

MINUTES OF THE MEETING
TAXATION COMMITTEE
MONTANA STATE
HOUSE OF REPRESENTATIVES

January 23, 1985

The ninth meeting of the Taxation Committee was called to order by Chairman Gerry Devlin in room 312-3 of the capitol building at 8:09 a.m.

ROLL CALL: All members were present as was Dave Bohyer, Legislative Researcher for the Legislative Council, and Alice Omang, Secretary.

CONSIDERATION OF HOUSE BILL 34: Representative Keenan, District 66 - Anaconda, stated that this was requested by the Department of Revenue and the Revenue Oversight Committee and sets the standard income tax deduction for joint returns and head of household returns at twice the amount for single returns. She indicated that the indexing formula is producing a situation where the maximum for a joint return is not double the maximum for a single. See Exhibit 1.

PROPONENTS: Bob Turner, Office Audit Supervisor for the Department of Revenue, said that this is basically a housecleaning bill and they are trying to create a situation where the married deduction is twice the standard deduction.

Ed Sheehy, representing the National Association of Federal Employees, testified that they do support this bill.

There were no further proponents.

OPPONENTS: There were none.

QUESTIONS ON HOUSE BILL 34: There were no questions.

Representative Keenan closed and the hearing on this bill was closed.

CONSIDERATION OF HOUSE BILL 33: Representative Keenan, District 66, stated that this was also by the request

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of the Department of Revenue and the Revenue Oversight Committee and provides an annual fee for vehicles powered by alternate fuel and defines the alternate fuel and also increases the fee on vehicles that are powered by an alternate fuel. She explained that there are a lot of vehicles, such as light pickup trucks, dump trucks and small vehicles, which are operated by an alternate fuel and are not being taxed. She indicated that on page 2, line 16, where it refers to "compressed natural gas" that she has no problem deleting that as she understands there will be a bill before the committee addressing that issue.

PROPONENTS: Norris Nichols, Administrator of the Motor Fuel Tax Division of the Department of Revenue, stated that this bill raises the fee to regulate and improve the tax structure; and 5% of the fees collected will be allotted to the county treasurers.

Don Copley, Administrator of the Gross Vehicle Weight Division of the Department of Highways indicated that they support this bill and would like to call to the attention of the committee that the Department of Highways has a companion bill that is basically the same as this but includes diesel cars and light trucks for fees in lieu of tax.

John Braunbeck, representing the L. P. Gas Association, introduced Ken People, representing Petrolane of Billings, Mr. Marvin Wang, of Northern Energy - Kalispell, and Steve Lewis, representing Northern Energy out of Helena, indicating that they would be willing to answer any questions. He testified that their group initially opposed the bill, but they now have a number of suggestions that they feel would be appropriate for the bill. He told the committee that the propane vehicles do pay a tax. He thought if this bill would provide for a little more convenience for acquisition of the permits, they could support it. He thought this was pretty rigid for tourists and thought it should be made easier for them.

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Ken Keko, Billings, representing a propane company in the state, stated that they are in favor of this bill with the minor exceptions expressed by Mr. Braunbeck; and he indicated that he would hate to see Montana jeopardize the tourist trade.

There were no further proponents.

OPPONENTS: There were none.

QUESTIONS ON HOUSE BILL 33: Representative Cohen asked how many of these permits are there now.

Mr. Copley responded that in 1984, there were 2400 licenses issued; and 1/3 of these were for cars and light trucks; in the second category, which goes from 10,000 to 18,000 pounds, there were 37½% and the category from 18,000 to 48,000 pounds comprises 35%. He noted that they have none on record in the 48,000-pound and-above category. He continued that presently, the rules provide that they do issue the permits on a combination of quarters so the best estimate of the number of vehicles involved is about 1200.

Representative Cohen asked how many vehicles can they presume is on the road at any one time.

Mr. Copley replied that his best estimate would be about 1200.

Mr. Asay asked if it was fair for a tourist to have to buy a permit in Montana for \$30.00 when they don't do that for a licensed vehicle.

Mr. Nichols replied that gasoline vehicles pay a tax at the service stations and at the present time, there is no tax levied upon propane. He continued that any out-of-state user who operates a special fuel vehicle solely for recreation or religious purposes can come into the state for a period of ninety days without a permit and he was sure the Department of Highway and the Department of Revenue would be willing to amend this bill to any persons using alternate fuels although they would lose the tax.

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Representative Sands asked how much the gas tax is.

Mr. Norris replied that it is 15 cents for gas tax and 17 cents for diesel fuel tax and this is state tax only.

Representative Sands asked about the fiscal note.

Mr. Copley replied that the counties would get about \$24,000.00 for the biennium.

Representative Raney asked what would be the penalty for failure to comply.

Mr. Nichols replied that the Department of Highways does all the enforcement of this act - they sell the permits at the weigh stations.

Mr. Copley clarified that the present violation is subject to a misdemeanor fine ranging from \$50.00 to \$2,000.00.

Representative Raney asked how easy it was to catch these people.

Mr. Nichols responded that at the present time, passenger vehicles and light trucks are not required to stop at these weigh stations, so the present law is being adhered to on an honor system.

Representative Raney asked if it wouldn't be easier to collect this fee at a pump just like people buying gasoline.

Mr. Copley responded that this question has come up numerous times but if you tax it, there is the problem of which is to be taxed and which is not taxable and if you tax all of it, then there is the refund problem on just highway use.

Representative Koehnke asked about those who fill up at their own tank.

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Mr. Nichols indicated that the present law as far as diesel fuel is concerned, is that if any dealer puts that fuel into a supply tank, it is his responsibility to collect the tax at that time and at a later date remit it to the state, but if you buy it at bulk storage, there is no tax paid at that time and it is the person's responsibility to keep records and show the Department of Revenue where the fuel is used and report the net tax on those gallons used on the highways.

Representative Koehnke noted that he was referring to LP gas.

Mr. Nichols responded that, at the present time, there is no tax on LP gas.

Chairman Devlin asked about the county treasurers collecting and keeping part of the fee.

Mr. Nichols said that they keep 5%, which goes to the general fund and this is under the present statute as it relates to GVW fees.

Chairman Devlin questioned about the fees that are collected at a weigh station.

Mr. Nichols replied that the county does not get any of that - it all goes into the highway fund.

Representative Keenan indicated that Mr. Braunbeck had some very constructive recommendations and she felt they could get together and clean this bill up.

The hearing on this bill was closed.

EXECUTIVE SESSION:

DISPOSITION OF HOUSE BILL 34: Representative Harp moved that this bill DO PASS. The motion carried unanimously.

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DISPOSITION OF HOUSE BILL 177: Dave Bohyer said that the question was raised concerning redemption and who would get the money and the interest. He explained that the way he reads the statute is the person, even if it was the assignee, who paid the interest, upon redemption, he would get refunded for the taxes paid and any other costs paid in. He continued that this person would not make any money - he would just get the money back.

Representative Sands stated that it would seem to him that it might be appropriate to leave it at 8% for anybody that has taken the property by assignment and to increase it to the rate established for delinquent taxes that is kept by the county. He felt that the county would have certain expenses involved in taking care of this property, so he felt it might be a good idea to let the county keep the 4%, and if somebody takes the property by assignment, they only get 8%. He concluded that, in that way, you would still allow the property to be assigned and taken off the tax rolls, but you do not provide an additional incentive for 'scalpers'.

Representative Williams moved that this bill DO PASS. The motion carried with Representative Switzer, Representative Zabrocki, Representative Harp, Representative Koehnke, Representative Gilbert, Representative Patterson, Representative Devlin and Representative Assay voting no. The vote was 12 voting yes and 8 voting no.

The committee recessed at 9:04 a.m. and came back in at 9:37 a.m.

CONSIDERATION OF HOUSE JOINT RESOLUTION 9: Representative Waldron, District 58, gave the committee some handouts. See Exhibits 2 and 3. He stated that this resolution would establish an estimate of the state's anticipated revenue for each year of the 1986 to 1987 biennium for the purpose of achieving a balanced budget as mandated by Article VIII, Section 9, of the Montana Constitution. He continued that they need to know

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the amount of revenues that they have in order to fix spending. He indicated that the bill deals with the general fund, but thought it would be wise to include the school foundation program. He acknowledged that this would require some tax increases or some substantial cutbacks in programs. He indicated that the committee will have to consider the two different forms of accounting and attempt to resolve which system they are going to use. He explained some of the differences in the Revenue Projections in Exhibit 3.

Chairman Devlin said that he would have the Office of Budget and Planning make some comments and then have the Legislative Fiscal Analyst's office make some comments.

David Hunter, representing the Office of Budget and Program Planning, stated that they are there as proponents of the resolution and they are there to work with the committee.

Judy Rippingale, Legislative Fiscal Analyst, said that there are a considerable number of differences that indicate some policy changes and they have given them the best research and estimates of revenue that they could. She explained the differences in accounting methods and how they came about.

Senator Shaw, District 12, commented that he felt the committee was using the right approach in this method and he cautioned that his district is in a real dire financial situation and that all the ranches there are in a bad financial condition and he feels that in this session they are going to have to take a real hard look at the money that is coming in.

There were no further proponents.

OPPONENTS: There were none.

QUESTIONS ON HOUSE JOINT RESOLUTION 9: Representative Ream asked if Ms. Rippingale would elaborate a little more on the policy changes.

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Ms. Rippingale explained that the accounting system has to start with a beginning balance, the legislature has always used the State Budget and Accounting System (SBAS) and they have taken the general fund balance from that system. She continued that this year the governor's office chose to deviate and not use SBAS; they use a financial balance used in GAAP, which is Generally Accepted Accounting Principles; and that added approximately \$8 million to the beginning balance. She indicated that part of that difference was accounted for as they made adjustments that will occur in FY 85 but are not yet recorded in FY 84. She continued that then the budget office changed and is not using the amount that is published in the GAAP financial statement - they are now using the amount that is called unreserved and is identified in a letter that accompanies the financial statement. She felt that there are things that should not be recorded that way. She said that if you go to deviate and decide to use some other figures that are published in a book, and then you can't decide which figures to use in that book - the one in the financial statement or the one somewhere on page 311, you are going to be confused. She indicated, from her point of view, there is some reason to be able to go to one set of records, get those numbers out and in future years be able to come back and plug into numbers that people can talk about. She further explained some other problems they were having in accounting.

Representative Harp said he was assuming that the governor and the budget office are anticipating Colstrip 4 coming into line and he asked if this was the biggest assumption on the increase in production.

David Hunter replied that was one of the two and the other assumption was that the Belt River plants will come into line in 1986.

Representative Harp asked if they were anticipating that Colstrip 4 will be fully in operation and producing energy.

Terry Johnson, representing the Office of Budget and Planning, responded that Colstrip 4 is scheduled to come in line in the spring of 1985 and Belt River 1 is operational right now and the second unit will come on in the spring of 1985.

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Representative Harp asked what they see on Western Energy, which is probably the biggest producer of coal in the state.

Terry Johnson replied that the forecasts they have on all the companies is based on conversations with the coal companies themselves. He indicated that they do a cross check and that the other important item is that they have production numbers for calendar year 1984 and this is going to be 33.1 million tons - that is one of the best years they have had.

Representative Harp noted that a concern of his in coming from the Flathead is the talk of ARCO Aluminum shutting down and he had done some research of what that would do to the state and in talking to people, he thought that it might be a certainty that that would be closed before the end of the session and this would create a drop of \$1.2 million per year and also a drop of a quarter of a million of natural gas that would be flowing through that plant and the possibility of Stauffer Chemicals in Butte are in a very shaky position and possibilities of another 600,000 MCF, he asked if the governor was willing to adjust his figures and continue to draw up revenue estimates if some of these things occur and he asked where do they pick up the revenue.

Mr. Hunter answered that you have to change the revenue estimates and they will have better information a month from now.

Representative Harp asked if future budgets would be affected by the governor's proposal for rebates for future coal contracts and the possibility of increased production.

Mr. Hunter replied that the bill that will be presented specifically excludes all known contracts - production from Colstrip 3 and 4 and production from Belt River would be specifically excluded from the governor's proposal so only the contracts that we do not now know about would be in addition to the 38 million tons that they projected for fiscal year 1987, so there would be a net increase in revenue for a new contract.

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Representative Raney noted that Dave Hunter said that their figures for production of coal are right on and he asked Ms. Rippingale where did she arrive at her figures so they are different from the coal companies and the governor.

Ms. Rippingale asked if Ms. Judy Curtiss Waldron could explain this. Ms. Waldron replied that they think they use basically the same methods as the budget office; they did talk to the individual coal companies and asked them what their forecasts were for their level of production. She indicated that she talked with Western Energy who supply Colstrip 3 and 4 and they feel that they are still essentially valid as they don't expect their production at Colstrip 3 and 4 to be up to the capacity of those plants until 1988 or 1989. She continued that there is also the question of a lawsuit that is in federal court by Westmoreland Coal.

Representative Raney asked where did she think the difference between her figures and the governor's office is coming from.

Ms. Waldron answered that it may be worthwhile if this resolution goes before a subcommittee to isolate it out.

Representative Asay asked if the figures from Westmoreland are included in the budget.

Mr. Hunter said that the taxes that are in escrow are not included.

Representative Sands asked if it creates some inaccuracies when they shift from one accounting system to another.

Mr. Hunter replied that he did not know if it creates inaccuracies, but it is a different system - GAAP recognizes that you approve expenditures and approve some revenues that you don't approve under SBAS.

Representative Waldron explained that SBAS is more of a management-oriented system and GAAP is more oriented toward accounting and it follows those accounting principles; and there is nothing wrong with having two accounting systems and they really do have to have that GAAP system

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because it affects their bond rate and they have to have a statewide audit following GAAP in order to keep their high bond level. He said that this is a policy issue and he would urge the committee to take some time to try and understand the difference in the systems but don't think that one system is bad - they are just utilized for different purposes.

Representative Sands asked Representative Waldron if he were confident that the resolution would be adequately considered by the Senate this year.

Representative Waldron replied that in considering the fiscal difficulties that we are having in this state, not only with the budget but with some recent changes in what is happening with revenue, he felt that the Senate will accept this.

There were no further questions.

Representative Waldron said that this is the very earliest the legislature has ever tried to reconcile the revenue since he has been in the legislature and he has been concerned for many years that they have no formal method of setting their revenue projections. He felt that this should be turned over to a subcommittee to work on and they and the full committee should attempt to get a handle on this matter.

The hearing on this resolution was closed.

Chairman Devlin appointed Representative Harp, Chairman; Representative Sands, Representative Switzer, Representative Williams, Representative Harrington and Representative Abrams.

Representative Harp said that he would hope that the committee could meet as soon as possible and get this to the floor as soon as possible.

Representative Sands suggested that in view of the time that is going to be involved, it might be advisable to have joint meetings with the Senate.

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Chairman Devlin replied that if the committee decides to do that with the members of the Senate Taxation, it would be a healthy situation.

Representative Harrington asked if these recommendations were made by the Democratic party.

Chairman Devlin responded they were not. He explained that he knew that Representative Harrington was on the subcommittee last time, Representative Williams was on last time and he tried to space them throughout the state as he did the Republican members - he picked Representative Switzer from the east, Representative Sands from the central and Representative Harp from the west.

Representative Harrington exclaimed that, as far as the committee that he chairs, he has asked the vice-chairman to put in his recommendations.

Representative Vincent appeared at the meeting and said that he was under the belief that Representative Marks and he had an agreement, which he discussed with him even as recently as last night, that the chairman of this committee would select the Republican members of the subcommittee and the Democratic vice-chairman would select the Democratic members. He continued that they even went so far last night as to reaching an agreement that he work with Representative Williams as to who those Democratic members would be and they would leave the Republican membership up to the chairman. He said that he would respectfully request that Representative Devlin delay the appointment of the subcommittees to make sure that adequate communication has passed between himself and Representative Marks.

Chairman Devlin responded that he had no communication from either him or Representative Marks so he thought two of these Democratic people had served on this two years ago and he thought that geographically that he would add Representative Abrams. He indicated that he felt that no one came forth and he knew nothing about this and he thought he would try to make it as fair as possible.

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Representative Vincent indicated that he could appreciate that and the reason he didn't make contact was that he felt strongly that Representative Marks should have done that and with the spirit of bi-partisan cooperation and the understanding that he had with Marks, he would strongly encourage the chairman to communicate with him before finalizing these appointments.

Chairman Devlin asked if Representatives Vincent and Marks selected the ones they would like to have on this sub-committee.

Representative Vincent answered that he could not speak for Representative Marks in regard to the approval for the three Republicans but he indicated to Marks the three Democrats he was considering and he discussed that in detail as well with Vice-Chairman Williams. He continued that he again wanted to stress that he left the meeting last night with Marks with a very clear, strong impression that the vice-chairman would make the appointments.

Chairman Devlin asked if Representative Bardanoue in Appropriations follows the same procedure.

Representative Vincent replied that he could not speak for the chairman, but they have created committees that are equal, we have divided the chairs and the vice-chairs in respect to the parties and that was the intent of the process.

Chairman Devlin stated that if he and Representative Marks have an agreement, he certainly would honor that agreement.

Representative Vincent said that he believed as of last night Representative Marks and he had an agreement relative to the appointments on this subcommittee will take place.

Chairman Devlin responded that he would withdraw the appointments of the three Democratic members of that committee until he confers with Representative Marks and also he requested that Representative Vincent also be there. He said that he would discharge the appointments to this subcommittee.

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ADJOURNMENT: There being no further business, the meeting adjourned at 10:47 a.m.



GERRY DEVLIN, Chairman



Alice Omang, Secretary

DAILY ROLL CALL

HOUSE TAXATION

COMMITTEE

49th LEGISLATIVE SESSION -- 1985

Date January 23, 1985

STANDING COMMITTEE REPORT

.....January 23..... 19 85.....

MR. SPEAKER.....

We, your committee on TAXATION.....

having had under consideration HOUSE..... Bill No.3-4.....

YIAST reading copy (WHITE)
color

**STANDARD DEDUCTION FOR JOINT RETURNS TO BE TWICE THE AMOUNT
FOR SINGLE**

Respectfully report as follows: That HOUSE..... Bill No.3-4.....

DO PASS

VISITORS' REGISTER

TAXATION COMMITTEE

BILL NO. HOUSE BILL 34

DATE January 23, 1985

SPONSOR REPRESENTATIVE KEENAN

IF YOU CARE TO WRITE COMMENTS, ASK SECRETARY FOR WITNESS STATEMENT FORM.

PLEASE LEAVE PREPARED STATEMENT WITH SECRETARY.

VISITORS' REGISTER

TAXATION

COMMITTEE

BILL NO. HB 33

DATE January 23, 1985

SPONSOR REPRESENTATIVE KEENAN

IF YOU CARE TO WRITE COMMENTS, ASK SECRETARY FOR WITNESS STATEMENT FOR

PLEASE LEAVE PREPARED STATEMENT WITH SECRETARY.

VISITOR'S REGISTER

HOUSE Taxation

COMMITTEE

BILL HJR. 9

DATE Jan 23, 1985

SPONSOR *Wachman*

IF YOU CARE TO WRITE COMMENTS, ASK SECRETARY FOR LONGER FORM.

WHEN TESTIFYING PLEASE LEAVE PREPARED STATEMENT WITH SECRETARY.

HB 34
Exhibit
1/23/85
House Bill 34
Keenan

Title: Maximum standard deduction on joint return to be twice the maximum standard deduction on a single return.

Problem: The indexing formula which the Department of Revenue uses for calculating the standard deduction could produce a situation where the maximum for a joint return is not twice the maximum on a single return. The maximums for the two categories of filers should bear the proper proportion. If they do not, it creates an inequity in the tax structure because of the filing status selection. Additional, taxpayers would be confused by the differing amounts.

Solution: The proposal would allow the Department to:

1. Calculate the maximum standard deduction for a single return.
2. Ascertain that the maximum standard deduction on a joint return is twice the maximum on a single return.
3. Eliminate any inequity in the tax structure because of the filing status selection.
4. Eliminate confusion for taxpayers and preparers surrounding the different amounts.

H.B. 34
Examples

Example I

Consumer price index	298.1
Base index	247.6

Maximum standard deduction before adjustment

Single	1,500
Married	3,000

UNDER PRESENT LAW

Consumer price index change:
 $298.1 \div 247.6 = 1.204$

Single: $1,500 \times 1.204 = 1,806$
Rounded to nearest \$10.00 = 1,810

Married: $3,000 \times 1.204 = 3,612$
Rounded to nearest \$10.00 = 3,610

UNDER PROPOSED LAW

Single: $1,500 \times 1.204 = 1,806$
Rounded to nearest \$10.00 = 1,810

Married $1,810 \times 2 = \underline{3,620}$

Last Name and Initial	Social security number	COLUMN A - for yourself, joint, separate or single	COLUMN B (for spouse)
32 Montana adjusted gross income (from line 31A)	32		
DEDUCTIONS If you elect the standard deduction check here <input type="checkbox"/> and enter on line 50, 20% of line 32 but not more than \$1,640 (not more than \$3,290 if married filing a joint return). If you elect the standard deduction skip lines 33 through 49. Nonresidents and persons changing state of residence see page 6 of instructions.			
33 Contributions	33		
34 Interest Expense (specify)	34		
Federal Income Tax (do not include Self-Employment Tax)			
35 (1) Paid by withholding or declaration in 1981	35		
36 (2) Balance of 1980 tax paid in 1981	36		
37 (3) Additional tax for years _____ paid in 1981	37		
38 Other Taxes (do not include Montana Income Tax): Real Estate \$ _____ personal property \$ _____ other deductible taxes (specify)	38		
Medical Expense:			
39 Enter 1/2 of amount paid for deductible health insurance up to \$150 (claim excess on line 43 below)	39		
Total cost of medicine and drugs	40	COLUMN A	COLUMN B
Enter 1/2 of line 32	41		
Subtract line 41 from line 40 (if less than zero enter zero)	42		
Other medical and dental expenses	43		
Total of lines 42 and 43	44		
Enter 3% of line 32	45		
46 Subtract line 45 from line 44 and enter balances in applicable columns (if less than zero enter zero)	46		
47 Child and dependent care expense — from Form 2441M (federal schedule not acceptable)	47		
48 Casualty or theft loss (less exclusion)	48		
49 Other Deductions (specify) Dues, political contributions, etc.	49		
50 Total Deductions—	50		
51 Subtract line 50 from line 32 and enter balance here	51		
52 Multiply \$880 times the number of exemptions in Box 5 on preceding page	52		
Nonresidents and part-year residents see page 6			
53 Taxable income - subtract line 52 from line 51 (if less than zero enter zero)	53		
54 Tax from tax table, page 8 of instructions	54		
55 Credits from Form 2A, line 83	55		
56 Balance - subtract line 55 from line 54 and enter difference (but not less than zero)	56		
57 Investment credit recapture from Form 2A, Schedule VII	57		
58 Total tax - add lines 56 and 57	58		
58A Public Campaign Fund. CHECK 1 IF YOU WISH TO DONATE \$1 TO THIS FUND CHECK 2 IF SPOUSE WISHES TO DONATE \$1 TO THIS FUND See page 5 of instructions, and enter appropriate amount here	58A		
58B Total, add lines 58 and 58A	58B		
59 Combine amounts shown on line 58B, columns A & B	59		
Payments and Credits			
60 Montana tax withheld (attach withholding statements)	60		
61 Payments on 1981 Estimated Tax	61		
62 Homeowner or Renter Credit from Form 2EC	62		
63 Business Inventory Credit (attach receipts)* (Not allowed if claimed as a deduction)	63		
64 Total of lines 60 through 63	64		
65 Combine amounts shown on line 64 columns A & B	65		
Refund or Balance Due			
66 If line 59 is larger than line 65 enter BALANCE DUE . Attach check or money order for full amount if \$1.00 or more.	66		
69 If line 65 is larger than line 59 enter amount OVERPAID	69		
70 Amount of line 69 to be REFUNDED TO YOU (allow at least 6 weeks for your refund check)	70		
71 Amount of line 69 to be credited to 1982 estimated tax	71		

Make remittances payable to State Treasurer. Mail tax forms to:

Income Tax Division
P.O. Box 5805
Montana Dept. of Revenue
Helena, Montana 59604

Late filing penalty	\$	73
Late payment penalty		
Interest		
Total	\$	

Name of person or firm preparing return

Telephone Number

I, the undersigned, declare under the penalties for false swearing that I have examined this return, including all accompanying schedules and statements, and to the best of my knowledge and belief it is a true, correct and complete return made in good faith.

Your signature and date

Spouse's signature and date (if filing jointly or combined separate returns both must sign)

Exhibit 2
1-TR-9
1/23/85

WKS-RESCOMP4

GENERAL FUND REVENUE ESTIMATE COMPARISON
08PP VERSUS LFA

Re Waldron

Source of Revenue	Actual FY 83	Actual FY 84	08PP FY 85	LFA FY 85	Difference FY 85	08PP FY 86	LFA FY 86	Difference FY 86	08PP FY 87	LFA FY 87	Difference FY 87	08PP FY 87	LFA FY 87	Difference FY 87
Individual Income Tax	97,152,215	109,021,660	116,582,000	113,044,000	3,538,000	125,541,000	123,442,000	2,099,000	134,330,000	133,513,000	817,000	259,871,000	256,955,000	2,916,000
Gift Severance Tax	43,787,940	32,684,014	31,911,000	30,663,000	1,248,000	24,654,000	23,466,000	1,188,000	33,274,000	35,059,000	(11,785,000)	47,928,000	48,325,000	(159,000)
Interest on Investments	29,919,431	23,527,514	26,182,000	25,044,000	1,438,000	22,656,000	23,044,000	(388,000)	22,361,000	21,920,000	1,041,000	45,617,000	44,964,000	653,000
Corporation License Tax	20,733,688	20,547,177	35,017,000	31,217,000	3,800,000	29,957,000	29,388,000	569,000	32,304,000	32,561,000	(237,000)	52,261,000	61,949,000	312,000
Long Range Bond Excess	22,797,971	41,682,643	38,437,000	36,185,000	2,252,000	39,237,000	37,479,000	1,758,000	41,288,000	39,582,000	1,706,000	36,525,000	77,061,000	3,464,000
Coal Severance Tax	15,208,581	15,736,468	17,444,000	16,329,000	1,115,000	19,735,000	17,928,000	2,707,000	18,732,000	16,934,000	1,798,000	35,467,000	33,962,000	4,505,000
Coa. Trust Interest	18,466,762	18,347,636	24,378,000	23,455,000	923,000	28,158,000	28,383,000	(225,000)	32,259,000	33,445,000	(1,206,000)	60,417,000	61,848,000	(1,431,000)
Insurance Tax	13,011,479	13,621,332	16,109,000	15,753,000	356,000	16,139,000	16,195,000	(56,000)	17,558,000	16,737,000	821,000	35,697,000	32,932,000	765,000
Institution Reimbursements	11,406,505	9,179,921	12,213,000	13,281,000	(3,068,000)	14,758,000	14,902,000	(144,000)	15,310,000	15,336,000	(16,000)	30,068,000	30,258,000	(1190,000)
Interest Income Tax	6,398,489	5,960,471	6,289,000	6,247,000	42,000	6,656,000	6,247,000	409,000	7,072,000	6,247,000	825,000	13,728,000	12,494,000	1,234,000
Liquor Excise Tax	6,559,727	6,415,784	6,191,000	6,029,000	162,900	6,600,000	6,045,000	555,000	6,736,000	6,038,000	698,000	13,336,000	12,083,000	1,253,000
Liquor Profits	4,500,000	5,782,000	4,466,000	5,197,000	522,000	5,223,000	5,243,000	(41,000)	5,377,000	5,315,000	(28,000)	10,299,000	10,578,000	(279,000)
Natural Gas Tax	2,525,059	2,797,996	3,481,000	2,735,000	745,000	3,656,000	2,486,000	1,164,000	3,862,000	2,500,000	1,362,000	7,512,000	4,986,000	2,526,000
Telephone Tax	2,463,670	2,521,905	2,814,000	2,661,000	153,000	3,053,000	2,798,000	255,000	3,311,000	2,944,000	367,900	6,364,000	5,742,000	622,000
Metal Mines Tax	1,542,061	2,630,135	1,711,000	1,610,000	101,000	1,185,000	1,149,000	36,000	1,190,000	1,282,000	(92,000)	2,375,000	2,431,000	(56,000)
Electrical Energy Tax	1,346,157	2,413,172	1,986,000	2,084,000	(198,000)	2,042,000	2,074,000	(32,000)	2,169,000	2,145,000	4,030	4,211,000	4,339,000	(139,000)
Freight Line Tax	1,432,164	1,334,111	1,462,000	1,387,000	15,000	1,465,000	1,450,000	15,000	1,556,000	1,522,000	34,000	3,021,000	2,972,000	49,000
Beer Tax	1,235,805	1,290,236	1,180,000	1,175,000	5,000	1,157,000	1,146,000	11,000	1,133,000	1,076,000	37,000	2,290,000	2,242,000	48,000
Drivers' License Fees	316,365	779,616	817,000	705,000	(835,000)	905,000	(79,000)	854,000	905,000	(51,000)	1,659,000	1,810,000	(121,000)	
Wine Tax	895,884	904,905	917,000	967,000	(150,000)	928,000	1,015,000	(87,000)	940,000	1,066,000	(126,000)	1,868,000	2,081,000	(123,000)
Other Revenue	11,176,083	12,590,802	13,474,000	14,364,000	(830,000)	15,030,000	14,386,000	704,000	14,922,000	15,413,000	(491,000)	29,952,000	29,739,000	213,000
Prior Year Adjustment	8,367,749	(866,898)	0	0	0	0	0	0	0	0	0	0	0	0
Totals	321,344,765	329,436,600	363,301,000	352,333,000	10,968,000	368,658,000	358,231,000	10,427,000	386,838,000	381,620,000	5,213,000	755,496,000	739,851,000	15,645,000

Hunt 2

Source of Revenue		Actual FY 83	Actual FY 84	OBPP FY 85	LFA FY 85	Difference FY 85	OBPP FY 86	LFA FY 86	Difference FY 86	OBPP FY 87	LFA FY 87	Difference FY 87	OBPP FY 87	LFA FY 87	Difference FY 87
STATE REVENUE															
Individual Income Tax	37,950,047	42,586,587	45,540,000	44,160,000	1,380,000	49,040,000	48,220,000	820,000	32,473,000	52,150,000	323,000	101,513,000	100,370,000	1,143,000	
Corporation License Tax	8,699,084	8,026,240	13,678,000	12,190,000	1,488,000	11,702,000	11,480,000	222,000	12,419,000	12,720,000	(101,000)	24,321,000	24,200,000	121,000	
Coal Severance Tax	4,002,249	4,141,172	4,570,000	4,300,000	299,000	9,088,000	4,480,000	4,608,000	8,627,000	4,460,000	4,167,000	17,715,000	8,940,000	8,775,000	
Interest and Income	36,398,297	36,982,855	37,456,000	38,200,000	(744,000)	38,860,000	41,630,000	(2,770,000)	40,411,000	43,670,000	(3,239,000)	79,271,000	85,300,000	(6,029,000)	
US Oil and Gas Royalties	11,343,027	14,948,556	14,167,000	13,900,000	257,000	18,671,000	13,900,000	4,771,000	18,762,000	14,400,000	4,362,000	37,493,000	28,300,000	9,133,000	
Education Trust Interest	8,230,693	5,107,578	6,019,000	6,220,000	(201,000)	6,809,000	7,080,000	(271,000)	7,435,000	7,880,000	(444,000)	14,245,000	14,980,000	(715,000)	
Miscellaneous	24,013	21,45,511	5,268,000	0	5,268,000	0	0	0	0	0	0	0	0	0	0
Totals	104,247,430	113,938,479	126,718,000	118,970,000	7,748,000	134,170,000	126,790,000	7,380,000	140,328,000	135,280,000	5,048,000	274,498,000	262,070,000	12,428,000	
COUNTY REVENUE															
45 Mills	104,864,000	107,940,000	(3,076,000)	107,879,000	105,140,000	2,739,000	110,020,000	106,130,000	3,870,000	217,899,000	211,270,000	6,629,000			
(3,540,000)	(3,540,000)	0	(3,823,000)	(3,680,000)	(143,000)	(14,129,000)	(13,830,000)	(299,000)	(7,952,000)	(7,510,000)	(442,000)				
Elementary Transportation	3,189,000	0	3,189,000	3,189,000	0	3,189,000	3,189,000	0	3,189,000	6,378,000	0	6,378,000			
Cash Reappropriated	1,014,000	1,010,000	4,000	1,800,000	1,000,000	800,000	1,800,000	1,000,000	800,000	3,600,000	2,000,000	1,600,000			
Forest Funds	123,000	120,000	3,000	123,000	120,000	3,000	123,000	120,000	3,000	246,000	240,000	6,000			
Taylor Grazing	8,580,000	11,770,000	(3,190,000)	9,355,000	10,500,000	(1,145,000)	10,200,000	10,500,000	(730,000)	(700,000)	(300,000)	19,555,000	21,000,000	(11,405,000)	
Miscellaneous	(673,000)	(670,000)	(3,000)	1701,000	(700,000)	(1,000)	(700,000)	(700,000)	(700,000)	(30,000)	(1,431,000)	(1,400,000)	(31,000)		
Totals	113,557,000	116,630,000	(3,073,000)	117,822,000	112,380,000	5,442,000	120,773,000	113,220,000	7,253,000	238,295,000	225,600,000	12,675,000			
DISTRICT REVENUE	19,739,000	18,500,000	239,000	19,248,000	18,800,000	448,000	19,609,000	19,100,000	509,000	38,857,000	37,900,000	957,000			
TOTAL REVENUES	104,247,430	113,938,479	259,014,000	254,100,000	4,914,000	271,240,000	257,970,000	13,270,000	280,410,000	247,600,000	12,810,000	551,650,000	525,570,000	26,080,000	

Exhibit -3
HJR. 9
1/23/85
Rep. Word to
Rep. Word to

January 23, 1985

Office of the Legislative Fiscal Analyst
General Fund Revenue Comparison
(Thousands)

Category	FY 1985		FY 1986		FY 1987		FY 1988		FY 1989		1987 Biennium	
	LFA	Executive	LFA	Executive	LFA	Executive	LFA	Executive	LFA	Executive	Difference	Difference
Individual Income Tax	\$113,044	\$116,582	\$123,442	\$125,541	\$133,513	\$134,330	\$134,330	\$134,330	\$134,330	\$134,330	\$ (2,916)	\$ (2,916)
Corporation License Tax	31,217	35,017	(3,800)	29,388	29,957	(569)	32,561	32,304	257	257	(312)	(312)
Coal Severance Tax	16,329	17,444	(1,115)	17,028	19,735	(2,707)	16,934	18,732	(1,798)	(1,798)	(4,505)	(4,505)
Oil Severance Tax	30,663	31,911	(1,248)	23,466	24,654	(1,188)	25,059	23,274	1,785	1,785	597	597
Interest on Investments	25,044	26,462	(1,438)	23,044	22,656	388	21,920	22,961	(1,041)	(1,041)	(653)	(653)
Long-range Bond Excess	36,185	38,437	(2,252)	37,479	39,237	(1,758)	39,582	41,288	(1,706)	(1,706)	(3,464)	(3,464)
Coal Trust Fund Interest	23,455	24,378	(923)	28,383	28,158	225	33,465	32,259	1,206	1,206	1,431	1,431
Insurance Premiums Tax	15,753	16,109	(356)	16,195	16,139	56	16,737	17,558	(821)	(821)	(765)	(765)
Institutional Refundbursement	15,281	12,213	3,068	14,902	14,758	144	15,356	15,310	46	46	190	190
Liquor Profits	5,197	4,466	731	5,263	5,222	41	5,315	5,077	238	238	279	279
Liquor Excise Tax	6,029	6,191	(162)	6,045	6,600	(555)	6,038	6,736	(696)	(696)	(1,253)	(1,253)
Inheritance Tax	6,247	6,289	(42)	6,247	6,656	(409)	6,247	7,072	(825)	(825)	(1,234)	(1,234)
Metal Mines Tax	1,610	1,711	(101)	1,149	1,185	(36)	1,282	1,190	92	92	56	56
Electrical Energy Tax	2,084	1,986	98	2,074	2,042	32	2,165	2,169	(4)	(4)	28	28
Drivers' License Fees	905	817	88	905	835	70	905	854	51	51	121	121
Telephone License Tax	2,661	2,814	(153)	2,798	3,053	(255)	2,944	3,311	(367)	(367)	(622)	(622)
Beer License Tax	1,175	1,180	(5)	1,146	1,157	(11)	1,096	1,133	(37)	(37)	(48)	(48)
Natural Gas Severance Tax	2,736	3,481	(745)	2,486	3,650	(1,164)	2,500	3,862	(1,362)	(1,362)	(2,526)	(2,526)
Freight Line Tax	1,387	1,402	(15)	1,450	1,465	(15)	1,522	1,556	(34)	(34)	(49)	(49)
Wine Tax	967	917	50	1,015	928	87	1,066	940	126	126	213	213
Other Revenue	14,364	13,474	890	14,326	15,030	(704)	15,413	14,922	491	491	(213)	(213)
Total	\$352,333	\$363,301	\$ (10,968)	\$358,231	\$368,658	\$ (10,427)	\$381,620	\$386,438	\$ (5,218)	\$ (5,218)	\$ (15,645)*	\$ (15,645)*

(1) The executive revenue estimates for oil and natural gas severance tax include money attributable to the increased county production. By statute this money belongs to the counties. The Governor's budget has a \$2.2 million general fund appropriation to the counties for returning these funds in the Department of Revenue's budget.

(2) The executive budget proposes increasing the cigarette tax to generate \$5.5 million in fiscal 1986 and \$7.4 million in fiscal 1987.

REVENUE PROJECTIONS

Major differences in revenue projections and economic assumptions occur in the following categories:

1. Coal Severance Tax

Table 1 compares actual fiscal 1984 and projected fiscal 1985 through 1987 taxable coal production and contract sales price.

Table 1
Taxable Coal Production and Contract Sales Price

<u>Production(tons)</u>	<u>Actual FY 1984</u>	<u>FY 1985</u>	<u>Projected FY 1986</u>	<u>FY 1987</u>
LFA	27,394,512	28,844,000	28,742,000	29,370,000
Executive		<u>30,079,000</u>	<u>32,916,000</u>	<u>34,973,000</u>
Difference		(1,235,000)	(4,174,000)	(5,603,000)
<u>Contract Sales Price</u>				
LFA	\$10.10	\$ 9.950	\$10.420	\$11.530
Executive		<u>10.201</u>	<u>10.545</u>	<u>10.703</u>
Difference		\$ (0.251)	\$ (0.125)	\$ 0.827

2. Oil Severance Tax

Table 2 compares actual fiscal 1984 and projected fiscal 1985 through 1987 taxable oil production and average price.

Table 2
Taxable Oil Production and Average Price

<u>Production(barrels)</u>	<u>Actual FY 1984</u>	<u>FY 1985</u>	<u>Projected FY 1986</u>	<u>FY 1987</u>
LFA	28,517,000	28,101,147	27,690,453	27,286,173
Executive		<u>28,801,000</u>	<u>28,341,000</u>	<u>27,939,000</u>
Difference		(699,853)	(650,547)	(652,827)
<u>Average Price</u>				
LFA	\$28.540	\$27.280	\$26.500	\$27.500
Executive		<u>27.699</u>	<u>26.097</u>	<u>24.990</u>
Difference		\$ (0.419)	\$ 0.403	\$ 2.51

The LFA general fund revenue projection excludes approximately \$1 million in each fiscal 1986 and 1987 which is the amount of estimated payments to counties with increased production.

3. Interest on Investments

Table 3 compares actual fiscal 1984 and projected fiscal 1985 through 1987 interest yield earned on the treasurer's fund and the average investable balance without the proceeds from sale of tax anticipation notes (TANS).

Table 3
Interest Yield and Average Investable Balance

<u>Interest Yield</u>	<u>Actual FY 1984</u>	<u>FY 1985</u>	<u>Projected FY 1986</u>	<u>FY 1987</u>
LFA	10.75%	10.00%	10.25%	9.75%
Executive		<u>10.87%</u>	<u>10.75%</u>	<u>10.90%</u>
Difference		(0.87%)	(0.50%)	(1.15%)
<u>Investable Balance without TANS(millions)</u>				
LFA	\$222.2	\$216.6	\$180.3	\$180.3
Executive		<u>212.0</u>	<u>169.0</u>	<u>169.0</u>
Difference		\$ 4.6	\$ 11.3	\$ 11.3

4. Long-Range Bond Excess

The long-range bond excess receives revenue from 11 percent of individual and corporation taxes, 79.25 percent of the cigarette tax, and the tobacco products tax. The executive estimate of the bond excess contains \$2.7 million more in revenue from the cigarette tax, accounting for the majority of the \$3.5 million difference between the two projections in the 1987 biennium.

5. Natural Gas Tax

The executive has not supplied the price and production data which support its forecast of the natural gas tax. The LFA projection assumes that the average price of natural gas will rise 5.8 percent between fiscal 1984 and 1987 and that taxable production will decline 2.5 percent annually over the forecast period. Table 4 shows actual fiscal 1984 and the LFA projections for fiscal 1985 through 1987 of natural gas tax revenue.

Table 4
Natural Gas Tax Revenue

<u>Fiscal Year</u>	<u>Revenue</u>	<u>Percent Change</u>
1984	\$2,797,996	10.8
1985	2,736,000	(2.2)
1986	2,486,000	9.1
1987	2,500,000	0.6

The LFA revenue projections for fiscal 1986 and 1987 each exclude approximately \$200,000 which is the amount of estimated payments to counties with increased production.

COMPARISON OF FISCAL 1985 GENERAL FUND BALANCE
 Prepared by Office of the Legislative Fiscal Analyst
 January 23, 1985

	<u>LFA</u>	<u>OBPP</u>	<u>Difference</u>
Beginning Fund Balance	\$ 30,531,293	\$ 35,057,000	\$ (4,525,707)*
Estimated Receipts	<u>352,333,000</u>	<u>363,301,000</u>	<u>(10,968,000)</u>
Total Available	\$382,864,293	\$398,358,000	\$(15,493,707)
<u>Expenditures</u>			
Budgeted Operating Expen.	\$378,775,993	\$378,501,209	\$ 274,784
Pay Plan Carry Forward	2,000,000	2,000,000	-0-
Tax Anticipation Notes	2,304,714	2,304,714	-0-
Long Term Debt Service	10,063,547	10,004,699	58,848
Oil & Gas Payments to Counties	1,562,948	1,215,000	347,948
Supplemental Requests	7,937,075	7,937,075	-0-
Feed Bill	4,122,272	4,122,272	-0-
<u>Adjustments</u>			
FY 84 Debt Service	(1,406,100)	-0-	\$ (1,406,100)
Other	<u>(392,115)</u>	<u>-0-</u>	<u>(392,115)</u>
<u>Reversions</u>			
Public Schools	(13,830,000)	(19,347,000)	5,517,000
Other	<u>(10,200,000)</u>	<u>(10,200,000)</u>	<u>-0-</u>
Total Expenditures	<u>\$380,938,334</u>	<u>\$376,537,969</u>	<u>\$ 4,400,365</u>
Ending Fund Balance	<u>\$ 1,925,959</u>	<u>\$ 21,820,031</u>	<u>\$ (19,894,072)</u>

* Difference of \$4.6 million consists of the following:

1. Accrued Interest	\$4.5 million
2. Inventories	(2.2 million)
3. FY 84 Institutional Reimbursement recorded as deferred revenue by Institutions	2.4 million
4. Additional Institutional Reimbursement shown by GAAP	0.8 million
5. Debt Service Costs which general fund paid but should have been made by non-general fund money	1.4 million
6. Patients' Account Lawsuit accrued as revenue in FY 82.	(2.4 million)
7. Miscellaneous	<u>0.1 million</u>
Total	<u>\$4.6 million</u>

Item 3 is included in LFA Fiscal 1985 revenue,
 Item 5 is included in LFA Fiscal 1985 Adjustments.

COMPARISON OF SCHOOL FOUNDATION REVENUES
Fiscal 1985

<u>Revenues Available</u>	<u>LFA</u>	<u>OBPP</u>	<u>Difference</u>
County Equalization			
45 Mill Levy ²	\$107.94 ³	\$104.86	(3.08)
Miscellaneous	11.77	11.77	--
Forest Funds	1.01	1.01	--
Grazing Funds	.12	.12	--
Elementary Trans.	(3.54)	(3.54)	--
High School Tuition	<u>(.67)</u>	<u>(.67)</u>	<u>--</u>
Total County Equalization ¹	\$116.63	\$113.55	(3.08)
State Equalization			
25 Percent Income Tax	\$ 44.16	\$ 45.54	1.38
25 Percent Corp. Tax	12.19	13.68	1.49
5 Percent Coal Tax	4.30	4.59	.29
Interest and Income	37.46	37.46	-0-
Federal Mineral Leasing	13.90	14.17	.27
Coal Trust Interest	6.22	6.01	(.21)
Balance Available	.21	-0-	(.21)
Miscellaneous	--	5.27	5.27
Total State Equalization	\$118.44	\$126.72	8.28
District Permissive (Includes Light Vehicle Fees and Replacement Funds)	<u>18.50</u>	<u>18.74</u>	<u>.24</u>
TOTAL REVENUES	<u>\$253.57</u>	<u>\$259.01</u>	<u>5.44</u>

¹County Surplus included in county equalization.

²Includes cash reappropriated, 45 mill levy shares of vehicle fees and state reimbursements, other minor revenues and portions of retroactive adjustment for Senate Bill 413 not included in 45 mill levy figures.

³Includes funds from retroactive adjustments to oil and gas net proceeds taxes resulting from Senate Bill 413 of 48th Legislature.

COMPARISON OF SCHOOL FOUNDATION REVENUES
1987 Biennium
(Millions)

<u>Revenues Available</u>	<u>LFA</u>	<u>OBPP</u>	<u>Difference</u>
County Equalization			
45 Mill Levy ²	\$211.27	\$217.90	\$ 6.63
Miscellaneous	21.00	25.93	4.93
Forest Funds	2.00	3.60	1.60
Grazing Funds	.24	.25	.01
Elementary Trans.	(7.51)	(7.95)	(.44)
High School Tuition	<u>(1.40)</u>	<u>(1.43)</u>	<u>(.03)</u>
Total County Equalization ¹	\$225.60	\$238.30	\$12.70
State Equalization			
25 Percent Income Tax	\$100.37	\$101.51	\$ 1.14
25 Percent Corp. Tax	24.20	24.32	.12
5 Percent Coal Tax	8.94	17.71	8.77
Interest and Income	85.30	79.27	(6.03)
Federal Mineral Leasing	28.30	37.43	9.13
Coal Trust Interest	<u>14.96</u>	<u>14.25</u>	<u>(.71)</u>
Total State Equalization	\$262.07	\$274.49	\$12.42
District Permissive (Includes Light Vehicle Fees and Replacement Funds)			
	<u>\$ 37.90</u>	<u>\$ 38.86</u>	<u>\$.96</u>
TOTAL REVENUES	<u>\$525.57</u>	<u>\$551.65</u>	<u>\$26.08</u>

WITNESS STATEMENT

Name John P. Gaffey

Committee On Health

Address 1250 16th

Date May 22, 1985

Representing John P. Gaffey

Support

Bill No. HB-22

Oppose

Amend X

AFTER TESTIFYING, PLEASE LEAVE PREPARED STATEMENT WITH SECRETARY.

Comments: Testimony should be following the words
1. and the witness should follow the following words;

please, thank you, and

2.

HB-22 has been drafted

3.

Follow the following

4.

Itemize the main argument or points of your testimony. This will assist the committee secretary with her minutes.