MINUTES OF THE MEETING TAXATION COMMITTEE 49TH LEGISLATURE SPECIAL SESSION III HOUSE OF REPRESENTATIVES

June 18, 1986

The first meeting of the taxation committee was called to order in room 312-1 of the capitol by chairman Gerry Devlin on June 18, 1986 at 4:15 p.m.

ROLL CALL: All members were present with the exception of Representative Schye, who was excused. Also present were Dave Bohyer, researcher for the legislative council, and Alice Omang, secretary.

CONSIDERATION OF HOUSE JOINT RESOLUTION 1: Representative Harp, house district 7, Kalispell, distributed to the committee a general fund revenue estimate comparison. See exhibit 1. He explained that this resolution was based on an assumption of slow economic growth and that the rate of inflation for 1986 will be 1.1% and a 2.9% inflation rate for 1989. He also indicated that they felt that interest rates would continue to drift downwards for the biennium. He referred to the chart and noted that under post session FY 86-87, they assumed \$774 million in revenue in the general fund and under the house tax column, which is second from the right, they assumed \$685,762,000 and they see a decline in the revenue estimates of \$89 million in the general fund. He also indicated that the LFA's figures were \$688 million and the governor's REAC totaled \$689,333 million, so the difference between them and the governor is \$3.5 million -\$2 million under the LFA and over \$3.5 million under the governor's estimate.

PROPONENTS: Terry Johnson, representing the office of the budget and planning of the governor's office, indicated that in terms of the foundation program, there are three source of revenue - (1) state equalization of revenue, such as individual income tax, corporation tax, coal taxes, etc. (2) county equalization revenue, which primarily consists of the 45 mill levy and (3) district revenue, which is dependent upon the taxable valuation in the districts.

Taxation Committee
June 18, 1986
Page Two

He advised that in terms of their revenue estimates, they have a projection of \$270 million in fiscal year 86 and there is an item listed as M.G.F. and that stands for maximum general fund and that is the cost of the foundation program for fiscal year 1986 and that particular number is almost \$282 million and the difference between that and the \$270 million is \$11 million that will be needed in the general fund support for the foundation program in 1986. He explained that REAC means revenue estimate advisory council and there is a grand total of district revenue, county revenue and state revenue of \$270.5 million. He continued that the cost of the foundation program is \$281.9 million and the difference between available revenue and the costs is the amount the general fund has to make up to fund the foundation program.

Chairman Devlin asked if that includes the first 4% increase and Mr. Johnson responded that it does.

Mr. Johnson further informed the committee that under the column labeled REAC 87, they are projecting that they will receive \$245.847 million and the cost for the 4% schedule increase in '87 is \$292 million, which includes the additional 4% that is in current law. He advised, that at that point, the general fund needs \$46 million. He continued that with the \$46 million and the \$11 million, gives them roughly about \$57 million from the general fund that is going to be needed in in the 1986 and 1987 biennium to fund the 4% scheduled increase in 1987.

OPPONENTS: There were none.

QUESTIONS FROM THE COMMITTEE: Chairman Devlin asked how much difference does the second 4% make on these figures.

Mr. Johnson replied that, based on their calculations and the calculations of the fiscal analyst, they are estimating that if they are not granted the 4% increase, that this would save \$11.2 million.

Representative Williams noted that he had some figures that showed in 1987 it was \$25 million.

Taxation Committee June 18, 1986 Page Three

Mr. Johnson clarified that according to their calculations, their general fund need for 1986 and 1987 is roughtly \$57 million; during the regular session, they appropriated \$32.5 million out of the general fund; the difference between the \$57 million and what they appropriated is now the supplemental that they need in addition to the \$32 million; and now they need another \$25 million on top of that.

Representative Raney asked if they were short \$25 million right now if they give the 4% and Mr. Johnson replied that that is correct.

Representative Raney asked if they do not give the 4%, they still will have to raise \$14 million, to which Mr. Johnson answered that is correct.

Representative Asay asked how long does it take for any effect to be felt.

Mr. Johnson responded that if they changed the distribution on the coal tax, that could be started immediately in 1987.

Representative Asay explained that he was curious to know how much time is necessary to realize any revenue enhancement.

Mr. Johnson replied that it depends on the particular tax source.

Representative Raney asked if they put on a snooz tax, how long would it be before they actually would realize the revenue.

Representative Devlin noted that something like this would go into effect on July 1 and would affect this fiscal year. He asked if something such as oil prices going up, would this not have an immediate impact, because production would have to follow.

Mr. Johnson replied that in the case of the oil revenue, that is critical because it has an effect on the general area of the severance tax, but it has an effect on the foundation program and net proceeds. He advised that

Taxation Committee June 18, 1986 Page Four

there is a tremendous lag there and if production that is going on during the calendar period slides, this will affect the revenue and what happens right now will not have an impact until 1988.

Representative Ream asked if farm income would have an impact on government.

Representative Sands explained that the major area where their revenue estimates were below the governors were in the area of individual income tax and corporate income tax. He advised that the governor's projection for income growth were for about 6.7% income growth compared with an inflation rate of about 1.9% so the net income growth they projected in 1987 was just under 5% and when you look at what Montana has done for the last ten years, we have had a net decline in income for this time. He indicated that their projections were based upon recovering in one year the decline of real income that had occurred in ten years and they (in the committee) felt that was very optomistic.

Representative Williams advised the committee that there was a proposal to change the revenue estimating committee to a joint committee between the senate and house.

Representative Harp explained that there was a motion to form a joint senate and house committee wherein they would meet at the beginning of the regular session in 1987 and get the senate involved in early so they can get it out to the appropriation committee.

DISPOSITION OF HOUSE JOINT RESOLUTION 1: Representative Harp moved that this resolution BE CONCURRED IN. The motion carried unanimously.

Representative Devlin noted that the committee had worked very hard on this resolution and he thanked them again along with the LFA and the budget office.

Representative Harp informed the committee that the bill is being drafted and should be ready some time this week.

Taxation Committee June 18, 1986 Page Five

ADJOURNMENT: There being no further business, the meeting adjourned at 4:51 p.m.

GERRY DEVLIN, Chairman

Alice Omang, Secretary

DAILY ROLL CALL

TAXATION	COMMITTEE

49th LEGISLATIVE SESSION -- 1986

Second Special

Date	June	18, 1986	
------	------	----------	--

PRESENT	ABSENT	EXCUSED
V		-
V		
V		
V		
V		
/		
V		
/		
V		
		سن ا
/		
V		

STANDING COMMITTEE REPORT

			J <u>u</u>	ne 15,	19 <u>86</u>
Mr. Speaker: We,	the committee on _	TAXATIO	2		
report	House Joine	RESOLUTION 1			
do pass do not pass		be concurred in be not concurred in	·	☐ as ame ☐ statem	ended ent of intent attached
		<u></u>	GERRY	DEVLIN,	Chairman

reading copy (white

	.)
	- 45
	· £
	Confession
	7.
	1.3
\sim	4
1	
; ~1	. 5
_ \	z

5.40 D5	٠			
4 1984	HI-REAL FY 85-87	-3 332000 -0.132000	3. 3000000 1. 500000 2. 500000 3. 500000 3. 500000 1. 500000 2. 510000	0.000000 0 0.000000 0
Fxhbor June HJR-6 Kep. S	ndUSE 1AX FY 86-87	226. 325000 35. 984000 35. 984000 26. 294000 26. 294000 34. 374000 27. 987000 11. 495000 11. 495000 11. 495000 11. 495000 11. 455000 25. 677000 25. 677000 26. 673000 26. 673000	25. 630000 88. 466500 74. 249000 77. 376900 69. 241600 65. 245900 15. 677000	211.324006 7.25400 17.25400 17.25400 0.236000 0.236000 1.52200 23.156300
	LFA FY 86-87	226, 355000 60, 856000 80, 856000		295, 753000 27, 307300 17, 307300 27, 734000 9, 253000 -1, 522300 221, 424003 37, 136000
	FY 86-87	229, 657000 64, 328060 36, 728060 36, 728060 26, 20906 51, 78000 33, 315040 33, 315040 31, 528040 11, 528040 11, 528040 11, 528040 11, 528040 11, 528040 11, 528040 11, 528040 11, 528040 11, 528040 12, 528040 12, 528040 13, 528040 14, 528040 1		211.354065 -7.254060 17.55400 2.755600 2.756600 -1.52200 -1.52200 37.026000
	PGST-SE351GN FY 86-87	62. 261000 46. 261000 46. 36200 45. 617000 45. 617000 60. 417000 13. 549000 13. 549000 13. 549000 13. 549000 13. 549000 13. 549000 14. 779300 15. 5779300 16. 5779300 17. 18. 18. 18. 18. 18. 18. 18. 18. 18. 18		217.372000 217.372000 22.363000 23.60000 0.246000 -1.312000 233.554000
	HOUSE TAX FY 1987	116. 168000 28. 060000 13. 798900 19. 798900 10. 208000 34. 888000 34. 888000 35. 188000 36. 188000 36. 17000 37. 77000 37. 77		104.665900 -3.527600 1.357600 1.351600 0.11860 -0.751000 110.456363
	LFA FY 1987	116. 168000 27. 366000 13. 466000 14. 243000 34. 443000 34. 443000 14. 263000 1. 023000 1. 023000 1. 22000 2. 623000 3. 34600 1. 22000 1. 22000 1. 22000 1. 22000 1. 22000 1. 34600 1. 34600		102 731000 -3.36000 -3.36000 1.591000 -0.761000 -0.761000 13.335300
16 11504	4 REAC FY 1987	118 272000 28 101900 11 78000 11 78000 10 20000 36 110 20000 36 110 20000 37 126000 3 17 37000 3 17 37000 3 17 37000 3 17 37000 3 17 37000 3 17 37000 3 17 37000 3 17 37000 3 17 37000 3 17 37000 3 17 37000 3 17 37000 3 17 37000 3 17 37000 5 2 2 37000 6 2 2 37000 6 2 3 3 3 3 3 3 3 3 3 3 3 3 3 3 3 3 3 3	1.2	111. 073000 134. 008030 134. 008030 134. 00803 113. 436030 113. 436030
BUGCET & PROGRAM PLANMING FREVENUE ESTINATE CORPARISON	PGST-SESSION FY 1987	134 064000 32.304000 22.54600 22.54600 32.52660 32.52660 32.52600 5.174600	5	110.262900 110.263900 110.263900 110.263900 110.26300 110.462000 110.462000
BUGET & PRO REVENUE ES!	HOUSE TAX FT 1986	110 157000 34 066000 12 52-6000 16 001000 31 17-6000 31 17-6000 31 17-6000 31 17-6000 41 167-000 41 17-000 41 17-000 41 17-000 41 17-000 41 17-000 41 17-000 41 17-000 41 17-000 41 17-000 41 17-000	- 1995 - 1985 -	138.717000 104.656000 3.271000 1.271000 0.11800 -0.761000 112.700000
OFFICE OF	LFA FY 1986	111.385000 110.157000 36.227000 33.490000 22.525000 25.635000 23.626000 15.981000 25.07000 15.981000 25.07000 15.981000 25.07000 15.981000 27.625000 15.981000 27.625000 15.981000 27.625000 15.981000 27.625000 17.631000 27.625000 17.631000 27.625000 17.631000 27.625000 17.631000 27.625000 17.631000 27.625000 17.631000 27.625000 17.631000 27.625000 17.631000 27.625000 17.631000 27.625000 17.631000 27.62500 17.631000 27.625000 17.631000 27.62500 17.631000 27.62500 17.631000 27.62500 17.631000 27.62500 17.631000 27.62500 17.631000 27.62500 17.631000 27.62500 17.631000 27.62500 17.631000 27.62500 17.631000	/ 14	106, 656000 -5, 625000 -5, 625000 -5, 625000 -1, 625000 -6, 761000 -112, 700000
	N ЯЕНС FY 1986		45 - 100000000000000000000000000000000000	106.656000 -9.067600 -9.067600 -9.160000 -9.160000 -9.160000 -9.160000 -9.160000 -9.160000
	-057-165510N FY 1986	125 286000 23 66000 23 66000 23 66000 23 66000 25 65000 26 15000 26 15000 26 15000 26 15000 26 15000 27 15000 2		107.1144640 1-4.1656660 1-6.06600 1-6.066000 1-6.066000 1-6.060000 1-6.060000 1-6.0600000 1-6.060000000000000000000000000000000000
	AC 1581.	111 87 87 850 0 10 6 8 8 8 8 8 8 8 8 8 8 8 8 8 8 8 8 8 8		0 1 1 1 1 1 1 1 1 1 1
	ACTOME FT 1964	20 5216.0 20 527177 20 5272177 20 525017 21 527217 21 527217	1.000 days	777777777777777777777777777777777777777
MA TELEPHONE	הַסְחוֹרֵבְּ חַנְּ אֲבְּאִבּטְּחַבְּּ	Individual Income Sax control is control in the Sax	Ting salatin Tally Coal Ancore 12, Tally Coal Ancore 12, total Street 12, Tally Salatin 12, Tally Salat	di min cest Elemento introportation Elemento introportation Elemento intro Elemento intro Elemento intro Elemento intro Citation introduce tevy

540.297000 573.947000 574.160000 6.000000 -573.947000

265.24000 E70.55000 E6.736006 E70.347000 E67.993000 E45.047000 E45.047000 E45.639000 559.517000 E16.350000 516.350000 516.350000 E87.04000 E87.040000 E87.04000 E87.04000 E87.04000 E87.04000 E87.04000 E87.040000 E87.04000 E87.04000 E87.04000 E87.04000 E87.040000 E87.04000 E87.040000 E87.04000 E87

297.071000 291.750000 292.190000

270 -1 -29.0

· pur

Jero Pint

ALILIA COSIS

283,325,330, \$81,997300 281,973003

3,170 0 313 5.83cv (3.73cv) 5,770 0 5,770 0 5,000 5,000 5,000