MINUTES OF THE MEETING
TAXATION COMMITTEE
MONTANA STATE SENATE

February 16, 1985

The thirty-second meeting of the Senate Taxation Committee was called to order by Chairman Thomas E. Towe at 8:09 am in Room 413-415 of the Capitol Building.

ROLL CALL: Senator Lybeck was excused and all other committee members were present.

CONSIDERATION OF HOUSE BILL 177: Representative Bob Ream, House District 54, was recognized. He explained that an assignee can pick up property and pay less than the redemptioner would have to pay to reclaim the property. This makes the amount of taxes the same regardless of how the delinquent taxes are paid, and insures that they are paid to the county. He said he is carrying the bill at the request of the County Assessors Association.

PROPONENTS

Mr. Charles Gravely of the County Assessors Association was recognized. He said the County Treasurers also supported the bill. He said now there is some benefit to a person who allows taxes to go delinquent. If the property is taken on an assignment, and later redeemed, two percent can be saved. He said the House Taxation Committee was concerned about the scalper who could pick up that additional revenue that should belong to the county. The bill provides a disincentive both for the scalpers and also for the delinquency.

OPPONENTS

None were heard.

Questions from the committee were called for.

Senator Mazurek clarified that the two-percent penalty is paid once only for each year of delinquency.

Senator Towe asked if currently there is interest in tax sale assignments. Mr. Gravely said, yes, and some people benefit by using the county as a bank. He said the county is not receiving all of the money currently. He added that there is very little property lost for nonpayment of taxes.

Senator McCallum asked about the difference in an assignment and a tax sale. Mr. Gravely explained the process of assignment, tax sale, delinquent property tax notices, and rights of redemption. He said there is a strict procedure for these things.

Representative Ream closed, noting to the committee that the bill was a revenue measure, as it would produce $401.00 each year in the biennium.

FURTHER CONSIDERATION OF SB 330: Chairman Towe called for questions from the committee on SB 330.

Senator Mazurek asked if "water's edge" was defined to include Mexico and Canada if there would be any financial impact as a result. Mr. Jerry Foster of the Department of Revenue said there would be no substantial impact.

Senator Halligan asked for examples of an in-state business and a foreign business that were comparable in relation to taxes paid. He asked if the multinational corporations doing buisness here would pay more taxes than a comparable in state business.

Senator Towe responded using an example of Northern Pacific Railroad which at one time paid $50 yearly in taxes on its Montana operations. He said limiting the picture to the U.S. boundaries would exclude the large mineral companies which have substantial overseas interests from taxation here.

Senator Goodover challenged the consistency of Department of Revenue figures on the amount of tax paid. Mr. Foster said the $18 to 20 million loss feature represented a total repeal; a loss of $8 to 10 million would be a repeal to water's edge. He said they never combined foreign parents, but that had been done with some Canadian companies in the past and that accounted for the $100,000 figure. He said the combination would have bigger impact here because of oil companies heavily invested overseas.

Senator Goodover asked if the fiscal note applied to the amendments. Mr. Foster said the amendments would have little impact on the fiscal note.

Mr. Jeff Miller, Chief of the Corporate Tax Bureau, was recognized and discussed how the fiscal note was calculated. He said that North Dakota estimated a 25 to 30 percent reduction in its tax base if this kind of legislation were passed there, and Idaho estimated its reduction at 19 to 20 percent in similar circumstance.

Senator Brown asked if Mr. LaFaver's allegation that this bill would allow large international corporations to compete unfairly with Montana businesses was based on the foreign corporation's ability to shelter its income out of state. Mr. Miller used as an example an oil company which separately incorporates its exploration and production components showing all expenses at this end and not any of the profit earned in the full scope of their activities. He said a Montana corporation would be taxed on the full scope of tneir economic picture.

Senator Goodover asked Mr. George D. Anderson of the Montana International Trade Commission to respond to the question. Mr. Anderson said that careful auditing would handle these shifts in income. He said the important thing is that the bill sends a poor message to business. He compared Colorado's situation with Montana's and concluded by saying that it was hard to testify when the fiscal note information was not available outside the Department of Revenue.

Senator Eck asked about a hypothetical situation in which one business had a foreign parent and another of the same type did not.

Senator Goodover discussed Buttreys and discovered in discussion his bill would not apply to them anyway as they are within the U.S.

Senator Towe said it is basically a problem of accounting.

Chairman Towe adjourned the meeting at 9 a.m.

Thomas E. Towe

Chairman

ROLL CALL

SENATE TAXATION COMMITTEE

49th Legislative Session -- 1985

Date 16 February 85

Location -- Room 413-415

Name	Present	Absent	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	✓		

DATE February 16, 1985

COMMITTEE ON Taxation

VISITORS' REGISTER

NAME	REPRESENTING	BILL #	Check One: Support	Check One: Oppose
jeff miller	M.D.O.R	S.B. 330		✓
Lynn Chenoweth	MDOR	SB 330		✓
George D Anderson	Self - Mont. Ind. Trade	SB330	✓	
Ken Pross	MT ALLIANCE	SB330		✓
Jerry Foster	Dept of Rev.	SB330		✓

(Please leave prepared statement with Secretary)