

MINUTES OF THE MEETING
TAXATION COMMITTEE
MONTANA STATE SENATE

February 12, 1981

The twenty-fifth meeting of the Committee was called to order at 8:00 a.m. in Room 415 of the State Capitol Building, Chairman Pat Goodover presiding.

ROLL CALL: All members were present, except Senators Hager and Healy.

CONSIDERATION OF SENATE BILL 337:

"AN ACT TO PROVIDE PROPERTY TAX RELIEF TO CERTAIN HOMEOWNERS AND RENTERS BY MEANS OF A CREDIT AGAINST INDIVIDUAL INCOME TAX LIABILITY; PROVIDING PENALTIES FOR FRAUDULENT CLAIMS; AND PROVIDING AN EFFECTIVE DATE."

Sen. Regan said this is a property tax circuit breaker bill introduced by her at Gov. Schwinden's request. She said the elderly have always paid taxes on their property and then when they reach a certain age (she chose 62) their income is reduced, yet the taxes are increasing through inflation. In 1972, of the 20 million returns, \$10 billion was itemized and, therefore, allowed some consideration. She handed out copies of the bill's essence, Attachment #1. She continued by saying the bill is predicated on a sliding scale, page 5, lines 13 through line 1 on page 6. She took the committee through her computation process so that they could see how the bill would be applied. She concluded by saying she thought the bill was a good one because it doesn't interfere in any way with the taxable values--doesn't affect mill levies of governments or school districts.

PROPOSERS:

John Clark, Department of Revenue, appearing on behalf of Gov. Schwinden, handed out sheets explaining how taxes would be computed under the formula suggested by the bill, Attachment #2. "Household" is a unit income is defined for; renters were arbitrarily given 15% for property tax imputed to rent; "eligibility" is age criteria; "threshold" amount is table appearing in section 6. He said figures were out of date for the fiscal note, but thought the impact would be 8 to 10 million dollars, including cash refunds.

Tom Ryan, Montana Senior Citizens Organization.

Jim Jensen, Low Income Senior Citizens in Montana.

Don Judge, Montana AFL-CIO.

There were no opponents.

Sen. Regan closed by restating the fact that 17% of the 14 billion paid in property tax on single family homes was given credit on form 1040. On a national average 3.4% of income went to property taxes. When the proportion of property tax for the elderly is looked at, 8.1% went to property tax. She said this bill attempts to ease this.

Sen. Crippen questioned the cash refund mentioned. A check is received from the state only in instances where income is so low they don't owe the state. After discussion, it was decided that the majority of the credits would be given against the income tax, thereby not needing great administrative expense. Mr. Clark said a \$120/mo figure was chosen for rentals and he said if the figure were revised upward it would increase the impact, but the estimate was from 8 to 10 million a year.

The hearing was closed on Senate Bill 337.

CONSIDERATION OF SENATE BILL 322:

"AN ACT TO STIMULATE THE PRODUCTION AND USE OF ORGANIC FERTILIZER AND SOIL AMENDMENTS IN MONTANA BY PROVIDING TAX INCENTIVES AND REQUIRING USE OF SUCH FERTILIZER AND SOIL AMENDMENTS IN CERTAIN INSTANCES; AMENDING SECTIONS 15-6-135, 15-30-121, AND 15-31-114, MCA."

Sen. Mike Halligan said all farmers and ranchers know the problems with saline seep, erosion, cropping, and strip mining. Waste in county landfills exude methane gas in some places, but the waste as it is now in landfills or sewage treatment plants could be made a resource. He referred to the tax schedule on page 3 of the bill saying the schedule was obtained from the Energy Conservation laws for insulating homes. He wanted to amend the schedule at this time. Because 99% of the people he wanted to hit were in the first category, he wanted to amend page 3, line 6, strike "and a portion" and add "100% of his expenditure." Strike the rest down to line 16. Sen. Halligan introduced Bill Horvath from Hungary, who runs the compost plant in Missoula, and has a PhD in resource technology from two different universities.

Mr. Horvath passed a sample of his plant's product around and also a copy of testimony, Attachment #3.

PROPOSERS:

Bill Potts, State Solid Waste Bureau.
Bill Cregg, Mayor of Missoula
Lucy Brieger, Environmental Information Center

OPPOSERS:

John Clark, Department of Revenue, thought Sen. Halligan's amendments may have cleared one of their problems with the bill. He thought there was one slight technical problem on page 2, line 24, about definition in 80-10-101.

Dr. Horvath said this product is a soil amendment. Fertilizers have to have about 6% nitrogen. Sen. Halligan asked if he and Cort could perhaps work together to strengthen the wording.

Jo Brunner, Montana Agriculture Business Association, Attachment #4.

Ray Bjornson, Department of Agriculture, said they license the product

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that the committee had samples of and said their department is concerned about correct labeling of products. When registering this product, the department looks for heavy metals, and that he was not saying it has or has not got the heavy metals, but thought the committee should research that.

Dr. Horvath said data on heavy metals was provided on the first few pages of his testimony and he said he has 100 times less than EPA or USDA requirements. Further discussion brought out the fact that cadmium is the heavy metal to be concerned with. Dr. Horvath responded that USDA standards allow up to 15 ppm of cadmium and his product uses sludge with a .015 rate, 100 times less than EPA recommendations.

Sen. Goodover asked why Mr. Horvath needed the help this bill would offer. Dr. Horvath said he is coming up against chemical fertilizers which are well known. He felt with an educational process people would use his product. He felt also he would be able to help other cities who are in need of sludge disposal. Dr. Horvath concluded by saying he had 1 million dollars invested in his plant but federally funded plants cost 32 million dollars.

Sen. Halligan concluded by saying the product has been used for over a century in Europe. He saw a benefit to city and local governments. Sen. Halligan said the product sits for 8 weeks at a 185-degree temperature, so that it is a clean material. It uses material that we now throw away. He offered to work with the Dept. of Revenue on the tax situation. He felt government had a responsibility to move in to help develop businesses.

The hearing on Senate Bill 322 was closed.

RE-CONSIDERATION OF SENATE BILL 53:

This bill has been assigned to a sub-committee.

DISPOSITION OF SENATE BILL 7:

Sen. Towe moved that the bill be given a DO PASS. The bill passed by a 7-4 vote.

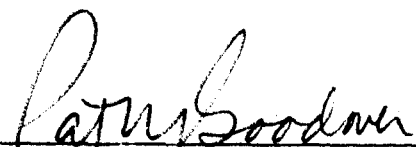
DISPOSITION OF SENATE BILL 12:

Sen. Norman made a motion that the bill be tabled. It was voted unanimously to kill the bill.

DISPOSITION OF SENATE BILL 13:

Sen. Towe moved the bill as amended be given a DO PASS. Vote was unanimous to so do.

The meeting was adjourned at 10:00 a.m.


PAT M. GOODOVER, CHAIRMAN

ROLL CALL

TAXATION COMMITTEE

47th LEGISLATIVE SESSION - - 1981

Date 2/12/81

NAME	PRESENT	ABSENT	EXCUSED
Goodover, Pat M., Chairman	✓		
McCallum, George, Vice	✓		
Brown, Bob	✓		
Brown, Steve	✓		
Crippen, Bruce D.	✓		
Eck, Dorothy	✓		
Elliott, Roger H.	✓		
Hager, Tom		✓	
Healy, John E. "Jack"		✓	
Manley, John E.	✓		
Norman, Bill	✓		
Ochsner, J. Donald	✓		
Severson, Elmer D.	✓		
Towe, Thomas E.	✓		

Each day attach to minutes.

DATE Feb. 12, 1981

COMMITTEE ON Japan

VISITORS' REGISTER

[illegible]

(Please leave prepared statement with Secretary)

PROPERTY TAX CIRCUIT BREAKER BILL

This bill provides an income tax credit for a portion of the property tax or rent Montana residents over 61 years old pay for their primary residence.

The maximum credit allowed is \$400 per household. The amount of credit decreases as the household income increases. "Household Income" is defined to include both the taxable and nontaxable (social security payments, pensions, capital gains) income of all those living in the primary residence.

Senior citizens living in a rented homestead are allowed to claim 15% of the gross rent as "equivalent tax paid". Persons living in accommodations exempt from property tax (public housing) are not allowed to claim the credit.

Taxpayers may claim the credit on their income tax return or on a separate form, if no return is filed. If the credit exceeds tax liability, the state will refund the excess.

EXAMPLES

A single person 62 years old who had a household income of \$4,500 and who paid \$600 a year property tax on his home would receive a tax credit of \$400.

A retired couple who had a household income of \$8,000 and who paid \$700 a year property tax on their home would receive a tax credit of \$388.

A retired couple who rented their home for \$200 a month and had a household income of \$5,500 per year would receive a \$206 tax credit.

A couple over 61 years old who paid \$250 a month for rent and who had a household income of \$12,000 would receive a tax credit of \$150.

Examples of credit available under SB337.

1. Household income \$5400; rent \$150 per month

$$\text{Threshold amount } \$5400 \times .028 = \$15120$$

$$\text{Property tax imputed to rent } \$150 \times 12 \times .05 = \$270$$

$$\text{Amount of credit } \$270 - \$15120 = \$11880$$

2. Household income \$8000; property tax paid \$500

$$\text{Threshold amount } \$8000 \times .039 = \$312$$

$$\text{Amount of credit } \$500 - \$312 = \$188$$

3. Household income \$13500; property tax paid \$850

WITNESS STATEMENT

Name Don Judge Date 3/12/81
 Address P.O. Box 1176 Helena Support ? X
 Representing MT STATE AFL-CIO Oppos: ?
 Which Bill ? Senate Bill 337 Amend ?

Comments:

The Montana State AFL-CIO supports SB 337 as a responsible approach to providing tax relief to Senior Citizens. These persons are most often caught with a minimal income, often a fixed income, which may barely meet the minimal requirements of subsistence. This bill is truly a ^{tax} reform bill tied to income levels of senior citizens.

We encourage you to give this bill a 'do pass' recommendation.

Please leave prepared statement with the committee secretary.



The Big Sky Country

MONTANA STATE SENATE

Senator Mike Halligan
Senate District 48
435 University Avenue
Missoula, Montana 59801
Phone: 725-3004

Committees:
Judiciary,
Public Health,
Bills and Journals

HELENA ADDRESS:
2212 Choteau
Helena, MT 59601
Phone: 442-0585
Phone: 449-3064

*Taxation Committee
Secretary:*

*Could you please have this amendment
reopened and passed out to the committee at their
next work session. It has been recommended by
the Dept. of Revenue and all parties involved agree to
the amendments. (SB 322*

Mike Halligan

201-56-17-2

Amendments to Senate Bill No. 322

Amend page 3, line 7

Following: "Montana,"

Add: "if the expenditure was not deducted in computing
adjusted gross income,"

Amend page 8, line 11

Following: "(Section 3)"

Strike: "."

Add: ", which was not used as a deduction in computing
adjusted gross income,"



STATE OF MONTANA

DEPARTMENT OF REVENUE

MITCHELL BUILDING
HELENA, MONTANA 59601

February 13, 1981

Senator Mike Halligan:

Here are the amendments which will take care of the double deduction problem in Senate Bill 322. If you have any further questions please call me at 449-2460.

John M. Clark
John Clark
Deputy Director

Alfred H. C.

Testimony: Jo Brunner

Montana Agriculture Business Association

Mr. Chairman, members of the committee, for the record, my name is Jo Brunner. Today, I represent the Montana Agriculture Business Association. Our Association is comprised of many of the fertilizer distributors in Montana, and we are concerned about some of the areas covered in Senate Bill 322.

Page 1--lines 12-14 alludes to the saline seep problem many of us in Montana have. The inference seems to be that there is a direct relationship between the application of organic matter into the saline soil and a lessening of the problem. It takes an application of 10 ton per acre of 100% organic matter to raise the soil content 1% in the top six inches of the soil. Needless to say, this would apply to very little of our thousands of acres of saline seep.

We can foresee difficulty in deciding just what should be called organic fertilizers and soil amendments---page 2-lines 6 - 7.

And once that definition is reached, who would police the decision? There doesn't seem to be any provision for monitoring the quality and the contents of the product.

For instance, commercial fertilizer--non-organic fertilizer-- has what is called a " guaranteed analysis" which tells the minimum percentage of the plant nutrients, nitrogen, phosphorus, and potassium, to which other nutrients may be permitted or required. When the farmer or rancher, or gardener, whoever, orders fertilizer they order a specific formula made up of one or more of the three, and/or other nutrients. When you buy it off a shelf, you read on the package what you are getting.

The new section, Section 5, page 3 and 4, lines 21-3 pertain to the use of such organic fertilizer developed, on any state projects such as reclamation, refurbishing, ect-----to the exact use that such fertilizer is shown to be economically competitive with inorganic fertilizers. Certainly we understand that if a product is to be researched there will be certain lands and projects beneficial for such programs. It does not, however seem feasible to us that distance between such state projects, plus the cost of transportation would be beneficial to such programs, and any decision would be better left to those in charge of the individual programs, not by action of the legislature.

We are concerned with the tax incentives offered. Section 3--- page 3,--lines 5 - 16, lists the schedule of the tax breaks, beginning with a 100% deduction for the first \$1,000 and downward to 10% of any thing, over \$4,000. Now to many of us, organic fertilizer means good old barn yard manure,--and many of us have, or our neighbors have a nice mellow pile out behind the shed that could be bought up a pickup load, or a ton at a time, and the total expenditure could be deducted, as long as that organic fertilizer is produced in Montana and not taken out of the state.

Now, why should those desiring to enrich their soil and feed their crops, gardens, lawns, so on with nonorganic fertilizer not be allowed the same tax break?

We certainly understand the need for developing programs for the wastes from municipalities and that facilities would have to be constructed for such businesses. Again just what criteria would apply? Page 5,- Section 6, lines 2 thru 5 lists that criteria, and while it seems to be a direct copy from the preceeding paragraph

on the gasahol programs, it really should not be compared to a product that cannot be produced without containers, machinery, and other necessary equipment.

Not all organic fertilizers require such equipment or facilities. Some require none at all. If I may refer again to the home grown product manure---could not I put up a facility to house my cattle who are the producers of an organic fertilizer product and be in compliance with this paragraph?

Mr. Chairman, we do not intend to demean or make fun of this bill or its authors. We are certainly aware of the need for research and application of organic fertilizers. We are keenly aware of the importance of organic matter in the building up of soil. Our programs accomplished by farmers and ranchers, gardeners, include mulching, in an effort to bring about the same results. But, in view of all the uncertainties in this bill, we recommend you do not pass Senate Bill 322.

STANDING COMMITTEE REPORT

February 12 1981

MR. **President**

We, your committee on **Taxation**

having had under consideration **Senate** Bill No. **7**

Respectfully report as follows: That **Senate** Bill No. **7**

DO PASS

Senator Pat M. Goodover

Chairman.

SENATE COMMITTEE TAXATION

Date _____ Senate Bill No. 7 Time 9:45

NAME	YES	NO
SEN. McCALLUM (Vice-Chairman)	✓	
SEN. BOB BROWN	✓	
SEN. STEVE BROWN		✓
SEN. CRIPPEN	✓	
SEN. ECK	✓	
SEN. ELLIOTT	✓	
SEN. HAGER	<i>absent</i>	
SEN. HEALY	<i>absent</i>	
SEN. MANLEY		✓
SEN. NORMAN		
SEN. OCHSNER		✓
SEN. SEVERSON	✓	
SEN. TOWE	✓	
SEN. GOODOVER (CHAIRMAN)		✓
	<u>7</u>	<u>4</u>

Betty Dean
Secretary
Motion:

Pat M. Goodover
Chairman

*Sen. I have made a motion that
SB 7 be given a do pass.*

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

STANDING COMMITTEE REPORT

February 12 1981

MR. **PRESIDENT:**

We, your committee on **TAXATION**

having had under consideration **Senate** Bill No. **13**

Respectfully report as follows: That **Senate** Bill No. **13**
be amended, as follows:

1. Page 2, line 21
Following: "10%"
Insert: "below the standard"
2. Page 3, line 17
Strike: section 2 in its entirety.

amended
DO PASS

JRF

SENATE COMMITTEE TAXATION

Date Senate Bill No. 13 Time 10:00

NAME	YES	NO
SEN. McCALLUM (Vice-Chairman)	✓	
SEN. BOB BROWN	✓	
SEN. STEVE BROWN	✓	
SEN. CRIPPEN	✓	
SEN. ECK	✓	
SEN. ELLIOTT	✓	
SEN. HAGER	absent	
SEN. HEALY	absent	
SEN. MANLEY		✓
SEN. NORMAN		
SEN. OCHSNER	✓	
SEN. SEVERSON	✓	
SEN. TOWE	✓	
SEN. GOODOVER (CHAIRMAN)		✓

9 2

Betty Dean
Secretary
Motion:

Pat M. Goodover
Chairman

*I have made a motion that S.B. 13
be given a do pass, as amended.*

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