262</u>
		<u>\$27,835,868</u>
<u>INSTITUTIONS</u>		
Center for the Aged		Public Service Regulation
Eastmont Training Center		Health
Galen State Hospital		Lands
Mountain View School		Livestock
Pine Hills School		Natural Resources
Swan River Y. F. Camp		Agriculture
Veterans Home		Business Regulation
State Prison		Military Affairs
		Labor and Industry
		Arts Council
		Historical Society
		Library Commission
		<u>\$28,672,231</u>

SENATE COMMITTEE TAXATIONDate 1/29/79 SEN Bill No. 162 Time 9:10

NAME	YES	NO
SEN. GOODOVER (Vice Chairman)		
SEN. BROWN		
SEN. HAGER		
SEN. MANLEY		
SEN. MANNING		
SEN. MCCOLLUM		
SEN. NORMAN		✓
SEN. ROSKIE		
SEN. SEVERSON		
SEN. TOWE		✓
SEN. WATT		✓
CHAIRMAN TURNAGE		

Nita Fjoseeth  
SecretaryJean A. Turnage  
ChairmanMotion: Move SB 162  
AS AMENDED - (EXH # 2 o/p 1/27/  
DO PASS

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

SENATE COMMITTEE TAXATIONDate 1/29/64 SEN Bill No. 163 Time 9:20

NAME	YES	NO
SEN. GOODOVER (Vice Chairman)	✓	
SEN. BROWN	✓	
SEN. HAGER	✓	
SEN. MANLEY	✓	
SEN. MANNING	✓	
SEN. MCCOLLUM	✓	
SEN. NORMAN		✓
SEN. ROSKIE	✓	
SEN. SEVERSON	✓	
SEN. TOWE		✓
SEN. WATT		✓
CHAIRMAN TURNAGE	✓	

9 3

Nita Fjeseth  
SecretaryJean A. Turnage  
ChairmanMotion: SB 163Amend. 8 - Eng. # 3 - 1-274  
Do Pass

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

# STANDING COMMITTEE REPORT

.....January 29, 1979.....

MR. President.....

We, your committee on..... **Taxation**.....

having had under consideration.....

**Senate**..... Bill No. **162**

Respectfully report as follows: That..... **Senate**..... Bill No. **162**,

introduced bill, be amended as follows:

1. Page 1, line 14.

Following: "as"

Strike: "defined"

Insert: "estimated"

2. Page 2, line 5.

Following: "services;"

Strike: remainder of line 5 in its entirety

Insert: "payments from endowments, constitutional trusts, and pensions;  
proceeds from gifts and"

*Note ↑  
this  
amendment.*

And, as so amended,

DO PASS

*PA.*

"JEAN A. TURNAGE"

Chairman.

# STANDING COMMITTEE REPORT

January 29, 1979

MR. President.....

We, your committee on ..... **Taxation** .....

having had under consideration ..... **Senate** ..... Bill No. **163** .....

Respectfully report as follows: That ..... **Senate** ..... Bill No. **163**,  
introduced bill, be amended as follows:

1. Page 1, line 25.

Following: "(c)"

Strike: "payments"

Insert: "money paid"

Following: "disability"

Strike: "insurance"

Insert: "benefits"

2. Page 2, line 4.

Following: "money"

Strike: "received"

Insert: "paid"

Following: "endowments,"

Insert: "constitutional"

3. Page 2, line 13.

Following: "as"

Strike: "defined"

QK:RAKX Insert: "estimated"

CONTINUED

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Page 2 Senate Bill 163 Taxation Committee

4. Page 2, line 18.

Following: "annual"

Insert: "estimated"

5. Page 2, following line 20.

Insert: "(2) In calculating the limitation provided in (1) of this section, average annual estimated total personal income in the state during the 3 calendar years prior to the convening of a session of the legislature shall be determined using the most recent estimates available from the United States department of commerce as of October preceding the convening of the appropriating legislature.

Renumber: subsequent subsections

6. Page 4, line 15.

Following: line 14

Strike: "January 1"

Insert: "July 1"

And, as so amended,

DO PASS

J.A.

JEAN A. TURNAGE - CHAIRMAN