

MINUTES OF THE MEETING
TAXATION COMMITTEE
MONTANA STATE SENATE

April 9, 1983

The sixty-fourth 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 except Senator McCallum.

RECONSIDERATION OF HOUSE BILL 16: Gary Wicks, director of the Department of Highways, said that Senator Mazurek's figures on Exhibit A attached hereto represent his understanding of this situation. Senator Mazurek said he thought the total being rolled back on the cities was 1/2 cent and not a full cent.

Senator Turnage moved that all of the existing amendments to HB 16 as set forth on the March 12 committee report (Exhibit B), which was not filed, be stricken. The motion was seconded and passed unanimously.

Senator Turnage moved to amend the bill so that we refer to cents and make the total for cities 2.3 cents and use the other "Turnage" figures shown on Exhibit A. There will be a 5 1/2 cent increase on gas and a 5 1/2 cent increase on diesel.

The committee noted that the increase for cities would be cut from 1 1/2 cents to 1/2 cent.

Senator Lynch moved to increase the gas tax to 15 1/2 cents, with the additional cent being allocated to local government, which would put Senator Crippen's amendment back where it was a month ago. Some consideration should be given to cities for their streets and roads.

Senator Crippen responded that he was willing to knock off 1/2 cent so one cent would go to local government instead of 1 1/2 cents but was not willing to drop a full cent.

Senator Mazurek asked what the significance was in changing from dollars to cents. Mr. Wicks said they would prefer to work with dollar amounts. It is easier to handle administratively. The governor supports a 1/2 cent increase for local government. If the legislature wants to give them more, fine, but we are fighting for 4 1/2 cents for the Department of Highways.

Norris Nichols, administrator of the Motor Fuels Tax Division of the Department of Revenue, agreed with Mr. Wicks regarding using dollar amounts instead of cents. The cities will know exactly what they are getting.

Senator Crippen moved, for all motions and substitute motions pending, that we adopt the \$14 million figure as a compromise and the respective cent increases (Mazurek's figures on Exhibit A). The motion was seconded.

Senator Turnage thought the amendments should include a provision that if gas income falls, a proportionate deduction would be taken, or if it rises a proportionate increase would be made.

Senator Severson felt that it would be simple, in this age of computers, to calculate the amount to go to local governments if we used cent figures rather than dollar amounts.

A voice vote was taken on Senator Crippen's motion, and it passed unanimously. Exhibit C shows the amendments adopted.

Senator Elliott then moved that HB 16 BE CONCURRED IN AS AMENDED. The motion passed, with Senator Severson voting no. Senator Tveit will carry the bill on the floor.

CONSIDERATION OF HOUSE BILL 739: Chairman Goodover submitted the amendments attached as Exhibit D. Regarding the third amendment on Exhibit D, Senator Turnage stated that if July 1, 1984, is the commencement of the fiscal year, the investment credit would be taken when the return is filed in 1985.

Senator Towe thought that "(HB 739)" should be inserted following "this act" wherever it appears in the bill.

Dan Bucks from the Department of Revenue, speaking on the amendment not requiring equipment to be purchased in Montana, said striking subsection (a) on page 2, line 4 and subsection (a) on page 5, line 9 would accomplish the same thing as amending (a) and leaving out (b) in both of those places.

Senator Towe pointed out that the property has to be purchased to qualify as section 38 property (not necessarily purchased in Montana).

Senator Turnage moved the following amendments:

Page 2, line 4.

Strike: line 4 in its entirety

Renumber: subsequent subsections

Page 5, line 9.

Strike: line 9 in its entirety

Renumber: subsequent subsections

The motion was seconded and passed unanimously.

Senator Elliott moved to reinsert the stricken language ("However, rehabilitation costs as set forth under section 46(a)(2)(F) of the Internal Revenue Code of 1954, or as section 46(a)(2)(F) may be

renumbered or amended, are not to be included in the computation of the investment credit.") on page 1, lines 21-24 and on page 5, lines 1-4. We want to except ourselves from the Internal Revenue Code in this case. The motion was seconded.

The committee then discussed the \$500 limit on the credit in the bill. Senator Towe didn't feel anyone was going to try to make a raid on the \$500 figure. Senator Crippen said the amount of credits taken wouldn't double if the limit was raised because 90% of the credits taken now, even without the \$500 limit, are less than \$500.

A roll call vote was taken on Senator Elliott's motion to amend, and it passed 8-6 (Exhibit E).

Senator Elliott moved to amend the bill further as follows:

Page 2, line 10.

Strike: "20%"

Insert: "5%"

Page 3, lines 5 and 6.

Following: line 4

Strike: all of line 5 and through "LESS" on line 6

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

Page 3, line 13.

Following: "amended"

Strike: remainder of line 13 through "shareholders" on page 4, line 1

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

Page 5, line 14.

Strike: "20%"

Insert: "5%"

Page 6, line 2.

Following: "\$57,000"

Strike: "\$500"

Insert: "the taxpayer's tax liability for the taxable year. In the event the taxpayer's tax liability for the taxable year exceeds \$5,000, the investment credit may not exceed \$5,000 plus 50% of the tax liability in excess of \$5,000"

Page 6, line 9.

Following: "amended"

Strike: remainder of line 9 through "claimed" on line 19

Insert: "any part of the investment credit is not applied against the tax liability for the taxable year because of the limitations imposed under subsection (5), the unused portion shall be carried back and carried forward in accordance with the provisions of section 46(b) of the Internal Revenue Code of 1954, as amended, or as section 46(b) may be renumbered or amended"

The purpose of these amendments, he said, is to reduce the credit to 5% for two years, to reinstate the \$5,000 plus 50% limit, and to provide for the carryovers and carrybacks. The motion was seconded.

Senator Towe pointed out that if we go from a 20% credit to a 5% credit, that is a \$3 million a year impact and a savings of \$9 million a year, or \$18 million saved over the biennium. He was not certain what the impact would be if the other amendments were adopted.

The committee asked to divide the question.

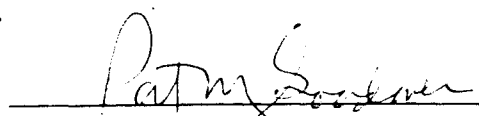
A vote was taken on the portion of the motion amending the 20% credit to 5%. The motion passed with Senators Severson and Goodover voting no.

As to reinstating the \$5,000 plus 50% maximum on the credit, Senator Elliott reminded the committee that we are only going with a 5% credit. That is a 1% investment credit on the state level. The revenue impact will be minimal. Mr. Bucks said going from a \$500 limit to a \$5,000 limit will make a significant difference at the 20% level. He said they would have to go to the computers to figure out what the impact would be at the 5% level.

Senator Elliott then withdrew the remainder of his motion. He said the investment in depreciable equipment by employers creates jobs, and we should provide an incentive for them to buy the equipment.

The committee asked Dan Bucks to prepare information showing the impacts if the credit was dropped to 5%, and requested that the information be ready by Monday morning, April 11.

The meeting adjourned at 9 a.m.


Chairman

ROLL CALL

SENATE TAXATION

COMMITTEE

48th LEGISLATIVE SESSION -- 1983

Date 4/9 /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	✓		

Cohen
April 9, 1983

<u>Gas</u>	<u>Diesel</u>	<u>Local Govt</u>
9¢	11¢	\$6,500,000

McCallum
July 1, 1983

14.5¢	16.5¢	11,500,000
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9¢	11¢	1.3¢
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Turnage
July 1, 1983

14.5¢	16.5¢	1¢ (for 2.3¢ total)
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Margurel
July 1, 1983
NEW

9¢	11¢	6,500,000
15¢	17¢	14,000,000
15.5	17.5	16,500,000

STANDING COMMITTEE REPORT

EXHIBIT B

APRIL 9, 1983

HB MARCH 12

19 83

Journal

MR. PRESIDENT

We, your committee on TAXATION

having had under consideration HOUSE Bill No. 16

Harp (Crippen)

Respectfully report as follows: That HOUSE Bill No. 16

Third Reading Copy (blue)
be amended as follows:

1. Title, line 8.

Strike: "JULY"

Insert: "MAY"

2. Title, line 9.

Following: "FEBRUARY"

Strike: "15"

Insert: "I"

3. Page 2, line 4.

Following: "3-5"

Strike: "3"

Insert: "3.5"

XXXXXX

CONTINUED

March 12

19 83

4. Page 2, line 5.

Strike: "JULY"

Insert: "May"

Following: "AND"

Strike: "2"

Insert: "3"

5. Page 2, line 6.

Following: "FEBRUARY "

Strike: "15"

Insert: "1"

6. Page 2, line 7.

Following: "3.5"

Strike: "3"

Insert: "3.5"

7. Page 2, line 8.

Following: "EFFECTIVE"

Strike: "JULY"

Insert: "May"

Following: "AND"

Strike: "2"

Insert: "3"

8. Page 2, line 9.

Following: "FEBRUARY"

Strike: "15"

Insert: "1"

9. Page 2, line 19.

Following: "12.5"

Strike: "12"

Insert: "12.5"

Following: "FROM"

Strike: "JULY"

Insert: "May"

10. Page 2, line 20.

Following: "FEBRUARY"

Strike: "15"

Insert: "1"

Following: "AND"

Strike: "14"

Insert: "15"

(CONTINUED)

11. Page 3, line 18.

Following: "~~14.5~~"

Strike: "~~14~~"

Insert: "~~14.5~~"

Following: "FROM"

Strike: "JULY"

Insert: "May"

12. Page 3, line 19.

Following: "FEBRUARY"

Strike: "15"

Insert: "1"

Following: "AND"

Strike: "16"

Insert: "17"

13. Page 4, line 17.

Following: "\$~~6,500,000~~"

Strike: "\$~~9,000,000~~"

Insert: "Except as provided in subsection (1)(c), \$16,500,000"

14. Page 4, line 24.

Following: "\$~~2,750,000~~"

Strike: "\$~~4,085,000~~"

Insert: "Except as provided in subsection (1)(c), \$7,490,000"

15. Page 5, line 12.

Following: "\$~~3,550,000~~"

Strike: "\$~~4,915,000~~"

Insert: "Except as provided in subsection (1)(c), \$9,010,000"

16. Page 5, line 25.

Following: line 24

Insert: "(c)(i) The amount distributed to cities and counties under this subsection shall be \$7,330,000 in fiscal year 1983, \$11,500,000 in fiscal year 1984, and \$13,580,000 in fiscal year 1985.

(ii) The amount distributed to the various counties under subsection (1)(a) shall be \$3,300,000 for fiscal year 1983, \$5,220,000 for fiscal year 1984, and \$6,165,000 for fiscal year 1985.

(iii) The amount distributed to the various cities under subsection (1)(c) shall be \$4,000,000 for fiscal year 1983, \$6,280,000 for fiscal year 1984, and \$7,415,000 for fiscal year 1985."

17. Page 7, line 18.

Following: "on"

Strike: "July"

Insert: "May"

And, as so amended

BE CONCURRED IN

II

THESE PROPOSED AMENDMENTS WILL INCREASE THE TAX ON MOTOR FUELS
\$.06 PER GALLON BEGINNING JULY 1, 1983.

THE TAX ON GASOLINE WILL BE INCREASED FROM \$.09 PER GALLON TO
\$.15 PER GALLON.

THE TAX ON DIESEL FUEL WILL BE INCREASED FROM \$.11 PER GALLON TO
\$.17 PER GALLON.

THE REVENUE TO BE RECEIVED BY CITIES AND COUNTIES WILL INCREASE
FROM \$6.5 MILLION TO \$14 MILLION.

PROPOSED AMENDMENT TO HB 16

1. Title, line 7.
Following: "RATES ~~3-5~~"
Strike: "3"
Insert: "6"

2. Title, line 8.
Following: "July 1, 1983"
Strike: through "1985" on line 9.

3. Page 2, line 4.
Following: "additional ~~3-5~~"
Strike: "3"
Insert: "6"

4. Page 2, line 5.
Following: "July 1, 1983"
Strike: through "1985," on line 6

5. Page 2, line 7.
Following: "additional ~~3-5~~"
Strike: "3"
Insert: "6"

6. Page 2, line 8.
Following: "July 1, 1983"
Strike: through "1985" on line 9.

7. Page 2, line 19.
Following: "and 8 ~~12-5~~"
Strike: "12"
Insert: "15"
Following: "cents"
Strike: through "THEREAFTER," on line 20.

8. Page 3, line 18.

Following: "14.5"

Strike: "14"

Insert: "17"

Following: "cents"

Strike: through "THEREAFTER," on line 19.

9. Page 4, line 17.

Following: "\$6,500,000 "

Strike: "\$9,000,000"

Insert: "\$14,000,000"

10. Page 4, line 24.

Following: "\$2,950,000"

Strike: "\$4,085,000"

Insert: "\$6,350,000"

11. Page 5, line 12.

Following: "\$3,550,000"

Strike: "\$4,915,000"

Insert: "\$7,650,000"

That House Bill No. 739 be amended as follows:

1. Page 2, line 4.

Following: "purchased"

Insert: "for use"

Following: "Montana;"

Insert: "and"

also p. 5. l. 9.

2. Page 2, line 5.

Strike: subsection (b) in its entirety

renumber: subsequent subsection

3. Page 7.

Following: line 8

Insert: "NEW SECTION." Section ⁶~~5~~. Termination date. This act (HB 739) terminates January 1, 1985, and the investment credit provided by 15-30-162, MCA shall be 20% of the amount of credit determined under section 46(a)(2) of the Internal Revenue Code of 1954, as amended, or as section 46(a)(2) may be renumbered or amended.

SENATE TAXATION COMMITTEE

EXHIBIT E

ROLL CALL VOTE APRIL 9, 1983

JB 739SENATE COMMITTEE TAXATIONDate April 9, 1983 House Bill No. 739 Time —

NAME	YES	NO
SENATOR GOODOVER, CHAIRMAN		✓
SENATOR McCALLUM, VICE CHAIRMAN	A	
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

Chairman: Pat M. Goodover

Motion:

Elliott's motion to reinstate struck language at l. 21-24, p. 1, and l. 1-4 on p. 5.

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

STANDING COMMITTEE REPORT

..... April 9 19 83

MR. **PRESIDENT**

We, your committee on **taxation**

having had under consideration **House** Bill No. **16**

Harp (Tveit)

Respectfully report as follows: That **House** Bill No. **16**

third reading copy, be amended as follows:

1. Title, line 7.

Following: "RATES 3+5"

Strike: "3"

Insert: "6"

2. Title, line 8.

Following: "July 1, 1983"

Strike: remainder of line 8 through "1985" on line 9

3. Page 2, line 4.

Following: "additional 3+5"

Strike: "3"

Insert: "6"

~~XXXXXX~~

(Continued on page 2)

Handwritten initials

April 9

19 83

4. Page 2, line 5.

Following: "July 1, 1983,"

Strike: remainder of line 5 through "1985," on line 6

5. Page 2, line 7.

Following: "additional 3-5"

Strike: "3"

Insert: "6"

6. Page 2, line 8.

Following: "July 1, 1983"

Strike: remainder of line 8 through "1985" on line 9

7. Page 2, line 19.

Following: "and 8 12.5"

Strike: "12"

Insert: "15"

Following: "cents"

Strike: remainder of line 19 through "THEREAFTER," on line 20

8. Page 3, line 18.

Following: "14.5"

Strike: "14"

Insert: "17"

Following: "cents"

Strike: remainder of line 18 through "THEREAFTER," on line 19

9. Page 4, line 17.

Following: "\$6,500,000"

Strike: "\$9,000,000"

Insert: "\$14,000,000"

10. Page 4, line 24.

Following: "\$2,950,000"

Strike: "\$4,085,000"

Insert: "\$6,350,000"

11. Page 5, line 12.

Following: "\$3,550,000"

Strike: "\$4,915,000"

Insert: "\$7,650,000"

And, as so amendedd

BE CONCURRED IN