

MINUTES OF THE MEETING  
TAXATION COMMITTEE  
50TH LEGISLATURE

March 5, 1987

The meeting of the House Taxation Committee was called to order by Chairman Jack Ramirez on March 5, 1987, at 8:00 a.m. in Room 312B of the State Capitol.

ROLL CALL: All members were present. Also present was Dave Boyher, Researcher, Legislative Council.

DOR REPORT ON MONTANA SOCIETY OF CPA'S STUDY: John LaFaver, Director, DOR, reported that the CPA's figures are much different from those of DOR. He said 60% of taxpayers would pay substantially less tax with SB 307, and that he believes the CPA sample is not indicative of Montana Taxpayers.

Mr. LaFaver provided a copy of DOR/CPA analysis in which 7% of wage earners in top brackets would pay more tax. He said the figures are overweighted by the CPA's about five to one, and that the numbers are not inaccurate, but seriously misrepresent the actual situation concerning the entire population (Exhibit #1).

Mr. LaFaver read from a prepared statement (Exhibit #2).

CONSIDERATION OF HOUSE BILL NO. 813: Rep. Ben Cohen, House District #3, sponsor of HB 813, said the bill would establish a fee in lieu of taxes for off-highway vehicles and would establish distribution thereof. He told the Committee he anticipated that approximately 22,500 all-terrain vehicles were not picked up on the tax rolls, and that the fiscal note is, basically, a wash. Rep. Cohen said the annual average tax on a golf cart runs \$70 each, and would be reduced by the bill.

Rep. Cohen advised that it may be appropriate to strike "3 or 4 wheel" on page 1, line 15, and said the bill is a simple one, providing decals to identify owners of such vehicles.

PROponents OF HOUSE BILL NO. 813: Gordon Morris, Montana Association of Counties, stated that he is actually neither a proponent, nor an opponent of the bill, because he has a problem with page 3, beginning on lines 3-10, wherein there is little merit, if any, in having a county treasurer remit fees collected to the state treasurer. He recommended leaving the state out and having county treasurers distribute the funds.

OPPONENTS OF HOUSE BILL NO. 813: Bob Garner, Montana Trail Bike Riders Association, stated his opposition to the bill.

CLOSING ON HOUSE BILL NO. 813: Rep. Cohen said he had no problem with distribution of funds collected.

CONSIDERATION OF SENATE BILL NO. 1: Sen. John Anderson, Senate District #37, said the bill was drafted at the request of the Coal Tax Oversight Committee, which met during the 1983-84 interim with a special commission of the North Dakota Legislature to discuss the impact of the proposed coal gasification plant at Wibaux.

Sen. Anderson said the Committee did not recommend the Compact in 1985, and although it was adopted by North Dakota, the Compact cannot take effect until it is adopted by both states.

Sen. Anderson said Tenneco indefinitely postponed the project because of an unstable world market, but has maintained its lease interest, and the subcommittee is ready to approve the Compact in view of North Dakota's amendments, on page 7, line 8 of the bill.

PROPONENTS OF SENATE BILL NO. 1: Rep. Ream stated his support of SB 1.

OPPONENTS OF SENATE BILL NO. 1: There were no opponents of the bill.

QUESTIONS ON SENATE BILL NO. 1: Rep. Sands asked if 8% were not more than any percentage currently allowed for use of coal tax funds. Sen. Anderson replied that is correct.

Rep. Raney asked how the 8% figure was arrived at. Sen. Anderson replied he didn't know, that it was an agreement between North Dakota and Montana.

Rep. Raney asked what the impact would be to trust distribution. Sen. Anderson replied he was not certain.

Rep. Gilbert said he objected to language in the bill which does not give fair representation to impacted areas, as a representative could be from Roundup and not be knowledgeable of the issues. He asked if it would not be more appropriate to have a representative of the Coal Board come from the impacted area.

Chairman Ramirez asked how much money would be contributed. Sen. Anderson said he had no idea right now.

CLOSING ON SENATE BILL NO. 1: Sen. Anderson made no closing comments, and asked Rep. Ream to carry the bill should it pass out of committee.

CONSIDERATION OF SENATE BILL NO. 129: Sen. Dick Manning, Senate District #18, sponsor of SB 129, said the bill would clarify that veteran clubhouse property tax exemptions are not affected under certain uses, such as when a bar is attached to a clubhouse.

PROPOSERS OF SENATE BILL NO. 129: George Poston, Helena veteran, stated veteran clubhouses are chartered by Congress as tax-free, benevolent organizations.

OPPOSERS OF SENATE BILL NO. 129: There were no opposers of the bill.

QUESTIONS ON SENATE BILL NO. 129: Rep. Raney asked if it were fair for a bar not to pay property taxes when it is competing with neighboring bars. Sen. Manning replied it is not, but he assumed those present had an understanding nature of VFW.

Rep. Gilbert advised that if there is no bar in the stone building in East Helena, it should already be tax exempt, if used for civic functions.

CLOSING ON SENATE BILL NO. 129: Sen. Manning told the Committee he was asked to sponsor the bill by the Great Falls veterans clubs, and asked the Committee to give the bill favorable consideration.

CONSIDERATION OF HOUSE BILL NO. 714: Rep. Mary Ellen Connelly, House District #8, sponsor of HB 714, said the bill was requested by Flathead County to allow low income homeowners a reduction in property tax on their residence, and is cued to DOR's inflation table.

PROPOSERS OF HOUSE BILL NO 714: There were no proposers of the bill.

OPPOSERS OF HOUSE BILL NO. 714: There were no opposers of the bill.

QUESTIONS ON HOUSE BILL NO. 714: There were no questions on HB 714.

CLOSING ON HOUSE BILL NO. 714: Rep. Connelly read from the statement at the top of the fiscal note, and asked the Committee to support the bill.

CONSIDERATION OF HOUSE BILL NO. 791: Rep. Bill Strizich, House District #41, sponsor of HB 791, said the bill would create a controlled substance tax for possession and storage of dangerous drugs. Rep. Strizich provided copies of a drug confiscation list and an article from the Wall Street Journal (Exhibits #3 and #4) and said the tax is substantial, but appropriate. He also provided copies of proposed amendments (Exhibit #5).

PROPOSERS OF HOUSE BILL NO. 791: Michael Murray told the Committee he represented 31 chemical dependency treatment centers in the state, and said revenue from such a tax would help in funding these programs.

Gary Carroll, Department of Justice, Criminal Investigation Division, said he is not an attorney and has no legal opinion, but has supported the concept for four years. Mr. Carroll said the amendment would help with enforcement, and commented that the figures for marijuana on the drug confiscation list are a little low.

OPPOSERS OF HOUSE BILL NO. 791: There were no opposers of the bill.

TECHNICAL COMMENTS ON HOUSE BILL NO. 791: Ken Morrison, Administrator, Income Tax Division DOR, told the Committee DOR needs rulemaking authority, as well as to be notified of seizure and possession charges and federal and state forfeitures. Mr. Morris said he had no idea what the percentage should be, but was aware the 1% collection fee is insufficient and may need to be about 5%. He told the Committee he has been in touch with Florida, who has a similar program, and recommended using general DOR lien provisions in Title 15, chapter 1, part 7.

Chairman Ramirez requested that DOR prepare amendments to meet its concerns.

QUESTIONS ON HOUSE BILL NO. 791: Rep. Patterson asked if the penalty for evasion were stiff. Ken Morrison replied he assumed standard evasion procedures would apply.

CLOSING ON HOUSE BILL NO. 791: Rep. Strizich made no closing comments.

CONSIDERATION OF HOUSE BILL NO. 826: Rep. Nancy Keenan, House District #66, sponsor of HB 826, said the bill would provide for a tax on realty transfers. She explained that section 5 on page 5 of the bill contains new language to provide for recording of a deed, section 6 provides rulemaking authority, section 7 excludes the tax on a title when a mortgage is paid off, section 8 concerns penalties,

section 9 allows for a statutory appropriation of funds from the tax for resource information systems and land planning in counties in an effort to reduce mill levies, and section 10 imposes a \$1 tax per \$1,000 purchase price.

Rep. Keenan stated that section 12 relates to section 1 and is not to exceed \$300,000, with additional funds going to block grants for city and county planning. She advised that the last section provides for an effective date, and said 35 other states have implemented the tax, which meets the requirements of I-105 in replacing planning mills.

PROPOSERS OF HOUSE BILL NO. 826: Gordon Morris, Montana Association of Counties, provided a survey of other states (Exhibit #5), and said the technical comments on the fiscal note indicate the bill has no distribution instructions; however, they are clearly stated on pages 12 and 13 of the bill, reducing property taxes by nearly \$3 million and providing benefits to city and county planning in the state.

Robb McCracken, Montana Association of Planners, read from a prepared statement and provided copies of a map and a Ronan Pioneer article (Exhibits #6, #7, and #8).

Lisa Bay, Jefferson County Planner, told the Committee that HB 809, a new subdivision bill, would require a great number of new tasks for counties, at a cost of \$280,000. She urged the Committee to pass HB 826.

Linda Stohl Anderson, Lewis and Clark County Commissioner, said the bill is a logical way to reduce property taxes.

Janet Ellis, Montana Audubon Legislative Fund, read from a prepared statement in support of the bill and provided copies of Heritage and Natural Resources Information System, in support of the bill (Exhibits #9 and #10).

Alec Hansen, Montana League of Cities and Towns, stated his support of HB 826.

Jeanne Klebnak, Montana Wildlife Federation, read from a prepared statement in support of the bill (Exhibit #11).

Greg Jackson, Montana Clerk and Recorders Association, provided technical amendments to lines 4-5, on page 9 (2) of the bill, which would strike "proper amount of" (Exhibit #12).

OPPOSERS OF HOUSE BILL NO. 826: Dennis Burr, Montana Taxpayers Association, told the Committee the Realty Transfer Act, passed in 1976, would be killed by this bill and

would discourage people from recording deeds which many people are doing anyway.

Mr. Burr said he questioned the exemption on page 7, and suggested the committee may want to include a contract for deed. He said there doesn't appear to be any administration for the tax, and that the bill does not raise enough money to affect I-105.

Robert Holding, Montana Association of Realtors, said he opposed the bill because it is a sales tax.

Stuart Doggett, Montana Chamber of Commerce, stated his opposition to the bill.

QUESTIONS ON HOUSE BILL NO. 826: Rep. Ellison asked how much income would come from the sale of agricultural and timberland. There was no response.

Rep. Schye asked if a realty transfer certificate should be included in a general sales tax. Dennis Burr replied it should not.

Rep. Patterson asked who would pay a realty transfer in divorce situations when property is divided. Rep. Keenan replied that the bill would not apply to those situations.

CLOSING ON HOUSE BILL NO. 826: Rep. Keenan advised that with a sales tax Montanans would pay 4% on the sale of property instead of one-tenth of one percent, or \$400 versus \$10. She said the administration of the bill is handled the same as that of any similar situation by the county treasurer and county clerk and recorder, and that it is a user's tax which provides a way to meet planning needs that result from realty transfers. Rep. Keenan stated the bill provides a way of meeting I-105 requirements, which has not yet been addressed by the Committee.

CONSIDERATION OF HOUSE BILL NO. 816: Rep. Tom Asay, House District #27, said the bill would create a new class twenty classification for property tax purposes and establish requirements for determining the market value of class twenty property. He advised the bill would allow equipment essential to plant operations to be taxed the same as real property in an effort to provide adequate tax relief.

PROPONENTS OF HOUSE BILL NO. 816: William Michael, Yellowstone County Farmer and Vice President, Mountain States Sugarbeet Marketers Association, told the Committee that, of 245 members who sell beets to Western Sugar in Billings, there is unanimous support for any legislation to lower personal property taxes on that particular industry.

Loran Frank, Montana Farm Bureau, stated she supported the bill, so as not to lose the vital sugarbeet industry.

OPPONENTS OF HOUSE BILL NO. 816: Don Allen, Montana Wood Products Industry, told the Committee he is not really an opponent, but the bill would damage timber because of the capitalization rate.

Greg Groepper, Administrator, Property Assessment Division, DOR, said he opposed the bill as it would also affect agriculture, and there is a problem with meeting a statewide deadline. Mr. Groepper explained that in his conversation with Rep. Asay it was discovered Rep. Asay was attempting to provide an incentive for business that had closed to reopen their doors, or to encourage the purchase of a closed business.

Mr. Groepper suggested that the alternative is to ask DOR to drop the tax rate down for twelve consecutive months, to avert closures simply to avoid taxes, or to provide a tax holiday for new industry. He commented this would be much easier to administer.

QUESTIONS ON HOUSE BILL 813: Rep. Ellison asked if Washington Construction would be able to use both methods. There was no response.

Rep. Sands asked if the option were available under current law. Greg Groepper replied it is, but the Committee may need to address the situation, because it is difficult to determine how long is obsolescence in applying tax relief.

CLOSING ON HOUSE BILL NO. 813: Rep. Asay stated the situation needed to be addressed and will be vital to industry in the state.

ADJOURNMENT: There being no further business before the Committee, the meeting was adjourned at 11:20 a.m.

  
\_\_\_\_\_  
Representative Jack Ramirez,  
Chairman

DAILY ROLL CALL

HOUSE TAXATION COMMITTEE

50th LEGISLATIVE SESSION -- 1987

Date March 5, 1987

NAME	PRESENT	ABSENT	EXCUSED
REP. RAMIREZ	7		
REP. ASAY	7		
REP. ELLISON	7		
REP. GILBERT	7		
REP. HANSON	7		
REP. HARP	7		
REP. HARRINGTON	7		
REP. HOFFMAN	7		
REP. KEENAN	7		
REP. KOEHNKE	7		
REP. PATTERSON	7		
REP. RANEY	7		
REP. REAM	7		
REP. SANDS	7		
REP. SCHYE	7		
REP. WILLIAMS	7		



EXHIBIT #1  
DATE 3-5-87  
HB

March 3, 1987

Testimony by Gary B. Carlson, CPA  
on Behalf of  
The Montana Society of Certified Public Accountants

Simplification for filing individual income tax returns is a bold, aggressive and progressive move.

On June 25, 1986, five CPAs and two Montana Society of CPAs' Executive staff members held a news conference on the Capitol steps during the Special Session. Our purpose was to announce our profession's suggestions to simplify the filing of individual tax returns. The result of the conference? No one showed up!

There is a message: CPAs aren't known for bold public moves. However the effort was noted.

We commend the Governor, the Department of Revenue and Senator Neuman on the bold, aggressive and progressive move to simplify individual tax return filing.

An effort to condense the filing of individual returns from 3, 4 or 5 pages of forms to a single page is a tremendous step - not one without painful decisions. Taxpayers who prepare their own returns, as well as paid preparers - CPAs and others - welcome the effort and will appreciate it.

We urge additional simplification.

Important impacts result from the shift to beginning with Federal taxable income - many of the current Montana adjustments are difficult

to explain.

If the legislature can and will accept the Federal philosophy now in place used to determine taxable income, return filing in Montana can achieve simplification.

We urge a favorable review of the Governor's and DOR's proposal to simplify individual filing. In our opinion there is no other practical means to achieve simplification - tying to Federal taxable income or Federal tax is the simpler version.

#### Report to Montana Legislators

- o Impact of the 1986 Tax Reform Act on Montana Taxpayers

- o Implications of Selected Proposals to Reform Montana  
Income Taxes

This database and report were developed by the voluntary efforts of members of the Montana Society of Certified Public Accountants, staff members, and a volunteer staff teacher from the Great Falls Vocational Technical Center.

We have in excess of 2000 hours invested in the database development and supplemental information, which equates to more than one year of work by a CPA staff member of one of our firms.

Our purpose:

- o Independence
- o Specific data based on information in our database
- o Provide additional information for decision making

o Intended to reflect a relationship of alternatives:

- A relational database

o Windfall

o Montana Tax 1988 with no change

o SB 307

o HB 444--because it was available

Caution--as explained later, our lower income groups may not be--most likely is not representative of all filers. It represents those in our data. We caution you that Montanans may have different strategies than the nation, in their reaction to TRA '86.

We used "live" data--actual returns for 1985.

We will emphasize numerous times that our report is based on the 500 actual 1985 returns in the database we developed. It was not prepared to depict the exact impact on all Montana taxpayers. It DOES NOT show TOTAL REVENUES.

(Review SUMMARY OF DATABASE METHODOLOGY, page 2 of Report to Montana Legislators.)

#### SUMMARY OF DATABASE METHODOLOGY

We requested specific data items from CPA firms; 62 responded. The database was created using a questionnaire requesting 52 specific items from actual Federal and state individual tax returns filed by Montana residents for the 1985 tax year. The 52 questions included such items as husband's and wife's occupations; earnings and wages; pension income; interest income; various itemized deductions; Federal and state adjusted gross income taxes paid and filing status on the Federal and state

returns.

The questionnaire was sent to all Montana Society of CPA practitioners; 62 firms submitted information for the 500 returns used in the database.

The total amount of 1985 Federal tax paid was \$5,122,000; the total amount of 1985 Montana tax paid was \$1,026,000.

### Methodology

Each CPA preparer was instructed to select and submit a variety of tax returns from client files. The selection process, therefore, was not statistical and does not allow for the extrapolation of data to all Montana individual taxpayers.

The effects shown on the various taxpayers in this database may or may not be representative of other Montana taxpayers within each bracket.

The MSCPA data has not been adjusted for behavioral changes which may occur, due to changes in Federal tax law.

We have created a RELATIONAL database from the information. We then utilized the actual data from the 1985 returns filed, which differs from the 1984 information base utilized by the Department of Revenue and the 1981 database used by the Policy Economics Group.

We then determined the impact of the Tax Reform Act of 1986 on EACH of the returns placed in the database INDIVIDUALLY. We went through each of the returns to assess the changes caused by the Tax Reform Act of 1986.

This is where our database may be significantly different from

others.

We identified the specific impact after the Tax Reform Act of 1986 as we were best able. We will review the significant assumptions on page 3 in a moment.

It is important to emphasize the database is 500 actual returns. We did NOT adjust for behavior response. We did NOT adjust for the new tax advice we CPAs will be offering to our clients to adjust behavior based upon the new law! We converted actual returns through utilization of a recognized tax software program to project taxable income in 1988, reflecting the impacts of the Tax Reform Act of 1986.

(\* Refer to SUMMARY OF SIGNIFICANT ASSUMPTIONS. \*)

All our assumptions were intended to be conservative.

#### GRAPH #1

This is a summary graph which shows the relationship of the 1985 actual Montana income taxes paid based upon the 500 returns in our database to other proposals.

The vertical axis reflects dollars of Montana income taxes payable by various groups of taxpayers.

Each color depicts a separate proposal:

RED Actual 1985 Montana Taxes

GREEN 1988 Tax with No Change in Law

PURPLE SB 307 Proposal

BLUE HB 444 Ramirez--return a portion of the  
so-called windfall

This bill was available so we utilized it--Rep. Ramirez has publicly stated the rates need adjustment.

The measurement of the projected windfall from the returns in the

Montana Society of CPA database initially is the difference between the red bar and the green bar.

The horizontal axis is 1985 federal taxable income in 000s (thousands). We have consistently retained each taxpayer in each of these ranges for each analysis.

You will see this axis--federal taxable income--remains the same on almost all graphs.

(\*Review Montana Form 2 items to Additions to Income.) To illustrate the change in tax projected, let's look at a copy of this graph. (not in the report)

#### GRAPH #2

Dropped the over 75,000 taxpayers ('85 Federal taxable income) to change the horizontal axis from \$16,500 to \$6,000. The \$20-30 columns on graph #2 shows:

The 1985 Tax	\$ 798
1988 Tax, no change in Law	\$1050 a change of \$252 (32% change)
Gov. 1988	\$1400 a change of \$602
Ramirez	\$ 987

Each of the graphs Pat Hanley will momentarily present to you will show each of the proposals separately. We will conclude showing this graph.

#### GRAPH #3 (Your second)

This graph is placed here to help you set the relationship between adjusted gross income and taxable income.

(Look at your copy of the Montana Return <Form 2>, Page 1, Line 22.)

Adjusted Gross Income is the bar portion of the graph. The line

shows taxable income, the difference being basically itemized deductions and exemptions. (Taxable income is line 43 page 2)

Again we retain the same ranges of 1985 federal taxable income in the horizontal axis for comparability.

We emphasize again to you these returns are CPA-prepared returns--they may not be representative of taxpayers across Montana, even though we had 62 firms from large and small towns across the state submit returns.

We recognize the clients we have in the \$0-10,000 range of taxable income are most likely not the same as the self-prepared returns filed or those of H & R Block. They may have different attributes, which in 1985, placed the return in this range.

In the remainder of the presentation, we stress in the open face graphic presentation in the report--YOU MUST ALWAYS utilize the percent and the dollar graphs, assimilating them. They are NOT fairly presented separately. Each could be misrepresentative separately.

I now introduce Pat Hanley from Billings, a member of the Montana Society of CPAs' State Taxation Committee and member of our database group to present the Selected Database Attributes, further graphs and the supplemental information we developed.

**\*\*\* Hanley Presentation Took Place \*\*\***

The next graph we present to you is the percent of federal tax to Montana tax, comparing the various proposals.

The percent is equal to the single rate concept we have proposed for further simplification. The vertical axis shows actual 1985 Montana returns to 1985 federal returns. If you run a line across the graph at 20%, all but one range is below.

Each relationship is determined for each proposal:

PURPLE 1988 Montana no change to 1988 Federal - drawing a line across the graph at the 25% level shows that most of the percentages are at or below 25%.

GREEN

RED

Attached to our concerns regarding SB 307, you have a schedule of rates shown as:

\*\*\* See MONTANA EFFECTIVE TAX RATES (FOR EXAMPLE ONLY) MARRIED FILING JOINTLY--1987 & 1988 \*\*\*

Finally, we return to our starting graph, which summarized the three proposals and 1985 actual Montana taxes.

\*\*\* QUESTIONS \*\*\*

\*\*\*CONCLUSION\*\*\*

We have been asked by legislators to provide data - NOT intended to be conclusive. Our intention is not to cause confusion.

Our conclusion:

We support the concept of simplification - Federally, 6 million filers are being dropped, which has an impact on Montana.

We are not adversaries of the DOR - we support the simplification concept. We expect to work closely with the DOR regarding the technical matters involved with income



taxation.

Our intent is to help you develop a helpful baseline database. We hope to help you comprehend the changes proposed. We support simplification.

We thank you for this precedent-setting event: presenting information to you in advance of transmittal of the Governor's tax proposal.

DOR Comments

ASKING EACH TAXPAYER TO PAY A FAIR SHARE

Example #1. A taxpayer with income over \$700,000 pays no state tax and about \$140,000 federal tax. State tax reform would impose a tax of \$25,800 or about 4%. Changes at the federal level would give the taxpayer a \$10,000 reduction in total taxes.

MSCPA Response to DOR Comments HB

Example #1. - the highest income in our data base - This is a typical example of the misinformation regarding "loopholes". The referenced taxpayers claimed a federal tax deduction on their 1985 Montana returns of \$573,973. Their 1985 federal tax was only \$136,902.

This means the taxpayers paid \$437,071 of 1984 federal income tax in 1985 and claimed the deduction in 1985, not in 1984.

It would be just as fair to say that the taxpayers were unfairly penalized in 1984, since they "overreported" their 1984 income on their Montana return by \$437,071.

In 1984, Montana gained an additional \$48,078 in revenue from the taxpayers' failure to pay their 1984 federal taxes before the end of 1984. In 1985, Montana lost only \$46,777, since the taxpayers lost the use of the lower tax brackets.

However, because the taxpayers reported a \$473,000 net loss, Montana's tax loss may have been significantly less than \$46,777; net operating loss carrybacks are usually much less than the taxable net loss shown on the return.

Example #2. - an attorney with an income of \$130,000 - The taxpayers in example #2 have a number of problems as a result of federal tax reform which increases their Montana tax from \$421 to \$4,621.

- they lose \$3,600 in passive losses because they invested in a "tax shelter" which was more than likely a real estate project.

- they lose \$2,487 in itemized deductions because of the limitations on personal interest and miscellaneous deductions.

- they lose a Montana investment credit of \$130 because of the repeal of the investment credit provisions at the federal level.

The primary effect of SB307 on these taxpayers' Montana tax is the loss of a \$24,000 federal tax deduction.

Example #2. A lawyer with \$130,000 income pays \$400 or .32% in state taxes. State tax reform would raise his taxes to \$5,200 or 4%. Federal changes will serve to lower his total taxes by \$2,000.

DATE 3-5-87

Example #3. A doctor with \$55,000 of income pays \$400 or .73% state tax. State tax reform would raise his taxes to \$1,960 or 3.5%.

Example #3. - A doctor with an income of \$55,000 - As in the first example, these taxpayers claimed a deduction on their 1985 Montana return for \$10,000 more federal income tax than their actual 1985 federal income tax liability. Either they overpaid IRS, or they deducted the balance of 1984 tax paid in 1985. In the latter case, Montana came out ahead in 1984.

The taxpayers' 1988 Montana income tax would have increased from \$410 to \$439 as a result of federal tax reform. The balance of the increase, to \$1,960, is due to the loss of the federal tax deduction. The remaining increase to \$1,960.

#### REDUCING THE TOP RATE FROM 11% TO 8% - CUSHIONING THE IMPACT OF FEDERAL REFORM

Example #4. A professional earning over \$300,000 per year would pay \$22,350 in state taxes under federal reform. Governor Schwinden's tax reform plan would lower his state taxes to \$19,452.

Example #4. - a professional with an income of more than \$300,000 - From 1985 to 1988, this taxpayer's Montana income liability increases by \$11,579, (from \$10,671 to \$22,350) because of federal tax reform. The increased exemptions and lower top tax rate proposed in SB 307 lowers 1988 tax by \$2,898 to \$19,453.

Example #5. A husband and wife in a business earning nearly \$500,000 annually would pay about \$50,000 or 10% in state taxes under federal tax reform. Governor Schwinden's tax reform plan would lower their tax to \$37,300.

Example #5. - a "husband and wife in a business earning nearly \$500,000 per year" - This may be a better example of the loss of the capital gains deduction than of cushioning the impact of federal tax reform.

This husband and wife made not \$500,000, but \$35,000 from their business, their best year following many years of operating at a loss.

They also sold their fully depreciated business property for \$575,000, all of which would have been taxed under federal tax reform. Their actual 1985 Montana income tax was \$22,800. Their actual 1985 federal income tax liability was \$86,200, for a total actual combined tax of \$109,000. After these taxpayers' mortgages and loans were repaid, they had to borrow another \$80,000 to pay their income taxes.

Federal tax reform would have increased their federal tax to \$133,000, and their Montana tax, with no change in the Montana law, would have been \$48,850, for a total of \$181,850. Had they been taxed at 1988 rates, they would have had to borrow \$152,000 for income taxes.

HB  
SB 307 would lower their tax by \$11,500.

#### MAKING TAXES FAIRER FOR AVERAGE MONTANANS

Example #6. Compare two couples in which the husbands are truckers, one earning \$22,000 the other \$13,500. The higher income family pays \$140 or .63% in state taxes; the lower income family pays \$554 or 4.1%. Under state tax reform the higher income family would pay \$460 or 2% while the lower income would pay \$200 or 1.5%. Both families would pay less total tax as a result of federal tax reform.

Example #7. Compare two families involved in small businesses, each earning about \$40,000. One family pays \$1,700 in state taxes; one pays no state tax. State tax reform would tax each family at \$1,300 or about 3.25%.

Example #8. A farm family with two children earning \$16,000 pays \$300 state tax. With Governor Schwinden's tax reform the family's state taxes would fall to \$130 and their total tax bill would fall \$700.

Example #9. A teacher and his wife have two children and earn \$19,800. They pay \$512 in state taxes. Governor Schwinden's tax reform will lower their state taxes to \$170 and their total tax bill will fall from \$1,200 to \$820.

Example #10. A single parent with one child earns \$16,200 and pays \$490 in taxes. Governor Schwinden's plan would lower state taxes to \$380 and total taxes would fall from \$1,700 to \$1,560.

Example #6. -two truck drivers - The comparison between these two families fails to point out that the lower income family could not itemize on their Montana return, which means they paid little federal income tax in 1985. The higher income family had nearly \$10,000 in itemized deductions. The higher income family would appear to be an older couple since part of their \$22,000 income was from civil service retirement benefits.

Example #9. - a teacher and his wife - The example fails to mention these taxpayers' Montana income tax is reduced from \$512 in 1985 to \$192 in 1988 as a result of federal tax reform; SB 307 reduces the tax only another \$20.

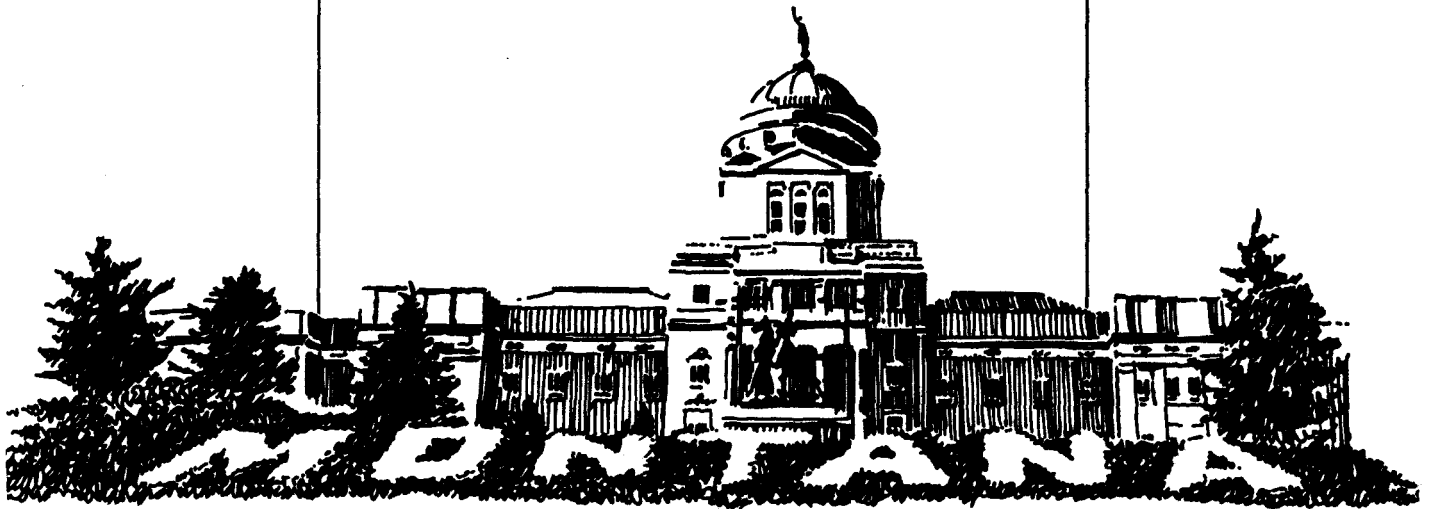
EXHIBIT 7/  
DATE 8-3-87  
HB \_\_\_\_\_



# REPORT

## TO MONTANA LEGISLATORS

- IMPACT OF THE 1986 TAX REFORM ACT ON MONTANA TAXPAYERS
- IMPLICATIONS OF SELECTED PROPOSALS TO REFORM MONTANA INCOME TAXES



presented by  
THE MONTANA SOCIETY OF CERTIFIED PUBLIC ACCOUNTANTS

**FEBRUARY, 1987**

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THE MONTANA SOCIETY OF CERTIFIED PUBLIC ACCOUNTANTS

Diamond Block Building • 44 West Sixth Avenue • P.O. Box 138 • Helena, Montana 59624-0138 • Telephone 406/442-7301

**MEMBERS OF THE SENATE AND HOUSE TAXATION COMMITTEES:**

At your request, the accompanying analysis has been developed on the basis of information accumulated from 1985 individual Federal and state income tax returns.

The database:

- o assesses the impact of the 1986 Federal Tax Reform Act on Montana taxpayers
- o reflects the effects of SB 307 and HB 444
- o shows the impact of no change in the current rate tax structure

The database includes responses from over 60 Montana CPA firms, representing 500 CPA-prepared income tax returns. The returns were not selected using a statistically valid method. Consequently the information is not necessarily representative of all Montana taxpayers.

The information has not been audited and, accordingly, we can express no opinion on the accuracy, completeness or reasonableness of the information. The information should be read in the context of the assumptions used (more fully described on page 3). The accompanying exhibits provide selected database details.

The purpose of this presentation is to provide additional data to assist tax proposal analysis. We are available to discuss the report in more detail.

Members of the Montana Society of CPAs appreciate the opportunity to present this information to you.

Helena, Montana  
February 24, 1987

Montana Society of  
Certified Public Accountants

## SUMMARY OF DATABASE METHODOLOGY

The database was created using a questionnaire requesting 52 specific items from actual Federal and state tax returns filed by Montana residents for the 1985 tax year. The 52 questions included such items as husband's and wife's occupations; earnings and wages; pension income; interest income; various itemized deductions; Federal and state adjusted gross income and filing status on the Federal and state returns.

The questionnaire was sent to all Montana Society of CPA practitioners; 62 firms submitted information for the 500 returns used in the database.

The total amount of 1985 Federal tax paid was \$5,122,000; the total amount of 1985 Montana tax paid was \$1,026,000.

### Methodology

Each CPA preparer was instructed to select and submit a variety of tax returns from client files. The selection process, therefore, was not statistical and does not allow for the extrapolation of data to all Montana individual taxpayers.

The effects shown on the various taxpayers in this database may or may not be representative of other Montana taxpayers within each bracket.

The MSCPA data has not been adjusted for behavioral changes which may occur, due to changes in Federal tax law.



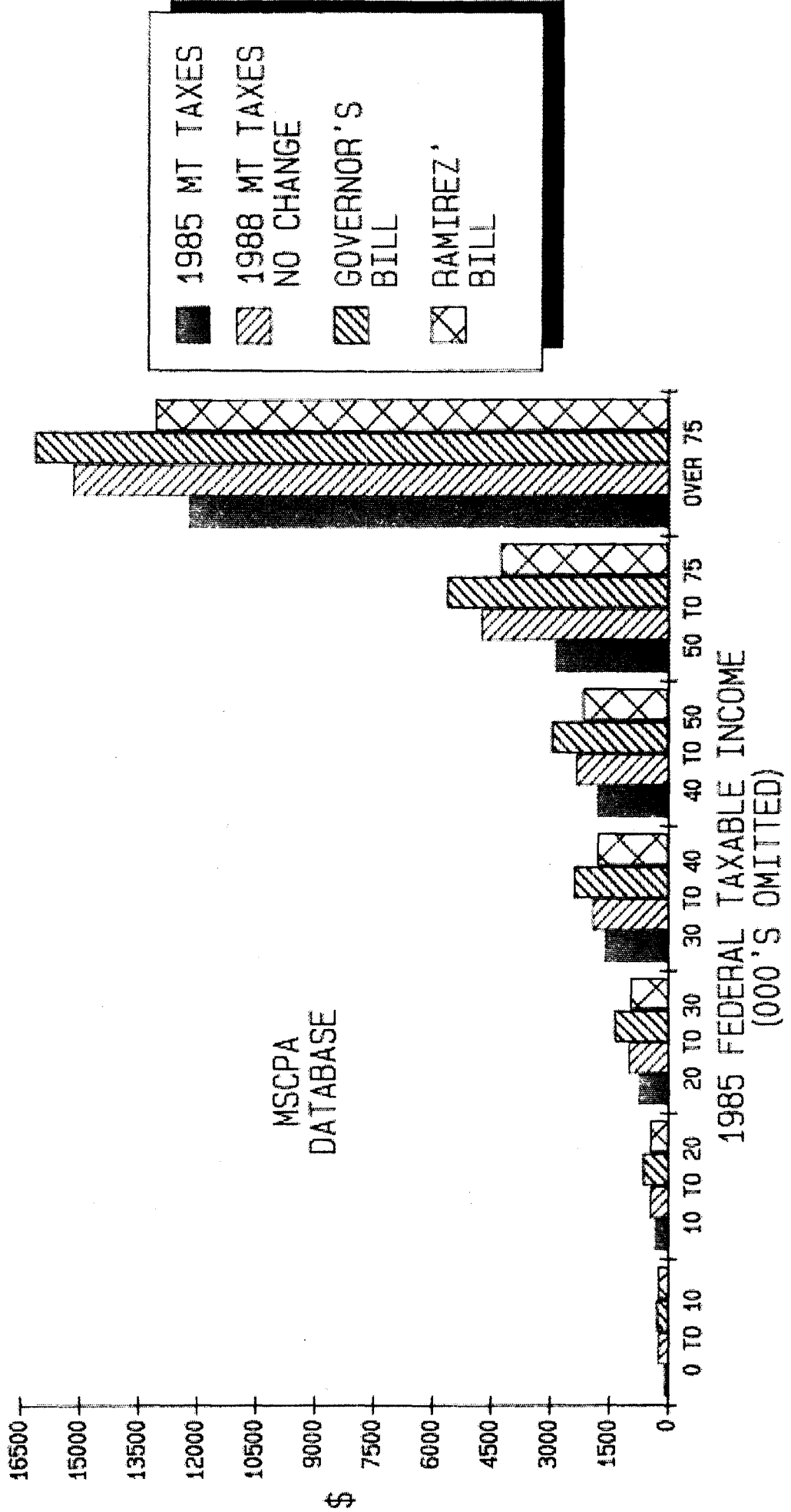
## SUMMARY OF SIGNIFICANT ASSUMPTIONS

In completing this analysis, certain assumptions were made to simplify calculations and to make calculations possible when information was not available. We believe the application of these assumptions does not have a material effect on the analysis results.

Following is a list of assumptions used in the various tax calculations:

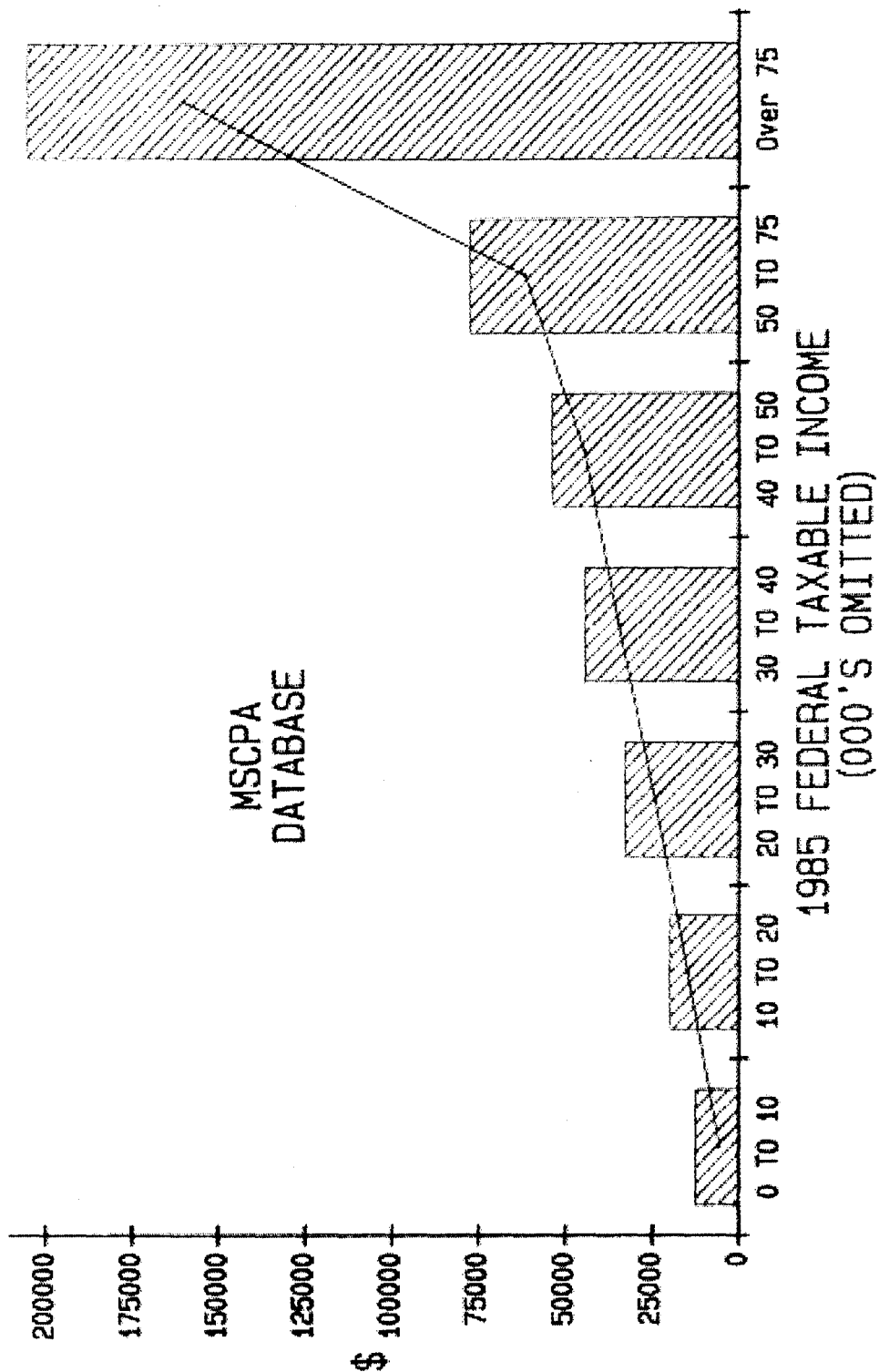
- o The database was developed using actual 1985 income tax return information. The information was recalculated to reflect the changes effected by the Tax Reform Act of 1986 and various Montana income tax proposals.
- o No assumptions were made regarding taxpayer behavior in response to tax law changes.
- o The impact of the Residential Property Tax Credit, under the SB 307 proposal, was not included in the tax calculations. Although this tax credit may have a favorable impact on many Montana taxpayers (particularly lower income taxpayers), information to make the calculations was not available.
- o We assumed IRA contribution deductibility limitations will not apply to any taxpayers in the database.
- o All interest other than home mortgage interest has been assumed to be personal interest and has been reduced by 60%.
- o Miscellaneous itemized deductions have been reduced by the 2% threshold adopted in TRA '86.
- o Moving expenses, not subject to the 2% threshold under Federal law, have been subjected to the threshold for purposes of this analysis.
- o Passive losses were assumed to be 100% deductible up to \$25,000; the deduction was reduced by 60% for amounts over \$25,000. The phase-out, effective for incomes over \$100,000, has been ignored.
- o Investment credit recapture has been ignored.
- o It was not possible to calculate the effects of the proposed Montana alternative minimum tax for purposes of this analysis.
- o Investment credit (eliminated under Federal law) was assumed to be eliminated for Montana income tax purposes. All other tax credits have been treated as though unaffected by the tax law changes.
- o All adjustments to income and deductions resulting from federal and proposed Montana tax law changes have been made to the "column A-taxpayer"; none to the "column B-spouse."

MONTANA TAXES  
COMPARING VARIOUS PROPOSALS



1985 FEDERAL AGI  
 COMPARED TO  
 1985 FEDERAL TAXABLE INCOME

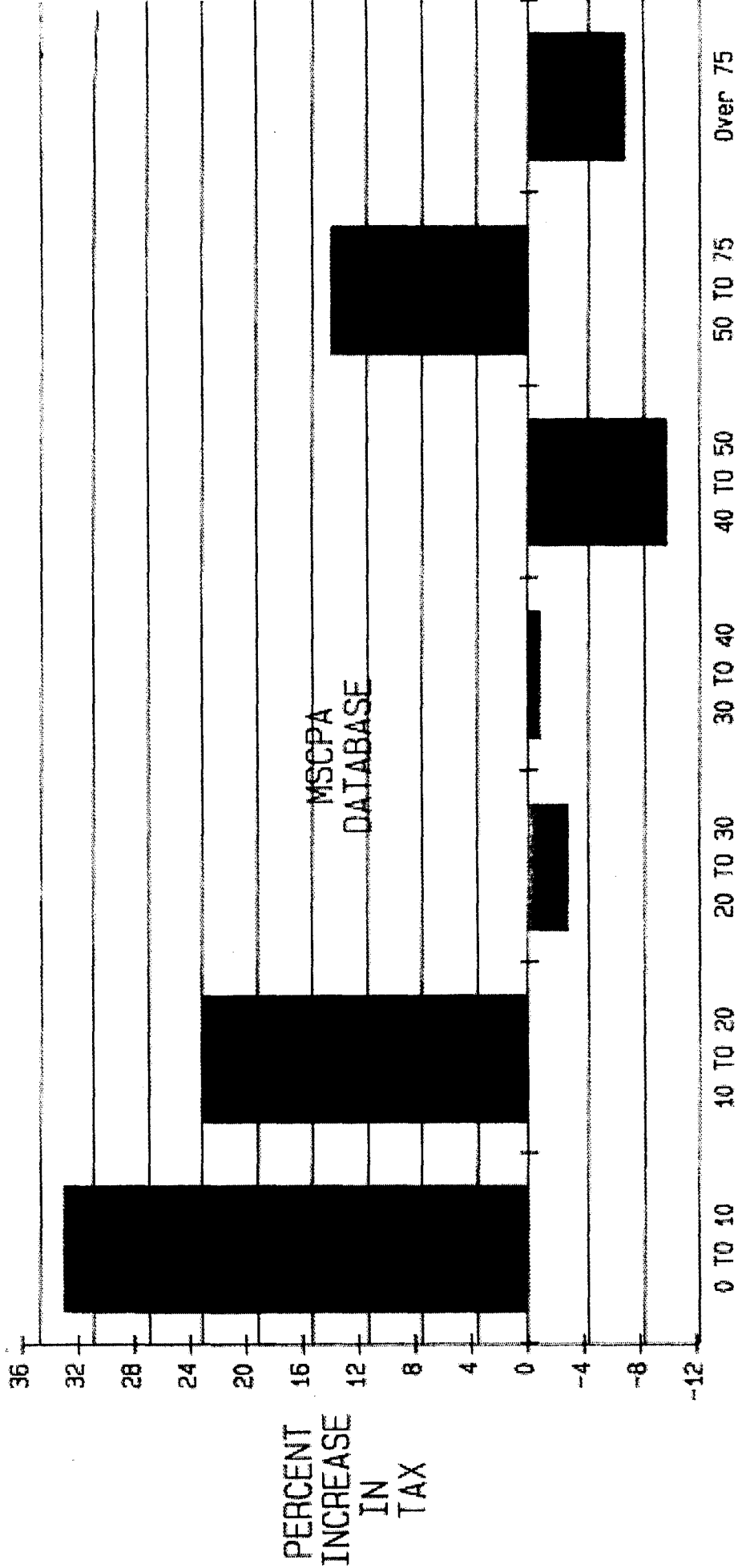
MSCPA  
 DATABASE



1985 FED AGI  
 — FED TAX INC  
 1985

**ADDITIONAL INFORMATION**

PERCENTAGE INCREASE IN 1988 FEDERAL TAXES  
 COMPARED TO 1985 FEDERAL TAXES PAID

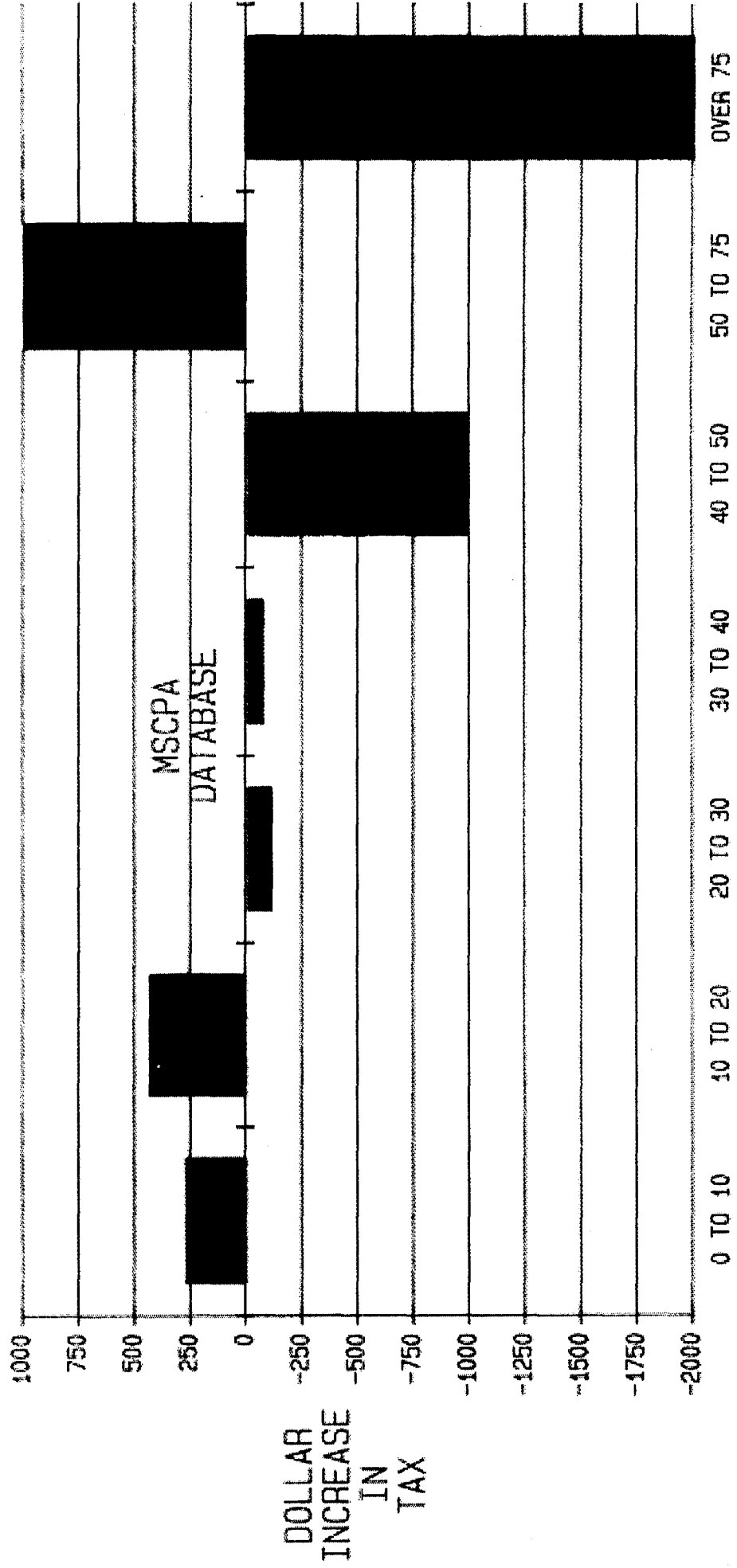


PERCENT  
 INCREASE  
 IN  
 TAX

MSCP  
 A  
 DATABASE

1985 FEDERAL TAXABLE INCOME  
 (000'S OMITTED)

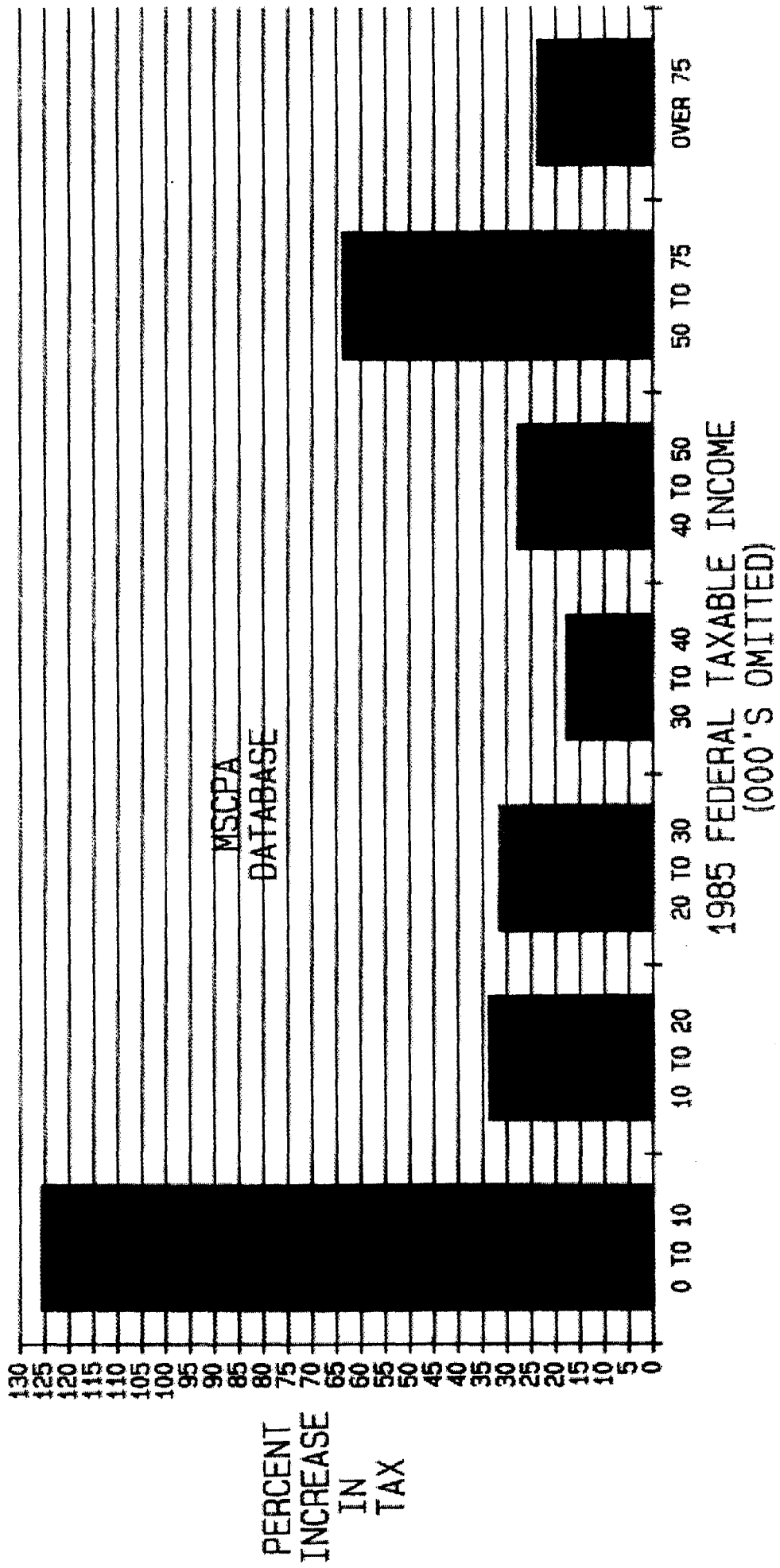
AVERAGE DOLLAR INCREASE IN 1988 FEDERAL TAXES  
 COMPARED TO 1985 FEDERAL TAXES PAID



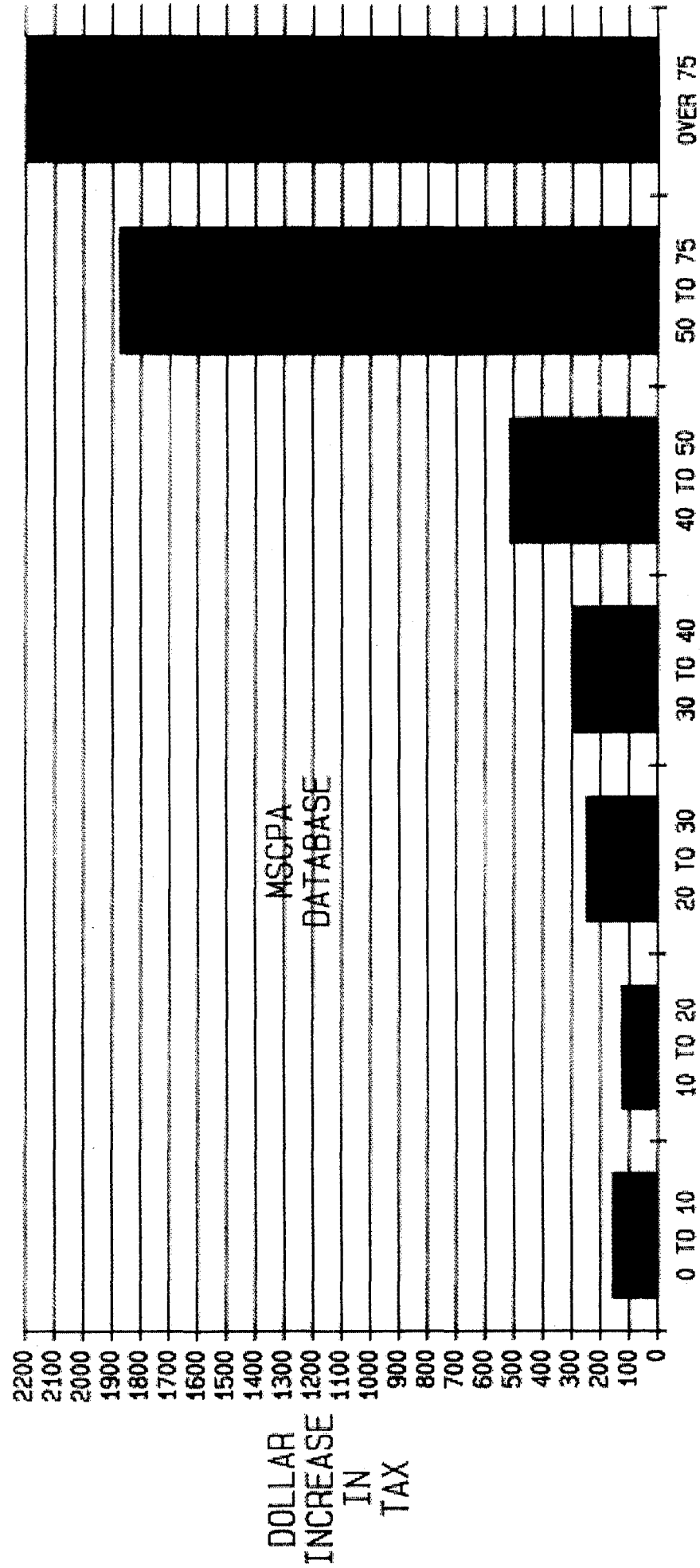
MSCPA  
 DATABASE

1985 FEDERAL TAXABLE INCOME  
 (000'S OMITTED)

PERCENTAGE INCREASE IN 1988 MONTANA  
 TAXES WITH NO CHANGE IN MONTANA TAX  
 LAW COMPARED TO 1985 TAXES PAID



AVERAGE DOLLAR INCREASE IN 1988 MONTANA TAXES  
 WITH NO CHANGE IN MONTANA TAX LAW  
 COMPARED TO 1985 TAXES PAID



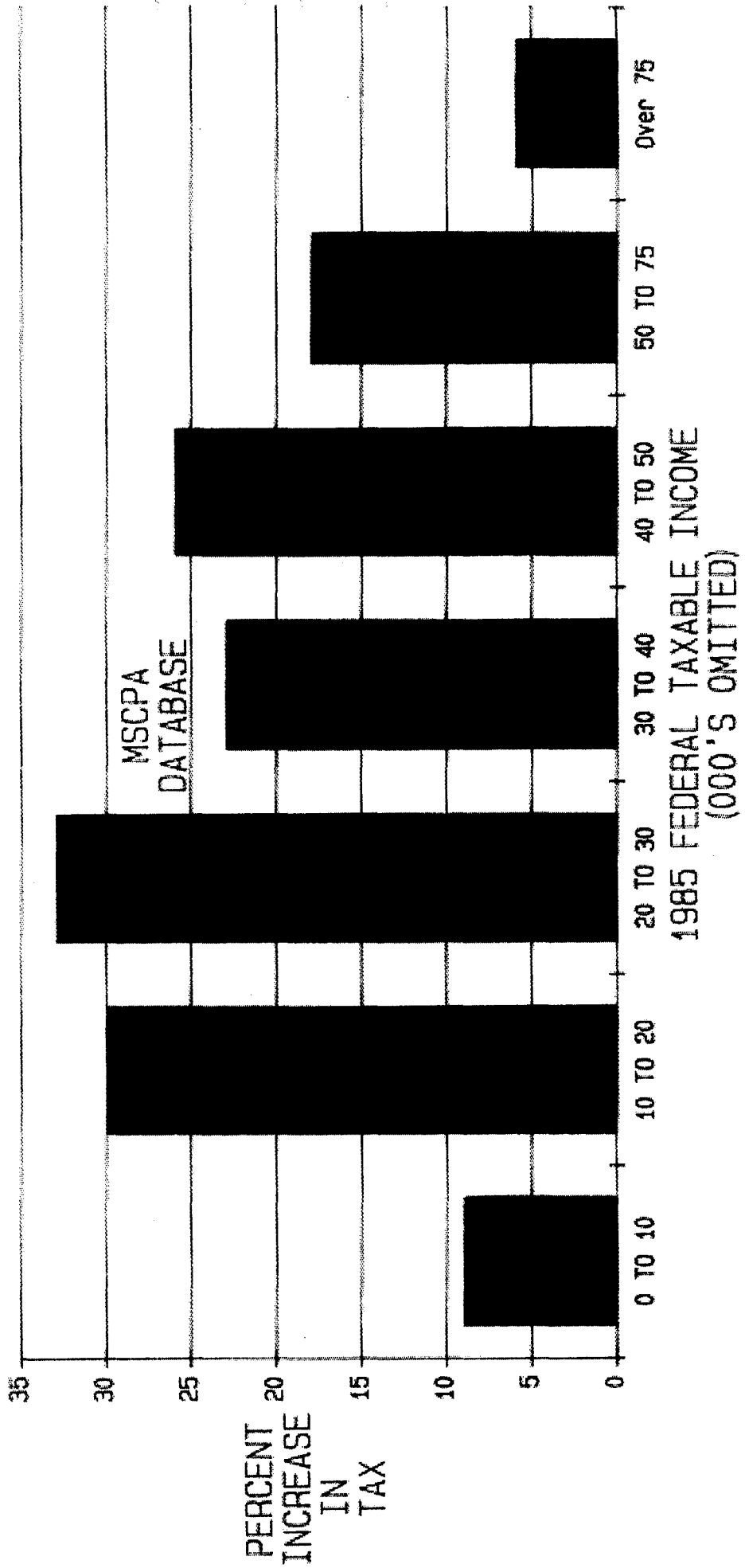
MSCPA  
 DATABASE

DOLLAR  
 INCREASE  
 IN  
 TAX

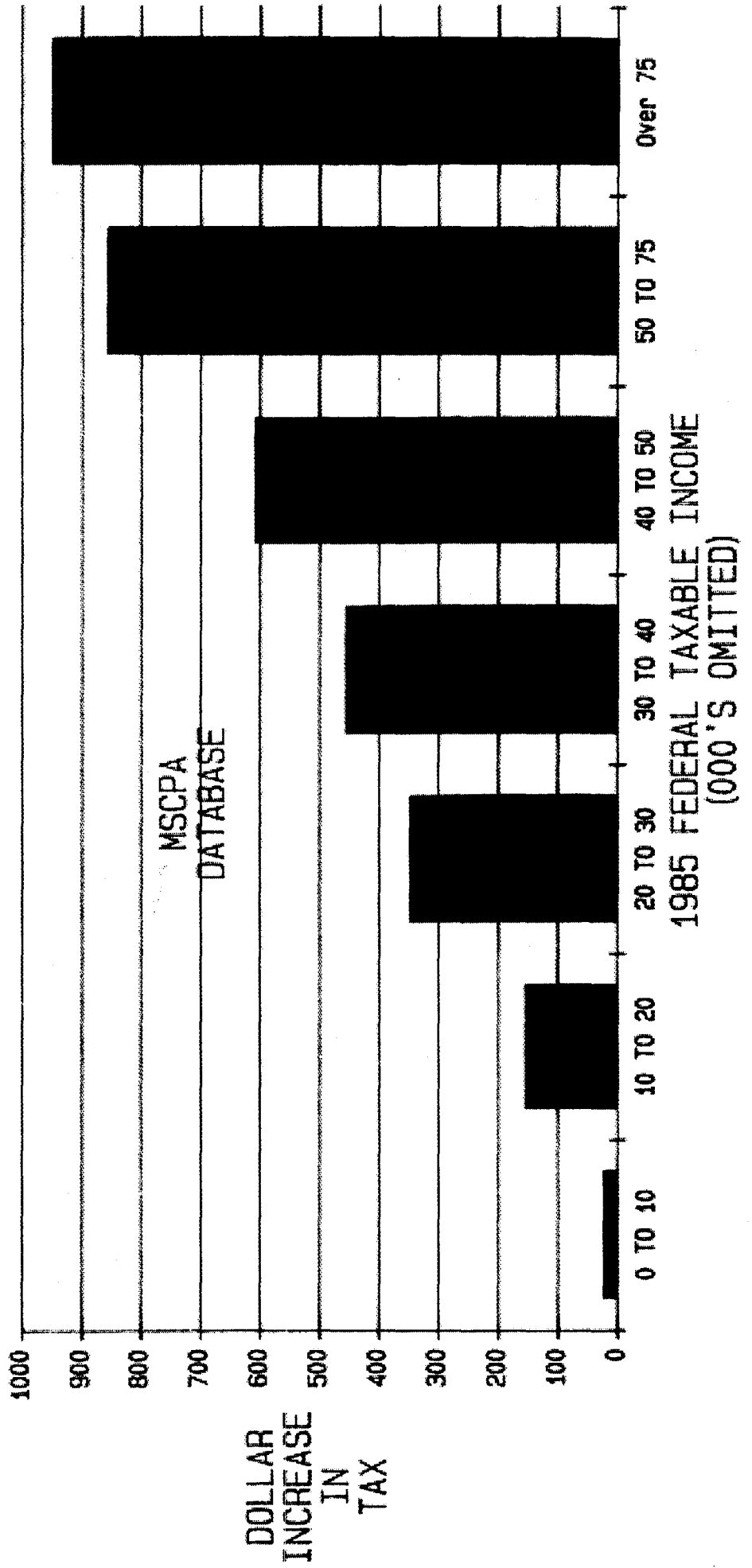
1985 FEDERAL TAXABLE INCOME  
 (000'S OMITTED)



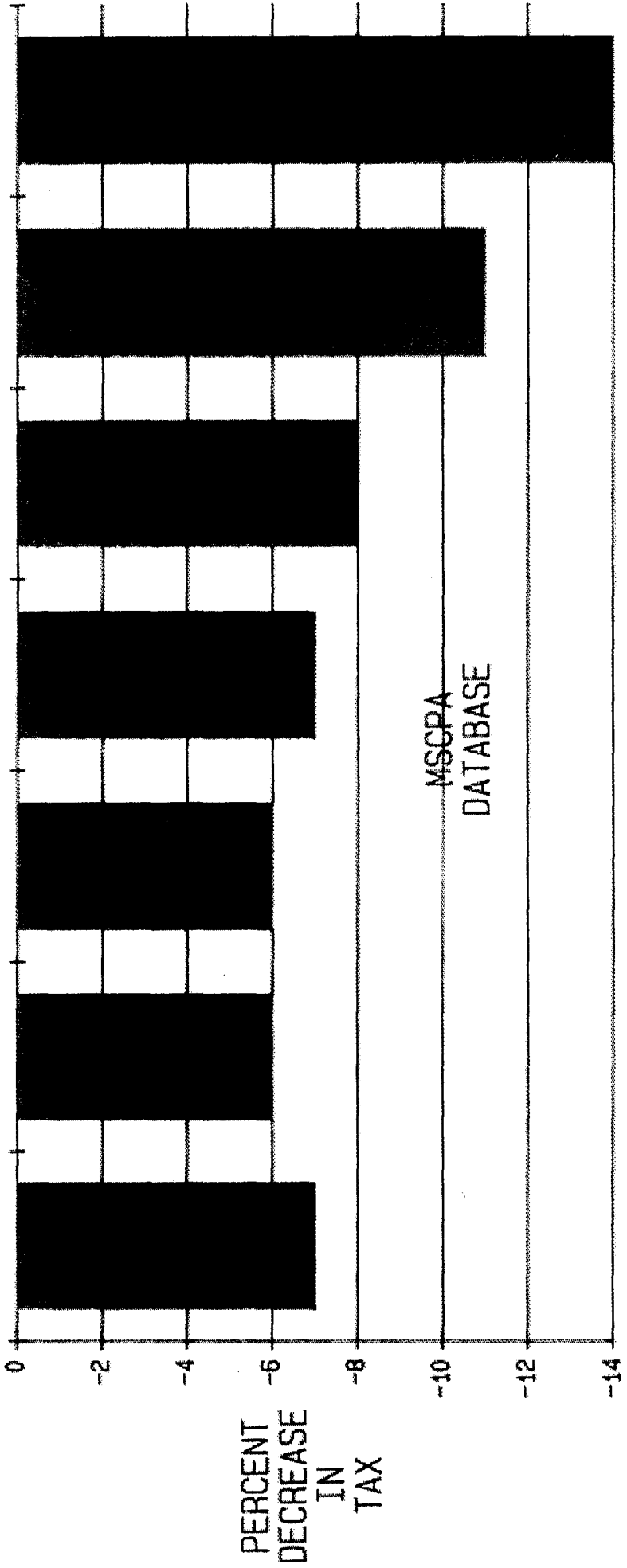
PERCENTAGE INCREASE IN 1988 MONTANA  
 TAXES UNDER GOVERNOR'S TAX PROPOSAL  
 COMPARED TO 1988 TAXES WITH NO CHANGE  
 IN MONTANA TAX LAW



AVERAGE DOLLAR INCREASE IN 1988 MONTANA TAXES  
 UNDER GOVERNOR'S TAX PROPOSAL  
 COMPARED TO 1988 MONTANA TAXES WITH NO  
 CHANGE IN MONTANA TAX LAW



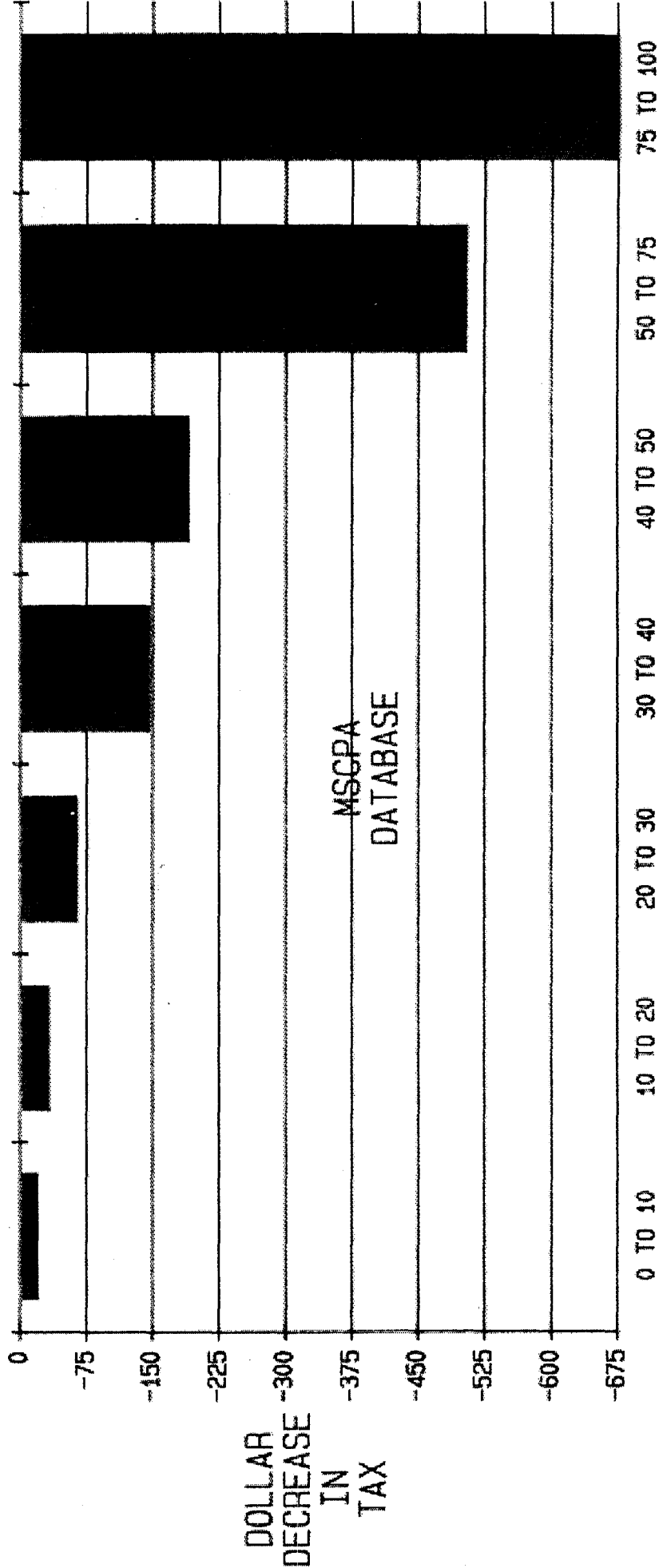
PERCENTAGE DECREASE IN MONTANA  
 TAXES UNDER REP. RAMIREZ TAX  
 PROPOSAL COMPARED TO 1988 TAXES WITH NO  
 CHANGE IN MONTANA TAX LAW



MSCPA  
 DATABASE

1985 FEDERAL TAXABLE INCOME  
 (000'S OMITTED)

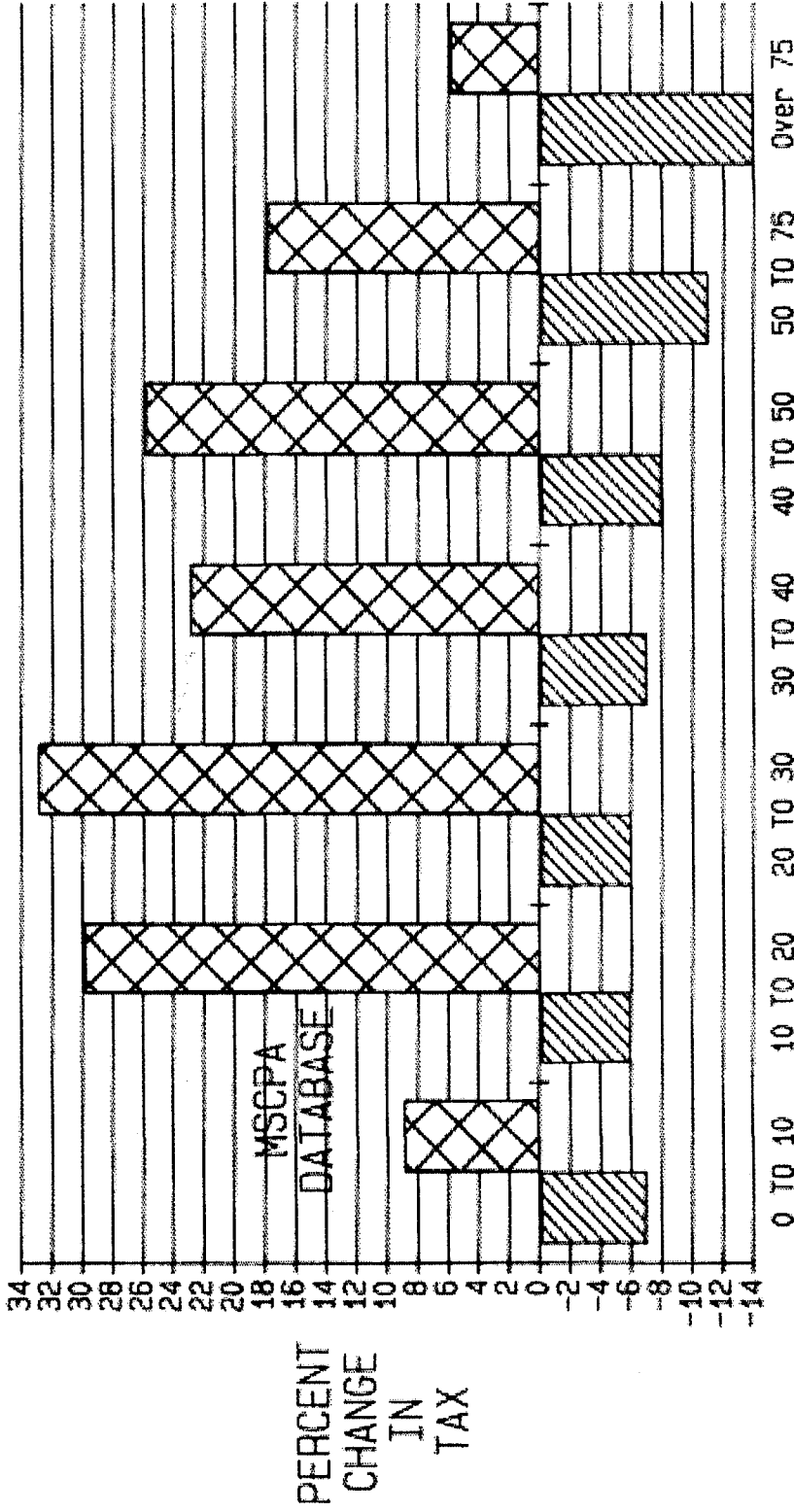
AVERAGE DOLLAR DECREASE IN 1988 MONTANA TAXES  
 UNDER REP. RAMIREZ TAX PROPOSAL  
 COMPARED TO 1988 MONTANA TAXES WITH NO  
 CHANGE IN MONTANA TAX LAW



MSCPA  
 DATABASE

1985 FEDERAL TAXABLE INCOME  
 (000'S OMITTED)

PERCENTAGE CHANGE IN MONTANA TAXES  
 UNDER REP. RAMIREZ' BILL  
 AND UNDER THE GOVERNOR'S BILL  
 COMPARED TO 1988 TAXES WITH NO MT TAX LAW CHANGE

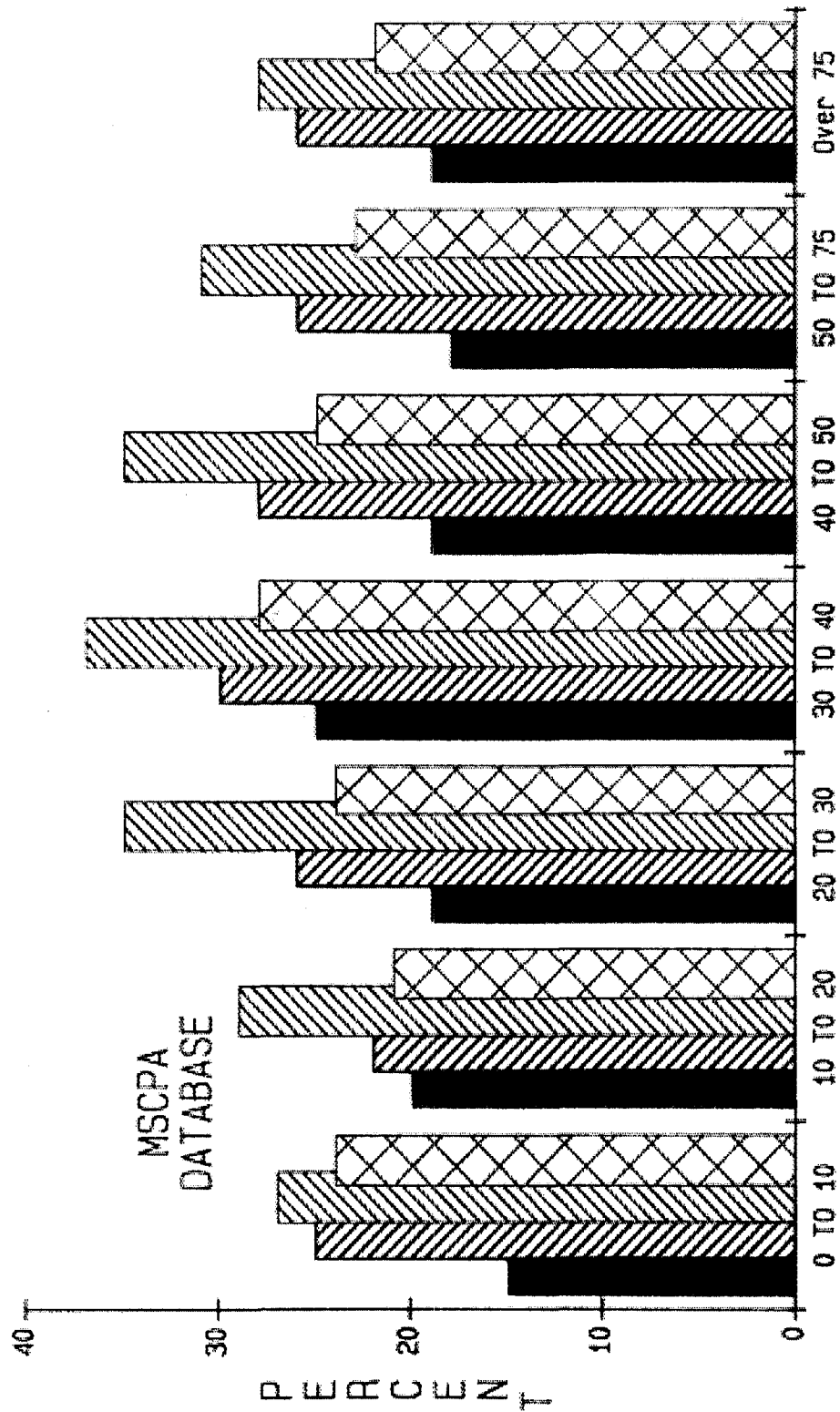


RAMIREZ' BILL

GOVERNOR'S BILL

1985 FEDERAL TAXABLE INCOME  
 (000'S OMITTED)

PERCENT OF MONTANA TAX  
TO FEDERAL TAX



1985 FEDERAL TAXABLE INCOME  
(000'S OMITTED)

MSCPA  
DATABASE

Legend:

- 85 MONTANA TO 85 FEDERAL (Solid black)
- 88 MONTANA TO 88 FEDERAL (Diagonal lines /)
- GOVERNOR'S BILL TO 88 FEDERAL (Diagonal lines \)
- RAMIREZ'S BILL TO 88 FEDERAL (Cross-hatch)

## SELECTED DATABASE ATTRIBUTES

Number of returns in database		
# with 1985 Federal taxable income between:		
below 0	40	
0 - 10,000	78	
10,000 - 20,000	84	
20,000 - 30,000	83	
30,000 - 40,000	79	
40,000 - 50,000	44	
50,000 - 75,000	46	
over 75,000	46	
		500
Number of preparers submitting returns		62
Number of self-employed businesses included		191
Number of farmers or ranchers included		68
Number of returns where at least one taxpayer is retired		96
Number of returns claiming IRA deductions		
- single status, AGI more than \$35,000		10
- married status, AGI more than \$50,000		84
Number of returns which include taxable unemployment benefits		9
Number of returns with a Federal filing status of "married filing joint" and a Montana filing status of "married filing separately on one form"		259
Number of returns claiming exclusions for retirement benefits		
- Railroad retirement	5	
- PERS/Teachers retirement	24	
- Other	60	
		89
Number of returns claiming elderly interest exclusion		92
Number of returns claiming passive losses		24
Number of returns claiming exemptions for children		476
Number of returns showing profits on Schedule C		145
Number of returns showing losses on Schedule C		46
Number of returns showing profits on Schedule F		28
Number of returns showing losses on Schedule F		49
Number of returns showing long-term capital gains deductions		221
Total amount of 1985 Federal taxable income	\$18,127,394	
Total amount of Federal tax paid (1985)	\$ 5,122,623	
Total amount of Federal taxes claimed as itemized deductions on Montana returns	\$ 5,664,469	
Total amount of 1985 Montana taxable income	\$11,451,013	
Total amount of 1985 Montana income taxes paid	\$ 1,026,105	

We extend special recognition to the following people for the commitment and personal sacrifice they exhibited to complete the database used in this report.

Kent Borglum  
Coordinator

Roger Stone  
Great Falls Vo-Tech  
Programming and Illustration

Bill Eidel  
Junkermier, Clark, Campanella, Stevens PC  
Graphics

Ron Aker  
Technical

Pat Hanley  
Technical

The Junkermier, Clark, Campanella, Stevens firm for the support provided to Kent and the Task Force

The 62 MSCPA firms who provided the tax return information to develop the database.

Others involved:

Fletcher Mulvaney and Edward Clinch  
Galusha, Higgins & Galusha

Bonnie Swanson and Kathy Johnson  
Anderson ZurMuehlen & Co. PC

Kirsten Johnson  
Peat, Marwick, Mitchell & Co.

Monte Malnaa



EXHIBIT #1  
DATE 3-3-87  
HB

Jody



Diamond Block  
40 West Sixth Avenue  
Post Office Box 138  
Helena, Montana 59624-0138  
406-442-7301

MONTANA SOCIETY OF CERTIFIED PUBLIC ACCOUNTANTS

SUPPLEMENTAL INFORMATION

TO THE REPORT TO MONTANA LEGISLATORS

BY THE

MONTANA SOCIETY OF CERTIFIED PUBLIC ACCOUNTANTS

MARCH 3, 1987

SUPPLEMENTAL INFORMATION  
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MONTANA SOCIETY OF CERTIFIED PUBLIC ACCOUNTANTS

Supplemental Information to the Report to Montana Legislators

The MSCPA has prepared an analysis of information based on 1985 individual income tax returns. It reflects income tax effects of the 1986 Tax Reform Act on certain Montana taxpayers. The analysis was delivered to the Senate Taxation Committee February 24, 1987. At the time the information was presented, committee members requested the MSCPA to provide additional information. The attached supplemental information was developed in response to the request.

The supplemental information consists primarily of the following:

- o Additional graphical information with respect to the analysis presented in the February 24, 1987 report.
- o Specified information presented in tabular form providing additional detail with respect to the graphical information presented in the February 24, 1987 report.
- o Calculations of income taxes for hypothetical income taxpayers based upon 1985 income tax and related narrative comments.

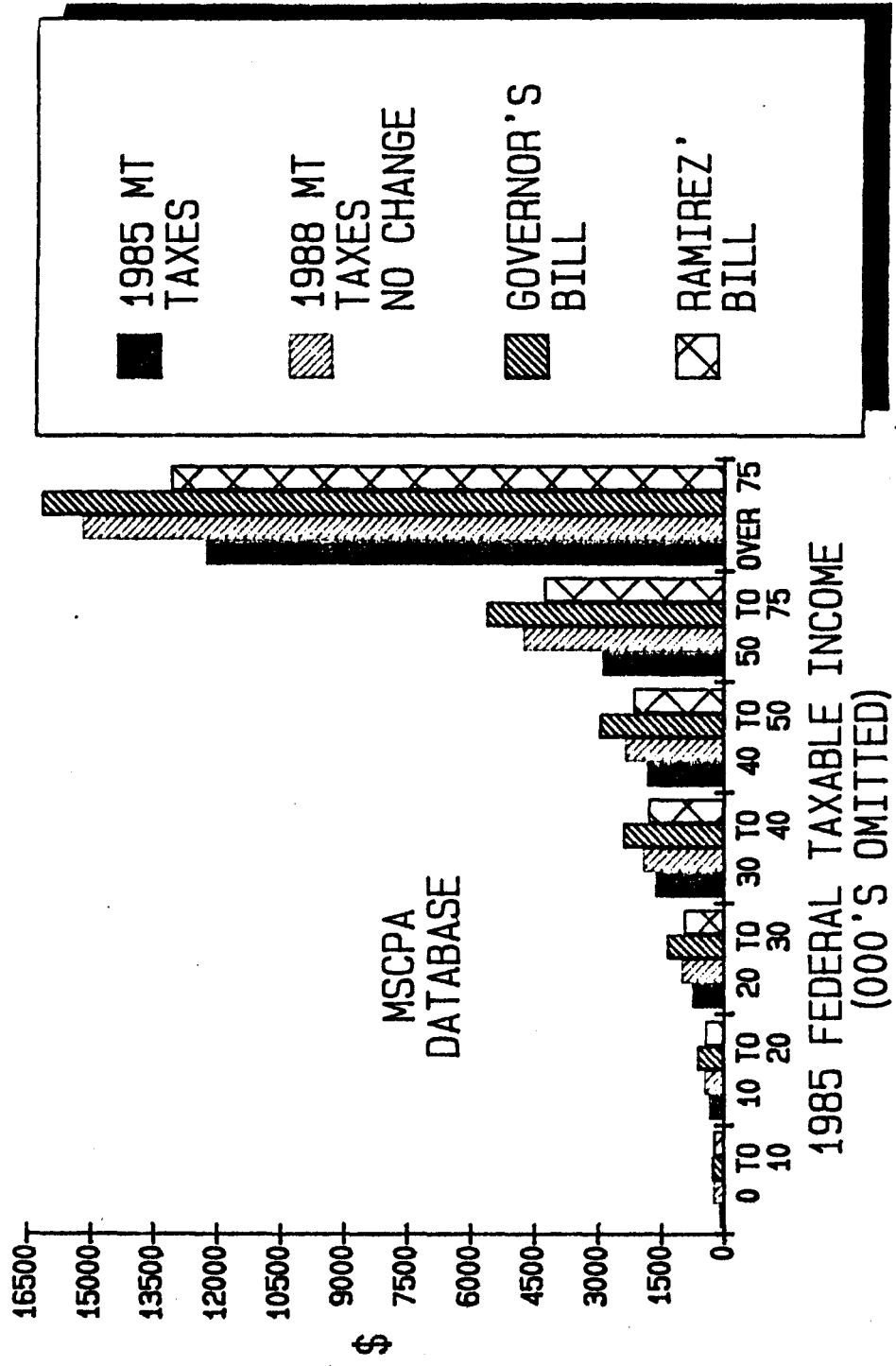
As stated in the transmittal letter for the February 24, 1987 report, the purpose of this presentation is to provide additional data to assist in the analysis of various tax proposals. Members of the Montana Society of CPAs are available to discuss this information in more detail.

Members of the Montana Society of CPAs appreciate the opportunity to present this information to you.

Helena, Montana  
March 3, 1987

Montana Society of  
Certified Public Accountants

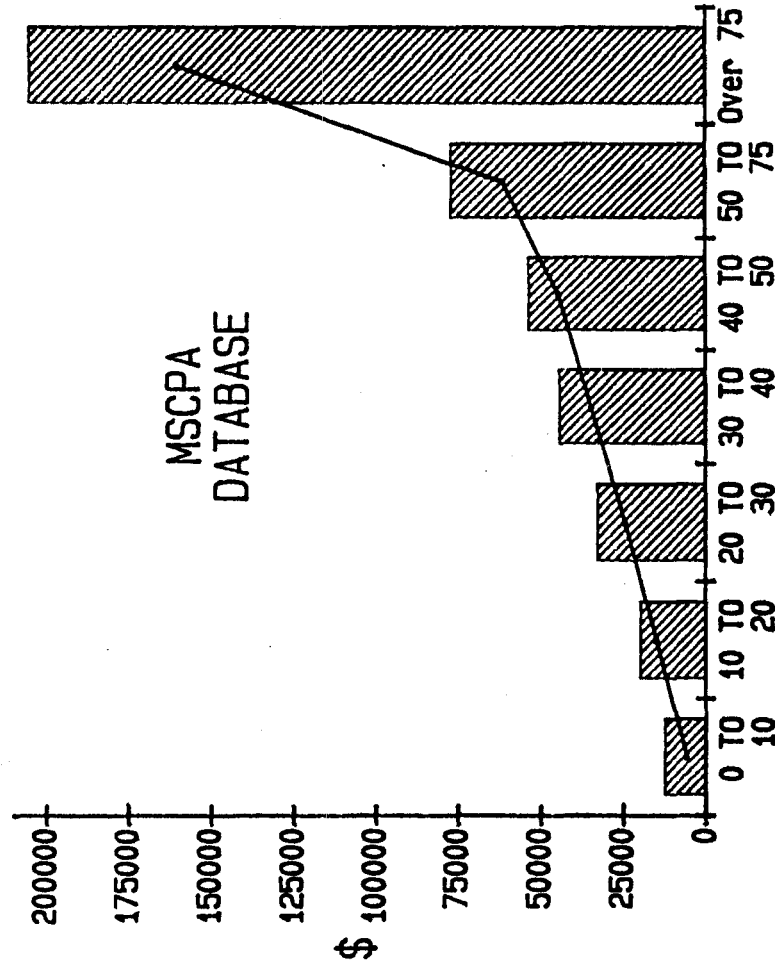
# MONTANA TAXES COMPARING VARIOUS PROPOSALS



### AVERAGE TAXES PAID, TOTALS

TAXABLE INCOME	MONTANA TAX 1985	MONTANA TAX 1988	MONTANA TAX GOVERNOR	MONTANA TAX RAMIREZ	FEDERAL TAX 1988	FEDERAL TAX 1985
0 TO 10	129	291	316	272	1,152	869
10 TO 20	382	513	669	481	2,340	1,895
20 TO 30	798	1,051	1,400	987	4,041	4,157
30 TO 40	1,667	1,971	2,428	1,825	6,592	6,669
40 TO 50	1,867	2,386	2,996	2,195	8,636	9,632
50 TO 75	2,915	4,794	5,652	4,289	18,319	16,075
OVER 75	12,286	15,222	16,173	13,105	58,226	62,532

1985 FEDERAL AGI  
 COMPARED TO  
 1985 FEDERAL TAXABLE INCOME

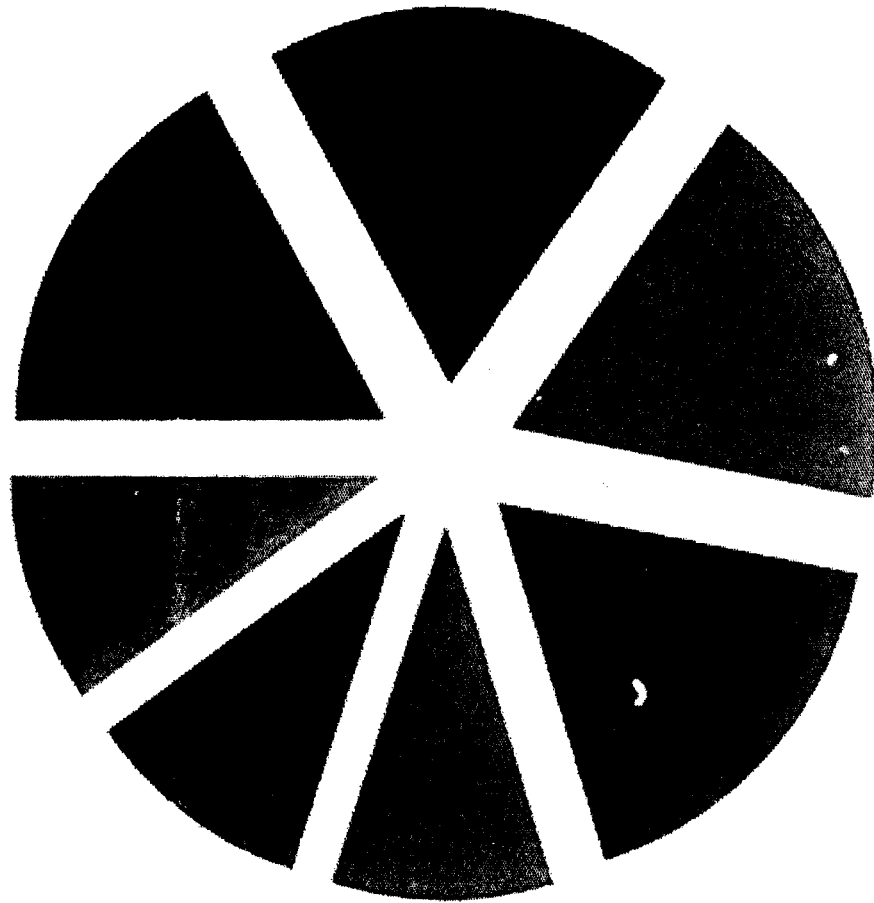


1985 FED AGI  
 FED TAX INC 1985

AGI TO INCOME TOTALS	
TAXABLE INCOME	FEDERAL INCOME
0 TO 10	5,833
10 TO 20	14,989
20 TO 30	24,418
30 TO 40	34,752
40 TO 50	44,649
50 TO 75	61,578
OVER 75	160,300
<b>FEDERAL INCOME</b>	<b>206,104</b>
<b>FEDERAL AGI</b>	<b>382,104</b>

1985 FEDERAL TAXABLE INCOME  
 (000'S OMITTED)

MSCPA  
DATABASE  
NUMBER OF RETURNS  
BY INCOME



0 TO 10  
78

10 TO 20  
84

20 TO 30  
83

30 TO 40  
79

40 TO 50  
44

50 TO 75  
46

OVER 75  
46

TOTAL TAXES PAID BY BRACKET

INCOME	MONTANA TAX 1985	MONTANA TAX 1986	MONTANA TAX GOVERNOR	MONTANA TAX PAYMENT	FEDERAL TAX 1986	FEDERAL TAX 1985	NUMBER IN EACH RANGE
0 TO 10	10,049	22,707	24,640	21,201	69,871	67,786	78
10 TO 20	32,105	43,095	56,202	40,418	196,528	159,177	84
20 TO 30	66,263	87,226	116,209	61,904	335,426	345,046	83
30 TO 40	131,713	155,702	191,797	144,186	520,790	526,834	79
40 TO 50	82,169	105,002	131,830	96,576	379,985	423,829	44
50 TO 75	134,110	220,543	259,991	197,308	842,596	739,465	46
OVER 75	565,153	700,191	743,351	602,842	2,678,388	2,876,475	46

MSPRA DATABASE

NUMBER OF TAXPAYERS WHO HAVE A CHANGE IN TAXES BY BRACKET

TAXABLE INCOME	NO CHANGE IN TAX LAW	GOVERNOR'S CHANGE	RAMIREZ' CHANGE
0 TO 10	INCREASE	47	41
	NO CHANGE	13	9
	DECREASE	18	28
10 TO 20	INCREASE	62	60
	NO CHANGE	6	1
	DECREASE	16	23
20 TO 30	INCREASE	71	76
	NO CHANGE	3	0
	DECREASE	9	7
30 TO 40	INCREASE	68	71
	NO CHANGE	1	0
	DECREASE	10	8
40 TO 50	INCREASE	38	43
	NO CHANGE	1	0
	DECREASE	5	1
50 TO 75	INCREASE	46	43
	NO CHANGE	0	0
	DECREASE	0	3
OVER 75	INCREASE	42	36
	NO CHANGE	1	0
	DECREASE	3	10



MSCPA DATABASE

LARGEST INCREASE (DECREASE) AND AVERAGE CHANGE  
FROM 1985 MONTANA INCOME TAXES BY BRACKET

TAXABLE INCOME	NO CHANGE IN TAX LAW	GOVERNOR'S CHANGE	RAMIREZ' CHANGE
0 TO 10			
LARGEST INCREASE	2,504	943	21
LARGEST DECREASE	(320)	(706)	242
AVERAGE	162	25	(19)
10 TO 20			
LARGEST INCREASE	5,141	3,502	0
LARGEST DECREASE	(4,821)	(1,162)	(586)
AVERAGE	131	156	(32)
20 TO 30			
LARGEST INCREASE	4,211	1,817	21
LARGEST DECREASE	(1,033)	(2,703)	(527)
AVERAGE	253	349	(64)
30 TO 40			
LARGEST INCREASE	11,147	2,276	0
LARGEST DECREASE	(7,300)	(3,121)	(1,991)
AVERAGE	304	457	(146)
40 TO 50			
LARGEST INCREASE	10,189	2,571	0
LARGEST DECREASE	(630)	(7,236)	1,509
AVERAGE	519	610	(191)
50 TO 75			
LARGEST INCREASE	35,815	4,236	0
LARGEST DECREASE	10	(4,241)	5,456
AVERAGE	1,879	858	(505)
OVER 75			
LARGEST INCREASE	53,376	25,800	0
LARGEST DECREASE	(2,499)	(11,599)	(13,480)
AVERAGE	2,936	951	(2,116)

NSCPRA DATABASE

AVERAGE CHANGE IN TAXES PAID  
VARIOUS PROPOSALS

TAXABLE INCOME	MT TAX 88	MT TAX 85	MT TAX 88	MT TAX 85	MT TAX 88	MT TAX 85	FED TAX 88	FED TAX 85
	LESS	LESS	LESS	LESS	LESS	LESS	LESS	LESS
0 TO 10		162	25		(19)		283	
10 TO 20		131	156		(32)		445	
20 TO 30		253	349		(64)		(116)	
30 TO 40		304	457		(146)		(77)	
40 TO 50		519	610		(191)		(996)	
50 TO 75		1,879	858		(505)		2,244	
OVER 75		2,936	951		(2,116)		(4,306)	

Narrative Comments on Individual Income Tax Calculations

These comments summarize and provide some general observations with respect to the attached calculations for seventeen hypothetical individual Montana taxpayers; the comments on the individual calculations should be read in conjunction with the calculations. The purpose of the individual calculations and this explanation is to provide an insight to the tax implications for Montana residents from the Tax Reform Act of 1986 and various other Montana income tax proposals.

The comments are intended to assist you in understanding the detail calculations attached. The taxpayer categories were selected arbitrarily to reflect the impact on various income groups and types to taxpayers. These profiles are not intended to be a representative portrayal of all Montana taxpayers.

Taxpayers Not Required to File Returns or Pay Tax for Montana

The following table presents the minimum income levels for which Montana residents are required to file a Montana income tax return in 1985, 1988, (current law and the Ramirez HB 444), and under the Governor's proposal.

Montana 1985 and 1988	\$ 1,300	2,600*	5,200*	5,200*	3,900*
Montana - Governor's proposal - 1988	4,950**	8,900**	12,800**	10,100**	10,250**
	Single	Married with no children	Married with two children	Married with both over 65	Head of Household with two children

\* Ignores any inflation adjustment for 1988  
 \*\*Does not reflect the filing requirement to obtain proposed residential property tax credit.

The table above is useful in analyzing the impact of the Tax Reform Act of 1986 and proposed Montana changes on low income taxpayers. It appears the Governor's proposal would drop a significant number of individuals from the tax rolls.

Taxpayer Calculations and Assumptions

The attached individual income tax calculations are based upon hypothetical data. The intention of the presentation is to provide a view as to how changes and proposed changes in the Federal and Montana tax law may affect different taxpayers. The hypothetical information and presentation of information has been simplified in an attempt to provide both useful and concise information.

The following assumptions have been used in the attached calculations:

1. Taxpayers who did not itemize for Federal Income tax did not itemize on Montana.
2. Taxpayers itemizing for Federal purposes were assumed to have a state income tax deduction (Montana tax deducted on Federal returns) equal to 15% of total Federal itemized deductions.
3. For the Residential Property Tax Credit calculation, it was assumed "Total Income" equaled "Gross Household Income" and property tax paid (or rent equivalent) was as follows:

Total Income	Property Tax
< \$10,000	\$400
\$10,000 to \$19,999	\$600
\$20,000 to \$29,999	\$800
\$30,000 to \$45,000	\$1,000

4. The Federal income tax deduction for Montana itemizers is equal to Federal income tax calculated for the respective year.
5. Taxpayers making an IRA contribution in 1985 qualified to deduct a contribution in 1988.
6. Alternative minimum tax implications have been ignored to simplify the presentation. However, the alternative minimum tax under the Governor's proposal may have a significant impact on some taxpayers.

Comments on Calculations for Hypothetical Taxpayers

Low Income Taxpayers (pages 11 and 12)

The calculations for the low income group are included on pages 11 and 12 of the attached calculations. The low income group includes calculations for three taxpayers with total income ranging from \$2,500 to \$7,500. 1985 Federal taxable income ranges from \$1,460 to \$3,190. The first low income calculation is for a student with \$2,500 of wage income. The 1985 Montana tax of \$19 decreases a small amount under both the 1988 current law and the Ramirez bill. The student's Montana tax is eliminated under the Governor's proposal. The student receives no benefit from the residential property tax credit under the Governor's proposal: students are specifically excluded from qualification.

The other two wage earners in the low income category remain at zero tax or show slight decreases under the 1988 current law and the Ramirez bill. Both of these taxpayers qualify for the residential property tax credit under the Governor's bill and would receive refunds under this proposal in the \$300 - \$400 range.

Middle Income Taxpayers (pages 11 and 12)

This group includes three married taxpayers each with two dependent children. Total income ranges from \$10,000 to \$20,000 for the group and 1985 Federal taxable income ranges from \$5,840 to \$15,340. These taxpayers show decreasing levels of income tax under all of the proposals. Two of the lower income taxpayers included in this group qualify for the residential property tax credit under the Governor's proposal.

MONTANA SOCIETY OF CERTIFIED PUBLIC ACCOUNTANTS  
 SUMMARY OF INDIVIDUAL INCOME TAX FOR TAXPAYERS BASED UPON VARIOUS ASSUMED INCOME AND DEDUCTION LEVELS

Taxpayer: Job Description Spouse: Job Description Filing Status Exemptions	LOW INCOME				MIDDLE INCOME			
	STUDENT	WAGE EARNER WAGE EARNER HOMEMAKER Joint	WAGE EARNER WAGE EARNER HOMEMAKER Joint	WAGE EARNER WAGE EARNER HOMEMAKER Joint	WAGE EARNER WAGE EARNER HOMEMAKER Joint	WAGE EARNER WAGE EARNER HOMEMAKER Joint	WAGE EARNER WAGE EARNER HOMEMAKER Joint	WAGE EARNER WAGE EARNER HOMEMAKER Joint
1985 Federal Taxable Income	\$1,460	\$0	\$0	\$3,190	\$5,840	\$10,840	\$15,340	
1985 Fed Tax	\$0	\$0	\$0	\$0	\$254	\$913	\$1,602	
1985 MT Taxable Inc:Taxpayer :Spouse	\$960	(\$160)	\$0	\$1,680	\$3,840	\$7,840	\$8,880	
1985 MT Taxable Inc:Combined	\$960	(\$160)	\$0	\$1,680	\$3,840	\$7,840	\$2,960	
1988 MT Taxable Inc:Taxpayer :Spouse	\$920	(\$320)	\$0	\$1,560	\$3,680	\$7,680	\$8,760	
1988 MT Taxable Inc:Combined	\$920	(\$320)	\$0	\$1,560	\$3,680	\$7,680	\$2,920	
Montana Taxable Income - Gov	(\$2,450)	(\$7,800)	(\$5,300)	(\$5,300)	(\$2,800)	\$2,200	\$7,200	

MONTANA TAX AND AGGREGATE MONTANA AND FEDERAL TAX

1985 Montana Tax	\$19	\$0	\$41	\$115	\$301	\$443
Montana & Federal Tax	\$19	\$0	\$41	\$369	\$1,214	\$2,045
1988 Montana Tax	\$18	\$0	\$36	\$108	\$293	\$434
Montana & Federal Tax	\$18	\$0	\$36	\$108	\$623	\$1,514
1988 Montana-Gov Tax	\$0	**	(\$344)	(\$208)	\$16	\$342
Montana-Gov & Federal Tax	\$0	**	(\$344)	(\$208)	\$346	\$1,422
1988 Montana Tax - Ramirez	\$15	\$0	\$33	\$99	\$278	\$412
Montana-Ram & Federal Tax	\$15	\$0	\$33	\$99	\$608	\$1,492

\*Percentage of respective 1985 tax.

\*\*Percentage invalid due to \$0 or negative tax.

LOW INCOME MIDDLE INCOME

	2,500	5,000	6,000	10,000	15,000	15,000
W-2 Income (wages):Taxpayer			6,000			15,000
W-2 Income (wages):Spouse	0	0	1,500	0	0	5,000
Sch D:Gross Capital Gains	0	0	0	0	0	0
Long Term Gain Excl.	0	0	0	0	0	0
Pension income	0	0	0	0	0	0
Sch E:Passive Income/(Loss)	0	0	0	0	0	0
Sch F:Farm Income/(Loss)	0	0	0	0	0	0
Other Ordinary Income/(Loss)	0	0	0	0	0	0
<b>Total Income</b>	<b>\$2,500</b>	<b>\$5,000</b>	<b>\$7,500</b>	<b>\$10,000</b>	<b>\$15,000</b>	<b>\$20,000</b>
Adjustments from Income	0	0	150	0	0	500
<b>Federal Adjusted Gross Income</b>	<b>\$2,500</b>	<b>\$5,000</b>	<b>\$7,350</b>	<b>\$10,000</b>	<b>\$15,000</b>	<b>\$19,500</b>
Itemized Deductions	0	0	0	0	0	0
Zero Bracket Amount	0	0	0	0	0	0
Exemptions	(1,040)	(4,160)	(4,160)	(4,160)	(4,160)	(4,160)
<b>1985 Federal Taxable Income</b>	<b>\$1,460</b>	<b>\$840</b>	<b>\$3,190</b>	<b>\$5,840</b>	<b>\$10,840</b>	<b>\$15,340</b>
<b>1988 Federal Taxable Income</b>	<b>(\$2,450)</b>	<b>(\$7,800)</b>	<b>(\$5,300)</b>	<b>(\$2,800)</b>	<b>\$2,200</b>	<b>\$7,200</b>
1988 Fed Tax	\$0	\$0	\$0	\$0	\$330	\$1,800
1988 Montana Tax - Gov	\$0	\$0	\$0	\$0	\$88	\$342
Residential property credits	N/A	\$400	\$344	\$288	\$72	N/A
<b>1988 Montana-Gov Net Tax</b>	<b>\$0</b>	<b>(\$400)</b>	<b>(\$344)</b>	<b>(\$288)</b>	<b>\$16</b>	<b>\$342</b>

\*Computation is based upon assumptions made for illustration purposes.

High/Mid Income Taxpayers (pages 14 and 15)

This taxpayer group consists of married taxpayers filing jointly; each couple has two children. Total income ranges from \$25,000 to \$50,000; 1985 Federal taxable income ranges from \$17,380 to \$37,130. Two of the taxpayers in this group are presumed to have working spouses. All these taxpayers itemized deductions on their 1985 tax returns.

The Montana tax change in 1988 under current law and the Ramirez bill is minimal for these taxpayers. All of the taxpayers in this group show moderate percentage increases in Montana tax under the Governor's proposal. The first two taxpayer profiles reflect increases of 15% and 27% respectively under the Governor's proposal. This increase primarily is the result of the Governor's proposal to delete the current tax provision which allows spouses who have income for Montana tax purposes to file separately on one return. The increase in the exemption amount for Federal purposes in 1988 (and under the Governor's proposal) partially mitigates the increase in tax.

Farm Income/Loss (pages 14 and 15)

The three taxpayers included in this group have incomes varying from \$10,000 to \$90,000; two of the taxpayers also have capital gains (presumably from the disposition of farm land and/or breeding livestock). The first taxpayer, with \$10,000 solely from farm income, pays less than \$100 in Montana tax under the 1985 law, in 1988 under current law and the Ramirez bill. Under the Governor's proposal, this taxpayer would qualify for residential property tax credit and receive a refund of \$208.

The other two farmers, with higher income levels and capital gains, show significant increases under all Montana 1988 scenarios. This is due, primarily, to the loss of the capital gains deduction. The Governor's proposal which discontinues Federal income tax deductions also has an impact on these taxpayers.



MONTANA SOCIETY OF CERTIFIED PUBLIC ACCOUNTANTS  
SUMMARY OF INDIVIDUAL INCOME TAX FOR TAXPAYERS BASED UPON VARIOUS ASSUMED INCOME AND DEDUCTION LEVELS

Taxpayer: Job Description	HIGH/MID INCOME				SCHEDULE F: FARM INCOME/(LOSS)			
	WAGE EARNER	WAGE EARNER	WAGE EARNER	WAGE EARNER	FARMER	FARMER	FARMER	FARMER
Spouse: Job Description	WAGE EARNER	WAGE EARNER	WAGE EARNER	WAGE EARNER	FARMER	FARMER	FARMER	FARMER
Filing Status	Joint	Joint	Joint	Joint	Joint	Joint	Joint	Joint
Exemptions	4	4	4	4	4	4	4	4
1985 Federal Taxable Income	\$17,380	\$21,380	\$37,130	\$37,130	\$5,840	\$22,380	\$22,380	\$79,380
1985 Fed Tax	\$1,943	\$2,677	\$6,693	\$6,693	\$254	\$2,897	\$2,897	\$22,899
1985 MT Taxable Inc:Taxpayer	\$7,654	\$9,707	\$28,397	\$28,397	\$880	\$7,382	\$7,382	\$26,181
:Spouse	\$6,143	\$8,081	\$0	\$0	\$2,960	\$9,462	\$9,462	\$28,261
1985 MT Taxable Inc:Combined	\$13,797	\$17,788	\$28,397	\$28,397	\$3,840	\$16,844	\$16,844	\$54,442
1988 MT Taxable Inc:Taxpayer	\$7,692	\$9,771	\$30,411	\$30,411	\$760	\$13,121	\$13,121	\$79,429
:Spouse	\$6,288	\$8,179	\$0	\$0	\$2,920	\$9,281	\$9,281	\$21,589
1988 MT Taxable Inc:Combined	\$13,980	\$17,950	\$30,411	\$30,411	\$3,680	\$22,401	\$22,401	\$101,017
Montana Taxable Income - Gov	\$11,200	\$15,700	\$29,950	\$29,950	(\$2,800)	\$21,200	\$21,200	\$132,200

MONTANA TAX AND AGGREGATE MONTANA AND FEDERAL TAX

1985 Montana Tax	\$508	\$729	\$1,995	\$1,995	\$97	\$677	\$677	\$3,754
Montana & Federal Tax	\$2,451	\$3,406	\$8,688	\$8,688	\$351	\$3,574	\$3,574	\$26,653
1988 Montana Tax	\$513	\$739	\$2,196	\$2,196	\$93	\$1,034	\$1,034	\$8,794
Montana & Federal Tax	\$2,193	\$3,094	\$6,715	\$6,715	\$93	\$4,214	\$4,214	\$44,958
1988 Montana-Gov Tax	\$582	\$926	\$2,066	\$2,066	(\$208)	\$1,366	\$1,366	\$10,246
Montana-Gov & Federal Tax	\$2,262	\$3,281	\$6,585	\$6,585	(\$208)	\$4,546	\$4,546	\$46,410
1988 Montana Tax - Ramirez	\$483	\$703	\$2,011	\$2,011	\$86	\$992	\$992	\$7,776
Montana-Ram & Federal Tax	\$2,163	\$3,058	\$6,530	\$6,530	\$86	\$4,172	\$4,172	\$43,940

\*Percentage of respective 1985 tax.  
\*\*Percentage invalid due to \$0 or negative tax.

SCHEDULE F: FARM INCOME/(LOSS)

	HIGH/MID INCOME				
W-2 Income (wages): Taxpayer	15,000	20,000	50,000	0	0
W-2 Income (wages): Spouse	10,000	15,000	0	0	0
Sch D: Gross Capital Gains	0	0	0	10,000	100,000
Long Term Gain Excl.	0	0	0	(5,000)	(50,000)
Pension income	0	0	0	0	0
Sch E: Passive Income/(Loss)	0	0	0	0	0
Sch F: Farm Income/(Loss)	0	0	0	25,000	50,000
Other Ordinary Income/(Loss)	0	0	0	0	0
<b>Total Income</b>	<b>\$25,000</b>	<b>\$35,000</b>	<b>\$50,000</b>	<b>\$10,000</b>	<b>\$30,000</b>
Adjustments from Income	1,000	5,500	2,250	0	0
<b>Federal Adjusted Gross Income</b>	<b>\$24,000</b>	<b>\$29,500</b>	<b>\$47,750</b>	<b>\$10,000</b>	<b>\$30,000</b>
Itemized Deductions	(6,000)	(7,500)	(10,000)	0	(10,000)
Zero Bracket Amount	3,540	3,540	3,540	0	3,540
Exemptions	(4,160)	(4,160)	(4,160)	(4,160)	(4,160)
<b>1985 Federal Taxable Income</b>	<b>\$17,380</b>	<b>\$21,380</b>	<b>\$37,130</b>	<b>\$5,840</b>	<b>\$79,380</b>
<b>1988 Federal Taxable Income</b>	<b>\$11,200</b>	<b>\$15,700</b>	<b>\$29,950</b>	<b>(\$2,800)</b>	<b>\$132,200</b>
1988 Fed Tax	\$1,680	\$2,355	\$4,519	\$0	\$36,164
1988 Montana Tax - Gov	\$582	\$926	\$2,066	\$0	\$10,246
Residential property credit*	N/A	N/A	N/A	\$208	N/A
<b>1988 Montana-Gov Net Tax</b>	<b>\$582</b>	<b>\$926</b>	<b>\$2,066</b>	<b>(\$208)</b>	<b>\$10,246</b>

\*Computation is based upon assumptions made for illustration purposes.

Capital Gains (Pages 18 and 19)

This taxpayer had wage income of \$65,000, capital gains of \$100,000, and \$15,000 in other income (interest and dividend). The taxpayer shows a significant percentage and tax increase under all three of the Montana 1988 scenarios, primarily due to the losses of the capital gains exclusion and the deduction for Federal income tax under the Governor's proposal. The change in Federal capital gains tax policy appears difficult to control with a separate Montana tax policy.

Passive Income/Loss (pages 18 and 19)

The individual in this category is a high income taxpayer with significant passive losses. The taxpayer profile reflects significant increases in all three Montana tax scenarios, a result of the Federal changes affecting the deduction of passive losses.

High Income (pages 18 and 19)

This married couple has a combined wage income of \$100,000; itemized deductions of \$10,000 and IRA contributions of \$4,000. The Ramirez bill neutralizes the impact of the Tax Reform Act of 1986. Tax increases under the current law in 1988 and the Governor's proposal. The Federal income tax deduction loss is a significant factor in the increase under the Governor's proposal.

Retired Individuals (pages 18 and 19)

The first taxpayer in this group is a single, retired teacher with pension income of \$10,000 and interest income of \$3,000. This individual pays less than \$30 in Montana tax under all scenarios except for the Governor's proposal; tax liability would then be \$393. The Governor's percentage increase should be reviewed carefully in conjunction with the dollar increase. Perhaps this large percentage increase is a distortion of the dollar economic impact to this taxpayer.

The second taxpayer in this category is assumed to be a retired Montana Highway Patrolman with wage income of \$15,000, pension income of \$15,000, and \$10,000 of interest and dividend income. The taxpayer receives small decreases in Montana income tax under current law in 1988 and under the Ramirez bill. The Governor's proposal impacts the taxpayer unfavorably as a result of the elimination of preferential treatment for certain retired public employees. The Federal law does not provide preferential treatment for this type of retirement income. Such treatment is more a matter of preference than of economic or tax policy.

MONTANA SOCIETY OF CERTIFIED PUBLIC ACCOUNTANTS  
 SUMMARY OF INDIVIDUAL INCOME TAX FOR TAXPAYERS BASED UPON VARIOUS ASSUMED INCOME AND DEDUCTION LEVELS

Taxpayer: Job Description	CAPITAL GAINS	PASSIVE LOSS	HIGH INCOME	RETIRED TEACHER	RETIRED PERSONS: PENSION INCOME
Spouse: Job Description	*****	*****	*****	*****	*****
Filing Status	WAGE EARNER	WAGE EARNER	WAGE EARNER	RETIRED MHP	WAGE EARNER
Exemptions	Joint	Joint	Joint	Single	Joint
	4	4	4	1	3
1985 Federal Taxable Income	\$102,130	\$79,380	\$82,080	\$11,960	\$36,880
1985 Fed Tax	\$32,845	\$22,899	\$22,483	\$1,382	\$6,611
1985 MT Taxable Inc:Taxpayer	\$67,995	\$55,191	\$46,703	\$1,360	\$1,920
:Spouse	\$0	\$0	\$14,234	\$0	\$17,010
1985 MT Taxable Inc:Combined	\$67,995	\$55,191	\$60,937	\$1,360	\$18,930
1988 MT Taxable Inc:Taxpayer	\$117,000	\$93,726	\$49,628	\$1,320	\$1,840
:Spouse	\$0	\$0	\$15,209	\$0	\$16,970
1988 MT Taxable Inc:Combined	\$117,000	\$93,726	\$64,837	\$1,320	\$18,810
Montana Taxable Income - Gov	\$154,950	\$120,200	\$78,200	\$8,050	\$30,500

MONTANA TAX AND AGGREGATE MONTANA AND FEDERAL TAX

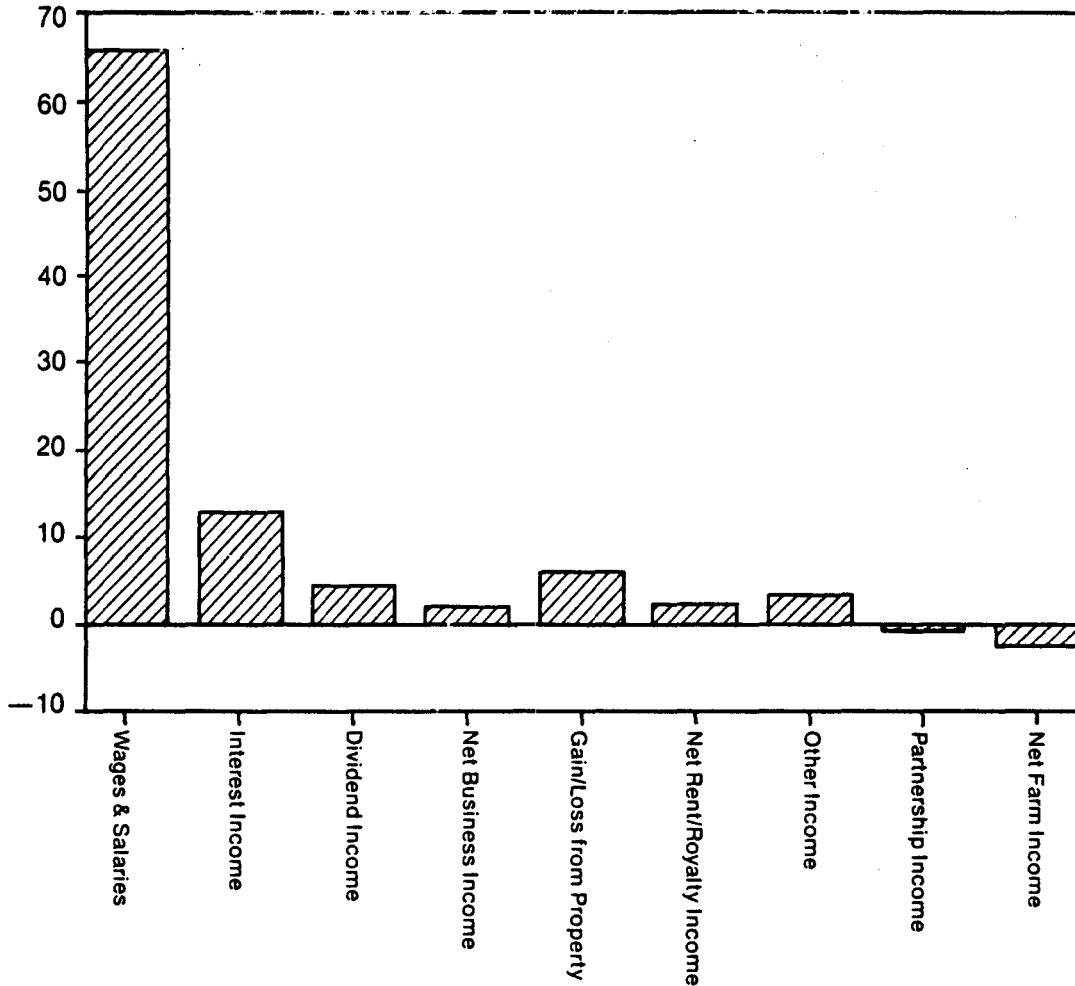
1985 Montana Tax	\$4,770	\$4,572	\$28	\$1,002	\$1,002
Montana & Federal Tax	\$27,669	\$26,975	\$1,410	\$7,613	\$7,613
1988 Montana Tax	\$9,009	\$4,972	\$28	\$28	\$997
Montana & Federal Tax	\$41,213	\$23,315	\$1,236	\$1,236	\$5,670
1988 Montana-Gov Tax	\$9,286	\$5,926	\$393	\$393	\$2,110
Montana-Gov & Federal Tax	\$41,490	\$24,269	\$1,601	\$1,601	\$6,783
1988 Montana Tax - Ramirez	\$7,829	\$4,523	\$27	\$27	\$944
Montana-Ram & Federal Tax	\$40,833	\$22,866	\$1,235	\$1,235	\$5,617

\*Percentage of respective 1985 tax.  
 \*\*Percentage invalid due to \$0 or negative tax.

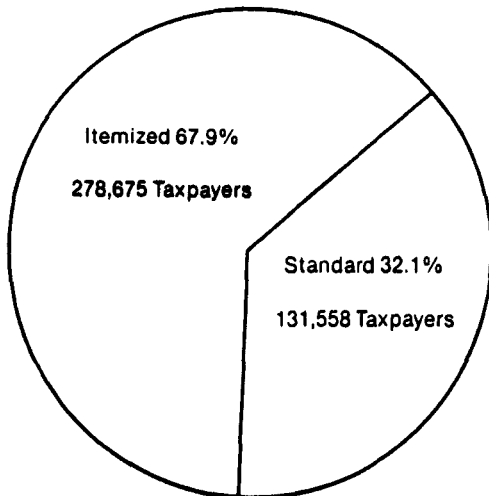
	CAPITAL GAINS *****	PASSIVE LOSS *****	HIGH INCOME *****	RETIRED PERSONS: PENSION INCOME *****
M-2 Income (wages): Taxpayer	55,000	75,000	75,000	0
M-2 Income (wages): Spouse	0	0	25,000	0
Sch D: Gross Capital Gains	100,000	0	0	0
Long Term Gain Excl.	(50,000)	0	0	0
Pension income	0	0	0	10,000
Sch E: Passive Income/(Loss)	0	(80,000)	0	0
Sch F: Farm Income/(Loss)	0	0	0	0
Other Ordinary Income/(Loss)	15,000	100,000	0	3,000
<b>Total Income</b>	<b>\$120,000</b>	<b>\$95,000</b>	<b>\$100,000</b>	<b>\$13,000</b>
Adjustments from Income	2,250	0	6,500	0
<b>Federal Adjusted Gross Income</b>	<b>\$117,750</b>	<b>\$95,000</b>	<b>\$93,500</b>	<b>\$13,000</b>
Itemized Deductions	(15,000)	(15,000)	(10,000)	0
Zero Bracket Amount	3,540	3,540	3,540	0
Exemptions	(4,160)	(4,160)	(4,160)	(1,040)
<b>1985 Federal Taxable Income</b>	<b>\$102,130</b>	<b>\$79,380</b>	<b>\$82,880</b>	<b>\$11,960</b>
<b>1988 Federal Taxable Income</b>	<b>\$154,950</b>	<b>\$120,200</b>	<b>\$78,200</b>	<b>\$8,050</b>
1988 Fed Tax	\$43,672	\$32,204	\$18,343	\$1,208
<b>1988 Montana Tax - Gov</b>	<b>\$12,066</b>	<b>\$9,286</b>	<b>\$5,926</b>	<b>\$393</b>
Residential property credit*	N/A	N/A	N/A	N/A
<b>1988 Montana-Gov Net Tax</b>	<b>\$12,066</b>	<b>\$9,286</b>	<b>\$5,926</b>	<b>\$393</b>

\*Computation is based upon assumptions made for illustration purposes.

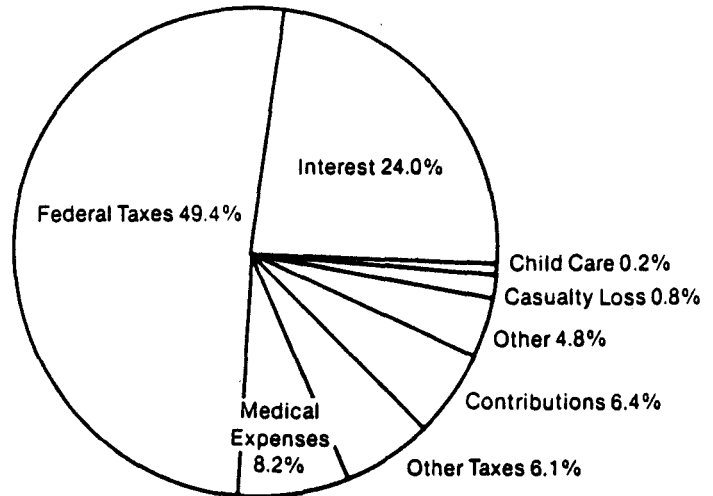
**Components of Reported Income**  
(Percent Distribution — 1982 Returns)



**Deductions**  
**1982 Returns**

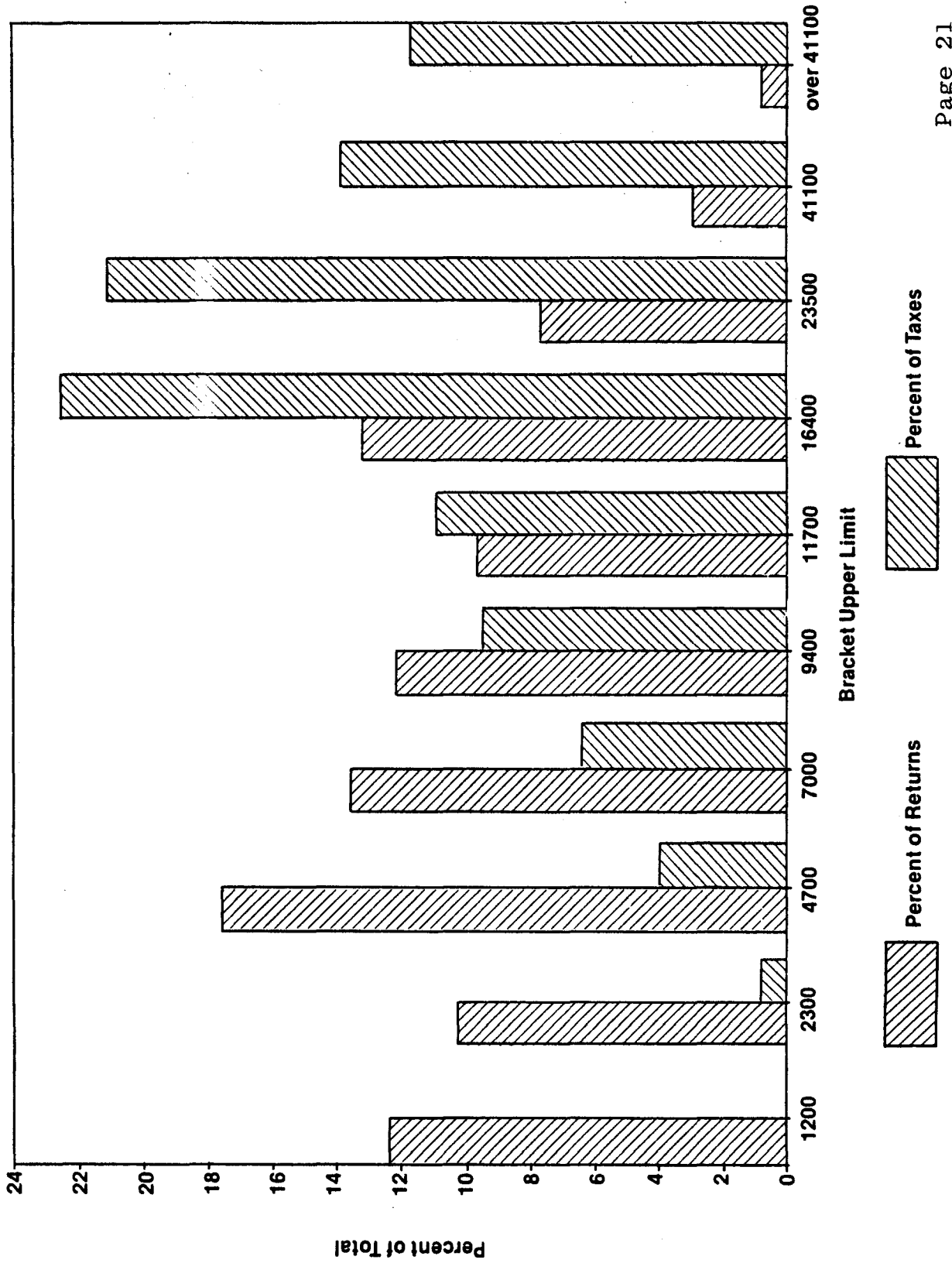


Number of Taxpayers Claiming Standard Deduction and Itemizing



Type of Deduction (by %) Claimed on Itemized Returns

**Percentage of Returns and Tax Paid  
(By Income Brackets in 1982)**





Montana Individual Income Tax Returns for 1982 (Summary of Returns Received and Processed as of December 6, 1983)

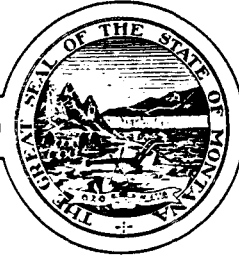
Table with 10 columns: Montana Taxable Income Bracket, Number of Returns, Total Number of Exemptions Listed, Total Number of Showings Itemized Deductions, Total of Itemized Deductions Taken, Total Returnings Standard Deductions, Total of Standard Deductions Taken, Total Adjusted Gross Income, Total Montana Taxable Income, Total Tax Paid By Bracket.



DEPARTMENT OF REVENUE

#2  
35-87

HB



TED SCHWINDEN, GOVERNOR

MITCHELL BUILDING

STATE OF MONTANA

HELENA, MONTANA 59620

March 2, 1987

TO: Members, Senate Taxation Committee  
Members, House Taxation Committee

FROM: John D. LaFaver  
Director

A handwritten signature in cursive script, appearing to read "John D. LaFaver".

SUBJECT: CPA Analysis of Tax Reform

The 500 taxpayers chosen by the Montana Society of CPA's are clearly not representative of Montana taxpayers. For example, 7 percent of all taxpayers earn over \$43,500 and would pay higher state taxes as a result of Governor Schwinden's proposal. Yet 33 percent of the CPA sample comes from this group.

On the other end of the income spectrum 25 percent of Montana taxpayers earn less than \$8,500 and would pay less taxes under Governor Schwinden's plan. Yet only 8 percent of the CPA sample comes from this group.

Because of this badly skewed sample, the CPA analysis significantly overstates the increases in taxes and understates the decreases to taxpayers as a whole.

The Society of CPA's acknowledges the inadequacy of their information and expresses "no opinion on the accuracy, completeness or reasonableness of the information."

In contrast to the 500 CPA returns, the Department uses 45,000 actual returns to make its estimates.

While the sample selected by the CPA's is not representative of Montana taxpayers, it provides some interesting examples of how tax reform would make state income taxes fairer.

**ASKING EACH TAXPAYER TO PAY A FAIR SHARE**

Example #1. A taxpayer with income over \$700,000 pays no state tax and about \$140,000 federal tax. State tax reform would impose a tax of \$25,800 or about 4%. Changes at the

federal level would give the taxpayer a \$10,000 reduction in total taxes.

Example #2. A lawyer with \$130,000 income pays \$400 or .32% in state taxes. State tax reform would raise his taxes to \$5,200 or 4%. Federal changes will serve to lower his total taxes by \$2,000.

Example #3. A doctor with \$55,000 of income pays \$400 or .73% state tax. State tax reform would raise his taxes to \$1,960 or 3.5%.

#### **REDUCING THE TOP RATE FROM 11% TO 8% - CUSHIONING THE IMPACT OF FEDERAL REFORM**

Example #4. A professional earning over \$300,000 per year would pay \$22,350 in state taxes under federal reform. Governor Schwinden's tax reform plan would lower his state taxes to \$19,452.

Example #5. A husband and wife in a business earning nearly \$500,000 annually would pay about \$50,000 or 10% in state taxes under federal tax reform. Governor Schwinden's tax reform plan would lower their tax to \$37,300.

#### **MAKING TAXES FAIRER FOR AVERAGE MONTANANS**

Example #6. Compare two couples in which the husbands are truckers, one earning \$22,000 the other \$13,500. The higher income family pays \$140 or .63% in state taxes; the lower income family pays \$554 or 4.1%. Under state tax reform the higher income family would pay \$460 or 2% while the lower income would pay \$200 or 1.5%. Both families would pay less total tax as a result of federal tax reform.

Example #7. Compare two families involved in small businesses, each earning about \$40,000. One family pays \$1,700 in state taxes; one pays no state tax. State tax reform will tax each family at \$1,300 or about 3.25%.

Example 8. A farm family with two children earning \$16,000 pays \$300 state tax. With Governor Schwinden's tax reform the family's state taxes would fall to \$130 and their total tax bill would fall \$700.

Example 9. A teacher and his wife have two children and earn \$19,800. They pay \$512 in state taxes. Governor Schwinden's tax reform will lower their state taxes to \$170 and their total tax bill will fall from \$1,200 to \$820.

Example #10. A single parent with one child earns \$16,200 and pays \$490 in taxes. Governor Schwinden's plan would lower state taxes to \$380 and total taxes would fall from \$1,700 to \$1,560.

AMENDMENTS TO HB 791, INTRODUCED COPY, PROPOSED BY REP. STRIZICH.

1. Page 1, line 8.  
Following: the title  
Insert: "WHEREAS, dangerous drugs are commodities having considerable value, and the existence in Montana of a large and profitable dangerous drug industry and extensive trade in dangerous drugs is irrefutable; and  
WHEREAS, the state does not endorse the manufacturing of or trading in dangerous drugs and does not consider the use of such drugs to be acceptable, but it recognizes the economic impact upon the state of the manufacturing and selling of dangerous drugs; and  
WHEREAS, it is appropriate that some of the revenue generated by this tax be devoted to continuing investigative efforts directed toward the identification, arrest, and prosecution of individuals involved in conducting illegal continuing criminal enterprises that affect the distribution of dangerous drugs in Montana.  
THEREFORE, the Legislature of the State of Montana does not wish to give credence to the notion that the manufacturing, selling, and use of dangerous drugs is legal or otherwise proper, but finds it appropriate in view of the economic impact of such drugs to tax those who profit from drug-related offenses and to dispose of the tax proceeds through providing additional anticrime initiatives without burdening law abiding taxpayers."
  
2. Page 4, line 12.  
Following: "proceeds."  
Insert: "(1)"
  
3. Page 4, line 15.  
Following: "basis."  
Insert: "(2)"
  
4. Page 4, line 19.  
Following: line 18  
Insert: "(3)"  
Following: "tax"  
Insert: "proceeds as follows: (a) 85%"
  
5. Page 4, line 23.  
Following: "jails"  
Insert: "; and (b) 15% to the special law enforcement assistance account created in 44-13-101 for the activities described in 44-13-103"

7063g/c:JEANNE\WP:jj

*Lu Jones*

TOURISM PROMOTION FOR WESTERN STATES

<u>STATE</u>	<u>TOURIST DOLLARS</u>	<u>POPULATION</u>	<u>PER CAPITA</u>	<u>PER CAPITA</u>	
				<u>HB84</u>	<u>FY89</u>
OREGON	1,355,056	2,633,000	0.51		
WASHINGTON	2,772,000	4,132,000	0.67		
ARIZONA	2,722,300	2,718,000	1.00		
N. DAKOTA	670,000	653,000	1.03		
COLORADO	4,500,000	2,890,000	1.56		
NEW MEXICO	2,116,922	1,303,000	1.62		
IDAHO	1,670,550	944,000	1.77		
MONTANA	1,525,000	787,000	1.94	5.63	6.28
UTAH	3,993,800	1,461,000	2.73		
S. DAKOTA	2,100,000	691,000	3.04		
NEVADA	2,943,298	800,000	3.68		
WYOMING	2,597,696	470,000	5.53		

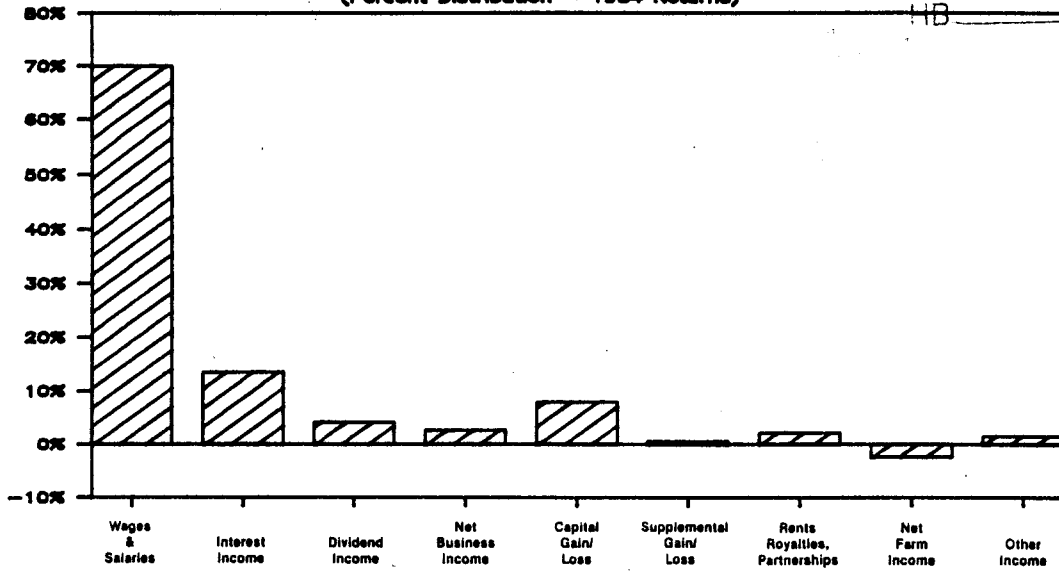
UNDER THE PROVISIONS OF HB 84 THE TOURISM INDUSTRY WOULD RECEIVE \$4,427,677 IN FY 88 AND \$4,942,426 IN FY 89. THIS REPRESENTS AN INCREASE OF 190%. THE STATE WOULD BE SPENDING \$5.63 PER MONTANA RESIDENT IN 1988 AND \$6.28 IN 1989.

THE PEOPLE OF MONTANA ARE DEMANDING TAX RELIEF. WHAT BETTER WAY TO RELIEVE THE PROPERTY TAX BURDEN THAN ESTABLISHING AN ACCOMMODATIONS TAX WHERE THE MAJORITY OF REVENUES GENERATED REVERT BACK TO LOCAL GOVERNMENTS, THUS PROVIDING TAX RELIEF FOR LOCAL RESIDENTS THAT ARE PAYING FOR TOURISM SERVICES.

HOUSE BILL 649 ACCOMPLISHES NOT ONLY PROPERTY TAX RELIEF FOR LOCAL GOVERNMENTS BUT ALSO PROVIDES FOR MONTANA TOURISM PROMOTION. HOUSE BILL 649 DIRECTS REVENUE TO PROMOTE MONTANA AND TO THOSE AREAS WHICH SUPPORT THE HIGH COST OF TOURISM.

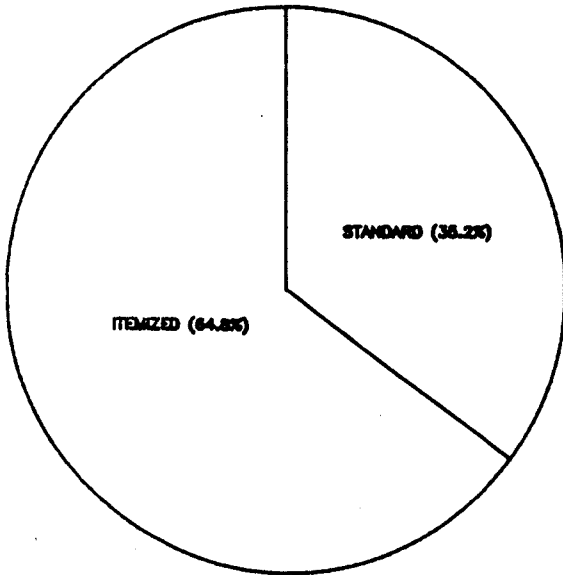
EXHIBIT #2  
 DATE 3-5-89  
 HB

**Components of Reported Income**  
 (Percent Distribution - 1984 Returns)

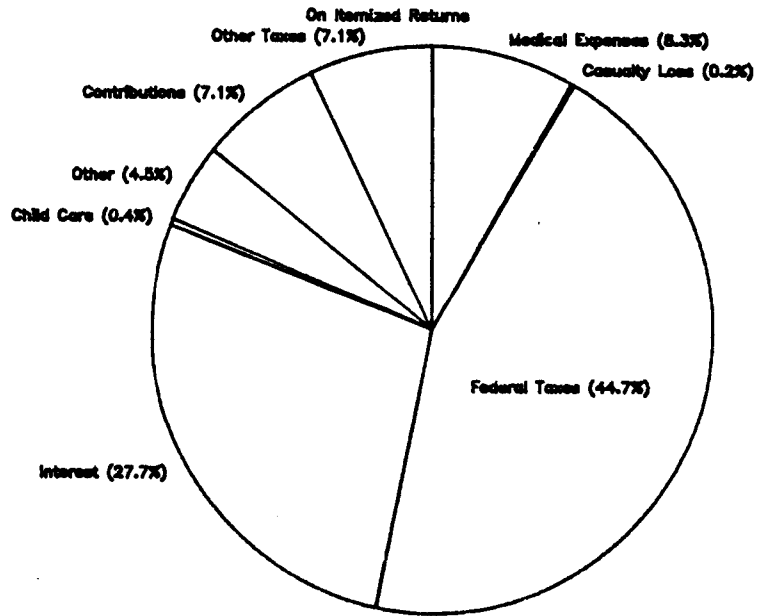


**Deductions 1984 Returns**

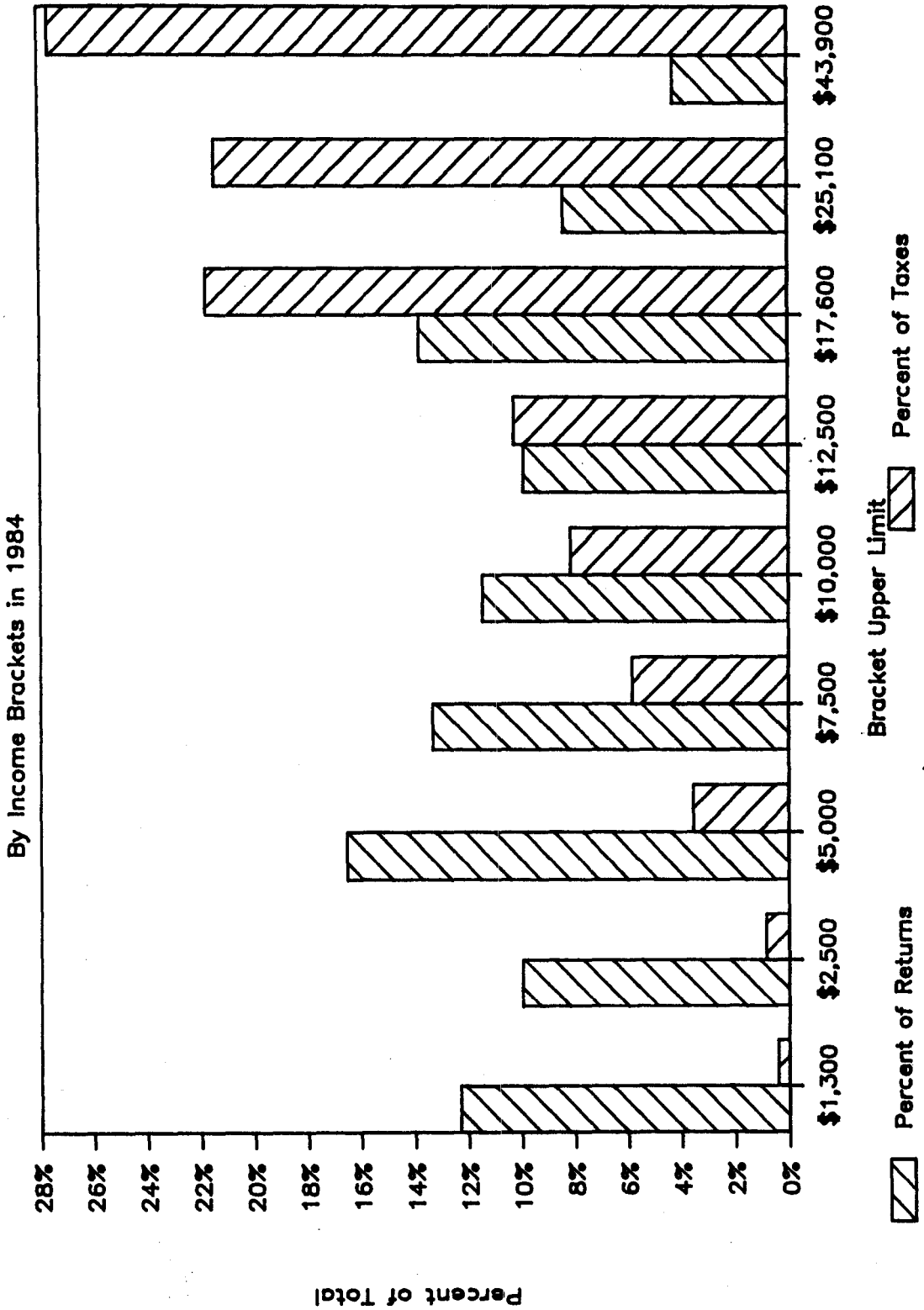
**Taxpayers by Type of Deduction**  
 Fiscal Year 1984



**Type of Deductions Claimed**



# Percentage of Returns and Tax Paid By Income Brackets in 1984





Montana Individual Income Tax Returns for 1984 (Summary of Returns Received and Processed as of December 12, 1985)

Table with 10 columns: Montana Taxable Income Bracket, Number of Returns, Total Number of Returns Showing Itemized Deductions, Total of Itemized Deductions Taken, Total Returns Showing Standard Deductions, Total of Standard Deductions Taken, Total Montana Adjusted Gross Income, Total Montana Taxable Income, Total Tax Paid By Bracket, and 0. Rows include income brackets from < OR = 0 to 120,000 and a Totals row.

\* Filing separately on the same return counts as two returns.



**Montana Department  
of  
Fish, Wildlife & Parks**



Helena, MT 59620  
March 5, 1987

Representative Jack Ramirez  
Capitol Station  
Helena, MT 59620


Dear Representative Ramirez:

Due to a scheduling conflict this morning, I was unable to appear before your committee regarding HB 813.

I am enclosing a copy of the department's testimony, and if it is possible, I would request that this be entered in the record.

If you require any further information on this, please let me know.

Sincerely,

  
James W. Flynn  
Director

JWF/sa

EXHIBIT \_\_\_\_\_  
DATE \_\_\_\_\_  
HB \_\_\_\_\_

HB 813  
March 5, 1987

Testimony presented by Jim Flynn, Dept. of Fish, Wildlife & Parks

Although HB 813 provides for a fee in lieu of tax for off-highway vehicles, the fees collected provide no money for the enforcement of this act, nor is money provided for department rule making. The use of sportsmen's license dollars to fund this act would be inappropriate and contrary to law, since many users of these vehicles may not be fishermen or hunters.

The department supports the concept of registration of all-terrain vehicles, but would ask that the enforcement and rule making responsibility for the department be stricken from this bill or an appropriate and sufficient funding mechanism added.

WITNESS STATEMENT

DATE 3-5-87  
HB 813

NAME Bob Garner BILL NO. HB 813  
 ADDRESS 916 S. Willson - Bozeman DATE 2-5-87  
 WHOM DO YOU REPRESENT? Montana Trail Bike Riders Assoc.  
 SUPPORT \_\_\_\_\_ OPPOSE X AMEND \_\_\_\_\_

PLEASE LEAVE PREPARED STATEMENT WITH SECRETARY.

Comments:

Montana Trail Bike Riders Association is a users group of trail bike and ATV riders throughout Montana. We support the concept of licensing ATVs, but HB 813 proposes to fund local government block grants, which we oppose. We understand, too, that such use of license dollars is in violation of existing statutes. (Refer: enforcement division MT Dept Fish, Wildlife + Parks). If funding were applied, at least in part, to benefit the licensed OTV users, we would consider supporting such a bill.

(A similar bill (HB 518) was tabled in Highways + Transportation Committee (House, Rep. Ed Erady). The general principles of this earlier bill, with amendments recommended by our group, would create a workable beginning for such licensing).

HB 813 provides for funding of enforcement of MCFWP, the definitions of "off-highway vehicles" are not consistent with the purposes of this act, and funds are taken from counties which are needed for schools, universities, and other county responsibilities.

CS-34 HB 813 is, for many reasons, unworkable and unacceptable.

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3597 WESTERN EDITION

WEDNESDAY, DECEMBER 10, 1986

FEDERAL WAY, WASHINGTON

50

## What's

### Business and Finance

**UNITED TECHNOLOGIES** will take a \$592 million pre-tax charge for its restructuring program, resulting in a "substantial" fourth-quarter loss. The company said the reorganization, which includes shrinking its work force 6% and reducing operations, will allow it to focus on its "strong core businesses." (Story on Page 2)

The Supreme Court made it harder for companies to file antitrust suits to block actions by competitors, including proposed mergers. The justices ruled that a firm must face a real competitive threat and not simply be hurt by stiffer competition. (Story on Page 2)

**Goldman Sachs** is considering raising additional capital, possibly through a stock offering. Despite the recent injection of \$400 million from Citicorp Bank, many at the securities firm believe Goldman must boost capital further to stay competitive. (Story on Page 2)

**Shearson Lehman** chief Peter Conroy said an SEC probe of trading in Wall Street's foreign exchange market by the firm's investors and doesn't involve anyone at the securities firm. Cohen and 14

## News

### World-Wide

**TRAN-CONTRA FIGURES REFUSED** to testify, citing fear of self-incrimination. Former National Security Adviser Poindexter appeared voluntarily before a House Foreign Affairs panel hearing into arms sales to Iran and the diversion of profits to Nicaraguan rebels, but "regretfully" declined to answer questions. Lt. Col. North, a Poindexter aide, also declined to testify about the operation. Meanwhile, as Justice Department aides continued talks with Swiss officials to gain access to records of two secret bank accounts, retired Air Force Gen. Second, in a closed session of the Senate Intelligence panel, also invoked his Fifth Amendment right. (Story on Page 3)

**Shultz traveled to London** to begin a "rebuilding job" of allied confidence over U.S. foreign policy, and Moscow and Tehran held their first high-level economic talks since 1979.

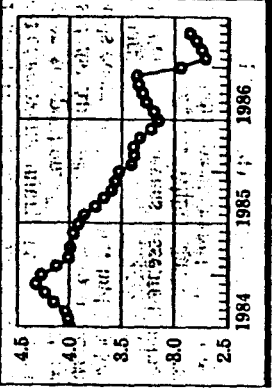
**CHIRAC CANCELED** plans to hold a special parliamentary session next month. The move by the conservative French premier came in the face of widespread student protests over education legislation that critics said would increase tuition. Some legislative proposals—including the tightening of rules on acquiring French citizenship and allowing prisons to be built and operated by private firms—will be delayed until the regular April session, because of Chirac's announcement. (Story on Page 34)

**A Paris volunteer group plans to act as a buffer between police and demonstrators to try to avert violence at a student-led protest march today.**

**The Philippine government** resolved a dispute with communist rebels removing

## Aluminum Production

Annual rate, in millions of metric tons.



**ALUMINUM PRODUCTION** in the U.S. rose to an annual rate of 2,866,698 metric tons in October, from 2,805,998 metric tons in September, the Aluminum Association reports.

## Communist or Not, East Europe Draws Some Exiles Home

### Americans on Social Security Back in the Old Country

By **BARRY NEWMAN**, Staff Reporter of THE WALL STREET JOURNAL.

**BUDAPEST, Hungary**—What price liberty? In America, for the old and poor, it may sometimes seem more costly than it's worth.

It cost too much for Anna and Zoltan Chikos. They had the choice between freedom on a low income amid high crime and retirement in totalitarian luxury. They picked Budapest over Bridgeport.

In Connecticut, Mr. and Mrs. Chikos lived above their tailor shop. In Hungary, the country where both were born, they

## Tax Report

### A Special Summary and Forecast Of Federal and State Tax Developments

**THE GOPHER STATE** puns illegal-drug dealers in the hole with a stamp tax. Since Aug. 1, Minnesota has required dealers to buy tax stamps—\$3.50 a gram for marijuana, \$200 a gram for harder stuff—or pay double tax if caught stampless. Buyers are guaranteed anonymity as a constitutional safeguard, but enforcers see the tax as a tool for squeezing pushers. Only two people ("They may be stamp collectors," says revenue chief Triplett) have bought stamps voluntarily, paying \$900. But the state has assessed taxes of \$6.9 million against 33 persons arrested with unstamped drugs.

Its largest claim was \$3.2 million for half a ton of pot. It has collected only \$17,000 in cash but has seized a lot of property. Several suits claim the tax violates constitutional bars to self-incrimination, but officials believe they are about to win the first to be tried; they say the law avoids flaws that caused South Dakota's drug tax to be overturned. Arizona has required annual licenses for drug dealers and taxed them since 1984, but no licenses are in effect now; it has assessed taxes of \$5.4 million and collected \$219,509.

In July, Florida imposed a 20% tax and related penalties on illegal sales or use of drugs and is gearing up for enforcement.

**A BIT OF BLUE** shines through the 1987 ceiling on "401(k)" pay deferrals. The tax act generally trims the maximum amount of pay that an employee may defer in a Section 401(k) retirement plan to \$7,000 in 1987 from the current \$30,000. But many employees who expect 1986 bonuses to

## Shopping Sp

**Baby Bells Div Into Non-Phone Spark Much C**

**Regional Firms Ai Of Unwise A Using Subsidie**

**Growth Is Needed,**

By **JOHNNIE L. RO**, Staff Reporter of THE WALLS.

Several months after U birth in the breakup of the two seasoned miners offered the following proposition: Would the telephone concern like to be the Rocky Mountains?

The miners held precious there and thought that a would be a good use of the land. Itching to diversify, U S West listened to the p-spurning it.

"Just because they had sounded offbeat didn't me them out the door," a U S West says, adding: "We aren't int-iffing ideas for diversifying." And diversity it has, along other regional Bell telephone panies that American Teleph-raph Co. divested itself of the breakup on Jan. 1, 1984. Corp. announced a propos-ling company. That set off-inge of acquisitions by the c-ompanies. That's what the

791  
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zich

EXHIBIT #4  
DATE 3-5-87  
HB 791

LIST OF DRUGS AND AMOUNT CONFISCATED IN 1986

Marijuana:	313,931 oz.
Hashish:	31 oz.
LSD:	833 doses
Precursor:	208 oz.
Cocaine:	66 oz.
Depressants:	953 doses
Stimulants:	6,194 doses and 5.46 oz.
PCP:	1 oz.
Morphine:	14.14 oz. and 20 doses
Opium:	38 oz.
Other Depressants:	787 doses
Other Hallucinogens:	40 doses and 2 oz.
Other Opiates:	517 doses and 5.6 oz.
Other Stimulants:	1 oz. and 440 doses
Unknown:	160 doses and 1.8 oz.

Ex  
3587  
Strizick

EXHIBIT #5  
DATE 3-5-87  
HB 791

AMENDMENTS TO HB 791, INTRODUCED COPY, PROPOSED BY REP. STRIZICH.

1. Page 1, line 8.

Following: the title

Insert: "WHEREAS, dangerous drugs are commodities having considerable value, and the existence in Montana of a large and profitable dangerous drug industry and extensive trade in dangerous drugs is irrefutable; and

WHEREAS, the state does not endorse the manufacturing of or trading in dangerous drugs and does not consider the use of such drugs to be acceptable, but it recognizes the economic impact upon the state of the manufacturing and selling of dangerous drugs; and

WHEREAS, it is appropriate that some of the revenue generated by this tax be devoted to continuing investigative efforts directed toward the identification, arrest, and prosecution of individuals involved in conducting illegal continuing criminal enterprises that affect the distribution of dangerous drugs in Montana.

THEREFORE, the Legislature of the State of Montana does not wish to give credence to the notion that the manufacturing, selling, and use of dangerous drugs is legal or otherwise proper, but finds it appropriate in view of the economic impact of such drugs to tax those who profit from drug-related offenses and to dispose of the tax proceeds through providing additional anticrime initiatives without burdening law abiding taxpayers."

2. Page 4, line 12.

Following: "proceeds."

Insert: "(1)"

3. Page 4, line 15.

Following: "basis."

Insert: "(2)"

4. Page 4, line 19.

Following: line 18

Insert: "(3)"

Following: "tax"

Insert: "proceeds as follows: (a) 85%"

5. Page 4, line 23.

Following: "jails"

Insert: "; and (b) 15% to the special law enforcement assistance account created in 44-13-101 for the activities described in 44-13-103"



EX  
25-87  
HB826  
RLB

**MONTANA  
ASSOCIATION OF  
COUNTIES**

EXHIBIT #5  
DATE 3-5-87  
826  
1802 11th Avenue  
Helena, Montana 59601  
(406) 442-5209

REALTY TRANSFER TAX

<u>STATE NAME</u>	<u>PERCENTAGE</u>	<u>PER \$100.00</u>	<u>PER \$1,000.00</u>
Colorado	.01%	\$.01	\$.10
Hawaii	0.05%	\$.05	\$.50
Illinois			
Alabama	.10	\$.10	\$1.00
Georgia			
Kentucky			
North Carolina			
Ohio			
South Dakota			
Virginia			
Arkansas	.11%	\$.11	\$1.10
Iowa			
Michigan			
Nevada			
Nebraska	.15%	\$.15	\$1.50
Oklahoma			
South Carolina	.20%	\$.20	\$2.00
Maine	.22%	\$.22	\$2.20
Minnesota			
Rhode Island			
West Virginia			
Massachusetts	.228%	\$.228	\$2.28
New Hampshire	.25%	\$.25	\$2.50
Tennessee	.28%	\$.28	\$2.80
Wisconsin	.30%	\$.30	\$3.00
Indiana	.325%	\$.325	\$3.25
New Jersey	.35%	\$.35	\$3.50
	Over \$150,000		
	.50%	\$.50	\$5.00
New York	.40%	\$.40	\$4.00
Florida	.50%	\$.50	\$5.00
Maryland			
Vermont			
Connecticut	.56	\$.56	\$5.60
Pennsylvania	1.0	\$1.00	\$10.00
Washington State	1.2	\$1.20	\$12.00
Delaware	2.0	\$2.00	\$20.00

**MACo**

# MONTANA ASSOCIATION OF PLANNERS

#6  
EXHIBIT  
DATE 3-5-87  
HB 726

EX  
3587  
HB 726

March 1, 1987

Representative Jack Ramirez  
Chairman  
House Taxation Committee  
Capitol Building  
Helena, Montana 59806

Dear Representative Ramirez and Members of the Committee:

The Montana Association of Planners (MAP) urges you to support HB 826, the realty transfer tax. The bill will provide a new method to fund community planning and development to replace the existing and future cutbacks in state and federal planning funds.

#### PLANNING IS ESSENTIAL TO THE QUALITY OF LIFE AND GOOD FOR BUSINESS CLIMATE

Community planning ensures that new development will be safely constructed. Planning saves the taxpayer money by reducing the costs of local government. Planning ensures that environmental and public concerns are addressed in the real estate development process. We can not build job opportunities in Montana without community planning. We can not eliminate Montana's 9+ billion dollar infrastructure shortfall without increased capital improvements planning.

Public opinion polls conducted by the University of Montana indicate that approximately 70% of Montanans want increased economic development but at the same time about 70% want strong environmental protection. Can we have both? It is the purpose of community planning to balance economic development with environmental and public concerns. Striking this balance is the job of planning boards and local governing body officials. Striking the balance is the purpose of planning.

Community planning is not a panacea for community or rural problems, however, it is an essential local government management tool designed to combat these problems.

## FUNDING FOR LOCAL PLANNING HAS BEEN SEVERELY CUT -- MORE CUTS EXPECTED

Just when Montana communities need planning more than ever to prevent tax increases, to encourage economic development, and to reduce the unsafe infrastructure problems -- planning funds are being cut, cut, and cut.

Here are the major cuts:

- A. 1980. Federal H.U.D. planning funds eliminated (\$125,000 in local grants to Montana local governments are lost);
- B. 1986. Governor Schwinden orders a 5% cut in all coal tax accounts including the county land planning funds;
- C. 1986-1993. HB 730, passed during the 1983 session, reduces coal tax county land planning funds by 12% for FY86 and by 24% for FY87 through FY93;
- D. 1986. CI 105 is passed. Although, CI 105 is thought of as a property tax "freeze," it is really a cutback because the "freeze" is not annually adjusted for inflation. Costs to planning offices and local governments will rise each year based on the inflation rate and based on any increase in the cost of services or supplies purchased from the private sector. The only way to pay for these increased costs will be by local budget cutbacks and staff layoffs;
- E. 1987. The Montana Legislature is currently considering a whole series of coal tax bills that would eliminate or reduce the coal tax county land planning funds. It is impossible to predict whether any of these bills may pass. There appears to be support for a reduction of the coal tax from 30% to 20%. Such a reduction would further reduce the county planning funds by another 33%.

Local governments have made severe budget and staff cuts -- with the result that critical "basic" planning services are jeopardized. Some examples: Meagher County has cut out its staff planner, Sweetgrass County has gone from a full time to a part time planner, Park County has reduced the planner's salary and gone to a four day workweek, Lewis and Clark County has one planner doing the work of three planners, Missoula County has radically cut its staff by several planners, Butte has reduced its pay scale for its' assistant planner position to the level where it is difficult to keep the position filled, and the list goes on and on.

The lack of funding for planning is becoming a crisis. With the current coal tax cutbacks and the CI 105 cutback, Montana citizens are not getting the services they are demanding. Montana can not create new job opportunities without adequate funding for planning. Montana can not provide safe public works that citizens and businesses are demanding without adequate funding for planning. Montana can not balance economic development with environmental and public concerns -- as per the citizens' stated desires -- without adequate funding for planning.

HB 826 IS A COMMON SENSE AND FAIR APPROACH TO FUNDING NECESSARY LOCAL PLANNING

The bill is based on a sound principle: let those who create a need for land planning pay for part of the costs. It is the development and conveyance of real estate that creates part of the need for public planning to protect the public from potential problems caused by the development of real estate.

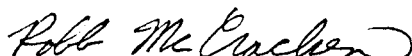
In terms of tax equity, HB 826 has the following benefits:

- A. It will reduce part of the property tax burden (planning mill levy) on the property taxpayers, as per the wishes for tax reduction expressed in the passage of CI 105 ;
- B. It places part of the burden of funding planning on those responsible for creating the need for planning; and
- C. Passage of HB 826 will reduce the probability that local governments will be forced to increase permit processing fees charged to private developers (because of the public benefits of planning it is unfair for developers to pay a disproportionate cost for funding the local planning function).

The bill will not significantly restrict the financial ability of real estate buyers to purchase property.

In closing, The Montana Association of Planners encourages the Committee to support HB 826.

Sincerely,



Robb McCracken  
President  
Montana Association of Planners  
1033 Breckenridge  
Helena, Mt. 59601

EXACT #8  
 3-5-87  
 726

35-87  
 HB 726  
 NA ASSA PANS  
 HAN PIONEER  
 Bozav, MT 59844  
 (Wed. 2.107)

SUPERIOR CLIPPING SERVICE  
 SUPERIOR, MONT. 59873

# Land-use planning said good for business, lifestyle

by Bob Phillips  
 Lake County has a special opportunity to plan for future growth and avoid many of the problems with congestion, urban sprawl and conflicting land uses that are already well-underway in other western Montana counties, say some involved with the planning process.

The uniqueness of the Mission Valley and Flathead Lake area has not yet been severely marred by unwise development, although that is exactly what might be in store if steps are not taken to prevent it, say some.

Ric Smith, Poision realtor, said that good land-use planning is not just desirable from the standpoint of those with strong environmental concerns. It is also vital to good future business growth and, in particular, to real estate agents.

"I'd say proper planning would increase property values and guarantee real estate brokers of a higher quality product to sell," said Smith, who works for Century 21 in Poision.

He said that he has had trouble when trying to find suitable property for prospective new businesses, since he can give clients no guarantee that they won't someday find auto wrecking yards or some other kind of incompatible development on their boundaries.

"I feel a plan can attract business," Smith said. "Plans aren't just to preserve trees and snail darters and butterflies ... You don't run a business without a plan, and you shouldn't run your county's development without a plan."

He added that development in Lake county has not yet progressed to the point where problems are insurmountable.

"I think we're ahead of the game right now," he said. Smith added that he hopes county residents have an open mind about the upcoming draft comprehensive land use plan, and realize that in terms of the valley's open, rural character, "Once it goes, it's probably gone."

Bill Ingram is another realtor who expressed support for wise planning. He acknowledged that he was instrumental in helping shoot down the last attempt at devising a draft plan, and explained that he felt that plan was "very repressive."

Ingram said that he is not behind any attempt to fight the plan currently being developed.

"I do believe we have the type of people up there right now that are rationale," he said of the planning staff. He added that while land-use planning "takes away some of our individuality," it is necessary to "take away some of our individuality."

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Ingram said that he is not behind any attempt to fight the plan currently being developed.

"I do believe we have the type of people up there right now that are rationale," he said of the planning staff. He added that while land-use planning "takes away some of our individuality," it is necessary to "take away some of our individuality."

"The county is so diverse, it's pretty hard to write a plan that fits everybody," said Brandewie. Consequently, the plan will seek to address different areas in different manners.

Good planning "can do as much to maintain your property's value as it can to take it away," he said. "We're not trying to go out there and destroy the value of anybody's land."

The need for some kind of

planning should be evident to most people, who can "take a look at what's happening around them and remember what it was like 10 years ago," he said.

"It's got to be the citizens' plan or it just isn't going to work," said Brandewie. "If we want to look down the road and recognize our community ... we better have a plan."

Thurmond Trospser, a tribal member who formerly served on the planning board, said that the existence of the Flathead Indian Reservation has deterred some of the development that might have occurred.

"The speculators have been hesitant to come in here because of the tribal government," he said. "If the (Mission Mountains) foothills were in private ownership, hell, we'd have development everywhere."

Many in the rural West still possess a frontier kind of outlook on land ownership, Trospser said. They believe that "By God, it's my right, and I'll

do as I damn please." However, the impacts humans make on the land often last long after they have died, and their actions can have "catastrophic consequences for everybody," he said.

Trospser observed that the last time "diverse plan was drawn ... from selling private property ... anyone who was looking for a cause" opposed it as a form of bureaucratic dictatorship over private property rights.

"It brought out all the looks in the valley ... and they jumped on this thing whether they knew anything about planning or not."

What was left out in the previous debate was the consequences for the area of the failure to plan, Trospser said.

"The majority of the people have to support it or you have nothing," he said. "The minority in this case, unfortunately, can throw the whole thing off the track."

— Thurmond Trospser

*'The majority of the people have to support it or you have nothing... The minority in this case, unfortunately, can throw the whole thing off the track.'*

WITNESS STATEMENT

#9  
 DATE 3 5 87  
 HB 826

NAME Janet H. Ellis BILL NO. 826  
 ADDRESS Helena DATE \_\_\_\_\_  
 WHOM DO YOU REPRESENT? MT Audubon Legislative Fund  
 SUPPORT X OPPOSE \_\_\_\_\_ AMEND \_\_\_\_\_

PLEASE LEAVE PREPARED STATEMENT WITH SECRETARY.

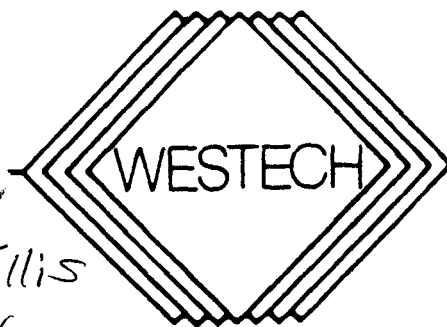
Comments:

The Audubon Fund supports HB 826. We feel that this is a logical bill: when land or property is sold, often for development, that transaction should provide revenue for planning. HB 826 provides funding for local planning in two important ways: by providing support for local planning offices and by providing support for Montana's Natural Resource Information System and Natural Heritage Program. Today I would like to address supporting the Heritage-NRIS system.

The Heritage-NRIS system contributes to responsible long-range resource planning by providing accurate and organized information to public and private planners, and to Montana's citizens. Development of Montana's resources, including mineral forests, water, agriculture and wildlife, requires careful planning. This nationally recognized system assists in well-planned development primarily because of the secret word "certainty." Whether you are a titan of industry or a local subdivider, you can live with regulations as long as you are warned well in advance. Then you can plan accordingly. But you hate surprises that delay your projects - such as injunctions and appeals. The Heritage-NRIS system provides accurate quality information at early stages of development.

This system has a proven track record for saving both time and money. And time and money are two items that all of us need more of.

A realty transfer tax provides a vehicle through which the private sector will contribute towards maintaining the quality of life in our communities and state - the community and state that they have chosen to invest in. This assessment should not be seen as a burden. Rather, it can be viewed as an investment in future of Montana.



#10  
WESTECH  
DATE 2-15-87  
HB 826  
Western Technology and Engineering Inc.

P. O. BOX 6045  
3005 AIRPORT ROAD  
HELENA, MT 59604  
(406) 442-0950

Ellis  
X  
#3826

February 5, 1987

Mr. David Genter  
Montana Natural Heritage Program  
Montana State Library Building  
1515 E. Sixth Avenue  
Helena, MT 59620

Dear Mr. Genter:

Western Technology and Engineering, Inc. (WESTECH) is a small, privately owned environmental consulting firm located in Helena. Our principal clients are members of the Montana mining industry. We conduct vegetation, soils, wildlife, and other environmental inventories, prepare reclamation plans and contribute to impact analyses prepared for both the Montana and National Environmental Policy Acts.

We have used the resources of the Montana Natural Heritage Program since its inception in autumn, 1985. We have found it to be of considerable value to ourselves and our clients.

I understand that government agencies are the primary beneficiaries of your program, but I think it is important to emphasize its value to private business as well. As government spending is reduced, the responsibility to provide biological resource data and subsequent environmental evaluations will rest more heavily on the private sector. We have seen this trend already, through the evolution of "third party" environmental impact statements. In addition, the Montana mining industry is gradually rebounding from its economic doldrums. As this recovery accelerates, our staff (and those of mining companies) will increase its use of the Natural Heritage Program. Therefore, it is appropriate that Resource Indemnity Trust Funds financially sponsor your program.

Mr. David Genter  
Montana Natural Heritage Program  
page 2  
February 5, 1987

As with any new business, a mining company's primary concern is its initial investment, i.e. that money spent to obtain a permit and develop the mine before a financial return is realized. Environmental data collection is a substantial "up-front" cost, and may discourage some companies to develop. Since it is certainly not desirable to weaken environmental standards for development, any program which helps provide the needed information in a cost-effective manner is a welcome addition to responsible development. While the Natural Heritage Program was not conceived as a "build Montana" project, it certainly has the potential to contribute to a better economic climate while helping to maintain the environmental quality cherished by Montanans.

Therefore, I would like to voice my support for your program, both as the owner of a small business and as a professional biologist. Please let me know if I can help generate support for what I consider to be an excellent and justified program.

Sincerely,



Dean Culwell





Mr. Dave Genter  
Montana Natural Heritage Program  
State Library Building  
1515 E. 6th Avenue  
Helena, MT 59620

February 4, 1987

Dear Dave:

Thank you for making me aware of the hearing for funding the Montana Natural Heritage Program. Since it is unlikely anyone from Champion will be able to attend the hearing, I hope this letter will be of some help.

The heritage program provides a service to large landowners, such as Champion, in an area not associated as a concern for these landowners. This is in the area of endangered and rare species and protection to unique natural areas. Our land managers are all professional foresters with strong backgrounds in the natural sciences. They, perhaps more than many others, do not want to see rare plants, animals and unique areas destroyed. This is also the feeling of Champion. After all, our company is made up of these people.

The database now in place helps us to identify these habitats and areas so we can manage our lands, not only more effectively, but also in a way that helps protect this resource we are often said to destroy. It is a tool helping our managers to identify environmental issues we may not have been aware of. The fact this database is maintained by the state (a neutral party) also helps improve its credibility.

Sharing this type of data and a willingness to serve as a third party in assisting large and small landowners in land trades is a service which is appreciated by Champion. It would be the loss of an important management tool if the service cannot be funded. At a time when the public is more aware of environmental concerns, managers of our resources need this type of service.

Very truly yours,

A handwritten signature in cursive script that reads 'James R. Runyan /mrw'.

James R. Runyan  
Planning Manager

mrw/RUNYAN

~~Park One Building~~  
~~2010 3rd Avenue North~~  
Post Office Box 789  
Billings, Montana 59103-0789  
(406) 252-5208

FEB 04 1987



**MONTCO**

February 3, 1987

Mr. David Genter, Coordinator  
Montana Natural Heritage Program  
1515 East 6th Avenue  
Helena, Montana 59620

Dear Mr. Genter:

The purpose of the Montana Natural Heritage Program established in 1985 was to provide a comprehensive and readily available system for the acquisition, storage, and retrieval of natural resource information for the entire state. The program has provided a vehicle for obtaining natural resource data which would have otherwise remained obscure and costly to collect.

During the period 1978-1984, Montco, in its mine permitting and EIS process, expended millions of dollars in the collection of environmental data and assessment of critical areas within the 16,000-acre project area. A program such as the Montana Natural Heritage Program would have provided a much more cost-effective and timely method of data accumulation and assessment of the natural resources within our area of concern.

The use of such a program would also have greatly facilitated the permitting process for Montco while at the same time providing the necessary environmental protection. This program is truly a cost-effective and useful program.

Montco looks forward to utilizing the valuable natural resource data the program provides as well as working with your staff in future development activities.

Sincerely,

Douglas A. Day  
Lands Manager

DAD/hml

# ECON

ECOLOGICAL CONSULTING SERVICE

ECON INC.

130 Neill Ave  
Helena, Montana 59601

Telephone  
406/442-4650

February 7, 1987

Mr. David Genter, Coordinator  
Montana Natural Heritage Program  
State Library  
1515 East 6th Avenue  
Helena, Montana 59620

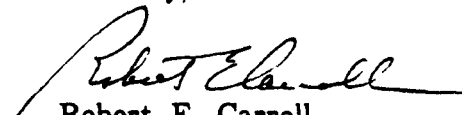
Dear Mr. Genter:

This letter expresses our support for the Montana Natural Heritage Program. This program is valuable for a number of reasons. First, the nature of the data base makes biological information available in condensed, reliable format, which saves everyone time (and money). Second, the data are not readily available from other Montana sources. Third, the readily accessible nature of the Heritage Program is cost effective, especially when the data are needed on a geographical, site-specific basis.

Millions upon millions of dollars have been spent by the private and public sectors in Montana over the last several decades on research studies. Certainly studies have duplicated each other, causing considerable waste, simply because no central data base existed. I anticipate that the Montana Natural Heritage Program will continue to be a very valuable resource to private business firms such as ours, and also to various agencies.

I hope that the data base will continue to be supported by state government. As long as both public and private sectors must comply with the National Environmental Policy Act (NEPA) and the Montana Environmental Policy Act (MEPA), not to mention several dozen other regulatory acts, the Heritage Program will save a great deal of money for everyone involved among the many user groups.

Sincerely,



Robert E. Carroll  
President

REC/lh

January 23, 1987

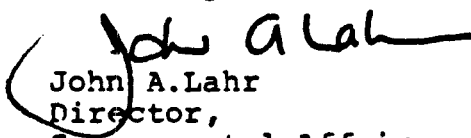
Ms. Sara Parker  
Montana State Library  
1515 E. 6th Avenue  
Helena, Montana 59620

RE: Natural Resource Information System

Dear Ms. Parker:

Personnel from The Montana Power Company's Environmental Department have used the Natural Resource Information System. These persons report to me that the program has been of significance in their research of natural resource data regarding five projects undertaken in 1986. Increased use is anticipated by them as they become more familiar with the system and the information it makes readily available. A time savings was realized through the use of bibliographies prepared by the library. These resources precluded a duplicative search of the literature by our own employees. In short, the system works; it promises to be capable of providing the research efficiencies expected when it was funded in the 1985 Session.

Sincerely,

  
John A. Lahr  
Director,  
Governmental Affairs

February 3, 1987

Bamberg Associates  
26050 E. Jamison Circle  
Aurora, CO 80016

Mr. David Genter  
Montana Natural Heritage Program  
State Library Building  
1515 E. Sixth  
Helena, Montana 59602

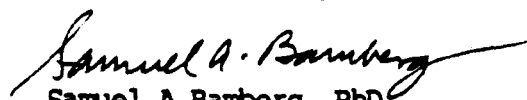
Dear Mr. Genter:

This letter is in support of the Montana Natural Heritage Program, and a recommendation for further funding and continuation of this program. I have used the services of this program in a recent natural resources study and impact analysis for a transmission line in central Montana, and would have used it earlier on other biological studies I conducted in Montana had it been available. I have used information from a similar natural heritage program in Colorado and other states, and find them an excellent and well-organized source. This program has a great intrinsic value in preserving and organizing information in Montana, and, in addition, is a resource for individuals and businesses who need this kind of a source. There is value in maintaining these programs so they can be updated and kept current. During this past year I contributed information to the Montana program on ecological studies I conducted during the early 1960's in remote alpine regions of Montana mountains that generally has not been available through any other source.

The Natural Heritage Program is organized in a useable form that can be utilized in a cost-effective manner by consultants and businesses wanting to work or establish facilities in Montana. The information will facilitate business establishment and supply important basic natural history information in a central source that is readily available.

I strongly urge you to continue this program, and to build and continue the good job you have started.

Sincerely yours

  
Samuel A Bamberg, PhD  
President

cc: Mr. Ted Schwinden  
Governor



**MONTANE LAND SERVICE**  
George B. Chaffee  
Consultant

Appraisal & Resource  
Consultant Services

Box 361, Lump Gulch Route  
Clancy, MT 59634

February 4, 1987

406 933-5565

TO WHOM IT MAY CONCERN:

For the past fifteen years I have owned and operated a private resource consulting business providing services in forestry, range management, and baseline studies for environmental impact statements, mining permits and other resource developments. Clients served include: private business and government agencies in Montana and the Pacific Northwest.

In the process of conducting resource inventories and studies, there are state and federal requirements to meet which necessitates referencing to an existing data base pertaining to flora, fauna and biological community types. This data base provides the foundation for correlation of field data with existing information to accurately express the capability and sensitivity of a particular ecosystem unit to various types of land uses and impacts. The most important data base source is the Montana Natural Heritage Program. This organization is very helpful and cooperative in providing valuable information for management planning and the status of rare and endangered species. The Montana Natural Heritage is not an environmental organization that engages in resource confrontation, but an organized source of programmed data and information. They assist the private consultant in providing an unbiased, wide assortment and classified source of information for environmental assessment and to prescribe rehabilitation measures to mitigate impact areas subject to mining, logging, road construction and other land disturbances. From this standpoint we vitally need the Montana Natural Heritage Program as a support group in developing Montana's natural resources in the future. They are an integral part of the task force it takes to perform the overall job in conforming with state and federal environmental laws.

Montana is unique in having some of the last undeveloped and preserved ecotypes in the United States. Heritage personnel are actively engaged in locating rare and endangered species of flora and fauna in Montana's undisturbed areas. These benchmark areas provide valuable guidelines for prescribing management and rehabilitation measures on comparable ecosystems subject to mining and other land development. We in the private sector, who work for the land users, find the Heritage Program an invaluable source upon which to supplement our current inventories and studies for preparing land use plans.

Let's keep the Heritage Program intact for the future benefit of Montana's resources.

Sincerely,

*George B. Chaffee*  
George B. Chaffee  
Resource Consultant

GBC:cc

WITNESS STATEMENT

#11  
DATE 3-5-87  
HB 826

NAME Jeanne C. Klobnak BILL NO. HB 826  
ADDRESS P.O. Box 9017, Helena DATE 3/5/87  
WHOM DO YOU REPRESENT? Montana Wildlife Federation  
SUPPORT X OPPOSE \_\_\_\_\_ AMEND \_\_\_\_\_

PLEASE LEAVE PREPARED STATEMENT WITH SECRETARY.

Comments: Mr. Chairman, members of the Committee, my name is Jeanne Klobnak. I stand before you today on behalf of the Montana Wildlife Federation in support of HB 826.

The Quality Transfer Tax method proposed in HB 826 is a fair and reasonable response to I-105. In particular, we strongly urge the Committee's support of subsection (1)(c) of New Section 12, the "distribution of proceeds" section. The Natural Resources Information System created in 90-15-301 and the Natural Heritage Program created in 90-15-302 offer important information sources which provide efficient, cost-effective tools in planning and development.

In addition, local planning allows concerned sportsmen to keep abreast of impacts on wildlife in their local community, such as subdivision expansion into traditional big-game migration corridors, which are caused by development.

MWF urges a do pass on HB 826.

Thank you,

EX  
3-5-87  
HB 826  
M+C R's  
G. Jackson

EX #12  
DATE 3-5-87  
HB 826

SUGGESTED AMENDMENT TO HB 826

1. Page 9, Lines 4 and 5  
Line 4 following "the"  
Delete- "proper amount of" on line 5

Submitted by the Montana Clerk and Recorders' Association



WITNESS STATEMENT

EXHIBIT 3587  
DATE 826  
HB 826

NAME Linda Stoll-Andersson BILL NO. HB 826  
ADDRESS 609 FIRST STREET DATE 2/5/87  
WHOM DO YOU REPRESENT? Levies: Clark County  
SUPPORT  OPPOSE  AMEND

PLEASE LEAVE PREPARED STATEMENT WITH SECRETARY.

Comments:

Instituting a realty transfer tax to pay for local planning efforts is a logical and rational method. As land transactions and property transactions increase, so does the necessity for planning for growth. Likewise, if the market is not good for land sales, there's a lesser need for major planning efforts. Tying the operating revenues to local ~~plan~~ land planning functions through this tax is a responsive method of funding.

WITNESS STATEMENT

DATE 3-5-87  
HB 816

NAME William Michael Jr. BILL NO. 816  
ADDRESS 3900 Dover Road, Billings, Mont. 59105 DATE 3-5-87  
WHOM DO YOU REPRESENT? Mountain States Sugar Beet Growers Assn.  
SUPPORT We support OPPOSE \_\_\_\_\_ AMEND \_\_\_\_\_

PLEASE LEAVE PREPARED STATEMENT WITH SECRETARY.

Comments:

We support this legislation out of concern for the future viability of the Sugar Beet industry in Southern Montana. We feel that any tax relief for Western Sugar Co. can certainly help insure that the Billings, Mont. sugar refinery can continue to operate in future years. A great number (265) of growers are dependent on this sugar refinery for much of their income. Thank you.

VISITORS' REGISTER

House Taxation COMMITTEE

DATE 3-5-77  
HB S.B. 1

BILL NO. SB 1

DATE March 5, 1987

SPONSOR Anderson

NAME (please print)	REPRESENTING	SUPPORT	OPPOSE

IF YOU CARE TO WRITE COMMENTS, ASK SECRETARY FOR WITNESS STATEMENT FORM.

PLEASE LEAVE PREPARED STATEMENT WITH SECRETARY.

SB  
129

VISITORS' REGISTER

EXHIBIT \_\_\_\_\_

DATE 3.5.17

House Taxation COMMITTEE

HB 13.129

BILL NO. SB 129

DATE March 5, 1987

SPONSOR Manning

NAME (please print)	REPRESENTING	SUPPORT	OPPOSE
<u>Richard E. Manning</u>	<u>SPONSOR</u>	<u>X</u>	

IF YOU CARE TO WRITE COMMENTS, ASK SECRETARY FOR WITNESS STATEMENT FORM  
PLEASE LEAVE PREPARED STATEMENT WITH SECRETARY.

VISITORS' REGISTER

EXHIBIT

HOUSE TAXATION COMMITTEE

DATE 3-5-87

HB 715

BILL NO. HB 714  
SPONSOR Connelly

DATE March 5, 1987

NAME (please print)	REPRESENTING	SUPPORT	OPPOSE

IF YOU CARE TO WRITE COMMENTS, ASK SECRETARY FOR WITNESS STATEMENT FORM.  
PLEASE LEAVE PREPARED STATEMENT WITH SECRETARY.

HB  
791

VISITORS' REGISTER

House Taxation

COMMITTEE

DATE 3-5-87  
HB 791

BILL NO. HB 791

DATE March 5, 1987

SPONSOR Strizich

NAME (please print)	REPRESENTING	SUPPORT	OPPOSE
<u>MIKE MURRAY</u>	<u>Chemical Dependency Programs of Mt.</u>	<input checked="" type="checkbox"/>	
<u>GARY CARRELL</u>	<u>M.T. DOJ CRIM. INVEST. BUR.</u>	<input checked="" type="checkbox"/>	

IF YOU CARE TO WRITE COMMENTS, ASK SECRETARY FOR WITNESS STATEMENT FORM  
PLEASE LEAVE PREPARED STATEMENT WITH SECRETARY.

VISITORS' REGISTER

EXHIBIT \_\_\_\_\_

DATE 3-5-87

HOUSE TAXATION COMMITTEE

HB 813

BILL NO. HB 813

DATE MARCH 5, 1987

SPONSOR COHEN

NAME (please print)	REPRESENTING	SUPPORT	OPPOSE
Bob Garner	Montana Trail Bike Riders Assoc		✓
Martin Barber	MT assessors assoc		✓

IF YOU CARE TO WRITE COMMENTS, ASK SECRETARY FOR WITNESS STATEMENT FORM.

PLEASE LEAVE PREPARED STATEMENT WITH SECRETARY.

HB  
816

VISITORS' REGISTER

House Taxation COMMITTEE

EXHIBIT \_\_\_\_\_

DATE 3-5-87

HB 816

BILL NO. HB 816

DATE March 5, 1987

SPONSOR Asay

NAME (please print)	REPRESENTING	SUPPORT	OPPOSE
Lorna Frank	MT. FARM Bureau	X	
William Michael Jr.	MT. Beet Growers Ass'n	X	
Manin Barber	MT assessors assoc.	X	
Don Allen	meat Prod Ass'n		X

IF YOU CARE TO WRITE COMMENTS, ASK SECRETARY FOR WITNESS STATEMENT FORM  
PLEASE LEAVE PREPARED STATEMENT WITH SECRETARY.



VISITORS' REGISTER

Taxation

COMMITTEE

DATE 3-5-87

HB 826

BILL NO. HB 826

DATE Mardi 5, 1987

SPONSOR Keenan

NAME (please print)	REPRESENTING	SUPPORT	OPPOSE
Stuart Duggett	Mt Chamber of Commerce		✓
Ann Morris	MA Co.	✓	
BOB HELDING	MT ASSOC OF REALTORS		✓
Robb McCracken	Mt. Assoc of Planners	✓	
Dennis Burk	MONTAX		✓
Joanne Pires	Mt Assn. Clerks/Recorders	✓	
Greg Jackson	MT ASSOC CL/REC	✓	
Jeanne C. Klobash	MWF	✓	
Uma Soll. Anderson	Levi's Clark County	✓	
BOB KIESLING	THE NATURE CONSERVANCY	✓	
Joan Bud	The Nature Conservancy	✓	
Janet Ellis	MT Audubon Legislative Fund	✓	
Mervin Barber	Mt education assoc	✓	

IF YOU CARE TO WRITE COMMENTS, ASK SECRETARY FOR WITNESS STATEMENT FORM.

PLEASE LEAVE PREPARED STATEMENT WITH SECRETARY.