

MINUTES OF THE MEETING  
TAXATION COMMITTEE  
MONTANA STATE  
HOUSE OF REPRESENTATIVES

March 14, 1985

The forty-first meeting of the Taxation Committee was called to order in room 312-1 of the state capitol at 8:04 a.m. by Chairman Gerry Devlin.

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

CONSIDERATION OF SENATE BILL 49: Senator Brown, District 2, Whitefish, stated that this bill was introduced at the request of the Department of Revenue and the Revenue Oversight Committee. He informed the committee that this bill would authorize the Department of Revenue to inform the state auditor to withhold any payment that a delinquent taxpayer may owe to the state.

PROPOSERS: Ken Morrison, representing the Department of Revenue, testified that this bill came up because they have a large accounts receivable balance - it exceeds \$12 million.

There were no further proposers.

OPPOSERS: There were none.

QUESTIONS ON SENATE BILL 49: Representative Gilbert asked if this circumvents any of the steps that are used now.

Mr. Morrison replied that under the present procedures, if someone does not pay their taxes, they will file a warrant of restraint through the courts, but, with this bill, they would go into the auditor's office without the warrant.

Representative Gilbert asked if they were eliminating the step of the delinquent taxpayer being allowed to go to court.

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Mr. Morrison responded that they were not eliminating any of the hearing steps; they are still there; and they have an opportunity to go through the whole process, if they wish to; and they are not attempting to collect these taxes until the taxpayer has an opportunity to have a full hearing.

Representative Sands noted on sections 2 and 3, they are taking discretion away from the state auditor and he asked if this bill meets with her concurrence.

Mr. Morrison replied that they discussed this bill with the auditor before it was introduced and they were taking no position one way or the other. They did express their concern originally about the Department of Revenue telling them what to do, but after they explained it to them, they did not have any problems with it.

Representative Sands asked why do they leave it to her discretion.

Mr. Morrison answered that the reason they put "shall" in was because they had to be able to get to the offset, and the only way was to make this mandatory. He indicated that if they make it an optional thing for the auditor, it puts her in a difficult position and he did not think that they want to put the auditor in the position of making those kind of decisions.

There were no further questions; Senator Brown closed; and the hearing on this bill was closed.

CONSIDERATION OF SENATE BILL 51: Senator Brown, District 2, said that this bill was requested by the Department of Revenue and would increase the penalty for violations of the provisions of the Montana income tax laws. He advised that there is a 5% penalty for failure to file income tax, a 10% penalty for failure to pay, a 25% penalty for purposely and knowingly violating the income tax law and this bill will increase the fine to \$100.00 for the first violation and \$500.00 for the second violation.

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PROPOSERS: Ken Morrison, representing the Department of Revenue, pointed out that before someone gets into this category, they have to fall into the habitual offender category. He distributed Exhibit 1 to the committee, which explained this rule.

There were no further proposers.

OPPOSERS: There were none.

QUESTIONS ON SENATE BILL 51: Representative Williams asked if the protestors would fall under this category.

Mr. Morrison answered that there are some who could fall under this.

Representative Asay asked if the purpose of this is to stop these people who are protesting their income tax.

Mr. Morrison indicated that that is one of the purposes and another purpose is to encourage those people who file late to file according to the law.

Representative Asay questioned if he felt that these tax protestors have any right to protest.

Mr. Morrison responded that everyone has the right to disagree with their interpretation of the statutes.

Representative Gilbert asked why the words "if one is due" was removed on page 2, line 12.

Mr. Morrison explained that those changes were made in the Senate Taxation Committee.

Representative Gilbert commented that his concern is that they would be taking the people's right to their opinion away and asked if he agreed with that.

Mr. Morrison responded that he did not think so, but there is always that possibility and he would not object to putting this back in.

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There were no further questions.

Senator Brown stated that 98 to 99% of the taxpayers pay their taxes voluntarily and some people honestly, philosophically disagree with income tax; but until they repeal these laws, they are still the law. He informed the committee that this bill will deal with those you chronically violate these laws.

The hearing on this bill was closed.

CONSIDERATION OF SENATE BILL 47: Senator Towe, District 46, said that this bill was requested by the Department of Revenue with the blessings of the Revenue Oversight Committee and deals with non-residential income and individual income from persons who do not live in Montana. He explained this complicated bill.

PROPOSERS: Ken Morrison, representing the Department of Revenue, told the committee to turn to page 2, lines 14 through 18 to understand more about proration. He indicated that this bill includes Sub S income into earned income; and, therefore, is included in that proration.

There were no further proposers.

OPPOSERS: Tom Harrison, representing the Montana Society of Certified Public Accountants, stated that they were not really opposers, but he explained some problems they had with this bill.

There were no further opposers.

QUESTIONS ON SENATE BILL 47: Representative Williams asked Senator Towe about the references made by Mr. Harrison.

Senator Towe said that he was right and he suggested that they amend the bill on page 3, line 5, by striking "subchapter S" and all of lines 6 and 7, and insert "15-31-202".

There were no further questions; Senator Towe closed; and the hearing on this bill was closed.

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CONSIDERATION OF HOUSE BILL 590: Representative Keenan, District 66, Anaconda, said this bill would require the inclusion of adjusted gross income for certain property of a portion of the depreciation deduction provided for by the accelerated cost recovery system as enacted by the federal economic recovery tax act of 1981. She pointed out that there was a new class added in 1981 and on page 2, line 12, it should read "35% for 18-year real property" and then add "and low-income housing"; and this is present language in the federal IRS statute.

She explained that ACRS basically reduces the time over which the cost of most equipment and structures can be deducted from current income and this greatly cuts taxes for profitable companies. She contended that this was seen as a way to keep inflation from eroding the value of investments, but even then, critics warned that when inflation subsided, these tax breaks would be out-and-out subsidies. She indicated that inflation is at its lowest rate in two decades and the revenue lost due to ACRS is somewhere around \$12.7 million in the state of Montana in 1985.

PROPOSERS: Don Judge, representing the Montana AFL-CIO, testified that they have been in support of many of the measures that intend to plug loopholes allowed to corporations in the state of Montana. He distributed an article from the Billings Gazette. See Exhibit 2.

Phil Campbell, representing the Montana Education Association, stated that they do support this bill, it would generate \$24 million over the biennium and \$5.75 million would go to the school foundation program.

Terry Minow, representing the Montana Federation of Teachers, informed the committee that they thought that closing tax loopholes represents a reasonable way to fund education and they asked for a do-pass recommendation.

Tom Ryan, representing the Montana Senior Citizens' Association, indicated that they would favor passage of this bill as it is talking about money that would stay in the state and there are many needs in this state.

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Louis Kunz, representing the Montana Low Income Coalition, gave a statement in support of this bill. See Exhibit 3.

Earl Riley, representing the Montana Senior Citizens' Association, stated that they are in support of this bill. He contended that the utilities are not allowed to pass the ACRS savings onto their customers and they have benefited with millions of dollars under this and this bill will recover some of these savings.

There were no further proponents.

OPPONENTS: Tom Harrison, representing the Montana Society of Certified Public Accountants, stated that they were concerned with this bill particularly with the trouble it will cause in the accounting business - it will cause vast more accounting work and they do not need this kind of work. He explained some of the problems it would cause in accounting.

Riley Johnson, representing the Montana Home Builders' Association, said that they oppose this bill and there is considerable evidence that investment in building has been mounting in the last few years and much of that is due to the ACRS system.

Mike Zimmerman, representing the Montana Power Company, testified that this bill would increase their taxes \$178,000.00 based on their 1984 taxes and they would like to avoid this tax increase.

Tom Ebzery, representing the Nerco Mining Company, rose in opposition to this bill and said that it would be a hassel and a nightmare to administer.

Jim Hughes, representing Mountain Bell, stated that, with a high technology industry, there is reason for property to have a shorter life span than years ago, when conditions were different.

Stan Kaleczyc, representing Burlington Northern, Inc., said that he thinks there is going to be a change in the federal law in the direction that Representative Keenan likes and this bill clearly is going to make it much more complicated to figure tax rates.

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Senator Ed Smith said that he was neither a proponent or an opponent, but he wondered if this would eliminate the accelerated depreciation for family farm corporations.

Dennis Burr, representing the Montana Taxpayers' Association, indicated that his opposition is basically with the revenue impact, but he urged the committee to consider the change they will be making with decoupling from the IRS code.

John Alke, representing the Montana-Dakota Utilities, stated that this bill would cost their rate payers \$110,000.00 and in answer to Senator Smith's question, this certainly will affect him and all the people he works with. He urged a do-not-pass recommendation.

Gene Phillips, representing the Pacific Power and Light Company, stated that they are in opposition to this bill also.

Joe Shevlin, a C.P.A. here in Helena, said that a business man who is denied the deduction now; later on if he disposes of that property, he is taxed on that property as if he got the benefit of that tax deduction in the current year and he is getting shot twice.

Janelle Fallon, representing the Montana Chamber of Commerce, stated that she did not like the implications that the taxpayer's money is really the states and that they decide how much they get to keep.

Dave Goss, representing the Billings Chamber of Commerce, offered testimony as to how this would affect small businesses.

There were no further opponents.

QUESTIONS ON HOUSE BILL 590: In response to a question by Representative Asay, Representative Keenan explained that they will still recover the total of the asset over a longer period of time, but it will just not be accelerated.

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Representative Ellison asked Mr. Harrison if this bill would or would not deny a recovery of a certain portion of that the way this bill is written now.

Mr. Harrison replied that from what he understood from Representative Keenan was that she did not intend that, but it is a fact that that is in the bill now and you would just lose the deduction and it would be gone.

Representative Schye asked if he understood that the savings they realize from this accelerated deduction cannot be passed on to the rate payer.

Mr. Zimmerman replied that, in the federal law, the accelerated rate cannot be passed back to the rate payer, but that does not mean that the rate payer does not receive a benefit from this because if the total tax paid by the utility is lower, than that means the rate payer's rates are going to be lower.

Representative Schye asked if they lose this, then will they pass this back to the rate payers.

Mr. Zimmerman responded that that is true - their taxes would increase.

Representative Switzer asked if Representative Keenan knew that these small farm operators use that depreciation money for operating money.

Representative Keenan answered that as she understands this bill, this applies to income and, if she understands this right, there has been no taxes filed for farm income in this state in the last biennium so if there is no income, you cannot have depreciation.

Representative Switzer commented that the depreciation is the reason you have no income and you use the money to operate on.

Representative Ellison asked if she believed that there should be depreciation allowed on anything.



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Representative Keenan said that she wants to maintain depreciation but go back to the 1971 scale and they would be recovering that over a longer period of time.

Representative Ellison asked if the depreciation on a new car would not be more the first year than after the car was fifteen years old.

Representative Keenan replied that she suppose that is so, but she does not buy that that is the way they should go.

Representative Asay asked what would happen if a company makes an investment in a new plant of \$1 million and they have to recover their costs.

Representative Keenan responded that the theory is that with this accelerated deduction, this money is going to be reinvested and they have found that it is not being reinvested.

Representative Asay commented that if they did not have the investment, they would not have the deduction.

Representative Keenan asked if the investment was made because of the deduction or was the investment made because the market place called for investment. It is supply and demand, she contended.

Representative Koehnke asked if she did not think that, in agriculture, they definitely need this accelerated depreciation because of the high cost of farm equipment and the interest.

Representative Keenan answered if that was really true, they would be taking that accelerated depreciation and reinvesting it in new machinery and the implement dealers would not be going out of business.

There were no further questions.

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Representative Keenan contended that there was a lot of smoke blown from the opponents and a lot of malarky from the C.P.A.s and she did not think that they should wait for congress to do this.

The hearing on this bill was closed.

The chairman called a recess at 10:00 a.m. and the committee reconvened at 10:11 a.m.

#### EXECUTIVE SESSION

DISPOSITION OF SENATE BILL 49: Representative Williams moved that this bill BE CONCURRED IN. The motion carried with Representative Iverson voting no.

DISPOSITION OF SENATE BILL 51: Representative Williams moved that this bill BE CONCURRED IN. Representative Gilbert moved to amend the bill on page 2, line 12, by inserting the stricken language, "if one is due at". The motion carried unanimously.

There was some discussion on this bill and Representative Williams asked Mr. Morrison to explain what the difference is between this bill and the bill that he had.

Mr. Morrison explained that the bill Representative Williams had on protestors was to record any protestor who filed a protest on his taxes and this bill looks at an incentive for any person to file their returns on time and to pay the tax and, surprisingly enough, there are many people who do not do that.

Chairman Devlin noted that there was another question about the number of people who might be caught up in this.

Mr. Morrison replied that there is in the neighborhood of about 500 people who might be caught up in this.

Representative Gilbert said that they referred to this bill as an incentive to get people to pay, but it is also called blackmail.

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Representative Schye said that they are getting too emotional about this bill and he made a motion to TABLE the bill until they can get some more information.

The motion carried with Representative Devlin voting no.

DISPOSITION OF HOUSE BILL 915: Representative Asay moved that this bill DO PASS.

Representative Williams stated that he opposed this bill - it was brought up before the Revenue Oversight Committee and they gave the Department of Revenue the direction to go ahead and set up the rule and remove the 20% reduction.

Representative Ellison moved to amend on page 2, line 2, following "for" by inserting "principal". The motion carried unanimously.

There was further discussion on this bill and a vote was taken on the DO PASS AS AMENDED motion and it passed with a vote of 11 ayes and 9 noes. See Roll Call Vote.

DISPOSITION OF HOUSE BILL 690: Representative Williams distributed amendments to this bill, which were proposed by the Department of Revenue. See Exhibit 4. He moved the adoption of these amendments. The motion carried un-animously.

Representative Williams moved that this bill DO PASS AS AMENDED.

Representative Switzer indicated that this was a flat tax increase and has not worked in the past.

Representative Asay commented that that mineral is still in the ground and has no value as far as he is concerned, and if someone comes in and extracts it, it is no promise of a profit. He made a substitute motion to TABLE the bill. A vote was taken on the motion and it passed 11 to 9. See Roll Call Vote.

DISPOSITION OF HOUSE BILL 838: Representative Switzer moved that this bill DO NOT PASS.

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There was some discussion and Representative Raney made a substitute motion that this bill DO PASS.

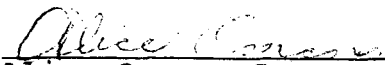
Representative Harp moved to amend the bill on page 2, line 22, by striking "50" and inserting "75" and on page 3, by striking lines 1 through 8. The motion carried with Representative Gilbert, Representative Zabrocki and Representative Asay voting no.

Representative Gilbert indicated that this was a general tax increase and it falls on the backs of the people of the state of Montana.

A vote was taken on the DO PASS AS AMENDED motion and it passed on a vote of 12 ayes and 8 noes. See Roll Call Vote.

ADJOURNMENT: There being no further business, the meeting was adjourned at 11:23 a.m.

  
GERRY DEVLIN, Chairman

  
Alice Omang, Secretary

DAILY ROLL CALL

HOUSE TAXATION

COMMITTEE

49th LEGISLATIVE SESSION -- 1985

Date 3/14/85

NAME	PRESENT	ABSENT	EXCUSED
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	✓		

# STANDING COMMITTEE REPORT

March 14, 1985

MR. **SPEAKER:** .....

We, your committee on **TAXATION** .....

having had under consideration **SENATE** .....

Bill No. **49** .....

third reading copy ( blue )  
color

**AN ACT TO REQUIRE THE DEPARTMENT OF REVENUE AND THE STATE AUDITOR TO COORDINATE COLLECTION OF DELINQUENT TAXES AND OTHER FUNDS OWED TO THE STATE BY OFFSETTING THE AMOUNT DUE TO THE TAXPAYER OR OTHER PERSON FROM A STATE AGENCY;**

Respectfully report as follows: That **SENATE** .....

Bill No. **49** .....

**BE CONCURRED IN**

**~~XXXXXX~~**  
**~~DO PASS~~**

# STANDING COMMITTEE REPORT

Page 1 of 2.

..... March 14, ..... 19 85.....

MR. **SPEAKER:**.....

We, your committee on ..... **TAXATION** .....

having had under consideration ..... **HOUSE** ..... Bill No. **839**

first reading copy ( white )  
color

## INCREASED TAX ON TOBACCO PRODUCTS OTHER THAN CIGARETTES

Respectfully report as follows: That ..... **HOUSE** ..... Bill No. **838**

be amended as follows:

1. Title, line 5.  
Following: "AND"  
Strike: "ALLOCATING"  
Insert: "REALLOCATING"

2. Title, line 6.  
Following: line 5  
Strike: "INCREASED"

3. Title, line 6.  
Following: "REVENUE"  
Strike: "EQUALLY"

DO PASS

4. Title, line 7.

Following: "EDUCATION AND"

Strike: "CITIES AND TOWNS"

Insert: "TO THE STATE GENERAL FUND"

5. Page 2, line 22.

Following: "(a)"

Strike: "50%"

Insert: "75%"

6. Page 3, lines 22 and 23.

Following: "the" on line 22

Strike: "long-range building program debt service"

Insert: "state general"

7. Page 2, line 23.

Following: "(and)"

Insert: "and"

8. Pages 2 and 3.

Following: "schools" on line 25 of page 2

Strike: the remainder of line 25 through "relief" on line 8 of page 3

9. Page 4.

Following: "16-11-111." on line 3

Strike: the remainder of line 3 through "16-11-202." on line 9

AND AS AMENDED  
DO PASS



ROLL CALL VOTE

HOUSE COMMITTEE TAXATION

DATE 3-14-1985 BILL NO. H.B.#838 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		✓

Secretary Alice Omang

Chairman Gerry Devlin

Motion: Do Pass As Amended H.B.#838

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# STANDING COMMITTEE REPORT

March 14, 1905

MR. **SPEAKER:**

We, your committee on **TAXATION**

having had under consideration **HOUSE** Bill No. **915**

first reading copy ( white )  
color

**TO DIRECT DEPT. OF REVENUE TO AMEND RULE TO ALLOW 20% REDUCTION  
ON FARM HOMES**

Respectfully report as follows: That **HOUSE** Bill No. **915**

Be amended as follows:

1. Page 2, line 2.  
Following: "for"  
Insert: "principal"
2. Title, line 5.  
Following: "APPRAISAL OF"  
Insert: "PRINCIPAL"

And as amended,  
DO PASS

~~DO PASS~~

ROLL CALL VOTE

HOUSE COMMITTEE TAXATION

DATE 3-14-1985 BILL NO. H.B.#915 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		✓

Secretary Alice Omang

Chairman Gerry Devlin

Motion: Do Pass As Amended H.B. #915

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ROLL CALL VOTE

HOUSE COMMITTEE TAXATION

DATE 3-14-1985 BILL NO. H.B.#690 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		✓

Secretary Alice Omang

Chairman Gerry Devlin

Motion: TABLE H.B.#690

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Exhibit 1

SB 51

3/14/85

Ken Morrison

(i) habitually failing to file a return or to pay the tax due unless the taxpayer can establish that the failure was not done purposely or knowingly; or

(ii) an attempt to evade or defeat the tax.

(b) "Habitually" means more than once in a 3-year period subsequent to notification by the department of a prior failure to file a return or to pay the tax due.

(3) If a deficiency in tax is not paid within 60 days from the date of mailing notice thereof to the taxpayer or if a deficiency in tax is due to negligence on the part of the taxpayer, the penalty is 5% of the amount of the deficiency but not less than \$2. (History: Sec. 15-30-305 MCA; IMP, Sec. 15-30-321 MCA; (1) Eff. 12/31/72, AMD, Eff. 7/5/75; (2) NEW, Eff. 7/5/75, AMD, 1982 MAR p. 14, Eff. 1/15/82; AMD, 1984 MAR p. 2031, Eff. 12/28/84.)

Rules 42.16.106 through 42.16.110 reserved.

NEXT PAGE IS 42-1611



# Opinion

## Welfare for the rich proves far too costly

### Tax reform needs high priority

Over the past three years, the General Electric Co. had profits of \$6.5 billion. It paid no federal income tax. Dow Chemical had profits of \$776 million; Union Carbide had profits of \$613 million; W.R. Grace & Co. had profits of \$684 million. None of them paid a dime in federal income tax. Together the four companies claimed refunds — refunds, if you please! — of more than half a billion dollars.

This is corporate welfare. It is the system of tax avoidance known cynically as AFDC — Aid for Dependent Corporations — and it is the indefensible consequence of tax laws passed with the very best intentions.

It is not yet clear whether Congress will act on tax reform this year. In the House, Dan Rostenkowski says that his Committee on Ways and Means is ready to cooperate with the administration. In the Senate, majority leader Bob Dole says that reducing deficits has a higher priority than simplifying taxes. My own thought is that if Congress fails to tackle tax reform in 1985, it is not likely to tackle tax reform in the election year of 1986. The lobbyists will be out like tree frogs in April.

For a variety of reasons, both tangible and intangible, a wholesale revision of the tax code gets more urgent all the time. It is now clear that the investment tax credit has not worked as its sponsors hoped it would work when they put it on the books 20-odd years ago. The idea seemed attractive: To spur capital investment in new equipment, give a company an outright credit of 10 percent on such investments. Will you buy a \$200,000 rotary press? Then deduct \$20,000 from your corporate income tax.

The investment tax credit may have helped the machine tool industry; it may have benefited

No such arguments support continuation of tax shelters for individuals. These phantom investments result in a loss to the Treasury of roughly \$20 billion to \$25 billion a year. You see these cynical schemes advertised in daily newspapers and in professional journals: Invest only \$2,000! Become a limited partner! Wealthy individuals are urged to put a little money into oil, gas, real estate, horses, treasure hunts, cattle, kiwi fruit, jojoba beans, duck farms, oyster farms, and even the breeding of llamas. The investments make a mockery of our capitalist system, for the whole object is not to earn money but to lose money — to provide tax losses for the rich.

These sleazy schemes of tax avoidance do incalculable damage. They divert capital from truly productive enterprises and they contribute significantly to a public perception of unfairness in the tax laws. It may not be perfectly understood, but it is generally understood, that when the rich doctor, dentist or lawyer finds refuge in a tax shelter, it is the ordinary Joe who is being ripped off. The little guy's taxes have to make up the gap when 9,000 persons earning \$250,000 or more pay no income taxes at all.

The Treasury's program of tax simplification is far from perfect, but it provides a good starting point. Other bills — Kemp-Kasten, Bradley-Gephardt — have great merit. It remains only for Congress to demonstrate the will to do what has to be done.

#### National Columnist

James Kilpatrick



other suppliers of equipment, but gains in productivity probably have been purchased at the price of eliminating jobs. In the coming fiscal year, if the act is not repealed or drastically amended, the Treasury will have to grant \$38 billion in credits. These credits are outright subsidies to industry, in no way distinguishable from such subsidies as food stamps for the poor.

Another target for tax reform is the program of accelerated cost recovery. This is the principal program that has permitted such firms as General Electric and Dow Chemical to escape federal income taxes. They can write off most new equipment in five years and most new structures in 15 years. The program will cost the Treasury an estimated \$22 billion in fiscal '86.

To be sure, plausible arguments can be made that tax breaks for business, including Very Big Business, are good things for the economy. In theory these credits and write-offs provide incentives for American companies to invest in new and modernized plants that will make them more competitive on world markets. There is not much evidence either to prove or to disprove the theory. Most new plants probably would have been built anyhow.

Exhibit 3  
HB 590  
3/11/85  
Don Judge

Exhibit 3  
HB 590  
3/14/85  
Kunz

WITNESS STATEMENT

NAME Loois Kunz BILL NO. HB 590  
ADDRESS 109 LAWRENCE DATE 3/14/85  
WHOM DO YOU REPRESENT? MT Low Income Coalition  
SUPPORT X OPPOSE \_\_\_\_\_ AMEND \_\_\_\_\_

PLEASE LEAVE PREPARED STATEMENT WITH SECRETARY.

Comments: We support HB 590 and have two pts to make. It will bring \$14.8 million to the general fund for the minimum, enough to fund the General Assistance program and address the other social needs that have been prioritized.

As you've already heard firms haven't invested in the area when they receive this corporation money. This bill will correct that situation of getting the tax break when they don't invest in MT.

Our second pt. is that Congress has extensive rules + regulations to prevent fraud + abuse of the welfare system. They require the poor and needy to disclose all the intimate details of their private lives, where every dollar they get comes from, every asset that they may have and if they are the new poor, those who were employed till recently and have acquired the items will enjoy, a home, perhaps a camp trailer or a boat, these assets become liabilities and they must account for it all.

If the legislature was as interested in fraud + waste and held these corporations to such accountability these tax credit laws wouldn't be on the books.

Since these business incentives haven't brought income employment in the past four yrs. let's not further erode the tax base. Let's protect the income that allows us to provide living incentives for our neediest citizens.

Exhibit 4  
HB 690  
3/14/85  
D.O. Revenue  
Rep Williams

The following proposed amendment to HB 690 would decrease the current RITT tax base for natural gas producers by allowing a deduction from gross value for natural gas used on the lease, recycled, or reinjected. Government interests would continue to be included in gross value.

On page 2, line 4

Following: "15-36-101"

Insert: "(3)"

Adopted  
3/14

(4)  
(B)  
(A)



VISITORS' REGISTER

House Taxation COMMITTEE

BILL NO. SB 47

DATE 3/14/85

SPONSOR \_\_\_\_\_

NAME (please print)	RESIDENCE	SUPPORT	OPPOSE
<u>Ken Morrison</u>	<u>Dept. of Revenue</u>	<u>✓</u>	

IF YOU CARE TO WRITE COMMENTS, ASK SECRETARY FOR WITNESS STATEMENT FORM  
PLEASE LEAVE PREPARED STATEMENT WITH SECRETARY.

VISITORS' REGISTER

House taxation COMMITTEE

BILL NO. SB 49 DATE 3/14

SPONSOR \_\_\_\_\_

NAME (please print)	RESIDENCE	SUPPORT	OPPOSE
<i>Ken Morrison</i>	<i>Dept. of Revenue</i>	<input checked="" type="checkbox"/>	<input type="checkbox"/>

IF YOU CARE TO WRITE COMMENTS, ASK SECRETARY FOR WITNESS STATEMENT FORM.  
PLEASE LEAVE PREPARED STATEMENT WITH SECRETARY.

VISITORS' REGISTER

House Taxation COMMITTEE

BILL NO. SB-51

DATE 3/14

SPONSOR \_\_\_\_\_

NAME (please print)	RESIDENCE	SUPPORT	OPPOSE
Sen Morrison	Dept. of Revenue	-	

IF YOU CARE TO WRITE COMMENTS, ASK SECRETARY FOR WITNESS STATEMENT FORM  
PLEASE LEAVE PREPARED STATEMENT WITH SECRETARY.

VISITORS' REGISTER

House Taxation

COMMITTEE

BILL NO. HB 590

DATE 3-14-85

SPONSOR Keenan

NAME (please print)	RESIDENCE	SUPPORT	OPPOSE
Don Judge	MT STATE AFL-CIO	HB590	
Simon Salera	MT UMW		HB590
Louise Kuz	MT Low Income Coalition	HB590	
Cheri Burns	MT Society of CPAs		HB590
JOSEPH SHEKLIN	MT SOCIETY CPAs / JCCS PC		HB590
Tom Ryan	Keena MSA	HB590	
Riley Johnson	Mont. Home Builders	#	HB 590
Bob Wilson	Montco / Thermal Energy		HB590
Jimmy Munan	MT	✓	
GEVE PHILLIPS	KALISPELL		X
Tom Ebozey	NE <sup>BILLING</sup> COAL MINING CO		X 590
Jim Hughes	MTN BELL		HB 590
Jim Mockler	MT. Coal Council		✓
Ken Williams	Western Energy		HB 590
Dennis BURR	Clancy		✓
Dave Goss	Billings Chamber of Commerce		✓
Ken Blancher	Oper. Eng. # 400	HB 590	
Phil Campbell	MEA	HB590	

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

PLEASE LEAVE PREPARED STATEMENT WITH SECRETARY.