

MINUTES OF THE MEETING  
TAXATION COMMITTEE  
MONTANA STATE SENATE

February 8, 1985

The meeting was called to order at 8:11 a.m. in Room 413-415 of the Capitol by Chairman Thomas E. Towe.

ROLL CALL: All members of the committee were present.

CONSIDERATION OF HB 34: Chairman Towe recognized Representative Nancy Keenan, House District 66, as chief sponsor of the bill. She said the bill was introduced at the request of the Revenue Oversight Committee. She explained that currently the maximum deduction for filing a joint return is not twice that for single returns. The inequity is addressed and corrected by HB 34 by requiring that the single deduction be calculated and the deduction for a joint return simply double that amount. She presented Exhibit 1 to further explain the bill.

PROPONENTS: Mr. Robert Turner, Department of Revenue, said that the current deductions are tied to an index formula that is related to inflation which is the mechanism that causes the difference in these rates.

OPPONENTS: None were heard.

Questions from the committee were called for.

In response to a question by Senator Brown, Mr. Turner said that the maximum difference per return would be about \$10 for a total of plus or minus \$14,800 depending on how the averaging took place.

Representative Keenan closed on the bill without comment.

MOTION: Senator Brown moved that HB 34 be concurred in. The motion carried unanimously. Senator Brown volunteered to carry the bill on the Senate floor.

CONSIDERATION OF HB 172: Representative Jack Sands from House District 90 was recognized as chief sponsor of HB 172 which he introduced at the request of the county treasurers and assessors. He said that the change in current law came in page 2, line 10 of the bill which broadened the definition of "leasehold improvements" beyond those that affected only mobile homes.

PROPONENTS

Mr. Don Larson, Jefferson County Assessor and Chairman of the Legislative Committee of the Montana Assessors Association, said that the change would allow them to legally assess all leasehold improvements. He said under current law cabins on forest and state lands, railroad right-of-way property and improvements within a leased building could be excluded.

OPPONENTS

None were heard.

Questions from the committee were called for.

Senator Mazurek asked about the current taxation of the interior of space that was rented as a shell and substantially improved. Mr. Larson said it was currently assessed as real property to the leaseholder. Senator Mazurek asked if there would be a shift in taxation as a result of this bill. Representative Sands said that as he understands it this bill would not change current practice, but would bring the law into conformity with the status quo.

Senator Towe asked where "leasehold improvements" was used in the code. He said this would clarify the definition, but wanted to know what the definition was used for. He said Mr. Jim Lear would do a computer search on the term.

Representative Sands closed without comment.

FURTHER CONSIDERATION OF SB 64: Chairman Towe directed committee attention to new amendments prepared by Mr. Lear (Exhibit 2). Senator Eck said that she did not want the amendments to allow rural subdivisions to be taxed differently from other urban residences.

Senator Brown suggested that all residences should be taxed at the same rate and that to differentiate is discriminatory. He said that farms and ranches already have a number of tax advantages, and their homes should not be treated differently than anyone else's home.

MOTION: Senator Halligan moved that SB 64 do not pass. Senator Towe pointed out that if amended the bill would raise substantial amounts of revenue for the state.

Senator Lybeck said the deduction is reasonable because the farm home is a business and communication center for the operation. He said that even the IRS allows that deduction.

Senator Brown said if this is a windfall to the state, the committee ought to consider where it is coming from. In comparison to the office deduction he said that a person could claim they needed a yacht to do business with a sheik. He said that any discrimination creates problems.

Senator Severson said a house on the farm does not have resale value.

Senator Mazurek said that market value is not accomplished by giving a blanket 20 percent reduction.

MOTION: Senator Eck moved as a substitute motion that the amendments in Exhibit 2 be adopted.

Senator Halligan said that these amendments change the green belt law without giving those affected a chance to be heard. Senator

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Towe suggested that a committee bill could be drafted or that this bill could be reheard. He said the changes in the green belt law are not referenced in the title.

Senator Lybeck wanted the amendments to address taxing the land of christmas tree growers as agricultural land.

After more discussion of the possible ways of dealing with the issues of farm residence taxation and changes in the green belt law, Senator Eck withdrew the motion that SB 64 be amended. Senator Halligan withdrew the motion that SB 64 do not pass.

MOTION: Senator Mazurek moved that SB 64 be tabled and that the committee request a bill to incorporate the amendments and SB 64 into one bill.

The committee discussed that they would like to keep the two issues tied together in one bill. Chairman Towe called the question. The motion passed unanimously. Chairman Towe asked the record to note that the necessary three-fourths majority required for a committee bill was obtained.

#### FURTHER CONSIDERATION OF SB 32:

MOTION: Senator McCallum moved that SB 32 do pass.

Revenue loss as a result of the bill was discussed. Senator Neuman opposed the motion based on that. He noted that it was the agricultural counties that would suffer the most loss. He said the farmers already had ways of handling the grain storage that would pay them to store the grain or avoid the taxation.

Senator Severson said he would vote against this bill and against the bill to exempt livestock from property taxation.

Senator Mazurek asked Senator Neuman to explain the mechanisms used by farmers for storing and selling their crops.

Senator Lybeck said the discussion of many tax breaks for farmers made him address the question of where we are heading with the tax base. Senator McCallum said, to a sales tax.

Senator Brown said that he cannot vote against this because the business inventory tax had been repealed.

Senator McCallum said the issues are not comparable as the business inventory tax can be recouped by an increase in price while the farmer has to take whatever the buyer is offering.

Senator Eck asked that the committee take another look at taxing business inventory. She said she has a bill which would ask the Department of Revenue to report on all tax exemptions currently in effect.

Senator Towe pointed out that the business inventory tax repeal gave large benefits to a small number of very large businesses.

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MOTION: Senator Hager moved as a substitute motion that SB 32 do not pass.

Senator Severson suggested that the bill be tabled. Senator Halligan said it would just be blasted out if it was laid on the table.

MOTION: Senator Eck moved as a substitute motion for all motions pending that the bill be amended to tax producer held grain in storage worth in excess of \$1 million market value.

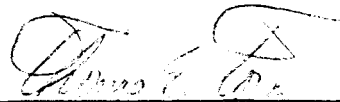
Chairman Towe called the question. With Senators Brown, Eck, Hirsch, Lybeck, Mazurek and Towe voting yes; Senators Goodover, Hager, Halligan, McCallum, Neuman and Severson voting no, the motion failed.

MOTION: Senator Hager moved that SB 32 do not pass. With Senators Brown and McCallum voting no and all other members voting yes, the motion carried.

FURTHER CONSIDERATION OF SB 234: Senator Towe said the bill addressed a valid concern, but that he did not think the bill would do what Senator Smith intended. He asked if the committee wanted to ask the Department of Revenue to consider age and obsolescence of farm machinery.

Senator Mazurek said it was important that the Department stick with one manual. Senator Severson discussed the difference in the two manuals.

Chairman Towe adjourned the meeting at 10 am.



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Chairman

# ROLL CALL

## SENATE TAXATION COMMITTEE

49th Legislative Session -- 1985

Date February 8, 1985, 8:12 am

Location -- Room 413-415

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Name Present Absent Excused

Senator Brown	✓		
Senator Eck	✓		
Senator Goodover	✓ <i>pa</i>		
Senator Hager	✓		
Senator Halligan	✓		
Senator Hirsch	✓		
Senator Lybeck	✓		
Senator Mazurek	✓		
Senator McCallum	✓		
Senator Neuman	✓		
Senator Severson	✓		
Senator Towe	✓		

DATE \_\_\_\_\_

COMMITTEE ON \_\_\_\_\_

## VISITORS' REGISTER

[illegible]

(Please leave prepared statement with Secretary)

## House Bill 34

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

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

**Solution:** The proposal would allow the Department to:

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

H.B. 34  
Examples

Example I

Consumer price index	298.1
Base index	247.6

Maximum standard deduction before adjustment

Single	1,500
Married	3,000

UNDER PRESENT LAW

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

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

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

UNDER PROPOSED LAW

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

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

3. Eliminate any inequality in the tax structure because of the different income tax rates.

Last Name and Initial		Social security number		COLUMN A - for yourself joint, separate or single	COLUMN B (for spouse)
32	Montana adjusted gross income (from line 31A)	32			
DEDUCTIONS If you elect the standard deduction check here <input type="checkbox"/> and enter on line 50, 20% of line 32 but not more than \$1,640 (not more than \$3,290 if married filing a joint return). If you elect the standard deduction skip lines 33 through 49. Nonresidents and persons changing state of residence see page 6 of instructions.					
	Contributions	33			
34	Interest Expense (specify)	34			
Federal Income Tax (do not include Self-Employment Tax)					
35	(1) Paid by withholding or declaration in 1981	35			
36	(2) Balance of 1980 tax paid in 1981	36			
37	(3) Additional tax for years paid in 1981	37			
38	Other Taxes (do not include Montana Income Tax). Real Estate S. personal property S. other deductible taxes (specify)	38			
Medical Expense:					
39	Enter of amount paid for deductible health insurance up to \$150 (claim excess on line 43 below)	39			
			COLUMN A	COLUMN B	
	Total cost of medicine and drugs	40			40
	Enter 1% of line 32	41			41
	Subtract line 41 from line 40 (if less than zero enter zero)	42			42
	Other medical and dental expenses	43			43
	Total of lines 42 and 43	44			44
	Enter 3% of line 32	45			45
46	Subtract line 45 from line 44 and enter balances in applicable columns (if less than zero enter zero)	46			46
47	Child and dependent care expense — from Form 2441M (federal schedule not acceptable)	47			47
48	Casualty or theft loss (less exclusion)	48			48
49	Other Deductions (specify) Dues, political contributions, etc.	49			49
50	Total Deductions—	50			50
51	1. Subtract line 50 from line 32 and enter balance here	51			51
52	2. Multiply \$880 times the number of exemptions in Box 5 on preceding page Nonresidents and part-year residents see page 6	52			52
53	Taxable income - subtract line 52 from line 51 (if less than zero enter zero)	53			53
54	Tax from tax table, page 8 of instructions	54			54
55	Credits from Form 2A, line 83	55			55
56	Balance - subtract line 55 from line 54 and enter difference (but not less than zero)	56			56
57	Investment credit recapture from Form 2A, Schedule VII	57			57
58	Total tax - add lines 56 and 57	58			58
58A	Public Campaign Fund. CHECK 1 IF YOU WISH TO DONATE \$1 TO THIS FUND CHECK 2 IF SPOUSE WISHES TO DONATE \$1 TO THIS FUND See page 5 of instructions, and enter appropriate amount here	58A			
58B	Total, add lines 58 and 58A	58B			
59	Combine amounts shown on line 58B, columns A & B	59			59
Payments and Credits					
60	Montana tax withheld (attach withholding statements)	60			60
61	Payments on 1981 Estimated Tax	61			61
62	Homeowner or Renter Credit from Form 2EC	62			62
63	Business Inventory Credit (attach receipts)* (Not allowed if claimed as a deduction)	63			63
64	Total of lines 60 through 63	64			64
65	Combine amounts shown on line 64 columns A & B	65			65
Refund or Balance Due					
66	If line 59 is larger than line 65 enter BALANCE DUE. Attach check or money order for full amount if \$1.00 or more.	66			66
69	If line 65 is larger than line 59 enter amount OVERPAID	69			69
70	Amount of line 69 to be REFUNDED TO YOU (allow at least 6 weeks for your refund check)	70			70
71	Amount of line 69 to be credited to 1982 estimated tax	71			71
Make remittances payable to State Treasurer. Mail tax forms to:			Income Tax Division P.O. Box 5805 Montana Dept. of Revenue Helena, Montana 59604		
Name of person or firm preparing return			Late filing penalty \$		
			Late payment penalty \$		
			Interest \$		
			Total \$		
I, the undersigned, declare under the penalties for false swearing that I have examined this return, including all accompanying schedules and statements and to the best of my knowledge and belief it is a true, correct and complete return made in good faith					
Your signature and date			Spouse's signature and date (if filing jointly or combined separate returns, both must sign)		

Amendments to Senate Bill No. 64  
Amend SB 64, Introduced copy

1. Title, line 6.  
Following: "VALUE;"  
Insert: "TO CLARIFY THE DEFINITION OF AGRICULTURAL LAND;"  
Following: "AMENDING"  
Strike: "SECTION"  
Insert: "SECTIONS"  
Following: "15-6-101"  
Insert: "AND 15-7-202"

2. Page 1, following line 17.  
Insert: "Section 2. Section 15-7-202, MCA, is amended to read:

"15-7-202. Eligibility of land for valuation as agricultural. (1) Land which is actively devoted to agricultural use shall be eligible for valuation, assessment, and taxation as herein provided each year it meets any of the following qualifications:

(a) ~~the area of such land is not less than 5 contiguous acres when measured in accordance with provisions of 15-7-206, and it has been actively devoted to agriculture during the last growing season, and it continues to be actively devoted to agricultural use, which means:~~  
~~----- (i) --- it is used to produce field crops including but not limited to grains, feed crops, fruits, vegetables, or~~  
~~----- (ii) --- it is used for grazing, or~~  
~~----- (iii) --- it is used for growing timber, or~~  
~~----- (iv) --- it is in a cropland retirement program, or~~

it produces not less than \$1500 in annual gross income in 1984 dollars, adjusted annually for inflation, from the raising of livestock, poultry, field crops, fruit, and other animal and vegetable matter for food or fiber;

(b) it agriculturally produces for sale or home consumption the equivalent of 15% or more of the owners' annual gross income regardless of the number of contiguous acres in the ownership, or

~~----- (c) --- it is used to raise animals in confined areas for the production of food or fiber, including but not limited to livestock, feedlots, dairies, fish hatcheries, and poultry farms.~~

it produces not less than 300 bushels of grain, 15 tons of hay, or an equivalent measure or weight of any other field crop by comparison in the market for the year;

(d) it serves as grazing land supporting 24 animal unit months;

(e) it is leased or owned by a person who uses the land in conjunction with other land in meeting one of the qualifications set out in subsections (1)(a) through (1)(d); or

(f) it would have met the qualifications set out in subsections (1)(a) through (1)(e) were it not for

*Including Christmas trees*

independent intervening causes of production failure beyond the control of the producer, in which case proof of qualification in a prior year will suffice.

(2) Land shall not be classified or valued as agricultural if it is subdivided with stated restrictions prohibiting its use for agricultural purposes.

(3) The grazing on land by a horse or other animals kept as a hobby and not as a part of a bona fide agricultural enterprise shall not be considered a bona fide agricultural operation."

Renumber: subsequent sections

3. Page 1, line 22.

Following: "on"

Strike: "more than 5 acres of"

4. Page 1, line 23.

Following: "residence"

Strike: "." *or his employees*

Insert: "by a person whose agricultural endeavors on such land as owner or lessee qualify it as agricultural. Class thirteen property includes one acre of real property upon which the residence is situated."

5. Page 1, lines 24 and 25.

Following: "at" on line 24

Strike: "6.84% of its market value"

Insert: "80% of the taxable percentage applicable to class four property"

6. Page 2, line 6.

Following: "Section"

Strike: "2"

Insert: "3"

7. Page 2, line 8.

Following: "section"

Strike: "2"

Insert: "3"

8. Page 2, line 12.

Following: "31,"

Strike: "1984"

Insert: "1985"

# ROLL CALL VOTE

SENATE TAXATION COMMITTEE  
49 th Legislative Session -- 1985

Time \_\_\_\_\_ Date January 8, 1985 Room 413-415

Motion: Eck. That SB69 be amended per Exhibit 2  
with phrase "or his employee" on first line  
of insertion on amendment &

Name	Yes	No	Excused
Senator Brown			
Senator Eck			
Senator Goodover			
Senator Hager			
Senator Halligan			
Senator Hirsch			
Senator Lybeck			
Senator Mazurek			
Senator McCallum			
Senator Neuman			
Senator Severson			
Senator Towe			

# ROLL CALL VOTE

## SENATE TAXATION COMMITTEE 49 th Legislative Session -- 1985

Time \_\_\_\_\_ Date February 8, 1985 Room 413-415

Motion: Halligan That SB64 do not pass.

Name	Yes	No	Excused
Senator Brown			
Senator Eck			
Senator Goodover			
Senator Hager			
Senator Halligan			
Senator Hirsch			
Senator Lybeck			
Senator Mazurek			
Senator McCallum			
Senator Neuman			
Senator Severson			
Senator Towe			

# ROLL CALL VOTE

## SENATE TAXATION COMMITTEE 49 th Legislative Session -- 1985

Time \_\_\_\_\_ Date February 8, 1985 Room 413-415

Motion: McCallum

that SB 32 do pass.

Name	Yes	No	Excused
Senator Brown			
Senator Eck			
Senator Goodover			
Senator Hager			
Senator Halligan			
Senator Hirsch			
Senator Lybeck			
Senator Mazurek			
Senator McCallum			
Senator Neuman			
Senator Severson			
Senator Towe			

# ROLL CALL VOTE

## SENATE TAXATION COMMITTEE 49 th Legislative Session -- 1985

Time \_\_\_\_\_ Date \_\_\_\_\_ Room 413-415

Motion: Eck substitute motion for all motions  
pending that B32 be amended -

Name	Yes	No	Excused
Senator Brown	✓		
Senator Eck	✓		
Senator Goodover		✓	
Senator Hager		✓	
Senator Halligan		✓	
Senator Hirsch	✓		
Senator Lybeck	✓		
Senator Mazurek	✓		
Senator McCallum		✓	
Senator Neuman		✓	
Senator Severson		✓	
Senator Towe	✓		

# ROLL CALL VOTE

## SENATE TAXATION COMMITTEE 49 th Legislative Session -- 1985

Time \_\_\_\_\_ Date February 8, 1985 Room 413-415

Motion: Hager substitute motion  
SB 32 do NOT pass.

Name	Yes	No	Excused
Senator Brown	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	
Senator Eck	<input checked="" type="checkbox"/>		
Senator Goodover	<input checked="" type="checkbox"/>		
Senator Hager	<input checked="" type="checkbox"/>		
Senator Halligan	<input checked="" type="checkbox"/>		
Senator Hirsch	<input checked="" type="checkbox"/>		
Senator Lybeck	<input checked="" type="checkbox"/>		
Senator Mazurek	<input checked="" type="checkbox"/>		
Senator McCallum		<input checked="" type="checkbox"/>	
Senator Neuman	<input checked="" type="checkbox"/>		
Senator Severson	<input checked="" type="checkbox"/>		
Senator Towe	<input checked="" type="checkbox"/>		

# STANDING COMMITTEE REPORT

February 8 , 19 55

MR. PRESIDENT

Taxation

We, your committee on.....

House Bill

having had under consideration..... No. 34

third reading copy ( blue )  
(Senator Brown) color

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

House Bill

Respectfully report as follows: That..... No. 34

BE CONCURRED IN

~~XXXXXX~~

~~XXXXXXXXXX~~  
~~36-4614466~~

Thomas E. Towe,

Chairman.

# STANDING COMMITTEE REPORT

February 8, 1935

MR. PRESIDENT

We, your committee on Taxation  
having had under consideration Senate Bill No. 32  
first reading copy ( white )  
color

**EXEMPT PRODUCER-HELD GRAIN IN STORAGE FROM PROPERTY TAXATION**

Respectfully report as follows: That Senate Bill No. 32

~~DOXPASS~~

DO NOT PASS

Senator Tom Towe,

Chairman.