

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

January 29, 1987

The meeting of the Revenue Estimating Subcommittee was called to order by Chairman Harp on January 29, 1987, at 11:30 a.m. in Room 312B of the State Capitol.

ROLL CALL: All members were present with the exception of Reps. Sands and Schye, and Sen. Bishop. Also present were Dave Bohyer, Legislative Council, Terry Johnson, OBPP, and Judy Curtis Waldron, LFA.

DISCUSSION OF CORPORATION TAX: Terry Johnson advised he used a tax increase based on historical data and looked at the oil industry as an indicator (Exhibit #2, January 16, 1987), and then applied an effective tax rate, adding in audit collections (DOR figures) for FY87, 88, 89, and considered any credits which may be claimed.

Judy Curtis Waldron stated she used a base without credits and audit collections, which included two years of U.S. corporate profits (CY85 and 86) for FY87, then added audit collections and credits back in.

Terry Johnson advised that the Subcommittee needs to pull out tax reform estimates from OBPP and LFA corporation tax figures.

Chairman Harp asked if audit projections should be reduced since the number of auditors is anticipated to be reduced. Terry Johnson replied he included that factor in his estimates.

Judy Curtis Waldron stated LFA figures for audits might be a little low, and said there will be two fewer auditors.

Rep. Harrington made a motion to approve LFA figures for Corporation Tax for FY87, 88, 89, without tax reform and assumptions for revenue audits. The motion CARRIED with all members voting aye except Rep. Harp, who voted no.

Sen. Neuman asked how much of the corporation tax is for Montana companies and how much for national corporations. Judy Curtis Waldron replied she was uncertain but could check that information.

DISPOSITION OF NATURAL GAS TAX PRODUCTION: Judy Curtis Waldron advised that Montanans currently purchase about one-half of the natural gas produced in the state.

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Chairman Harp asked how many quarters reports had been filed for in CY86. Terry Johnson stated two quarters have been reported and the third quarter report will be received in one week. He said \$1.2 million had been collected through December for the first two quarters and that his office forecast \$2.211 million for the first two quarters of FY87.

Sen. Neuman made a motion to approve LFA figures for production for CY86, 87, and 88, and OBPP figures for CY 88, of 10,734, 39,905, 35,586 mcf, and 16,160 mcf, respectively.

Terry Johnson stated he was concerned with the LFA's low projection of 35,385 mcf for CY88. Judy Curtis Waldron replied that there is a history of production decline for the past two years.

Sen. Neuman changed his motion to approve 10,731 mcf for CY86, 42 mcf for CY87, 41 mcf for CY88 and 42 mcf for CY89. The motion was seconded by Sen. Hager. The motion CARRIED with all members voting aye except Rep. Sands, who voted no.

DISPOSITION OF NATURAL GAS CY PRICE: Rep. Williams made a motion to approve OBPP CY prices for all years. The motion CARRIED unanimously.

DISPOSITION OF CY INCREASE TO COUNTIES FOR NATURAL GAS PRODUCTION: Rep. Schye made a motion to approve LFA figures for all years. The motion CARRIED with all members voting aye, except Sens. Hager and Neuman, who voted no.

DISPOSITION OF METAL MINES TAX: Rep. Harrington made a motion to approve OBPP figures for general fund revenue for FY87, 88, 89. The motion CARRIED unanimously.

DISPOSITION OF COAL TAX CY PRODUCTION: Madalyn Quinlan advised that Knife River is taxed at 20% for lignite.

Sen. Severson made a motion that the Subcommittee approve LFA projections for CY production. The motion CARRIED unanimously.

Rep. Williams made a motion to approve production of 200,000 tons for each CY for Knife River. The motion CARRIED unanimously.

Terry Johnson stated his estimates were 2.002 million tons for CY86, 1.680 million tons for CY87, and 2.590 million tons for CY88 for Westmoreland Coal.

Madalyn Quinlan advised that Westmoreland lowered its forecast to 2.2 million tons for CY88 and 89.

Rep. Sands made a motion to approve OBPP figures for Westmoreland production for all years. The motion CARRIED unanimously.

DISPOSITION OF INCREMENTAL TONNAGE FOR COAL TAX: Madalyn Quinlan stated that production is taxed at 30%, but credit is given in quarterly payments. She stated LFA projections were 1.115 million tons for Decker for CY86, 87, and 88, to include a contract with Big Horn Coal Co.

Ms. Quinlan said Spring Creek Coal had a small contract and that she estimated 100,000 tons in CY86 and 87, and 600,000 tons in CY88.

Terry Johnson advised that Decker Coal might not have credit claimed in 87-88.

Madalyn Quinlan stated that in her estimates for Spring Creek Coal, she assumed Detroit Edison purchases won't be enough to generate window of opportunity credit.


Rep. Williams made a motion to approve 1.5 million tons for CY86, and no production for CY87 and 88 for Decker Coal. The motion CARRIED unanimously.

Rep. Sands stated 3.5 million tons of coal are needed by Detroit Edison and that he doesn't think that amount can be met by Spring Creek Coal.

Sen. Neuman made a motion to approve OBPP figures of 1 million tons for CY86, and 100,000 tons for CY87, 600,000 tons for CY88 for Spring Creek Coal. The motion CARRIED unanimously.

Rep. Schye made a motion to approve LFA figures of 0 for CY86, 175,000 for CY87 for Westmoreland Coal. The motion CARRIED with all members voting aye except Rep. Harp and Sen. Neuman.

ADJOURNMENT: Chairman Harp announced the Subcommittee would work on Interest and Income at its next meeting. There being no further business before the Subcommittee, the meeting was adjourned at 12:55 p.m.

  
Representative John Harp,  
Chairman

