

MINUTES OF THE MEETING
TAXATION COMMITTEE
MONTANA STATE SENATE

January 31, 1979

The fifteenth meeting of the committee was held on the above date in Room 415 of the State Capitol Building, Chairman Turnage presiding.

ROLL CALL: All members were present with the exception of Senator Towe, who was excused.

Witnesses who gave testimony are listed on attached Register.

CONSIDERATION OF SENATE BILL 253: Sen. Lowe turned the presentation of this bill over to Mr. Harrison, who spoke on behalf of D.A. Davidson Co., regarding this bill. He said the amendment in this bill would allow county water and sewer district bonds to bear 7% interest and permit maximum rate for other types of local government bonds at 9%.

Witnesses were given opportunity to appear on the bill, and following, questions were asked by the members. Chairman Turnage asked about the amendatory language in the 7% category and what % is in the 9% category. Mr. Harrison said he would check further in this regard, and report back to the committee.

CONSIDERATION OF SENATE BILL 254: Sen. Lowe said this bill provides that unemployment benefits be included in the individual's gross income in computing their state tax. He suggested a maximum of \$10,000 yearly income as a ceiling, and when the individual's income reached that amount he would be required to list unemployment benefits. He said the Federal law states the benefits must be declared if the yearly income is \$20,000 single or \$25,000 joint, and thought Montana should have some maximum as well. He cited cases where one of the spouses earned large salaries and the other spouse could collect benefits, bringing their combined incomes well over the ceilings. He continued, saying since \$6,500 is average state income, he did not feel the \$10,000 ceiling was unfair for this state.

Mr. Nelson appeared as a proponent also, and said the present unemployment rate of 3.1% is still not putting enough money back into the unemployment fund and thought this legislation might help this situation. During the ensuing discussion Senator Lowe said the moneys in additional revenue would not go directly back to the unemployment fund as he felt that would be a complicated and costly procedure. Instead, he felt this would cut down on the claims of the unemployed, thus helping maintain a balance. He was questioned too, regarding the present status of the unemployment fund. Members noted statute copy, Exh. #1.

CONSIDERATION OF SENATE BILL 234, 235 and 236: Sen. McCallum said his bills came about because some local governments don't have authority to raise the mill levies. They have to state the specific purpose for which the raise is intended, approximate number

of mills and conditions for advertising the elections. Senator McCallum said perhaps SB235 could be amended to include the changes proposed in 234 and 236, and he introduced an amendment, see Exh. #2, attached, to change the municipality to "local government."

Mr. Nelson again testified saying he thought this bill might be a way to assist local governments in having some flexibility and yet give the people some voice on how far the local governments can go. He also gave some examples on General Fund millage variances, illustrating how varied are the needs of local governments as far as Gen. Fund mill levy requirements are concerned. Mr. Zinnecker referred to SB234 and stated he supported this as a means to level the needs of local governments. Mr. Mizner also testified on behalf of the bill and asked for clarification of the length of time of the millage, as it would make a large difference in the length of time the levy would be in effect; Sen. McCallum said this levy would run for one year.

Following this discussion Chairman Turnage asked Mr. Mizner to meet with Researcher Terry Cohea to work out some ways to amend the bills.

The hearing on Senator McCallum's bills was closed.

CONSIDERATION OF SENATE BILL 220: Sen. Turnage asked Vice Chairman Goodover to preside during the presentation of this bill. Sen. Turnage then said this bill is to address the problems currently facing the State Tax Appeals Board. The problem will increase in the future as the appeal notices and classification notices are sent out. He said presently all three members of the STAB sit on a hearing when an appeal arrives, most of which come out of local appeal boards. He said the volume of appeals is increasing and the board has a backlog of appeals. He introduced Helen Peterson of the STAB, Chairman, who further explained the proposed legislation. She said the Board had a total of 1,380 tax appeals and 717 of these cases had been heard since 1st of July and the Hearings Officer asked for in SB220 could assist with some of this backlog of appeals. County Tax Appeal Boards sit for limited time, the Chairman said, and often the appeals are not heard in time for the individual to appeal his taxes as appraisals are often late. Therefore, she believed a Hearings Officer could hear the appeal, send the findings to Helena for the STAB to hear, and they could then make their determination on the basis of that hearing. She also said it should be written into the bill that the Hearings Officer could be used only if the STAB had a backlog, and only if the CTAB could not hear the appeal.

Following the presentation a number of questions were asked by the committee including possibilities of increasing length of time the CTAB's sit, possibility of another STAB in the other end of the state. Questions also raised about qualification of the Hearings Officer and number of backlog cases before that officer could be called in. Ms. Peterson stated only about 20% of the appeals that go to the CTAB go on to the STAB. She said the primary reason for this bill was that local governments often get in

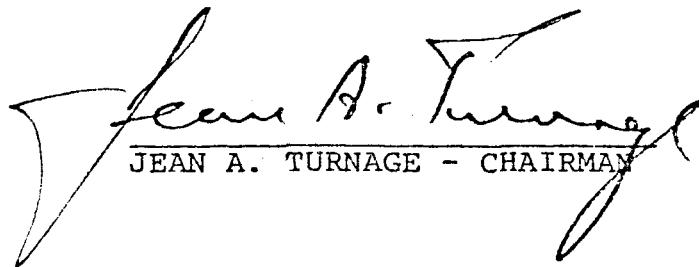
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trouble because reappraisals are late, consequently appeals are filed late and revenues then to that local government are also being held up for appeal decision.

Ms. Peterson said the problem is mainly in the larger counties, Yellowstone, Silver Bow and Missoula.

After the discussion Chairman Turnage asked Ms. Peterson if she and Researcher Cohea could get together and come up with some recommendations for qualifications of a Hearing Officer, also approximate costs of another STAB and increase in salaries of members of the County boards.

Meeting was then adjourned.



JEAN A. TURNAGE - CHAIRMAN

Date 1-31-79

ROLL CALL.

SENATE TAXATION COMMITTEE

46th LEGISLATIVE SESSION - 1979

Each Day Attach to Minutes.

DATE JAN 31- 1979

COMMITTEE ON

TAXATION

15 220 - 234-235-236 - 253.254

VISITORS' REGISTER

Schedule B—Itemized Deductions; Etc.

SEC. 111. REPEAL OF DEDUCTION FOR STATE AND LOCAL TAXES ON GASOLINE AND OTHER MOTOR FUELS.

(a) **EXEMPT.**—Paragraph (5) of section 164(a) (relating to deduction for taxes) is hereby repealed.

(b) **CONFORMING AMENDMENTS.**—

(1) The heading of paragraph (5) of section 164(b) is amended by striking out "AND GASOLINE TAXES".

(2) The text of such paragraph (5) is amended by striking out "or of any tax on the sale of gasoline, diesel fuel, or other motor fuel".

(c) **EFFECTIVE DATE.**—The amendments made by this section shall apply to taxable years beginning after December 31, 1978.

SEC. 112. TAXATION OF UNEMPLOYMENT COMPENSATION BENEFITS AT CERTAIN INCOME LEVELS.

(a) **INCLUSION IN GROSS INCOME.**—Part II of subchapter B of chapter 1 (relating to amounts specifically included in gross income) is amended by adding at the end thereof the following new section:

"SEC. 55. UNEMPLOYMENT COMPENSATION.

"(a) **IN GENERAL.**—If the sum for the taxable year of the adjusted gross income of the taxpayer (determined without regard to this section and without regard to section 105(d)) and the unemployment compensation exceeds the base amount, gross income for the taxable year includes unemployment compensation in an amount equal to the lesser of—

"(1) one-half of the amount of the excess of such sum over the base amount, or

"(2) the amount of the unemployment compensation.

"(b) **BASE AMOUNT DEFINED.**—For purposes of this section, the term "base amount" means—

"(1) except as provided in paragraphs (2) and (3), \$20,000,

"(2) \$25,000, in the case of a joint return under section 6013, or

"(3) zero, in the case of a taxpayer who—

"(A) is married at the close of the taxable year (within the meaning of section 143) but does not file a joint return for such year, and

"(B) does not live apart from his spouse at all times during the taxable year.

"(c) **UNEMPLOYMENT COMPENSATION DEFINED.**—For purposes of this section, the term "unemployment compensation" means any amount received under a law of the United States or of a State which is in the nature of unemployment compensation."

(b) **REPORTING OF UNEMPLOYMENT COMPENSATION PAYMENTS.**—Subpart B of part III of subchapter A of chapter 61 (relating to information concerning transactions with other persons) is amended by adding at the end thereof the following new section:

"SEC. 5501. REPORTS RELATING TO UNEMPLOYMENT COMPENSATION.

"(a) **Requirement of Reporting.**—Every person who makes payments of unemployment compensation aggregating \$10 or more to any individual during any calendar year shall make a return according to the form or regulations prescribed by the Secretary, setting forth the aggregate amounts of such payments and the name and address of the individual to whom paid.

"(b) STATEMENT TO BE FURNISHED TO INDIVIDUALS WITH RESPECT TO WHOM INFORMATION IS FURNISHED.—Every person making a return under subsection (a) shall furnish to each individual whose name is set forth in such return a written statement showing—

"(1) the name and address of the person making such return, and

"(2) the aggregate amount of payments to the individual as shown on such return.

The written statement required under the preceding sentence shall be furnished to the individual on or before January 31 of the year following the calendar year for which the return under subsection (a) was made. No statement shall be required to be furnished to any individual under this subsection if the aggregate amount of payments to such individual shown on the return made under subsection (a) is less than \$10.

"(c) DEFINITIONS.—For purposes of this section—

"(1) UNEMPLOYMENT COMPENSATION.—The term 'unemployment compensation' has the meaning given to such term by section 85(c).

"(2) PERSON.—The term 'person' means the officer or employee having control of the payment of the unemployment compensation, or the person appropriately designated for purposes of this section."

(c) CLERICAL AMENDMENTS.—

(1) The table of sections for part II of subchapter B of chapter 1 is amended by adding at the end thereof the following new item:

"Sec. 85. Unemployment compensation."

(2) The table of sections for subpart B of part III of subchapter A of chapter 61 is amended by adding at the end thereof the following new item:

"Sec. 6010B. Returns relating to unemployment compensation."

(d) EFFECTIVE DATE.—The amendments made by this section shall apply to payments of unemployment compensation made after December 31, 1978, in taxable years ending after such date.

SEC. 113. REPEAL OF DEDUCTION FOR POLITICAL CONTRIBUTIONS; INCREASE IN CREDIT.

(a) REPEAL OF DEDUCTION.—

(1) REPEAL.—Section 218 (relating to deduction for contributions to candidates for public office and newsletter funds) is hereby repealed.

(2) CONFORMING AMENDMENTS.—

(A) The table of sections for part VII of subchapter B of chapter 1 (relating to additional itemized deductions for individuals) is amended by striking out the item relating to section 218.

(B) Section 642 (relating to special rules for credits and deductions of estates and trusts) is amended by striking out subsection (i) and by redesignating subsections (j) and (k) as subsections (i) and (j), respectively.

(c) INCREASE IN AMOUNT OF CREDIT.—Paragraph (1) of section 41(b) (relating to maximum credit) is amended by striking out "\$25" and "\$50" and inserting in lieu thereof "\$50" and "\$100", respectively.

(d) EFFECTIVE DATE.—The amendments made by this section shall apply with respect to contributions the payment of which is made after December 31, 1978, in taxable years beginning after such date.

Exhibit 2

Proposed amendments to Senate Bill 235

1. Amend Title, line 5.

Following: "A"

Strike: "MUNICIPALITY"

Insert: "LOCAL GOVERNMENT"

2. Page 2, line 2.

Following: "of"

Strike: "municipal"

Insert: "local"

3. Page 3, line 9.

Following: "the"

Strike: "municipality"

Insert: "local government"

4. Page 3, line 11.

Following: "the"

Strike: "municipality"

Insert: "local government"

5. Page 3, line 19.

Following: "the"

Strike: "city (or town)"

Insert: "local"

6. Page 4, line 7.

Following: "town"

Strike: "municipal"

Insert: "local government"

7. Page 4, line 17.

Strike: "municipality"

Insert: "local government"

George McCallum