

MINUTES OF THE MEETING
TAXATION COMMITTEE
MONTANA STATE SENATE

March 28, 1981

The 59th 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.

CONSIDERATION OF HOUSE BILL 34:

"AN ACT TO REVISE THE INCOME LIMITATIONS APPLICABLE TO PROPERTY TAX EXEMPTION FOR 100% DISABLED VETERANS; AMENDING SECTION 15-6-211, MCA; AND PROVIDING AN APPLICABILITY DATE."

Representative Ernst, District 47, said the bill would restore to 100% disabled veterans a property tax credit on their residence of \$15,000 for a single person and \$18,000 for a married couple. Rep. Ernst urged the committee to give favorable consideration to this honorarium for the veteran.

PROPOSERS:

Bob Durkee, Veterans of Foreign Wars and the American Legion; John Sloan, Disabled American Veterans National Service Officer, Fort Harrison, Mont.; Fred J. MacKintosh, Senior Vice-commander of Montana DAV; Sen. Pat Ryan, District 9, Great Falls; and Bob Rasmussen, 100% disabled veteran.

There were no opponents so questions were called from the committee.

ELLIOTT: Haven't we had a bill similar to this that passed through earlier?

DURKEE: Senate Bill 102 directed itself to the elderly. Another House Bill, 160, was in the taxation committee but didn't leave the committee. This is the only vehicle left.

ECK: SB 102 provides some relief for all veterans. It includes the disabled payments as part of the income. I don't think there is a conflict.

TOWE: Do you recall what SB 102 did?

DURKEE: It increased maximum earnings.

MCCALLUM: How many 100% disabled veterans are there in Montana?

DURKEE: About 500.

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GOODOVER: What's the difference in 102 limiting to \$12,000 per single and \$15,000 for a married couple? This calls for \$15,000 and \$18,000--what's the difference?

JOHN CLARK: I'm not sure but that the disability benefit was struck out of 102. I think you have to look at HB 34 by itself.

ERNST: This is the 100% disabled veteran. They have had this honorarium; the 1979 legislature removed that. It covers a small number of persons. If their wife is working, or they have income from stocks and bonds, they would pay the regular tax.

The chairman requested the latest draft on SB 102 so that we could see what they are doing.

ECK: The problem with amending 102 is that there is a limit on the valuation of the dwelling at \$35,000. That probably is not realistic either.

The hearing was closed on House Bill 34.

DISPOSITION OF SENATE BILL 356:

Sen. S. Brown made a motion that SB 356 be given a DO PASS. Sen. Crippen made a substitute motion that the 5% figure in the bill be changed to 3%. A roll call vote on Sen. Crippen's motion passed by 9-5. A motion was made that SB 356 be given a DO PASS, as amended. The motion carried by a 9-5 margin.

DISPOSITION OF HOUSE BILL 474:

TOWE: This is a building incentive bill that decreases valuation for a period after remodeling. It would phase in the valuation increase over a 5-year period. In order to grant the benefit the governing board must approve the resolution of the schedule. The effect would be to decrease revenues. It might encourage remodeling.

ECK: It really doesn't decrease local revenues.

TOWE: This would apply in non-incremental revenue districts.

MCCALLUM: I will move that HB 474 be laid on the table.

The motion carried by a 9-5 vote.

DISPOSITION OF HOUSE BILL 541:

TOWE: This is an act to provide a graduated tax for Class 4 property based on the income of the owner.

S. BROWN: Sen. Regan's bill also addresses that, doesn't it?

ECK: I think we should table this one.

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The vote on the motion to table was 13-1, Sen. Towe dissenting.

DISPOSITION OF SENATE BILL 150:

Chairman Goodover said we had given an adverse report on SB 150 and that he would entertain a motion to reconsider. The motion was made and it was voted unanimously to reconsider SB 150.

The chairman said we had amended to 40% and that there would be about an 8-million-dollar impact.

Sen. Towe moved that the bill be tabled.

A substitute motion was made by Sen. McCallum that SB 150 be given a DO PASS. A question was asked of John Clark about the figures in the fiscal note.

CLARK: I have no new figures. They are fairly firm on the fiscal note; I would say the note should be correct.

The vote was 9-5 on the motion for a DO PASS on Senate Bill 150.

DISPOSITION OF HOUSE BILL 753:

Sen. Elliott made a motion that HB 753 BE CONCURRED IN. As a substitute motion, Bob Brown moved that HB 753 be laid on the table.

TOWE: Even with all the Housing Authority money, it is not a good idea, if interest rates are high, to sell a lot of bonds and lock people into a high rate. If interest rates go above 12%, it gives another method to help housing get started. It doesn't take general fund money, only so far as the interest rate might affect interest on the coal trust income.

ELLIOTT: I have already figured the coal trust fund has to earn 14%.

TOWE: It will never go to 14%.

The question was called on HB 753. The motion to table passed by a 10-4 margin, Senators Eck, Towe, Norman, and Healy dissenting.

DISPOSITION OF HOUSE BILL 762:

MCCALLUM: A bank can invest any way they want?

TOWE: Right, all this bill says is that they will get more points.

Sen. Crippen made a motion to table HB 762. The vote was 9-5 to so do.

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DISPOSITION OF SENATE BILL 172:

A motion was made to reconsider SB 172 which had been returned to the committee. The motion passed unanimously.

Sen. Manley wanted to wait for discussion until each committee member had an updated bill in their book before he discussed proposed amendments.

S. BROWN: Is MPC working with you?

MANLEY: They gave me the figures.

S. BROWN: I think you are being set up. They will give you your bill and then challenge the whole thing. I think the Rules committee was wrong to bring this back.

MANLEY: There is no way they can challenge what we have done now. I might add, for Sen. Crippen's benefit, that all of the generation of Colstrip 3 and 4 is transmitted directly out of the State of Montana.

The meeting was adjourned at 9:00 a.m.


PAT M. GOODOVER, CHAIRMAN

ROLL CALL

TAXATION

COMMITTEE

47th LEGISLATIVE SESSION - - 1981

Date Mar. 28, 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.

Faciation

COMMITTEE

2 BILL 34

VISITORS' REGISTER

DATE 3/28/81

Please note bill no.

[illegible]

PLEASE LEAVE PREPARED STATEMENT WITH SECRETARY

SENATE COMMITTEE

TAXATION

Date Mar. 28, 1981 Senate Bill No. 356 Time 8:40 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)	✓	

9-5

Betty Dean

Secretary

Pat M. Goodover

Chairman

Motion:

To amend from 5% to 3%.

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



The Big Sky Country

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LABOR & EMPLOYMENT RELATIONS
LEGISLATIVE COUNCIL
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COUNCIL OF STATE
GOVERNMENTS
GOVERNING BOARD
CSG TRANSPORTATION

3-28-81

The undersigned members of the Senate Taxation Committee have authorized that SB 283 be reported out of Committee to be placed on second reading. SB 283 had been passed out of Committee, went thru required hearings and was favorably voted out.

Pat M. Goodover, Chairman
George McCallum V.C.
John Manly
Bob Brown
Barclay
Tom Hoyer
Jack Healy
Thom E. Davis

Roger A. Elliott
STEVE BROWN
Ethan S. Sorenson

STANDING COMMITTEE REPORT

March 28

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PRESIDENT:

MR.

TAXATION

We, your committee on

having had under consideration **Senate** Bill No. **283**

Respectfully report as follows: That **Senate** Bill No. **283**
introduced copy, be amended as follows:

1. Page 5.

Following: line 9

Insert: "Section 5. Coordination instruction. Senate bill 47, introduced in the 47th legislature, removes livestock, poultry, and the unprocessed products of both from class seven and places them in class six for purposes of property taxation. If senate bill 47 is passed and approved, then section 1 of this act is to be replaced with the following section:

"Section 1. Section 15-6-136 is amended to read:

"15-6-136. Class six property -- description -- taxable percentage.

(1) Class six property includes:

(a) business-inventories-as-defined-in-this-section livestock and poultry and the unprocessed products of both;

(b) all unprocessed agricultural products on the farm or in storage except,

XXXXXX
DO PASS

Jrf

(CONTINUED)

~~{1} all perishable fruits and vegetables in farm storage and owned by the producer; and~~

~~{1i} livestock and poultry and the unprocessed products of both.~~

~~{2} "Business inventories" includes goods intended for sale or lease in the ordinary course of business and raw materials and work in progress with respect to such goods. Business inventories do not include goods leased or rented or mobile homes held by a dealer or distributor as part of his stock in trade. The market value of business inventories, for property tax purposes, is the cost to the person subject to the inventory tax.~~

~~{3} (2) Class six property is taxed at 4% of its market value."~~
Renumber: subsequent sections.

And, as so amended,

DO PASS

RF

STANDING COMMITTEE REPORT

March 28

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PRESIDENT:

MR.

TAXATION

We, your committee on

having had under consideration Senate Bill No. 356

Respectfully report as follows: That Senate Bill No. 356

introduced copy, be amended as follows:

1. TITLE, line 6.

Following: "OF"

Strike: "5"

Insert: "3"

2. Page 2, line 4.

Following: "(b)2-65"

Strike: "58"

Insert: "38"

3. Page 2, line 15.

Following: "(b)"

Strike: "2.658"

Insert: "38"

And, as so amended

DO PASS

P.A.

STANDING COMMITTEE REPORT

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MR. **PRESIDENT:**

We, your committee on **TAXATION**

having had under consideration **Senate** Bill No. **150**

Respectfully report as follows: That **Senate** **150**
introduced copy, be amended as follows:

1. Title, line 4.

Following: "AN ACT"

Strike: remaining text through "MCA," on line 5.

Insert: "TO CLARIFY THE STATUTES ALLOWING THE INVESTMENT CREDIT; AND"

2. Title, line 6.

Following: "CREDIT TO"

Strike: "100"

Insert: "40"

Following: "CREDIT"

Insert: "; AMENDING SECTIONS 15-30-161, 15-30-162, AND 15-31-123, MCA"

3. Page 1, line 9.

Following: line 8

Insert: "Section 1. Section 15-30-161, MCA, is amended to read:

XXXXX
DO PASS

JRF

(CONTINUED)

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"15-30-161. Purpose and definition. (1) The purpose of 15-30-162 is to allow individuals, estates, and trusts, ~~and small businesses that meet the definition established in this section~~ owning an interest in partnerships and in small business corporations electing to be taxed under the provisions of 15-31-202 to take an the investment credit as provided for in 15-30-162 and thus in order to stimulate capital investment by the small business sector.

~~(2) For the purposes of 15-30-162, "small business" means a business that is eligible to elect to be taxed under the provisions of 15-31-202, whether or not such election is made."~~

Section 2. Section 15-30-162, MCA, is amended to read:

"15-30-162. Investment credit. (1) There is allowed as a credit against the taxes imposed by 15-30-103 and 15-30-104 a percentage of the credit allowed with respect to certain depreciable property under section 38 of the Internal Revenue Code of 1954, as amended, or as section 38 may be renumbered or amended.

(2) The amount of the credit allowed for the taxable year is the sum of:

(a) ~~20%~~ 40% of the amount of credit determined under section 46(a) (2) of the Internal Revenue Code of 1954, as amended, or as section 46(a)(2) may be renumbered or amended;

(b) the investment credit carryovers carried to the taxable year as provided in subsection (4); and

(c) the investment credit carrybacks carried to the taxable year as provided for in subsection (4).

(3) Notwithstanding the provisions of subsection (2), the investment credit allowed for the taxable year may not exceed the taxpayer's tax liability for the taxable year. In the event the taxpayer's tax liability for the taxable year exceeds \$5,000, the investment credit may not exceed \$5,000 plus 50% of the tax liability in excess of \$5,000. In the case of a husband and wife who file separate returns, the investment credit may not exceed \$2,500 plus 50% of the tax liability in excess of \$2,500 unless the spouse of the taxpayer has no qualified investment for and no unused credit carryback or carryover to the taxable year of the spouse that ends with or within the taxpayer's taxable year.

(4) If any part of the investment credit is not applied against the tax liability for the taxable year because of the limitations imposed under subsection (3), the unused portion shall be carried back and carried forward in accordance with the provisions of section 46(b) of the Internal Revenue Code of 1954, as amended, or as section 46(b) may be renumbered or amended.

(5) The investment credit allowed by this section is subject to recapture as provided for in section 47 of the Internal Revenue Code of 1954, as amended, or as section 47 may be renumbered or amended."

Renumber: subsequent sections.

4. Page 1, line 11.

Following: "allow"

Strike: "individuals, estates, trusts, and"

RF

(CONTINUED)

5. Page 1, line 12.

Following: "businesses"

Strike: remainder of the text through "section" on line 13.

6. Page 1, line 14.

Following: "and"

Strike: "thus"

7. Page 1, line 19.

Following: "made"

Insert: ", or one in which at least 50% of the ownership of such business is held, directly or indirectly, by members of the same family. For purposes of this section, "members of the same family" means an individual, his spouse, children, grandchildren, parents, brothers, sisters, and the lineal descendants of each such person or groups of persons."

8. Page 2, line 3.

Following: "29%-of"

Insert: "40% of"

Following: "the"

Strike: "total"

And, as so amended,

DO PASS

JRF

PAT H. GOODOVER,

Chairman.