

MINUTES OF THE MEETING  
TAXATION COMMITTEE  
MONTANA STATE SENATE

March 31, 1983

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

ROLL CALL: All members were present except Senators Brown and Mazurek.

CONSIDERATION OF HOUSE BILL 550: Representative Dan Yardley, House District 74, the sponsor of HB 550, said this bill provides that the corporate taxpayer can use only the deductions set forth in 15-31-114, MCA. He referred to the preamble following the enacting clause and noted that this bill redefines "net income" (15-31-113(2), MCA). This is the result of the Montana Supreme Court decision in Baker Bancorporation Inc., et al., v. Department of Revenue of the State of Montana, 39 St. Rep. 2350, 657 P.2d 89 (Dec. 1982). The Court ruled that where not specifically excluded, the deductions taken on federal corporate returns also are allowed on Montana corporate returns. The Internal Revenue Code allows that holding companies are not taxed on the basis of income from their subsidiaries. Montana should make its own decisions and not piggyback on the federal law. The effect is that a lot of multistate corporations do business in Montana and we receive only corporation license tax.

PROPOSERS

Dan Bucks, deputy director from the Department of Revenue, submitted written materials for the committee's review: a letter from the Department of Revenue dated February 14, 1983, addressed to Monte R. Malnaa (Exhibit A), and a sheet entitled "Questions and Answers on HB 550" (Exhibit B). Without HB 550, he said, Congress determines our deductions. Some feel that HB 550 completely unhooks the corporation license tax from the Internal Revenue Code. The Department of Revenue will continue to conform to the IRC when that is the proper thing to do. In the case of income received by multistate firms, certain dividend income would not even be reached once if HB 550 passes.

Mr. Bucks explained the unitary structure regarding parent and subsidiary companies on charts he had prepared. He said the state is smaller than the nation, and it is therefore necessary for the state to decide not to include the dividend deductions. He explained the policy arising out of corporation license tax statutes, which tax is for the privilege of doing business in Montana, as those statutes relate to holding companies. If it

is proper to include the expenses relating to a business purpose, it is proper also to include the income or benefit derived from the privilege of performing the business activity in Montana. Shareholders are then taxed on the dividends they receive. Holding companies are the exception to, and not the rule on, HB 550. Under the purpose of the corporation license tax, HB 550 does not constitute double taxation either. The defeat of HB 550 would maintain a class of particular taxpayers who could exempt certain income from taxation. Its passage will prevent the loss of \$2.5 million over the biennium.

#### OPPONENTS

Jim Bennett, First Citizens' Bank in Billings, said they are a one-bank holding company. They are growing and need additional capital. No dividends are paid yet to shareholders. They oppose HB 550.

George Bennett, attorney for the Montana Bankers Association, said the Department of Revenue is telling only half the story. We are talking about a situation where a dollar is earned, passed on twice, and taxed three times. A comprehensive body of law from the federal law was brought into Montana statutes so we wouldn't have to litigate every facet of law. This allowed Montana to rely on federal audits. The privilege of doing business in Montana is based on income. The Department of Revenue is asking that an unfair rule be imposed--one that the federal government doesn't even use--and they say it's fair. The Revenue Oversight Committee should address this. When we try to get the information behind the fiscal notes, we are told the information is confidential. Why does the Department of Revenue want to maximize the taxes and make such an oppressive tax system in this state?

Tom Harrison, representing the Montana Society of Certified Public Accountants, said we are talking about something broader than the Department of Revenue is representing. In the past 60 days, they haven't bothered to see if ACRS is a deduction (see Exhibit C, from 26 USCS § 168). It is treated as a deduction. By focusing on IRC Section 243 deductions, they are also getting rid of ACRS. ACRS is involved and HB 550 will have an effect on cutting it off. How does it build Montana to pay? We take away ACRS on new combines and other equipment and grant it to people who are not incorporated. What about discretionary expenditures, like Mountain Bell's, etc? It will cost the taxpayers more to keep a complete dual set of books, since the Department of Revenue feels it cannot have the same schedule as the federal. It is a straight loss to the people of this state. When a taxpayer sells property, he has a gain of one number from the feds and one from the state. As far as administration, Jerry Foster, the administrator of the Natural Resource and Corporation Tax Division of the Department of Revenue, said they

could have regulations in 24 hours. Ellen Feaver wanted to do away with ACRS. Montana is not piggy backing on the federal codes. (See 1972 Montana tax preparation instruction booklet, page 3, adjustment (h), Miscellaneous Items not Subject to Montana Income Tax.) They could save money by piggy backing. Section 42-2.6(1)-S6120, Montana Administrative Code, attached as Exhibit D, is a big change from when our own lawyers, legislators, etc., passed the former law in 1972 which stayed on the books until 1981 when they repealed it in the middle of the Baker Bank case. Mr. Bucks says the Department will conform and will continue to attach themselves to the IRC in most cases. It doesn't say that in HB 550. This is contrary to building Montana. It particularly affects bank holding companies.

George Anderson, CPA at Anderson-ZurMuehlen & Co. in Helena, representing the Montana Society of CPAs and the Montana Bankers Association, said HB 550 was more unfair to Montana corporations than to foreign corporations. Money goes from the stockholders to the parent company and then to the operational subsidiary. Federal law realizes it is unfair to tax it again. There is only one income earned by the subsidiary. He explained his handout, attached as Exhibit E. The IRS is considering excluding dividends completely. HB 550 affects multinational and multistate businesses, too. But 50% to 60% of small business comes about because of big business. Multinational businesses in Butte have pulled out, and small businesses have been affected. We need a good tax climate in Montana. In talking about utilization, Jack Reed wanted to simplify the Montana return. A person used to be able to file a Montana tax return on one side of an IBM card. Now, the return is 4 to 5 pages long. Don't build a bigger bureaucracy.

Clark Pyfer, CPA, representing the Montana Society of CPAs, said HB 550 is triple taxation. Creating a bureaucracy to de-couple from the federal government is adding an unnecessary burden on individual taxpayers. We are not talking about multimillionaires, but ranchers so their children can inherit the farm. He echoed what other opponents said and asked that the bill be defeated.

Mac Stevens, CPA, with Peat, Marwick, Mitchell & Co. in Billings, submitted written testimony, attached as Exhibit F.

Janelle Fallan, representing the Montana Chamber of Commerce, opposed the bill also.

Questions from the committee were called for.

Senator Crippen asked Mr. Bucks if it was their intent to get after these deductions as well as the others. Mr. Bucks responded that they didn't believe that was the effect of HB 550 and felt the opponents' reference to ACRS was wrong. He said it was a good example of how piggy backing works. ACRS is a

separate issue in HB 740 to be heard on Tuesday, April 5. Depreciation is not affected in HB 550. The opponents were also mistaken about other deductions cited. They are expenses of doing business.

Senator Crippen said the deductions are defined generally in the codes and specifically in departmental regulations and in case law. Where is the Department of Revenue going to look as to what is reasonable and necessary? Mr. Bucks responded that HB 550 refers only to IRC Section 243 deductions. He quoted a portion of 15-31-114(2)(a), MCA: "All elections for depreciation shall be the same as the elections made for federal income tax purposes. . . ."

Senator Lynch asked Mr. Bucks where the \$2.5 million loss to which he referred earlier came from. Mr. Bucks said that was not included because of the length of the Baker Bank case in relation to when the legislative session started.

Senator Towe asked Mr. Harrison about his reference to IRC Section 168 regarding ACRS depreciation and suggested it had to be taken under Montana law. Mr. Harrison responded that regarding other deductions, such as IRC Section 190 (to remove architectural and transportation), are not ordinary expenses of doing business. What about fish preservation when building power lines, he asked.

Senator Towe wondered about amortization. Mr. Bucks responded that amortization was an ordinary expense of doing business.

Senator Towe asked about dividends. Mr. Bucks responded that that was a receipt of income.

Senator Towe asked Mr. Bucks why they went into the income side and not into the expense side. Why not go into the expense side and say dividend expenses are not deductions? Senator Towe addressed Mr. Bennett: You said your bank is a one-bank holding company. If HB 550 passes and you lose the IRC Section 243 dividend deductions, would that have an effect on where you move? Mr. Bennett replied that the holding company borrows money and puts it in the bank as capital. If it is done as a debenture, the bank pays it back, and the 6.75% interest doesn't apply. We may decide to let the deposits grow slower. I would think some holding companies would move out of state.

Senator Crippen asked Mr. Bucks why if they were after a particular type of dividend they didn't draft a bill that handled just that instead of trying to gut the entire chapter. Mr. Bucks replied that it was a choice of drafting style and it was consistent with the way they had been administering this.

Senator Eck, speaking to Mr. Bucks, said it appeared to her that other legislatures were moving toward decoupling from the feds also. She asked Mr. Bucks if he had any data on that.

Mr. Bucks responded that about 10 states have decoupling. Some involve buying and selling of tax benefits under safe harbor leases.

Representative Yardley, in closing, said that regarding Jim Bennett's remarks, consolidated returns are not involved here. Regarding George Bennett's comments, any dividends paid to you will be paying the corporation license tax or individual income tax. Concerning Tom Harrison's statements, ACRS is not affected by HB 550. The intent of HB 550 is to allow only the corporation license tax deductions provided in section 15-31-114, MCA. The only difference is bank dividends to holding companies. Regarding George Anderson's remarks, deductions are included unless they are specifically excluded. The Supreme Court case did not talk about fairness. As a matter of policy, HB 550 should be passed.

The hearing on HB 550 was closed.

CONSIDERATION OF HOUSE BILL 739: Representative Nancy Keenan, House District 89, introduced HB 739 which establishes an investment credit against individual income and corporate license taxes for the years beginning after December 31, 1982. The 30% investment credit has cost the state \$10 million annually. Prior law provided for a 20% investment credit.

#### PROPOSERS

Dave Lewis, Office of Budget and Program Planning, said they concluded there was a good case to be made for the investment credit returning to zero. He recalled that the increase from 20% to 30% was part of a summit process. There was a sunset provision. HB 739 provides a tax credit and would allow a majority of the applicants for the credit to be eligible for it this year. Dan Bucks from the Department of Revenue submitted a memo entitled "Investment Tax Credit" with a table attached showing the average investment credit per return claim on personal income taxes on 1981 returns. See Exhibit G.

Ellen Feaver, director of the Department of Revenue, said she didn't see HB 739 as being effective in providing growth. The credit using the old rules for availability to corporations is necessary if fiscal cost is to be controlled. It is important to pass some legislation on the investment credit to preclude litigation on what does happen to it upon sunset. She proposed a different applicability statement be used because of the uncertainty in the past. One case says the credit goes to zero, but the other case says that it goes back to 20%. A legal opinion they provided to the legislators supported the 20% theory.

OPPONENTS

Janelle Fallan, representing the Montana Chamber of Commerce, said there was a strong case now for the 20% theory instead of zero. She preferred HB 739 over SB 252 which was tabled in the House. This was proposed because the executive and LFA budgets assumed a zero investment credit rather than a 20% credit upon sunset. She felt the requirement that the property be purchased in Montana would be nice, but Montana is not a manufacturing state, and it is therefore impractical. The goal of economic development is jobs, she said, and a \$500 maximum credit will not influence employers. A business doesn't decide to make an investment for one year; it plans over several years. Regulations, especially environmental ones, change, and industries don't know what they are dealing with.

Jim Hughes, representing Mountain Bell, said ACRS came into existence because of high technology. An investment doesn't last as long as it used to. ACRS is important.

Allen Nicholson, a small businessman in Helena, has been renovating old buildings for 10 years. He wondered why, if it was the intent of the administration to stimulate growth of small business, they were about to take \$30 million out of the pockets of small businessmen and then come back with a \$500 "gift" incentive. He asked that the bill be defeated and that the existing law be modified to clean this up.

Ben Havdahl, representing the Montana Motor Carriers Association, also opposed HB 739.

Dave Goss, representing the Billings Area Chamber of Commerce, also opposed the bill.

Larry Gallagher, a Helena real estate developer, said rehabilitation of older properties has been the only game in town. It has been supported by good legislation, and in the last two years, the investment credit has stimulated it. Everyone benefits--the small businessman, large corporations, in state and out of state. He asked that the investment credit remain and that HB 739 not be enacted.

John Hollow, representing the Montana Home Builders Association, suggested that the questions as to whether the 20% was going to ride through be settled and that HB 739 be killed.

Dennis Burr, representing the Montana Taxpayers Association, said the Office of Budget and Program Planning has known for 3 months that the investment credit was going to go to 20% upon sunset. In spite of that, they have not revised their budgets or the fiscal note accompanying HB 739 to reflect that. It will cost the taxpayers \$15 million rather than saving them \$5 million. Requiring property to be purchased in Montana would limit substantially the number of applicants for the credit.

George Allen, representing the Montana Retail Association, opposed the bill. Speaking about the \$500 credit limit, he said there hasn't been a time recently that businesses could go out and invest a great deal of money.

Clark Pyfer, CPA, a past officer of Montana Chamber of Commerce, and representing the Montana Society of CPAs, submitted proposed amendments to HB 739, attached as Exhibit H, and said this ties in with decoupling from the IRC as in HB 550. He suggested the committee take a good look at this bill before passing it and urged them to consider his amendments.

Jerry Raunig, representing the Montana Automobile Dealers Association, said materials used by auto dealers in Montana can't be purchased here.

Questions from the committee were called for.

Senator Towe wondered why there was so much concern about eliminating the language that the property be purchased in Montana. Ms. Fallan, Montana Chamber of Commerce, responded that if Allen Nicholson was renovating a building and he needed a truck and he bought the truck from a business in Chicago, Montana people are hired to drive the truck (even though it was purchased in Chicago) and in that way, jobs are filled through purchases of equipment from out of state.

Senator Crippen asked Dave Lewis for the Office of Budget and Program Planning's rationale that the investment credit would sunset two years after the increase of the investment credit to 30%. Mr. Lewis said he discussed this with the Department of Revenue and there were amendments suggested last session as to applicability. Senator Crippen recalled that they had a committee, and they never came to the conclusion that it would repeal the investment credit. Senator Goodover said that they did not at any time consider the investment credit would go down to zero. That committee decided that if 30% was too high, they would then think about reducing it. They knew they would be here in two years to look at it.

Senator Gage wondered if anyone had any information about people who did not use the investment credit because of income limitations.

Representative Keenan said she was amused that the opponents said this would be taking the credit away from small business. These small businesses will continue to get the credit they had in the past. We are not saying manufactured in the state; we are saying purchased in the state. Regarding Mr. Pyfer's comments, Representative Keenan said there is now an apportioning formula, and the Department of Revenue should be notified of that. It needs to be addressed.

The hearing on HB 739 was closed.

CONSIDERATION OF HOUSE BILL 890: Representative Bill Hand, House District 82, submitted written testimony, attached as Exhibit I.

PROPOSERS

Louise Shafer, a deputy treasurer for Beaverhead County at Dillon, submitted written testimony, attached as Exhibit J.

OPPOSERS

There were no opposers to HB 890.

Questions from the committee were called for.

Senator Lynch asked if the only ones paying the additional tax now are those purchasing new cars in December and those paying less are those purchasing new cars in November. Ms. Shafer replied affirmatively and added that the problem applies to passenger cars and 1/4, 1/2 and 3/4 ton trucks.

Representative Hand added that the 1½% sales tax is paid for all months except November and December.

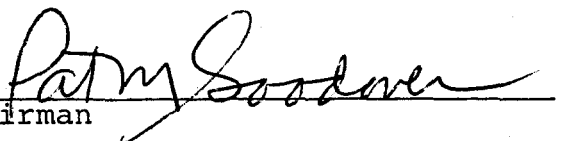
Senator Severson stated that the staggered vehicle registration system doesn't go into November and December (because of real estate taxes).

Representative Hand said the sales tax should be based on 12/12 instead of 11/12 or 13/12. The 1½% sales tax shouldn't have been prorated in the first place.

The hearing on HB 890 was closed.

Senator Turnage asked Cort Harrington to prepare a one-sentence amendment that provides that the new car sales tax will be paid without proration.

The meeting adjourned at 10 a.m.

  
Chairman



ROLL CALL

SENATE TAXATION

COMMITTEE

48th LEGISLATIVE SESSION -- 1983

Date 3/31/83

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		✓	

COMMITTEE ON ENERGY

## VISITORS' REGISTER

NAME (PLEASE PRINT)	REPRESENTING	BILL #	Check One	
			Support	Oppose
GEORGE BENNETT	MT. BLUES ASSN	HB 550		X
George Anderson	MTCPA - MBA	HB 550		X
Paul C. Wright	MBA - Board	HB 550		X
Lloyd Chippson	NFIB	HB 550		X
Louise Shalen	self	890	X	
Clark Byler	and POPA	550		X
✓	✓	739		X
Dave Goss	Bill to Amend of Commerce	550 & 739		X
Tony Harrison	MT. Society of CPAs	550		X
PATRICK GIBLIN	MT. BANCORP, Inc	550		X
R. H. Kloss	SECURITY BANKS Int	550		X
Sarah Linn				
Merle Ten	Mountain Bankers	550		X
Kyle Henry	1st Band Smithfield No 10	550		X
J. D. Bennett	First Citizens Bank - Blair	550		X
Leslie K. Allen	Intercommunal Bankers	550		X
Mac Stevens	Peat Marwick Mitchell & Co	550		X
Alan Nelson	Self	739		X
Arthur V. Bantam	State Bankers Assn	550		X
Jim Mockler	MT. Coal Council	550		X
Janet Feltner	MT. Chamber	739		X
Donette Feltner	MT. Chamber	550		X
George Anderson	Shell Oil Company	550		X
Tom Allen	MT. Petroleum Assn	550		X
✓	Conoco Inc	550		X
H. Cohen	OBPP	739	X	

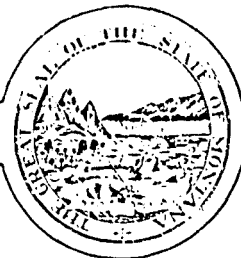
DATE March 31, 1983

COMMITTEE ON INTERNAL SECURITY

## VISITORS' REGISTER

NAME (PLEASE PRINT)	REPRESENTING	BILL #	Check One	
			Support	Oppo
Terry W. Johnson	OBPP	739	X	
EARL W. JOHNSON	FIRST BANK BUILDERS	550		X
George ALLAN	MT. RETAIL ISSA	550		X
" "	" " "	739		X
Ben Hardanl	MONT. MOTORCYCLE ASSN	550		X
Bon Hardanl	" " " "	739		X
Jim HUGHES	MTN. BELL	739		X
Dennis Burr	MONTAX 550 &	739		X
JERRY RAUNIG	MT Auto DEALERS Assoc	739		X
(				
(				

(Please leave prepared statement with Secretary)



EDWARD WINDEN GOVERNOR

MILLER BUILDING

## STATE OF MONTANA

HELENA MONTANA 59620

February 14, 1983

Monte R. Malnaa  
McGladrey Hendrickson & Co.  
First Federal Savings Bldg.  
Billings, Montana 59101

RE: House Bill No. 550

Dear Monte:

Thank you for your comments on House Bill 550 which was introduced by request of the Department of Revenue.

There appears to be some confusion over this legislation which we strongly support. The legislation would not raise any new revenues but would merely restore the statute as the legislature intended prior to the recent Baker Bank litigation. This bill will not set us apart substantially from the deductions now allowed by the Internal Revenue Code. In fact, the only item affected by this legislation will be dividends received from subsidiary corporations.

Unfortunately for Montanans, the main benefactors of the litigation are the large multistate corporations which will now be allowed to exclude huge amounts of dividend income from their tax base in calculating the income attributable to Montana. To a lesser degree it will benefit some of the larger financial institutions in Montana that are principally owned by out-of-state interests.

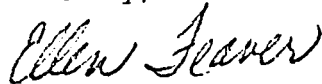
Another danger we face without the legislation is the fact that the Montana legislature will no longer have any say as to the deductions to be allowed for Montana Corporation License Tax purposes. In other words, if Congress elects to allow new deductions for Federal Income Tax purposes our legislators will be denied the opportunity to determine if they are fiscally sound and in the best interest of the State of Montana before they are allowed for state tax purposes.

I can assure you that passage of this bill will not in any way create any additional burden on tax preparers or corporations which choose to prepare their own returns.

In closing, it appears that during these times in which we are short of revenue, we would be irresponsible in not supporting legislation that would prevent large multistate corporations from taking in excess of \$1 million a year in tax out of the state. The underlying effect is that not one new job will be created in Montana nor will any other benefit be realized by Montana as a result of this legislation being defeated.

I would be most happy to discuss this further with you if you have any questions.

Sincerely,



ELLEN FEAVER  
Director

EF:kma

cc: Governor Ted Schwinden  
Esther G. Bengtson  
Les Kitselman  
Robert H. Dozier  
Kelly Addy  
Harrison G. Fagg  
Jack Ramirez  
Cal Winslow  
James D. Jensen  
Tom Hannah  
Tom Hager  
Pat Regan  
Thomas F. Keating  
Bruce D. Crippen  
Thomas E. Towe  
John Vincent  
Dan Harrington  
Bob Marks  
Dan Yardley  
Ted Neuman

Hubert Abrams  
Tom Asay  
Vern Bertelsen  
Gerald Devlin  
John Harp  
Glenn Jacobsen  
Nancy Keenan  
Les Nilson  
Ken Nordtvedt  
Bob Ream  
Dean Switzer  
Melvin Underdal  
Orren Vinger  
Mel Williams  
Carl Zabrocki  
Jim Oppedahl  
Jack Sands  
Jerry L. Driscoll  
Chet Blaylock

STATE OF MONTANA

REQUEST NO. 286-83

FISCAL NOTE

Form BD-15

In compliance with a written request received January 31, 19 83, there is hereby submitted a Fiscal Note for House Bill 550 pursuant to Chapter 53, Laws of Montana, 1965 - Thirty-Ninth Legislative Assembly. Background information used in developing this Fiscal Note is available from the Office of Budget and Program Planning, to members of the Legislature upon request.

DESCRIPTION OF PROPOSED LEGISLATION:

House Bill 550 limits a Montana corporate taxpayer to the use of only those deductions set forth in Section 15-31-114, MCA; disallows the use of Federal Internal Revenue code deductions in the calculation of net income for Montana corporation license tax purposes; and provides an immediate effective date and an applicability date.

FISCAL IMPACT:

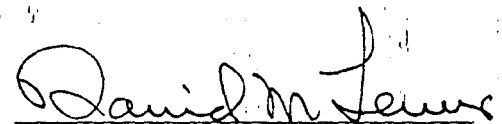
It is not possible to know how many corporations may have potential deductions allowed under federal law which are not expressly permitted by state law. On the basis of research done in connection with litigation, it is believed that, if all such deductions were disallowed, the state would collect \$1,200,000 in additional corporation license tax revenue annually. In the absence of this provision, corporation license tax collections will drop below current estimates if greater numbers of taxpayers avail themselves of such deductions.

Of the \$ 1.2 million

\$ 250,000 is attributable to bank holding companies.

\$ 950,000 is attributable to large, multistate or multinational corporations.

FISCAL NOTE 10:P/1



BUDGET DIRECTOR

Office of Budget and Program Planning

Date: 2-3-83

QUESTIONS AND ANSWERS ON H. B. 550

- 1) WHAT IS THE REVENUE IMPACT OF H. B. 550? The Department of Revenue conservatively estimates a fiscal impact of \$1.2 million annually. This is not a new source of revenue. Failure to pass H. B. 550 will cause a reduction in current and future estimated revenues.
- 2) WHAT TAXPAYERS ARE AFFECTED BY THIS LEGISLATION? Of the \$1.2 million fiscal note, the department estimates, based on historical data, that \$950,000/year will be attributable to out-of-state multistate/multinational corporations. The remaining \$250,000/year is attributable to in-state corporations, principally bank holding company corporations.
- 3) SPECIFICALLY, WHAT ARE THE DEDUCTIONS ALLOWED BY THE FEDERAL DEDUCTION SECTIONS BUT NOT ALLOWED IN STATE LAW? At the present time, the difference focuses on the Internal Revenue Code Section 253 Dividend deduction. At the federal level, a corporation is allowed a deduction equal to the following percentages of the amount received as dividends from a domestic corporation.
  - a) 85 percent in the case of dividends other than dividends described in (b) and below,
  - b) 100 percent, in the case of qualifying dividends.

"Qualifying dividends" are those dividends received by a corporation from a corporation that is a member of the same affiliated group. To be in the affiliated group a subsidiary must be owned 80 percent by a parent corporation.

(Note: Section 243 also includes small business investment company dividends, but they are not affected by H. B. 550 because they are exempted from state tax under 15-33-106).
- 4) WHAT PROMPTED THIS LEGISLATION? This bill was introduced in response to a Montana Supreme Court decision in the matter of Baker Bancorporation Inc. et al. v. Department of Revenue State of Montana decided December 29, 1982. In summary, this decision held that in spite of previous specific amendments to the Corporation License Tax statutes, a corporation is entitled to all of those deductions specifically enumerated in Section 15-31-114 MCA, plus any additional allowable federal deductions not explicitly prohibited.

- 5) WHAT IS THE EFFECT OF H. B. 550 ON THE LEGISLATURE'S POWER TO DETERMINE TAX POLICY? As explained above, because of the breadth of the Baker decision, Montana is presently tied to the Federal deduction sections and changes therein. The legislature may separately consider any Federal changes enacted by Congress between Montana Legislative sessions, but this could well be two years after the change takes place, therefore requiring retroactive corrections or prospective changes.
- 6) DOES H. B. 550 CREATE A SYSTEM OF DOUBLE TAXATION? The answer in the vast majority of cases is no. As stated earlier, this bill principally impacts the multistate/multinational corporation operating within our state. To the extent that these corporations are receiving qualifying dividends, they will be able to exclude major portions of their business income from Montana's taxation because their operations are primarily out-of-state. Without H. B. 550 this income would not be taxed at all - not even once - even if the dividend income can be shown to be connected to Montana business activity and subject to our taxes under U.S. Supreme Court standards. Therefore, there is generally no double taxation at the corporation level for state income tax purposes. To the contrary, H. B. 550 is necessary to tax only once a significant source of income that can be included in Montana's tax base.

There are isolated instances, again principally bank holding companies, where both the dividend paying subsidiary and the parent/recipient are operating in Montana. In that instance, both entities would be taxed on their net earnings, for state corporate license tax purposes at a rate of 6 3/4%. This situation is the exception rather than rule, and we would point out that both entities are paying the Montana Corporation License Tax for the privilege of carrying on business in Montana in the corporate form.

- 7) IS H. B. 550 DOUBLE TAXATION IN THE CASE OF HOLDING COMPANIES? If viewed from the perspective of the corporation license tax as a tax for the purpose of doing business in the state, it is not double taxation. Holding companies are formed for distinct business purposes. A typical purpose is to facilitate, on favorable terms, the acquisition of existing businesses. For the purposes of acquisition, new debt is often incurred -- debt that creates interest expense deductions for tax purposes. That interest expense, to the extent that is related to acquisitions, is not necessary to the businesses being acquired. If the expenses associated with an acquisition are to be counted for tax purposes, the income, namely dividends, associated with those acquisitions should also be counted.



- 8) WILL DEFEAT OF H. B. 550 CREATE A SPECIAL CASE OF EXEMPTION OF DIVIDENDS? Yes. Dividends received by individuals are subject to taxation. Without H. B. 550, corporate taxpayers receiving certain dividends would have such dividends exempted from their tax base.
- 9) DOES H. B. 550 CREATE NEW DEDUCTIONS OR LIMIT THOSE PREVIOUSLY ENJOYED? No. H. B. 550 does neither. The Department and the vast majority of corporations have operated since at least the late 1960's with the understanding that Section 243 deductions were not allowable deductions for Montana purposes. The Baker decision disrupted that understanding. This bill merely restores the status quo.
- 10) WHAT IS THE RELATIONSHIP BETWEEN H. B. 550 AND CONSOLIDATED RETURNS? In the filing of consolidated returns, intercompany transactions are eliminated and taxes are paid on a net consolidated income. The elimination of intercompany transactions between entities occurs because what is an expense for one is income to the other, creating a netting effect. However, in a consolidated filing intercompany dividends are specifically eliminated.

The Department, in accord with the wishes of previous Legislatures, has historically been restrictive in granting corporations permission to file on a consolidated basis. This policy has created frustration for those financial institutions structured with single or multiple bank holding company organizations. This segment has consistently sought consolidated filings to enable the offsetting of bank income against holding company expenses and the elimination of intercorporate dividend income from taxation at the holding company level. If H. B. 550 fails to pass, corporate taxpayers will effectively have the principal benefits of consolidation and thereby avoid the restrictive law concerning consolidated returns.

**§ 168. Accelerated cost recovery system.**

(a) Allowance of deduction. There shall be allowed as a deduction for any taxable year the amount determined under this section with respect to recovery property.

**(b) Amount of deduction.**

(1) In general. Except as otherwise provided in this section, the amount of the deduction allowable by subsection (a) for any taxable year shall be the aggregate amount determined by applying to the unadjusted basis of recovery property the applicable percentage determined in accordance with the following tables:

(A) For property placed in service after December 31, 1980, and before January 1, 1985.

If the recovery year is:	The applicable percentage for the class of property is:			
	3-year	5-year	10-year	15-year public utility
1 .....	25	15	8	5
2 .....	38	22	14	10
3 .....	37	21	12	9
4 .....		21	10	8
5 .....		21	10	7
6 .....			10	7
7 .....			9	6
8 .....			9	6
9 .....			9	6
10 .....			9	6
11 .....				6
12 .....				6
13 .....				6
14 .....				6
15 .....				6

(B) For property placed in service in 1985.

If the recovery year is:	The applicable percentage for the class of property is:			
	3-year	5-year	10-year	15-year public utility
1 .....	29	18	9	6
2 .....	47	33	19	12
3 .....	24	25	16	12
4 .....		16	14	11
5 .....		8	12	10
6 .....			10	9
7 .....			8	8
8 .....			6	7
9 .....			4	6
10 .....			2	5
11 .....				4
12 .....				4
13 .....				3
14 .....				2
15 .....				1

(C) For property placed in service after December 31, 1985.

of income to its shareholders. Such return shall be filed with the Department on or before the 15th day of the fifth month following the close of the taxable year. (History: Sec. 84-1501.2(g), R.C.M. 1947; Order MAC No. 42-1; Adp. 12/22/72; Eff. 12/31/72.)

42-2.6(1)-S6100 ELECTING CORPORATION'S INCOME OR LOSS TAX-ED TO SHAREHOLDERS (1) An electing corporation's net income or net loss must be included in its individual shareholder's Montana Income Tax adjusted gross income in the manner and to the extent provided for Federal Income Tax purposes under Sections 1373, 1374 and 1375 of the Internal Revenue Code, 1954, or as such sections may be labeled or amended. Unless the income or loss is so reported, the corporation's election is ineffective and the said income or loss is taxable directly to the corporation. (History: Sec. 84-1501.2(g), R.C.M. 1947; Order MAC No. 42-1; Adp. 12/22/72; Eff. 12/31/72.)

42-2.6(1)-S6110 MINIMUM FEE FOR ELECTING CORPORATION (1) Every electing corporation is required to pay the minimum fee imposed by Section 84-1401.5, R.C.M., 1947. Such fee must be paid on or before the fifteenth day of the fifth month following the close of the taxable year. (History: Sec. 84-1501.2(h), R.C.M. 1947; Order MAC No. 42-1; Adp. 12/22/72; Eff. 12/31/72.)

X 42-2.6(1)-S6120 DEDUCTIONS FROM GROSS INCOME (1) In computing net income, all deductions permitted by the Internal Revenue Code of 1954, as amended, may be taken from gross income, except that specific deductions provided for by Montana law, see rules MAC 42-2.6(1)-S6130 through 42-2.6(1)-S6260, must be taken in accordance therewith. (History: Sec. 84-1502, R.C.M. 1947; Order MAC No. 42-1; Adp. 12/22/72; Eff. 12/31/72.)

42-2.6(1)-S6130 CONTRIBUTIONS TO PENSION AND PROFIT SHARING PLANS (1) Reasonable contributions made by an employer to a pension, annuity, stock bonus or profit sharing plan will be considered deductible to the extent they constitute ordinary, necessary and reasonable business expenses. The amount deductible for Federal Income Tax purposes will be so considered in the absence of evidence to the contrary. (History: Sec. 84-1502, R.C.M. 1947; Order MAC No. 42-1; Adp. 12/22/72; Eff. 12/31/72.)

42-2.6(1)-S6140 INTANGIBLE DRILLING COSTS (1) Subject to the restrictions provided in the Federal Income Tax Laws and Regulations, an operator of an oil or gas well may charge intangible drilling and development costs to capital or to expense in accordance with the election made for Federal Income Tax purposes. (History: Sec. 84-1502, R.C.M. 1947; Order MAC No. 42-1; Adp. 12/22/72; Eff. 12/31/72.)

42-2.6(1)-S6150 DIVIDENDS (INTEREST) PAID ON DEPOSITS (1) In the case of mutual savings banks, cooperative banks, domestic building and loan associations and other savings institutions chartered and supervised as savings and loan association under Federal or State law, amounts

EFFECT OF HB550

SENATE TAXATION COMMITTEE

If HB550 is passed into law, the following computations reflect the individual income tax and corporation license tax that would be paid under the assumptions set forth below.

Assumptions:

1. Montana resident parent corporation whose stock is wholly owned by a Montana resident individual. The parent corporation has one wholly owned resident subsidiary corporation.
2. The wholly owned subsidiary has a net income before taxes of \$400,000.
3. The subsidiary pays out all of its net income, after deducting federal income tax and state corporation license tax, in the form of a dividend to the parent company.
4. The parent and subsidiary file a consolidated return for federal income tax purposes.
5. The parent pays out all of its net income, after deducting federal income tax and state corporation license tax to its sole shareholder.
6. The sole stockholder of the parent corporation has income equal to all other deductions, therefore, the shareholders net taxable income is equal to the dividend from the parent company.

# EFFECT OF HB550

## Subsidiary Corporation:

Net income before income taxes	\$400,000	
Corporation license tax		\$ 27,000
Federal income tax		151,330
Total	<u>178,330</u>	

## Parent Corporation:

Dividend from subsidiary (also net taxable income)	221,670	
Corporation license tax		14,963
Total	<u>14,963</u>	

## Shareholders:

Dividend from parent corporation (also net taxable income)	206,707	
Federal income tax		83,000
State income tax		12,500
Total	<u>95,500</u>	

Net income to shareholder and governments	<u>\$111,207</u>	<u>\$288,793</u>
---	------------------	------------------

## Effective rate of tax on \$400,000 of income:

	<u>Effective Rate</u>	<u>Amount of Tax</u>
Federal	58.58%	\$234,330
State	13.62	54,463
Total	<u>72.20%</u>	<u>\$288,793</u>

If shareholders investment in parent and subsidiary corporations is \$3,000,000, the return on investment is 3.71%.

H.B. 550, by providing that corporate taxpayers will be be entitled to only those deductions set forth in Section 15-31-114, M.C.A., would adversely affect the following:

A) Small Business

- . Effectively repeals accelerated cost recovery (ACRS) provisions enacted by Congress in 1981 to help stimulate the economic recovery.
- . Eliminates the amortization deductions for:
  - 1) organization expenses.
  - 2) start-up costs.
  - 3) bond premiums.
- . Eliminates the deductibility and/or amortization of research and development expenditures.
- . Increases administrative burden and costs for tax return filing.

B) Agriculture

- . Eliminates the deductibility of soil and water conservation expenditures.
- . Eliminates the deductibility of expenditures for fertilizer, lime and other ingredients to enrich, neutralize or condition land.
- . Eliminates the deductibility of expenditures for clearing land.
- . Other considerations are the same as under Small business.

C) Natural Resources and Transportation

- . Eliminates amortization deduction for:
  - 1) certain railroad rolling stock.
  - 2) railroad grading and tunnel bores.
  - 3) reforestation expenditures.
- . Eliminates deductions for tertiary injectant expenditures.

D) Montana Citizens

- . Eliminates deductions for expenditures to remove architectural and transportation barriers to the handicapped and elderly.
- . Eliminates deductions for contributions to black lung benefit trusts.
- . Eliminates amortization deductions encouraging pollution control facilities.

E) Montana Department of Revenue

- . May eliminate application of the so-called "hobby-loss" rules for challenging deduction relating to activities not engaged in for profit.
- . Permits deduction of construction period interest expense that, for Federal purposes, must be deferred and amortized generally over 10 years.

Presently, corporate taxpayers can look to the Federal provisions to resolve uncertainties in the Montana statutes. H.B. 550 would eventually require drafting of a separate Revenue Code for Montana duplicating provisions already contained in the Internal Revenue Code. Otherwise, the Department of Revenue will essentially usurp legislative power governing tax matters. Also, tax controversies with the Department of Revenue will increase putting additional strain on our courts.

OFFICE OF THE GOVERNOR  
BUDGET AND PROGRAM PLANNING

1983, HB 739



TED SCHWINDEN, GOVERNOR

CAPITOL BUILDING

STATE OF MONTANA

(406) 449-3616

HELENA, MONTANA 59620

INVESTMENT TAX CREDIT

PERSONAL INCOME TAX

Attached is a table showing the average inventory credit per return claimed on personal income taxes on calendar 1981 returns. The right-hand column breaks out those with farm income that claimed the credit.

The average credit claimed was \$214.50. Nearly 93% of the 36,641 returns claiming the credit received less than \$500 in credit. However, the 7.1% of returns that claimed credits of \$500 or more received 25.4% (or \$2,002,057) of the total tax relief for personal income tax.

If the returns with farm income are isolated, the table shows that 14.8% of the returns claimed credits in excess of \$500. However, these 15% of returns claimed 41.9% of the total investment tax credit claimed by farm income returns.

CORPORATE INCOME TAX

Eighty per cent of those claiming the investment tax credit on their 1981 corporate tax return claimed less than \$500.

Of the 4,120 companies who claimed investment tax credits under \$500, the average credit claimed was \$180.89.

Of the 1,020 companies who claimed credits over \$500, the average credit claimed was \$2,205.88.



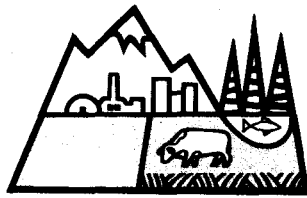
# Personal income tax

## ALL CLAIMANTS

## FARM ONLY

MAGI BRACKET	INVESTMENT CREDIT	TOTAL TAXPAYERS	Avg. Inv. Credit per Return	INVESTMENT CREDIT	FARM INCOME TAXPAYERS	Avg. Inv. Credit per Return
< OR = 0	53.037	81	654.78	26,715	27	989.44
- 999	7.359	112	65.71	1,580	18	87.75
1.000- 1.999	6.403	325	19.70	2,340	94	25.43
2.000- 2.999	13.284	632	21.82	3,195	155	20.61
3.000- 3.999	27.809	871	31.93	10,278	315	32.63
4.000- 4.999	47.904	1,125	42.58	17,412	397	43.86
5.000- 5.999	62.039	1,232	50.36	26,051	469	55.55
6.000- 6.999	103.419	1,523	67.88	38,666	542	71.34
7.000- 7.999	101.322	1,395	72.62	42,014	510	82.38
8.000- 8.999	127.673	1,485	85.95	56,647	580	96.63
9.000- 9.999	137.625	1,437	95.27	62,395	538	115.98
10.000- 10.999	158.083	1,447	109.25	72,315	542	133.42
11.000- 11.999	167.770	1,404	119.49	73,145	512	142.86
12.000- 12.999	174.305	1,383	126.88	80,570	490	164.43
13.000- 13.999	182.711	1,308	139.64	83,920	471	178.17
14.000- 14.999	193.954	1,326	146.27	93,736	478	196.10
15.000- 15.999	228.180	1,230	185.51	94,287	424	222.38
16.000- 16.999	216.350	1,210	178.80	105,217	435	241.88
17.000- 17.999	199.730	1,112	179.61	93,371	387	241.27
18.000- 18.999	199.875	1,055	189.45	91,313	368	248.13
19.000- 19.999	197.912	1,001	197.71	91,029	345	263.85
20.000- 20.999	166.935	877	190.35	82,387	291	283.12
21.000- 21.999	191.785	868	220.45	83,603	288	290.29
22.000- 22.999	189.167	836	226.28	82,085	248	330.49
23.000- 23.999	186.505	807	231.11	82,840	249	332.69
24.000- 24.999	174.988	721	242.70	84,376	249	338.86
25.000- 25.999	142.833	639	223.53	72,873	225	323.88
26.000- 26.999	158.597	590	268.80	77,466	186	416.48
27.000- 27.999	145.133	536	270.77	64,320	180	357.33
28.000- 28.999	154.200	517	298.26	78,185	166	470.49
29.000- 29.999	133.278	444	300.18	60,638	152	398.93
30.000- 30.999	126.447	423	298.93	55,871	136	410.82
31.000- 31.999	115.410	417	276.76	59,251	126	470.25
32.000- 32.999	117.255	350	335.01	64,262	110	584.20
33.000- 33.999	122.674	332	369.50	65,890	111	583.09
34.000- 34.999	103.532	312	331.83	64,529	114	566.04
35.000- 35.999	98.612	270	365.23	46,225	82	563.72
36.000- 36.999	102.166	281	363.58	47,485	83	572.11
37.000- 37.999	105.616	253	417.45	52,778	82	767.73
38.000- 38.999	75.686	215	352.03	35,785	67	534.10
39.000- 39.999	83.650	206	406.07	36,564	58	630.41
40.000- 49.999	609.436	1,513	402.80	269,245	443	607.78
50.000- 59.999	410.199	794	516.62	194,161	233	833.31
60.000- 69.999	336.837	518	650.36	166,507	150	1110.05
70.000- 79.999	234.826	311	755.06	95,213	75	1269.51
80.000- 89.999	165.251	232	712.21	48,983	52	941.98
90.000- 99.999	122.540	164	747.20	18,893	31	609.45
100.000- 109.999	94.675	117	809.18	29,433	23	1197.32
110.000- 119.999	78.741	73	1078.64	49,084	20	2004.20
120.000-	505.958	331	1528.57	127,381	73	1744.95

TOTALS 7.859.676 36.641 214.50 3,453,459 12,404 2784



P. O. BOX 1730

• HELENA, MONTANA 59624

• PHONE 442-2405

AMENDMENTS PROPOSED TO HB 739

1. Page 1, line 25  
Strike: through page 2, line 7
2. Page 2, line 9  
Following: "the sum of"  
Insert: "the sum of:"
3. Page 2, line 14-17  
Reinsert stricken material
4. Page 2, line 20 through page 3, line 4  
Reinsert stricken material
5. Page 3, line 5-6  
Strike
6. Page 3, line 7  
Following: "If"  
Reinsert stricken material through "amended" in line 13.
7. Page 3, line 13  
Following: "amended"  
Strike: through page 4, line 1
8. Page 4, line 12  
Following: "that"  
Reinsert stricken material through line 14, "made."
9. Page 4, line 14  
From: "does not have:"  
Strike: through line 20.
10. Page 5, line 5  
Strike: through line 11
11. Page 5, line 17  
Following "amended:"  
Insert: ":

12. Page 5, line 18 through line 21  
Reinsert stricken material
13. Page 5, line 24  
Following: "exceed"  
Through Page 6, line 2, "~~\$5,000-~~" reinsert stricken material
- 14, Page 6, line 2  
Strike "\$500."
15. Page 6, line 3 through line 9  
Reinsert stricken material
16. Page 6, line 9  
Following "~~amended~~"  
Strike: through "claimed" on line 19.

TESTIMONY SUPPORTING HOUSE BILL 890

Presented to the Senate Taxation Committee, the Honorable Pat Goodover, Chairman, Thursday, March 31, 1983, 8 a.m., Room 415, by Representative Bill Hand, District No. 82.

The purpose of House Bill 890 is to correct an inequitable tax. It will cost no money as shown by the fiscal note.

The inequity is that those autos purchased in November are undercharged, while those purchased in December are overcharged in assessing the one-time 1 1/2 percent New Car Use Fee. This does not apply to trucks over one ton.

In deference to those who would say we have no problem, I have an employee of the Beaverhead County Treasurer's office to testify of its inequity.

Apparently the confusion arose in differentiating between taxing by the old appraised value, which is now repealed, and its replacement, the Flat Fee Tax, which is "A" on the accompanying sheet. Historically, these taxes were, are, and have been rightfully prorated in such a way as to avoid re-registration in the County Treasurer's heavy work months of November and December

To resolve this problem, autos bought in November are taxed one month short (or 11/12 of the Flat Fee "A"), so that re-registration falls in October. Those autos purchased in December are assessed an extra month's flat fee (13/12ths) so that registration falls in January.

The totally different, one-time "New Car Use Fee," is "B" on the accompanying sheet. Somehow this got "rolled into" the flat fee and is wrongly apportioned with it.

Under current statutes, you need pay only 11/12ths of the New Car Use Tax if your auto was purchased in November. You should avoid December, for you pay an extra 1/12th or 13/12ths of the New Car Use Fee. All other months are assessed correctly.

House Bill 890 would assess the New Car Use Fee "B" uniformly, as it should, regardless of when the auto was purchased. Again, trucks over one ton are not affected.

# New Car Cert. of Reg.

## MONTANA OWNER'S CERTIFICATE OF REGISTRATION AND TAX RECEIPT

Current Plate	Type	Veh Yr	Make	Model	Style	Color	G.V.W./Wt
18-5700	PG 82	82	Honda	Civic	3D	Red	
EXPIRATION DATE	Vehicle Ident./Motor No		Title Number				
2/28/83	JHMSR3320CS014243						
Tab No	Gas (1) Diesel (2) LPG (3)	Tax Code	Vehicle Code	Equip No	Ton		
K376627	1	028					
Registered Owner's Name and Address							
Bill Hand 30 S. Arizona Dillon, Montana 59725							
Lienholder's Name and Address			Lien Amount		FOB Price		
Valid by	Market Value	Taxable Val.	School Dist. #	Mill Levy	Co		
			100		18		
Treas. or Dep	I CERTIFY UNDER PENALTY OF LAW THAT THIS VEHICLE IS INSURED AS PRESCRIBED BY MONTANA STATUTE 61-6-302, MCA.		Signature of Registered Owner				
IS 3/12/82	R.P.O. ONLY - OUT OF STATE REGISTRATION INFORMATION		X Bill Hand				
Date Issued	Out of State Plate	Title No	State		Zip		
Legal Domicile							
OWNER COPY							
8 2101983							

### G.V.W. FEE PERIOD

(A) ANNUAL (6) 3rd & 4th  
QUARTERS (7) 1st & 2nd  
ONE QTR (8) 2nd & 3rd  
(5) 2-3-4th (9) 1-2-3rd

### G.V.W. CLASS

(7) TRANS (3) 16%  
(1) 100% (4) SCH. 3  
(2) 75% (5) 55%

### FEES PAID

Co. Tax 70.00  
Reg. Fee PD 8/31/82  
G.V.W. Tax  
New Use Tax 92.60  
Title  
Junk Vehicle 2.00  
RMV/F&G  
Co. Total 164.60  
Title 3.00  
Lien 3.00  
Dup Reg  
Pers. Plate  
TOTAL 170.60

Flat Fee (A)

New Car Use Fee (B)

Sub Total

Total Cost

Same Car Reregistered 1 Yr Later

## OWNER'S CERTIFICATE OF REGISTRATION AND PAYMENT RECEIPT

Current Plate	Type	Veh Yr	Make	Model	Style	Color	Wt
18-5700	PG 82	82	Honda	Civic	3D	Red	Under
EXPIRATION DATE	Vehicle Ident./Motor No		Title Number				
2/28/84	JHMSR3320CS014243		K 444 7805				
Tab No	Gas (1) Diesel (2) LPG (3)	Tax Code	Vehicle Code	Equip No	Ton		
N374785	1	028					
Registered Owner's Name and Address							
Bill Hand 30 S. Arizona Dillon, Mont 59725							
Lienholder's Name and Address			Lien Amount		FOB Price		
Valid by	Market Value	Taxable Val.	School Dist. #	Mill Levy	Co		
LN			100		18		
Treas. or Dep	I CERTIFY UNDER PENALTY OF LAW THAT THIS VEHICLE IS INSURED AS PRESCRIBED BY MONTANA STATUTE 61-6-302, MCA.		Signature of Registered Owner				
3/5/83	R.P.O. ONLY - OUT OF STATE REGISTRATION INFORMATION		X Bill Hand				
Date Issued	Out of State Plate	Title No	State		Zip		
Legal Domicile							
OWNER'S COPY							
MONTANA							
A1954769							

### G.V.W. FEE PERIOD

(A) ANNUAL  
QUARTERS  
ONE QTR

### G.V.W. CLASS

### FEES PAID

Co. Tax 74.14  
Reg. Fee 7.00  
G.V.W. Tax  
New Use Tax .50  
Title  
Junk Vehicle  
RMV/F&G  
Co. Total 31.64  
Title  
Lien  
Dup Reg  
Pers. Plate  
TOTAL

Flat Fee (A)

No New Car Use Fee (B)



SENATE TAXATION COMMITTEE  
EXHIBIT J  
MARCH 31, 1983  
HB 890

L. M. SHAFER

615 S. ATLANTIC

DILLON, MONTANA 59725

PHONE 683-2773

March 31, 1983

TO: Senate Taxation Committee

Honorable Pat Goodover, Chairman

From: Louise Shafer

RE: HB # 890

I'm presently a deputy in the Beaverhead County Treasurer's Office in Dillon, Montana. I worked in the County Superintendent's office in Dillon for 13 yrs. and in the treasurer's office for the last 2 yrs. It was here that I first came across the unfair practice of prorating the New Use Tax on passenger cars and small trucks ( $\frac{1}{4}$ ,  $\frac{1}{2}$  &  $\frac{3}{4}$  ton) and felt that something should be done about it. That is why HB 890 was introduced.

Does it sound fair to you that a \$16,500.00 car bought and licensed in Dec. should cost \$41.25 more than the same car purchased and licensed in Nov. or \$20.62 more than if it were licensed Jan. thru Oct.. The new use tax is a one time tax and should have nothing to do with being pro-rated. The attached figures will show you just how it figures out for both a small car and a large car for all months. Look it over and see if you think it is fair. There is one thing I've learned and that is, that if HB 890 is not passed I will surely never buy and license a new car in any other month than Nov. There it costs less.

Thank you for your attention and I do hope that you will pass HB 890.

~~11/4/77~~ ~~11/4/77~~ ~~11/4/77~~ 6,500.00 x  
 0.015 =  
 97.50 \*

97.50 ÷  
 12. =  
 8.13 \*

12 months

Now use top - 97.50 +  
 flat fee - 74.14 +  
 reg fee - 7.00 +  
 junk fee - 2.00 +  
 180.64 \*

8.13 x  
 11. =  
 89.43 \*

11 months

Now use top - 89.43 +  
 flat fee - 74.14 +  
 reg fee - 7.00 +  
 junk fee - 2.00 +  
 172.57 \*

8.13 x  
 13. =  
 105.69 \*

13 months

Now use top - 105.69 +  
 flat fee - 74.14 +  
 reg fee - 7.00 +  
 junk fee - 2.00 +  
 188.83 \*

11/4/77 16,500.00 x  
 0.015 =  
 247.50 \*

12 months

Now use top - 247.50 +  
 flat fee - 95.33 +  
 reg fee - 12.00 +  
 junk fee - 2.00 +  
 356.83 \*

247.50 ÷  
 12. =  
 20.63 \*

2,063. x  
 11. =  
 22,693. \*

11 months

Now use top - 226.93 +  
 flat fee - 95.33 +  
 reg fee - 12.00 +  
 junk fee - 2.00 +  
 336.26 \*

20.63 x  
 13. =  
 268.19 \*

13 months

Now use top - 268.19 +  
 flat fee - 95.33 +  
 reg fee - 12.00 +  
 junk fee - 2.00 +  
 377.52 \*