MINUTES OF THE MEETING
TAXATION COMMITTEE
MONTANA STATE SENATE

March 11, 1985

The forty-sixth meeting of the Senate Taxation Committee was called to order by Chairman Thomas E. Towe at 8:05 am in Room 413-415 of the Capitol Building.

ROLL CALL: Senators Halligan, Hager and Mazurek were intially absent. Senators Halligan and Hager joined the committee later. Other members were present, but Senators Brown and Towe left to carry bills in other committees. Chairman Towe noted that the meeting would proceed appropriately despite that members would be absent to carry bills elsewhere.

FURTHER CONSIDERATION OF HB 122: Because this hearing was not completed on Friday, March 8, it continued at this time.

OPPONENTS

Mr. Chip Erdmann of the Montana School Boards Association said they are concerned with the bill in its present form as it binds schools to the decisions of other local government jursidictions. He said the school districts should be allowed an independent option.

Mr. Ken Peres, economist for the Montana Alliance, said that this is an investment decision being allowed local government. He said the return on the investment should be related to cost effectiveness, return on the investment and stability and uniformity for the entity of local government. He said some of the new industry contemplated would cost local government many dollars up front with no dollars to cover those costs. He felt new projects should not be treated favorably in relationship to existing businesses. He said that inter-county tax incentive wars could result with a lack of uniformity. He concluded saying that if local governments were allowed to give the tax breaks they should also be given an opportunity to have guidelines and criteria so the decisions could be made wisely.

Questions from the committee were called for.

Senator Eck asked Gordon Morris about school board involvement in the decision making process. Mr. Morris said the Montana Association of Counties, which he represents, did not testify on the bill because of concerns regarding the administration and need for county commissions to have ultimate authority over their own decision making processes.

Representative Dave Brown, chief sponsor of HB 122, said that he would offer the amendment allowing school districts a voice in the decision as it affects their own levy.

In response to a question by Senator Towe, Representative Brown said the incentive could include anything that local government considered appropriate so long as it involved a construction permit. Local government control he said is the essence of the bill.

In response to a question by Senator Severson it was clarified that the decisions would be made on a case by case basis by local government governing bodies. He said the Legislature takes and demands from local government and this represents an effort to return some flexibility to those units of government.

Senator Lybeck asked Mr. Dan Bucks of the Department of Revenue if they felt the scope was too broad. Mr. Bucks said their concern was that the incentive could extend to personal as well as real property. He used the example of an insurance company adding on to an existing building and claiming the desks, phone systems, etc. as part of the incentive deduction.

Senator Goodover suggested that local government would not act favorably in that case. Mr. Bucks responded saying that the bill would allow that to happen.

Discussion clarified that the bill could not be used retroactively.

Senator Towe asked Representative Brown to respond to the allegation that existing business would be at a competitive disadvantage. Representative Brown said that decision could be made locally. He said the bill is tightly drawn to give local government control.

In closing Representative Brown said that this is an attempt to provide economic development tools to local government. He said there are arguments on both sides of the tax incentive effectiveness issue. He said much is made of the possibility of abuse but all of the arguments boil down to trusting local government and local control.

FURTHER CONSIDERATION OF SB 330: Senator Goodover was recognized to close on the bill. He said this is not a repeal of the unitary tax, but is a major revision. He referred to a letter written by Judy Curtiss Waldron of the Legislative Fiscal Analyst's office (Exhibit 1). "How much potential revenue are we keeping out?" he asked. He focused his argument on the issues of jobs and the negative business image. He noted that after Oregon repealed their unitary tax $300 million of Japanese investment and 2000 new jobs came to Oregon. He compared SB 330 to getting married, saying that one didn't know how that would work out either. He used a series of examples of Japanese, Saudi, Scandanavian and Canadian companies all investigating ventures in Montana. He said we should remove the road blocks to business investment in Montana.

Senator Eck asked how much of the revenue impact would be dollars to oil companies. Mr. Jerry Foster of the Department of Revenue said that he would estimate in excess of 50 percent. He noted that in New Mexico the only benefit had been a chopsticks factory employing eight people and that Florida had experienced no new business since the repeal. Senator Eck asked about the delayed effective date and Mr. Foster said it would put existing companies at a disadvantage.

In response to questions about a foreign parent, Mr. LaFaver said that amending the bill in this way would have no fiscal impact and would allow Japanese firms to come in if they wanted to. He said that the hope would be for positive fiscal impact as a result of that.

Senator Neuman asked if the Japanese would accept more grain and meat imports if this bill passed. Mr. Mike Fitzgerald of the Montana Trade Commission said it was their policy not to invest in states with unitary taxation because of their California experience. He said that generalizing is useless and it would be on a company by company negotiation. Further questioning by Senator Neuman clarified that Florida, following repeal of the unitary taxation, had increased both corporate license tax and excise tax.

(Senator Hager joined the committee at 8:58 am.)

Senator Neuman asked how we would replace the lost revenue? Senator Goodover answered that with a delayed effective date, no impact would be felt until we knew that it would have a positive impact or the act could be repealed at that time. Senator Neuman noted that Montana had climbed from 14th to 38th in the small business category and that probably this wasn't necessary.

In response to a question by Senator Eck, Mr. Foster clarified that with the amendments being discussed the foreign parent would be excluded from combination.

(Senator Towe left the committee at 9:03 and Senator Eck assumed the chair.)

Mr. Fitzgerald said the amendment would give foreign companies some comfort level. He preferred the delayed effective date, but the limitation to a foreign parent is, he said, better than nothing.

(Senator Halligan rejoined the committee at 9:05 am.)

Senator Brown spoke to the amendments saying they were intended to narrow the application to attracting a foreign parent to invest and yet have no fiscal impact in Montana.

Mr. Fitzgerald urged the committee again not to exclude the possibility of increased interest by domestic corporations which have a shorter decision making lag than have Japanese companies. He didn't think any investment should be excluded.

Senator Brown said that stability is needed in the tax code and that changing it again in two years was not as desireable as going slowly with the changes contemplated here. He said quick change is not good tax policy. He said that Montana cannot be compared to resource-poor states like Florida. He concluded saying "I have trouble with a concept that is gonna cost us a whole bunch of money."

(Senator Severson was excused from the committee at 9:24 am.)

Senator Brown said his amendment is not a gamble, but allows for a slow change. He did not want to run the risk of giving Exxon a tax break to the disadvantage of his own constituents.

(Senator Towe rejoined the committee at 9:30 am and resumed the chair.)

Senator Halligan said that the proposed amendment to limit it to foreign parents would allow the concept to be cautiously eroded. He spoke against a delayed effective date.

MOTION: Senator Eck moved that SB 330 be amended per Exhibit 2.

Senator Goodover spoke again against the amendments and in favor of the delayed effective date.

There was some discussion about the domestic investment in Oregon since their repeal of the unitary taxation method of accounting. No one could cite any domestic investment there.

The committee also discussed the U.S. balance of payments and whether this bill could favorably affect that.

Senator Brown closed on Senator Eck's motion saying that this amendment kept by bird in the hand, rather than letting it into the bush.

Question was called. Senators Brown, Eck, Halligan, Hirsch, Lybeck, Towe, and Mazurek by written direction, voted yes; Senators Goodover, Hager, McCallum and Neuman voted no; Senator Severson was excused. The motion carried.

MOTION: Senator Eck moved that SB 330 do pass as amended. Senators Brown, Eck, Goodover, Hager, Halligan, Hirsch, Lybeck, Mazurek (by written direction), and Towe voted yes. Senators McCallum and Neuman voted no. Senator Severson was excused. The motion carried.

CONSIDERATION OF SB 436: Amendments to the bill were presented by the chairman in Exhibit 3. Mr. Jim Lear, committee researcher, said that the amendments raised the cap and the amounts from the 1974 figures used when the bill was passed to account for inflation. He said the fiscal impact of the bill came in raising of the cap.

MOTION: Senator McCallum moved the amendments in Exhibit 3 to SB 436.

The committee discussed that without the amendments the bill would still correct a cumbersome reporting mechanism. With Senators Goodover, and Neuman voting no; Senators Halligan and Severson excused; and all other members voting yes, the motion carried.

MOTION: Senator McCallum moved that SB 436 do pass as amended.

With Senator Goodover voting no; Senators Mazurek and Halligan recorded as yes; Senator Severson excused, and all other members voting yes, the motion carried.

Senator Towe adjourned the meeting at 10:03 am.

Thomas E. Towe

Chairman

ROLL CALL

SENATE TAXATION COMMITTEE

49th Legislative Session -- 1985

Date March 11, 1985, 8:05am

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	✓		

STATE OF MONTANA

Office of the Legislative Fiscal Analyst

STATE CAPITOL
HELENA, MONTANA 59620
406/449-2986

JUDY RIPPINGALE
LEGISLATIVE FISCAL ANALYST

February 16, 1985

Senator Pat Goodover
Montana State Senate
State Capitol
Helena, MT 59620

Dear Senator Goodover:

The fiscal note on Senate Bill 330 assumes that tax collections from multinational corporations will fall in proportion to the decline in net income taxed. This assumption is incorrect and causes an overestimate of the fiscal impact.

As defined in Section 15-31-302, MCA,

> A business is unitary when the operation of the business within the state is dependent on or contributory to the operation of the business outside the state or if the units of the business within and outside the state are closely allied and not capable of separate maintenance as independent businesses.

A business classified as unitary apportions its income to Montana based on the average proportion of its total worldwide property, payroll, and sales in Montana. As an example, consider a hypothetical Company A which has worldwide net income of $1,000,000 and the amounts of property, annual payrolls, and annual sales shown in Table 1.

Table 1
Property, Payroll, and Sales of Hypothetical Company A
(Millions)

	Montana	U. S.	Worldwide
Property Value	$10	$60	$100
Annual Payroll	1	8	12
Annual Sales	2	20	30

Under current Montana law, the Montana tax liability is based on the average proportions of total worldwide property, payroll, and sales attributable to Montana if Company A is unitary. In the case of Company A,

Exhibit 1 -- SB 330
March 11, 1985

the average proportion is 0.0833.[1] Multiplying the average proportion by net income and the tax rate gives a tax liability of $5623. (=0.0833 X $1,000,000 X 6.75%).

Now suppose the law were changed so the Montana tax liability were determined by the average proportion of total U.S. property, payroll, and sales attributable to Montana. The unitary method still applies but the apportionment factor is determined by U.S., not worldwide, property, payroll, and sales. The fiscal note assumes that U.S. net income of the 50 corporations with the largest Montana tax liabilities is 50 percent of their worldwide net income. If Company A's U.S. net income is $500,000 or 50 percent of its worldwide total, its Montana tax liability would fall to $4,408 based on the numbers in Table 1[2] or by 22 percent. Although net income has fallen 50 percent, Company A's tax liability has declined only 22 percent. This happens because total taxable net income declines but Montana's share of the smaller total increases; the larger share compensates to some extent for the reduced taxable income. The Montana tax liability would fall by the same percentage as the decline in net income (the assumption of the fiscal note to SB 330) when the multinational has no property, payroll, or sales outside the U.S.. In this case, taxable income declines with the exclusion of foreign income and the apportionment factor remains the same. Thus, Montana taxes the same share of a smaller total and experiences a tax loss proportional to the drop in taxable income.

As the proportion of worldwide property, payroll, and sales in the U.S. declines with other things equal, the revenue loss due to limiting application of the unitary method falls and may become a revenue gain for

---

1

Property factor = $\frac{\$10}{100} = \frac{1}{10}$

Payroll factor = $\frac{\$1}{12} = \frac{1}{12}$

Sales factor = $\frac{\$2}{30} = \frac{1}{15}$

Apportionment factor= (1/10 + 1/12 + 1/15) - 3 = 0.0833

2

Property factor = $\frac{\$10}{60} = \frac{1}{6}$

Payroll factor = $\frac{\$1}{8} = \frac{1}{8}$

Sales factor = $\frac{\$2}{20} = \frac{1}{10}$

Apportionment factor= (1/6 + 1/8 + 1/10) - 3 = .1306

(.1306) x $500,000 x 6.75% = $4408

individual corporations. For example, if in the place of the amounts in Table 1, Company A had U.S. property valued at $50 million, U.S. payroll of $6 million, and U.S. sales of $15 million, its Montana tax liability would be $5,623 under either the worldwide or U.S. alone unitary method of taxation.

The $10 million annual revenue loss from passage of Senate Bill 330 shown in the fiscal note is probably the upper limit on the potential revenue loss. A revenue loss of that magnitude would occur under the circumstances described previously where all multinationals have foreign income but no property, payroll, or sales outside the U.S. Under more realistic assumptions about the apportionment of income as shown above, the revenue loss would be less. If income from foreign sources is less than 50 percent of total for large corporations as the fiscal note assumes, the revenue loss would also be reduced.

If I can provide additional information, please contact me again.

Sincerely,

Judith Curtis Waldron
Senior Analyst

SB-330

Sen. Goodover

Montanas negative Business

Montana has not maintained the national average in per capita income. Most neighboring states have done better than the national average.

Employment growth (new job creation) has been slower in Montana than in most neighboring states.

The Billings Gazette C Wed., Dec. 12, 1984

Economic predictions gloomy

By TOM COOK
Gazette Helena Bureau

GREAT FALLS — The only people preaching more gloom and doom than the economists at the Governor's Economic Development Summit Tuesday were some of the business people that are living through it.

HELENA (AP) — Montana's hopes for long-term economic health hang on the state's ability to re-create lost good-paying, basic-industry jobs, but that is not an easy matter, a new report released by some investment bankers and state economic forecasters said Friday.

But the report repeats that the crucial question with respect to income is the replacement of the 7,000 lost basic-industry jobs.

"The job losses since 1979 have occurred mostly in mining, smelting, railroads and wood products — industries that provide some of the best-paying jobs in the state," the report said.

"So if our goal for economic growth is to improve the individual economic welfare of as many Montanans as possible, it makes a difference where growth occurs."

Agriculture is in decline and agricultural processing which would create new domestic markets, is nearly non-existent in Montana. Agricultural income per capita was less than $5,000 last year.

Montana's economy is less div[...] most of our neighboring states.

Economic growth in Montar[...] behind most of our neighboring states.

The timber and copper industries may be in permanent decline in Montana even with a national and worldwide economic recovery. BBER estimates 3000 more jobs may be lost in the timber industry by the year 2000.

Forest Service regional office cuts jobs

MISSOULA (AP) — The Forest Service has just completed a three-year reorganization of the agency's Northern Region headquarters here, involving the elimination of 104 jobs, said Tom Coston, regional forester.

Abolishing the positions reduced annual payroll for the headquarters by $2.4 million, he said Friday.

However, he said no employees lost their jobs in the reorganization, since the positions were eliminated through retirements, resignations, promotions and reassignments to other regions.

The process reduced the number of regional office directors from 20 to 11 and the number of deputy regional foresters from three to one. Overall, the number of jobs was reduced by 24 percent.

6-F Great Falls Tribune Sunday, August 26, 1

Boom may bypass Montana

HELENA (AP) — An economist says Montana and Wyoming are "too desolate and too tightly intertwined with decaying industries" to benefit from the economic boom that has occurred in other parts of the Rocky Mountain region.

"The 21st century may pass them (Montana and Wyoming) by," John Gilmore, senior economist at the Denver Research Institute, recently told the Wall Street Journal.

The Journal article said cities such as Butte that rely on traditional "engines of growth" — including copper, oil, natural gas and agriculture — are struggling for survival.

Meanwhile, the Journal said other cities such as Colorado Springs, Colo.; Albuquerque, N.M.; and Provo, Utah, are taking advantage of the high-tech and service industries and are "riding a wave of prosperity that may guarantee them surging growth far into the future."

Buchanan conceded that Montana has lost many primary jobs to declining industries. But, he said, there is renewed interest in the state's precious metals among small-scale miners who will provide a more stable employment base.

Sen. Pat Goodover SB-330 Montana's Potential !!

Saturday, February 23, 1985 Great Falls Tribune

Montana's economic future is squarely on Pacific Rim

There is no doubt that the state's economic future lies around the Pacific Rim. Expanded markets won't be developed soon enough to alleviate the current farm crisis.

But those markets will develop. We'll bet on it.

In exclusive interviews with The Japan Times following their return from the three-week tour of different regions of the United States, the three group leaders spoke of a most enthusiastic reception given them.

And they are unanimous in the belief that a long list of advantages offered there makes the United States the No. 1 world outlet for private Japanese investment.

Kyocera expansion plans expected

By HOLLEY GILBERT
Correspondent, The Oregonian

VANCOUVER, Wash. — Kyocera International Inc., a subsidiary of Kyocera Corp. of Japan, a high-technology products manufacturer, is expected Monday to announce plans to build a plant on a 54-acre Vancouver site.

Kyocera officials had been looking at possible sites in Washington primarily because the state has no unitary tax and relatively low power costs. Vancouver apparently has been selected for the plant because labor costs in Clark County are lower than other areas of the state.

Consul discusses Montana, Japan trade

BILLINGS (AP) — The chief of the Japanese consulate in Seattle said Wednesday that better cultural understanding and elimination of "short-sighted protectionism" would improve trade relationships between Montana and his country.

Toshio Isogai told Montana Chamber of Commerce directors that the state's unitary tax on overseas corporations operating in the United States is preventing his countrymen from considering economic investments in Montana.

The Asian Wall Street Journal Weekly September 17, 1984

Fujitsu Will Build Two Oregon Plants For $170 Million

Unitary Tax Creates a Monster

Florida's Legislature Repeals Unitary Tax, Raises Firms' Tax Rate

By a WALL STREET JOURNAL Staff Reporter

TALLAHASSEE, Fla.—Florida's corporate world-wide unitary tax, opposed by many businesses and foreign governments, was repealed in a special session of the legislature Friday. Gov. Bob Graham is expected to sign the measure this week.

"The tax really did hurt the state of Florida," said Ronald LeFace, a lobbyist representing Coca-Cola Co., Mobil Corp., Sony Corp. and some 40 other companies that worked for repeal. "I predict that people will start looking at the state as a safe place to invest their capital again."

After Oregon repealed its unitary tax last year, Japanese investors pumped $300 million into that state creating about 2,000 jobs, Fitzgerald said.

Japanese and other foreign investors have indicated a wide-range of investment possibilities in Montana, he said, but he wouldn't give the names of the companies.

In addition, the worldwide unitary principle discourages any export-intensive company from locating or expanding in a state having high labor and manufacturing costs. Such a move would only increase its corporate taxes within that state, even if in-state profits were zero. "Because the effective state tax rate will be greater for companies with profitable worldwide operations, successful export-oriented high technology companies will have to think twice about expanding into and within a unitary tax state," says Charles Baker of the Massachusetts High Technology Council.

HELENA — Larry Fasbender said his life on a farm near Fort Shaw in the federal Greenfield Irrigation Project will allow him to bring a "fresh perspective" to his job as the state's next director of Natural Resources and Conservation.

It's time for the state to look at ways to use natural resources to help provide more jobs and spur economic development, he said.

Max calls for trade office in Japan

Governor Anaya of New Mexico led the way in 1983 in getting his State to enact a specific prohibition against Worldwide Combination. Then in 1984 Governor Ariyoshi of Hawaii followed suit even though that State had not been using Worldwide Combination.

An analysis by our Executive Department concluded the multiplier effect for new Oregon manufacturing jobs is 2.0.

In other words, the creation of 1,000 new manufacturing jobs would generate a total of 2,000 jobs across the Oregon economy.

This increased economic activity also will stimulate construction jobs and heighten demand for housing.

Studies have shown growth in industrial jobs results in broad increases in personal income and in reductions in individual property-tax bills because of a broadened tax base.

AMENDMENTS TO INTRODUCED SENATE BILL #330

1. Amend Title, lines 4 and 5.
Following: "EXCLUDE"
Strike: "CERTAIN INCOME DERIVED FROM SOURCES OUTSIDE THE UNITED STATES"
Insert: "FOREIGN PARENT CORPORATIONS"

2. ~~Page 1~~ Title, line 7.
Following: "Sections"
Strike: "15-31-302"
Insert: "15-31-301, 15-31-305"

3. Page 1, line 8.
Following: "MCA."
Insert: "EXTENDING RULEMAKING AUTHORITY,"

4. Page 1, following line 8.
Insert: WHEREAS, the United States Supreme Court in the Container case held that the states could apportion the income of unitary corporations on a worldwide basis in order to determine the fair and reasonable tax owed to a certain state; and

WHEREAS, the United States Supreme Court in Container, while approving worldwide apportionment, reserved judgment as to the constitutionality of including the income and activities of a foreign parent corporation in the unitary group; and

WHEREAS, Montana's use of the unitary concept, applied on a worldwide basis, for purposes of calculating Montana corporate license taxes has attracted some recent public interest; and

WHEREAS, representatives of certain foreign countries, most notably Japan, United Kingdom, and Germany have characterized such practice as a deterrent to investment in Montana; and

WHEREAS, Montana welcomes out-of-state and foreign investment in Montana's economy,

THEREFORE, it is the purpose of this act and the intent of the legislature to remove this problem by limiting consideration of foreign parent corporation activities and net income for purposes of corporate license tax.

5. Page 1, line 11 through line 1, page 2.
Strike: Section 1 in its entirety.
Insert: "Section 1. Section 15-31-301, MCA, is amended to read:

Exhibit 2 -- SB 330
March 11, 1985

15-31-301. Corporations subject to allocation and apportionment. (1) Any corporation having income from business activity which is taxable both within and without this state shall allocate and apportion its net income as provided in this part.

(2) A corporation engaged in a unitary business within and without Montana must apportion its business income as provided for under 15-31-305. A business is unitary when the operation of the business within the state is dependent upon or contributory to the operation of the business outside the state or if the units of the business within and without the state are closely allied and not capable of separate maintenance as independent businesses. In combining corporations engaged in a unitary business within and without Montana, the income, expenses, and activities of a parent corporation, incorporated under the laws of a foreign country shall not be considered in calculating the tax. However, to the extent such parent corporations are subject to tax as separate corporate entities, such corporations remain subject to tax as provided for in this chapter.

(3) A corporation not engaged in a unitary business must allocate its business income by means of separate accounting methods, provided its books and records are so kept that the income and expenses attributable to business operations within the state can be properly segregated from total income and expense. If the corporation's books and records do not permit such proper segregation, its business income must be apportioned according to the provisions of 15-31-305.

~~6. Page 2, following line 16.~~
~~Insert:~~ Section 2. Section 15-31-305 is amended to read:

"**15-31-305. Apportionment of business income.** All business income shall be apportioned to this state by multiplying the income by a fraction, the numerator of which is the property factor plus the payroll factor plus the sales factor and the denominator of which is 3. Neither the income or the factors of a foreign parent corporation shall be considered for purposes of these calculations unless such corporation is subject to tax in this state as a separate taxable entity."

Renumber: Subsequent sections.

4 ~~7~~. Page 3, lines 19
Following: "business"
Insert: "activities of a foreign parent corporation unless such corporation is subject to tax in Montana as a separate entity"
~~Strike: Remainder of lines 19 through 21 in their entirety.~~

8. Page 3, Following line 21.
Insert: "NEW SECTION. Section 4. Extension of authority. 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. Rulemaking may begin upon passage and approval.
Renumber: Subsequent sections.

ilb/90/sb330

Amend SB 436, introduced copy, as follows:

1. Page 3, line 19.
Strike: "$4,800"
Insert: "$9,000"

2. Page 4, line 4.
Strike: "$2,400"
Insert: "$4,500"

3. Page 4, line 5.
Strike: "$3,600"
Insert: "$6,750

4. Page 4, line 7.
Strike: "$4,800"
Insert: "$9,000"

5. Page 4, lines 10 and 14.
Strike: "$18,000"
Insert: "$34,000"

Exhibit 3 -- SB 436
March 11, 1985

STANDING COMMITTEE REPORT

March 11, 1985

MR. PRESIDENT

We, your committee on Taxation

having had under consideration Senate Bill No. 330

first reading copy (white)
color

EXCLUDING INCOME DERIVED FROM OUTSIDE U.S. FROM UNITARY TAXATION.

Respectfully report as follows: That Senate Bill No. 330

be amended as follows:

1. Title, lines 4 and 5.
Following: "EXCLUDE" on line 4
Strike: remainder of line 4 through "STATES" on line 5
Insert: "FOREIGN PARENT CORPORATIONS"

2. Title, line 7.
Following: "SECTIONS"
Strike: "15-31-302"
Insert: "15-31-301, 15-31-305,"

3. Page 1, line 11 through line 16, page 2.
Strike: Section 1 in its entirety
Insert: "Section 1. Section 15-31-301, MCA, is amended to read:

"15-31-301. Corporations subject to allocation and apportionment. (1) Any corporation having income from business activity which is taxable both within and without this state shall allocate and apportion its net income as provided in this part.

(2) A corporation engaged in a unitary business within and without Montana must apportion its business income as provided for under 15-31-305. A business is unitary when the operation of the business within the state is dependent upon or contributory to the operation of the business outside the state or if the units of the business within and without the state are closely allied and not capable of separate maintenance as independent businesses. <u>In combining corporations engaged in a unitary business within and without Montana, the income, expenses, and activities of a parent corporation, incorporated under the laws of a foreign country, shall not be considered</u>

~~DO PASS~~

~~DO NOT PASS~~

CONTINUED
Chairman.

March 11, 19 85

in calculating the tax. However, to the extent such parent corporations are subject to tax as separate corporate entities such corporations remain subject to tax as provided for in this chapter.

(3) A corporation not engaged in a unitary business must allocate its business income by means of separate accounting methods, provided its books and records are so kept that the income and expenses attributable to business operations within the state can be properly segregated from total income and expense. If the corporation's books and records do not permit such proper segregation, its business income must be apportioned according to the provisions of 15-31-305."

Section 2. Section 15-31-305 is amended to read:

"15-31-305. Apportionment of business income. All business income shall be apportioned to this state by multiplying the income by a fraction, the numerator of which is the property factor plus the payroll factor plus the sales factor and the denominator of which is 3. Neither the income or the factors of a foreign parent corporation shall be considered for purposes of these calculations unless such corporation is subject to tax in this state as a separate taxable entity."

Renumber: Subsequent sections

4. Page 3, lines 19 through 21.
Following: "business" on line 19
Strike: remainder of line 19 through "States" on line 21
Insert: "activities of a foreign parent corporation unless such corporation is subject to tax in Montana as a separate entity"

5. Page 3, line 22.
Following: line 21
Insert: "NEW SECTION. Section 4. Extension of authority. 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. Rulemaking may begin upon passage and approval.

Renumber: Subsequent section

AND AS AMENDED
DO PASS

Thomas E. Towe, Chairman

ROLL CALL VOTE

SENATE TAXATION COMMITTEE
49 th Legislative Session -- 1985

Time 9:51 am Date March 11, 1985 Room 413-415

Motion: to amend SB 330 per exhibit 2.
Eck motion.

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	✓		

STANDING COMMITTEE REPORT

March 11, 1985

MR. PRESIDENT

We, your committee on Taxation

having had under consideration Senate Bill No. 436

first reading copy (white)
color

REVISES HOUSEHOLD AND DEPENDENT CARE EXPENSE DEDUCTION FOR INCOME TAX.

Respectfully report as follows: That Senate Bill No. 436

be amended as follows:

1. Page 3, line 19.
Strike: "$4,800"
Insert: "$9,000"

2. Page 4, line 4.
Strike: "$2,400"
Insert: "$4,500"

3. Page 4, line 5.
Strike: "$3,600"
Insert: "$6,750"

4. Page 4, line 7.
Strike: "$4,800"
Insert: "$9,000"

5. Page 4, lines 10 and 14.
Strike: "$18,000"
Insert: "$34,000"

AND AS AMENDED
DO PASS

~~DO NOT PASS~~

Thomas E. Towe, Chairman.