

MINUTES OF THE MEETING
TAXATION COMMITTEE
MONTANA STATE SENATE

February 21, 1983

The thirty-second meeting of the Taxation Committee was called to order at 8:05 a.m. by Chairman Pat M. Goodover in Room 415 of the Capitol Building.

ROLL CALL: All members were present.

DISPOSITION OF SENATE BILL 231: Senator Towe moved that SB 231 DO NOT PASS. The motion was seconded.

Senator Crippen made a substitute motion to adopt the following amendments:

Title, line 6.
Strike: "70"
Insert: "90"

Page 2, line 4.
Strike: "70%"
Insert: "90%"

The motion was seconded and passed unanimously.

Senator Crippen said the impact with the amendments would be \$15 million compared to \$45 million without the amendments.

Senator Towe didn't think the legislature had any business cutting the oil taxes. The idea that there is a slump in the oil market doesn't mean there should be a cut in taxes. The legislature should do it for the farmers, too, if we are going to do this. We are \$22 million short of revenue, and the bank loophole will be another \$7 million.

Senator Elliott said he would support SB 159 in an amended form which would reduce the severance tax to 4.5% or keep it the same and not raise it. He supported SB 159 over SB 231.

Senator Crippen moved that SB 231 be laid on the table.

In support of Senator Crippen, Senator Gage reminded the committee that they gave permission to have a committee bill drawn on this same subject. Senator McCallum asked what the effect on Senator Gage's bill (SB 437) would be if we killed SB 231. Senator Gage said his bill taxes new oil the way it is presently being taxed.

Senator Crippen withdrew his motion.

A roll call vote was taken on Senator Towe's motion that SB 231 DO NOT PASS AS AMENDED. The motion passed 13-2. The roll call vote sheet is attached to the standing committee report attached to these minutes.

CONSIDERATION OF SENATE BILL 172: Senator Eck moved that the amendments attached to the February 8, 1983, minutes as Exhibit D (with "adjusted" stricken from the columnar heading in amendment No. 3) be adopted. The motion was seconded and passed unanimously.

Senator Eck then moved that SB 172 DO PASS AS AMENDED.

Senator Elliott opposed the bill. The income tax system is being eroded, he said. Senator McCallum asked if there was any change in the fiscal note, and Senator Eck replied there was.

Senator Eck withdrew her motion, and the committee will act on SB 172 at a later date.

DISPOSITION OF SENATE BILL 204: Senator Towe said this is paid voluntarily by many people, and we should leave it alone. Senator Brown noted that one county (Lewis and Clark) has already exempted right of entry from taxation. Senator Towe commented that it is an attempt to tax minerals in place, and you can't do that. So we will tax the right to go in to extract minerals. In Carbon County, the right of entry tax is \$5 an acre. Burlington Northern pays \$230,000 a year in right of entry taxes, and they pay voluntarily. Since most of the tax income is from Burlington Northern, we should just leave it alone.

Senator Towe moved that SB 204 DO NOT PASS. The motion was seconded.

Senator Towe commented that it is an unfair tax and is unfairly apportioned. Senator Gage felt SB 204 was a step away from what Canada did two years ago.

Senator McCallum made a substitute motion that SB 204 DO PASS. The motion was seconded and passed on a roll call vote of 11-4. The roll call vote sheet is attached to the standing committee report attached to these minutes.

DISPOSITION OF SENATE BILL 363: Senator Mazurek submitted amendments attached as Exhibit A to these minutes. The deduction would be in lieu of the one in subsection (8) of section 1, eliminates original use of a computer, and requires acceptance of the equipment by the donee (which prevents the schools becoming a dumping ground for the used equipment). The definition limits the deduction to use with computers. Value is the fair market value. Accredited post-secondary schools like vo techs would be included.

Senator Towe said this bill was drafted for manufacturers in Montana. We should lift that up to five years. Senator Gage said a manufacturer can take the donation as a business deduction, but an individual updating his own computer equipment would have a tough time getting this deduction. Senator Towe noted that most corporations do not even give 5% now. This may help the schools.

Senator Norman asked if individuals could be donors in SB 363 now. Senator Mazurek replied that it applies to corporations only. Section 2 of the bill applies to subchapter S corporations. In that respect, it flows through to the individual.

Senator Norman asked if private individuals would have this type of equipment to donate. Senator Mazurek said there is a 50% limit for individuals, so we don't need this for individuals.

Senator Mazurek moved that the amendments on Exhibit A be adopted. The motion was seconded and passed unanimously.

Senator Towe suggested striking the limitation of years altogether or making it five years. He moved the following amendments:

Page 7, line 2.

Following: "no later than"

Strike: "2"

Insert: "5"

Page 7, line 21.

Following: "no later than"

Strike: "2"

Insert: "5"

The motion was seconded and passed, with Senators Elliott, Goodover, and Halligan voting no.

Senator Goodover stated that the Deaf and Blind School in Great Falls wants to get the equipment that they want, not what someone else wants to give to them.

Senator Elliott spoke against the bill. This is special interest legislation. The donors would make the donation whether the credit is there or not.

Senator Lynch moved that the amendments from the University System be adopted:

Page 6, line 25.

Following: "elementary"

Strike: "or"

Insert: ", "

Page 7, line 1.

Following: line 25, page 6

Insert: ", or accredited post-secondary"

Page 7, line 20

Following: "elementary"

Strike: "or"

Insert: ", "

Following: "secondary"

Insert: ", or accredited post-secondary"

The motion was seconded and passed unanimously.

Senator Turnage asked who was going to benefit from this. There is not one bit of evidence indicating who is going to benefit. Senator Towe replied that two or three manufacturers in Montana would--one in Kalispell and one in Bozeman. Senator Mazurek said he didn't care who was going to benefit; he just wanted people to donate their equipment to the schools.

Senator Crippen said a lot of corporations who do business in Montana are regional or national corporations. A parent company could have a computer transferred up to the Albertson's Store in Montana so they can donate it to the University System. He said if he had something like this, he would make a lot of deals.

Senator Mazurek moved that SB 363 DO PASS AS AMENDED. The motion was seconded and passed on a roll call vote of 14-1. The roll call vote sheet is attached to the standing committee report attached to these minutes.

DISPOSITION OF SENATE BILL 307: Senator Eck submitted the following amendment submitted by the Commissioner of Higher Education's office:

Page 2, lines 5 and 6.

Following: line 4

Strike: "awards credits for its curriculum that are transferable to any units of the Montana university system"

Insert: "is an institution accredited by a national or regional accrediting agency recognized by the board of regents of higher education"

Senator Crippen felt that the foundation should be included in this if it passes. Senator Eck commented that we might want to consider whether the new law school in Helena would be covered.

Action on SB 307 was delayed until a later date.

DISPOSITION OF SENATE BILL 288: Senator Elliott moved that SB 288 be tabled. The motion was seconded. We have another bill that does the same thing. SB 288 repeals the local motor fuels tax. Senator Towe agreed with him. Senator Elliott's motion passed unanimously on a voice vote.

CONSIDERATION OF SENATE BILL 337: Senator Towe moved that the amendments submitted by D.A. Davidson (Exhibit I to the February 17, 1983 minutes) be adopted. There was no second to his motion.

What they originally proposed was too broad, he said. Strike section 1 and don't deduct interest income. It would allow fee income to be taxable. He mentioned the HB 773 umbrella provisions. D.A. Davidson said they were not very interested

in that bill but would work with us on that.

Senator Norman asked if, with an anticipated subsidiary, D.A. Davidson would deal exclusively in municipal bonds. Senator Towe said it has to be 80% at least. He anticipated it would be exclusively municipal bonds. If you put money into a money market account, draw interest and then pull it out, you get interest that the company made during those ten days, less their fee. That fee in this situation would still be taxable.

Senator Turnage predicted that the bill would pass because the fiscal note says they don't know what the impact will be until the company is formed and uses it. D.A. Davidson should prove necessity, etc., of the bill before it is passed.

Senator Eck recalled they had said they put about \$1 million a month from Montana investors into investments. It would allow this type of operation in Montana.

Senator Turnage said these companies are already allowed in Montana. They just don't want to pay taxes.

Senator Towe said suppose you have \$1,000 that you want to invest for a month. You can put it in for 30 days. D.A. Davidson says bring it to them, and they will invest in Montana companies. You can get that service for other companies in Montana.

Senator Goodover stated action on SB 337 would be deferred until a later time.

DISPOSITION OF SENATE BILL 359: Senator Lynch moved that SB 359 DO NOT PASS. The motion was seconded and passed on a roll call vote of 10-5. The roll call vote sheet is attached to the standing committee report attached to these minutes.

DISPOSITION OF SENATE BILL 361: Senator Crippen moved that SB 361 be tabled. The motion was seconded and passed, with Senators Norman and Mazurek voting no. Senator Norman felt the Department of Revenue changes had nothing to do with this bill.

DISPOSITION OF SENATE BILL 379: Senator Lynch said he was agreeable to striking mining from the bill.

Senator Towe stated that when the Anaconda Company pulled out of Anaconda and Great Falls, they left \$5 million and recognized it would cost some. Now they have pulled out of Butte. It is a \$7.5 million loss of revenue to local government even though the expenses continue for the local government. There should be some obligation on the company's part. If the company was broke, that is one thing, but here, the company is not broke. In federal court, ARCO pledged \$1 billion to rejuvenate the company, and they have gone back on that promise.

Senator Crippen sympathized with what they were trying to do but called it "anti-business." It is hard to legislate corporate morality. Is there any type of legislation coming through so we can go to the Anaconda Company and say we have a problem and we need the money? He supported allocating money to go directly to Butte, but didn't like this bill. The worst part will begin July 1, 1983.

Senator Gage suggested giving credit on taxes if they resume operations within a certain number of years.

Senator Towe said two other bills (SB 299 and a House bill) do this same thing from different angles.

Action on SB 379 was deferred until SB 299 is heard on Wednesday, February 23.

DISPOSITION OF SENATE BILL 407: Senator Gage said this will provide equity for the Indians. Many wells are marginal in nature and when we add a 3% tax load, many of them will be plugged. SB 407 is designed to relieve pressure on that situation.

Senator Towe said he contacted the Attorney General's office regarding the Crow and Blackfeet cases. If we did pass SB 407, would the Indians be willing to withdraw their lawsuits? One attorney (not the heard attorney) on one of the cases indicated that the Blackfeet tribe would be willing to drop their lawsuit, but they did not get the same commitment from the Crows. The litigation presently pending would be resolved. Senator Towe said that if we go to court and lose, then we don't have any authority to tax on the reservation.

Senator Eck recalled the legislature had talked about limiting them up to 10%. The people representing the tribe thought that was fine.

Senator Gage stated that an ordinance was passed in 1975 which says the tribal government is the sole jurisdiction on the Blackfeet Reservation. All laws and customs are Blackfeet. Any actions taken by the state of Montana have to be authorized by tribal government.

Senator Mazurek moved that SB 407 be tabled. The motion was seconded and passed, with Senators Gage and Crippen voting no.

The meeting adjourned at 9:55 a.m.


Chairman

ROLL CALL

SENATE TAXATION

COMMITTEE

48th LEGISLATIVE SESSION -- 1983

Date 2/21 /83

| NAME | PRESENT | ABSENT | EXCUSED |
|---------------------------------|---------|--------|---------|
| SENATOR GOODOVER, CHAIRMAN | ✓ | | |
| SENATOR McCALLUM, VICE CHAIRMAN | ✓ | | |
| SENATOR BROWN | ✓ | | |
| SENATOR CRIPPEN | ✓ | | |
| SENATOR ELLIOTT | ✓ | | |
| SENATOR GAGE | ✓ | | |
| SENATOR TURNAGE | ✓ | | |
| SENATOR SEVERSON | ✓ | | |
| SENATOR HAGER | ✓ | | |
| SENATOR ECK | ✓ | | |
| SENATOR HALLIGAN | ✓ | | |
| SENATOR LYNCH | ✓ | | |
| SENATOR NORMAN | ✓ | | |
| SENATOR TOWE | ✓ | | |
| SENATOR MAZUREK | ✓ | | |

AMENDMENTS TO SB 363

1. Page 6, line 23.
Following: "(9)"
Strike: "The"
Insert: "In lieu of the deduction allowed under subsection (8)
the taxpayer may deduct the fair market"
2. Page 6, line 25.
Following: "apparatus"
Insert: "intended for use with the computer"
Following: "donated to"
Strike: "a"
Insert: "public"
3. Page 7, lines 5 and 6.
Following: line 4
Strike: lines 5 and 6
Renumber: subsequent subsections
4. Page 7, line 9.
Following: "receives"
Strike: "from the donee"
5. Page 7, line 10.
Following: "statement"
Insert: "from the donee in which the donee agrees to accept the
property and"
6. Page 7, line 17.
Following: line 16
Insert: "fair market"
7. Page 7, line 19.
Following: "apparatus"
Insert: "intended for use with the computer"
Following: "donated to"
Strike: "a"
Insert: "public"
8. Page 7, lines 24 and 25.
Strike lines 24 and 25
Renumber: subsequent subsections
9. Page 8, line 4.
Following: line 3
Strike: "from the donee"
Following: "statement"
Insert: "from the donee in which the donee agrees to accept the
property and"
10. Page 8, line 7.
Following: line 6

Insert: "(5) The deduction allowed in this section is in lieu of the deduction allowed under 15-30-121 for charitable contributions."

JCH3/SB 363

STANDING COMMITTEE REPORT

February 21

19 83

MR. PRESIDENT

We, your committee on taxation

having had under consideration Senate

Bill No. 231

Respectfully report as follows: That Senate

Bill No. 231

introduced bill, be amended as follows:

1. Title, line 6.

Strike: "70"

Insert: "90"

2. Page 2, line 4.

Strike: "70"

Insert: "90"

And, as so amended

DO NOT PASS

~~DO NOT PASS~~

plc.

ROLL CALL VOTE

SENATE COMMITTEE TAXATION

Date Feb 21, 1983 Senate Bill No. 231 Time 8:22

| NAME | YES | NO |
|---------------------------------|-----|----|
| SENATOR GOODOVER, CHAIRMAN | | ✓ |
| SENATOR McCALLUM, VICE CHAIRMAN | ✓ | |
| SENATOR BROWN | ✓ | |
| SENATOR CRIPPEN | ✓ | |
| SENATOR ELLIOTT | ✓ | |
| SENATOR GAGE | | ✓ |
| SENATOR TURNAGE | ✓ | |
| SENATOR SEVERSON | ✓ | |
| SENATOR HAGER | ✓ | |
| SENATOR ECK | ✓ | |
| SENATOR HALLIGAN | ✓ | |
| SENATOR LYNCH | ✓ | |
| SENATOR NORMAN | ✓ | |
| SENATOR TOWE | ✓ | |
| SENATOR MAZUREK | ✓ | |

Secretary: Barbara J. Effing
Motion:

Chairman: Pat M. Goodover

*moved that SB 231 as amended
do not pass*

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

STANDING COMMITTEE REPORT

February 21

19 83

MR. **PRESIDENT**

We, your committee on **taxation**

having had under consideration **Senate** Bill No. **204**

Respectfully report as follows: That **Senate** Bill No. **204**

introduced bill

DO PASS

J.C.

ROLL CALL VOTE

SENATE COMMITTEE TAXATION

Date Feb 21, 1983 Senate Bill No. 204 Time 8:40

| NAME | YES | NO |
|---------------------------------|-----|----|
| SENATOR GOODOVER, CHAIRMAN | ✓ | |
| SENATOR McCALLUM, VICE CHAIRMAN | ✓ | |
| SENATOR BROWN | ✓ | |
| SENATOR CRIPPEN | ✓ | |
| SENATOR ELLIOTT | ✓ | |
| SENATOR GAGE | ✓ | |
| SENATOR TURNAGE | ✓ | |
| SENATOR SEVERSON | ✓ | |
| SENATOR HAGER | ✓ | |
| SENATOR ECK | | ✓ |
| SENATOR HALLIGAN | ✓ | |
| SENATOR LYNCH | | ✓ |
| SENATOR NORMAN | | ✓ |
| SENATOR TOWE | | ✓ |
| SENATOR MAZUREK | ✓ | |

Secretary: Barbara J. Effing
Motion:

Chairman: Pat M. Goodover

sub. motion that 204 do pass

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

STANDING COMMITTEE REPORT

February 21, 1983

19.....

PRESIDENT

MR.

TAXATION

We, your committee on

SENATE

363

having had under consideration Bill No.

Senate

363

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

First reading copy (white)

be amended as follows:

1. Page 6, line 23.

Following: "(9)"

Strike: "The"

Insert: "In lieu of the deduction allowed under subsection (8)
the taxpayer may deduct the fair market"

2. Page 6, line 25.

Following: "apparatus"

Insert: "intended for use with the computer"

Following: "donated to"

Strike: "an"

Insert: "a public"

Following: "elementary"

Strike: "or"

Insert: ", "

XXXXXX

DO PASS

(Continued)

February 21, 1983

19

3. Page 7, line 1.
Following: line 25, page 6
Insert: ", or accredited post-secondary"
4. Page 7, line 2.
Following: "no later than"
Strike: "2"
Insert: "5"
5. Page 7, lines 5 and 6.
Following: line 4
Strike: lines 5 and 6
Re-number: subsequent subsections
6. Page 7, line 9.
Following: "receives"
Strike: "from the donee"
7. Page 7, line 10.
Following: "statement"
Insert: "from the donee in which the donee agrees to accept the property and"
8. Page 7, line 17.
Following: line 16
Insert: "fair market"
9. Page 7, line 19.
Following: "apparatus"
Insert: "intended for use with the computer"
Following: "donated to"
Strike: "an"
Insert: "a public"
10. Page 7, line 20.
Following: "elementary"
Strike: "or"
Insert: ", "
Following: "secondary"
Insert: ", or accredited post-secondary"
11. Page 7, line 21.
Following: "no later than"
Strike: "2"
Insert: "5"

(Continued)

HC

February 21, 19 83

12. Page 7, lines 24 and 25.
Strike lines 24 and 25
Renumber: subsequent subsections

13. Page 8, line 4.
Following: line 3
Strike: "from the donee"
Following: "statement"
Insert: "from the donee in which the donee agrees to accept the property and"

14. Page 8, line 7.
Following: line 6
Insert: "(5) The deduction allowed in this section is in lieu of the deduction allowed under 15-30-121 for charitable contributions."

AND AS AMENDED

DO PASS

HC

ROLL CALL VOTE

SENATE COMMITTEE TAXATION

Date Feb 21, 1983 Senate Bill No. 363 Time 9:03

| NAME | YES | NO |
|---------------------------------|-----|----|
| SENATOR GOODOVER, CHAIRMAN | ✓ | |
| SENATOR McCALLUM, VICE CHAIRMAN | ✓ | |
| SENATOR BROWN | ✓ | |
| SENATOR CRIPPEN | ✓ | |
| SENATOR ELLIOTT | | ✓ |
| SENATOR GAGE | ✓ | |
| SENATOR TURNAGE | ✓ | |
| SENATOR SEVERSON | ✓ | |
| SENATOR HAGER | ✓ | |
| SENATOR ECK | ✓ | |
| SENATOR HALLIGAN | ✓ | |
| SENATOR LYNCH | ✓ | |
| SENATOR NORMAN | ✓ | |
| SENATOR TOWE | ✓ | |
| SENATOR MAZUREK | ✓ | |

Secretary: Barbara J. Effing
Motion:

Chairman: Pat M. Goodover

motion that SB 363 do pass as amended.

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

STANDING COMMITTEE REPORT

February 21 19 93

MR. PRESIDENT

We, your committee on taxation

having had under consideration Senate Bill No. 359

Respectfully report as follows: That Senate Bill No. 359

introduced bill

DO NOT PASS

~~DO PASS~~

M.C.

ROLL CALL VOTE

SENATE COMMITTEE TAXATION

Date Feb 21, 1983 Senate Bill No. 359 Time 9:28

| NAME | YES | NO |
|---------------------------------|-----|----|
| SENATOR GOODOVER, CHAIRMAN | ✓ | |
| SENATOR McCALLUM, VICE CHAIRMAN | | ✓ |
| SENATOR BROWN | | ✓ |
| SENATOR CRIPPEN | | ✓ |
| SENATOR ELLIOTT | ✓ | |
| SENATOR GAGE | ✓ | |
| SENATOR TURNAGE | | ✓ |
| SENATOR SEVERSON | | ✓ |
| SENATOR HAGER | ✓ | |
| SENATOR ECK | ✓ | |
| SENATOR HALLIGAN | ✓ | |
| SENATOR LYNCH | ✓ | |
| SENATOR NORMAN | ✓ | |
| SENATOR TOWE | ✓ | |
| SENATOR MAZUREK | ✓ | |

Secretary: Barbara J. Effing
Motion:

Chairman: Pat M. Goodover

motion that 359 do not pass.

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