

MINUTES OF THE MEETING  
TAXATION COMMITTEE  
MONTANA STATE  
HOUSE OF REPRESENTATIVES

March 26, 1985 P.M.

The fiftieth meeting of the Taxation Committee was called to order in room 312-1 of the state capitol at 7:02 P.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 HOUSE BILL 944: Representative Ream, District 54, distributed to the committee a packet of information. See Exhibits 1-1 to 1-12. He explained that this bill deals with the income tax and the deductibility of the federal tax from the state tax. He said he was shocked by the preliminary fiscal note as it said that this would raise \$57 million per year for the state of Montana and affect 54% of the taxpayers - all of them who itemize their returns. He explained each of the handouts.

PROPONENTS: Don Judge, representing the Montana CIO-AFL, said that they have been before this committee many times talking about ways to generate revenue that would be fair and equitable and this would be one way. He noted that this would raise \$24 million over the biennium and those taxpayers will recoup 41% back from the federal government.

Terry Minow, representing the Montana Federation of Teachers, offered testimony in support of this bill. See Exhibit 2.

Phil Campbell, representing the Montana Education Association, stated that there are no teachers in the state that are making anywhere near \$40,000.00; and the highest that he knew would be about \$32,000.00 and that would have to be with a master's degree and about 16 to 20 years in education. He informed the committee that the average salary runs about \$20,000.00.

Taxation Committee  
March 26, 1985 P.M.  
Page Two

Earl Raele, representing the Montana Senior Citizens' Association, urged the committee to pass this piece of legislation as it is the largest deduction allowed in the state of Montana.

Louise Kunz, representing the Montana Low-Income Coalition, gave a statement in support of this bill. See Exhibit 2-1.

Molly Munro, representing herself, gave a statement in support of this bill. See Exhibit 2-2.

Mary Abbott, representing the American Association of Retired Persons, L.I.S.C.A., M.S.C.A., the Montana Low-Income Coalition, and the Legacy Legislature, said that they all urge support of this bill.

There were no further proponents.

OPPONENTS: Dennis Burr, representing the Montana Taxpayers' Association, acknowledged that this is a difficult bill to oppose before this committee, but it is a method of taxation that separates out some people and this would place a burden on not just people who have extremely large incomes, but it would affect people who have incomes that are not so high, but do not have deductions.

Forrest Boles, representing the Montana Chamber of Commerce, said that a good number of small businesses across this state do not file as corporations, but file as individuals and they are concerned about where this threshold of income is in terms of small business. He also noted that when an industry is looking at amenities for employees and one of these amenities is a decent tax structure for employees, they look more favorably on a state.

Dave Goss, representing the Billings Chamber of Commerce, stated that they are concerned with the business people who file on individual returns and the committee should look at this bill to see if this will hurt these people.

There were no further opponents.

Taxation Committee  
March 26, 1985  
Page Three

QUESTIONS ON HOUSE BILL 944: Representative Asay asked about deductions on the federal income tax that may have been from previous years.

Representative Ream answered that the loss from previous years would come off the adjusted gross before it would come off the adjusted net income,

Representative Asay asked what were the deductions and Representative Ream responded capital gains, tax shelters, investment tax credit and these things are legal and available to any taxpayers.

Representative Ellison asked what would happen if a couple filed separately and if they filed jointly.

Representative Ream responded that they could each claim \$6,000.00 on their individual returns.

Representative Ellison asked how the exemption would work for two wage earners who run a small business with only one income.

Representative Ream replied that there would be just one exemption and this would show on table 9.

Representative Ellison asked if he thought they should make some kind of adjustment for this, if they passed this bill.

Representative Ream answered that that could be, but it would require changing other parts of the law.

Representative Cohen asked to have the Sub Chapter S Corporation explained for him as to how this would affect them.

Mr. Burr responded that they are limited to the number of shareholders and the expenses are allocated among those shareholders and they pay under the individual income tax structure rather than under the corporation license tax.

Representative Cohen asked if they take a salary from the corporation.

Taxation Committee  
March 26, 1985  
Page Four

Mr. Burr replied that they can, as opposed to an employee but that would also be income and any income of the corporation would be added to that.

Representative Cohen asked if that is called income or is that called profit.

Mr. Burr answered that in a small business, that is generally referred to as income and is divided among those in the corporation.

Representative Sands asked Mr. Burr if he had any idea as to how progressive the Montana income tax is compared to other surrounding states.

Mr. Burr responded that he really did not but most states have peaked out quicker and a lot have peaked out at a lower rate possibly and also at a lower income, but they were not as progressive as ours.

There were no further questions.

Representative Ream handed the committee Exhibit 3, and explained that this data was based on returns from 1983. He indicated that some people say that the state should have a surtax and a 10% surtax would raise about the same amount of money and would affect 100% of the income of the people in the state.

The hearing on this bill was closed.

CONSIDERATION OF SENATE BILL 465: Senator VanValkenberg, District 30, stated that this bill is a proposal to establish an academic building program and to finance repair, maintenance and construction of the university system. He advised that the account for this program would be made up of land grant revenue and other funds that might be available and would also provide for a 1/4% increase in the corporate license tax and a certain portion of this would be devoted to this fund. He handed Exhibit 4 to the committee.

PROPOSERS: Jack Noble, representing the Montana University System, stated that time after time, there are instances where the state has been penny-wise and pound-

Taxation Committee  
March 26, 1985  
Page Five

foolish, and this has been true in deferring maintenance. He contended that the earmarking of these funds would give them a source of money so that they know they will be able to continue maintaining all the assets they have.

Bruce Carpenter, representing Eastern Montana College, Billings, said that the university system does administer 2/3 of the state building space. He offered Exhibit 5.

Neal Bucklew, President of the University of Montana, informed the committee of the proposed business administration building (Exhibit 6) and advised that 20% of the students were business administration majors and they are faced with a very small facility.

Bill Tietz, President of Montana State University, said that their oldest building was built in 1865 and the most recent was finished at Christmas time in 1984. He offered Exhibit 7, which depicts the proposed engineering/physical sciences complex.

Bill Keith, representing Morrison-Maierle, said they are a consulting firm and they have always believed that maintenance and growth of the university system is extremely important and as a corporation, they are willing to dig a little deeper into their pockets to support this program.

There were no further proponents.

OPPONENTS: Bruce Strafford (?), representing the students at Montana State University, stated that the students oppose this bill reluctantly; and they would suggest amendments, and with these amendments, they would support it strongly. He suggested that the language on page 2, line 7 be removed from the bill. He indicated that the academic building program has been a responsibility of the state and they feel that this should continue to be the state's responsibility, but he contended that they do need these facilities.

John Lahr, representing the Montana Power Company, said that they reluctantly oppose this bill, but with their

Taxation Committee  
March 26, 1985  
Page Six

present income situation being what it is, their estimate, based on the 1984 license tax, would be that this would cost them about \$29,000.00. He said that they felt the general fund source of revenue is the best method of financing this bill.

John Alke, representing the Montana-Dakota Utilities, commented that their problem with this bill is the departure from the legislative mechanisms of determining spending priorities and tax burdens and it should be the legislature's decision as to what the state will spend. He contended that once this is earmarked, it will screen and isolate the university system from these priorities as economic conditions change.

Gene Phillips, representing the Pacific Power and Light, said that they are not opposed to adequate housing, but they agree with the two previous speakers that this is the wrong approach.

Stan Kaleczyc, representing Burlington-Northern, Inc., stated that they contribute approximately \$500,000.00 to education through its foundation and the increase in the corporate license tax is not the reason they oppose this, but they share the same concerns addressed by Mr. Alke.

Dave Goss, Billings Chamber of Commerce, said that at first, he had developed a fear for earmarked funds, and, over the years, this has grown to a healthy dislike.

Forrest Boles, representing the Montana Chamber of Commerce, stated that he would not argue with the beneficial aspect of the building program, but they did not agree with it and hoped the committee would give the bill a do-not-pass recommendation.

Dennis Burr, representing the Montana Taxpayers' Association, reiterated that they do not like earmarked funds and feels that legislation should be a matter of priorities.

Taxation Committee  
March 26, 1985  
Page Seven

Ellen Feaver, representing the Department of Administration, distributed to the committee Exhibit 8. She said she was concerned about the policy decision of setting aside statewide prioritization of maintenance of building projects for the university systems and all the rest of the state (institutions, etc.,) will have another schedule of priorities.

James Mockler, Executive Director of the Montana Coal Council, stated that the coal companies are willing to pay their fair share, but they think that someone should tell them what their fair share is and they want someone to tell them how much is enough. He continued that they think they have paid their fair share and they think they have paid more than their fair share. He asked how much per employee that they hire would be a fair share and he emphasized, "Enough is enough."

There were no further opponents.

QUESTIONS ON SENATE BILL 465: Representative Cohen asked if the students pay fees that go into a maintenance fund for the academics.

Mr. Strafford replied that there are student building fees and there are revenue-producing facilities and in order for them to use it for something other than revenue-producing facilities, they have to get approval by joint resolution. He explained that revenue-producing buildings are those such as the student union building.

Senator VanValkenburg advised that under current law, in order to adopt additional fees or change the use, there would have to be a joint resolution of the legislature, but, under his proposal, the Board of Regents can take that money and apply it to the academic building fund.

Representative Cohen asked him how he would feel about deleting subsection b.

Senator VanValkenburg replied that he would be opposed to it and he thought that everybody who is interested in the university system should make some kind of a contribution toward those buildings.

Taxation Committee  
March 26, 1985  
Page Eight

Representative Williams asked what his opinion was of the amendments offered by the Department of Administration.

Senator VanValkenburg replied that there is room for discussion as to what an appropriate amount would be to devote to the academic building program from the cash account of the long-range building program and they need to sit down and refine that.

There were no further questions.

Senator VanValkenburg said that most of the opponents came in and they were not opposed to the increase in the tax, but they were opposed to the earmarked funds and he concluded that he knows there are problems with earmarking of funds, but there also is real value.

The hearing on this bill was closed.

EXECUTIVE SESSION:

DISPOSITION OF HOUSE BILL 822: Representative Schye moved that this bill DO PASS. He offered some proposed amendments to this bill. See Exhibit 11. Representative Schye explained the amendments and moved that they BE ADOPTED. The motion carried unanimously.

Representative Schye offered another set of amendments. See Exhibit 12. He moved the adoption of these amendments. He explained that with this amendment, Northwest Airlines would get \$60,000.00 back; Big Sky would get a refund of about \$1,800.00; Western would get \$37,000.00 and Frontier around \$38,000.00.

There was some discussion on the amendments and a vote was taken and the amendments were adopted with Representatives Sands and Devlin voting no.

Representative Schye moved DO PASS AS AMENDED. Representative Iverson made a substitute motion to TABLE the bill. The motion failed with a vote of 7 noes and 11 ayes. See Roll Call Vote. The motion failed.



Taxation Committee  
March 26, 1985  
Page Nine

There was further discussion and a vote was taken on the DO PASS AS AMENDED motion and the motion carried with a vote of 11 for and 9 against. See Roll Call Vote.

Representative Vincent, at this point, indicated that he was an ex officio member of this committee and he wanted to make some comments. He stated that, to his best count, the House Taxation Committee has 42 or 43 bills in committee to take action on and 20 to 30 of these do require executive action - they need to be tabled, passed or killed - and he would say that every one of those 20 to 30 bills should have action taken by this Friday to assure the full house adequate time to deliberate those measures. He observed that this was a lot of work in a short period of time and he would appreciate some committment that those bills can be processed by this committee by Friday and he would also respectfully request of the chairman a list of those bills that require action and on what evenings or what mornings those specific bills will be handled in executive session, so that all committee members will know when those bills are to be considered in executive session and the sponsors will know when those bills are to be considered in executive session and also the public will know. He thought that, unless those two steps are taken, they are headed for a real difficult time relative to processing and deliberating on those pieces of legislation that must be handled by the house by the 70th legislative day, which is next Monday. He indicated that there are a number of bills that must be transmitted to the senate by that date or a 2/3 vote of the senate would be required to receive them. He continued that many of those bills might well become crucial in the next several days, depending on their deliberations on the budget and they can take no chances with those bills, so he would respectfully request, as a ex officio member of this committee and as speaker, that a committment be made to handle those bills in the remaining two to three days before transmittal, that they be completed by Friday and that a list be submitted to the committee members and the leadership so that everyone involved will know what bills will be taken up.

Representative Devlin (holding a piece of paper in the air) replied that this is the list and he has a copy and every member of this committee has a copy - the problem that they

Taxation Committee  
March 26, 1985  
Page Ten

(the committee) has run into are the bills that have been dropped in here (today there was another house bill and they heard another bill this evening and he had planned on having executive session this evening and, instead he has had to schedule bills). He explained that Representative Ream had a bill in here this evening and, in his testimony, he said that he had thought about this before the session ever started, and here it comes in now and it was just dropped in the hopper about three days ago and then we got another one today, which takes up some more time tomorrow evening and our mornings are shortened up. He advised that they have senate bills to hear and in case they are amended, they have to be back in the senate by the 70th day and asked if that was true.

Representative Vincent replied that that was correct, but the taxation committee was not unique in that regard; however, the taxation committee has a heavier load than any other committee, at the present time except for appropriations. He noted that the list that Representative Devlin referenced is a list of all bills - it does not indicate when they will be considered in executive action; and he thought, at this time, giving how crucial some of those bills are, that it would be good to identify which bill would be considered in executive action so that everyone can monitor those bills and make sure that they are expedited and ready for consideration on the floor of the house. He fully recognized that this was not easy - it is 10 at night right now, but the job needs to get done and he is fearful that unless the process is speeded up and expedited in the next few days, that the house will be faced with a situation where the House Taxation Committee will have been unable to complete its work and bills in this committee will simply have to be blasted out before they can be considered on the floor at all. He continued that he fully appreciated the workload, but the realities are just that and time is pressing in on us and they need to take action on these bills and on a schedule that everyone knows when action is going to be taken.

Chairman Devlin responded that he tried to let the folks know that they should come to the meetings and that we have executive action and that has been the policy all year; and

Taxation Committee  
March 26, 1985  
Page Eleven

when they have time after the hearings, they take executive action and they have tried to do that. He also emphasized that these two nights were suppose to be set aside for executive session, but instead he gets loaded up with bills.

Representative Vincent said that his purpose was not to be critical - his purpose is to just assess the chairman of the realities that they face and the realities are that the committee, one way or the other, needs to do the best possible job of moving 20 to 30 bills out of this committee by Friday. He indicated that they would have the full cooperation of his office in doing whatever he can to help and they need to get the job done.

Chairman Devlin replied that they are certainly working at it and if they could work here a little while longer, they will try to pound some out tonight and tomorrow night and most every night this week.

Representative Vincent stated that he would appreciate very much a list from him of those bills he will take up in executive session.

Representative Devlin said that they will have it down to just a few bills, if they can get going,

Representative Iverson asked how many bills they have left to hear and Chairman Devlin responded that they have six bills to hear - four tomorrow morning and two tomorrow night and two on next Friday.

There was some discussion on ways to speed up the process.

Representative Vincent commented that when bills come in this late, the sponsors of those bills pay their money and take their chances and the primary responsibility in this committee now is to expedite the bills in executive session. He contended that the sponsors can simply not expect a full long hearing on bills that are introduced this late. His suggestion would be to very strictly limit testimony on these bills and find as much time as possible for executive session.

Taxation Committee  
March 26, 1985  
Page Twelve

DISPOSITION OF HOUSE BILL 287: Representative Williams moved that they TABLE this bill. The motion carried with Representatives Iverson, Sands, Asay, Gilbert, Patterson and Switzer voting no.

DISPOSITION OF HOUSE BILL 693: Representative Koehnke moved that this bill DO PASS. He distributed copies of a statement of intent (Exhibit 13) to the committee members. Representative Koehnke moved that the statement of intent be adopted. The motion carried unanimously.

There was some discussion on the merits of this bill and the DO PASS motion was voted on and all voted aye with the exception of Representative Cohen, who voted no.

DISPOSITION OF SENATE BILL 67: Representative Williams moved to TABLE this bill. A vote was taken and the motion passed with 11 voting aye and 9 voting no. See Roll Call Vote.

DISPOSITION OF HOUSE BILL 937: Representative Asay moved that this bill DO NOT PASS. He expressed his opinion that this was a very selective tax and that it was certainly discriminatory. He asserted that it would 'open up a whole can of worms'.

There was some discussion and Representative Williams moved that this bill be TABLED. The motion carried with Representative Keenan, Representative Harrington, Representative Cohen, Representative Raney and Representative Patterson voting no.

DISPOSITION OF SENATE BILL 280: Representative Sands moved that this bill DO NOT PASS. Representative Cohen made a substitute motion that this bill be TABLED. The motion carried unanimously.

DISPOSITION OF SENATE BILL 401: Representative Cohen moved that this bill DO NOT PASS.

There was some discussion on the bill and Representative Sands wondered how you could deduct something that was already depreciated and Representative Asay noted that on page 5, line 3, it said that no net operating deduction shall be allowed.

Taxation Committee  
March 26, 1985  
Page Thirteen

Representative Williams moved that they TABLE this bill. The motion carried with Representative Sands, Representative Ellison, Representative Iverson, Representative Patterson, Representative Asay and Representative Keenan voting no.

DISPOSITION OF SENATE BILL 330: Representative Harp moved to TABLE the bill by the request of the sponsor. Representative Harp then withdrew his motion as some of the members wanted to discuss this bill and a motion to table is nondebatable. There was very little discussion and Representative Harp moved to TABLE this bill again. The motion carried with Representative Cohen voting no.

DISPOSITION OF SENATE BILL 461: Representative Williams moved that this bill DO PASS. The motion carried unanimously. Representative Ellison indicated that he would carry the bill on the floor of the house.

DISPOSITION OF SENATE BILL 462: Representative Switzer moved that this bill BE CONCURRED IN. Representative Patterson explained that the fiscal note with the bill is now void and the total fiscal cost now is around \$90,000.00 and that is for local and state a year.

A vote was taken on the motion and all voted aye with the exception of Representative Williams, Representative Raney, Representative Keenan, Representative Zabrocki and Representative Cohen, who voted no. Representative Switzer will carry this bill on the floor of the house.

DISPOSITION OF SENATE BILL 465: Representative Patterson moved that this bill BE NOT CONCURRED IN. He said that he felt they were setting a bad precedent with this bill in earmarking money and he thought it should all go to the general fund. He also observed that they would have no control over these funds.

There was some discussion and Representative Williams moved to TABLE this bill on a substitute motion. The motion carried unanimously.

DISPOSITION OF HOUSE BILL 926: Representative Keenan distributed to the committee some proposed amendments. See Exhibit 14. She moved the adoption of these amendments. She explained that this amendment addresses those

Taxation Committee  
March 26, 1985  
Page Fourteen


funds that they take from the trust, which can be placed in the various accounts, so they will not have that cash flow problem; and, if there is any money left, it returns back to the trust.

Representative Iverson emphasized that this is a big and important bill, which addresses a substantial sum of money, and he contended that this night was not the time to take it up. He made a substitute motion that they pass consideration for the day. The motion carried unanimously.

DISPOSITION OF SENATE BILL 288: Representative Williams moved that this bill BE NOT CONCURRED IN. Representative Asay made a substitute motion that this bill be TABLED. The motion carried with Representative Cohen and Representative Schye voting no.

ADJOURNMENT: The time being late and everyone being exhausted, the meeting adjourned at 10:39 p.m.

  
GERRY DEVLIN, Chairman

  
Alice Omang, Secretary

DAILY ROLL CALL

HOUSE TAXATION

COMMITTEE

49th LEGISLATIVE SESSION -- 1985

Date 3/26/85 - P.M.

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

Page 1 of 3.

March 26, 19 85

MR. SPEAKER:

We, your committee on TAXATION

having had under consideration HOUSE Bill No. 822

first reading copy ( white color )

## RAISING AVIATION GASOLINE TAX, CREATING AN ACCOUNT FOR AIRPORT LOANS AND GRANTS

Respectfully report as follows: That HOUSE Bill No. 822

be amended as follows:

1. Page 4, line 24.

Following: "proceeds of"

Insert: " (1) until July 1, 1987, "

2. Pages 4 and 5.

Following: "gallon" on line 25 of page 4

Strike: the remainder of line 25 through line 3 of page 5

Insert: " and

(ii) beginning July 1, 1987, and thereafter, 11 cents a gallon; and"

3. Page 5, line 6.

Following: "proceeds of"

Insert: "(i) until July 1, 1987, "

Following: "gallon;"

Insert: "and

(ii) beginning July 1, 1987, and thereafter, 11 cents a gallon.

2 - a. Page 5, line 4.

Strike: "(1)"

DO PASS

(continued)

#50



March 26, 1985

4. Page 5.

Strike: lines 7 through 14 in their entirety

5. Page 5, line 15.

Strike: "(iii) money"

Insert: "(5)(a) Money deposited under subsection (4)(a) shall be spent by the department for the sole purpose of carrying out its function pertaining to aeronautics.

(b) Money"

Renumber: subsequent subsections X

6. Page 5, line 16.

Following: "(4)(b)"

Strike: "(1)"

7. Page 5, line 19.

Following: "purposes."

Insert: "(5)"

Renumber: subsequent subsections

8. Page 5, line 20.

Following: "under"

Strike: "this"

9. Page 5, line 21.

Following: line 20

Strike: "(6)(b)(iii)"

Insert: "(5)(b)"

10. Page 5, line 22.

Following: "(4)(b)"

Strike: "(1)"

11. Pages 5 and 6. "(7)"

Following: "(6)" on line 23 of page 5

Strike: the remainder of line 23 through line 1 on page 6

Insert: "(a) Upon application made by a scheduled passenger-carrying airline to the department by August 1 and approved by the department, a rebate is allowed for a portion of the aviation gasoline tax paid pursuant to 15-70-205. The rebate is allowed only on the tax paid on aviation gasoline purchased in Montana during the state fiscal year ending the June 30 preceding the date of application. The amount of the rebate must be made as follows:

(i) for any amount less than 200,000 gallons, no rebate is allowed;

(ii) for any amount between 200,000 gallons and 1,000,000 gallons, 1/2 cent per gallon;

(iii) for any amount between 1,000,001 gallons and 2,000,000 gallons, 3/4 cent per gallon;

(iv) for any amount between 2,000,001 gallons and

.....March 26,..... 1935.....

5,000,000 gallons, 1 cent per gallon; and  
(v) for any amount in excess of 5,000,000  
gallons, 1 1/2 cents per gallon.

(b) Any rebate payment approved by the department  
shall be paid from the funds in the segregated account  
described in subsection (4)(b).\*

AND AS AMENDED,  
DO PASS.

# STANDING COMMITTEE REPORT

IN

March 26, 1925

MR. **SPEAKER:**

We, your committee on **TAXATION**

having had under consideration **HOUSE** Bill No. **693**

first reading copy ( white )  
color

**AN ACT EXEMPTING CERTAIN IMPROVEMENTS TO AGRICULTURAL LANDS FROM  
PROPERTY TAXATION;**

Respectfully report as follows: That **HOUSE** Bill No. **693**

DO PASS

**STATEMENT OF INTENT ATTACHED**

STATE PUB. CO.  
Helena, Mont.

**GERRY DEVLIN,**

Chairman.

COMMITTEE SECRETARY

STATEMENT OF INTENT FOR HOUSE BILL NO. 693

A statement of intent is attached to this bill at the request of the sponsor and the House Taxation Committee because under the provisions of this act the department of revenue must limit the property tax exemption to only bona fide agricultural farmsteads that were identified in the fiscal note.

It is the intent of the legislature that the department of revenue limit the tax exemption for sewage disposal systems and domestic water supply system improvements to the estimated 49,400 farmsteads referred to in the original fiscal note on House Bill 693 and any new farmsteads of the future that meet the same description. Any existing authority of the department of revenue to make rules on the subject of the provisions of this act is extended to the provisions of this act.

# STANDING COMMITTEE REPORT

..... March 26, ..... 19 85 .....

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

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

having had under consideration ..... **SENATE** ..... Bill No. **462**

third reading copy ( blue )  
color

**RELATING TO DEDUCTIONS ALLOWED IN DETERMINING OIL AND GAS NET  
PROCEEDS,**

Respectfully report as follows: That ..... **SENATE** ..... Bill No. **462**

BE CONCURRED IN

~~DO PASS~~

# STANDING COMMITTEE REPORT

.....March 26,..... 19...85.

MR. SPEAKER.....

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

having had under consideration .....SENATE..... Bill No. 461.....

third reading copy ( blue )  
color

**LOCAL GOVERNMENT TAX ANTICIPATION NOTE AUTHORITY, PURCHASE BY  
MONTANA ECONOMIC DEVELOPMENT BOARD**

Respectfully report as follows: That.....SENATE..... Bill No. 461.....

BE CONCURRED IN

~~DO PASS~~

ROLL CALL VOTE

HOUSE COMMITTEE TAXATION

DATE 3-26-85 BILL NO. H.B.#822 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.#822

\_\_\_\_\_  
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 \_\_\_\_\_  
 \_\_\_\_\_

ROLL CALL VOTE

HOUSE COMMITTEE TAXATION

DATE 3-26-85

BILL NO. H.B#822

TIME 9:40p.m

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# 822

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ROLL CALL VOTE

HOUSE COMMITTEE TAXATION

DATE 3-27-85 BILL NO. SB#67 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 SB#67

\_\_\_\_\_  
 \_\_\_\_\_  
 \_\_\_\_\_  
 \_\_\_\_\_  
 \_\_\_\_\_

A \$6,000 CAP ON FEDERAL INCOME TAXES THAT CAN BE DEDUCTED FROM STATE INCOME TAXES:WHY CAP FEDERAL TAXES?

(1) To plug a major loophole - Many high income persons are paying little or no Montana income tax, in part, because they may deduct their entire federal tax paid from their Montana income. One taxpayer paid \$650,000 in federal income taxes in 1983 and not one cent to Montana. There are 45 Montanans that earned more than \$100,000 in 1983, yet didn't pay any state income taxes.

(2) To achieve tax equity - Individuals that earn \$110,000 per year now pay the same rate of tax (2.8%) as individuals that earn \$20,000 per year. Our income tax is progressive to about \$40,000 per year annual income and then the effective rate levels off and falls dramatically because of deductions and exclusions taken by higher income taxpayers. See graphs numbered 2 and 3.

WHO WILL BE AFFECTED?

Only individuals earning more than \$35,000 will be affected and two wage earners in a family may each use the \$6,000 cap. The impact on an "average" taxpayer at \$40,000, \$60,000, \$80,000, and \$100,000 income is shown in the graph numbered 10.

Note that nearly half the increase in taxes will be offset by a decrease in federal taxes for those in the 50% tax bracket, less for those in lower tax brackets. The effect is that state revenue increases are offset in part by federal revenue decreases (Graphs 10 and 11).

HOW DO OTHER STATES TREAT THIS DEDUCTION?

Only 16 states allow any deduction of federal income taxes. Of the 16, five states cap the deduction, ranging from \$300 in Delaware to \$7,000 in Oregon. Five other states of the 16 are currently considering a cap. All other states allow no deduction for federal income tax paid. See table numbered 12.

REASONS FOR \$6,000 CAP

(1) The effective tax rate currently levels off at about \$40,000 income and then falls (see graph 3). The \$6,000 cap starts affecting taxpayers at the place where the curve breaks.

(2) This cap will only affect 5.8% of Montana taxpayers. By contrast, a 10% surtax, raising about the same revenue, affects 100% of the taxpayers.

REASONS FOR \$6,000 CAP CONTINUED

(3) This cap would generate \$12.86 million in FY 1986 and \$11.85 million in FY 1987.

(4) This is indirect Federal revenue sharing. Overall, 41% of the total revenue raised by HB 944 will be paid back to the taxpayers in federal tax savings.

USES FOR INCREASED REVENUE

Increase foundation program to 5%/5%?

Fund University System at 100% of formula both years to match increases in student tuition?

Social Services?

Exhibit 1-2  
HB 944  
3/26/85 - P.M.  
Rep. Ream

PERCENT

EFFECTIVE TAX RATE

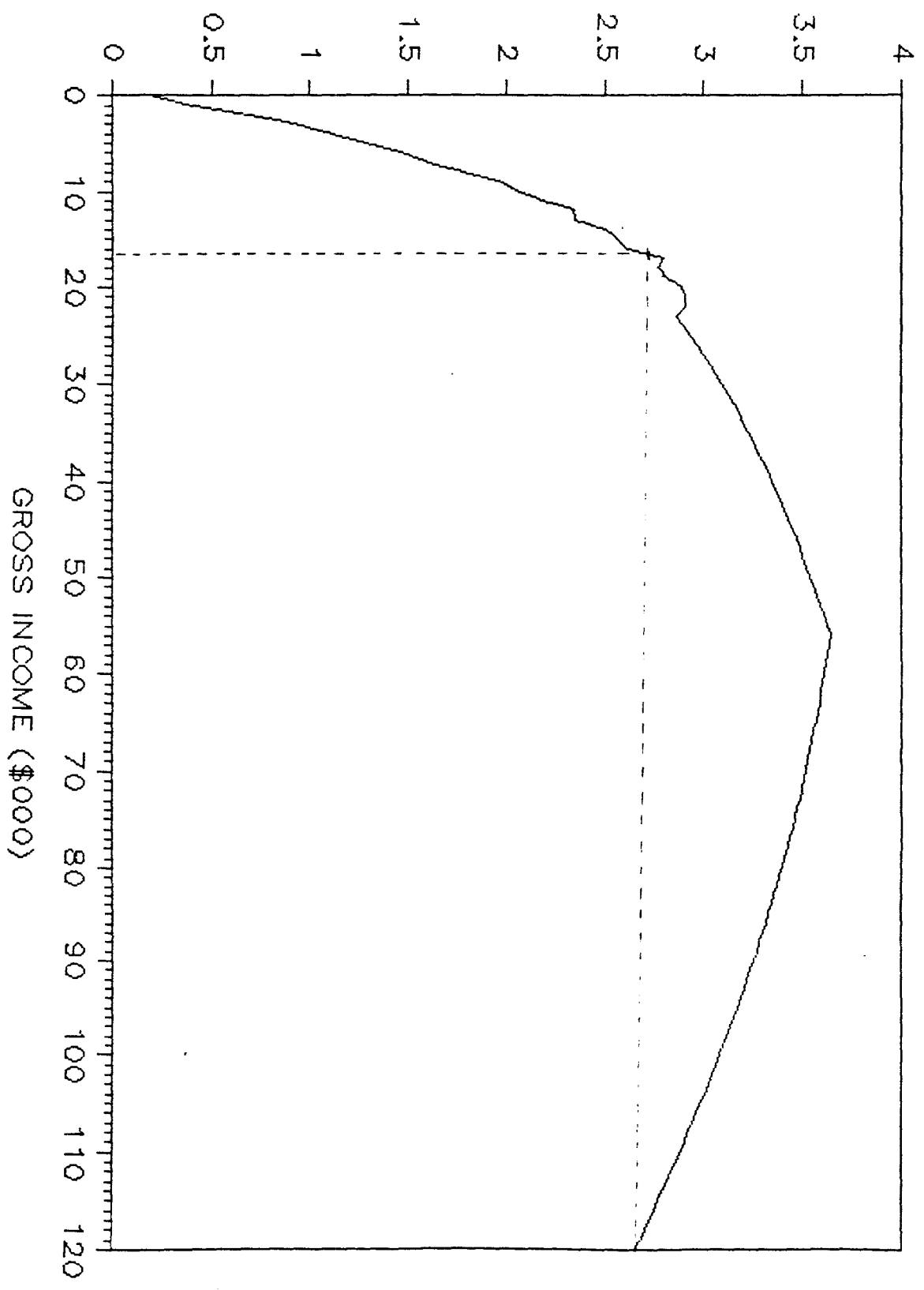
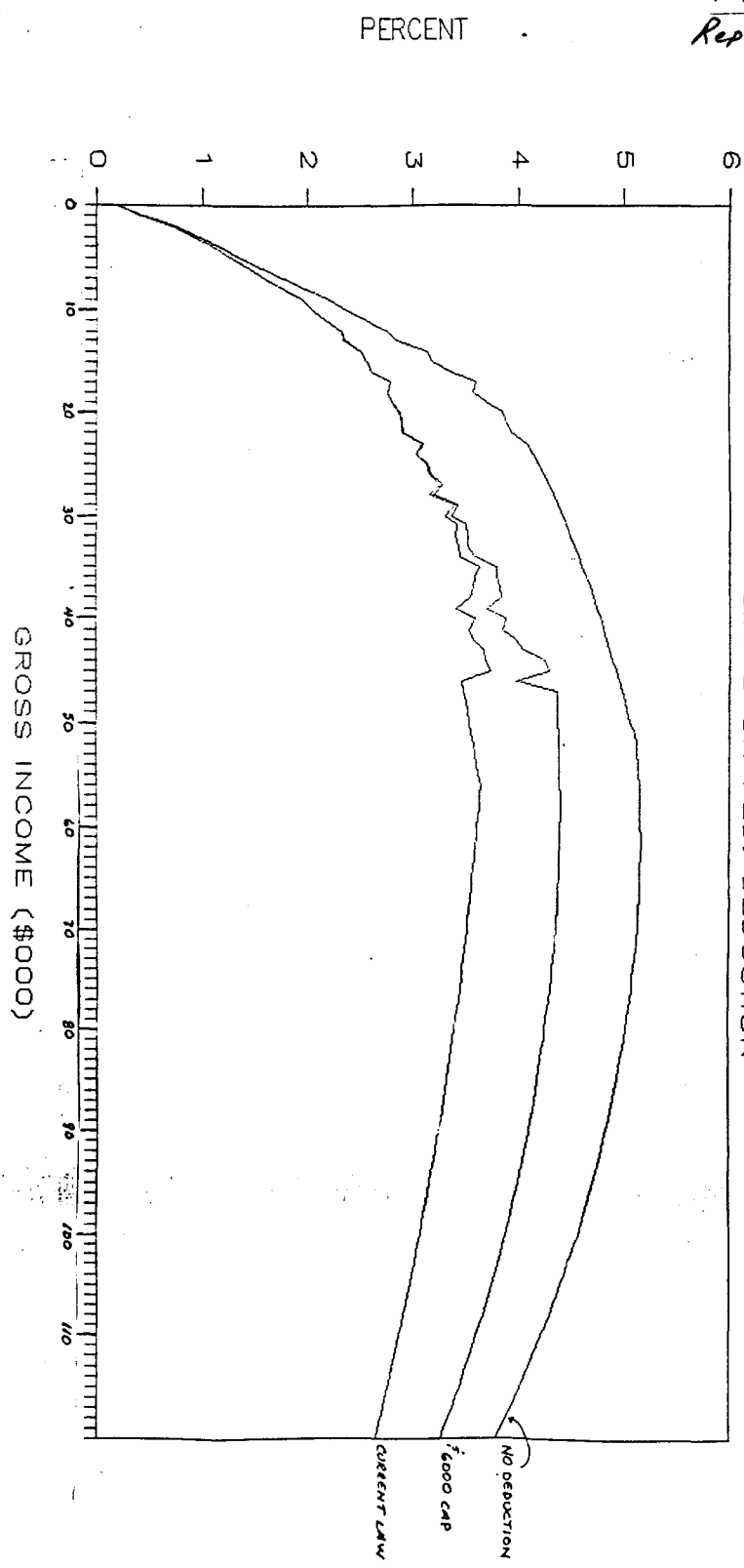


Exhibit 1-3  
HB 944  
3/26/85 - P.M.  
Rep. Ream

# EFFECTIVE TAX RATES

LIMITS ON FED. DEDUCTION



PERCENT

GROSS INCOME (\$000)

Exhibit 1-4  
HB 944  
3/26/85 - P.M.  
Rep. Ream

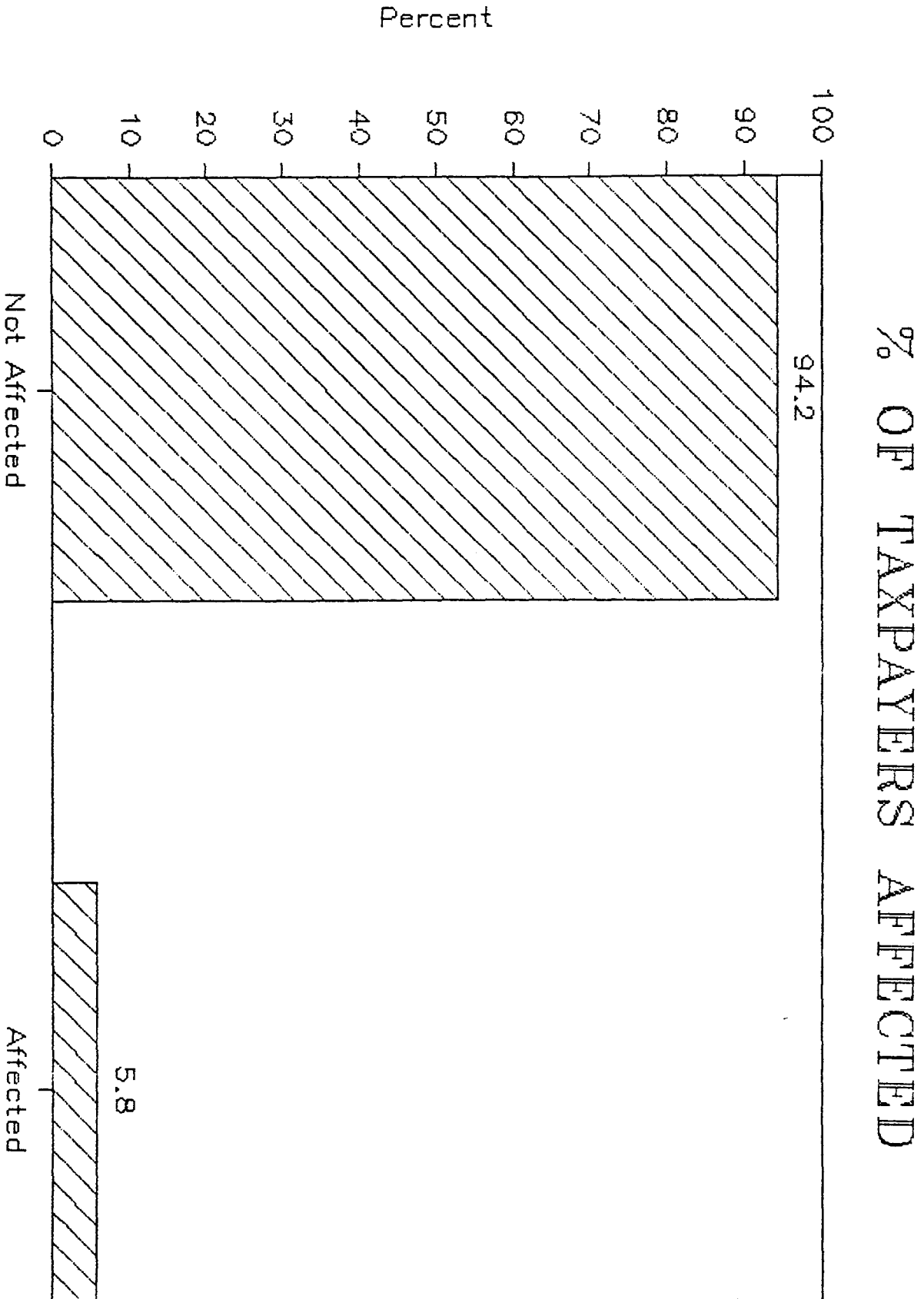


Exhibit 1-5  
 HB 944  
 3/26/85 - P.M.  
 Rep Rec m

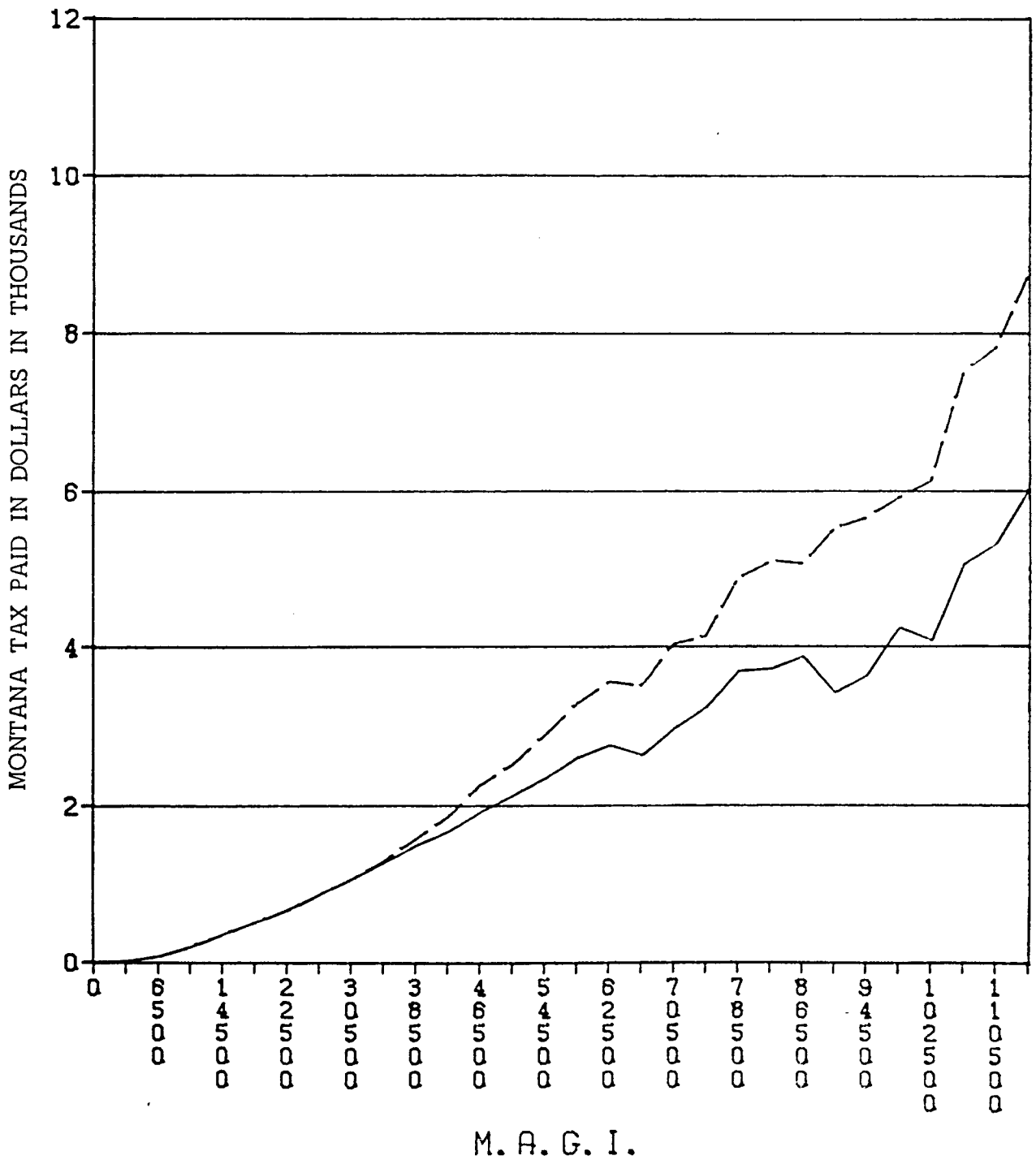
IMPACT OF VARIOUS LIMITS ON FEDERAL DEDUCTABILITY

LIMIT	# OF TAXPAYERS AFFECTED	M.A.G.I. GROUPS AFFECTED	REVENUE	
			1st YEAR	2nd YEAR
No. Deduction	217,807	ALL	\$57.30 M	\$50.25 M
\$2,000 Limit	115,829	>\$15,500	\$35.70 M	\$20.08 M
\$5,000 Limit	34,887	>\$30,500	\$15.51 M	\$14.17 M
\$6,000 "	22,538	>35,000	12.86 M	11.85 M
\$10,000 Limit	7,266	>\$51,500	\$ 7.84 M	\$ 7.39 M
\$20,000 Limit	1,850	>\$85,500	\$ 4.32 M	\$ 4.15 M
No. Deduction	217,807	ALL	\$57.30 M	\$50.25 M
With Reduced Rates/1%	406,549	ALL	-\$26.94 M	-\$26.94 M
NET			\$30.36 M	\$23.31 M

# FEDERAL TAX DEDUCTIBILITY

CURRENT LAW VS. \$6000 CAP

*Exhibit 1-6  
HB 944  
3/26/85-AM  
Rep Ream*



— CURRENT LAW  
- - - \$6000 CAP



Exhibit 1-8  
HB 944  
3/26/85-P.M.  
Rep. Ream

DEPARTMENT OF REVENUE



TED SCHWINDEN, GOVERNOR

MITCHELL BUILDING

STATE OF MONTANA

HELENA, MONTANA 59620

March 7, 1985

Rep. Bob Ream  
Capitol Station  
Helena, Montana 59620

Dear Rep. Ream:

Per your request, my staff have prepared estimates of the fiscal impact of various limits on the deduction of federal income taxes for state income tax purposes. Our findings, based on simulations performed on approximately 60,000 1983 tax returns, are summarized in the following.

EFFECTS OF \$6,000 LIMIT ON DEDUCTION FOR FEDERAL TAXES

The analysis assumes that each taxpayer would be subject to a limit of \$6,000 on the amount of federal taxes that could be deducted when calculating Montana taxable income. The limit, therefore, converts to \$12,000 per household for those households filing married separate returns. Households that file married joint returns (one taxpayer) or single taxpayers would be subject to a \$6,000 limit. Montana statutes allowing married separate filings create substantial tax savings for two wage earner households that file separate returns. Therefore, it is assumed that married joint returns represent one wage earner households and the \$6,000 limit is warranted.

Further, it is assumed that taxpayers that are impacted by the limit would not be forced to include all of any subsequent federal refund in their gross income. These taxpayers would be required to report a portion of the refund based on the percentage of federal taxes they were able to deduct in the previous tax year. For example, a taxpayer that was only able to deduct 50% of his federal tax would be required to report 50% of any subsequent refund.

Fiscal Impact

Limiting the deductibility at \$6,000 per taxpayer would generate approximately \$12.86 million and \$11.85 million in the first and second years, respectively. The decline in the second year revenue is due to adjustments in the amount of refunds that are included in Montana adjusted gross income.

8  
publications & graphics

Rep. Bob Ream  
March 7, 1985  
Page 2

Number of Taxpayers Affected

Approximately 406,500 tax returns were filed in tax year 1983. Approximately 217,800 returns claimed the deduction for federal taxes. Only 10.8% of the returns claiming the deduction or 23,600 taxpayers would be affected by the cap. This represents about 5.8% of the total returns filed in 1983.

Income Groups Affected

Generally taxpayers claiming the deduction for federal taxes with Montana adjusted gross incomes over \$34,500 for single taxpayers and approximately \$50,000 for married taxpayers would be the only groups affected by the proposal. Taxpayers who do not claim the deduction or who claim the deduction but do not meet the income threshold would be unaffected by the proposal.

I hope this answers your questions. Please feel free to contact me if you have any questions.

Sincerely,



Steve Bender, Chief  
Research Bureau  
Research & Information Division

SB/jms

EXAMPLE  
 Exhibit 1-9  
 HB 944  
 3/24/85 - P.M.  
 Rep. Keam

Impacts of Capping the Deduction for FIT Paid at \$6,000. (CY1984)  
FEDERAL COMPUTATION

SINGLE FILERS

FAGI	40,000	60,000	80,000
EXEMPTION	1,000	1,000	1,000
ITEM. DED.	<u>7,000</u>	<u>9,000</u>	<u>12,000</u>
TI	32,000	50,000	67,000
FIT	6,802	13,889	21,731
OTHER DED.	<u>9,098</u>	<u>13,014</u> 13,914	<u>16,573</u>
TOTAL DED.*	15,900	27,803	38,304

STATE COMPUTATION

With Full Deduction:

MAGI	40,000	60,000	80,000
ITEM. DED.	15,900	27,803	38,304
EXEMPTION	<u>1,000</u>	<u>1,000</u>	<u>1,000</u>
TAX INC.	23,100	31,197	40,696
TAX LIAB.	<u>1,515</u>	<u>2,305</u>	<u>3,255</u>

With Deduction capped at \$6,000:

TAX INC.	23,902	39,086	56,427
TAX LIAB.	<u>1,587</u>	<u>3,094</u>	<u>4,953</u>

INC. IN LIAB. State Tax	<u>72</u>	789	<u>1,698</u>
% INC.	4.75%	34.23%	52.17%

Decrease in Federal Tax	33	331	815
Net tax increase	39	458	883
% increase in total taxes	0.5%	2.8%	3.5%

\* DEDUCTION FIGURES TAKEN FROM LATEST FEDERAL DATA

FEDERAL COMPUTATION

## MARRIED-JOINT FILERS

FAGI	40,000	60,000	80,000
EXEMPTION	4,000	4,000	4,000
ITEM. DED.	<u>7,300</u>	<u>10,000</u>	<u>13,500</u>
TI	28,700	46,000	62,500
FIT	4,496	9,858	16,218
OTHER DED.	<u>11,116</u>	<u>16,272</u>	<u>20,087</u>
TOTAL DED.	<u>15,612</u>	<u>26,130</u>	<u>36,305</u>

STATE COMPUTATIONWith Full Deduction:

MAGI	40,000	60,000	80,000
ITEM. DED.	15,612	26,130	36,305
EXEMPTION	<u>4,000</u>	<u>4,000</u>	<u>4,000</u>
TAX INC.	20,388	29,870	39,695
TAX LIAB.	<u>1,271</u>	<u>2,172</u>	<u>3,154</u>

With Deduction capped @ \$6,000:

TAX INC.	20,388	33,728	49,913
TAX LIAB.	1,271	2,557	4,236
INC. IN LIAB.	0	385	1,082
% INC.	0%	17.76%	34.32%

Decrease in Federal Tax	0	147	455
Net tax increase	0	238	627
% increase in total taxes	0	2.0%	3.2%

Exhibit 1-10  
 HB 944  
 3/26/85-P.M.  
 Rep. Ream

Effect of \$6000 Cap  
 Single Taxpayers

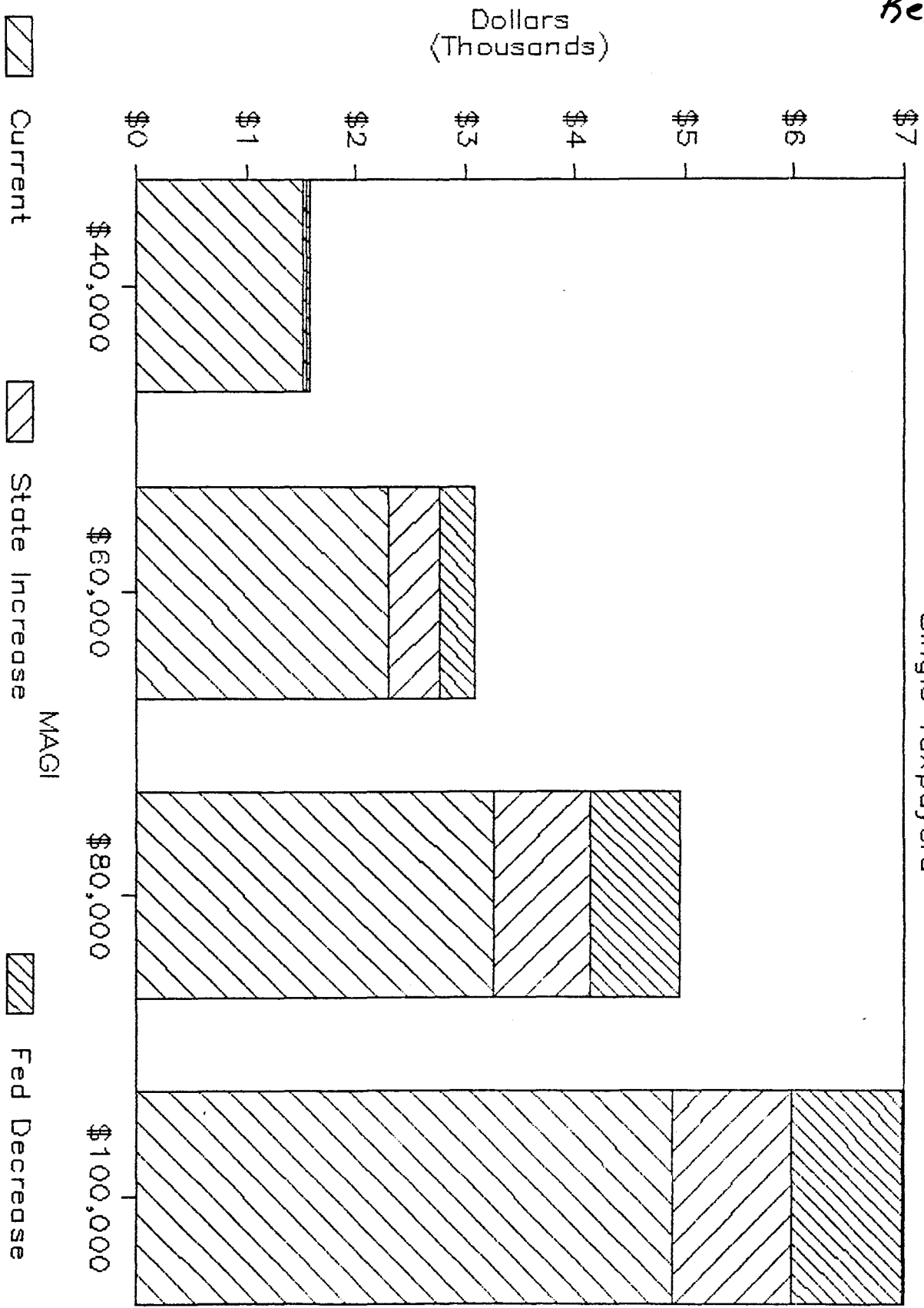


Exhibit 1-10a  
HB 944  
3/26/85 - P.M.  
Rep. Bean

Dollars  
(Thousands)

# Effect of \$6000 Cap

Married - Filing Joint

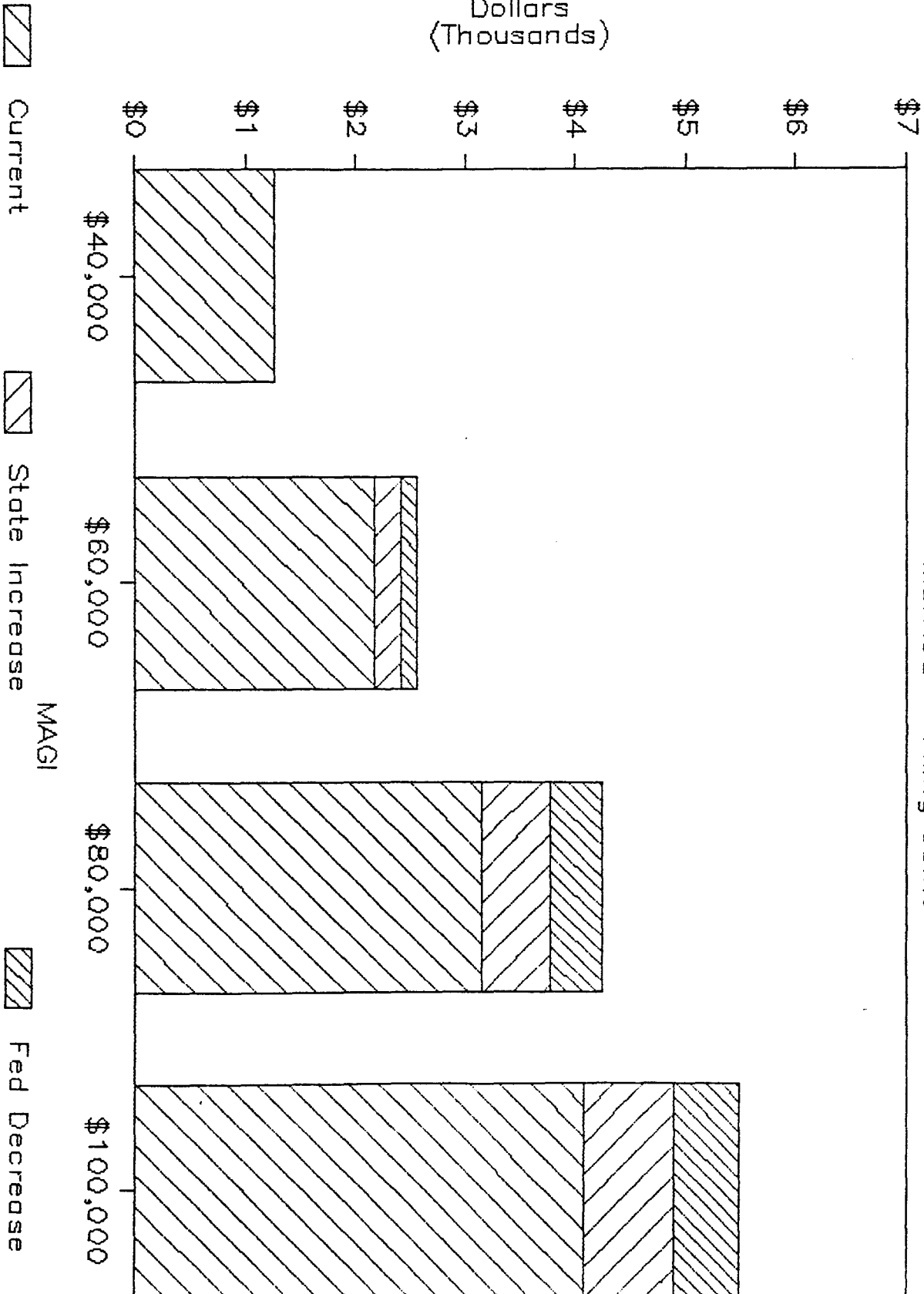


Exhibit 1-11  
HB 944  
3/26/85-P.M.  
Rep Room

# NET EFFECT OF \$6000 CAP

Impact for the Biennium

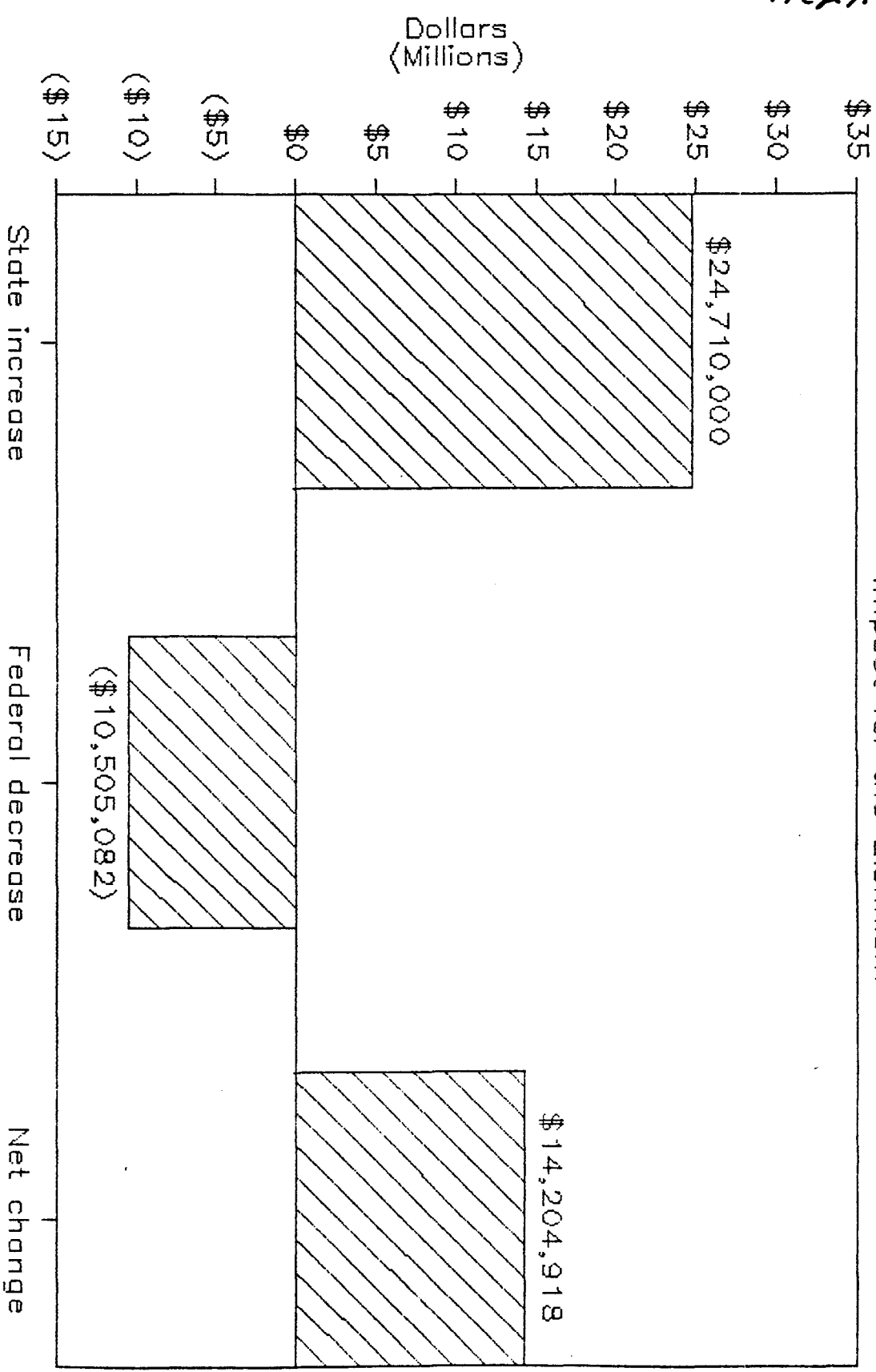
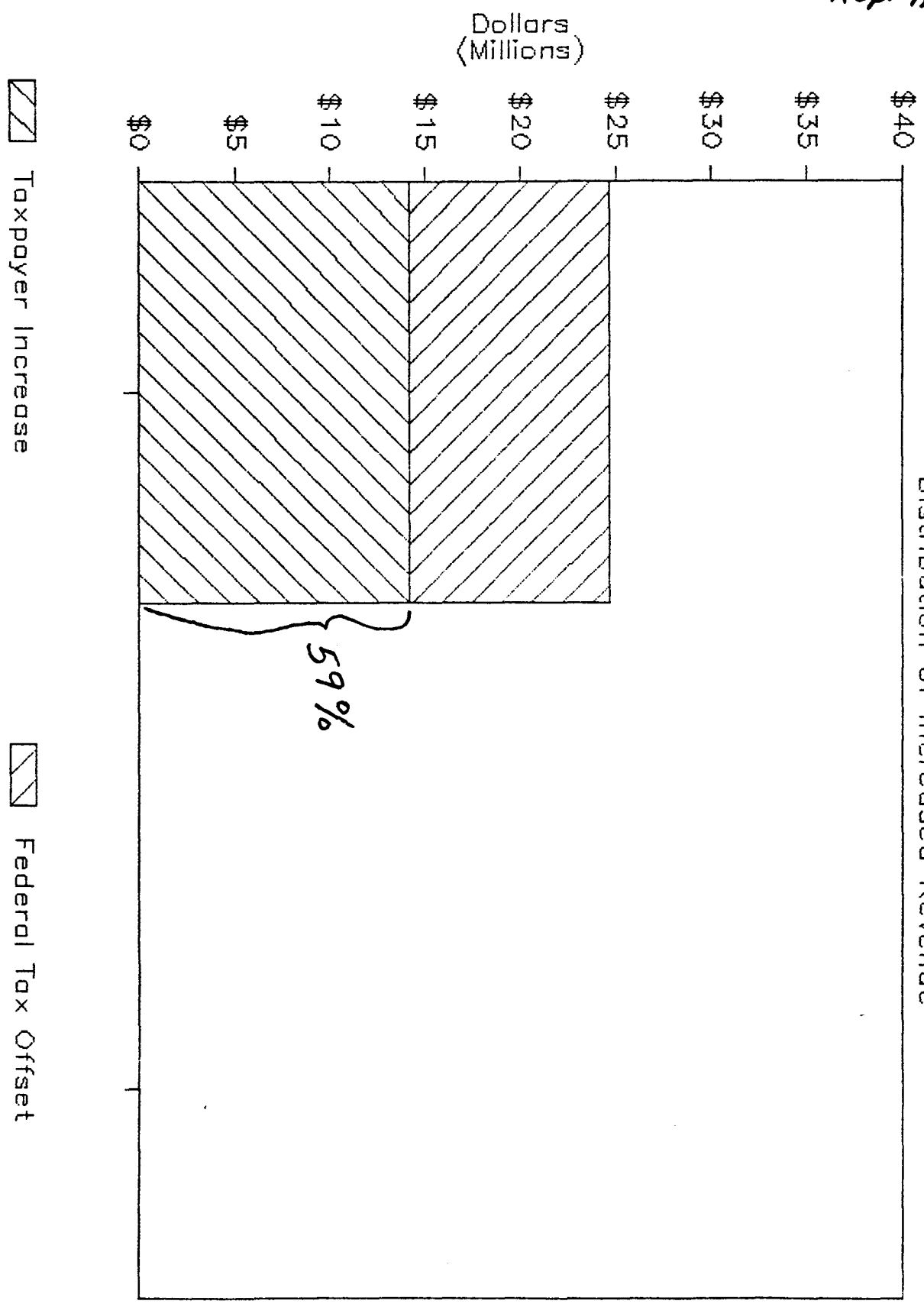


Exhibit 1-11A  
HB 944  
3/26/85 - P.M.  
Rep Ream

# IMPACT OF \$6000 CAP

Distribution of Increased Revenue





STATES ALLOWING FEDERAL INCOME TAX DEDUCTION

States with cap on deductibility - amount

Delaware - \$300.00 single, \$600.00 joint. <sup>1</sup>  
Kansas - \$5000.00 single, \$10,000.00 joint. <sup>1</sup>  
Oklahoma - Oklahoma adjusted gross income = maximum deduction  
Federal adjusted gross income  
Oregon - \$7000.00 single, \$3500.00 married filing separate. <sup>2</sup>  
South Carolina - No more than \$500.00

States with current legislation requesting cap

Iowa <sup>3</sup>  
Kentucky  
Minnesota <sup>4</sup>  
Missouri

States with no cap and no requested cap

Alabama  
Arizona  
Colorado  
Louisiana  
Montana  
North Dakota  
Utah

Footnotes

- 1)  $\text{or } 50\% \text{ of } N = \frac{\text{Federal Income Tax Liability} \times \text{Kansas Adjusted Gross Income}}{\text{Federal Adjusted Gross Income}}$
- 2) First cap of \$3,000.00 placed in 1974; up to \$5000.00 in 1978; \$7,000.00 in 1982.
- 3) In 1983, proposed cap passed one house, failed in other.
- 4) Request is from the governor.

All other states allow no deduction for federal income tax paid.

Exhibit 2  
HB 944  
3/26/85 - P.M.



# MONTANA FEDERATION OF TEACHERS

AMERICAN FEDERATION OF TEACHERS

AFL-CIO



P.O. Box 1246

Helena, Montana 59624

(406) 442-2123



March 26, 1985

Mr. Chairman, members of the Committee:

My name is Terry Minow. I represent the Montana Federation of Teachers.

The Montana Federation of Teachers rises in support of HB 944. We feel this bill provides for a fair way to increase the revenue available to the Legislature for the adequate funding of education and social services.

This morning the House Appropriations Committee discussed funding the Foundation Program at a four percent increase in each year of the biennium, a percentage we contend is inadequate. Tomorrow you will begin hearing HB 500, the General Appropriations Bill, on second reading. Members of the Appropriations Committee on both sides of the aisle have stated that their months of deliberation have resulted in tight, fiscally conservative budgets. Yet in spite of the cuts, in spite of what we believe is inadequate funding of education, the pay plan and social services, the state is facing a huge budget deficit.

One of the most desirable features of this bill is that it would tax those who are most able to afford it. Few would argue that a general increase in property taxes is fair-- and yet that is what will happen if the Foundation Program is not adequately funded. The property tax weighs heavy on lower and middle class homeowners, particularly senior citizens. If education is not properly funded the burden will once again fall upon this same group of taxpayers. In contrast, HB 944 will actually provide tax relief for most Montanans.

It is time that this Legislature begin addressing its revenue shortfall. This fair and equitable bill goes a long ways towards restoring a favorable cash-flow balance for the State.

Please give HB 944 the careful and favorable consideration that it deserves.

Thank you.

2

# MONTANA LOW-INCOME COALITION



P. O. Box 1029  
107 West Lawrence  
Helena, Montana 59624  
(406) 449-8801

*Statewide* MONTANA HRDC DIRECTOR ASSOCIATION  
MONTANA LEGAL SERVICES EMPLOYEES  
MONTANA SENIOR CITIZEN ASSOCIATION  
NORTHERN ROCKIES ACTION GROUP

*Helena* LAST CHANGE PEACEMAKERS COALITION  
LOW INCOME SENIOR CITIZENS ADVOCATES  
MONTANA ALLIANCE FOR PROGRESSIVE POLICY

*Missoula* LOW INCOME GROUP FOR HUMAN TREATMENT  
NATIVE AMERICAN SERVICES AGENCY

*Great Falls* CONCERNED CITIZENS COALITION  
MONTANA POWER TO THE PEOPLE

*Butte* BUTTE COMMUNITY UNION

*Bozeman* BOZEMAN HOUSING COALITION

Exhibit 2-  
HB 944  
3/26/85 - P.M.  
Louise Kunz

3/26/85

Louise Kunz

HB 944 Support

We support HB 944. Only 16 out of 43 states with individual income tax allows some form of federal tax deductibility. 5 of those limit the amount. Limits range from \$300 to \$7000. 5 of those states who allow unlimited deductions are now considering limits.

This bill will generate \$15,700,000 for the general fund over the biennium. It affects 5.8% of tax returns and prevents a general tax increase. It helps to correct what is, at this time, an unfair tax system.

The State of Mont. is facing a budget crisis that is depriving many Montanans of basic needs for survival. HB 944 would be one way to bring needed dollars to the general fund and help address this problem.

This is a very moderate revenue proposal. Human needs programs have been asked to take deep cuts and now you'll be asking those who enjoy higher economic success to accept a cut.

We urge a do-pass for this bill.

Exhibit 2-2  
HB 944  
3/26/85 - P.M.  
M. Munro

TESTIMONY BEFORE THE HOUSE TAXATION COMMITTEE - March 26, 1985

Molly Munro, Concerned Citizen and Taxpayer, Helena, Montana

I support HB 944. I am a member of the middle class and a taxpayer. I work hard and, while I don't like paying taxes (who does?) I realize that I have a responsibility to do so. However, I am tired of carrying the tax load while high-income people and corporations get by with paying little or no taxes.

Looking at our tax structure in terms of taxes paid as a percentage of gross income, Montana's tax structure is regressive for people with incomes over \$65,000. For people with income over \$120,000, the effective tax rate is the same as people with income of \$18,000! This is neither reasonable nor fair.

One factor that helps this inequity is that people with higher incomes have more federal income tax to deduct on their state tax returns. HB 944 would put a cap on the amount of federal tax that could be deducted and would reinstate some equity into our Montana tax law. Any increase in state tax, as a result, can be deducted on the federal income tax returns.

For too long, our legislators have espoused the fallacy that, by giving tax advantages and credits, rebates, etc., to the wealthy and corporations, they will provide jobs and benefits for the people. What has really happened?

Montana lost approximately \$1.71 million in revenue in the last biennium because of such tax giveaways and now we are in a real crunch. Dollar benefits of the giveaways that were to go into investment, jobs, modernization of plants and the like were spent instead on increased dividends for stockholders, buyouts and mergers, and out-of-state investments in companies that compete with our in-state companies. Instead of providing jobs, the corporations are eliminating jobs in our state. WHEN WILL WE LEARN?

It is estimated that HB 944 would bring in \$24.6 million in additional revenue over the biennium and would affect only 5.8% of all tax returns in the state--those most able to pay.

The state needs the money--we of the middle class need some help in supporting the governmental needs of this state. For this reason, I urge you to support HB 944--it is legislation that is fair and much needed.

Exhibit 3  
HB 944  
3/26/85 - PM.  
Rep. Ream.

TAXPAYERS AFFECTED BY \$6,000 CAP ON DEDUCTION OF FEDERAL TAX

	<u>GROSS INCOME LESS THAN \$120,000 AND GREATER THAN \$35,000</u>	<u>GROSS INCOME \$120,000 or MORE</u>	<u>TOTAL</u>
# of Taxpayers	21,481	1,458	22,939
Percentage	93.6%	6.4%	
Additional Revenue Collected	7,212,506 56.4%	5,572,834 43.6%	12,785,340
Decrease in Federal Tax	2,567,417 48.8%	2,685,124 51.1%	5,252,541
TOTAL NET TAX	4,645,090 61.7%	2,887,710 38.3%	7,532,800
For every dollar paid by taxpayer, State receives:	\$1.55	\$1.93	\$1.70

11  
MONTANA'S CORPORATE LICENSE TAX

Exhibit 4  
SB 465  
3/26/85  
Sen. Van Valkenburg

Montana's corporate tax rate has not increased since 1971. The rate is lower than 22 of 45 states which impose corporate taxes. Since 1977, 23 states have raised corporate taxes. In 1983 alone, 11 states increased their rates.

For most corporations doing business in this state, Montana's corporation tax is an insignificant cost. An analysis of FY 83 tax returns showed that 10,618 corporations (70% of all those filing) paid \$500 or less, with almost 40% paying \$100 or less.

Recent total corporation tax collections have fallen from a high of \$52.9 million in FY 81 to \$35.9 million in FY 84. This is largely due to the granting of credits (such as the Business Inventory Credit) and extension of deductions (e.g. Accelerated Cost Recovery System). Montana's treatment of net operating losses as a deduction is among the most liberal in the country. We permit corporations to carry net operating losses back three years or forward seven years.

Finally, increasing Montana's corporate tax rate to 7% will not make its rate any higher than its two closest neighbors imposing corporate taxes----Idaho (7.7%) and North Dakota (7%).

- Senator Fred Van Valkenburg

SB 465 - ACADEMIC BUILDING PROGRAM

Exhibit 5  
SB 465  
3/26/85 - P.M.  
Carpenter

GENERAL PURPOSE - This bill creates an Academic Building Program. The Board of Regents will develop recommendations for long range maintenance and construction needs for action by the Legislature. The University System administers two-thirds of state building space and this approach assures coherent long-term planning of this major resource by the Regents and the Legislature.

USE OF FUNDS - The funds will be used to support an academic building program for necessary construction, renovation, repair and maintenance projects.

EXAMPLES OF PROJECTS

Expansion of Special Education Building, EMC - Would add space to house Schools of Education and Business and Economics.

Business Administration Building, UM - Allow the University to offer a full business program with a range of options in a modern facility.

Engineering/Physical Sciences Complex, MSU - Provide adequate facility housing "state of the art" equipment necessary for teaching and research in engineering and the physical sciences.

Multi-Use Technology Building, NMC - Would provide adequate space to house the welding, metals, foundry, hydraulic and automotive programs.

Renovate Engineering Hall, MT Tech - Provide adequate functional classrooms, and office instruction and administration.

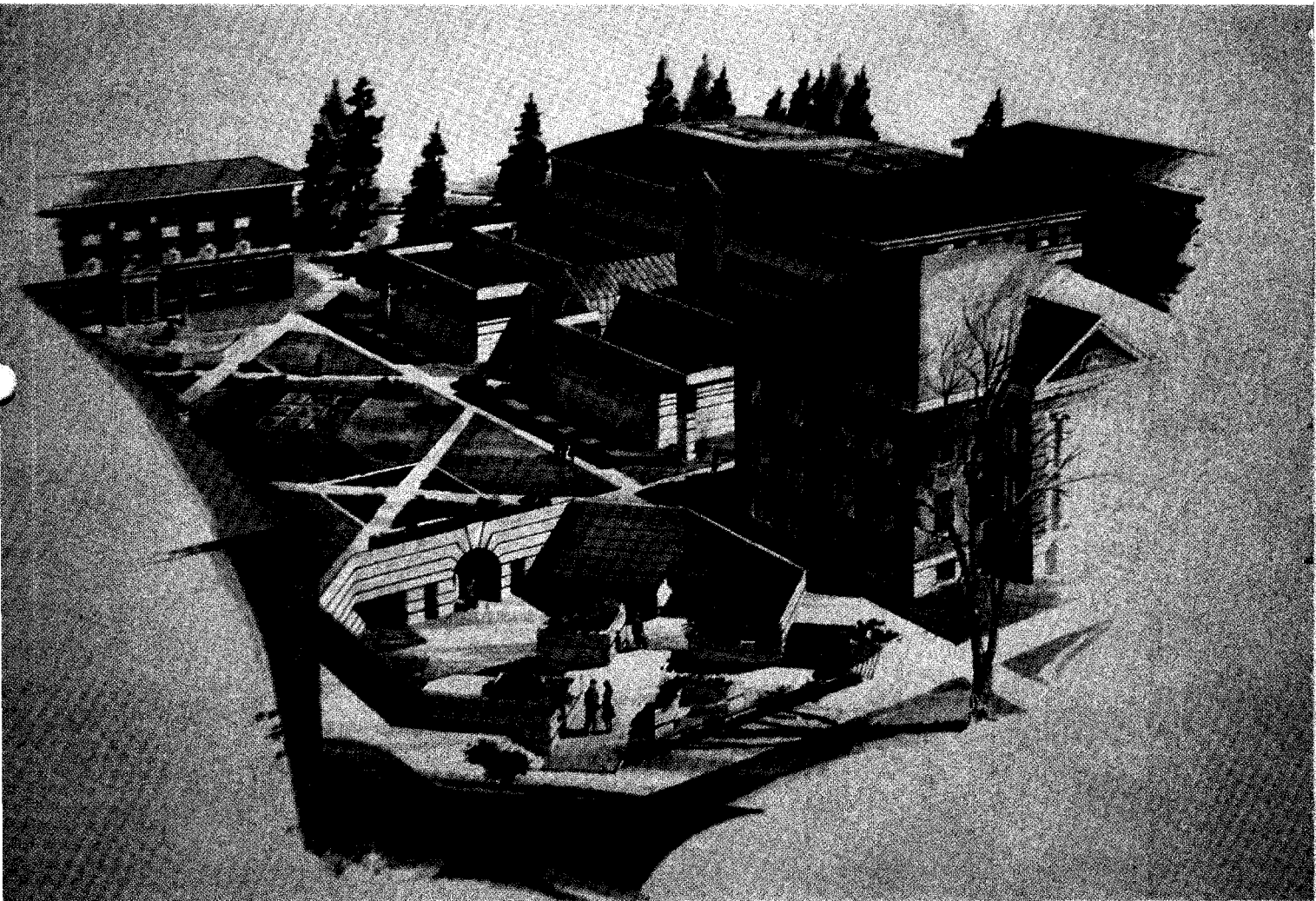
Renovate Space for the Computer Center, MT Tech - Renovation of the former Classroom/Administration/Auditorium/Library Building to accommodate the computer center, faculty offices, and classrooms.

Remodel Main Hall, WMC - Improve access and provide adequate space for the art and education.

System Projects - On all the campuses there is a need to continue to improve utilities and handicapped accessibility, and to address a serious problem dealing with asbestos abatement.

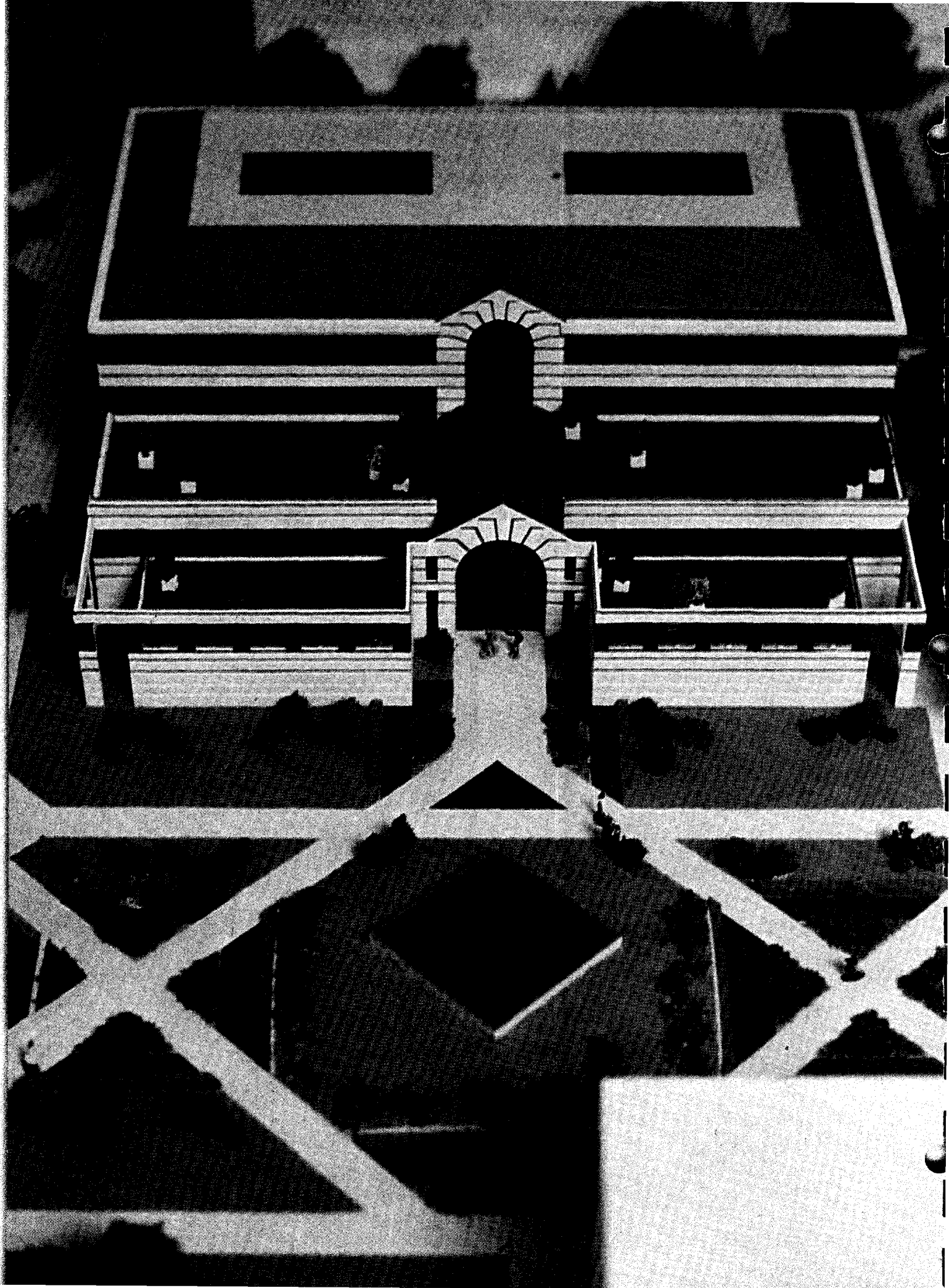
Exhibit #6  
S.B.#465  
3-26-85  
Buckley

# Proposed Business Administration Building



**University of Montana**







**Credits**

**Produced by the University of  
Montana Office of News and  
Publications**

**Copy/Design:**

William Scott Brown

**Photography:**

Howard Skaggs

**Cover art and floor plans:**

Page-Werner & Partners

**Printing:**

UM Printing Services  55

*No state funds were used to print  
this brochure.*

# Setting and design

The design by architects Page-Warner & Partners combines esthetics, efficiency and cost-effectiveness.

## Site

The new building completes the north end of a mall, extending across the center of the Oval from Chemistry-Pharmacy on the south to Social Science on the north. Because the site intersects the existing tunnel system, utilities are already available, an important cost savings.

The location places the academic focus of one fifth of UM's students at the center of campus, close to related facilities like the Social Science and Liberal Arts buildings, the library, and the University Center.

## Exterior Design

The planned building is unmistakably modern, but with its terra-cotta and brick exterior and seemingly modest size, it will harmonize with its older neighbors. Actually the building is quite large, more than 100,000 square feet; yet its scale is not overwhelming because more than a third is below grade. The terraced construction on its west side preserves the view of beautiful, historic Rankin Hall.

Main entrances on the east and west and an amphitheater entrance

just off the Oval will accommodate pedestrian traffic.

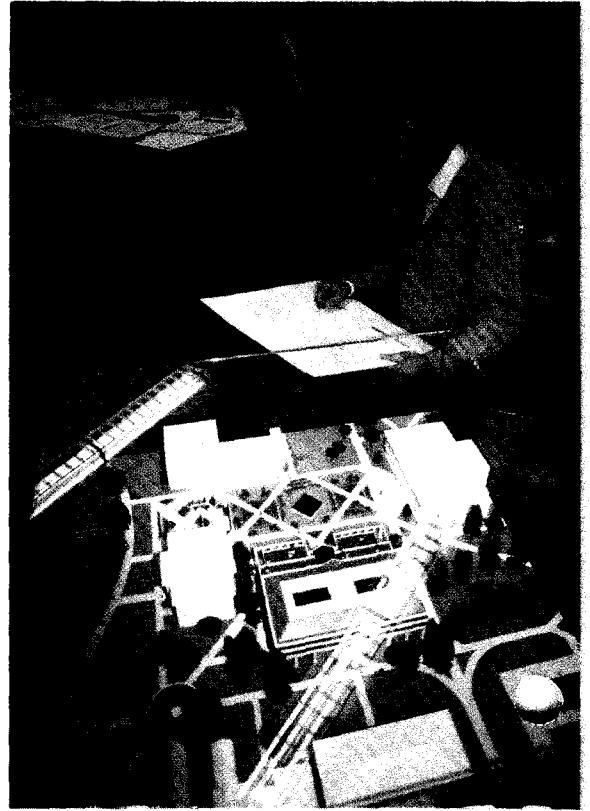
## Interior Design

The building is planned with four levels above grade and a large area below ground-level extending beneath the mall to the west. Facilities requiring public access are on lower levels while those requiring little public access or greater security are on upper levels.

Level one contains most of the instructional space. Plans incorporate computer facilities, a lab complex for behavioral science research, space for students to gather and store their belongings, and classrooms, including one lecture hall with 200 seats and one with 100 seats. All classrooms will be served by modern audiovisual equipment and will be linked to both the building's and the University's computer facilities.

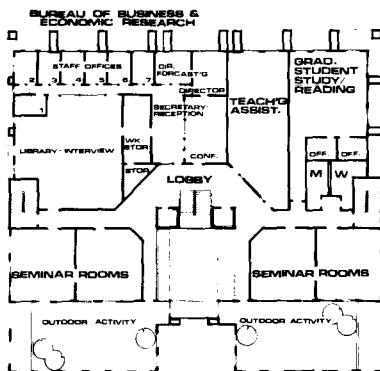
Level two will house seminar rooms, office space for teaching assistants, and a study area for graduate students. The Bureau of Business and Economic Research will also be housed on this level.

Level three houses administrative space, as well as fourteen faculty offices, and space for part-time faculty. Grouping the dean's office with the offices of department

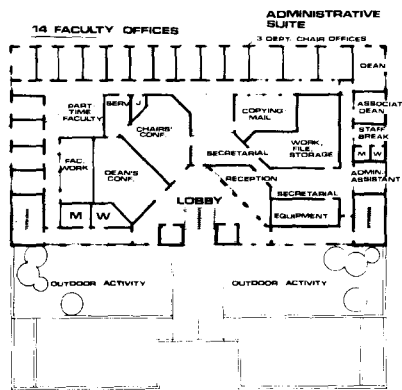


chairs permits efficient sharing of secretarial, filing, storage and work areas.

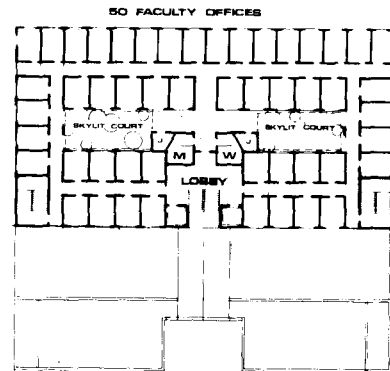
Level four contains 50 faculty offices for a total of 64, the projected faculty size in 1993.



Level-two



Level-three



Level-four

# Summary

The University of Montana School of Business Administration has grown dramatically in the last ten years, and that growth is expected to continue. This has been good for Montana because most business school graduates find work in Montana, typically as managers or owners of small businesses.

Long ago, however, the school outgrew its building, and the problems of inadequate space, already serious, can only get worse as the Business School's enrollment nearly doubles in the next ten years.

A much-needed new business administration building has been planned for a central location on the UM campus. Its cost is projected at \$11.96 million.

This project will --

- provide necessary classroom space
- bring the faculty and programs of the School of Business Administration back together in a central location.

- provide adequate office and work space for the Bureau of Business and Economic Research

- create between 200 and 300 jobs during the two-year construction period.

- accommodate the growth of the Business School so the school can continue to serve Montana's economy with its graduates, its research, and its expertise as it has in the past.

For these reasons the University of Montana seeks from the 1985 Legislature authorization and funding to construct a new Business Administration Building.

## At-A-Glance

### Proposed UM Business Administration Building

<b>Size</b>	104,600 sq. ft.
<b>Facilities</b>	
<b>Classrooms</b>	30,752 sq. ft.
1-200 seat lecture hall	
1-100 seat lecture hall	
5- 60 seat lecture halls	
12- 50 seat lecture halls	
4-seminar rooms	
1-Small Business Institute case room	
Faculty offices and support	15,404 sq. ft.
Administrative offices and support	6,818 sq. ft.
Bureau of Business and Economic Research	5,100 sq. ft.
Study area/public spaces	4,226 sq. ft.
Behavioral science lab complex	2,625 sq. ft.
Computer area	2,260 sq. ft.
Circulation, lavatories, mechanical space, janitorial space, wall thicknesses, etc.	37,415 sq. ft.
<b>Costs</b>	
Construction @\$85/sq. ft.	\$8,891,000
Site development, survey, test (1.7%)	151,349
Utilities (1.8%)	160,467
Architecture and engineering (6.7%)	598,103
Administrative, legal, and codes (0.26%)	22,794
<b>SUBTOTAL</b>	<b>9,823,713</b>
Two year's price increase (9.68%)	951,287
<b>SUBTOTAL</b>	<b>10,775,000</b>
Equipment	781,000
Contingencies	304,000
Art	100,000
<b>TOTAL</b>	<b>11,960,000</b>

Exhibit 7  
SB 465  
3/26/85  
Bill Tietz

## Legislative Executive Summary



# Engineering/Physical Sciences Complex

Montana State University  
Bozeman, Montana

January 1985

**CTA Architects Engineers**  
Billings, Montana

**Metz Train Youngren**  
Phoenix, Arizona

**Morrison-Maierle, Inc.**  
Helena, Montana



CASH PROGRAM APPROPRIATIONS

*Exh. b. 18*  
*SB 465*  
*3/26/85*  
*Ellen Feaver*  
% of  
Total

'79 Session

HB417			
Universities	\$ 2,145,900		26%
Other	6,148,170		
	<u>\$ 8,294,070</u>		

'81 Session

HB666			
Universities	\$ 4,893,050		42%
Other	6,476,957		
	<u>\$11,370,007</u>		

HB837			
(Supplement Prison)	255,000		
	<u>\$11,625,007</u>		

'83 Session

HB833			
Universities	\$ 1,930,820		18%
Other	8,588,807		
	<u>\$10,519,627</u>		

HB896			
Inst Childrens'			
Center	350,665		
	<u>\$10,870,292</u>		

'85 Session

HB928*			
Universities	\$ 3,643,350		34.6%
Other	6,874,316		
	<u>\$10,517,666</u>		

'87 Session (Projected)

Under SB465			
Universities	\$ 3,450,000		69%
Other	1,550,000		
	<u>\$ 5,000,000</u>		

\* as reported out by subcommittee

University academic buildings equal approximately 29% of the total state buildings when measured by building replacement value.

(8)



Exhibit 11  
HB 822  
3/26/85 - P.M.  
Rep. Schye

PROPOSED AMENDMENTS TO HB 822

page 4, line 23

Following: "(a) Moneys"

Insert: "during fiscal years 1986 and 1987,"

page 5, line 1

Following: "department"

Strike: ", with the prior approval of the board,"

page 5, line 3

Following: "aeronautics"

Strike: ";"

Insert: ". Beginning in fiscal year 1988 and thereafter, no more than an amount equal to the proceeds of 1½ cents shall be deposited according to this subsection."

page 5, line 6

Following: "gallon;"

Strike: ";"

Insert: ", during fiscal years 1986 and 1987, and thereafter an amount equal to the proceeds of 1½ cents a gallon."

page 5, line 7

Following: line 6

Strike: subsection (ii) in its entirety

Re-number following subsection

*Adopted*

*P*



Exhibit 12  
HB 822  
3/26/85  
Rep. Schye

HB 822

PROPOSED AMENDMENT #2

Page 5, line 1

Following: "department,"

Strike: "with-the-prior-approval-of-the-board,"

Page 5, line 23, 24, and 25 and page 6, line 1

Strike: "~~{5} No part of the 7-cent 3-cents-per-gallon-of-aviation-gasoline-license tax imposed by the laws of this state on aviation gasoline purchased and used for the operation of airplanes or aircraft may be refunded.~~"

Insert: "(5) A rebate of 1/2¢ per gallon will be allowed for aviation fuel purchased by scheduled passenger carrying airlines in excess of 200,000 gallons up to and including 1 million gallons; a rebate of 3/4¢ per gallon for aviation fuel purchased in excess of 1 million gallons up to and including 2 million gallons; a rebate of 1¢ per gallon for aviation fuel purchased in excess of 2 million gallons up to 5 million gallons; and a rebate of 1 1/2¢ per gallon for aviation fuel purchased in excess of 5 million gallons. Rebates are only for the preceeding fiscal year ending June 30 and applications for rebate must be post-marked no later than August 1. Applications must be accompanied by sales documentation and mailed to the Montana Aeronautics Division, P.O. Box 5178, Helena, Montana 59604. All rebate payments shall be made from the segregated account described in (4)(b)(i)."

*Accepted*

*Schye*  
*(12)*

Exhibit 13  
HB 693  
3/26/85 - P.M.  
Rep Koehik

49th Legislature

LC 1846

STATEMENT OF INTENT

HOUSE BILL NO. 693

House Taxation Committee

A statement of intent is attached to this bill at the request of the sponsor and the House Taxation Committee because under the provisions of this act the department of revenue must limit the property tax exemption to only bona fide agricultural farmsteads that were identified in the fiscal note.

It is the intent of the legislature that the department of revenue limit the tax exemption for sewage disposal systems and domestic water supply system improvements to the estimated 49,400 farmsteads referred to in the original fiscal note on House Bill 693 and any new farmsteads of the future that meet the same description. Any existing authority of the department of revenue to make rules on the subject of the provisions of this act is extended to the provisions of this act.

Adopted

131

Exhibit 14  
HB 926  
3/26/85  
Rep. Keenan

8. Page 2, line 18.  
Following: "beginning"  
Strike: "July"  
Insert: "January"  
Following: "July 1,"  
Strike: "1985"  
Insert: "1986"  
Following: "ending"  
Strike: "September"  
Insert: "March"  
Following: "1,"  
Strike: "1985"  
Insert: "1986"

9. Page 3, line 1.  
Following: "beginning"  
Strike: "July"  
Insert: "January"  
Following: "July 1,"  
Strike: "1985"  
Insert: "1986"

10. Page 3, line 2.  
Following: line 1  
Strike: "September"  
Insert: "March"  
Following: "1,"  
Strike: "1985"  
Insert: "1986"

11. Page 3, line 14.  
Following: line 13  
Strike: "infrastructure"  
Insert: "public systems"

12. Page 3.  
Following: line 15  
Insert: "NEW SECTION. Section 2. Transfers from the Montana public systems trust fund. (1) Except as provided in subsection (2), when the expenditure of an appropriation is necessary and the cash balance in an account or fund affected by the creation of the Montana public systems trust fund is insufficient to cover the expenditure due to the reallocation of tax revenues to the trust fund, the department of administration shall transfer from the trust fund to the affected account or fund an amount not to exceed the amount which would have been available to such account if [this act] had not been passed and approved.

(2) No transfer may be made from the trust fund to the general fund."

(3) Each transfer of funds from the trust fund must be approved by the director of the office of budget and program planning and subsequently reported to the legislative finance committee.

(14)

NEW SECTION. Section 3. Transfers to the Montana public systems trust fund. (1) On June 30, 1987, any funds transferred from the Montana public systems trust fund to any account or fund under the provisions of [section 2] that are in excess of the amount the account or fund would have received without passage and approval of [this act] shall be transferred from such account or fund to the Montana public systems trust fund.

(2) On June 30, 1989, any funds transferred from the Montana public systems trust fund to any account or fund under the provisions of [section 2] that are in excess of the amount the account or fund would have received without passage and approval of [this act] shall be transferred from such account or fund to the Montana public systems trust fund."

Renumber: subsequent sections

Renumber: subsequent internal references as necessary

13. Page 5, line 17.

Following: "whose"

Strike: "projected"

14. Page 5, lines 18 through 20.

Following: "month" on line 18

Strike: the remainder of line 18 through "department" on line 20

Insert: "shall"

15. Page 7, line 10.

Following: "~~quarterly~~"

Strike: "monthly"

Insert: "quarterly"

16. Page 7, line 11.

Following: "~~1984~~"

Strike: "June 30, 1985"

Insert: "September 30, 1984"

17. Page 7, line 15.

Following: "~~quarterly~~"

Strike: "monthly"

Insert: "quarterly"

18. Page 12, line 20.

Following: "~~Quarterly~~"

Strike: "Monthly payment"

Insert: "Payment"

Following: "tax."

Strike: "Such"

Insert: "(1) Every person who during the month produces 8,000 barrels or more of oil or 300,000 thousand cubic feet (mcf) or more of natural gas shall pay the"

VISITOR'S REGISTER

HOUSE Taxation

COMMITTEE

BILL SB 465

DATE 3/26/85 P.M.

SPONSOR Sen. Van Valkenburg

NAME	RESIDENCE	REPRESENTING	SUP-PORT	OP-POSE
J.M. Rollins	Troy	ASARCO, INC		X
Gary Langley	Helena	Mont. Mining Assoc		X
Gene Phillips	KALISPELL	PACIFIC POWER & LIGHT		X
John Aike	Helena	MNA		X
Dee Lass	Billings	Billings Chamber of Commerce		X
<del>Gary Smith</del>	<del>Helena</del>	<del>Mont. Chamber</del>	<del>944</del>	<del>X</del>
Bill Keith	Helena	Morrison-Maiste	X	
Jim Mackler	"	MT. Coal Council		X
Al Bales	Helena	mt Chamber		X
Bill Tiedt	Bozeman	Mont State Univ.	x	
Dennis Buer	Clancy	MontAX		X
<del>Bill Tiedt</del>	<del>Bozeman</del>	<del>Mont State Univ.</del>		<del>X</del>
J Lam	Bozeman	MPC		X
Ellen Taylor		Dept of Admin.		X
Bruce H. [unclear]	Billings	EMC	✓	
Sen Allen	Helena	MT. Coal Products Co.		X

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

WHEN TESTIFYING PLEASE LEAVE PREPARED STATEMENT WITH SECRETARY.





WITNESS STATEMENT

NAME Mary Lou Abbott BILL NO. HB 944  
 ADDRESS 1509 Livingston Ave DATE 3/26/85  
 WHOM DO YOU REPRESENT? Amer Assoc Retired Persons Human Services Caucus,  
Legacy Legislative Low Income Senior Citizens Advocates  
and the Low Income Coalition and the Senior Citizens Assoc.  
 SUPPORT X OPPOSE \_\_\_\_\_ AMEND \_\_\_\_\_

PLEASE LEAVE PREPARED STATEMENT WITH SECRETARY.

Comments:

The American Association of Retired Persons,  
 Human Services Caucus,  
 Legacy Legislative and  
 Low Income Senior Citizens  
 Advocates supports HB 944