

MINUTES OF THE MEETING
TAXATION COMMITTEE
MONTANA STATE SENATE

March 25, 1981

The 56th meeting of the committee was called to order at 7:30 a.m. in Room 415 of the State Capitol Building, Chairman Pat Goodover presiding.

ROLL CALL: Senator Manley excused, all other members present.

DISPOSITION OF HOUSE BILL 309:

Senator Eck moved the amendments. The amendments were adopted unanimously. Senator Ochsner moved HB 309 BE CONCURRED IN, as amended. The motion carried unanimously. Senator Ochsner will carry the bill on the floor.

DISPOSITION OF HOUSE BILL 156:

Cort explained the amendments being offered to the bill. A subcommittee of the full committee had recommended the bill be tabled, but it was decided to consider the amendments. Senator Towe moved Sections 2 and 3 be stricken and subsequent sections renumbered. The vote was unanimous to so do. It was commented that the Statement of Intent was no longer necessary. There was a motion that the Statement of Intent be excluded. This motion carried. Senator Eck moved the bill be concurred in as amended.

Senator Elliott spoke against the bill: The reason the subcommittee didn't like the bill was that there was no fiscal impact data. We should know what we are doing before acting. I would have no problems putting this section into effect for my clients, but I think the typical taxpayer won't be aware of this and won't get the full benefit. It is complex and I tend to disfavor anything that makes the tax more complex.

Senator Goodover felt we should have something ready to go in case we need it.

The secretary was requested to ask for a fiscal note on HB 156.

Representative Nordtvedt, present for consideration of HB 18, said now you can take a small random sampling of returns and with 100 or 200 purposefully taken you calculate any impact based on random samples and blow them up and project.

CONSIDERATION OF HOUSE BILL 18:

"AN ACT TO REDUCE INDIVIDUAL INCOME TAX ON INTEREST INCOME EARNED BY A TAXPAYER; AMENDING SECTION 15-30-111, MCA; AND PROVIDING AN APPLICABILITY DATE."

Representative Nordtvedt said this bill is to give a taxpayer an exemption from taxation on his interest income. The purpose is to design tax relief not only to pump money back to the taxpayer's

pocket but to encourage them to save more. This bill would exempt the first \$1,000 of interest income for a single taxpayer and \$2,000 on a joint return. The fiscal note is about 4 million dollars per year. It would reach slightly over half the tax returns. The recipient of this tax reduction is in a lower tax bracket and is the average taxpayer who may be saving \$10,000 to \$20,000 in traditional saving places. I believe this reaches a broad base group of people. With the amendment striking interest expenses, implementation of this will be quite simple. Because we have dividend exclusion on the federal level "less state exclusion" could be put in on the tax form quite easily.

PROPONENTS: Dennis Burr, Montana Taxpayer's Association; Ed Sheehy, National Association of Retired Federal Employees; John Cadby, Montana Banker's Association; Larry Huss representing Montana Savings and Loan League; Gary Langley, National Federation of Independent Business; Jeff Kirkland, Montana Credit Union League; and Scott Curey, Montana Association of Realtors. There were no opponents.

Representative Nordtvedt closed. Questions were called from the committee.

NORMAN: Suppose I bought a house. Interest would be \$100 a month. The savings plan where I work takes \$50 a month. Here I am spending \$100 interest and saving \$50. If we strike the language in caps, what happens?

NORDTVEDT: Up to the first \$1,000 or \$2,000 it would be exempt from taxation. I agree with you that the amendment becomes a complexity because every family is carrying a consumer debt of convenience. Because of the people we are reaching, I don't think we need the language in the bill.

ECK: On this new fiscal note, what is the average amount of interest a person would have exempted?

NORDTVEDT: We have 4 million dollars a year in tax deductions being distributed to half the tax returns of the State of Montana.

SEVERSON: You made a statement about low and middle income brackets more than high brackets benefiting. I would like to explore further. The low earner does not have enough to invest in something that has an inflationary increase, so he chooses something like money market. Is this not true?

NORDTVEDT: It is a fact from analysis that tax cuts are going to people below the average tax bracket. You wonder why it's true. The traditional way is to put in banks and bonds.

ELLIOTT: Are you saying that if you had \$10,000 to invest today, with passage of this bill, it would encourage people to put their money into banks rather than other places?

NORDTVEDT: No.

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ELLIOTT: Aren't you encouraging people to lose the value of their investment by putting it into banks?

NORDTVEDT. We are in the midst of a social revolution where, by combination of legislation like this and slowing government spending, we can work to bring down the inflation rate. To the extent we don't have these savings, the only way we generate profit is to make money.

ELLIOTT: I appreciate your theory, but I think you suggest Montana will be able to turn this around by itself. At an inflation rate of 12% how much is \$10,000 worth a year later?

NORDTVEDT: \$8,800. Our impact on tax policies is only 1/4 of what federal is, but anything you do affects people on the margin, so it will be beneficial.

ELLIOTT: The federal government is moving in the direction by excluding \$200 to \$400.

McCALLUM: How much money have we taken from the state so far?

S. BROWN: We have passed 76 million dollars affecting local government.

GOODOVER: We have a motion to eliminate capital letters on page 2, lines 6 and 7.

ECK: I would like to postpone action for a while.

McCALLUM: If we adopt the amendment and move the bill out, it would still be over in the House.

TOWE: If the House concurs, we might be stuck with it.

The motion before the committee to amend the bill passed, Senator Elliott dissenting.

The motion to table the bill failed.

The action was that HB 18 BE CONCURRED IN, as amended. Senator Ochsner will carry the bill.

DISPOSITION OF HOUSE BILL 63:

The chairman said HB 63 was amended in the committee. By adopting the amendments it had in effect nullified the bill. I would entertain a motion to withdraw the amendments and put the bill in its original form.

Senator McCallum moved we reconsider action in adopting amendments on HB 63 and put it back the way it was when it came to this committee. The motion passed.

Senator McCallum moved that on page 2, line 8 the word "defined" be stricken and "deferred" inserted.

Cort explained the effect the bill had the way the committee originally passed on it. He said when the bill came to the exclusion, the only one who could qualify would be corporations under 401. As the bill came to committee only one of those 3 types would be able to benefit with the exemptions. When this bill left, nobody could qualify.

Senator McCallum withdrew his motion.

Senator Elliott moved the bill DO NOT PASS. This vote was defeated by a 5-6 margin.

S. Brown recommended we defer action and request a fiscal note.

The secretary was asked to request a revised fiscal note.

DISPOSITION OF SENATE BILL 130:

Senator McCallum made a motion that SB 130 be tabled. The motion carried, Senator Severson dissenting.

REFERENCE TO HOUSE BILL 561:

S. Brown asked if we, as a committee, could propose an alternative--voluntary appraisal. The answer was no. Nothing had been proposed by the committee as an alternative measure. S. Brown moved to reconsider HB 561.

ELLIOTT: I think we were acting before from emotion rather than logic. The appropriation will be considered in another committee.

S. BROWN: If we are serious about giving it back to the county, won't we have to amend the Constitution?

ANSWER: Yes.

S. BROWN. Until we come up with an alternative, it seems a mistake not to pass HB 561.

NORMAN: If we can make it clear to Finance and Claims that this committee is not showing approval of the whole thing....

A roll call vote showed the committee in favor of recalling HB 561.

DISPOSITION OF SENATE BILL 200:

CRIPPEN: How can we subscribe to a tax upon a tax?

ELLIOTT: It is a tax on valuation and called excise because it is based on the producer of the product, as opposed to the user of the product. In our laws now we tax net corporate income. The tax that is paid should be a deductible item.

TOWE: Roger is right; this is not a net income tax. It is net proceeds rather than gross proceeds.

CRIPPEN: I will move the bill DO PASS.

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A roll call vote for a DO PASS on SB 200 was 7-5 in favor of passage.

DISPOSITION OF HOUSE BILL 805:

Senator Elliott explained the amendments. He said his one concern was about page 17, lines 13-20. Amendment #8 addresses it.

Scott Curey explained the amendments on behalf of Representative Kitselman. He said they are basically housekeeping amendments and will correct drafting errors made. He said there was no change in the bill. We were just including more than was intended in sections 3 and 4.

Action will be deferred on HB 805 until Cort and Scott Curey have a chance to go over them. We will consider them tomorrow.

Senator Elliott asked Cort if he could review 805 in regard to the combination SID district we allowed earlier. He would like to know how this bill is different from that.

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

The chairman announced a 7:30 meeting for tomorrow.



PAT M. GOODOVER, Chairman

ROLL CALL

TAXATION COMMITTEE

47th LEGISLATIVE SESSION - - 1981

Date Mar. 25, 1981

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.

SENATE

Legislation

COMMITTEE

BILL

18

VISITORS'

REGISTER

DATE 3/25/81

Please note bill no.

(check one)

NAME

REPRESENTING

BILL #

SUPPORT

OPPOSE

SLO-CURREN

MT. ASSOC OF REFORMERS

805

✓

JIM HALVEYSON

Roosevelt Co Comm

ED SHEEHY

RETIRED FARMER
EMPLOYEE

✓

Dennis BURR

MONTANA

HB18

✓

LARRY HUSS

MONTANA Savings & Loan League

HB18

✓

TERRY M. KILLAND

MONTANA Credit Union League

HB18

✓

SLO-CURREN

MT. ASSOC OF REFORMERS

HB18

✓

Mary Landa

MAY 1981 THE BUSINESS

HB18

✓

PLEASE LEAVE PREPARED STATEMENT WITH SECRETARY

STANDING COMMITTEE REPORT

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MR. **PRESIDENT**

We, your committee on **TAXATION,**

having had under consideration **HOUSE** Bill No. **309**

Hurwitz (Ochsner)

Respectfully report as follows: That **HOUSE** Bill No. **309**

third copy reading (blue), be amended as follows:

1. Title, line 6.

Following: "MCA,"

Strike: "TO REQUIRE ANNUAL RENEWAL"

Insert: "LIMITING THE LIABILITY OF THE DEPARTMENT OF LIVESTOCK
AND REQUIRING A RENEWAL EVERY FIVE YEARS"

2. Title, line 7.

Following: "AND"

Strike: "ANNUAL RENEWAL"

3. Page 1,

Following: line 18

Strike: "also list"

Insert: "transfer a copy of"

~~XXXXXX~~

(continued)

4. Page 1, lines 19 and 20.
Following: "notices"
Strike: "in the offices of the stock inspectors employed by the department and stationed at"
Insert: "and their accompanying brands to"
5. Page 1, lines 21 and 22.
Following: "markets"
Strike: "where records are kept of marks and brands"
6. Page 2, line 3.
Following: "filed"
Insert: "and a copy is transferred"
7. Page 2, line 3.
Following: "."
Insert: "The department of livestock may not be held liable to any secured party for the proceeds of livestock sold through a livestock market by the debtor."
8. Page 2, line 5.
Following: line 4
Strike: "annually"
Insert: "every five years commencing on January 1, 1983,"
9. Page 2, line 7.
Following: "or"
Strike: "30"
Insert: "90"
10. Page 2, line 7.
Following: "after"
Strike: "the anniversary"
11. Page 2, line 8.
Following: line 7
Strike: "date of the original filing"
Insert: "January 1st"
12. Page 2, line 10.
Following: line 9
Strike: "annually"
Insert: "every five years commencing on January 1, 1983"
13. Page 2, line 11.
Following: "or"
Insert: "90 days"
14. Page 2, line 12.
Following: "line 11"
Strike: "the anniversary date of assignment"
Insert: "January 1st"

(continued)

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19.....

15. Page 2, line 15.

Following: "on the"

Strike: "31st"

Insert: "91st"

Following: "applicable"

Strike: "anniversary"

Insert: "January 1st"

16. Page 2, line 16.

Following: line 15

Strike: "date"

17. Page 2.

Following: line 16

Insert: "(5) Satisfactions of security agreements must be filed
immediately with the department of livestock."

And as amended,
BE CONCURRED IN

STANDING COMMITTEE REPORT

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MR. **PRESIDENT**

We, your committee on **TAXATION**

having had under consideration **HOUSE** Bill No. **18**

Nordtvedt (Ochsner)

HOUSE

Respectfully report as follows: That..... Bill No. **18**

third reading copy (blue) be amended as follows:

1. Page 2, lines 7 and 8.

Following: "year" on line 7

**Strike: "IN EXCESS OF HIS INTEREST EXPENSE FOR THE TAXABLE YEAR,
EXCLUDING INTEREST EXPENSE ON A PRINCIPAL RESIDENCE"**

EXPLAN

**And as so amended,
BE CONCURRED IN**

SENATE COMMITTEE TAXATION

Date Mar 25, 1981 House Bill No. 18 Time 8:47 a.m.

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

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Betty Dean

Pat M. Goodover

Secretary

Chairman

Motion: To table the bill.

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

SENATE COMMITTEE TAXATION

Date 3/25/81 House Bill No. 18 Time 8:58

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

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Betty Dean
Secretary
Motion: Motion to concur as amended (Rep)

Pat M. Goodover
Chairman

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

SENATE COMMITTEE TAXATION

Date March 25, 1961 House Bill No. 156 Time 7:56 a.m.
~~7:56 a.m.~~

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

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Betty Dean
Secretary

Pat M. Goodover
Chairman

Motion: That 156 be concurred in as amended.

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

SENATE COMMITTEE TAXATION

Date 3/25/81 HB Bill No. 63 Time 9:15 a.m.

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

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Betty Dean
Secretary
Motion: DO NOT PASS.

Pat M. Goodover
Chairman

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

SENATE COMMITTEE TAXATION

Date 3/25/81 Senate Bill No. 200 Time 9:48 a.m.

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

Betty Dean
Secretary
Motion: DO PASS on SB 200.

~~6~~
Pat M. Goodover 7-5
Chairman

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

STANDING COMMITTEE REPORT

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MR. **PRESIDENT**

We, your committee on **TAXATION,**

having had under consideration **SENATE** Bill No. **200**

Respectfully report as follows: That **SENATE** Bill No. **200**
be amended as follows:

1. Title, line 6.

Following: "TAX;"

Insert: "DEFINING THE TERM EXCISE TAX;"

Following: "SECTIONS"

Insert: "15-23-601,"

2. Page 1.

Following: line 10

Insert: " Section 1. Section 15-23-601, MCA, is amended to read:

"15-23-601. Definition. As used in this part, the following definitions apply:

(1) "Excise tax" means the windfall profit tax on domestic crude oil imposed by Title I of the federal Crude Oil Windfall Profit Tax Act of 1980, as enacted or as amended.

(2) The terms "operator" and "producer" mean any person who engages in the business of drilling for, extracting, or producing any natural gas, petroleum, or other crude or mineral oil.

~~XXXXXX~~

(CONTINUED)

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~~(2)~~ (3) The term "well" includes each single well or group of wells, ~~Including~~ dry wells, in one field or production unit under the control of one operator or producer."
Renumber: subsequent sections.

And as so amended,
DO PASS

Statement of Intent attached.

BA

STANDING COMMITTEE REPORT

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PRESIDENT

MR.

TAXATION,

We, your committee on

STATEMENT OF INTENT, SENATE

having had under consideration Bill No. **200**

Respectfully report as follows: That **STATEMENT OF INTENT, SENATE** Bill No. **200**

be adopted.

STATEMENT OF INTENT RE: SB 200

This act permits the deduction of the windfall profit tax on domestic crude oil in computing net proceeds for the net proceeds tax on oil and gas. In promulgating rules to implement this act, the Department of Revenue may require taxpayers to furnish or make available supporting information and documents to enable the department to verify the amount claimed as the windfall profit tax deduction.

First adopted by the Senate Taxation Committee on March 25, 1981.

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BC