

MINUTES OF THE MEETING OF THE HOUSE TAXATION COMMITTEE
March 21, 1983

The meeting was called to order at 8:00 a.m. by Chairman Yardley. Roll call was taken and all committee members were present except Representatives Dozier, Harrington and Nordtvedt, who came in later in the meeting.

Executive action was taken on the following bills: HJR 33; House Bills 354, 648, 739, 740, 755, 867, 868, and 869; and Senate Bills 241, 252, 264, 283, 414, and 459.

EXECUTIVE SESSION

House Joint Resolution 33

REPRESENTATIVE MEL WILLIAMS, who was chairman of the Taxation Subcommittee on HJR 33, told committee members that the subcommittee held two meetings on March 19, 1983, and went over the revenue figures with the Office of Budget and Program Planning and the Office of the Legislative Fiscal Analyst. There were five main areas of revenue that the subcommittee asked the OBPP and LFA to recompute their figures on:

1. Interest on Investments - The two offices were asked to recalculate their figures, using the LFA interest figure of 10% and the OBPP monthly cash balance estimate of \$264 million. After refiguring, OBPP decreased their amount from \$78.6 million to approximately \$61.1 million. The LFA increased their amount from \$52 million to \$61 million.
2. Oil Severance Tax - There was a \$9 million difference between the OBPP and LFA figures. The subcommittee asked the two offices to recalculate using OBPP production figures of 2% and LFA price per barrel of \$25.00. The new figures given are \$84.9 for OBPP and \$85.5 for LFA.
3. Coal Severance Tax - There was a \$2 million difference between the two offices' figures. The two offices had been given figures from Western Energy Company that were 4 million tons apart. (The figure given to OBPP was 4 million tons higher than that given to LFA.) The subcommittee asked the two offices to split the difference in the estimates.

4. Oil Tax Trust Interest - There was a \$2 million difference between the LFA and OBPP estimates. The subcommittee asked the two offices to recalculate, using the LFA's interest figure of 10%.
5. Individual Income Tax - The subcommittee recommended using the LFA's figure of \$227,549.

The School Equilization Fund was adjusted accordingly with the changes recommended above.

The final biennium general fund revenue estimate for the OBPP is \$713.257 and that is the amount being recommended by the Taxation Subcommittee on HJR 33. (See EXHIBITS 1, 2 and 3.)

REPRESENTATIVE NILSON moved HJR 33 DO PASS.

REPRESENTATIVE NILSON moved the recommended amendments to HJR 33.

REPRESENTATIVE HARP left the meeting at this time.

JUDY CURTIS, Office of the Legislative Fiscal Analyst, said the percentage used on the coal tax trust interest was 12%, not 10%. Representative Williams agreed and said he had made an error by saying it was 10%.

REPRESENTATIVE NORDTVEDT was present at the meeting at this time.

TERRY JOHNSON, Office of Budget and Program Planning, said the highway bonding amount of \$70 million was not used in figuring the interest on investments amount. Representative Nordtvedt said if the highway bonding bill passes the Senate, we should make a revenue change on the earnings on interest. Chairman Yardley said whatever changes occur after this committee moved on HJR 33 will be shown in the revenue estimates.

The motion to AMEND HJR 33 was voted on and PASSED unanimously.

The motion that HJR 33 DO PASS AS AMENDED was voted on and PASSED with all committee members voting yes except Representative Jacobsen, who voted no.

REPRESENTATIVE HARRINGTON was present at the meeting at this time.

CHAIRMAN YARDLEY went over EXHIBIT 4, amendments offered on HJR 33. Representative Bertelsen said since the bills listed on that sheet have not passed the whole legislature, why put them into HJR 33? Chairman Yardley suggested letting these amendments go until HJR 33 is ready to be passed to the Senate and then, at that time, HJR 33 can be completely updated.

Senate Bill 264

REPRESENTATIVE VINGER moved SB 264 BE CONCURRED IN.

CHAIRMAN YARDLEY said there was an amendment offered to this bill. (Page 2, line 1, following "crushed", insert "and to oiling".) Chairman Yardley said the sponsor of the bill did not think the amendment was necessary.

The motion was voted on and PASSED unanimously.

CHAIRMAN YARDLEY said Representative Dave Brown had said he would carry this bill on the floor of the House.

It was suggested that this committee table all the tax credit bills still in committee. Chairman Yardley said this committee should resolve the small business investment credit issue before the legislature is over. Representative Nordtvedt said he would like to know when it was that the Department of Revenue made the determination that the investment tax went to 0%. Mr. Bucks, Department of Revenue, said the department did not give an opinion to the Office of Budget and Program Planning. They had discussions regarding the fact that the issue is not clear.

House Bill 740

REPRESENTATIVE NORDTVEDT moved HB 740 DO NOT PASS.

REPRESENTATIVE KEENAN said you have three options concerning the investment tax credit:

1. Assume the credit goes back to 0%.
2. Assume the credit goes to 20%.
3. Repeal all investment tax credits.

REPRESENTATIVE NEUMAN made a substitute motion that HB 740 DO PASS. He said we cannot come up with the \$21 million needed to fund the investment tax credit at 20%. This approach makes more sense.

REPRESENTATIVE NORDTVEDT said HB 740 and HB 739 do not go together as a package. By having pay backs like this, you are depriving business people of the legitimate right to depreciate business equipment. People are under a misconception of ACRS. All it does is allow you to take a deduction on machinery earlier.

MR. BUCKS said Section 168 of the Internal Revenue Service codes provided for a depreciation method and involves ACRS. That system was enacted in 1981, after the state legislature met. Congress reduced state taxes by about \$2 billion. The Accelerated Cost Recovery System provides for earlier write-off of equipment. House Bill 740 taxes acceleration faster and does not tax the depreciation. It will also compensate the state for revenue loss outside of Montana. This bill will eliminate the tax break on Montana taxes for investments outside of Montana. For interstate investment purposes, ACRS and the investment tax credit are duplicate

tax breaks. House Bill 740 will eliminate duplication between the two and will eliminate the tax break for investing outside of Montana. The state of Montana will lose \$13 million because of ACRS. House Bill 740 will raise about \$12.5 million.

REPRESENTATIVE NEUMAN passed out copies of proposed amendments to HB 740. (See EXHIBIT 5.) He said they are clarifying amendments. Representative Neuman moved the amendments to HB 740.

REPRESENTATIVE NORDTVEDT said this committee should open up a hearing on this bill and let the people who will be affected have a chance to testify again.

REPRESENTATIVE SWITZER said we have clearly built a case for the bill by having renewed testimony on HB 740.

REPRESENTATIVE KEENAN said Representative Nordtvedt was not present when HB 740 and HB 739 were heard.

REPRESENTATIVE HARP returned to the meeting.

REPRESENTATIVE WILLIAMS said this is a reasonable and fair choice to depreciation.

REPRESENTATIVE DEVLIN said HB 740 is just a money raising measure for the state.

REPRESENTATIVE NEUMAN asked if it was fair to allow a reduction of Montana income for investments taken out of the state of Montana. This is just an effort to make clear that we intend to allow for deductions for investments in Montana.

REPRESENTATIVE KEENAN said the bottom line is whether we believe the investment tax credit is a viable expenditure. If so, what vehicle are we going to use to fund it?

REPRESENTATIVE WILLIAMS said he agreed with Representative Keenan. He said HB 740 and HB 739 are two good companion bills. The investment tax credit is just a subsidy - it does nothing to stimulate the economy.

REPRESENTATIVE SWITZER said all this bill does is remove accelerated depreciation. If the farmers did not have depreciation, they would be even farther behind than they are now.

The motion to amend HB 740 was voted on and PASSED unanimously.

The motion that HB 740 DO PASS, AS AMENDED, was voted on and FAILED. A roll call vote was taken. All committee members voted no except Representatives Harrington, Keenan, Neuman, Nilson, Ream, Williams, Zabrocki and Yardley, who voted yes. Representative Dozier was excused.

CHAIRMAN YARDLEY said, with no objection from the committee, the vote will be reversed and the bill will come out of committee with a recommendation of DO NOT PASS, AS AMENDED.

Senate Bill 414

REPRESENTATIVE BERTELSEN moved to TABLE SB 414.

The motion was voted on and PASSED unanimously.

House Bill 354

REPRESENTATIVE WILLIAMS moved HB 354 DO NOT PASS.

REPRESENTATIVE HARP made a substitute motion that HB 354 BE TABLED. He said we cannot allow this bill to get on the floor of the House. There are too many people who would have to vote for it and it would put them in a tough position. The state of Montana cannot afford this bill.

The substitute motion was voted on and PASSED unanimously.

House Bill 648

REPRESENTATIVE HARP moved to TABLE HB 648 for the same reasons he gave for tabling HB 354.

The motion was voted on and PASSED unanimously.

House Bill 739

REPRESENTATIVE KEENAN moved HB 739 DO PASS.

REPRESENTATIVE WILLIAMS asked if by passing this bill, it would eliminate the possibility of further litigation. Representative Keenan said that was correct.

REPRESENTATIVE KEENAN moved the following amendments to HB 739:

1. Page 1, line 18 through line 21.
Following: "amended." on line 18
Strike: lines 18 through 21 in their entirety

2. Page 3, line 2.
Following: line 1
Insert: "the taxpayer's tax liability for the taxable year or"
Following: "\$500"
Insert: ", whichever is less"

3. Page 4, line 22 through line 25.
Following: "amended." on line 22
Strike: lines 22 through 25 in their entirety

REPRESENTATIVE NEUMAN took over as chairman.

The motion to amend HB 739 was voted on and PASSED unanimously.

REPRESENTATIVE DOZIER was present at the meeting at this time.

REPRESENTATIVE KEENAN passed out copies of EXHIBIT 6, a summary fact sheet on investment credit issues and HB 739.

The motion that HB 739 DO PASS, AS AMENDED, was voted on and PASSED. A roll call vote was taken and all committee members voted yes except Representatives Devlin, Harp, Switzer, Underdal and Vinger, who voted no. Representatives Abrams, Asay and Nordtvedt were not present during the vote. Representative Yardley left a proxy vote, voting yes.

REPRESENTATIVE YARDLEY was present at the meeting at this time and took over as chairman again.

House Bill 740

REPRESENTATIVE HARRINGTON moved this committee RECONSIDER PREVIOUS ACTION on HB 740. Since this committee passed HB 739 he said he feels it is important that HB 740 is passed. The two bills will "wash" the fiscal impact.

The motion was voted on and PASSED. A roll call vote was taken. All committee members voted yes except Representatives Asay, Bertelsen, Nordtvedt, Switzer and Underdal, who voted no. Representative Nilson was not present during the vote.

REPRESENTATIVE HARP moved to TABLE HB 740.

REPRESENTATIVE NEUMAN said this committee passed a bill to take \$13 million from the general fund. It would be his intention to bring HB 740 back into committee and keep it in committee until we come up with a financing mechanism. He supports the motion with the intention of bringing HB 739 back into the committee.

REPRESENTATIVE HARRINGTON said he opposes the motion. He said the two bills have to go together. It is ridiculous to keep tabling bills.

REPRESENTATIVE JACOBSEN said by tabling bills, we could still look at them at a later date.

REPRESENTATIVE HARP said he supports 0% for any tax credit bill because this state cannot afford any credits.

REPRESENTATIVE KEENAN said this committee is up against a time line. If we table both bills and pass the 70th legislative day, we would revert back to the investment credit law as it is now.

REPRESENTATIVE WILLIAMS said he opposes the motion for the same reasons Representative Harp supports the motion. The state of Montana is in a financial crunch. House Bill 739 resolves the possibility of legal action down the road.

REPRESENTATIVE NEUMAN said if we decide to pass either bill, we have to pass a repealer bill to say the investment tax credit goes back to 0%.

REPRESENTATIVE NORDTVEDT said he asked both the OBPP and LFA what date they discussed the tax incentive with the Department of Revenue. They said it was on October 26 and October 27. He said he feels there has been a deliberate attempt to kill depreciation by the department's interpretation of the law. He said we should kill both bills.

REPRESENTATIVE NORDTVEDT said he would reluctantly support the motion to table the bill without accepting the assumption that we go back to 0%.

The motion to TABLE HB 740 was voted on and PASSED. All committee members voted yes except Representatives Dozier, Harrington, Keenan, Ream, Underdal, Williams and Yardley, who voted no. Representative Nilson was not present during the vote.

House Bill 739

REPRESENTATIVE NORDTVEDT moved to RECONSIDER PREVIOUS ACTION ON HB 739.

REPRESENTATIVE KEENAN said HB 739 will cost \$12 million versus \$21 million if these bills do not pass.

REPRESENTATIVE HARRINGTON said this committee should look twice at putting \$21 million into the general fund for investment tax credits and then tell state employees to take a wage freeze.

REPRESENTATIVE NEUMAN said this committee has to take action on these bills, one way or another. We cannot leave this issue up to the courts.

REPRESENTATIVE WILLIAMS said if we kill these two bills, we would have to ask for a suspension of rules to introduce a committee bill for the repealer to the investment tax credit.

REPRESENTATIVE NORDTVEDT said it was irresponsible of the Department of Revenue to assume the credit goes back to 0%.

The motion to reconsider previous action was voted on and PASSED. A roll call vote was taken and all committee members voted yes except Representatives Dozier, Harrington, Keenan, Ream, Williams, Zabrocki and Yardley, who voted no. Representative Nilson was not present during the vote.

REPRESENTATIVE NORDTVEDT moved to TABLE HB 739.

The motion was voted on and PASSED. A roll call vote was taken and all committee members voted yes except Representatives Dozier, Harrington, Keenan, Nilson, Ream, Williams, Zabrocki and Yardley, who voted no.

REPRESENTATIVE WILLIAMS moved that this committee make a recommendation to the House to suspend the rules to introduce a committee bill to repeal the small business investment tax credit.

The motion was voted on and PASSED. All committee members voted yes except Representatives Bertelsen, Harrington, Nordtvedt, Switzer, Vinger and Zabrocki, who voted no.

REPRESENTATIVE NORDTVEDT said he would like to take a straw vote to see if we have the votes in committee to table all the tax credit bills.

REPRESENTATIVE JACOBSEN said he would like to have individual votes on bills that do not have a fiscal impact from the credit.

REPRESENTATIVE DEVLIN said most fiscal notes say they have no prior data to base the fiscal impact on, but if the bill is a credit, there will always be a fiscal impact.

REPRESENTATIVE WILLIAMS said historically we have given credits to new businesses coming into Montana and that has made no effect on Montana's economy. We are trying to improve the economy of Montana. If businesses are interested in getting started in Montana, they will do it. This is just a subsidy program.

CHAIRMAN YARDLEY said HB 755, HB 867, HB 868, and HB 869 are a result of HB 70. It was thought Montana was not competing with California and their tax credits. In California, you can invest and get a tax credit on other income. With these bills, you have to have a profit in your business in order to get a tax credit. You cannot offset income.

REPRESENTATIVE DOZIER said that is the only type of credit he would support.

House Bill 755

REPRESENTATIVE ZABROCKI moved HB 755 DO PASS.

REPRESENTATIVE NORDTVEDT said he opposes the motion. All of the bills (HB 755, 867, 868, and 869) are down the road to government management of the economy.

REPRESENTATIVE REAM said they do represent, to some extent, government intrusion but when we are talking about energy, the government

has subsidized energy related facilities. These credits are a way of decentralizing and getting the power back to the people who are more directly involved. This brings it closer to the consumer.

REPRESENTATIVE WILLIAMS said the energy crunch is not what it was some time ago. He said he doesn't feel we can use the shortage of energy as an argument.

CHAIRMAN YARDLEY said this is not a tax shelter type credit.

The motion of DO PASS was voted on and FAILED. A roll call vote was taken and all committee members voted no except Representatives Dozier, Harrington, Jacobsen, Keenan, Ream, Yardley and Zabrocki, who voted yes.

REPRESENTATIVE DEVLIN moved to TABLE HB 755. He said when this committee gets more information from the Appropriations Committee we will have a better idea as to what bills we can finance and what bills we can't.

The motion was voted on and PASSED. All committee members voted yes except Representatives Dozier, Harrington, Keenan, Ream, Williams, Zabrocki and Yardley, who voted no.

House Bill 867

REPRESENTATIVE NORDTVEDT moved to TABLE HB 867.

The motion was voted on and PASSED. All committee members voted yes except Representatives Dozier, Harrington, Keenan, Ream and Yardley, who voted no.

House Bill 868

REPRESENTATIVE NORDTVEDT moved to TABLE HB 868.

The motion was voted on and PASSED. All committee members voted yes except Representatives Dozier, Harrington, Keenan, Ream and Yardley, who voted no.

House Bill 869

REPRESENTATIVE SWITZER moved to TABLE HB 869.

The motion was voted on and PASSED. All committee members voted yes except Representatives Dozier, Harrington, Keenan, Ream and Yardley, who voted no.

Senate Bill 241

REPRESENTATIVE ZABROCKI moved SB 241 BE CONCURRED IN.

REPRESENTATIVE NORDTVEDT made a substitute motion to TABLE SB 241.

The substitute motion to TABLE SB 241 was voted on and PASSED. All committee members voted yes except Representatives Dozier, Harrington, Keenan and Zabrocki, who voted no.

Senate Bill 252

REPRESENTATIVE HARP moved to TABLE SB 252.

The motion was voted on and PASSED. All committee members voted yes except Representatives Bertelsen, Switzer and Vinger, who voted no.

Senate Bill 283

REPRESENTATIVE ZABROCKI moved SB 283 BE CONCURRED IN.

REPRESENTATIVE REAM passed out copies of EXHIBIT 7, amendments to SB 283. He said this amendment would provide for 2.25% of the coal tax investment money to go into the alternative energy research development and demonstration account instead of taking the money out of the general fund. He said this would cut into the loan and grant program because that 2.25% would no longer be put into the loan and grant program.

REPRESENTATIVE REAM said we passed HB 264. The fiscal note was originally for \$31,000 for FY'84 and \$37,000 for FY'85, for the bill as originally written. When the bill was amended the fiscal impact went up to \$79,000 for FY'84 and \$95,000 for FY'85. Senate Bill 283, if passed as amended, would replace HB 264, thereby saving the general fund \$174,000.

REPRESENTATIVE REAM moved the amendment on EXHIBIT 7.

CHAIRMAN YARDLEY asked how this amendment would transfer money from one fund to another. Jim Oppedahl, legislative researcher for the Legislative Council, said the Appropriations Committee would have to put language in the appropriations bill that would say there would be a certain amount of money available for the energy research development and demonstration account.

REPRESENTATIVE JACOBSEN said there are several funds supported by coal tax money. By going into this fund, we might jeopardize other areas. Representative Ream said the money is earmarked for alternative energy research development and demonstration and can't be used for anything else. If we take that money and use it for a tax credit, it will reduce the \$2.1 million that the Department of Natural Resources and Conservation can use for administration or whatever.

The motion on the amendment was voted on and PASSED. All committee members voted yes except Representatives Nordtvedt and Jacobsen, who voted no.

REPRESENTATIVE REAM moved the amendments offered by the Department of Natural Resources and Conservation. (See EXHIBIT 8.) He said the bill, as written, excluded some alternative energy forms of non-fossil energy generation. These amendments would put those forms of energy generation back into the bill.

REPRESENTATIVE WILLIAMS asked if the bill, as amended, would include improvements of wood burning stoves. Representative Ream said no.

The motion on the amendments was voted on and PASSED with all committee members voting yes except Representative Nordtvedt, who voted no.

REPRESENTATIVE DEVLIN moved the amendments contained in EXHIBIT 9.

The motion was voted on and PASSED with all committee members voting yes except Representative Bertelsen, who voted no.

REPRESENTATIVE NORDTVEDT made a substitute motion to TABLE SB 283. He said people think solar energy is more cost effective from a social point of view than other forms of energy but the only way we will find out is to make them compete for that business. He said this industry should stand on its own feet.

REPRESENTATIVE DOZIER said if that industry were to stand on its own feet, would they get as many subsidies as the power companies get?

The motion to TABLE SB 283 was voted on and FAILED. A roll call vote was taken and all committee members voted no except Representatives Asay, Harp, Neuman and Nordtvedt, who voted no.

The motion that SB 283 BE CONCURRED IN, AS AMENDED was voted on and PASSED. A roll call vote was taken and all committee members voted yes except Representatives Neuman and Nordtvedt, who voted no. Representative Jacobsen abstained from voting.

Senate Bill 459

REPRESENTATIVE VINGER moved to TABLE SB 459.

The motion was voted on and PASSED with all committee members voting yes except Representatives Asay, Keenan and Nordtvedt, who voted no.

The meeting was adjourned at 12:00 noon.


DAN YARDLEY, Chairman


Vicki Lofthouse, Secretary

OFFICE OF THE GOVERNOR
BUDGET AND PROGRAM PLANNING

EXHIBIT 1
3-21-83



TED SCHWINDEN, GOVERNOR

CAPITOL BUILDING

STATE OF MONTANA

(406) 449-3616

HELENA, MONTANA 59620

HOUSE JOINT RESOLUTION 33

Sub-Committee Adjustments to OBPP Revenue Estimates

General Fund Revenue Estimates (3/15/83)	\$ 350.474	\$ 383.023
Adjustments		
Interest on Investments	-7.490	-10.020
Oil Severance Tax	-2.534	-2.557
Coal Severance Tax	-0.750	-0.418
Individual Income Tax	+2.751	+2.037
Coal Tax Trust Interest	-0.961	-1.121
Long Range Bond Excess	+0.473	+0.350
Total Adjustments	\$ -8.511	\$ -11.729
Adjusted General Fund Revenue Estimates	\$ 341.963	\$ 371.294
Biennium General Fund Revenue Estimate		\$713.257
Foundation Program Revenue Estimates (3/15/83)	\$ 110.713	\$ 120.187
Adjustments		
Individual Income Tax	+1.075	+0.796
Coal Severance Tax	-0.197	-0.110
Total Adjustments	+0.878	+0.686
Adjusted Foundation Program Revenue Estimates	\$ 111.591	\$ 120.873
Biennium Foundation Program Revenue Estimate		\$232.464
Statewide Taxable Valuation Estimate (3/15/83)	\$2239.780	\$2288.910
Adjusted Statewide Taxable Valuation Estimate	\$2239.780	\$2271.541

Public School Revenues
(Figures x \$1,000,000)
March 20, Special

Revenues Available	1983	1984	1985
County Equalization			
40 Mill Levy ²	\$88.18	\$87.16	\$87.95 ³
Light Vehicle Fees and Replacement Funds	4.01	4.01	4.01
Forest Funds	2.34	1.50	1.50
Grazing Funds	.18	.12	.12
Elementary Trans.	(3.06)	(3.41)	(3.62)
High School Tuition	<u>(.62)</u>	<u>(.65)</u>	<u>(.65)</u>
Total	\$ 91.03	\$ 88.73	\$ 89.31
State Equalization			
25 Percent Income Tax	38.28	43.15	45.73
25 Percent Corp. Tax	10.20	9.76	10.71
5 Percent Coal Tax	3.91	4.57	6.02
Interest and Income	36.40	37.33	39.30
Federal Mineral Leasing	11.34	12.27	14.16
Coal Trust Interest	3.57 ¹	5.11	5.90
Balance Available	<u>68.35</u>	<u>35.78</u>	<u>0.00</u>
Total	\$172.05	\$147.97	\$121.82
District Permissive (Includes Light Vehicle Fees and Replacement Funds)	26.30	25.83	26.26
Total Revenue Available	<u>\$289.38</u> =====	<u>\$262.53</u> =====	<u>\$237.39</u> =====
FY 1983 Expenditures	<u>\$253.60</u> =====		

¹ Includes \$32,000,000 general fund appropriated for the 1983 biennium.

² County surplus included in county equalization.

³ Oil at \$25 barrel - 29,655,000 barrels fiscal 1984, Coal \$348.08 million gross value fiscal 1984.

March 21, 1983

General Fund Revenue Projection
Prepared for House Taxation Committee
(Thousands)

Category	Actual	-----Projected-----		
	Fiscal 1982	Fiscal 1983	Fiscal 1984	Fiscal 1985
Individual Income Tax	\$ 92,035	\$ 97,993	\$110,474	\$117,075
Long-range Bond Excess	20,450	23,327	25,496	27,351
Corporation Tax	26,234	26,110	24,999	27,429
Coal Severance Tax	16,376	14,847	17,995	22,966
Interest On Investments	42,443	31,050	30,567	30,567
Coal Trust Interest	11,542	16,300	18,426	24,175
Insurance Tax	12,790	17,625	14,591	15,292
Liquor Profits	5,750	5,424	5,800	6,085
Oil Severance Tax	45,473	42,092	42,607	42,984
Inheritance Tax	7,680	6,079	6,444	6,831
Institution Reimbursement	10,974	16,366	11,994	13,675
Liquor Excise Tax	6,572	6,694	7,087	7,546
Wine Tax	715	845	845	845
Metal Mines Tax	1,861	1,247	1,112	850
Electrical Energy Tax	1,753	1,511	1,542	2,081
Drivers' License Fees	917	830	846	863
Telephone Tax	2,168	2,380	2,400	2,161
Beer License Tax	1,230	1,233	1,239	1,245
Natural Gas Tax	2,475	2,793	3,299	4,017
Freight Line Tax	1,345	1,479	1,627	1,790
Other Revenues	9,476	10,015	10,892	11,836
General Fund Total	\$320,259	\$326,240	\$340,282	\$367,664
	=====	=====	=====	=====

Assumptions:

1. Coal severance tax is the average of the LFA and OBPP projections in each fiscal year 1984 and 1985.
2. Interest on investment projections assume a balance of \$264 million available for investment in fiscal 1984 and 1985 excluding proceeds from tax anticipation notes and including increases in the highway account balance from sale of highway bonds. Interest rates will average 10 percent. Each September 1, \$50 million of tax anticipation notes will be sold.
3. During the 1985 biennium, the price of oil will average \$25 per barrel. Taxable production will total 29,655,000 barrels in fiscal 1984 and 29,906,000 barrels in fiscal 1985. Payments to counties will be based on an annual increase of 1,500,000 barrels.
4. Remaining projections are from the March 1 LFA forecast.

AMENDMENTS TO HOUSE JOINT RESOLUTION 33

1. Page 13, line 12

Following: line 11

Insert: "BE IT FURTHER RESOLVED, that the following bills with general fund revenue impact have been adopted:

Bill No.	Subject	---General Fund Impact---		
		FY 1984	FY 1985	Biennium
HB 45	Declaration of Marriage Fee	\$ 1,000	\$ 1,000	\$ 2,000
HB 65	Wage Deductions	(259,000)	(284,000)	(543,000)
HB 125	Child Care Deductions	(144,000)	(144,000)	(288,000)
HB 227	Property Tax Credits	(704,000)	(704,000)	(1,408,000)
HB 264	Alternate Energy Credit	(79,000)	(95,000)	(174,000)
HB 465	Marine Insurance	223,000	234,000	457,000
HB 631	Standard Deduction	-0-	(455,000)	(455,000)
HB 670	Weighing Devices	67,000	67,000	134,000
HB 673	Ag. Warehousing	30,000	25,000	55,000
HB 685	MT Capital Companies	-0-	(739,000)	(739,000)
HB 696	Fees for Meas. Devices	27,000	27,000	54,000
HB 721	Health Fac. Bonds	57,000	59,000	116,000
SB 53	Liquor Seals	75,000	75,000	150,000
SB 398	Contractor Lic.	96,000	96,000	192,000
Totals		(610,000)	(1,837,000)	(2,447,000)

With the adoption of the foregoing measures, the general fund totals are:

\$334,580,000 \$356,195,000 \$690,775,000."

Amend HB 740 as follows:

On page 1, line 24,

After: "(c)"

Insert: "the deferral value of certain income that is not recognized for federal tax purposes, which value shall be an amount equal to"

On page 2, following line 7,

Insert: "None of the above percentages shall apply to a federal deduction determined by use of the straight line method."

On page 5, line 3,

After: "(iii)"

Insert: "the deferral value of certain income that is not recognized for federal tax purposes, which value shall be an amount equal to"

On page 5, following line 11:

Insert: "None of the above percentages shall apply to a federal deduction determined by use of the straight line method."

SUMMARY FACT SHEET ON INVESTMENT CREDIT ISSUES AND HB 739

- A. Credits are tax expenditures and need to be judged and weighed against any other public expenditure.
- B. Economic studies show that state investment credits have little or no effect on state economic growth. Economic experts view these credits as a waste of public funds.
- C. For many reasons, state investment credits don't work. One reason is that state taxes are deductible from federal taxes. Example: a taxpayer in the top federal bracket (50%) will have one-half of the credit taken away by increased federal taxes. STATE TAX CREDITS, ESPECIALLY THOSE CLAIMED BY HIGH INCOME TAXPAYERS, TRANSFER MONIES IN PART FROM THE STATE TO THE FEDERAL GOVERNMENT.
- D. No funds are in the Executive or LFA Budgets for an investment credit. Without legislation, the budget is short \$21 million.
- E. HB 739 is a compromise credit bill. With no funds in the budget for a credit, it must be financed some way. HB 740 is the proposed financing measure.
- F. HB 739 costs \$12.7 million, and HB 740 raises \$12.2 million.
- G. To control costs, HB 739 limits the credit to \$500 (\$1,000 for a married couple sharing ownership) and reduces the credit rate from 30% to 20% of the federal credit.
- H. For the 1981 tax year, 93% of individual taxpayers claiming the credit (85% of farmers) claimed less than \$500. Average individual credit: \$214. Farm average: \$278. For FY 82, 80% of the corporate taxpayers claiming the credit had credits less than \$500. Average corporate credit: \$584.
- I. HB 739 gives the credit only to Montana investments producing Montana income. The property must be placed in service in Montana. If used inside and outside Montana, its use must be apportioned to the state. (Contrary to critics, these records should already be kept for state tax purposes.) To maximize whatever small economic effect the credit has, the property must be purchased in Montana. This provision increases the number of times that the credit dollar turns over in the state before the credit dollar leaves Montana.
- J. HB 739 limits eligibility to those types of businesses now claiming the credit. Language in the bill concerning corporate taxpayers guarantees that other legislation on small business corporation tax rules does not inadvertently result in some large, multinational corporations claiming the credit.
- K. The language excluding rehabilitation expenditures from the investment credit will be stricken in proposed amendments.

1. Page 8, line 4.

Following: line 3

Insert: "THERE IS A NEW MCA SECTION THAT READS:

Section 11. Source of funds for tax credit. The alternative energy research development and demonstration account established in 90-4-103 is the source of funding for the tax credit allowed under [section 3]. The amount of money in the account that is available for purposes of the tax credit is subject to availability of funds and to the appropriation of such funds by the legislature for the purposes of [section 3]."

Renumber: subsequent sections

AMENDMENTS TO SB 283
Third Reading (Blue Copy)

These amendments
will take

EXHIBIT 8
3-21-83

1. Title, line 6
Following: "OF"
Strike: "Solar"
2. Page 1, lines 18 through 22
Strike: subsection (1) in its entirety
Renumber: subsequent subsections
3. Page 2, lines 3 through 8
Strike: subsection (3) in its entirety
Renumber: subsequent subsections
4. Page 2, lines 20 through 24
Strike: subsection (6) in its entirety
Renumber: subsequent subsections
5. Page 3, line 5 through line 5, page 4
Strike: subsections (8), (9) and (10) in their entirety
Insert: "(5) "System" means a recognized nonfossil form of
energy generation as defined in 15-32-102."
6. Page 4, line 6
Following: "for"
Strike: "solar"
7. Page 4, line 6 and 7
Following: "on which a" on line 6
Strike: "solar energy"
8. Page 4, line 11
Following: "THE"
Strike: "SOLAR ENERGY"
9. Page 4, line 14
Following: "THE"
Strike: "SOLAR ENERGY"
10. Page 4, line 23
Following: line 22
Strike: "Energy"
Insert: "Investments made for energy"
11. Page 4, line 23
Following: "conservation"
Strike: "measures"
Insert: "purpose, as defined in 15-32-102,"
12. Page 4, line 24
Following: line 23
Strike: "solar energy"

13. Page 5, line 7
Following: "THE"
Strike: "Solar Energy"
14. Page ~~8~~⁷, line 11
Following: "Leased"
Strike: "solar energy"
15. Page ~~8~~⁷, line 12
Following: "a"
Strike: "solar energy" .
16. Page 7, line 19
Following: "the"
Strike: "solar energy"

3/17/83

Amendments to Senate Bill 283

Page 5, line 23

Following: "available"
Strike: "to any"

Page 5, line 24

Strike: "taxpayer"
Following: "\$1,000"
Insert: "for a taxpayer filing a separate return and \$2,000
for each joint return"