

MINUTES OF THE MEETING
TAXATION COMMITTEE
MONTANA STATE SENATE

March 1, 1979

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

ROLL CALL: Roll call found all members present. Witnesses presenting testimony are included in the minutes and on attached Register.

CONSIDERATION OF HOUSE BILL 407: Representative Robbins presented the bill, at the request of the Department of Revenue, and said it would allow political contributions up to \$100 to be deducted when determining state income tax. Mr. Groff of the Department said the bill adopts the federal statutes and said he felt this should be adopted to bring the state law in line with the federal.

The Chairman asked for other witnesses and there were none. The committee discussed the bill briefly and agreed to move it.

Senator Manley Moved HB407 Be Concurred In. Motion carried unanimously. Note absence here of Senator Towe.

CONSIDERATION OF HOUSE BILL 94: Representative Nordtvedt presented this bill, also at the request of the D of R, and said there are a few situations where income as credits should be clarified. He explained the bill using an example, see Exh. #1, attached, and said the legislation would allow for carry-overs and carry-backs of any unused portion of the credit. He further explained the bill, and following his testimony the Chairman permitted testimony from other witnesses. Mr. Vralsted of the D of R gave brief testimony fielding several questions from the committee as well. Representative Lien was also present and gave some background on a bill that was similar to HB94 that went through the House during the last legislative session. Following their discussion the members moved the bill.

Senator Towe Moved HB94 Be Concurred In. Motion carried unanimously.

CONSIDERATION OF HOUSE BILL 80: Representative Dassinger introduced this bill, also a D of R request, saying the bill would require that unrelated business income earned by a tax-exempt corporation that results in a federal tax liability of more than \$100 is subject to corporation license tax. Jerry Foster of the Department also gave some testimony saying the bill picks up provisions of section 512 of the IRS and attempts to reach any income that is not being reached by the IRS. Mr. Boles gave brief testimony as well, saying he had suggested some of the amendments, was in support of the bill.

In the discussion following, it was noted a specific federal form was referred to and the committee felt if the form

were changed, the bill could be rendered useless, and proposed an amendment which was accepted and is included on attached Committee Report.

Senator Towe Moved to Amend HB80. Motion carried unanimously.

Senator Towe then Moved HB80 As Amended, Be Concurred In. His motion carried unanimously.

CONSIDERATION OF HOUSE BILL 85: Representative Huennekins presented the bill, also a request of the D of R and said the bill would make the Revenue Oversight Committee a permanent legislative committee. He said he believed the committee could do the job of using the interim period of reviewing the legislative action and also felt there was a need to get into the workings of the D of R. He said further that the committee would be writing a critique of their findings.

The Chairman asked for proponents and opponents and there were none. The committee then asked questions and Mr. Groff responded that the Department felt the committee was good and also would give the Department the chance to make known its problems, etc., as long as the committee was an advisory committee.

There followed considerable discussion by the committee with questions of Representative Huennekins, Mr. Groff. It was learned that six major bills were directly attributed to research done by the ROC during the last interim. Members also noted there might be some overlap with the Interim Finance Committee, and wished to avoid such duplication. There was also discussion concerning the selection of committee members and Representative Lien volunteered information as to the manner which the House opted to select ROC members. All agreed that the majority of the committee members should be individuals with experience in the taxing laws of the state in order to avoid re-educating the novice legislator in such matters. It was also mentioned that interim committees were costly and the committee would hesitate to approve appropriations for additional FTE's. They mentioned that the total cost of interim committees, approximately \$5 million, was as much as an annual legislative session.

Following this discussion hearing on HB85 was closed, with no decision made by the members, preferring to discuss the ROC and its future again.

CONSIDERATION OF HOUSE BILL 367: Representative Lien presented this bill which would exempt wool and sheep pools from corporate license taxes. He explained that small herd owners incorporated themselves merely for the sake of receiving bids and facilitating the movement of the produce to market. Bob Gilbert of the Montana Woolgrowers spoke as a proponent as well and said the wool growers put their produce together, advertise for the bids and do not make money as a corporation; only the marketing costs are paid from the corporation.

The Chairman called for further proponents or opponents and Mr. Groff testified that the groups now would actually be subject to the law but felt this legislation would be wise and

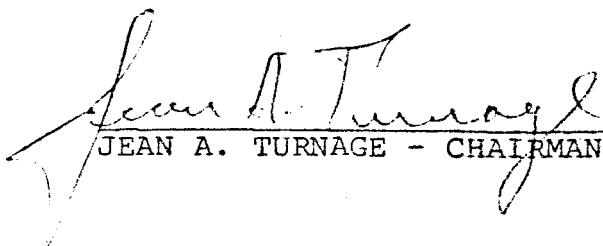
would clear up a problem with which the Department had had to deal in the past.

Discussion then followed and in order not to aid a larger profit-making corporation, an amendment was suggested. The amendments were accepted, see Committee Report attached.

Senator Towe Moved Adoption of Amendments to HB367. Motion carried unanimously.

Senator Towe then Moved HB367 As Amended, Be Concurred In. The motion carried unanimously.

Following disposition of this bill the meeting was adjourned.


JEAN A. TURNAGE - CHAIRMAN

Example

1
2
3
4

Investments subject to Credit \$ 280,000

Potential Federal Tax Credit \$ 28,000
Potential State Tax Credit \$ 5,600

Federal Tax Liability \$ 30,000

Federal Tax Credit
for Year \$ 25,000 + $\frac{1}{2}$ \$ 5,000 \$ 27,500

Carryover or Carryback \$ 500

State Tax Liability \$ 6,000

State Tax Credit
for Year \$ 5,000 + $\frac{1}{2}$ \$ 1,000 \$ 5,500

Carryover or Carryback \$ 100

$$\frac{\text{State Tax Credit}}{\text{Federal Tax Credit}} = \frac{5,500}{27,500} = \frac{1}{5}$$

STANDING COMMITTEE REPORT

..... March 1 19 79

MR. President.....

We, your committee on Taxation.....

having had under consideration House Bill No. 407.....

Respectfully report as follows: That House Bill No. 407.....

BE CONCURRED IN

XXXXXX
~~DO PASS~~

STANDING COMMITTEE REPORT

March 1 19 79

MR. President

We, your committee on Taxation

having had under consideration House Bill No. 367

Respectfully report as follows: That House Bill No. 367,
third reading bill, be amended as follows:

1. Page 3, line 6.

Following: "association"

Strike: "of"

Insert: "owned and operated by"

2. Page 3, line 10.

Following: "expenses."

Insert: "Income for this purpose does not include expenses and monies distributed to members contributing wool and sheep."

And, as so amended,

BE CONCURRED IN

~~XXXXXX~~
~~DO-PASS~~

STANDING COMMITTEE REPORT

March 1 19 79

MR. President

We, your committee on Taxation

having had under consideration House Bill No. 94

Respectfully report as follows: That House Bill No. 94

BE CONCURRED IN

~~DO PASS~~

STANDING COMMITTEE REPORT

March 1 19 79

MR. President

We, your committee on Taxation

having had under consideration House Bill No. 80

Respectfully report as follows: That House Bill No. 80,
third reading bill, be amended as follows:

1. Page 3, line 22.
Following: "RETURN"
Strike: ", FORM 990-T,"
Insert: "on which it reports its unrelated business income"

And, as so amended,

BE CONCURRED IN

~~DO-PASS~~

JE

Date MAR. 1, 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	✓		

Each Day Attach to Minutes.

