

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-

Jan. 29, 1979

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 earmarked 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.

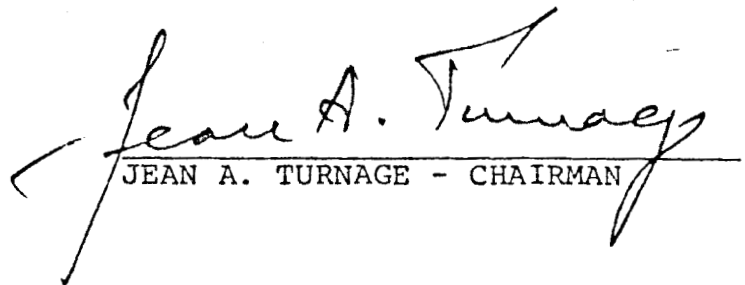
Sen. Goodover then Moved SB162, As Amended, Do Pass. The motion carried. It was noted for the record "No" votes were cast by Senators Towe, Watt and Norman.

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, 1979

ROLL CALL

SENATE TAXATION COMMITTEE

46th LEGISLATIVE SESSION - 1979

| NAME | PRESENT | ABSENT | EXCUSED |
|-------------------------------|---------|--------|---------|
| 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 | ✓ | | |
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Each Day Attach to Minutes.

SEN
BALL

DATE JAN-29-1979

COMMITTEE ON TAXATION

167-195

VISITORS' REGISTER

| NAME | | REPRESENTING | BILL # | Check One | |
|-------------------|---|-------------------------|--------|-----------|------|
| | | | | Support | Oppo |
| | ✓ | Mont. Chamber | 167 | ✓ | |
| Ed Nelson | ✓ | Mont. Taxpayers Assoc. | 167 | ✓ | |
| Bill Lull | ✓ | Dept of Revenue | | | |
| John Fitchpatrick | ✓ | Off. of Budget Planning | | | |
| Ken Knutsvold | ✓ | HD 77 | | | |
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(Please leave prepared statement with Secretary)

Friday 17 4 10,000 - 44%

279.00
81.00
198.00
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 |
|-----------------------------------|-------|--------|--------|--------|--------|--------|--------|--------|--------|
| Montana Adjusted Gross Income | | | | | | | | | |
| Less: | | | | | | | | | |
| Standard Deduction | 500 | 1,000 | 1,000 | 1,000 | 1,000 | 1,000 | 1,000 | 1,000 | 1,000 |
| Exemption Deduction | 2,600 | 2,600 | 2,600 | 2,600 | 2,600 | 2,600 | 2,600 | 2,600 | 2,600 |
| Taxable Income | 1,900 | 6,400 | 11,400 | 16,400 | 21,400 | 26,400 | 31,400 | 36,400 | 41,400 |
| Current Law | 47 | 254 | 602 | 1,026 | 1,490 | 1,990 | 2,490 | 3,004 | 3,554 |
| Tax | 5 | 25 | 60 | 103 | 149 | 199 | 249 | 300 | 355 |
| 10% Surcharge | 52 | 279 | 662 | 1,129 | 1,639 | 2,189 | 2,729 | 3,304 | 3,902 |
| Total Tax | | | | | | | | | |
| Option 1: Eliminate Surcharge | 47 | 254 | 602 | 1,026 | 1,490 | 1,990 | 2,490 | 3,004 | 3,554 |
| Tax | 5 | 25 | 60 | 103 | 149 | 199 | 249 | 300 | 355 |
| Tax Savings | .1 | .25 | .4 | .5 | .59 | .66 | .71 | .75 | .79 |
| % of Adjusted Gross | | | | | | | | | |
| Option 2: Increase Exemption | 1,400 | 1,400 | 1,400 | 1,400 | 1,400 | 1,400 | 1,400 | 1,400 | 1,400 |
| Deduction to 1,000 | 500 | 5,000 | 10,000 | 15,000 | 20,000 | 25,000 | 30,000 | 35,000 | 40,000 |
| Exemption Deduction Increase | 10 | 180 | 490 | 900 | 1,350 | 1,850 | 2,350 | 2,850 | 3,400 |
| Taxable Income | 1 | 18 | 49 | 90 | 135 | 185 | 235 | 285 | 340 |
| Tax | 11 | 198 | 539 | 990 | 1,485 | 2,035 | 2,585 | 3,135 | 3,740 |
| 10% Surcharge | 41 | 81 | 121 | 139 | 154 | 154 | 154 | 169 | 169 |
| Total Tax | 82 | 81 | 82 | 69 | 62 | 51 | 44 | 42 | 38 |
| Tax Savings | | | | | | | | | |
| % of Adjusted Gross | | | | | | | | | |
| Option 3: Eliminate Surcharge and | | | | | | | | | |
| Increase Exemption Deduction | 42 | 99 | 172 | 229 | 289 | 339 | 389 | 454 | 509 |
| Combined Tax Savings | .84 | .99 | 1.15 | 1.15 | 1.16 | 1.11 | 1.11 | 1.14 | 1.13 |
| % of Adjusted Gross | | | | | | | | | |

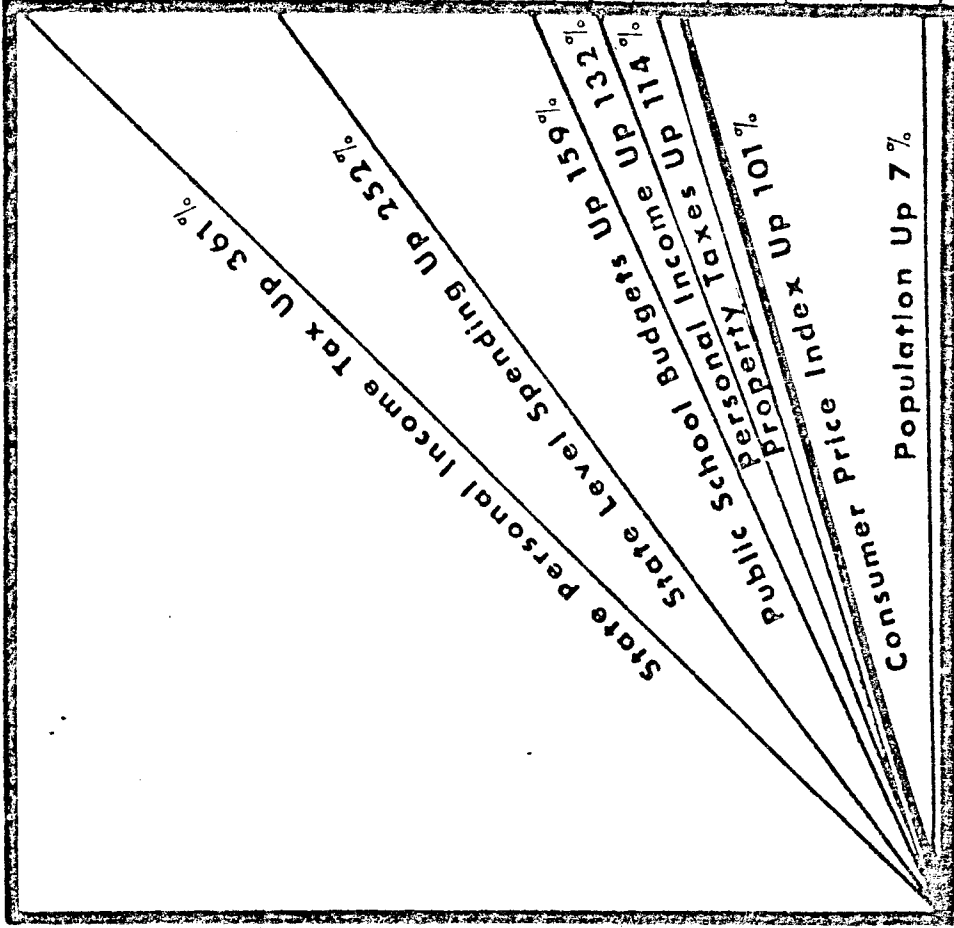
Option 3: Eliminate Surcharge and Increase Exemption Deduction Combined Tax Savings % of Adjusted Gross

Prepared by Galusha, Higgins and Galusha, CPA's, Helena, Montana using the facts assumed above and 1978 prevailing rates.

Montana - State & Local Spending

Outstrips Inflation

Percent Increase
360% ✓



Personal up - A32

State Spending up. ✓

Almost - double.

120 No. State Employees.
1907 8914

1978. 14847 projected
60

not included those
Contracted

1967 126.5 M

First year
Second Legislature

1978

417M + 14M. Supplemental.

Just 11 years later.

E.H.H.

Proposed ammendments 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 BIENNIUM GENERAL FUND

APPROPRIATIONS TO SELECTED STATE AGENCIES

Page 44 of 53

| <u>EDUCATION</u> | | <u>INSTITUTIONS</u> | | <u>OTHER STATE AGENCIES</u> | |
|-----------------------------|---------------------|--------------------------|---------------------|-----------------------------|---------------------|
| Montana Tech | \$ 5,677,709 | Center for the Aged | \$ 3,107,395 | Public Service Regulation | \$ 1,730,862 |
| Eastern Montana College | 9,581,706 | Eastmont Training Center | 939,131 | Health | 5,648,345 |
| Western Montana College | 3,325,827 | Galen State Hospital | 5,922,656 | Lands | 2,325,199 |
| Northern Montana College | 4,852,211 | Mountain View School | 2,164,600 | Livestock | 1,028,269 |
| Coop. Extension Service | 2,356,211 | Pine Hills School | 3,864,921 | Natural Resources | 10,227,064 |
| Forest & Cons. Ext. Service | 576,929 | Swan River Y. F. Camp | 1,119,967 | Agriculture | 1,550,493 |
| | <u>576,929</u> | Veterans Home | 352,936 | Business Regulation | 1,745,218 |
| | <u>\$26,370,593</u> | State Prison | 10,364,262 | Military Affairs | 1,532,439 |
| | | | <u>\$27,835,868</u> | Labor and Industry | 1,175,736 |
| | | | | Arts Council | 132,705 |
| | | | | Historical Society | 872,077 |
| | | | | Library Commission | 703,824 |
| | | | | | <u>\$28,672,231</u> |

SENATE COMMITTEE TAXATION

Date 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 Fjeseth
Secretary

Jean A. Turnage
Chairman

Motion: Move SB 162
AS AMENDED - (EXH # 2 of 1/27)
DO PASS

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

SENATE COMMITTEE TAXATION

Date 1/29/16 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
Secretary

Jean A. Turnage
Chairman

Motion: SB 163
As Amended - Encl. # 3 - 1-27-16
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
amend.*

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"
~~GGKASX~~ Insert: "estimated"

CONTINUED

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

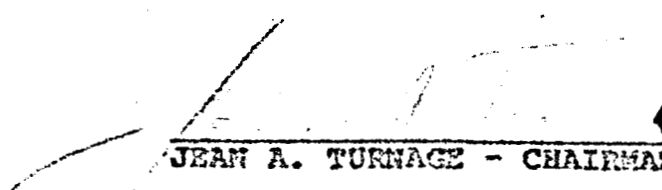
Strike: "January 1"

Insert: "July 1"

And, as so amended,

DO PASS

O.A.


JEAN A. TURNAGE - CHAIRMAN