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CONFERENCE COMMITTEE
ON AMENDMENTS TO HB 739
(Report No. 1, April 20, 1983, 11 A.M.)

A conference committee meeting was held at 11 a.m. on April 20, 1983, in Room 415 of the Capitol Building.

Present were Senators Roger Elliott and Dorothy Eck, Representatives Nancy Keenan, Dan Yardley, and Melvin Underdal, and Senate Taxation Committee staff attorney Cort Harrington. Senator Bruce Crippen, who was also a member of the conference committee, was unable to attend the meeting.

Senator Elliott chaired the meeting. He pointed out that the first three amendments on the standing committee report deal with individual income tax returns and the second three deal with the same thing on corporate income tax returns.

Representative Yardley had reservations about the \$500 limitation on the credit. He felt it was not incentive enough for a major renovation project.

Senator Elliott estimated that 50 to 100 projects in cities like Missoula, Kalispell and Helena would take advantage of the credit. He said they were trying to keep the credit related to the equipment area and replacement of equipment. That tends to increase productivity here, he said. In urban renewal situations, it provides construction jobs but nothing long term.

The amount of the credit was reduced from 20% to 5% of the credit under section 46(a)(2) of the Internal Revenue Code, as amended, because of the fiscal effect on state revenues. It reduces the impact from \$9 million to \$6 million. We just couldn't afford to have the 20% credit. Most of the people claiming the credit fall below the maximum \$500 limit anyway.

Representative Yardley felt it was almost meaningless to have a 5% credit (on \$25,000 worth of equipment, the federal credit is \$2,500 (10%); 5% of the \$2,500 federal credit is only \$125). You have to purchase \$25,000 to \$50,000 to notice the effect of this credit.

Senator Eck recalled that most of the witnesses said they would prefer a lower percentage of tax credit rather than having to deal with changes in the accelerated cost recovery system (ACRS).

Representative Yardley thought that Montana should not piggyback on the federal ACRS. Senator Elliott felt the ACRS was only temporary. It helps the businessman considerably. He has to pay off his loans in the first three years or so, and then he has more money to pay the taxes after the equipment is depreciated out.

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Amendments numbered 7, 8 and 9 on the report were brought about because the Office of Budget and Program Planning (OBPP) and the Legislative Fiscal Analyst (LFA) thought there would be no investment credit after December 31, 1982. This remedies that situation.

Cort Harrington pointed out a clerical error in amendment No. 7, section 3, subsection (5). The underlined material, "However, rehabilitation costs . . . production of Montana income," should be moved to the end of subsection (1) in section 3, amendment No. 7.

Representative Yardley moved that the underlined material, "However, rehabilitation costs . . . production of Montana income," be moved to the end of subsection (1) in section 3, amendment No. 7. The motion was seconded and passed unanimously.

Senator Elliott stated that the (Senate) Committee of the Whole wanted the investment credit to come back in 1985 (to 20%, with the \$5,000 limit, carryovers and carrybacks and with the rehabilitation cost language in). The legislature will have an opportunity to look at this in 1985.

Senator Eck mentioned the tax credit study. She thought it might be better if the legislature didn't have to compete with this bill in 1985. They will have an opportunity to start from scratch on the credits at that time.

Representative Keenan said this legislature is passing on to the 1985 legislature a \$25 million bill.

Representative Yardley noted that the impact for 1983-85 is \$6 million. If in 1985 we go back to the existing law, the impact is \$23 million for that biennium.

Representative Keenan said she understood the fiscal note left out the rehabilitation costs language.

Senator Elliott stated that Senator Crippen felt there would be no acceptance of the bill unless that language was included in the bill. The committee* was not happy about the OBPP making that assumption. Senator Elliott said that in the Senate he was not an outstanding proponent for tax credits, so it makes it hard for him to defend this proposal, but as far as "building Montana," it puts money back into the taxpayers' pockets and encourages development in the economy.

Senator Eck said she was a proponent of tax credits where they do the most good.

*Senate Taxation Committee

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Senator Elliott pointed out that this credit applies to people who make investments in equipment.

Representative Yardley said people buy what they need. They may get credit for buying copy machines, law books, etc., but no new jobs are created as a result of those purchases.

Senator Eck thought Senator Lee's bill (SB 241) was better than HB 739.

Representative Yardley moved to delete amendments numbered 7, 8, and 9 on the Senate (Taxation) Standing Committee Report, with the idea that HB 739 continue without a termination date, so the \$6 million to \$7 million impact would continue, and the 1985 legislature could come back and look at it.

Senator Elliott, to clarify the motion, asked if Representative Yardley was moving that the Senate recede from amendments 7, 8, and 9, and Representative Yardley replied affirmatively. The motion was seconded.

Senator Elliott said the 5% credit would then continue beyond 1984. The 1985 legislature will have the opportunity to change that. The remaining amendments on the report will stay in.

A roll call vote was taken on Representative Yardley's motion that the Senate recede from amendments 7, 8, and 9 of the Senate Taxation Standing Committee Report:

Representative Yardley - yes	Senator Eck - yes
Representative Keenan - yes	Senator Elliott - yes
Representative Underdal - yes	

The motion passed unanimously.

Representative Yardley moved that the House accede to amendments 1 through 6 and that the Senate recede from amendments 7 through 9 of the Senate Taxation Standing Committee Report. The motion was seconded and passed unanimously.

The committee felt the tax study would come up with good ideas and supported it. They were not sure, however, if the study would be done under the Revenue Oversight Committee.

The conference committee adjourned.



Senator Roger Elliott, Chairman

CONFERENCE COMMITTEE
ON AMENDMENTS TO HOUSE BILL 739

(Report No. 1, April 20, 1983, 11 a.m.)

MR. PRESIDENT:

We, your Conference Committee on Amendments to House Bill 739, met and considered:

House Bill 739, third reading copy (blue); and

Senate Taxation Committee Amendments to the third reading copy (blue), dated April 12, 1983;

We respectfully recommend as follows:

That the House accede to Senate Taxation Committee amendments 1 through 6;

That the Senate recede from Senate Taxation Committee amendments 7 through 9; and

That this Conference Committee report on House Bill 739 be adopted.

CLERICAL INSTRUCTIONS FOR REFERENCE COPY (SALMON)

Strike Senate Taxation Committee amendments numbered 7 through 9.

FOR THE SENATE

FOR THE HOUSE

Roger Elliott, Chairman

Nancy Keenan, Chairman

Dorothy Eck

Dan Yardley

Bruce Crippen

Melvin Underdal

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