

MINUTES OF THE MEETING  
TAXATION COMMITTEE  
50TH LEGISLATIVE SESSION  
HOUSE OF REPRESENTATIVES

February 2, 1987

The meeting of the Taxation Committee was called to order by Chairman Ramirez on February 2, 1987, at 8 a.m. in Room 312B of the State Capitol.

ROLL CALL: All members were present with the exception of Rep. Harp, who was excused. Also present was Dave Bohyer, Researcher, Legislative Council.

CONSIDERATION OF HOUSE BILL 222: Rep. Fred Thomas, House District #62, sponsor of HB 222 said the bill would allow certain Montana corporations to file a consolidated income tax return.

PROPOSERS OF HOUSE BILL 222: Jerry Foster, DOR, provided copies of a proposed amendment, (Exhibit #1), and said he favors the bill as it removes discretionary responsibility. Mr. Foster stated he had concerns with the effective date, and that he felt the fiscal note was not sound.

Tom Harrison, Montana Society of CPA's, said he endorsed the bill, but with a concern that the language in amendment #7 be changed from "and operate exclusively" to "are not multi-state corporations".

OPPOSERS OF HOUSE BILL 222: There were no opposers of the bill.

QUESTIONS ON HOUSE BILL 222: Rep. Raney asked for an explanation of the fiscal note, concerning a statement that collections resulting from a reduction in corporate income tax collections would be impossible to figure. Rep. Thomas replied that amount should be less than \$100,000.

Rep. Williams asked Mr. Foster if he agreed with the amendments proposed by Tom Harrison. Mr. Foster replied he preferred to leave the language in the bill as it is.

Rep. Sands asked why some companies are allowed to consolidate, while others are not. Mr. Foster replied financial companies are affected most by this situation, which, in turn, reverts back to other corporations.

Rep. Sands asked what, apart from legislative grace, is the rationale for allowing consolidation of corporations. Mr. Foster replied it would allow companies to offset losses against the gains of a related company, within the corporate structure.

Rep. Patterson asked how \$100,000 in income would be lost should HB 222 Pass. Mr. Foster said, assuming one of two separate corporations operated at a profit, and the other at a loss, consolidation would allow a savings in taxes due to loss of revenue.

Chairman Ramirez asked if the two corporations would be separate legal entities, but be as one for tax purposes, Mr. Foster replied that would be so.

Chairman Ramirez asked how the proposal would work, if one of the corporations were situated in another state. Mr. Foster replied a combination statute is still under question in Montana. He added that, basically, related companies would be treated the same.

Rep. Koehnke asked if 80% of one corporation must be owned by other members of the group in order to consolidate. There was no response.

Rep. Sands asked if double taxation would be eliminated, should the bill pass. Mr. Foster replied that would be so.

Rep. Patterson asked Rep. Thomas if he felt it was right to allow one corporation to subtract the losses of another corporation. Rep. Thomas replied that he did, as long as the corporations were alike in nature.

CLOSING ON HOUSE BILL 222: Rep. Thomas advised that the action proposed in HB 222 is essentially allowed by federal tax codes, and would bring Montana into conformity.

CONSIDERATION OF HOUSE BILL 234: Rep. Red Menahan, House District #67, sponsor of HB 234, said the bill would limit to the immediate previous year, any back taxes or fees owed on a boat.

PROponents OF HOUSE BILL 234: Cort Harrington, Montana County Treasurers Association, explained that boats are treated differently in some counties, and that he would like to see property such as boats, snowmobiles, and motorcycles licensed in the manner proposed in the bill.

OPponents OF HOUSE BILL 234: There were no opponents of the bill.

QUESTIONS ON HOUSE BILL 234: Rep. Williams asked how it could be determined whether or not a boat was operated the previous year. Cort Harrington replied that the County Treasurers would treat boats in the same manner in which they treat motor vehicles which were not licensed the previous year.

TAXATION COMMITTEE

February 2, 1987

Page 3

Rep. Ellison asked if the counties would all be consistent in this process. Cort Harrington replied that another bill had been drafted to address the consistency issue, and Rep. Menahan added that license fees on a \$10,000 boat average \$500-\$600. He said the other reason he sponsored the bill was because Fish, Wildlife and Parks does not have adequate staff to check boat stickers.

Chairman Ramirez asked if the bill would apply only for one year into the proposed fee system. Cort Harrington replied that counties must still decide how much in back taxes or fees are to be paid.

Rep. Ellison asked if Sen. Smith's motor vehicle tax bill included boats. Cort Harrington replied that SB 200 does not address boats.

CLOSING ON HOUSE BILL 234: Rep. Menahan made no closing comments.

DISPOSITION OF HOUSE BILL 245: Chairman Ramirez announced that Rep. Swift requested his HB 245 be tabled without being heard.

Rep. Asay made a motion that HB 245 be TABLED. The motion CARRIED unanimously.

DISPOSITION OF HOUSE BILL 155: Rep. Williams made a motion that HB 155 DO PASS.

Rep. Gilbert advised that HB 155 is not needed, if SB 200 passes, and made a motion to amend the bill by adding a two-year sunset provision.

Rep. Williams stated he would support the amendment.

Rep. Ellison commented that he believes the Senate will kill any bill that changes the automated fee system to ad valorem.

The motion to amend CARRIED. Reps. Ream, Raney, Keenan, and Harrington voted no.

Rep. Ellison stated it is not fair to tax boats at 11% and other motor vehicles at 2.5%.

Rep. Sands said that after rethinking his action, he would oppose a two-year sunset provision.

Chairman Ramirez asked if the Committee wanted to take on

TAXATION COMMITTEE

February 2, 1987

Page 4

the role of throwing out bills in a piecemeal manner, or if members would agree to take related issues into consideration.

Rep. Williams commented that HB 155 should be treated as a separate issue until action is taken on SB 200.

Chairman Ramirez advised that, under temporary rules, the House has the option of submitting a balanced budget proposal to the Senate, and suggested the Committee forego action on HB 155 while action on SB 200 is pending.

Dave Bohyer said a portion of the issue in question is addressed on page 69 of SB 200, where the fee for block grant programs is eliminated, and district court fees are retained.

Rep. Sands stated the Committee should not pass a tax increase unless it is an absolute necessity.

Rep. Schye asked if any other bills had been introduced which would affect district court funding requirements.

Rep. Gilbert advised that if SB 200 passes, the resulting increases to the general fund can be used to fund district courts.

Rep. Keenan said she would like to get the bill passed out of committee, especially if SB 200 does not pass, to provide for continued funding of district courts.

Rep. Gilbert commented that most district courts received about 50% of flat fees, and that the proposed legislation would mean less money to those courts.

Rep. Keenan explained that the state initiates law suits in criminal cases and should be responsible for funding those cases.

Chairman Ramirez commented that this is an opportunity for the Committee to consider such tax increases in a united manner.

Rep. Ellison made a motion to request a committee bill to deal with the issue and then withdrew his motion.

Dave Bohyer advised he would check the mechanics on funding district courts.

(No further action was taken on the bill until 2-20-87).

TAXATION COMMITTEE  
February 2, 1987  
Page 5

DISPOSITION OF HOUSE BILL 234: Rep. Raney made a motion that HB 234 DO PASS. The motion CARRIED unanimously.

ADJOURNMENT: There being no further business before the Committee, the meeting was adjourned at 11:05 a.m.

  

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Representative Jack Ramirez,  
Chairman

DAILY ROLL CALL  
HOUSE TAXATION COMMITTEE

50th LEGISLATIVE SESSION -- 1987

Date 2-2-87

NAME	PRESENT	ABSENT	EXCUSED
REP. RAMIREZ	✓		
REP. ASAY	✓		
REP. ELLISON	✓		
REP. GILBERT	✓		
REP. HANSON	✓		
REP. HARP			✓
REP. HARRINGTON	✓		
REP. HOFFMAN	✓		
REP. KEENAN	✓		
REP. KOEHNKE	✓		
REP. PATTERSON	✓		
REP. RANEY	✓		
REP. REAM	✓		
REP. SANDS	✓		
REP. SCHYE	✓		
REP. WILLIAMS	✓		

# STANDING COMMITTEE REPORT

FEBRUARY 2

19 87

Mr. Speaker: We, the committee on HOUSE TAXATION

report HOUSE BILL NO. 234

do pass  
 do not pass

be concurred in  
 be not concurred in

as amended  
 statement of intent attached

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Chairman

*AL*  
FIRST reading copy ( WHITE )  
color

2-2-87

EXHIBIT # 1  
Feb 2, 1987  
HB 222

Proposed Amendments

HB222

- 1 Page 1 Line 9  
After: Date and  
Delete: A
- 2 Page 1 Line 10  
Delete: Retroactive
- 3 Page 1 Line 21  
After: Unless  
Delete: the operation of the affiliated group constitutes a
- 4 Page 1 Delete Lines 22-25
- 5 Page 2 Delete Lines 1-7
- 6 Page 2 Line 8  
Delete: (b)
- 7 Page 2 Line 9  
After: incorporated  
Insert: and operate exclusively
- 8 Page 2 Line 9  
After: Montana,  
Delete: all shareholders of those
- 9 Page 2 Line 10  
Delete: corporations are Montana residents,
- 10 Page 2 After Line 11  
Insert: (3) The election to file consolidated is binding as long  
as the affiliated group continues to file a federal con-  
solidated return.
- 11 Page 2 Line 12  
Delete: (3)  
Insert: (4)
- 12 Page 2 Line 16  
Delete: (4)  
Insert: (5)

Proposed Amendments Continued

HB222

Page 2

13 Page 3 Line 13

Delete: (5)

Insert: (6)

14 Page 3 Line 22

Delete: (5)

Insert: (6)

15 Page 4 Line 9

Delete: 1982

Insert: 1986



