

MINUTES OF THE MEETING
TAXATION COMMITTEE
MONTANA STATE
HOUSE OF REPRESENTATIVES

January 29, 1985

The thirteenth meeting of the Taxation Committee was called to order in room 312-1 of the state capitol at 8:09 a.m. by Chairman Gerry Devlin.

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

CONSIDERATION OF HOUSE BILL NO. 231: Representative Swift, House District #64, stated that this bill proposes an exemption of \$3,600.00 for private and corporate retirement benefits; at the present time, there is an exemption of \$360.00, which is almost nothing when you compare the cost of inflation; and most retirees are on fixed incomes and their income has eroded to the point where their buying power is gone.

PROPOSERS: Representative Jack Moore, House District #37, gave the history of attempts to pass this bill and asked the committee's favorable recommendation of this bill.

Ed Sheehy, National Association of Retired Federal Employees, advised that his organization is the only organization in the state that speaks for the 60-year-old-and-older person; there are approximately forty states that recognize annuitants and give them some exemption and they support the inclusion of the \$3,600.00 exemption.

Joe Thares spoke on behalf of the retired employees of Mountain Bell in support of this bill, indicating that there is a great deal of disparity of those that are in the public sector and the private sector and, in some cases, the private sector is better than the public.

Lou Marquardt voiced his support for this bill as a retiree.

Doug Thomas, retiree for 15 years, testified that the present law is not fair because one group of retirees gets a \$3,600 exemption and he only gets a \$360 exemption and all he asks is to be given equal consideration.

Arthur Roberts, retiree from Mountain Bell, said his medication has increased considerably in the past three years and he asked that this committee help the people on retirement.

George Holman presented written testimony. (Exhibit 2)

There were no further proponents.

OPPONENTS: There were none.

QUESTIONS ON HOUSE BILL NO. 231: Representative Asay asked Representative Swift if he has examined the fiscal note. Representative Swift said there were conflicting figures and he presented information from the Department of Revenue's Research Bureau (Exhibit 3). He also presented other information on annuities (Exhibit 4).

Representative Asay asked if the \$88.00 would be about the amount of the tax that would be affected on the average income. Representative Swift replied that he would guess it would be somewhere between \$80.00 and \$90.00 give or take, because you do not know how much the percentage application would be to the income of that individual.

Representative Asay noted that there is an inflationary aspect to the retirement program and he was curious to know whether that would have a greater effect on the income of an individual retiree or the \$88.00

Representative Swift answered that he was not sure, but he would suspect the impact of this would be less than the other thing he mentioned, but he did not have any figures to back that up.

Representative Sands asked if he had any information to compare the average retirement income for a federal retiree, a state retiree and someone from the private sector.

Representative Swift responded that with the federal retirees, in excess of 60-70% of those people receive an average of \$10-\$11,000 a year; he did not know what the average teacher retiree pay is, but in Ravalli County, they were averaging somewhere between \$11,000 and \$12,000.

Representative Cohen asked who does this bill cover as it exists now. Representative Swift replied that this law right now exempts state retirees in Montana, whether they be teachers, highway patrolmen, whatever, and they also allow an exemption of \$3600 for federal retirees; but it does not give any consideration to people who come into the state of Montana - teachers, factory workers, etc.

Representative Cohen asked if he wanted to include government employees. Representative Swift indicated that he wanted to include the private sector that are receiving pensions and annuities, such as the people from Mountain Bell.

Representative Cohen inquired if he knew what portion of the senior citizens are receiving retirement as well as social security, and what percentage are just trying to exist on social security. Representative Swift answered that upward of 12% of

the population are in the age group from 60-65 years of age; there are 2,300 people in Ravalli County; and he thought that this could affect upwards of 3,500 to 4,500 people in the county he represents.

Representative Cohen asked if he knew how many retired people are getting pensions and how many are not. Representative Swift replied that, according to the Department of Revenue, there are 13,000 people who have filed, and he would have to use that as a basis.

Representative Cohen asked if it would not be a fair way to remove this exemption for all public employees. Representative Swift answered that he was not sure if that would be any more fair or equitable than what they are talking about; and until they totally revise the tax laws, he wanted some equity and balance in the tax system.

Representative Harrington explained that they have had this bill before the legislature every session and most state employees and teachers were given this exemption (he thought in 1936) because of low pay and this was given to them as a benefit and an incentive to stay with the teaching jobs and the public service sector.

Representative Asay asked about delaying the effective date. Mr. Sheehy replied that his people would not be affected by this because they already get it; but he thought it was a mistake not to have a tax study.

Representative Asay questioned which should have more priority - the tax reduction on this or bringing more retirees in. Mr. Sheehy responded that he felt they should recognize teachers and state employees as they are entitled to some type of adjustment.

Representative Ream noted that this has a \$2.3 to \$2.7 million impact for the next biennium and asked if he would oppose delaying the effective date of this bill. Mr. Sheehy answered that they would not oppose that.

Representative Switzer inquired of Representative Swift if he thought the title was broad enough, if they get into some problems with it in committee, so that they could remove the retirement of the public and federal employees on page 7. Representative Swift responded that he did not think the title would provide for that action.

Chairman Devlin asked what the other states are doing in a case where a person retires in Montana and moves to Idaho - what is Idaho doing. Representative Swift indicated that he checked with the various states - some actually have reciprocity, some allow for the federal exemptions and they are allowing full exemptions for their own state employees and it was kind of a hodge-podge.

Representative Zabrocki inquired if he would object if they cut it in half to \$1,800.00. Representative Swift answered that he was here to do what he could in order to get equity for those people, and he would leave this up to the committee's discretion.

There were no further questions.

Representative Swift closed by saying that many people come in to the state of Montana that bring primary dollars here and this bill would help those people that are on fixed incomes, but it would also mean more income for the people of Montana.

The hearing on this bill was closed.

CONSIDERATION OF HOUSE BILL NO. 307: Representative Menahan, House District #67, stated that this bill was drafted to establish fees on boats; that people who live in the Billings area and other places that are close to other states often license their boats in Wyoming or the other states, because in Wyoming, it only costs \$10.00 to license your boat.

PROPOSERS: Jack McDonald, representing the Gates of the Mountains Boat Club, voiced support for this bill because boating fees have been very high compared to other recreational vehicles. This bill would bring these fees in line with the others, he testified.

OPPOSERS: There were none.

QUESTIONS ON HOUSE BILL NO. 307: Representative Zabrocki asked about a large boat with no motor on it. Representative Menahan replied that this bill does not include rafts nor sailboats.

Representative Sands asked if the fiscal note was based on the fact that more people would license their boats. Representative Menahan answered yes - he noted that Wyoming has a flat fee and, he believed, it was only \$10.

Representative Ellison asked Mr. McDonald how much it would cost to license a 16' boat, which costs about \$9,000 and Mr. McDonald responded that it would cost about \$250.

Representative Sands noted that it is not very often that an industry comes in and supports a tax increase on themselves.

Representative Menahan responded that they are coming in because those that are licensing their boats are paying \$200.00 to \$300.00 and there are a number that are not licensing them at all.

Representative Sands asked if this fiscal note is based on the assumption that more people will pay the fee, and Representative

Menahan replied, "Partly, yes."

Representative Cohen referred to the back of the fiscal note and asked this be explained.

Representative Menahan advised that this is the effect on county and other local revenue and this is because of the increase they will expect because of more boats being licensed and there being more money coming in.

Representative Cohen asked if this was more money from the license fees than from the personal property tax.

Representative Menahan replied that, when you put this under the fee system, you will have increased revenue.

Representative Cohen asked if the assumption was that this increased revenue would come about because there would be an increase in the number of boats being registered. He indicated that that number of boats isn't given in the fiscal note.

Representative Menahan answered that they have an idea of how many boats there are, and they know that a lot of people are not licensing their boats.

Representative Cohen noted that Representative Iverson has complained about these fiscal notes and he would submit that this fiscal note is very misleading and it is based on projections that they have not shown.

Representative Asay declared that he wanted to voice that same anger - if you compare this back with the fiscal note on motorcycles, they deal with a similar problem and he felt that there was no comparability and he could not see how a fee bill is going to increase taxable valuation in the county.

Representative Menahan stated that he would get some information to him that shows when they went to the fee system on RV's, that money was increased to the state of Montana as people were licensing their RV's out of the state of Montana - in Oregon, you could license one for \$15.00.

Representative Ream noted the reference on sailboats and asked why they just don't say "boats" instead of "motorboats".

Representative Menahan replied that he would not object to motorboats being in the bill.

Representative Ellison noted on page 1, line 22, it said, "watercraft, except motorboats 16 feet in length or longer;" and asked about this.

Chairman Devlin asked how do they differentiate and is there a definition for motorboats; and Representative Menahan replied

that he did not think so.

Representative Koehnke asked Representative Menahan if he agreed with the fiscal note; and Representative Menahan replied that he did as they did get somewhat of an increase with the RV fees a few years back.

Representative Harp indicated that he did not feel we should pass or kill this bill based solely on the fiscal note.

Chairman Devlin advised that he would request a new fiscal note.

The hearing was closed to questions and Representative Menahan closed by saying this bill would address some inequities in charging fees for recreation vehicles. He advised that, because of the climate of Montana, these people who own boats, have very little time to use their boats; and this bill would address that problem.

The hearing on this bill was closed.

CONSIDERATION OF HOUSE BILL NO. 311: Chairman Devlin advised that the fiscal note for this bill is not ready. Representative Koehnke, House District #32, stated that this would bring the Montana program in line with the federal level; and this extends the tax incentive for the production of alcohol as a component of gasohol from 1989 to 1991; and allows producers to export ethanol.

PROPOSERS: John Braunbeck represented a number of people in the field. He said this bill provides incentive to build new plants; it will help agriculture by using wheat which is in abundance; and ethanol is a possible substitute for octane fuel in the removal of lead.

Gordon Doig, operator of an alcohol plant in Ringling, gave the history of his plant which was constructed in 1981 and went on line in 1982. He informed the committee that they do have some objection to the cap which was not in the statute in 1981, when they started their plant. He stated that he did not see how exports could hurt the impact on the state highway funds as long as that cap is there; ethanol is a viable fuel in the phase-down on leaded fuels; and it would address the overabundant agricultural resources. He commented that this bill will also address the problem of international deficit spending. He encouraged support of this bill.

Ron Johnson presented written testimony (Exhibit 5) and a study performed by the University of Nebraska showing the value of wet distillers grain to be approximately 2.14 times greater than soybean oil meal used in Kansas and Nebraska, (Exhibit 6).

Pete Kimm, a farmer/rancher from Manhattan, has used the wet distillage for over a year and he urged support for this bill.

Bruce Kania, president of A.E. Montana, the first commercial-scale plant in Montana told the committee what is going on in the country with these plants, saying that their ability to survive in this industry is a function of state support, at least at this time. He said there is much progress in the direction of becoming self-supporting in this industry and alcohol is probably the only real hope for agriculture. He informed the committee that he is exporting right now and is backed up by a proposed order of the attorney general's office. He stated that he could not believe the state would attempt to stop him from exporting. He went over some figures on the impact of alcohol to the farmer.

Don Reed, Montana Environmental Information Center, testified that this measure is important to appropriate economic development, bringing in a clean product and one that has a chance of replacing other octane fuels. They urged support of this bill.

OPPONENTS: Gary Wicks, Director of the Department of Highways, voiced opposition to this bill, partially because this bill does not do what the proponents said it would do. He said we should look at how much this program is being subsidized, not only by the state, but by the federal government; his major concern here was the impact to the highway earmarked account; and the ten-year deadline was to see if this program could become self-sufficient in that period of time; and, the 1983 legislature did not wish to extend that time period. He indicated that the cap was a good idea from the standpoint of the highway earmarked account. He noted, however, that this bill does not put a cap on exports and that would substantially affect the highway earmarked account. Mr. Wicks advised that there is a senate bill, which was carefully prepared and addresses the problems he sees with this bill. He presented information on the present gasohol subsidy program (Exhibit 7).

Norris Nichols, representing the Department of Revenue, stated that he did not really want to oppose this bill but wanted to point out that the Department of Revenue worked closely in the preparation of the senate bill and he contended that he felt that bill was much stronger.

QUESTIONS ON HOUSE BILL NO. 311: Representative Ellison asked Mr. Wicks how much was paid out of the highway earmarked account for 1984. Mr. Wicks said they paid out \$440,000 approximately and that was because one of the plants was out of production due to a fire.

Representative Sands asked Mr. Johnson how much gasohol does his plant produce. Mr. Johnson responded that they produce about 220,000 gallons per year.

Representative Sands asked how many people are employed at that plant and Mr. Johnson replied that there are six people employed at the plant.

Representative Sands said, with 220,000 gallons per year at 70¢ per gallon subsidy, this would amount to a \$190,000 subsidy to employ six people. Mr. Johnson answered that basically, the six people are in the ethanol plant; there is also viable cattle feeding, in addition that employs eleven more people in the feeding operation that is right beside it.

Representative Sands asked Mr. Johnson if his operation would close if this bill does not pass and Mr. Johnson said "No".

Representative Asay asked about the grain used. Mr. Johnson responded that they use grains not in high demand by the market like soft white wheat and low protein barley. Mr. Kania advised that he pays 3 to 3.5% more for their grain than it is sold for at the elevator.

Representative Asay inquired if the alcohol portion, not the feedlot, would be viable without the subsidy. Mr. Johnson responded that after they write off their investment, they will be a viable industry.

Representative Asay asked Mr. Johnson if they consume all of their byproducts and Mr. Johnson responded that they do, every bit of it and that is why they have the feedlot at their plant.

Representative Harp questioned if this extension is granted, will this industry come back next session for another extension. Mr. Kania replied that there are many variables involved; the alcohol industry is moving very quickly and it may be on its feet with the two-year extension; but he could not promise anything.

Representative Ream inquired if the total economics of this industry could be outlined for the committee. Chairman Devlin asked Mr. Braunbeck if he could get this information and present it to the committee before executive action is taken.

Representative Williams asked Mr. Braunbeck what would happen to this industry if the price of gas dropped 10¢ in the next two years. Mr. Braunbeck responded that gasohol is in competition with regular gasoline and, as long as the price is within 1¢, gasohol would do very well.

The hearing was closed to further questions and Representative Koehnke closed by saying we have talked a lot in recent years about building Montana and this is a way to help Montana industry.

The hearing on HB 311 was closed.

EXECUTIVE SESSION:

DISPOSITION OF HOUSE BILL NO. 26: Representative Switzer presented proposed amendments to this bill (Exhibit 9) and moved HB 26 DO PASS and moved the amendments. Mr. Bohyer reviewed the amendments and there was discussion on these amendments. The motion to adopt the amendments CARRIED unanimously.

Representative Keenan noted that this bill is a policy issue and that constitutionally, they have to treat all properties in one class equally.

Representative Ream explained that he would have to oppose the bill because the cost of diesel to move the dead locomotives to Livingston, Glendive, or Mandan, as well as the utilities to heat or cool the buildings, are more of a factor than the small amount of savings with this tax incentive.

Representative Cohen said he did not think tax incentives will ever be a way to promote economic development.

A roll call vote was taken on the motion that HB 26 DO PASS AS AMENDED and the vote CARRIED with 14 members approving and 6 members opposing. (See Roll Call Vote)

DISPOSITION OF HOUSE BILL NO. 241: Chairman Devlin informed the committee that Representative Kadas has proposed amendments to this bill (See Exhibit 9). Representative Ream moved to reconsider HB 241. The motion CARRIED unanimously.

Representative Asay moved to accept the amendments and Mr. Bohyer outlined the amendments. Representative Asay explained that the purpose of the amendments is to allow a certain amount of convenience to the mobile home owner without cutting into the paperwork for the taxing district. The motion to adopt the amendments CARRIED unanimously.

Representative Ream moved HB 241 DO PASS AS AMENDED. The motion CARRIED with Representatives Williams and Devlin opposing the motion.

DISPOSITION OF HOUSE BILL NO. 101: Representative Hanson presented proposed amendments to this bill (Exhibit 10) and moved the adoption of the amendments.

Chairman Devlin noted that this is another case where the fiscal note is based on projections that more people will pay the fees than are currently licensing. There was a good deal of discussion regarding the fee system.

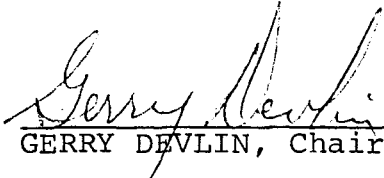
The motion to adopt the amendments CARRIED with Representative

Zabrocki opposing the motion.

Representative Harrington moved HB 101 DO PASS AS AMENDED. A roll call vote was taken and the motion FAILED with 10 members opposing and 9 members approving the motion. The motion was reversed to DO NOT PASS AS AMENDED and the roll call vote was reversed.

DISPOSITION OF HOUSE BILL NO. 36: Representative Raney moved HB 36 DO PASS. A roll call vote was taken and the motion FAILED with 10 members opposing and 9 members approving the motion. Representative Ream moved HB 36 be TABLED. The motion CARRIED with Representatives Patterson and Hanson opposing.

ADJOURNMENT: There being no further business, the meeting was adjourned at 11:20 a.m.


GERRY DEVLIN, Chairman


Alice Omang, Secretary

DAILY ROLL CALL

HOUSE TAXATION

COMMITTEE

49th LEGISLATIVE SESSION -- 1985

Date January 29, 1985

NAME	PRESENT	ABSENT	EXCUSED
DEVLIN, GERRY, Chrm.	X		
WILLIAMS, MEL, V. Chrm.	X		
ABRAMS, HUGH	X		
ASAY, TOM	X		
COHEN, BEN	X		
ELLISON, ORVAL	X		
GILBERT, BOB	X		
HANSON, MARIAN	X		
HARRINGTON, DAN	X		
HARP, JOHN	X		
IVERSON, DENNIS	X		
KEENAN, NANCY	X		
KOEHNKE, FRANCIS	X		
PATTERSON, JOHN	X		
RANEY, BOB	X		
REAM, BOB	X		
SANDS, JACK	X		
SCHYE, TED	X		
SWITZER, DEAN	X		
ZABROCKI, CARL	X		

STANDING COMMITTEE REPORT

Page 1 of 2

January 25, 1905

MR. SPEAKER

We, your committee on TAXATION

having had under consideration HOUSE Bill No. 26

FIRST reading copy (WHITE)
color

**ALLOWING PROPERTY TAX BENEFITS FOR RECONSTRUCTION OR EXPANSION OF
BUILDINGS**

Respectfully report as follows: That HOUSE Bill No. 26

1. Page 1, line 14.
Following: "provisions"
Insert: " -- levy limitations"
2. Page 1, line 17
Following: "period"
Insert: "as defined in 15-24-1304"
3. Page 1, line 18.
Following: "with"
Insert: "subsections (2) and (3) and"

~~66-488~~

.....January 25.....19 85.....

4. Page 1, line 19.

Following: "applied"

Insert: "only as provided in subsection (3) and are
limited"

Following: "to"

Strike: "any"

Insert: "the"

5. Page 2, line 5.

Following: "by"

Insert: "separate"

Following: "resolution"

Insert: "for each project"

6. Page 2.

Following: line 7

Insert: "(3) The tax benefit described in subsection (1) applies only to the number of mills levied and assessed for high school district and elementary school district purposes and to the number of mills levied and assessed by the governing body approving the benefit over which the governing body has sole discretion. In no case may the benefit described in subsection (1) apply to levies or assessments required under state law."

AND AS AMENDED,
DO PASS

ROLL CALL VOTE

HOUSE COMMITTEE TAXATION

DATE 1-29-1985

BILL NO. HB 26

TIME _____

NAME	AYE	NAY
DEVLIN, GERRY, Chrm.	✓	
WILLIAMS, MEL, V.Chrm.	✓	
ABRAMS, HUGH	✓	
ASAY, TOM	✓	
COHEN, BEN		✓
ELLISON, ORVAL	✓	
GILBERT, BOB	✓	
HANSON, MARIAN	✓	
HARRINGTON, DAN		✓
HARP, JOHN	✓	
IVERSON, DENNIS	✓	
KEENAN, NANCY		✓
KOEHNKE, FRANCIS		✓
PATTERSON, JOHN	✓	
RANEY, BOB		✓
REAM, BOB		✓
SANDS, JACK	✓	
SCHYE, TED	✓	
SWITZER, DEAN	✓	
ZABROCKI, CARL	✓	
	14	6

Secretary Alice Omang

Chairman Gerry Devlin

Motion:

H.B. No. 26 - Do Pass As Amended

STANDING COMMITTEE REPORT

Page 1 of 2

January 29, 19 85

MR. SPEAKER:

We, your committee on TAXATION

having had under consideration HOUSE Bill No. 241

First reading copy (white color)

AN ACT TO PROVIDE FOR THE PRORATION OF PROPERTY TAX ON A MOBILE HOME WHEN IT IS MOVED;

Respectfully report as follows: That HOUSE Bill No. 241

Be amended as follows:

1. Title, lines 4 and 5.
Following: "AN ACT TO" on line 4
Strike: "PROVIDE FOR THE PRORATION"
Insert: "REVISE THE METHOD FOR DETERMINING THE AMOUNT"
2. Title, line 5.
Following: "TAX"
Insert: "DUE"
3. Page 2, line 20.
Following: "are"
Insert: "(a) one-half of"

DO PASS

4. Page 2, line 21.

Following: "home"

Strike: the remainder of lines 21 through 24

Insert: "if the declaration is applied for not more than ^{SIX}~~8~~ months from the date of the notice of taxes due; or

(b) the total taxes levied on the mobile home if the declaration is applied for more than ^{SIX}~~8~~ months from the date of the notice of taxes due.

(5) In no case is the owner of the mobile home entitled to a refund for personal property taxes paid prior to the declaration required in subsection (1)."

Renumber: subsequent subsections

5. Page 2, line 25.

Following: "the"

Strike: "prorated"

Following: "taxes"

Insert: "due"

AND AS AMENDED
DO PASS

STANDING COMMITTEE REPORT

January 29, 1935

MR. SPEAKER

We, your committee on TAXATION

having had under consideration HOUSE Bill No. 101

FIRST reading copy (WHITE)
color

REVISION OF MOTORCYCLE LAWS IMPOSING A FEE IN LIEU OF TAX ON MOTORCYCLES

Respectfully report as follows: That HOUSE Bill No. 101
be amended as follows:

1. Page 1, line 24.
Following: "horsepower."
Insert: "The term does not include golf carts."

2. Page 2, line 9.
Following: "age"
Insert: "and engine size"

3. Page 2.
Following: line 10
Strike: lines 11 and 12 in their entirety
Insert: "

	500cc	more than
	or less	500cc
less than 5 years old	\$37.50	\$52.50
5 years old or over	17.50	27.50"

AND AS AMENDED, DO NOT PASS
DO PASS

ROLL CALL VOTE

HOUSE COMMITTEE TAXATION

DATE 1-29-1985 BILL NO. H.B.#101 TIME _____

NAME	AYE	NAY
DEVLIN, GERRY, Chrm.		✓
WILLIAMS, MEL, V.Chrm.		✓
ABRAMS, HUGH		✓
ASAY, TOM		✓
COHEN, BEN		✓
ELLISON, ORVAL	✓	
GILBERT, BOB		✓
HANSON, MARIAN		✓
HARRINGTON, DAN	✓	
HARP, JOHN	—	
IVERSON, DENNIS	✓	
KEENAN, NANCY	✓	
KOEHNKE, FRANCIS	✓	
PATTERSON, JOHN	✓	
RANEY, BOB	✓	
REAM, BOB	✓	
SANDS, JACK		✓
SCHYE, TED	✓	
SWITZER, DEAN		✓
ZABROCKI, CARL		✓
	9	10

Secretary Alice Omang

Chairman Gerry Devlin

Motion: Do Pass As Amended - HB#101

ROLL CALL VOTE

HOUSE COMMITTEE TAXATION

DATE 1-29-1985 BILL NO. H.B.#36 TIME _____

NAME	AYE	NAY
DEVLIN, GERRY, Chrm.	✓	
WILLIAMS, MEL, V.Chrm.		✓
ABRAMS, HUGH		✓
ASAY, TOM	✓	
COHEN, BEN		✓
ELLISON, ORVAL		✓
GILBERT, BOB	✓	
HANSON, MARIAN	✓	
HARRINGTON, DAN	✓	
HARP, JOHN	—	
IVERSON, DENNIS		✓
KEENAN, NANCY		✓
KOEHNKE, FRANCIS	✓	
PATTERSON, JOHN	✓	
RANEY, BOB		✓
REAM, BOB		✓
SANDS, JACK		✓
SCHYE, TED		✓
SWITZER, DEAN	✓	
ZABROCKI, CARL	✓	
	9	10

Secretary Alice Omang

Chairman Gerry Devlin

Motion: Do Pass - H.B #36

House Bill 231

Exhibit 1
HB 231
1/29/85
Taylor

Dear Sirs:-

This bill's purpose is To exempt retirement benefits up to \$3,600⁰⁰ from the Montana state income Tax.

The retirement income from federal or state plans now exempt from state income Tax discriminating against we residents on other types of retirements are not fair.

HB 231 is similar To Legacy Lature bill No.6 which was passed by them but not prioritized.

I wish To register my support for HB 231.

Walter J Taylor

920 7th ST. West Riverside
Missoula, MT. 59802

Exhibit 2
HB 231
1/29/85
Holman

NW 416 River Rd.
Hamilton, Mt. 59840
January 24, 1985

Honorable Gerry Devlin
Chairman Taxation Committee
Capitol Bldg.
Helena, Mt. 59624

Dear Sir:

Would you please give your committee members this plea for the passage of H. E. 231.

Many states have reciprocity on retirement incomes that are earned and paid for from public money.

Federal and retired railroad employees also have a \$3600 exemption.

Retired teachers are on a fixed income which is constantly shrinking.

It is to the advantage of the state to attract professional people to retire in Montana. These people bring a great deal of know-how and talent with them and are an asset to their communities. They are not yet candidates for welfare.

The impact on the treasury, if all the people eligible would take advantage of this ruling, would be \$1,400,000. This is compensated for many times over.

Assuming there are 600 teacher retirees, a very low estimate, who use this new ruling, and they each spend \$12,000, at a minimum to live each year, then these 600 retirees would spend \$7,200,000 a year in Montana.

It is a law that should pass.

Sincerely,

George H. Holman

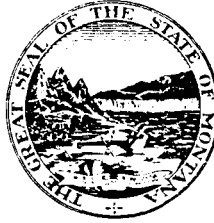
George H. Holman
Retired teacher from
Michigan

HOUSE MEMBERS

REX MANUEL
CHAIRMAN
RALPH S. EUDAILY
ROBERT L. MARKS
JOHN VINCENT

SENATE MEMBERS

ALLEN C. KOLSTAD
VICE CHAIRMAN
M. K. DANIELS
PAT M. GOODOVER
CARROLL GRAHAM



Montana Legislative Council

State Capitol
Helena, MT. 59620

(406) 449-3064

filed 1/16 PM

*Exhibit 3
HB 231
1/29/85
Rep. Swift*

DIANA S. DOWLING

EXECUTIVE DIRECTOR
CODE COMMISSIONER

ELEANOR ECK

ADMINISTRATIVE ASSISTANT

MARILYNN NOVAK

DIRECTOR, LEGISLATIVE SERVICES

ROBERT PERSON

DIRECTOR, RESEARCH

SHAROLE CONNELLY

DIRECTOR, ACCOUNTING DIVISION

ROBERT C. PYFER

DIRECTOR, LEGAL SERVICES

TO: Rep. Bernie Swift

FROM: Dave Bohyer *Dave*

RE: Exemptions for annuitants, other retirement beneficiaries

DATE: January 12, 1985

The attached memo is from Steve Bender from the Department of Revenue's Research Bureau.

The other material is from the 48th session. It is SB 172 and the fiscal note that accompanied SB 172.

I hope this information meets your needs.

DEPARTMENT OF REVENUE



TED SCHWINDEN, GOVERNOR

MITCHELL BUILDING

STATE OF MONTANA

HELENA, MONTANA 59620

August 27, 1984

MEMO

TO: Members of the Revenue Oversight Committee

FROM: Steve Bender, Chief *SB*
Research Bureau
Research & Information Division

SUBJECT: Fiscal impact of extending private retirement exemption.

All benefits, not in excess of \$360, received as an annuity, pension, or endowment under any private or corporate retirement plan can be excluded by the recipient from Montana adjusted gross income. Interest has been expressed in increasing the exemption ceiling from \$360 to \$3,600. This memo presents an estimate of the fiscal impact of expanding the exemption ceiling to \$3,600.

Based on a random sample of the 12,895 taxpayers that claimed the \$360 exclusion on their 1982 returns, it was estimated that increasing the exclusion to \$3,600 would reduce individual income tax collections by \$1,142,400. These reduced collections reduce distributions to the general fund by \$731,136, to the school foundation program by \$285,600, and to the long-range building program by \$125,664. These estimates are almost identical to the estimates that were presented during the last session for SB 172.

Your State Income Tax Exemptions

Treatment of U.S. Annuities Differs Widely

Civil Service Annuities and State Income Tax Exemptions

STATES WITH NO PERSONAL INCOME TAXES	STATES EXEMPTING TOTAL AMOUNT OF CIVIL SERVICE ANNUITIES
--	---

Alaska	Alabama
Connecticut	Hawaii
Florida	Illinois
Nevada	Kansas
New Hampshire	Massachusetts
South Dakota	Pennsylvania
Tennessee	
Texas	
Washington	
Wyoming	

STATES ALLOWING PARTIAL EXEMPTIONS OF CIVIL SERVICE ANNUITIES

Arizona—\$2,500.
Arkansas—\$6,000.
Colorado—\$20,000.
Delaware—2 exclusions: 1) \$2,000 if earned income less than \$2,500 and AGI under \$10,000; joint return exclusion of \$4,000 with less than \$5,000 earned and AGI under \$20,000. Must be 60+ or totally disabled; 2) amounts received as pension exempted up to \$2,000.
Georgia—\$2,000 for 62+ and those permanently or totally disabled.
Idaho—\$8,514 single. \$12,771 joint. \$8,514 widow of annuitant. Must be 65+ or 62 and disabled. Amounts reduced by SS and/or RR benefits received.
Indiana—\$2,000 exemption for most civil service retirees 62+. Amounts reduced by SS and/or RR benefits received.
Iowa—\$5,627 single, \$8,184 joint, at 62+, or disabled. Amounts reduced by SS benefits received.
Kentucky—Federal civil service annuities excluded from gross income for persons 50+ subject to following limitations of earned income and maximum annuity exclusion:
 \$3,000 or less—\$4,000 excluded
 \$3,001 to \$4,000—\$3,000 excluded
 \$4,001 to \$5,000—\$2,000 excluded
 \$5,001 to \$6,000—\$1,000 excluded
 Over \$6,000—none
Louisiana—\$6,000 for 65+.

Maryland—Exclusion for those 65+, and anyone totally and permanently disabled to the maximum SS benefit level, reduced by any SS or RR benefits received. (\$8,500 maximum exclusion for 1984.)

Michigan—\$7,500, single; \$10,000, joint.

Minnesota—Greater of: (1) \$11,000 exemption reduced \$1-for-\$1 each dollar in excess of \$17,000 federal AGI; or (2) \$11,000 exemption reduced by SS received and reduced \$1-for-\$1 each dollar in excess of \$23,000 federal AGI.

Mississippi—\$5,000. An additional \$1,500 for 65+.

Montana—\$3,600.

New Jersey—\$10,000 joint return, \$7,500 single return, and \$5,000 if married and filing separately. Must be 62+.

New Mexico—\$3,000 for civil service annuitant under 65; \$6,000 for all 65+.

New York—\$20,000 for 59½+.

North Carolina—\$3,000.

North Dakota—\$5,000. Amount reduced by SS benefits received.

Ohio—Retirement income credit in graduated amounts ranging from \$0 if yearly annuity amount is less than \$500 to \$200 credit for annual annuities exceeding \$8,000. Also, \$50 tax credit against total tax liability at age 65+.

Oklahoma—\$4,000.

Oregon—\$3,400 unless income exceeds \$25,000 at which point exclusion is zero.

Puerto Rico—\$2,500 for civil service annuitants under 60. \$4,000 for 60+.

South Carolina—\$1,200.

Utah—\$4,800 under 65; \$6,000 for 65+.

Virginia—All taxpayers 62+ get tax credit of 5 percent of the following base amounts:

\$6,708 at age 62	\$8,112 at age 64
\$7,680 at age 63	\$8,436 at age 65+

Base amounts reduced by SS and RR benefits received; and further reduced by twice the amount of federal AGI in excess of \$12,000 computed separately for husband and wife. Tax credit unavailable to persons whose federal AGI is \$16,218 or more.

West Virginia—\$8,000 for persons 65+.

Wisconsin—\$1,680 for persons 62+, but all earned income in excess of \$600 deducted from exemption \$1-for-\$1.

States not listed have no special tax provisions affecting civil service annuities.

Note: SS = Social Security; RR = Railroad Retirement; AGI = adjusted gross income. For 62+, 65+, read age 62 and over, 65 and over, etc.

Geographic Distribution of Benefits Paid

(As of October 1, 1983)

Residence STATES	Total No. on Roll	No. of Annuitants (Individuals)	Annuitants Monthly Annuities (000's)	Annuitants Average Monthly Annuities	Number of Survivors (Individuals)	Survivors Monthly Annuities (000's)	Survivors Average Monthly Annuities
Alabama	39,533	29,270	\$ 31,126	\$1,063	10,263	\$ 4,709	\$459.00
Alaska	3,934	3,193	3,801	1,190	741	417	563.00
Arizona	31,684	24,774	27,181	1,097	6,910	3,595	520.00
Arkansas	18,532	13,979	14,048	1,005	4,553	2,102	462.00
California	204,047	153,333	163,251	1,065	50,714	24,375	481.00
Colorado	30,332	23,615	25,455	1,078	6,717	3,366	501.00
Connecticut	11,750	8,322	8,818	1,060	3,428	1,761	514.00
Delaware	3,660	2,663	2,946	1,106	997	511	513.00
District of Columbia	50,142	39,148	45,123	1,153	10,994	5,767	525.00
Florida	128,906	99,416	115,431	1,161	29,490	15,705	533.00
Georgia	48,230	35,731	36,720	1,028	12,499	5,824	466.00
Hawaii	16,716	13,585	16,484	1,213	3,131	1,687	539.00
Idaho	7,475	5,817	6,043	1,039	1,658	795	479.00
Illinois	54,427	39,127	39,594	1,012	15,300	7,481	489.00
Indiana	26,298	19,102	18,171	951	7,196	3,300	459.00
Iowa	16,106	11,462	11,014	961	4,644	2,204	475.00
Kansas	18,853	13,944	13,731	985	4,909	2,320	473.00
Kentucky	23,943	17,358	16,301	939	6,585	2,903	441.00
Louisiana	20,296	14,875	15,062	1,013	5,421	2,674	493.00
Maine	10,462	7,567	7,572	1,001	2,895	1,360	470.00
Maryland	89,208	67,494	91,148	1,350	21,714	13,469	620.00
Massachusetts	47,681	33,381	34,112	1,022	14,300	6,968	487.00
Michigan	28,526	20,867	21,307	1,021	7,659	3,837	501.00
Minnesota	21,019	15,547	15,763	1,014	5,472	2,862	523.00
Mississippi	17,287	12,591	12,681	1,007	4,696	2,222	473.00
Missouri	38,841	29,032	29,772	1,025	9,809	4,932	503.00
Montana	7,265	5,630	5,813	1,033	1,635	828	506.00
Nebraska	11,034	8,068	8,216	1,018	2,966	1,489	502.00
Nevada	8,417	6,727	7,310	1,087	1,690	822	486.00
New Hampshire	9,190	6,567	6,960	1,060	2,623	1,239	472.00
New Jersey	48,257	34,389	38,693	1,125	13,868	7,176	517.00
New Mexico	16,878	13,346	14,301	1,072	3,532	1,753	496.00
New York	101,411	71,131	70,313	989	30,280	14,385	475.00
North Carolina	34,668	25,599	26,368	1,030	9,069	4,214	465.00
North Dakota	4,065	3,017	2,848	944	1,048	510	487.00
Ohio	56,889	41,428	45,421	1,096	15,461	7,806	505.00
Oklahoma	38,521	29,288	28,947	988	9,233	4,115	446.00
Oregon	22,866	17,688	19,049	1,077	5,178	2,635	509.00
Pennsylvania	90,002	65,490	68,139	1,040	24,512	11,996	489.00
Rhode Island	9,916	7,158	7,114	994	2,758	1,269	460.00
South Carolina	24,557	17,807	19,039	1,069	6,750	3,200	474.00
South Dakota	6,086	4,544	4,215	928	1,542	686	449.00
Tennessee	26,142	18,958	20,139	1,062	7,184	3,498	487.00
Texas	105,974	79,181	82,516	1,042	26,793	12,556	469.00
Utah	23,188	18,116	18,750	1,035	5,072	2,351	464.00
Vermont	2,991	2,151	2,263	1,052	840	449	535.00
Virginia	102,482	76,621	101,463	1,324	25,861	14,964	579.00
Washington	48,973	36,969	39,340	1,064	12,004	5,649	471.00
West Virginia	10,128	7,602	7,437	978	2,526	1,172	464.00
Wisconsin	18,495	13,618	13,065	959	4,877	2,411	494.00
Wyoming	3,532	2,681	2,643	986	851	405	476.00

Annuitants' Average Monthly Annuity: \$1,076

Survivors' Average Monthly Annuity: \$486

Taxing Social Security May Boost State Income Levies in 12 States

Because of the 1983 law whereby a portion of social security benefits for certain beneficiaries is now subject to federal taxation, effective with the 1984 tax year, taxpayers should carefully examine their state tax laws to see if there might be a new tax liability because of this.

Several states are NOT affected by the federal law because: (1) there is no state personal income tax liability; (2) their taxation computation does not "piggy-back" the federal income tax code; or (3) specific laws were enacted in the past year, or earlier, which exempt social security retirement benefits from state tax liability.

To date, we are aware that taxpayers in the following states MAY have an increased state tax burden because of the federal taxation of social security benefits:

Colorado	Montana
Iowa	Nebraska
Kansas	North Dakota
Louisiana	Oklahoma
Maryland	Rhode Island
Missouri	Utah
Vermont	

Maryland taxpayers, for example, are urged to delay filing their 1984 Maryland income tax returns since the state legislature is considering emergency legislation which would exempt social security benefits from state tax liability. If the bill is enacted, it will take effect

immediately, that is, before the April 15 deadline. Local state tax offices should be able to provide complete information.

NARFE Man Among GEICO's 5 Public Service Winners

Edward N. Singer of Staten Island, N.Y., a retired electronic engineer, Brooklyn Navy Yard, is one of five recipients of the 1984 GEICO Public Service Awards for achievements improving the quality of life in the U.S.

Mr. Singer and his wife are both members of NARFE.

In announcing the awards, William Snyder, President and Chief Executive Officer of the Government Employees Insurance Co., said that since Mr. Singer's retirement from the Naval Applied Science Laboratory, he has made extraordinary contributions to reduce fire hazards in behalf of the New York City Fire Department. Both involve improved communications for hard-to-reach fires in subway tunnels or high-rise buildings.

The \$2,500 stipends for each of five awards will be presented at ceremonies in Washington's Convention Center March 18 at 7 p.m.

CPI-W's Decline In November Is First Since '82

The rate of inflation for the month of November 1984, as measured by the Consumer Price Index for Urban Wage Earners and Clerical Workers (CPI-W), actually *declined 0.1 percent*, after registering virtually no change during the month of October.

The CPI-W, which read 312.1 for September 1984, barely rose to 312.2 for October, then dropped to 311.9 in November. The dip in the index which occurred in November was the first time the inflationary measure had declined since December 1982 when it dropped 0.4 percent.

Despite the fact that there has been no increase in the CPI-W during either of the past two months, the formula now used for computing changes in social security, civil service retirement, and other government programs uses a base measuring standard of the year's third quarter "mean" index. This mean index for the 1984 third quarter period was 310.0, and with two of the three months of the fourth quarter now reported, the CPI-W fourth quarter mean index stands at 312.1. This 2.1 index point difference computes to an 0.7 percentage difference between the 1984 third quarter mean index base and the mean index of the first two months of the fourth quarter.

'Catch 62' Situation Update

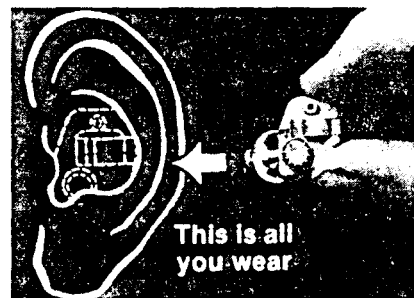
More than two years after enactment of the law alleviating the problem, Catch-62 relief for civil service employees and retirees with social security covered military service continues to evolve.

RETIREES:

According to recent information from the Office of Personnel Management, Catch-62 adjustments in annuity checks for persons retired before September 8, 1982 are nearly completed. OPM is now beginning the process of adjusting the checks of survivors of annuitants who were affected by Catch-62. In all cases, the adjustments are retroactive to October 1, 1982.

CURRENT EMPLOYEES:

The Office of Personnel Management is now requiring retiring employees to sign a statement on the individual's summary-of-federal-service certificate if such employees elect not to make a cash deposit to protect against the Catch-62 reduction at age 62. The statement certifies that the employee understands the decision is irrevocable.



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SOCIAL SECURITY WORKSHEET

The taxable portion of your Social Security to Montana may be different than what is taxable to federal.
This worksheet determines if there is a difference, see below.

Filing Status Check One	1 <input type="checkbox"/> Single	2 <input type="checkbox"/> Married filing joint return	3 <input type="checkbox"/> Married and both filing separate returns on this form	4 <input type="checkbox"/> Married and both filing separate returns on separate forms	5 <input type="checkbox"/> Married filing separate return and spouse is not filing				
						COLUMN A (For yourself, joint separate or single)		COLUMN B (For spouse)	
1. Federal Adjusted Gross Income (Line 22 from Form 2)							1		
Subtractions									
2. Enter Social Security and/or Railroad Retirement Included in Federal AGI							2		
State Refund (if included in Line 15 of Form 2)							3		
4. Enter Exempt Retirement Income for Montana Purposes							4		
Total Reductions—Add Lines 2, 3 & 4							5		
5. Sub-Total—Subtract Line 5 from Line 1							6		
Additions									
6. Enter Total Interest on State and County Municipal Bonds							7		
8. Enter Federal Refund Received							8		
9. Enter Two Earner Marriage Deduction							9		
10. Total Additions: Add Lines 7, 8 and 9							10		
Modified Adjusted Gross—Add Lines 6 and 10							11		
12. Enter One-Half (50%) of the Social Security Benefits Received during 1984							12		
Add Lines 11 and 12							13		
14. Enter $\begin{cases} \$25,000 \text{ if you checked Box 1} \\ \$32,000 \text{ if you checked Box 2} \\ -0- \text{ if you checked Box 3, 4 or 5} \end{cases}$							14		
15. Subtract Line 14 from Line 13							15		
DO NOT GO ANY FURTHER IF LINE 15 IS NEGATIVE, NONE OF YOUR SOCIAL SECURITY BENEFITS ARE TAXABLE.									
16. Enter One-Half (50%) of the amount on Line 15							16		
17. Enter the Amount from Line 16 or Line 12, Whichever is Smaller							17		
18. Enter the Amount of Social Security that is Taxable on Your Federal Return							18		
If Line 18 is greater than line 17, enter difference here and on Line 35 of Form 2.									
If Line 17 is greater than Line 18 enter difference here and on Line 25 of Form 2.									
19. No adjustment is necessary if Lines 17 & 18 are the same							19		

The taxable portion of your Social Security to Montana can be different than what is taxable to federal. The worksheet determines if there is a difference. Note: The difference in taxable Social Security may be due to your change in filing status (joint on federal return and separate on state return). You should calculate your tax liability under both filing statuses to determine which is to your advantage. If additional help is needed, call Toll Free 1-800-332-6103 between Jan. 1, and April 15, 1985.

Income Tax Division
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Helena MT 59604

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Exhibit 5

HB 311

1/29/85

Remarks by Ronald W. Johnson on House Bill 311 at the State Capitol in Helena, Montana, on January 29, 1985.

Mr. Chairman:

Thank you for the privilege of appearing before your committee. My statement will not be long, and I hope that it will be considered as support for House Bill 311. I have been an agricultural banker for 16 years, and in 1980 I started my own business managing ranches and feeding cattle. I have been in the livestock business all of my life and have seen many changes in our industry.

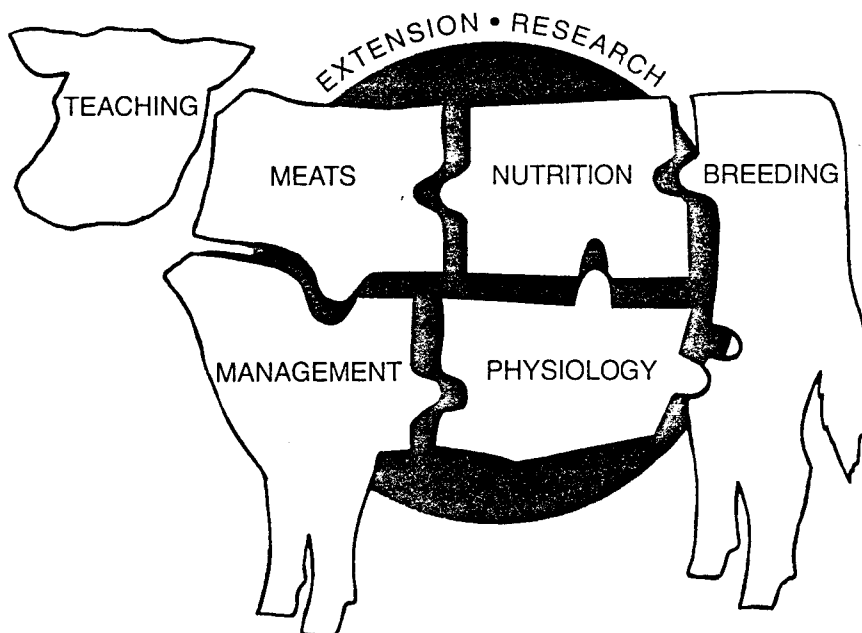
It appears to me that the state of Montana has continually been a state that has allowed itself to become a producer of raw products. We send our young people out of state to find jobs elsewhere, we ship our top-quality livestock out of state to be fed elsewhere, and we ship our barley and wheat out of state to be milled and fed elsewhere. By combining ethanol production with the feeding of cattle in the state of Montana, I believe that we have a very viable new approach to the cattle feeding industry in Montana. I am, first and foremost, a cattle feeder and a rancher, but I can see the great potential involved in having an alcohol plant in conjunction with a feeding operation. I am presently installing an alcohol plant, through the help of the Department of Natural Resources, in conjunction with our 6000 head cattle feeding operation in Dillon, Montana. I have studied the alcohol production methods in various states throughout the United States. I have visited ethanol production facilities in Kansas and Vermont, and have found that by the combining of a livestock-feeding facility or a dairy with an alcohol production facility makes good economic sense.

I support House Bill 311 and ask also for your support. We need your help in developing a more viable cattle feeding industry in the state of Montana. It makes sense to me to employ Montana people, use Montana grain, and feed Montana cattle, and market them as a finished product rather than let our superior products be moved to other states where the final product enhances our out-of-state neighbors at our Montana expense.

Thank you.

Exhibit 6
HB 311
1/29/85
Ronald Johnson

1982 NEBRASKA BEEF CATTLE REPORT



Wet Distillers Byproducts for Growing Ruminants

supplied by
The Agricultural Experiment Station
Institute of Agriculture and Natural Resources
University of Nebraska-Lincoln
Roy G. Arnold, Director



Wet Distillers Byproducts for Growing Ruminants

Keith DeHaan, Terry Klopfenstein, Rick Stock, Steve Abrams and Bud Britton¹

Summary

Distillers wet grains (DWG) fed in two steer growth trials (individual and pen-fed) and one lamb growth trial showed superior results in gain, feed efficiency and protein efficiency compared to soybean meal (SBM). Averaged over the three growth trials, DWG was 2.14 times greater in protein efficiency than SBM. DWG showed some advantage in growth performance over distillers dried grains (DDG). Calcium hydroxide ensiled DWG (EDWG) compared to fresh DWG slightly reduced performance when fed to growing steers but increased performance in lambs. Steers fed supplements of wet distillers solubles (WDS) had lower feed and protein efficiencies compared to SBM.

Introduction

A discussion of the description, production, value and utilization of distillers' byproducts can be found in the 1981 Nebraska Beef Cattle Report.

Energy and expense can be spared by excluding the drying process when producing byproducts from alcohol production. The nutritional value of the dried byproducts for ruminants has been well investigated. Little is known about how well these byproducts can be utilized in the wet form. Problems do exist in transportation and storage of the wet byproducts. Some informa-

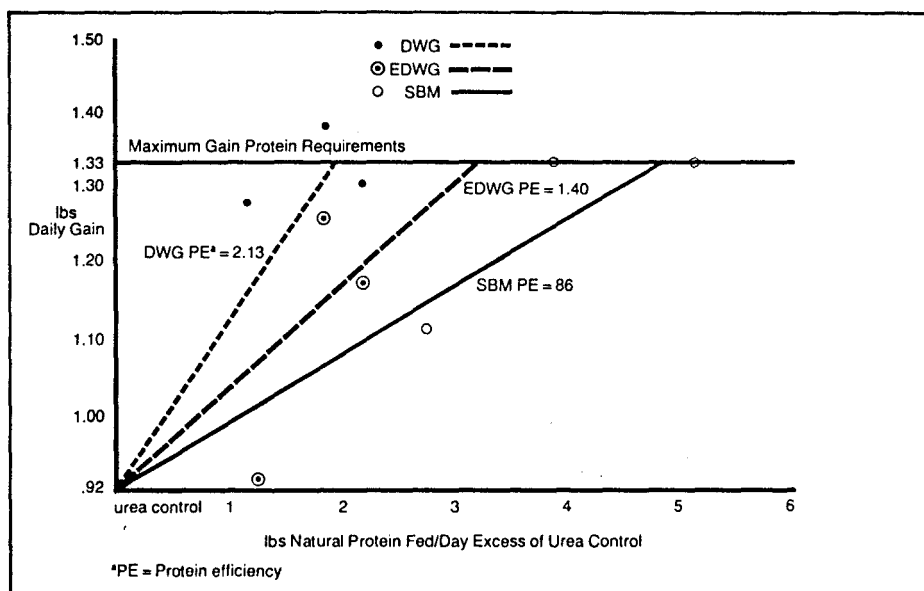


Figure 1. Fresh and ensiled distillers grains versus SBM as proteins for growing calves.

ion has been generated regarding storage of wet distillers grains. Hydroxide (calcium or ammonium) addition and exclusion of air will allow an ensiling process that would not otherwise occur with untreated wet grains.

The following trials were conducted to evaluate distillers wet grains (DWG), ensiled distillers wet grains (EDWG) and wet distillers solubles (WDS) as protein sources for growing ruminants. The distillers byproducts used in these trials were obtained from a fuel alcohol plant utilizing corn as a fermentation substrate. The wet distillers grains were separated from whole stillage after fermentation but before distillation. The distillers solubles were removed after distillation. Percent dry matter and crude protein on a dry matter basis, respectively, for these products were: (DWG) 24, 26; (WDS) 8, 32.

Calf Growth Trial 1

Trial 1 was conducted to evaluate the effect of supplemental DWG and WDS on performance of growing calves in pen-fed feedlot conditions. One hundred fifty-eight crossbred steers averaging 495 lbs. were randomly allotted five rations (nine steers per pen and three pens per treatment except the DWG ration which included six pens per treatment). The five rations consisted of a basal diet of corn silage-corn cobs (50/50) supplemented with treatments of urea, soybean meal (SBM), corn gluten meal (CGM), DWG or WDS. All rations were balanced for 11.5% crude protein and 60% TDN. Urea contributed half the supplemental protein equivalent in all the above treatments other than the urea treatment. Animals were weighed on two consecutive days at the beginning and the end of the 106-day trial.

¹Keith DeHaan and Rick Stock are graduate assistants. Terry Klopfenstein is Professor, Ruminant Nutrition. Bud Britton is Associate Professor, Ruminant Nutrition. Steve Abrams is

Lamb Growth Trial

Forty-five crossbred wethers and ewes averaging 49 lbs. were randomly allotted five treatments (nine lambs per treatment) and fed individually in a 63-day growth trial. The diets were based on ensiled ground corn cobs, rolled corn and corn molasses. Supplemental nitrogen was provided by 100% urea or 50% urea in combination with 50% SBM, distillers dried grains (DDG), DWG or calcium hydroxide ensiled DWG (EDWG). Urea contributed half the supplemental protein equivalent in all the above treatments other than the urea treatment. DDG were prepared by drying DWG at 176°F. The EDWG was prepared by application of 0.63 lbs. Ca (OH)₂/100 lb DWG on a wet basis. This was packed in plastic-lined barrels and stored for a minimum of 21 days.

Dry matter intake (percent of body weight) was adjusted to the *ad libitum* intake of lambs receiving the urea control. Lambs were weighed on three consecutive days at 21-day intervals and adjustments to intake were made at these times.

Calf Growth Trial 2

The second growth trial was conducted to evaluate DWG and EDWG as protein sources for individually fed growing steers. Twenty-nine crossbred steers averaging 489 lbs. were randomly allotted four treatments in a 112-day trial. Diets contained 56% corn silage and 28% corn cobs (dry basis) and were formulated to contain 11.5% crude protein and 61% TDN. Supplemental nitrogen sources were: (1) 100% urea; (2) 50, 75, 100% SBM; (3) 30, 40, 50% DWG; or (4) 30, 40, 50% EDWG with urea making up the difference. Natural protein supplements were combined with the

urea supplement to provide incremental levels of test protein while dietary protein remained constant. Because DDG have been shown to have approximately twice the protein efficiency of SBM, SBM was fed to supply twice the amount of protein as the DWG and EDWG.

All animals received the same amount of feed per day above their estimated individual maintenance requirements. Steers were weighed on three consecutive days at 28-day intervals and adjustments in feed offered were made at these times. The steers were fed individually using electronically controlled gates.

Results

Calf Growth Trial 1

Daily gains were highest for steers fed DWG and lowest for the 100% urea supplement (Table 1). There were no significant differences in average daily gain among SBM, CGM and WDS. Feed efficiency followed the same trend as gain with DWG being the most efficient, 100% urea being the least and with no differences among the other treatments.

Protein efficiency is defined as gain above the urea control divided by amount of supplemental natural protein intake. Data in Table 1 show DWG to have the highest protein efficiency and WDS the lowest. CGM had a larger protein efficiency value than SBM although the difference was not significant.

No significant differences in dry matter intake at the end of the 106-day feeding period were noted among steers fed different protein

supplements (Table 1). However, steers adapted slowly to WDS because at interim periods of 37 to 45 days, intakes of steers fed WDS were significantly lower than other treatments.

Lamb Growth Trial

Lambs fed distillers grains gained faster and more efficiently than the fed SBM (Table 2). Highest gains were observed with lambs fed EDWG. Lambs fed DDG were less efficient in feeding conversion than DWG and EDWG. Protein efficiency followed a similar pattern.

Dry matter intakes were lowest with lambs fed the urea control with no differences occurring among those fed other treatments.

Calf Growth Trial 2

No differences in gain among steers individually fed DWG, EDWG and SBM were demonstrated. Steers fed DWG tended to be the most efficient in feed conversion but there were no significant differences among SBM, DWG and EDWG (Table 3).

Daily gains above the urea control are plotted against protein intake from the test proteins in Figure 1. The maximum gains obtained were .44 lb above the urea control. This is the point where the various proteins met the animals protein requirement. It took more than twice as much SBM to meet the protein requirements as DWG. The slopes of the lines are equal to the protein efficiency values. The value of the DWG was over twice the value of SBM with the ensiled grains being intermediate.

Table 1. Effect of various protein sources on performance of growing calves.

	Supplemental nitrogen sources				
	100% Urea	50% SBM 50% Urea	50% CGM 50% Urea	50% DWG 50% Urea	50% WDS 50% Urea
No. of pens ^a	3	3	3	6	3
Daily feed, lb	12.12	12.39	12.23	12.35	11.72
Daily gain, lb	1.09 ^c	1.40 ^d	1.49 ^d	1.75 ^e	1.26 ^d
Feed/gain	11.12 ^c	8.85 ^d	8.21 ^{de}	7.06 ^e	9.30 ^c
Protein efficiency ^b	—	1.07 ^c	1.31 ^c	2.19 ^d	0.48 ^c

^a9 steers/pen.

^bGain above urea control divided by supplemental natural protein intake.

^{cde}Values within a row with different superscripts are different (P < .05).

Discussion

Supplements with all supplemental nitrogen coming from urea serve as a control for the three growth trials. This is designed to give the same supply of microbial protein as the other rations as well as equal protein from the silage and cobs. Animals fed the urea supplement had the poorest gains. The other supplemental source of protein would be ungraded protein escaping breakdown in the rumen.

Results show that DWG are an excellent protein source for the growing ruminant. Growing steers and lambs gained faster and more efficiently when fed DWG compared to SBM. Averaging protein efficiency values of SBM and DWG for all three trials and assigning SBM a value of 100%, results in an average value of 214% for DWG. This means that DWG were 214% the value of SBM for these growing animals. Previous research (1981 Nebraska Beef Cattle Report) has shown protein efficiency values of 200% with DDG. Therefore, we can conclude that distillers wet grains are at least equal to conventional distillers dried grains.

The advantage of DWG over DDG as shown in the lamb growth trial may be due to the drying process. Overheating may have resulted in an increase in bound nitrogen which is unavailable for digestion throughout the gastrointestinal tract.

Ensiled wet grains produced contradictory results in the lamb trial and the second steer growth trial. The reduced performance of steers fed EDWG compared with steers fed fresh DWG may be more logical than results in the sheep trial. In the ensiling process, the microorganisms solubilize and degrade some protein. The end result would be less bypass

protein available. The superior performance of the EDWG on the lamb trial may possibly be attributed to an increase in microbial protein synthesis due to the formation of branched chain fatty acids produced during the ensiling process. Branched chain fatty acids are a preferred carbon structure for synthesis of microbial protein by the rumen microorganisms.

Performance with WDS was intermediate to the urea control and SBM. This would suggest that WDS is high in soluble protein which, like urea, is almost entirely degraded in the rumen. Laboratory *in vitro* results in the 1981 Nebraska Beef Cattle Report show condensed distillers solubles to be rapidly degraded and, therefore, have relatively low bypass protein value. However, protein efficiency results for WDS in the first steer growth trial were not zero. Reasons for this could be due to fine corn particles within this by-product which results in a corn protein contribution to what theoretically should be largely yeast protein. Other

possible reasons could be the presence of a slight amount of bypass protein in the yeast cells or the presence of branched chain amino acids that lead to a carbon structure for extra synthesis of microbial protein.

Cattle adapted to the WDS more slowly than with other diets. The high moisture level of this supplement along with fresh, high-moisture corn silage used in this trial, may have played a role in initial depressed intake.

CGM which is high in undegraded or "bypass" protein did not have a significant improvement in gain, feed efficiency or protein efficiency compared to SBM in the first steer growth trial. Previous research has shown similar results when CGM was fed as the only natural protein source. The reason is due largely to an imbalance in amino acids. If fed with a high quality "bypass" protein such as dehy or blood meal, imbalances will be overcome and animal performance should increase if protein is first limiting.

Table 2. Effect of various supplemental protein sources on lamb performance.

Item	Supplemental nitrogen sources				
	1 100% Urea	2 50% SBM 50% Urea	3 50% DDG 50% Urea	4 50% DWG 50% Urea	5 50% EDWG * 50% Urea
Daily feed ^a , lb	1.32	1.38	1.42	1.42	1.43
Daily gain ^b , lb	.12	.16	.18	.21	.25
Feed/gain ^c	11.26	8.67	8.01	6.94	5.73
Protein efficiency ^d	—	.83	1.06	1.58	2.38

^a3, 4, 5 vs 1 ($P < .01$).

^b3, 4, 5 vs 1 ($P < .01$); 3, 4, 5 vs 2 ($P < .05$).

^c3, 4, 5 vs 1 ($P < .01$); 3, 4, 5 vs 2 ($P < .05$); 4, 5 vs 3 ($P < .05$).

^d3, 4, 5 vs 1 ($P < .01$); 4, 5 vs 3 ($P < .05$).

^eGain above urea control divided by supplemental natural protein intake.

Table 3. Effect of various protein sources on calf performance.

Item	Supplemental nitrogen sources			
	100% Urea	SBM Urea ^b	DWG Urea ^b	EDWG ^a Urea ^b
Daily feed, lb	12.29	12.41	12.47	12.21
Daily gain, lb	.92 ^d	1.27 ^e	1.21 ^e	1.15 ^e
Feed/gain	13.58 ^d	10.12 ^e	9.64 ^e	11.28 ^e
Protein efficiency ^c	—	0.86 ^f	2.13 ^g	1.40 ^g

^aCa (OH)₂ ensiled DWG.

^bLevel of urea varied from 0 to 50% for SBM and 50 to 70% for DWG and EDWG.

^cGain above urea control divided by supplemental natural protein intake.

^dValues within a row with different superscripts are different ($P < .05$).

^eValues within a row with different superscripts are different ($P < .08$).

DEPARTMENT OF HIGHWAYS

Exhibit 7
1/29/85
HB 311
Gary Wicks



TELEPHONE: (406) 455-1111

LEGISLATIVE PROSPECT

STATE OF MONTANA

HELENA, MONTANA 59620

MEMORANDUM:

TO: Representative Gerry Devlin, Chairman
House Taxation Committee

FROM: Gary J. Wicks, Director
Department of Highways

Larry Fasbender, Director
Department of Natural Resources & Conservation

John D. LaFaver, Director
Department of Revenue

RE: Alcohol Incentives and Grants

DATE: February 1, 1985

During the recent hearing on House Bill 311 you requested that information regarding the present gasohol subsidy program be provided to the Committee.

The following table outlines the amounts of incentives, grants and loans made from various state programs to various individuals in Montana since the inception of the gasohol program. The figures do not include the amounts these individuals may have received from the federal government under various federal programs noted below.

FY	Grants	DNRC Loans	D/Agric. Grants	DOR Highway Ear. Funds	Total
80	\$ 44,762	-0-	\$195,501	\$ 3,115	\$ 243,378
81	455,814	-0-	164,394	12,704	632,912
82	70,098	-0-	112,000	267,780	449,878
83	69,162	392,650	198,858	933,283	1,593,953
84	303,440	-0-	-0-	582,786	886,226
85*	-0-	299,700	-0-	803,507	1,103,207
	<u>\$943,276</u>	<u>\$692,350</u>	<u>\$670,753</u>	<u>\$2,603,175</u>	<u>\$4,909,554</u>

*Fiscal 1985 is as of 12/31/84.

Of the above amounts, the DNRC loans and a portion of reimbursable grants may be recovered. The Department of Revenue figure represents what the impact to date has been on the Highway Earmarked fund.

Gerry Devlin
February 1, 1985
Page 2

In addition to the state programs noted above, the state also provides a 'new industry' property tax credit under Class V property which allows ethanol producers to pay 3% on their property for the first three years of production rather than 8.5% or 11% for other Class V property categories.

There are several subsidy programs at the federal level that individuals may also make use of. For example, there presently is a 60¢ a gallon federal subsidy on alcohol blended with gasoline. Also, federal tax laws allow income tax credits of up to 50¢ a gallon for alcohol producers, and an additional 10% energy investment tax credit on top of the standard investment tax credit. There are also programs available through the Departments of Energy and Agriculture similar to the DNRC Alternative Energy grant and loan program for eligible alcohol producers.

It should also be pointed out that only Montana, Idaho and Utah have 'home grown' restrictions in the incentive statutes. Therefore, any alcohol exported to other states also receives the alcohol incentives existent in those states.

The Department of Revenue fiscal 1984 figure is relatively low due to production problems that occurred at the two existing plants during 1984. The fiscal 1985 figure represents the first six months of the year, and is more reflective of the impact on the highway fund.

If you need any additional information, please contact us.

GJW:WSG:mb:5/1

cc: House Taxation Committee Members

Exhibit 8
1/29/85
HB 26
Rep. Switzer

PROPOSED AMENDMENTS

House Bill No. 26
Introduced Copy

1. Page 1, line 14.
Following: "provisions"
Insert: " -- levy limitations"
1. Page 1, line 17
Following: "period"
Insert: "as defined in 15-24-1304"
2. Page 1, line 18.
Following: "with"
Insert: "subsections (2) and (3)"
3. Page 1, line 19.
Following: "applied"
Insert: "only as provided in subsection (3) and are
limited"
Following: "to"
Strike: "any"
Insert: "the"
4. Page 2, line 5.
Following: "by"
Insert: "separate"
Following: "resolution"
Insert: "for each project"
5. Page 2.
Following: line 7
Insert: "(3) The tax benefit described in subsection (1)
applies only to the number of mills levied and assessed for
high school district and elementary school district purposes
and to the number of mills levied and assessed by the
governing body approving the benefit over which the
governing body has sole discretion. In no case may the
benefit described in subsection (1) apply to levies or
assessments required under state law."

Exhibit 9
HB 241
1/29/85
Kados

PROPOSED AMENDMENTS

House Bill No. 241
Introduced Copy

1. Title, lines 2 and 3.

Following: "AN ACT TO" on line 2

Strike: "PROVIDE FOR THE PRORATION"

Insert: "REVISE THE METHOD FOR DETERMINING THE AMOUNT"

2. Title, line 5.

Following: "TAX"

Insert: "DUE"

3. Page 2, line 20.

Following: "are"

Insert: "(a) one-half of"

4. Page 2, line 21.

Following: "home"

Strike: the remainder of lines 21 through 24

Insert: "if the declaration is applied for not more than 6 months from the date of the notice of taxes due; or

(b) the total taxes levied on the mobile home if the declaration is applied for more than 6 months from the date of the notice of taxes due.

(5) In no case is the owner of the mobile home entitled to a refund for personal property taxes paid prior to the declaration required in subsection (1).

Renumber: subsequent subsections

5. Page 2, line 25.

Following: "the"

Strike: "prorated"

Following: "taxes"

Insert: "due"

Exhibit 10
HB 101
1/29/85
Rep. Hanson

PROPOSED AMENDMENTS

House Bill No. 101
Introduced Copy

1. Page 1, line 24.

Following: "horsepower."

Insert: "The term does not include golf carts."

2. Page 2, line 9.

Following: "age"

Insert: "and engine size"

3. Page 2.

Following: line 10

Strike: lines 11 and 12 in their entirety

Insert: "

	500cc	more than
	or less	500cc
less than 5 years old	\$32.50	\$52.50
5 years old or over	17.50	27.50"

VISITORS' REGISTER

TAXATION

COMMITTEE

BILL NO. HOUSE BILL 231DATE January 29, 1985SPONSOR REPRESENTATIVE SWIFT

NAME (please print)	RESIDENCE	SUPPORT	OPPOSE
Dool Thomas	615 Stuart St.	X	
Bill Gilbert	1028 Knight	X	
Tom Waterman	1117 Cheyenne Rd - Helena	X	
WARD Soules	185 Horseshoe Bend Rd Helena	X	
Kou MARQUARDT	421 S. OAKES	X	
JAMES D. FLESHER	300 130 CLANCY MT	X	
Ed Shisley	1731 5th Helena	X	
Dean Kellcher	1620 Jerome Pl - Helena	X	
Arthur A. Berts	1831 Jerome Pl	X	
Walter F. Whiting	1120 Bickins Ave	X	
Lloyd E. Lamb	1231 Houseer Blvd	X	
John W. McDowell	600 Hauson	X	
SPENKER L OKERLUND	1555 CHAS RSL DR	X	
Bruce Kania	717 S. 14th Bozeman		
Robert D. Bacter	209 Carson Helena	X	
Pete Kimm	8555 Lampreel Manhatta		
Patricia Frank	1625 Flanagan Helena MT	X	
Joe Flann	2107 Rockey	X	
Ernie C. Baettge	320 W. Grosbeck E Helena	X	

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

PLEASE LEAVE PREPARED STATEMENT WITH SECRETARY.

HOUSE

COMMITTEE

BILL

231

DATE _____

1/29

SPONSOR

Swift

FORM CS-33

TAXATION

BILL NO. HOUSE BILL 311

SPONSOR REPRESENTATIVE KOEHNKE

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

CS-33

VISITORS' REGISTER

TAXATION

COMMITTEE

BILL NO. HOUSE BILL 307DATE January 29, 1985SPONSOR REPRESENTATIVE MENAHAN

NAME (please print)	RESIDENCE	SUPPORT	OPPOSE
Todd Huot	1111 T. MEN OF COUNTRY	—	—

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