

MINUTES OF THE MEETING  
TAXATION COMMITTEE  
MONTANA STATE SENATE

February 5, 1979

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

ROLL CALL: Roll call found all members present with the exception of Sen. Hager, who was excused.

CONSIDERATION OF SENATE BILL 231: Senator Regan said the aim of the bill is to shield the low-income elderly from the property tax. She said the middle and upper income groups receive tax relief, and this group, which needs the relief more, receives none. Sen. Regan said she had no other proponents but expressed the hope that the committee would look over the bill with the possibility of making it a committee bill, non-partisan. She said it does not affect local property mill levies for schools or local governments.

Chairman Turnage called for other proponents or opponents and there being none, said the committee could discuss the bill and ask questions during an executive session.

CONSIDERATION OF SENATE BILL 240: Senator Towe traced a brief history of his 'piggy-back' state income tax bill and said it had been supported by both political parties in the past, but at different times. He said he believed in the idea of the bill, taking a percentage of the Federal income tax, in this bill 27.5% as the state income tax, permitted certain Montana deductions. He said by adopting the Federal system we eliminate the need to change present forms. He also said the statutes can be changed to reduce revenue or change percentage higher, if necessary. It could also go through the Revenue Oversight Committee, he thought, for them to check it more thoroughly. He explained the 'split-income' aspect of the bill, stating the bill would favor a couple with just one of the spouses working.

Senator Himsel, one of the co-signers of the bill, also presented some supporting testimony, saying the present method of computing the state income tax is very complicated for most people, and often the individual pays the tax expert more for figuring his tax than he does in total tax due. He expressed the hope the committee would take a good look at the bill and consider all merits of this method of computing their state income tax.

The Chairman then asked for additional proponents or opponents. At this point Sen. Towe distributed a chart that was compiled in 1975, which illustrates the income splitting he referred to in earlier testimony. See Exh. #1, attached.

During the discussion period which followed, members of the

committee asked if the simplification of the computing process would decrease number of employees in the Department. Bill Groff of the Department, was present at the meeting and responded to this saying the bill would actually relieve little of present duties of income tax division of the Department as the returns must still be processed and the checks and returns are processed separately.

Sen. Towe was also questioned about the 27.5% figure and he replied this figure had been arrived at by computing revenue figures and state population totals. They discussed also the penalty and interest rates written into the bill for returns filed late, also for estimated income returns.

Discussion also brought out the fact that the surtax will be eliminated, as a separate part of the tax structure. The same amount of revenue will be realized, however, but that tax commonly known as the surtax, will be replaced. Sen. Towe said the present surtax brings in a total revenue of \$48 million and he said the loss of this amount would be difficult to replace. The question was also asked whether this bill would interfere with Senator Watt's bill SB240, adjusted gross income tax replacing property tax. Also, it was stated by Chairman Turnage that there have been some dramatic changes in the sale and exchange of property in the Federal law and he felt the bill had merit and believed the committee should study it and come out with it.

Sen. Himsel said he thought preparing the return would be relatively simple for the majority of taxpayers in the state, which was one of the primary reasons for his support of the legislation.

Chairman Turnage then directed the committee's attention to SB172, snowmobilers' bill requesting 6/10 of 1% of gasoline tax money for their use in Montana.

The members discussed the bill and some of the testimony previously given and decided to move the bill.

Senator Manley Moved SB172 Do Pass. The motion carried;  
note for the record that Senator Manning voted "No".

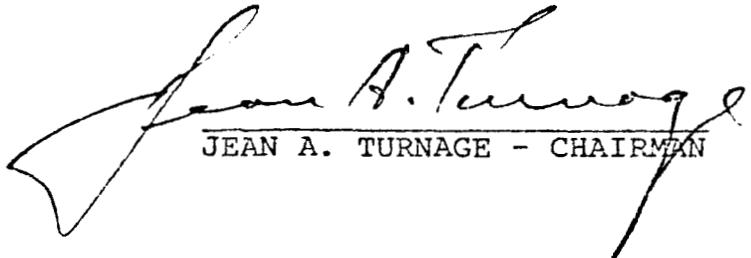
The Chairman then reminded the committee that Tuesday's meeting would begin at 8:30 a.m. due to conflicting activities.

SB220, asking for a Hearings Officer for the State Tax Appeals Board, was again discussed and members were asked to again look at the Fiscal Note which stated such officer might require budget increase of \$48,000 per year. The committee also discussed the qualifications of such an officer and the possibilities of extending time the County Tax Appeals Boards sit. They discussed also raising number of STAB members to 5 from the present 3, and the addition of another STAB for the eastern end of the state. It was pointed out that the problem in the creation of a backlog of cases pending before the STAB was the fault of the Department of Revenue who were late in sending out their reappraisal forms. The idea was proposed too, of putting in the

Feb. 5, 1979

bill that a backlog of 500 pending cases must exist before a Hearings Officer could be called for. Thus, there were a number of points the committee wished to look into before any action will be taken on the bill: threshold of pending cases; qualifications of the Hearings Officer; longer convening of CTAB's.

Following this discussion, meeting was adjourned.



JEAN A. TURNAGE - CHAIRMAN

Date FEB. 5, 1979

ROLL CALL

SENATE TAXATION COMMITTEE

46th LEGISLATIVE SESSION - 1979

Each Day Attach to Minutes.

Nita  
Bgn. 415

# STANDING COMMITTEE REPORT

Feb. 5 1979

MR. President

We, your committee on **Taxation**,

having had under consideration **Senate Bill No. 172**,

Respectfully report as follows: That **Senate Bill No. 172**,

DO PASS

*Ja.*

*Jean A. Turnage*

JEAN A. TURNAGE,

Chairman.

*Ed*  
*Ed*  
**SUMMARY OF THE EFFECTS OF IIB 829 ON MONTANA INDIVIDUAL**

**INCOME TAX LIABILITY FOR 1975**

**BY TYPE OF RETURN BY INCOME CATEGORY**

AGI Category	SINGLE				MARRIED FILING JOINT				MARRIED FILING SEPARATE *			
	Montana Tax under curr. law **	Montana Tax under HB 829	Percentage Increase or (Decrease)	Proportion of taxpayer Pop. ***	Montana Tax under curr. law **	Montana Tax under HB 829	Percentage Increase or (Decrease)	Proportion of taxpayer Pop. ***	Montana Tax under curr. law **	Montana Tax under HB 829	Percentage Increase or (Decrease)	Proportion of taxpayer Pop. ***
0 - 2,500	\$ 44	\$ 18	(59.1)	18.2%	\$ 0	\$ 0	0	0	0	\$ 0	0	.6%
2,501 - 5,000	139	136	( 2.2)	10.0	59	28	(52.5)	10.3	49	28	(42.9)	7.6
5,001 - 7,500	279	275	( 1.4)	4.3	163	134	(17.8)	8.7	125	134	7.2	10.3
7,501 - 10,000	345	388	12.5	.9	231	223	( 3.5)	3.5	180	223	23.9	3.1
10,001 - 12,500	493	523	6.1	1.0	359	327	( 8.9)	5.3	271	327	20.7	3.9
12,501 - 15,000	662	668	.9	.4	508	440	(13.4)	2.9	374	440	17.7	1.5
15,001 - 20,000	1,030	989	( 4.0)	.3	856	690	(19.4)	2.3	614	690	12.4	.9
20,001 - 25,000	1,426	1,364	( 4.4)	.1	1,247	974	(21.9)	.8	902	974	8.0	.3
25,001 - 30,000	1,859	1,785	( 4.0)	.1	1,661	1,293	(22.2)	.4	1,230	1,293	5.1	.1
30,001 - 40,000	2,739	2,737	( .1)	.1	2,541	2,060	(18.9)	.3	1,961	2,060	5.1	.1
40,001 - 50,000	3,667	3,844	4.9	0	3,450	2,967	(14.0)	.1	2,757	2,967	7.6	.1
50,001 - 100,000	8,507	10,696	25.7	0	8,290	8,690	4.8	.1	7,229	8,690	20.2	.1

\* Married Filing Separate consists of couples with separate incomes who would file a joint Federal Return but would benefit by filing separate Montana returns under current law.  
The combined income of husband and wife is assumed to be 60% attributable to one spouse and 40% to the other.

\*\* For single persons, one exemption was assumed. For all taxpayers with income under \$10,000, the standard deduction was assumed; for income \$10,000 and over, itemized deductions of 20% were assumed. The tax shown is for the upper limit of each category.

\*\*\* The proportion of taxpayer population is based on the total number of returns expected to be filed for 1975. (329,770 expected returns).