

MINUTES OF THE MEETING
TAXATION COMMITTEE
MONTANA STATE SENATE

March 23, 1979

The fifty-sixth meeting of the Taxation Committee was called to order on the above date in Room 415 of the State Capitol Building, Chairman Turnage presiding.

ROLL CALL: Roll call found all the members present. Witnesses giving testimony on the scheduled bills are listed on the attached Register.

CONSIDERATION OF HOUSE BILL 770: Representative Fedas presented this bill which sets up a vehicle to create foreign trade source within the state. He said such a source brings materials in, these materials are 'married' with other domestic products, or otherwise are changed in form, and shipped out. Duty is paid after the materials go out of the state. Service work is also done on some items, as an example of the changes in the imported products. Appearing in support of the bill also was Senator Etchart who said this would be of great benefit to the Glasgow Air Force Base, known as the Glasgow Valley Industrial Park.

Ms. Fallan, representing the Chamber of Commerce, also gave the support of the Chamber to the bill, citing job opportunities as one of the more direct benefits of the bill, mentioning also improving the balance of payments with foreign countries. Mike Fitzgerald distributed a copy of his testimony, see Exh. #1, attached, which detailed the definition of Foreign Trade Zones.

On conclusion of his testimony, the Chairman called for other proponents or opponents and there being none, permitted questions by the committee. In response to Senator Norman's question about a particular firm, foreign or domestic, presently interested in using such foreign trade source, Mr. Fitzgerald said they had been trying to entice several firms to bring in some other industries and mentioned computer parts-assembling from a Japanese firm, as an example. He said the Glasgow V.I. Park would benefit from such source designations.

After a number of questions the Chairman called for a Fiscal Note on the bill and closed the hearing on HB770.

At this point the Chairman permitted Senator Mathers to again discuss SB300 and the newest amendments that he wished to introduce. Senator Mathers deferred for brief testimony from Representative Curtiss who asked the committee to consider the importance of research into renewable energies and the possibilities of some of the Coal Tax moneys being used for such grants.

Senator Mathers then presented his more recent amendments explaining to the committee the addition of park acquisition and culture portion. He again stated he did not believe in earmarking any particular

moneys, rather such appropriations should be brought before the Legislature for their consideration.

Senator Dover then appeared to testify on behalf of a gasahol plant for the state stating front-line cash is needed in order to get the program started. He said further that with rising fuel costs and anticipated scarcity, such programs should be of concern to the Legislature. Mr. Mockler of the Coal Council also testified concerning the funds to impact areas. He said he felt such funds should be allowed to build for the newer impact areas, since area people are immediately affected by development; they feel such effects before impact funds can be accumulated and distributed to them.

Committee members asked a number of questions concerning anticipated coal production, how the General Fund would be affected by the amended percentages, proportion of match for highway funds with the federal. Senator Towe said he was concerned about the renewable resources and library funds, as well as education trust fund.

Senator Towe Moved to Amend SB300 by leaving income from the trust intact to the University System. A roll call vote was taken which failed 4-5. Note here Senators Roskie and Hager were absent at time of vote.

Senator Towe then Moved to Amend the bill by leaving the impact moneys intact; this motion also failed 5-6. Senator Hager gone at the time of the vote, a roll call vote.

The committee again discussed the pending Supreme Court suit and the possible ramifications of amending original percentages of Coal Tax 'pie.'

Senator McCallum then Moved to Adopt amendments recommended by Senator Mathers on makeup bill distributed. The motion was carried, Senators Manley, Norman and Towe voted "No", roll call vote.

Senator Manning made a motion to Reconsider the committee's action of March 21, when other amendments were adopted and the bill received a Do Pass As Amended. The record will so note. Note that "No" votes were cast by Senators Norman and Manley.

Senator McCallum then Moved SB300 As Amended Do Pass. The motion carried 7-4, roll call vote.

CONSIDERATION OF HOUSE BILL 727: Representative Cooney introduced his bill which he said would simplify the method of reporting special fuels used; it would also eliminate special fuel user's licenses, requiring such users to annually obtain user's permit. Mr. Huss appeared as a proponent as well and said there would be no fiscal impact to the bill but would reduce paperwork for both the Department and such special fuel users. He suggested an amendment to the bill for an effective date.

Mr. Nichols of the Department of Revenue testified also and said the bill has been studied and does more benefit for intrastate truckers than interstate. He listed some of the advantages of the method proposed in the bill and agreed it would greatly simplify record keeping

for the Department. Mr. Copely of the Highway Department also appeared in support of the bill.

The Chairman called for other proponents or opponents, and there being none, permitted questions from the committee. Following a brief discussion, the committee agreed to move the bill, with amendments:

Senator Manley Moved to Amend HB727 by adding an effective date; his motion carried.

Senator Watt then Moved HB727 As Amended Be Concurred In. His motion carried.

CONSIDERATION OF HOUSE BILL 646: Representative Fabrega said his bill was an attempt to provide incentive to develop a domestic insurance company. He said many surrounding states have such domestic companies and this bill gives incentive by providing alternative method of computing premium taxes due from such companies. He stated further the advantages of having such companies, including job opportunities, increased tax base, as examples. Other proponents of the bill were Mike Felt who named various states with tax incentives, noting the relation of low taxes to the many insurance companies based in those states. Mr. Mahr of the insurance department said they had no objections to the bill, however there was some questions about the fiscal impact. There would appear to be very little fiscal impact. He also said there would appear to be some discrimination to smaller companies .

The Chairman called for other proponents or opponents and there being none, permitted questions from the committee. There were discussions about the term "domestic insurer" and Valencia Lane, recent addition to the Taxation Committee, a legal staff member, was asked to research such term. Following brief discussion and questions, the hearing on HB646 was closed.

CONSIDERATION OF HOUSE BILL 898: Representative Vinger presented this bill which dealt with the reporting of diesel fuel tax and reduced the penalty for failure to file from 25 to 10% of the tax due. Mr. Nichols said the Department had no objection to the bill and after brief questions, the committee agreed to move the bill:

Senator Manley Moved HB898 Be Concurred In. The motion carried.

The committee were then asked to again consider SB384 and the Fiscal Note accompanying the bill. Mr. Mockler said he did not believe the large fiscal impact was an accurate figure and Senator Manley said he felt if so, the Department of Revenue should justify its projections. Terry Cohea, Researcher, was asked to contact the Department and have the individual preparing the Fiscal Note present to explain his figures at Saturday morning's meeting. The meeting was then adjourned.



JEAN A. TURNAGE - CHAIRMAN

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SENATE COMMITTEE TAXATION

Date 3-23 Sen Bill No. 300 Time 8:50

NAME	YES	NO
SEN. GOODOVER (Vice Chairman)		X
SEN. BROWN		X
SEN. HAGER <i>absent</i>		
SEN. MANLEY		X
SEN. MANNING	X	
SEN. McCOLLUM		X
SEN. NORMAN	X	
SEN. ROSKIE <i>absent</i>		
SEN. SEVERSON		X
SEN. TOWE	X	
SEN. WATT	X	
CHAIRMAN TURNAGE		

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Nita Fjeseth
Secretary

Jean A. Turnage
Chairman

Motion: James Arneson 71 System

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

SENATE COMMITTEE

TAXATION

(2)

Date 3-23

Sen

Bill No. 300

Time 8:55

NAME	YES	NO
SEN. GOODOVER (Vice Chairman)		X
SEN. BROWN	X	
SEN. HAGER <i>Gone</i>		
SEN. MANLEY		X
SEN. MANNING	X	
SEN. McCOLLUM		X
SEN. NORMAN	X	
SEN. ROSKIE <i>Gone</i>		X
SEN. SEVERSON		X
SEN. TOWE	X	
SEN. WATT	X	
CHAIRMAN TURNAGE		X

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Nita Fjeseth
Secretary

Jean A. Turnage
Chairman

Motion: Impact Area
12.7% || Amend

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

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SENATE COMMITTEE TAXATION

Date 3-23 Sen. Bill No. 300 Time 9:00

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

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Nita Fjeseth
Secretary

Jean A. Turnage
Chairman

Motion: Amend - Rep Bill Mother's
Amends.

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

(14)

SENATE COMMITTEE TAXATION

Date 3-23 Sen. Bill No. 300 Time 9:10

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

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Nita Fjeseth
Secretary

Jean A. Turnage
Chairman

Motion: Do Pass As Amended.

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

MONTANA INTERNATIONAL TRADE COMMISSION

TESTIMONY IN SUPPORT OF
HB770, AN ACT TO AUTHORIZE
STATE AND LOCAL GOVERNMENTS AND MONTANA
CORPORATIONS TO ESTABLISH FOREIGN TRADE ZONES

Submitted by: Mike Fitzgerald, Director
Montana International Trade Commission
March 23, 1979

Exh. #1

3-23rd

Definition of:

I. Foreign Trade Zones

- A) Foreign-Trade Zones Board: The Act of June 18, 1934 provides for establishment of foreign-trade zones in U.S. ports of entry to expedite and encourage foreign commerce, each zone to be operated as a public utility. The Act authorizes the Foreign-Trade Zones Board, comprised of the Secretaries of Commerce, Treasury, and Army, to grant to qualified public or private corporations the privilege of establishing and operating foreign-trade zones, including subzones for specialized purposes.

Foreign-Trade Zones: Special commercial and industrial areas in or near ports of entry in the United States and Puerto Rico where foreign finished goods, including raw materials, product components, and finished goods, may be brought without being subject to payment of U.S. customs duties. These zones are particularly useful to business firms engaged in manufacturing for world markets, exporting U.S. products, reexporting from the United States, importing for the U.S. market, and transshipping foreign goods via the United States.

Foreign exporters planning to expand or open up new American outlets may forward their goods to a foreign-trade zone in the United States to be held for an unlimited period while awaiting a favorable market in the United States or nearby countries, without being subject to the customs laws --- and without entry or bond. Merchandise lawfully brought into these zones may be stored, sold, exhibited, broken up, repacked, assembled, distributed, sorted, graded, cleaned, mixed with foreign and domestic merchandise, or otherwise manipulated, or be manufactured. In most instances, foreign goods may also

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be manufactured in a zone with other foreign goods or other domestic goods brought into the zone. The resulting merchandise may thereafter be either exported or transferred from the customs territory. When foreign goods are transferred into customs territory of the United States from a foreign trade zone, the goods must be entered at the customhouse.

Zones are operated in New York City, New Orleans, San Francisco, Seattle, Toledo, Honolulu, and Mayaguez, Puerto Rico. Special-purpose subzones for manufacturing are in operation in San Francisco, California, and Penuelas, Puerto Rico.

B) The Advantages of Foreign-Trade Zones:

- 1) The foreign exporter bears none of the expenses for bonds or custom inspectors for as long as imports are stored, sold, manipulated, exhibited or manufactured. This applies whether the merchandise is dutiful or non-dutiful.
- 2) Imports may remain in storage with no time limit until entry into the U.S. customs territory is desired.
- 3) Shipments arriving improperly marked may be remarked at the zone to meet custom requirements in the U.S. thus avoiding penalties.

I recommend that your committee support passage of HB770. Such authority will provide Montana an additional incentive to develop international trade exports and imports and provide particular incentive to domestic and foreign corporations to engage in more processing and manufacturing of products and commodities in Montana for exporting abroad. The act is primarily an expansion tool to encourage business and job development through international trade.

STANDING COMMITTEE REPORT

March 23 19 79

MR. President

We, your committee on Taxation

having had under consideration House Bill No. 898

Respectfully report as follows: That House Bill No. 898

BE CONCURRED IN

~~XXXXXXXX~~
DO PASS

STANDING COMMITTEE REPORT

March 30

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MR. President

We, your committee on Taxation

having had under consideration House Bill No. 727

Respectfully report as follows: That House Bill No. 727, third reading bill, be amended as follows:

1. Title, line 6.

Following: "RETURNS;"

Insert: "PROVIDING AN EFFECTIVE DATE:"

2. Page 10.

Following: line 1

Insert: "Section 9. Effective date. This act is effective on January 1, 1980."

And, as so amended,
BE CONCURRED IN
DO PASS

Date: MAR. 23, 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.