

MINUTES OF THE MEETING
TAXATION COMMITTEE
MONTANA STATE SENATE

March 13, 1987

The forty-first meeting of the Senate Taxation Committee was called to order at 7:10 A.M. on March 13, 1987 by Chairman George McCallum in Room 413/415 of the Capitol Building.

ROLL CALL: All committee members were present.

DISPOSITION OF SB 310: Senator Lybeck made a motion that SB 310 BE TABLED. The motion carried.

FURTHER CONSIDERATION OF SB 381: Senator Severson furnished the committee with amendments, attached as Exhibit 1, which are intended to insure that what we are capping is buildings and the land, 3.86 property. Senator Severson made a motion that the amendments be adopted. The motion carried. ✓

Senator Severson considers this bill as defensive, even more than offensive. It is to try to head off the tax protest that we have in Montana. At 1.5 this does not cap very many places. The only place this will cap is a mill levy above 388.

Senator Crippen said a 1.5 cap would not address I-105.

Senator Severson said not totally, it caps 15 counties.

Senator Crippen said how will you address I-105 unless you move this to 1%.

Senator Severson said he hadn't thought so much of addressing I-105 as to addressing I-28, the new I-27. That was his main interest, to put a cap on real property tax. It treats every county differently because every county has a different mill levy. He furnished the committee with a county list showing the effect of a 1.5% cap, 1.25% cap and 1.0% cap, which is attached as Exhibit 2.

Senator Lybeck said in looking at the fiscal note sheet handed out, there will be a significant effect on our counties general fund. He referred to the handout furnished by Senator Severson, Exhibit 2.

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Senator Severson said this bill was amended so it only applies to 3.86 property. The fiscal impact that we are talking about is only on buildings and the property under them.

Senator Neuman said once you have hit the cap on class 4 property, does the cap then go into effect for all other property.

Senator Severson said originally all properties would have been capped; as this bill has been amended, it will only effect the 3.86 property.

Senator Mazurek said this is a weak defense against I-27. There are a lot of different county valuations and those of us in the western end of the state are hit a lot harder than others. He does not believe this is a good idea at this time.

Senator Eck said if we are going to seriously consider this then we would need a phase down.

Senator Severson made a motion that SB 381 DO PASS AS AMENDED. The motion failed 6-6, see attached roll call vote.

DISPOSITION OF SB 384: Senator Crippen made a motion that SB 384 DO PASS.

Senator Hirsch is in support of the motion. He said this is one small gesture toward the mining industry and the metalliferous mine area.

Senator Eck said if we pass this it should be amended to include the same definition for gross proceeds for counties. If we are saying now that we want this to follow what we are doing with RIT, then the same definition should apply to gross proceeds.

Senator Mazurek said it is important to do something for the mining industry. He is concerned with what the effect is with all of the things that we are doing. He wonders if there is some way we could tie this to replacement revenue. This is important for his area but he would like to see some balance.

Senator Halligan feels the same way. He does not understand the impact Senator Eck would be trying to do.

Senator Neuman said we need to use some language that says when the replacement revenue is here then this will go into effect.

Senator Mazurek made a substitute motion to use similar language as is in SB 340, in relation to replacement revenue. Senator Neuman makes a good point that maybe we should be more specific, but he does not know what to tie this with.

Jim Lear said the bill could be amended to strike "on July 1, 1987," and to insert "when sufficient revenue is collected and dedicated to the replacement of revenue that would be lost as a result of this act".

Senator Neuman would move that amendment.

Senator Halligan said it ties it to the only sales tax that deals with personal property tax, the Governor's.

Senator Severson said there is the local option.

Senator McCallum said if we put this language on it will keep the issue alive.

Senator Neuman said his intent is that the revenue would have to be collected, be in place, before this bill would go into effect, if passed.

Jim Lear said he will change that to more specifically indicate that in the language that he prepares.

Senator Mazurek asked what the language will be.

Jim Lear said I think he has accurately stated what he would expect to be put into this.

Senator Crippen objects to that as he does not know what we are doing.

Senator Neuman clarified his motion by stating my motion is that we have some language for this bill that would stipulate this bill would not take effect unless some other replacement revenue was in place that would replace the revenue that was lost by the implementation of this bill.

The motion carried with Senator Hirsch opposed and Senator Brown absent at the time of the vote.

Senator Crippen's original motion that SB 384 DO PASS AS AMENDED carried with Senator Brown absent at the time of the vote. He later indicated support for this bill.

FURTHER CONSIDERATION OF SB 307: Senator Crippen reported that the subcommittee worked hard on this bill

but time ran out. The four members of the committee feel that if this bill does not make it out of Senate Taxation, that we want to keep the subcommittee alive. They felt that portions of this bill will have to be involved in a tax package that this legislature will come out with in this session somewhere. We had hoped that we would be able to get a total package but it just didn't work out that way. A lot of the changes were not unanimous. It is the subcommittee's intent to keep this thing alive and not to kill this bill before transmittal. He reviewed the amendments with the committee that the subcommittee had approved, attached as Exhibit 3.

Senator Eck said the alternative minimum tax is lowered to 5%. Will we avoid the problem of having a large group of high income tax payers from paying nothing. That is where we get into trouble.

Dan Bucks said the bill, in the form that it is here, will help contribute to that objective in terms of insuring that a number of corporations do not pay significantly less than the average of all corporations and individuals similarly situated.

Senator Crippen said the CPA's objected to the minimum tax on the basis that there was not information on what the impact would be. The information was that Montana Power would pay almost as much as the fiscal note indicated the total impact would be on the corporations. There is no hard data to say what is correct. If we cut the rate down we will not create that much of an imbalance on some of those. The whole point of this bill was revenue neutrality.

Senator Neuman said revenue neutrality was one of the points but the main purpose of the bill was fairness and base broadening, where people with like income would pay a like amount of taxes.

Jim Lear said there are just a few corrections that have to be made to conform with what the committee has done.

Senator Neuman made a motion that the amendments furnished, be adopted by the committee, with the few technical changes indicated by Jim Lear. The motion carried with Senator Mazurek absent.

Senator Neuman made a motion that SB 307 DO PASS AS AMENDED.

Senator Crippen said he would have to resist the motion.

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We have a long way to go with this bill. The bill is unacceptable at this stage, even though the bill has been greatly improved. He has grave concerns with what we are doing with it.

Senator Halligan said if we don't let this thing pass, we are letting the minority dictate the tax policy of the state of Montana. This covers virtually every provision of the tax code.

Senator Crippen said there is another bill by Representative Harp that does a lot of what this bill does. Given the rules committee determination on the broadness of scope, he thinks this bill could be incorporated into any portion of any revenue bill that will come over from the House. That will give us the opportunity and the time to work on that.

Senator Eck said we will not have another bill with a title like this one.

Senator Neuman said this is the only comprehensive tax reform bill that we have that isn't piecemealed together. If we do not let this bill go over to the House, we are saying the Senate will not make an effort on tax reform and the House dictates what the tax policy of the state should be. This bill provides benefits across the state to everybody in Montana. Seventy percent of the taxpayers will see a tax decrease in their total bill. We want to make the tax broader and fairer so that everybody in the state can prosper. We would give the control of our tax policy of the state to one-third of the members of this body to suspend the rules to take the bill.

Senator Neuman's motion failed 6-6. See attached roll call vote.

CONSIDERATION OF SB 394: Senator Gage, Senate District 5, presented this bill to the committee. As a part of sub-committee action, we cut the general fund budget of the Department of Revenue by 10%. After reviewing their budget the Department of Revenue came back in with a proposal as to how they would absorb the 10% general fund reduction. We were too late to get a committee bill and asked the Senate Taxation Committee to authorize a committee bill that would accomplish what this bill is all about. Basically, what this bill does is to take all personal property off the tax rolls and increases the real property rate to compensate for the loss of personal property revenue. We have repealed a number of sections

of the codes. This bill also provides for fees in lieu of tax on watercraft, aircraft, heavy vehicles, road tractors and trailers.

PROPONENTS: Greg Groepper, Administrator, Property Assessment Division, gave testimony in support of this bill. This bill would give the state the opportunity to save \$900,000 in FY 88 and \$1.9 million in FY 89 and 100 FTE's. If you are serious about budget reduction and about tax reform, this vehicle needs to get over to the House. This bill makes the property tax system revenue neutral and will not cost anything to local government. We are moving all assessed property into class 4 and adjusting tax rates to make that up. We are eliminating livestock and grain in storage and increasing agriculture land from 30% to 50% to make it revenue neutral. To accomplish the elimination of various forms of personal property, we are increasing the rate for class 4 property to 7.06%. Everything that is not exempt will go to a fee.

OPPONENTS: None.

QUESTIONS FROM THE COMMITTEE: Senator Eck said some real property would have a substantial increase with no personal property exemptions to off-set that.

Greg Groepper said farmers pay far more in personal property than they do in land tax.

Senator Eck asked if unfurnished apartments would fall under this new percentage.

Greg Groepper said unfurnished apartments would fall under this rate.

Senator Crippen said we had an 8.55% and then that was reduced to 3.86% and now we are exempting personal property and increasing that percentage back up to 7%.

Greg Groepper said that is what this bill does to make this revenue neutral.

Senator Crippen said they will not make it revenue neutral to a lot of people.

Greg Groepper said what we are trying to do with this bill is to do the property tax job that we do significantly cheaper. The most expensive thing that we do is personal property.

Senator Severson said we are talking about residential property, commercial property, land and buildings and increasing them to 7.06%. We would need a subcommittee to deal with this bill and look at what we are really doing.

Greg Groepper said we are not trying to suggest that you raise the rate on class 4, all we are trying to say is if you want to generate the same amount of revenue and save administrative dollars, this is the way to do that.

John LaFaver said the appropriations committee told the Department of Revenue to come to them with a plan to operate with 10% less spending and not affect tax revenue. This is basically the plan we came up with, a way to eliminate 100 FTE's. Obviously there are tax policy implications that go with it.

Senator Crippen said we have gone through this in 1985 and the whole idea was with the new appraisal we would lower the rates to make it revenue neutral. We went through this process and neglected to realize that an average factor, revenue neutrality, is not revenue neutral for a great number of people.

Greg Groepper said, assuming the taxpayer has no personal property, this would amount to a 45% increase.

Senator Gage closed by stating the tax system that we have now is not fair. The appropriations committee is trying to cut budgets and this is one way. We continue to hear there is too much government. You can't have your cake and eat it too.

DISPOSITION OF SB 390: Jim Lear furnished the committee with amendments to this bill, attached as Exhibit 4. He explained that these amendments would deal with the effective date for commercial property of December 31, 1986.

Senator McCallum said these amendments the Department felt should be in the bill and he has no objections to the amendments.

Senator Mazurek said everyone recognizes that what we did in the special session was pretty extreme. Was there any discussion on a compromise rate for the suburban tracts that are less than 20 acres.

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Greg Groepper said this bill is a compromise and seems to be the best way to address the problem without major change.

Senator Brown does not think this bill helps anything. This does not make it any worse, but it does not make it any better either. It doesn't help the guys with 19 acres.

Senator Severson said there should be some middle ground. Where we run into problems in assessments is on small tracts that aren't agriculture but certainly aren't subdivision ground either.

Senator Hirsch said we have worked with this thing for so long, maybe the only conclusion is to repeal the agriculture designation all together.

Senator McCallum asked Greg Groepper to explain the amendments presented.

Greg Groepper said for commercial land under 20 acres they must meet the \$1500 income to be eligible now. What the amendments would do is for commercial land over 20 acres, it would make it clear they have to meet the \$1500 income test before they are agriculture.

Senator Severson made a motion to adopt the amendments. The motion carried.

Senator Severson made a motion that SB 390 DO PASS AS AMENDED. The motion carried.

DISPOSITION OF SB 387: Senator Eck asked Jim Lear to explain the concept of the amendments she had discussed with him.

Jim Lear said the first amendment would change the effective date to 1988, to allow time for implementation. The provision pertaining to the oil severance tax collection from quarters to months, would be raised with a threshold for producers producing 300,000 barrels or more in one year prior to payment of the tax, with a payment date of 30 days after the end of the month that is reported on. For gas we would place a revision that would place a threshold affecting producers producing 1 billion cubic feet in the previous year, with a change in recording date to 45 days after the end of the month reported. She would change the requirement for reporting from \$12,000 to \$50,000.

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Senator Eck made a motion that the amendments be adopted as outlined by Jim Lear. The motion carried 7-3, see attached roll call vote sheet.

Senator Eck made a motion that SB 387 DO PASS AS AMENDED.

Senator Crippen said this will need more FTE's to administer.

Senator Eck believes this is an efficient way to do business.

Senator Eck's motion failed 10-2, Senators Lybeck and Eck were in support of the motion.

Senator Eck made a motion that SB 387 BE TABLED. The motion carried.

DISPOSITION OF SB 391: Senator Crippen made a motion that SB 391 BE TABLED. The motion carried.

DISPOSITION OF SB 392: Senator Hirsch made a motion that SB 392 BE TABLED. The motion carried.

DISPOSITION OF SB 393: Senator Eck made a motion that SB 393 BE TABLED. The motion carried.

DISPOSITION OF SB 394: Senator Crippen made a motion that SB 394 BE TABLED. The motion carried.

ADJOURNMENT: The meeting adjourned at 9:30 A.M.


SENATOR GEORGE McCALLUM, Chairman

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FOOTNOTE: The subcommittee minutes for meetings on SB 307, March 6, 1987, March 7, 1987, March 8, 1987, March 11, 1987 and March 12, 1987, are attached as Exhibit 5.

ROLL CALL

TAXATION

COMMITTEE

50th LEGISLATIVE SESSION -- 1987

Date 3-13-87

NAME	PRESENT	ABSENT	EXCUSED
SENATOR CRIPPEN	✓		
SENATOR NEUMAN	✓		
SENATOR SEVERSON	✓		
SENATOR LYBECK	✓		
SENATOR HAGER	✓		
SENATOR MAZUREK	✓		
SENATOR ECK	✓		
SENATOR BROWN	✓		
SENATOR HIRSCH	✓		
SENATOR BISHOP	✓		
SENATOR HALLIGAN, VICE CHAIRMAN	✓		
SENATOR McCALLUM, CHAIRMAN	✓		

Each day attach to minutes.

Amend Senate Bill No. 381, Introduced Copy

1. Page 2.

Following: line 20

Insert: "(4) The limitation on the amount of tax liability based on a percentage of market value does not affect the determination of county classifications, bonding levels, salaries of county officers, and other computations based on county taxable valuation. Such determinations must be calculated based on taxable valuations used for the 1986 tax year, plus additional taxable valuation attributable to property added to the tax rolls after the 1986 tax year and anticipated revenue from the taxes collected under the provisions of [section 1 (2)]."

SENATE TAXATION

EXHIBIT NO. 1

DATE 3-13-87

BILL NO. SB 381

category

SB381 Severson

Fiscal Note 10 cap

SENATE TAXATION
EXHIBIT NO. 2
DATE 3-13-87

	Class 1	Class 2	Class 3	Class 4	Class 5	Class 6	Class 7	Class 8	Class 9	Class 10	Class 11	Class 12	Class 13	Class 15	Class 17
18 BEAVERHEAD	\$4,990	\$0	\$44,691	\$301,787	\$7,482	\$26,026	\$7,362	\$42,570	\$31,222	\$6,809	\$59,111	\$10,433	\$339	\$17,995	\$0
22 BIG HORN	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
24 BLAINE	\$92,186	\$0	\$0	\$71,408	\$557	\$1,193	\$713	\$1,431	\$5,799	\$432	\$4,545	\$1,926	\$0	\$4,189	\$0
43 BROADWATER	\$32,054	\$0	\$60	\$23,506	\$0	\$52	\$178	\$1,200	\$2,686	\$187	\$2,513	\$723	\$0	\$880	\$0
10 CARBON	\$232,124	\$0	\$82	\$235,506	\$1,024	\$1,557	\$783	\$1,543	\$3,762	\$2,467	\$3,095	\$3,332	\$0	\$373	\$0
42 CARTER	\$4,417	\$0	\$30,460	\$40,504	\$3,267	\$11,557	\$893	\$18,552	\$3,235	\$7,785	\$17,877	\$1,243	\$7	\$0	\$0
2 CASCADIA	\$12,671	\$0	\$386,019	\$8,603,447	\$12,635	\$58,808	\$40,192	\$456,984	\$631,884	\$123,709	\$1,913,016	\$101,143	\$972	\$287,590	\$65,236
19 CHOUTEAU	\$0	\$0	\$1	\$209,204	\$499	\$8,607	\$1,307	\$15,749	\$9,885	\$3,628	\$1,916,816	\$4,330	\$0	\$4,634	\$0
14 CUSTER	\$2,370,245	\$0	\$184,437	\$1,371,800	\$10,226	\$48,749	\$5,838	\$135,833	\$130,879	\$36,744	\$284,258	\$27,067	\$0	\$128,636	\$1,558
37 DANIELS	\$10,797	\$0	\$95,264	\$203,410	\$4,130	\$16,609	\$3,428	\$84,419	\$17,723	\$5,988	\$20,562	\$2,628	\$0	\$39,184	\$0
36 DANSON	\$15,597	\$0	\$83,198	\$730,874	\$7,962	\$16,048	\$6,290	\$93,084	\$29,918	\$218,697	\$16,733	\$16,733	\$0	\$109,769	\$337
30 DEER LODGE	\$1,410,284	\$0	\$37,826	\$873,050	\$801	\$12,541	\$44,213	\$61,192	\$43,826	\$22,272	\$245,786	\$18,012	\$2,208	\$48,567	\$0
39 FALLON	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
8 FERGUS	\$2,069,863	\$0	\$379,963	\$941,662	\$17,506	\$64,643	\$9,052	\$207,777	\$87,455	\$26,339	\$194,730	\$36,333	\$2,698	\$69,053	\$1,443
7 FLATHEAD	\$6,942,227	\$0	\$69,735	\$4,757,067	\$31,535	\$10,757	\$22,057	\$605,556	\$403,161	\$93,912	\$566,031	\$74,080	\$74,775	\$206,177	\$7,332
6 GALLATIN	\$4,681,530	\$0	\$51,425	\$3,341,049	\$4,557	\$14,598	\$24,371	\$199,119	\$399,779	\$43,532	\$495,603	\$1,995	\$1,814	\$55,765	\$7,922
30 GARFIELD	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
38 GLACIER	\$2,565	\$0	\$0	\$159,625	\$872	\$90	\$2,635	\$9,179	\$19,877	\$3,404	\$10,004	\$2,621	\$0	\$3,711	\$0
53 GOLDEN VALLE	\$5,257	\$0	\$43	\$3,464	\$11	\$10	\$55	\$153	\$267	\$147	\$1,010	\$98	\$0	\$0	\$0
46 GRANITE	\$398,645	\$0	\$2,297	\$1,151	\$14,610	\$656	\$14,937	\$49,394	\$10,292	\$6,445	\$68,585	\$7,593	\$6,358	\$59,290	\$0
12 HILL	\$906,842	\$0	\$0	\$681,702	\$72	\$473	\$4,004	\$10,759	\$7,427	\$6,396	\$93,888	\$15,639	\$0	\$16,484	\$0
51 JEFFERSON	\$926,532	\$0	\$24,466	\$311,591	\$4,235	\$10,007	\$1,126	\$163,366	\$16,160	\$30,977	\$255,589	\$12,153	\$1,183	\$51,484	\$0
36 JUDITH BASIN	\$0	\$0	\$0	\$21,472	\$17	\$17	\$171	\$695	\$1,836	\$427	\$5,439	\$1,009	\$0	\$1,852	\$0
15 LAKE	\$302,807	\$0	\$12	\$4,981,225	\$1,185	\$129	\$2,614	\$4,736	\$32,508	\$4,775	\$8,564	\$4,280	\$0	\$2,759	\$0
5 LEWIS AND CL	\$8,048,153	\$0	\$112,144	\$4,982,952	\$129,708	\$16,219	\$241,040	\$342,034	\$523,015	\$69,271	\$1,336,868	\$61,599	\$6,320	\$170,722	\$56,021
48 LIBERTY	\$43	\$0	\$0	\$33	\$0	\$0	\$0	\$1	\$2	\$3	\$1	\$1	\$0	\$0	\$0
56 LINCOLN	\$193,290	\$0	\$16	\$137,203	\$536	\$108	\$1,053	\$4,238	\$15,830	\$1,028	\$26,754	\$2,370	\$3	\$4,120	\$31
25 MADISON	\$75,332	\$0	\$46	\$57,983	\$124	\$47	\$211	\$921	\$5,454	\$210	\$8,705	\$1,043	\$0	\$609	\$0
41 MCCONE	\$147,763	\$4,380	\$16,273	\$85,137	\$4,039	\$7,762	\$1,204	\$16,447	\$7,318	\$3,338	\$1,200	\$2,100	\$0	\$2,567	\$0
47 MEAGER	\$63,678	\$0	\$7	\$46,021	\$0	\$45	\$329	\$1,000	\$4,977	\$558	\$7,780	\$2,881	\$0	\$0	\$0
54 MINERAL	\$606,315	\$0	\$5,297	\$228,343	\$2,005	\$4,561	\$1,391	\$54,408	\$18,929	\$4,652	\$118,343	\$16,821	\$15,957	\$138,400	\$0
4 MISSOULA	\$11,560,640	\$0	\$22,015	\$7,875,872	\$44,565	\$10,101	\$48,571	\$1,141,174	\$884,326	\$122,673	\$1,036,937	\$110,010	\$13,092	\$203,678	\$27,402
23 MISSOULA	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
23 NISSELHELL	\$949,443	\$0	\$2,029	\$620,306	\$1,791	\$107	\$4,959	\$9,140	\$42,245	\$5,818	\$126,685	\$2,455	\$1	\$133,910	\$0
55 PARIOLLEUM	\$79,069	\$0	\$0	\$8,730	\$231	\$28	\$664	\$1,243	\$4,789	\$771	\$9,351	\$400	\$0	\$3,063	\$0
21 PHILLIPS	\$249,623	\$0	\$0	\$185,698	\$236	\$249	\$1,725	\$14,762	\$14,698	\$4,426	\$22,019	\$2,947	\$0	\$2,864	\$0
9 POWDER RIVER	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
28 POWELL	\$499,164	\$0	\$18,403	\$215,667	\$2,675	\$9,020	\$2,072	\$26,253	\$18,525	\$4,461	\$112,488	\$5,333	\$0,431	\$43,742	\$0
45 PRAIRIE	\$20,192	\$0	\$0	\$13,682	\$106	\$191	\$207	\$741	\$1,038	\$611	\$1,907	\$338	\$0	\$1,372	\$0
13 RAVALLI	\$430,398	\$0	\$137	\$302,019	\$0	\$32	\$2,557	\$7,791	\$48,736	\$2,731	\$57,197	\$5,791	\$28	\$3,372	\$0
27 RICHMOND	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
17 ROOSEVELT	\$3,825	\$0	\$0	\$2,511	\$0	\$0	\$19	\$156	\$436	\$49	\$514	\$47	\$0	\$91	\$0
29 ROSEBUD	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
35 SANTERS	\$97,421	\$0	\$2	\$66,550	\$0	\$0	\$836	\$1,404	\$6,964	\$366	\$15,613	\$2,379	\$1	\$2,705	\$0
34 SHERIDAN	\$15,602	\$0	\$43	\$12,395	\$156	\$1	\$54	\$402	\$640	\$245	\$705	\$611	\$0	\$347	\$0
1 STILLWATER	\$5,047,422	\$0	\$27,333	\$2,880,944	\$300,512	\$6,648	\$21,231	\$366,846	\$206,987	\$57,915	\$957,389	\$61,568	\$2,172	\$133,206	\$22,679
32 STILLWATER	\$128,677	\$0	\$0	\$94,294	\$248	\$44	\$511	\$7,402	\$18,236	\$616	\$13,615	\$1,958	\$0	\$1,754	\$0
40 SWEET GRASS	\$195,181	\$0	\$9,189	\$125,988	\$6,110	\$917	\$803	\$5,863	\$9,057	\$1,139	\$12,870	\$1,827	\$42	\$9,975	\$0
31 TETON	\$165,650	\$0	\$13	\$131,394	\$1,410	\$39	\$942	\$8,035	\$2,792	\$9,084	\$1,266	\$1,266	\$0	\$1,050	\$0
21 TOOLE	\$31,432	\$0	\$0	\$22,780	\$537	\$22	\$185	\$578	\$2,528	\$171	\$3,185	\$404	\$0	\$1,050	\$0
33 TREASURE	\$17,235	\$0	\$0	\$12,055	\$1,293	\$0	\$296	\$994	\$1,496	\$330	\$39,638	\$760	\$0	\$5,981	\$0
20 VALLEY	\$278,127	\$0	\$0	\$195,153	\$262	\$74	\$1,666	\$7,372	\$3,322	\$3,322	\$39,638	\$3,115	\$0	\$330	\$0
44 WHEATLAND	\$59,915	\$0	\$0	\$41,858	\$0	\$6	\$373	\$980	\$3,433	\$678	\$11,739	\$318	\$0	\$830	\$0
52 WYAND	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
3 YELLOWSTONE	\$12,369,602	\$33,770	\$20,763	\$9,566,258	\$8,194	\$8,632	\$68,676	\$487,612	\$781,676	\$79,447	\$991,793	\$96,029	\$8	\$105,239	\$121,504
	\$300,160	\$45,832	\$1,648,518	\$51,169,746	\$633,930	\$370,143	\$579,691	\$4,673,421	\$4,655,336	\$810,715	\$9,462,719	\$768,335	\$136,411	\$2,081,850	\$311,514
	\$77,648,341														

Total Loss

1576 cap

SB 381 Severson

Fiscal Note 1.576 cap

SENATE TAXATION

EXHIBIT NO. 2

DATE 3-13-87

BILL NO. SB-381

	Class 1	Class 2	Class 3	Class 4	Class 5	Class 6	Class 7	Class 8	Class 9	Class 10	Class 11	Class 12	Class 13	Class 15	Class 17
19 BEAVERHEAD	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
22 BIG HORN	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
24 BLAINE	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
43 BROADWATER	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
40 CARBON	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
42 CARTER	\$290	\$0	\$14	\$222	\$14	\$412	\$9,388	\$68,837	\$154,831	\$15,183	\$229,950	\$17,140	\$0	\$26,184	\$143
26 CASCADE	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
19 CHOUTEAU	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
40 CUSTER	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
37 DANIELS	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
16 DANSON	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
30 DEER LODGE	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
79 FALLON	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
8 FERGUS	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
7 FLATHEAD	\$388,630	\$0	\$0	\$277,135	\$0	\$259	\$2,146	\$6,380	\$32,622	\$2,593	\$54,278	\$9,665	\$0	\$3,914	\$38
6 GALLATIN	\$591,755	\$0	\$28	\$443,532	\$0	\$266	\$2,072	\$6,123	\$31,223	\$6,081	\$61,033	\$765	\$2	\$2,569	\$0
50 GASFIELD	\$379,490	\$0	\$0	\$283,606	\$0	\$162	\$2,089	\$8,432	\$37,127	\$2,989	\$40,936	\$2,348	\$0	\$1,602	\$0
33 GLACIER	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
53 GOLDEN VALLE	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
80 GRANITE	\$20,146	\$0	\$0	\$13,947	\$0	\$1	\$104	\$199	\$1,315	\$151	\$2,946	\$741	\$0	\$726	\$0
12 HILL	\$25,313	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
51 JEFFERSON	\$0	\$0	\$0	\$18,701	\$0	\$41	\$364	\$1,407	\$315	\$315	\$3,316	\$1,160	\$0	\$0	\$0
36 JUDITH BASIN	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
15 LAKE	\$0	\$0	\$0	\$854,544	\$15,472	\$381	\$3,539	\$32,637	\$84,679	\$9,973	\$163,239	\$4,649	\$0	\$6,282	\$89,606
48 LIBERTY	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
56 LINCOLN	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
25 MADISON	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
41 MCCONE	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
47 MEAGER	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
54 MINERAL	\$47,683	\$0	\$26	\$31,211	\$0	\$8	\$259	\$266	\$3,875	\$503	\$6,823	\$1,588	\$1	\$3,122	\$0
4 MISSOULA	\$2,277,832	\$0	\$86	\$1,698,849	\$918	\$946	\$11,733	\$51,268	\$229,434	\$24,439	\$221,127	\$12,026	\$0	\$26,684	\$311
23 MUSSELSHELL	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
42 PARK	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
53 PFTROLEUM	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
11 PHILLIPS	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
9 POWDER RIVER	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
28 POWELL	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
13 PRAIRIE	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
43 RAVALLI	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
27 RICHLAND	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
17 ROOSEVELT	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
29 ROSEBURD	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
35 SANDERS	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
34 SHERIDAN	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
1 SILVER POW	\$257,406	\$0	\$1,340	\$149,841	\$14,711	\$423	\$1,047	\$18,453	\$10,265	\$2,859	\$47,475	\$3,245	\$106	\$6,521	\$1,110
32 STILLWATER	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
40 SWEET GRASS	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
31 TETON	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
21 TOOLE	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
33 TREASURE	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
20 VALLEY	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
44 WHEATLAN	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
52 WYBAUX	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
YELLOW	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0

8,366,835

5,669

31,275

7,574

5

5

93

11,110

INDIVIDUAL INCOME TAX REVISIONS & PROPERTY TAX RELIEF

Amend Senate Bill No. 307, Introduced Copy

(INCREASE \$35,000 TO \$80,000 FOR MOBILE HOME IN CLASS 12 FOR PURPOSES OF PRIMARY RESIDENCE TAX BREAK FOR LOW INCOME TAXPAYER)

1. Page 8, line 3.
Following: "first"
Strike: "\$35,000"
Insert: "\$80,000"

(EXCLUDE TAX REFUNDS FROM CALCULATION OF "GROSS HOUSEHOLD INCOME" FOR PURPOSES OF RESIDENTIAL PROPERTY TAX CREDIT)

2. Page 12, line 9.
Following: line 8
Strike: "(g) all tax refunds;"

(IMPOSE ALTERNATIVE MINIMUM TAX ONLY IF TAXPAYER IS REQUIRED TO PAY FEDERAL ALTERNATIVE MINIMUM TAX)

3. Page 31, line 18.
Following: "by"
Strike: "sections"
Insert: "section"
Following: "55"
Strike: "through 59"

4. Page 31, line 19.
Following: "to"
Strike: "file"
Insert: "pay"

5. Page 31, line 20.
Following: line 19
Strike: "return"

(ESTABLISH ALTERNATIVE MINIMUM TAX RATE AT 5% INSTEAD OF THE 4%, 6%, AND 8% RATES)

6. Page 33, line 20.
Following: "residents,"
Strike: "the rates provided for in 15-30-103 must"
Insert: "a tax rate of 5% shall"

(PROVIDE FOR \$40,000 EXEMPTION IN COMPUTING ALTERNATIVE MINIMUM TAX)

7. Page 32, line 13.

Following: "income"

Insert: ", less the applicable exemption amount provided for in section 55 of the Internal Revenue Code,"

8. Page 32, line 24.

Following: "income"

Insert: ", less the applicable exemption amount provided for in section 55 of the Internal Revenue Code,"

(INCLUDE AS DEDUCTIBLE ITEM FOR NONRESIDENT TAXPAYER INTEREST AND TAXES ON MONTANA PROPERTY USED FOR PRODUCTION OF MONTANA INCOME)

9. Page 42, line 14.

Following: "reservation"

Insert: "; (viii) interest and taxes on Montana property used for the production of Montana income"

(CONFORM INDIVIDUAL TAX RETURN FILING EXTENSION WITH FEDERAL EXTENSION PROVISIONS)

10. Page 56, line 24.

Following: "automatic"

Strike: "2-month"

Insert: "4-month"

11. Page 58, line 1.

Following: "exceed"

Strike: "4"

Insert: "2"

(DELETE REQUIREMENT TO ATTACH COPY OF FEDERAL EXTENSION FORM 4868 WHEN FILING FOR STATE EXTENSION)

12. Page 57, lines 3 through 6.

Following: "department" on line 3

Strike: remainder of line 3 through "period" on line 6

(MAKE ELECTION OF SUBCHAPTER S ON FEDERAL RETURN AUTOMATIC ELECTION OF SUBCHAPTER S ON STATE RETURN)

13. Title, line 14 of page 1.

Following: "15-31-202,"

Insert: "15-31-204, 15-31-209,"

14. Title, line 24 of page 1.

Following: "15-31-127,"

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BILL NO. S.B. 307

Insert: "15-31-201, 15-31-209,"

15. Page 64, line 3.

Following: "corporation"

Strike: "may elect"

Insert: "that has made a valid election under Subchapter S of Chapter 1 of the Internal Revenue Code is"

Following: "not"

Strike: "to be"

16. Page 64, lines 5 through 22.

Strike: subsections (2) and (3) in their entirety

Insert: "(2) A small business corporation that has made a valid election under Subchapter S of Chapter 1 of the Internal Revenue Code shall file by the 15th day of the third month of its first taxable year a copy of the Internal Revenue Service notification or other proof that a valid federal election has been made. If such proof is not filed by the time the department receives the corporation's first tax return, the department shall notify the corporation that such proof is required within 60 days of the date of the notice. If proof is not received within 60 days, or a reasonable extension date based upon a request by the taxpayer prior to the expiration of the 60 days, the corporation is subject to the taxes imposed by this chapter.

(3) A small business corporation that has made a valid election under Subchapter S of Chapter 1 of the Internal Revenue Code may elect to be subject to the taxes imposed by this chapter by filing an election on a form provided by the department. The form must have printed on it a notification that making the election will subject income to tax under both this chapter and Chapter 30. For tax years beginning on or after January 1, 1987, but before March 1, 1988, the election must be filed by May 15, 1988. Thereafter the election must be filed by the 15th day of the third month of the taxable year for which the election is to become effective. The election may be revoked by written notification to the department. Such revocation must be filed by the 15th day of the third month of the taxable year for which the revocation is to be effective."

17. Page 64, line 23.

Following: "This"

Strike: "election"

Insert: "section"

18. Page 64, line 24.

Following: "of"

Strike: "such electing"

Insert: "the nonelecting small business"

19. Page 65, line 2.

Following: "Every"

Strike: "electing"

Insert: "nonelecting small business"
Following: "pay"
Strike: "the"
Insert: "a"

20. Page 65.

Following: line 3

Insert: "Section 30. Section 15-31-204, MCA, is amended to read:

"15-31-204. Minimum fee of qualifying corporations unaffected. Notwithstanding the provisions of 15-31-121 corporations ~~electing and~~ qualifying under 15-31-202 shall pay a minimum fee of \$10."

Section 31. Section 15-31-209, MCA, is amended to read:

"15-31-209. Termination and revocation. If the election under the provisions of Subchapter S is either terminated or revoked for federal purposes, the corporation must notify the department within 30 days of such termination or revocation. ~~The department may terminate an election at any time if it discovers the corporation does not qualify as a small business corporation as provided for under the provisions of Subchapter S of the Internal Revenue Code of 1954.~~ A corporation that does not have a valid federal election for the entire taxable year is subject to tax under this chapter."

Renumber: subsequent sections

21. Page 146.

Following: line 6

Insert: "NEW SECTION. Section 94. Repealer. Sections 15-31-201 and 15-31-208, MCA, are repealed."

Renumber: subsequent sections

22. Page 150.

Following: line 3

Insert: "(3) Sections 29, 30, and 31 apply to all small business corporations that have made a valid election under Subchapter S of Chapter 1 of the Internal Revenue Code on or before December 31, 1986, and for tax years ending after December 31, 1986."

(EXEMPT \$3600 OF RETIREMENT INCOME FOR ALL RETIREES)

23. Page 39.

Following: line 3

Insert: "(c) all benefits, not in excess of \$3,600, received as an annuity, pension, or endowment under any public, private, or corporate retirement plan or system other than a railroad retirement plan;"

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Renumber: subsequent subsections

24. Title, line 19 of page 1.

Following: "19-4-706,"

Insert: "19-5-704,"

Following: "19-6-705,"

Insert: "19-7-705, 19-8-805, 19-9-1005, 19-13-1003"

25. Title, line 13 of page 2.

Following: "16-11-101,"

Strike: "19-9-1005,"

26. Page 65, line 5.

Following: "and"

Insert: "taxes and"

27. Page 65, line 8.

Following: "÷"

Insert: ":"

28. Page 65, line 9.

Following: "{±}"

Insert: "(1)"

29. Page 65, line 10.

Following: "7"

Strike: "7"

Insert: "7"

30. Page 65, line 14.

Following: "or"

Insert: "(2) subject to state, county, or municipal taxes to the extent provided in 15-30-111, except for a refund paid under 19-3-703 of a member's contributions picked up by an employer after June 30, 1985, as provided in 19-3-701; or"

31. Page 65, line 15.

Following: "{3}"

Strike: "nor is it"

Insert: "(3)"

32. Page 65, line 18.

Following: "and"

Insert: "taxes and"

33. Page 65, line 23.

Following: "÷"

Insert: ":"

34. Page 66, line 2.

Following: "19-4-602"

Insert: "(1) exempted from any state, county, or municipal tax of the state of Montana to the extent provided in

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15-30-111, except for a refund paid under 19-4-603 of a member's contributions picked up by an employer after June 30, 1985, as provided in 19-4-602;"

35. Page 66, line 3.

Following: "{2}"

Insert: "(2)"

36. Page 66, line 5.

Following: "7"

Insert: ";"

37. Page 66, line 6.

Following: "{3}"

Strike: "are"

Insert: "(3)"

38. Page 66.

Following: line 7

Insert: "Section 32. Section 19-5-704, MCA, is amended to read:

"19-5-704. Exemption from taxes and legal process. Any money received or to be paid as a member's annuity, state annuity, or return of deductions or the right of any of these shall be exempt from any state or municipal tax to the extent provided in 15-30-111 and from levy, sale, garnishment, attachment, or any other process whatsoever and shall be unassignable except as specifically provided in 19-5-705."

ReNUMBER: subsequent section

39. Page 66, line 9.

Following: "and"

Insert: "taxes and"

40. Page 66, line 12.

Following: "÷"

Insert: ":"

41. Page 66, line 16.

Following: "~~19-6-402~~"

Insert: "(1) exempt from any state, county, or municipal tax to the extent provided in 15-30-111, except for a refund paid under 19-6-403 of a member's contributions picked up by an employer after June 30, 1985, as provided in 19-6-402;"

42. Page 66, line 17.

Following: "{2}"

Insert: "(2)"

43. Page 66, line 18.

Following: "7"

Insert: ";"

44. Page 66, line 19.

Following: "{3}"

Strike: "is"

Insert: "(3)"

45. Page 66.

Following: line 20

Insert: "Section 34. Section 19-7-705, MCA, is amended to read:

"19-7-705. Exemption from taxes and legal process. Any money received or to be paid as a member's annuity, state annuity, or return of deductions or the right of any of these is:

(1) exempt from any state, county, or municipal tax to the extent provided in 15-30-111, except for a refund paid under 19-7-304(1) of a member's contributions picked up by an employer after June 30, 1985, as provided in 19-7-403;

(2) exempt from levy, sale, garnishment, attachment, or any other process; and

(3) unassignable except as specifically provided in 19-7-706."

Section 35. Section 19-8-805, MCA, is amended to read:

"19-8-805. Exemption from taxes and legal process. Any money received or to be paid as a member's annuity, state annuity, or return of deductions or the right of any of these is:

(1) exempt from any state, county, or municipal tax to the extent provided in 15-30-111, except for a refund paid under 19-8-503 of the member's contributions picked up by an employer after June 30, 1985, as provided in 19-8-502;

(2) exempt from levy, sale, garnishment, attachment, or any other process; and

(3) unassignable except as specifically provided in 19-8-806."

Section 36. Section 19-9-1005, MCA, is amended to read:

"19-9-1005. Exemption from taxes. Any money paid in accordance with the provisions of this chapter is exempt from any state, county, or municipal tax to the extent provided in 15-30-111, except a refund paid under 19-9-304 of a member's contributions picked up by an employer after June 30, 1985, as provided in 19-9-601."

Section 37. Section 19-13-1003, MCA, is amended to read:

"19-13-1003. Exemption from taxes. Any money received as a retirement allowance in accordance with the provisions of this chapter is exempt from any state or municipal tax to the extent provided in 15-30-111."

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Renumber: subsequent sections .

46. Page 148, lines 4 and 5.

Strike: section 113 in its entirety

Renumber: subsequent sections

sb307aml

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DATE 3-13-87

BILL NO. S.B. 307

CORPORATION LICENSE AND INCOME TAX REVISION

Amend Senate Bill No. 307, Introduced Copy

(REVISE NET OPERATING LOSS CARRYBACK AND CARRYFORWARD PROVISIONS--LIMIT NOL CARRYBACK TO \$100,000 FOR A LOSS YEAR, BUT ALLOW 3 YEARS TO CARRY BACK--ALLOW NOL IN EXCESS OF \$100,000 TO BE CARRIED FORWARD 7 YEARS--APPLIES TO LOSSES SUSTAINED AFTER 1/1/87)

1. Page 74, line 21.

Following: "peried"

Insert: "plus the net operating loss carrybacks to such taxable period, subject to a \$100,000 limit on net operating loss in any one loss year"

2. Page 75, line 1.

Following: "sustained,"

Insert: "not more than \$100,000 of"

3. Page 75, line 3.

Following: "and"

Insert: "shall be a net operating loss carryback to each of the three taxable periods preceding the taxable period of the loss, and the amount of the loss not carried back"

4. Page 75, line 5.

Strike: "three"

Insert: "seven"

5. Page 75, line 10.

Following: "be"

Insert: ", not subject to the \$100,000 carryback limitation,"

6. Page 75, line 12.

Following: "."

Strike: "The"

Insert: "Subject to the \$100,000 carryback limitation for a loss year, the"

(IMPOSE ALTERNATIVE MINIMUM TAX ONLY IF CORPORATION IS REQUIRED TO PAY FEDERAL ALTERNATIVE MINIMUM TAX)

7. Page 80, line 11.

Following: "part"

Insert: "if they are required to pay a tax pursuant to section 55 of the Internal Revenue Code"

(DECREASE ALTERNATIVE MINIMUM TAX RATE FROM 6% TO 4%)

8. Page 81, line 1.

Following: "(i)"

Strike: "6%"

Insert: "4%"

9. Page 81, line 5.

Following: "(ii)"

Strike: "6%"

Insert: "4%"

(PROVIDE FOR \$40,000 EXEMPTION IN COMPUTING ALTERNATIVE MINIMUM TAX)

10. Page 80, line 16.

Following: "Code"

Insert: ", less the applicable exemption amount provided for in section 55 of the Internal Revenue Code"

11. Page 80, lines 18 and 19.

Following: "15-31-305" on line 18

Strike: "the federal alternative minimum"

12. Page 80, line 25.

Following: "The"

Insert: "Montana"

13. Page 81, line 1.

Following: "of"

Strike: "the federal alternative minimum"

UNITARY TAX REVISIONS

Amend Senate Bill No. 307, Introduced Copy

(CLARIFY THAT FOREIGN DIVIDENDS ARE ONLY TAXABLE TO THE EXTENT THE ACTIVITIES OF THE DIVIDEND PAYOR ARE DIRECTLY RELATED TO THE UNITARY BUSINESS OF THE RECIPIENT, A PART OF WHICH IS OPERATING IN MONTANA)

(PROVIDE THAT ONLY 15% OF FOREIGN DIVIDENDS ARE TAXABLE IN THE FIRST 5 YEARS OF OPERATION OF A CORPORATION IN MONTANA, THEN 100% THEREAFTER)

1. Page 82.

Following: line 14

Insert: "(3) In the case of a corporation subject to tax under this chapter that receives dividend income from corporations incorporated in a foreign country, the dividend income is subject to apportionment only to the extent such income constitutes business income as defined in 15-31-302.

(4) In the first 5 years that a corporation is taxable under this chapter, only 15% of dividend income described in subsection (3) is taxable. Thereafter, 100% of such dividend income that constitutes business income as defined in 15-31-302 is taxable. The 15% taxability of dividend income does not apply to a corporation that operates for the first time in Montana merely as a result of a reorganization of an existing corporation or unitary business operating in Montana."

(ELIMINATE WATER'S-EDGE ELECTION FEE AND TAX ELECTING CORPORATION AT 7.25%)

2. Page 96, line 15 through line 16, page 99.

Strike: section 49 in its entirety

Re-number: subsequent sections

[reminder to revise all subsequent internal references]

3. Page 90, lines 18 and 19

Following: "pay" on line 18

Strike: "the amount specified in [section 49]"

Insert: "a corporation license or income tax at the rate of 7.25%"

[provide exception for this rate in 15-31-101 and 15-31-121]

4. Page 79, lines 15 through 19.

Following: "income," on line 15

Strike: remainder of line 15 through "(2)" on line 19

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11

EXHIBIT NO. 3

DATE 3-13-87

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5. Page 79, line 20.

Following: "Code"

Insert: "are not deductible from gross income under this
chapter"

sb307am3

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PROGRESSIVE PENALTY PROVISIONS

Amend Senate Bill No. 307, Introduced Copy

(DECREASE THE MAXIMUM PENALTY FOR FAILURE TO FILE A RETURN
AND FOR FAILURE TO PAY TAX FROM 30% TO 25%)

1. Page 114, line 12.

Following: "is"

Strike: "30%"

Insert: "25%"

2. Page 118, line 4.

Following: "maximum"

Strike: "30%"

Insert: "25%"

3. Page 118, line 16.

Following: "maximum"

Strike: "30%"

Insert: "25%"

4. Page 120, line 18.

Following: line 17

Strike: "30%"

Insert: "25%"

5. Page 121, line 21.

Following: "maximum"

Strike: "30%"

Insert: "25%"

6. Page 131, line 16.

Following: "maximum"

Strike: "30%"

Insert: "25%"

7. Page 133, line 12.

Following: "maximum"

Strike: "30%"

Insert: "25%"

8. Page 134, line 20.

Following: "maximum"

Strike: "30%"

Insert: "25%"

9. Page 135, line 23.

Following: line 22

Strike: "30%"

Insert: "25%"

(REQUIRE 30-DAY NOTICE BEFORE PUBLICATION)

10. Page 115, line 15.

Following: "discretion"

Insert: ", after 30 days' notice to the affected persons,"

11. Page 115, line 18.

Following: "discretion"

Insert: ", after 30 days' notice to the affected persons,"

(PROHIBIT PUBLICATION NAME OF TAXPAYER WHO APPEALS, PROTESTS, OR LITIGATES TAX)

12. Page 115.

Following: line 24

Insert: "(4) This section does not permit publication of the name of a taxpayer who has filed a tax appeal, paid the tax under protest, or otherwise litigated the tax considered delinquent for purposes of this section. However, such a taxpayer's name may be published upon failure to satisfy the delinquency, if any, remaining at the conclusion of the appeal, protest, or litigation, or upon failure to file a return or satisfy a tax delinquency as provided in subsections (1) and (2) in another matter not appealed, protested, or litigated."

(REQUIRE WAIVER OF PENALTY IF TAX APPEAL, PROTEST, OR OTHER LITIGATION RESULTS IN CANCELLATION OR REDUCTION OF TAX)

13. Page 117.

Following: line 3

Insert: "The department shall waive the assessment of a penalty for late filing of a return or statement or late payment of a tax upon final disposition of a tax appeal, protest, or other litigation that results in a cancellation or reduction of the tax."

(REMOVE \$100 CAP ON AMOUNT OF INTEREST DOR CAN WAIVE)

14. Page 117, line 6.

Following: "interest"

Strike: "not to exceed \$100"

(PROHIBIT DOUBLE PENALTIES FOR FAILURE TO FILE RETURN AND FAILURE TO PAY TAX)

15. Page 118, line 18.

Following: "unpaid."

Insert: "The department may not assess a penalty for failure to pay a tax if it has already assessed against."

the same taxpayer for the same period a penalty for failure to file a return."

(DISALLOW CHARGING OF INTEREST ON PENALTY AMOUNT)

16. Page 121, line 22.

Following: "tax"

Strike: "and penalty"

17. Page 131, line 17.

Following: "tax"

Strike: "and the penalties added thereto"

(CLARIFY MINIMUM PENALTY FOR CORPORATION THAT FAILS TO PAY MINIMUM LICENSE TAX OR FILE RETURN)

18. Page 122, line 1.

Following: "required"

Insert: "by this chapter"

19. Page 122, lines 3 through 6.

Following: "state" on line 3

Strike: remainder of line 3 through end of line 6

Insert: "that fails to do so on the date required or fails to file the return required by this chapter must be assessed a penalty of not less than \$10."

NUISANCE TAX REVISIONS

Amend Senate Bill No. 307, Introduced Copy

(REPEAL 50 CENT FEE FOR EACH PAGE OF CERTIFIED COPY OF A CORPORATION LICENSE TAX MADE BY DOR FOR A CORPORATION)

1. Title, line 15.
Following: "15-31-552"
Strike: ", "
Insert: "THROUGH"

2. Title, line 24 of page 1.
Strike: "15-31-553"
Insert: "15-31-551"

3. Page 99, line 20.
Strike: "15-31-551"
Following: "~~15-31-553~~"
Strike: "and"
Following: "15-31-552"
Insert: "and 15-31-553"

4. Page 140.
Following: line 12
Insert: "Section 50. Section 15-31-553, MCA, is amended to read:
"15-31-553. Fees to reimburse department for costs -- deposit in general fund. All moneys collected under ~~15-31-551~~ and 15-31-552 shall be required to reimburse the department of revenue for costs involved in the preparation of the copies and certificates. All such moneys collected shall go into the general fund."
Renumber: subsequent sections

5. Page 146, line 7.
Strike: "15-31-553"
Insert: "15-31-551"

(CLARIFY SECTIONS REPEALED IN ORDER TO DELETE CEMENT DEALERS' TAX)

6. Title, line 11 of page 2.
Following: "15-59-203"
Strike: ", "
Insert: "THROUGH"

7. Page 147, line 22.
Following: "15-59-203"
Strike: ", "
Insert: "through"

(REWRITE PROVISIONS THAT REPEAL ANNUAL FEE PAID BY ELECTRIC COOPERATIVES TO ENSURE THAT LANGUAGE IS LEFT INTACT TO EXEMPT COOPS FROM ALL OTHER EXCISE AND INCOME TAXES)

8. Title, line 19 of page 1.

Following: "19-6-705,"

Insert: "35-18-503,"

9. Title, line 13 of page 2.

Following: "23-2-715,"

Strike: "35-18-503,"

10. Page 141.

Following: line 16

Insert: "Section 82. Section 35-18-503, MCA, is amended to read:

~~"35-18-503. Annual-fee-to-department-of-revenue--- exemption-from-other~~ Exemption from taxes. Cooperatives Except as provided in 10-4-201, cooperatives and foreign corporations transacting business in this state pursuant to the provisions of this chapter shall-pay-annually-on-or before-July-1,-to-the-department-of-revenue-a-fee-of-\$10-for each-100-persons-or-fractions-thereof-to-whom-electricity-or telephone-service-is-supplied-within-the-state-but,-except as-provided-in-10-4-201,-shall-be are exempt from all other excise and income taxes of whatsoever kind or nature."

Renumber: subsequent sections

11. Page 148, lines 8 and 9.

Strike: section 115 in its entirety

Renumber: subsequent sections

(CLARIFY WITH REGARD TO REPEAL OF CAMPER DECAL FEE THAT DEPARTMENT OF REVENUE IS TO FURNISH DECALS TO COUNTY TREASURERS AT NO CHARGE)

12. Page 142, line 5.

Following: "year."

Insert: "The department of revenue shall furnish decals to the county treasurers at no charge."

CAPITAL COMPANY INCENTIVES

Amend Senate Bill No. 307, Introduced Copy

(AMEND SECTION 77 TO COINCIDE WITH AMENDMENTS IN SENATE BILL NO. 22, THIRD READING COPY)

1. Page 136, line 23.

Following: "(2)"

Insert: "(a)"

2. Page 137, line 2.

Following: "limitation."

Insert: "(b)"

3. Page 137, line 13.

Following: "companies."

Insert: "The total credits authorized for all companies between July 1, 1989, and June 30, 1991, may not exceed \$3 million plus any portion of the credits available for authorization before June 30, 1989, that is allocated to qualified companies.

(3)"

Renumber: subsequent subsections

4. Page 137, line 20.

Following: line 19

Strike: "(4)"

Insert: "(5)"

5. Page 138, line 6.

Following: "\$25,000"

Strike: "\$50,000"

Insert: "\$150,000"

6. Page 138, line 12.

Following: "subsection"

Strike: "(4)"

Insert: "(5)"

7. Page 138, line 24 through line 1, page 139.

Strike: all language on indicated lines

Insert: "within 4 years of July 1, 1987."

STATE TAX APPEALS BOARD PROCEDURES

Amend Senate Bill No. 307, Introduced Copy

(ALLOW USE BY STAB OF TAPE RECORDING INSTEAD OF TRANSCRIPT
OF STAB HEARING CONDUCTED BY HEARING EXAMINER)

1. Page 144, line 14.
Following: "transcript"
Insert: "or a tape recording"

2. Page 144, line 15.
Following: line 14
Strike: "testimony received"
Insert: "hearing"

(PROVIDE COORDINATION INSTRUCTION THAT WOULD VOID SECTION 85
OF SB 307 IF SENATE BILL NO. 122 IS PASSED AND APPROVED)

3. Page 149.
Following: line 20
Insert: "NEW SECTION. Section 121. Coordination
instruction. If Senate Bill No. 122, including that
section amending 15-2-301, is passed and approved, section
85 of this act, amending 15-2-301, is void."
Renumber: subsequent sections

sb307am7

Amend Senate Bill No. 307, Introduced Copy

1. Title, line 14 of page 1.
Following: "15-31-202,"
Insert: "15-31-204, 15-31-209,"

2. Title, line 15 of page 1.
Following: "15-31-552"
Strike: ", "
Insert: "THROUGH"

3. Title, line 19 of page 1.
Following: "19-4-706,"
Insert: "19-5-704,"
Following: "19-6-705,"
Insert: "19-7-705, 19-8-805, 19-9-1005, 19-13-1003"

4. Title, line 19 of page 1.
Following: "19-6-705,"
Insert: "35-18-503,"

5. Title, line 24 of page 1.
Following: "15-31-127,"
Insert: "15-31-201, 15-31-209,"

6. Title, line 24 of page 1.
Strike: "15-31-553"
Insert: "15-31-551"

7. Title, line 11 of page 2.
Following: "15-59-203"
Strike: ", "
Insert: "THROUGH"

8. Title, line 13 of page 2.
Following: "16-11-101,"
Strike: "19-9-1005,"

9. Title, line 13 of page 2.
Following: "23-2-715,"
Strike: "35-18-503,"

10. Page 8, line 3.
Following: "first"
Strike: "\$35,000"
Insert: "\$80,000"

11. Page 12, line 9.
Following: line 8
Strike: "(g) all tax refunds;"
Renumber: subsequent subsection

12. Page 31, line 18.

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Following: "by"
Strike: "sections"
Insert: "section"
Following: "55"
Strike: "through 59"

13. Page 31, line 19.
Following: "to"
Strike: "file"
Insert: "pay"

14. Page 31, line 20.
Following: line 19
Strike: "return"

15. Page 32, line 13.
Following: "income"
Insert: ", less the applicable exemption amount provided
for in section 55 of the Internal Revenue Code,"

16. Page 32, line 24.
Following: "income"
Insert: ", less the applicable exemption amount provided
for in section 55 of the Internal Revenue Code,"

17. Page 33, line 20.
Following: "residents,"
Strike: "the rates provided for in 15-30-103 must"
Insert: "a tax rate of 5% shall"

18. Page 39.
Following: line 3
Insert: "(c) all benefits, not in excess of \$3,600,
received as an annuity, pension, or endowment under any
public, private, or corporate retirement plan or system
other than a railroad retirement plan;"
Renummer: subsequent subsections

19. Page 42, line 14.
Following: "reservation"
Insert: "; (viii) interest and taxes on Montana property
used for the production of Montana income"

20. Page 56, line 24.
Following: "automatic"
Strike: "2-month"
Insert: "4-month"

21. Page 57, lines 3 through 6.
Following: "department" on line 3
Strike: remainder of line 3 through "period" on line 6

22. Page 58, line 1.
Following: "exceed"

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Strike: "4"
Insert: "2"

23. Page 64, line 3.

Following: "corporation"

Strike: "may elect"

Insert: "that has made a valid election under Subchapter S
of Chapter 1 of the Internal Revenue Code is"

Following: "not"

Strike: "to be"

24. Page 64, lines 5 through 22.

Strike: subsections (2) and (3) in their entirety

Insert: "(2) A small business corporation that has made a valid election under Subchapter S of Chapter 1 of the Internal Revenue Code shall file by the 15th day of the third month of its first taxable year a copy of the Internal Revenue Service notification or other proof that a valid federal election has been made. If such proof is not filed by the time the department receives the corporation's first tax return, the department shall notify the corporation that such proof is required within 60 days of the date of the notice. If proof is not received within 60 days, or a reasonable extension date based upon a request by the taxpayer prior to the expiration of the 60 days, the corporation is subject to the taxes imposed by this chapter.

(3) A small business corporation that has made a valid election under Subchapter S of Chapter 1 of the Internal Revenue Code may elect to be subject to the taxes imposed by this chapter by filing an election on a form provided by the department. The form must have printed on it a notification that making the election will subject income to tax under both this chapter and Chapter 30. For tax years beginning on or after January 1, 1987, but before March 1, 1988, the election must be filed by May 15, 1988. Thereafter the election must be filed by the 15th day of the third month of the taxable year for which the election is to become effective. The election may be revoked by written notification to the department. Such revocation must be filed by the 15th day of the third month of the taxable year for which the revocation is to be effective."

25. Page 64, line 23.

Following: "This"

Strike: "election"

Insert: "section"

26. Page 64, line 24.

Following: "of"

Strike: "such electing"

Insert: "the nonelecting small business"

27. Page 65, line 2.

Following: "Every"

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Strike: "electing"
Insert: "nonelecting small business"
Following: "pay"
Strike: "the"
Insert: "a"

28. Page 65.
Following: line 3
Insert: "Section 30. Section 15-31-204, MCA, is amended to read:
"15-31-204. Minimum fee of qualifying corporations unaffected. Notwithstanding the provisions of 15-31-121 corporations ~~electing-and~~ qualifying under 15-31-202 shall pay a minimum fee of \$10."

Section 31. Section 15-31-209, MCA, is amended to read:
"15-31-209. Termination and revocation. If the election under the provisions of Subchapter S is either terminated or revoked for federal purposes, the corporation must notify the department within 30 days of such termination or revocation. ~~The department may terminate an election at any time if it discovers the corporation does not qualify as a small business corporation as provided for under the provisions of Subchapter S of the Internal Revenue Code of 1954.~~ A corporation that does not have a valid federal election for the entire taxable year is subject to tax under this chapter."

Renumber: subsequent sections

29. Page 65, line 5.
Following: "and"
Insert: "taxes and"

30. Page 65, line 8.
Following: "÷"
Insert: ":"

31. Page 65, line 9.
Following: "{1}"
Insert: "(1)"

32. Page 65, line 10.
Following: "7"
Strike: "1"
Insert: "7"

33. Page 65, line 14.
Following: "or"
Insert: "(2) subject to state, county, or municipal taxes to the extent provided in 15-30-111, except for a refund paid under 19-3-703 of a member's contributions picked up by an employer after June 30, 1985, as provided in

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19-3-701; or"

34. Page 65, line 15.

Following: "{3}"

Strike: "nor is it"

Insert: "(3)"

35. Page 65, line 18.

Following: "and"

Insert: "taxes and"

36. Page 65, line 23.

Following: "÷"

Insert: ":"

37. Page 66, line 2.

Following: "~~19-4-602~~"

Insert: "(1) exempted from any state, county, or municipal tax of the state of Montana to the extent provided in 15-30-111, except for a refund paid under 19-4-603 of a member's contributions picked up by an employer after June 30, 1985, as provided in 19-4-602;"

38. Page 66, line 3.

Following: "{2}"

Insert: "(2)"

39. Page 66, line 5.

Following: "÷"

Insert: ";"

40. Page 66, line 6.

Following: "{3}"

Strike: "are"

Insert: "(3)"

41. Page 66.

Following: line 7

Insert: "Section 34. Section 19-5-704, MCA, is amended to read:

"19-5-704. Exemption from taxes and legal process. Any money received or to be paid as a member's annuity, state annuity, or return of deductions or the right of any of these shall be exempt from any state or municipal tax to the extent provided in 15-30-111 and from levy, sale, garnishment, attachment, or any other process whatsoever and shall be unassignable except as specifically provided in 19-5-705."

Renumber: subsequent section

42. Page 66, line 9.

Following: "and"

Insert: "taxes and"

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43. Page 66, line 12.

Following: "÷"

Insert: ":"

44. Page 66, line 16.

Following: "19-6-4027"

Insert: "(1) exempt from any state, county, or municipal tax to the extent provided in 15-30-111, except for a refund paid under 19-6-403 of a member's contributions picked up by an employer after June 30, 1985, as provided in 19-6-402;"

45. Page 66, line 17.

Following: "{2}"

Insert: "(2)"

46. Page 66, line 18.

Following: "7"

Insert: ";"

47. Page 66, line 19.

Following: "{3}"

Strike: "is"

Insert: "(3)"

48. Page 66.

Following: line 20

Insert: "Section 36. Section 19-7-705, MCA, is amended to read:

"19-7-705. Exemption from taxes and legal process. Any money received or to be paid as a member's annuity, state annuity, or return of deductions or the right of any of these is:

(1) exempt from any state, county, or municipal tax to the extent provided in 15-30-111, except for a refund paid under 19-7-304(1) of a member's contributions picked up by an employer after June 30, 1985, as provided in 19-7-403;

(2) exempt from levy, sale, garnishment, attachment, or any other process; and

(3) unassignable except as specifically provided in 19-7-706."

Section 37. Section 19-8-805, MCA, is amended to read:

"19-8-805. Exemption from taxes and legal process. Any money received or to be paid as a member's annuity, state annuity, or return of deductions or the right of any of these is:

(1) exempt from any state, county, or municipal tax to the extent provided in 15-30-111, except for a refund paid under 19-8-503 of the member's contributions picked up by an employer after June 30, 1985, as provided in 19-8-502;

(2) exempt from levy, sale, garnishment, attachment, or any other process; and

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(3) unassignable except as specifically provided in 19-8-806."

Section 38. Section 19-9-1005, MCA, is amended to read:

"19-9-1005. Exemption from taxes. Any money paid in accordance with the provisions of this chapter is exempt from any state, county, or municipal tax to the extent provided in 15-30-111, except a refund paid under 19-9-304 of a member's contributions picked up by an employer after June 30, 1985, as provided in 19-9-601."

Section 39. Section 19-13-1003, MCA, is amended to read:

"19-13-1003. Exemption from taxes. Any money received as a retirement allowance in accordance with the provisions of this chapter is exempt from any state or municipal tax to the extent provided in 15-30-111."

Renumber: subsequent sections

49. Page 72, line 18.

Strike: "37"

Insert: "44"

50. Page 74, line 21.

Following: "period"

Insert: "plus the net operating loss carrybacks to such taxable period, subject to a \$100,000 limit on net operating loss in any one-loss year"

51. Page 75, line 1.

Following: "sustained,"

Insert: "not more than \$100,000 of"

52. Page 75, line 3.

Following: "and"

Insert: "shall be a net operating loss carryback to each of the three taxable periods preceding the taxable period of the loss, and the amount of the loss not carried back"

53. Page 75, line 5.

Strike: "three"

Insert: "seven"

54. Page 75, line 10.

Following: "be"

Insert: ", not subject to the \$100,000 carryback limitation,"

55. Page 75, line 12.

Following: "."

Strike: "The"

Insert: "Subject to the \$100,000 carryback limitation for a

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loss year, the"

56. Page 79, lines 15 through 19.

Following: "income," on line 15

Strike: remainder of line 15 through "(2)" on line 19

57. Page 79, line 20.

Following: "Code"

Insert: "are not deductible from gross income under this chapter"

58. Page 79, line 25.

Following: "(3)"

Insert: "and [section 45]"

59. Page 80, line 11.

Following: "part"

Insert: "if they are required to pay a tax pursuant to section 55 of the Internal Revenue Code"

60. Page 80, line 16.

Following: "Code"

Insert: ", less the applicable exemption amount provided for in section 55 of the Internal Revenue Code"

61. Page 80, lines 18 and 19.

Following: "15-31-305" on line 18

Strike: "the federal alternative minimum"

62. Page 80, line 25.

Following: "The"

Insert: "Montana"

63. Page 81, line 1.

Following: "(i)"

Strike: "6%"

Insert: "4%"

64. Page 81, line 1.

Following: "of"

Strike: "the federal alternative minimum"

65. Page 81, line 5.

Following: "(ii)"

Strike: "6%"

Insert: "4%"

66. Page 82.

Following: line 14

Insert: "(3) In the case of a corporation subject to tax under this chapter that receives dividend income from corporations incorporated in a foreign country, the dividend income is subject to apportionment only to the extent such income constitutes business income as defined

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in 15-31-302.

(4) In the first 5 years that a corporation is taxable under this chapter, only 15% of dividend income described in subsection (3) is taxable. Thereafter, 100% of such dividend income that constitutes business income as defined in 15-31-302 is taxable. The 15% taxability of dividend income does not apply to a corporation that operates for the first time in Montana merely as a result of a reorganization of an existing corporation or unitary business operating in Montana."

67. Page 85, line 2.

Strike: "41"

Insert: "48"

68. Page 87, line 5.

Strike: "48"

Insert: "55"

69. Page 90, lines 18 and 19

Following: "pay" on line 18

Strike: "the amount specified in [section 49]"

Insert: "a corporation license or income tax at the rate of 7.25%"

70. Page 91, line 4.

Strike: "44"

Insert: "51"

71. Page 91, line 25.

Strike: "41"

Insert: "48"

72. Page 92, line 2.

Strike: "44"

Insert: "51"

73. Page 96, line 13.

Strike: "44"

Insert: "51"

74. Page 96, line 15 through line 16, page 99.

Strike: section 49 in its entirety

Renumber: subsequent sections

75. Page 99, line 20.

Strike: "15-31-551"

Following: "~~15-31-553~~"

Strike: "and"

Following: "15-31-552"

Insert: "and 15-31-553"

76. Page 114, line 12.

Following: "is"

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Strike: "30%"
Insert: "25%"

77. Page 115, line 15.
Following: "discretion"
Insert: ", after 30 days' notice to the affected persons,"

78. Page 115, line 18.
Following: "discretion"
Insert: ", after 30 days' notice to the affected persons,"

79. Page 115.
Following: line 24
Insert: "(4) This section does not permit publication of the name of a taxpayer who has filed a tax appeal, paid the tax under protest, or otherwise litigated the tax considered delinquent for purposes of this section. However, such a taxpayer's name may be published upon failure to satisfy the delinquency, if any, remaining at the conclusion of the appeal, protest, or litigation, or upon failure to file a return or satisfy a tax delinquency as provided in subsections (1) and (2) in another matter not appealed, protested, or litigated."

80. Page 117.
Following: line 3
Insert: "The department shall adjust the assessment of a penalty for late filing of a return or statement or late payment of a tax upon final disposition of a tax appeal, protest, or other litigation, or upon acceptance of an amended return, that results in a cancellation or reduction of the tax."

81. Page 117, line 6.
Following: "interest"
Strike: "not to exceed \$100"

82. Page 118, line 4.
Following: "maximum"
Strike: "30%"
Insert: "25%"

83. Page 118, line 16.
Following: "maximum"
Strike: "30%"
Insert: "25%"

84. Page 118, line 18.
Following: "unpaid."
Insert: "The department may not assess a penalty for failure to pay a tax if it has already assessed against the same taxpayer for the same period a penalty for failure to file a return."

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85. Page 120, line 18.

Following: line 17

Strike: "30%"

Insert: "25%"

86. Page 121, line 21.

Following: "maximum"

Strike: "30%"

Insert: "25%"

87. Page 121, line 22.

Following: "tax"

Strike: "and penalty"

88. Page 122, line 1.

Following: "required"

Insert: "by this chapter"

89. Page 122, lines 3 through 6.

Following: "state" on line 3

Strike: remainder of line 3 through end of line 6

Insert: "that fails to do so on the date required or
fails to file the return required by this chapter must be
assessed a penalty of not less than \$10."

90. Page 131, line 16.

Following: "maximum"

Strike: "30%"

Insert: "25%"

91. Page 127, line 6.

Strike: "57"

Insert: "63"

92. Page 130, line 10.

Strike: "57"

Insert: "63"

93. Page 131, line 17.

Following: "tax"

Strike: "and the penalties added thereto"

94. Page 133, line 12.

Following: "maximum"

Strike: "30%"

Insert: "25%"

95. Page 134, line 20.

Following: "maximum"

Strike: "30%"

Insert: "25%"

96. Page 135, line 23.

Following: line 22

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Strike: "30%"
Insert: "25%"

97. Page 136, line 23.
Following: "(2)"
Insert: "(a)"

98. Page 137, line 2.
Following: "limitation."
Insert: "(b)"

99. Page 137, line 13.
Following: "companies."
Insert: "The total credits authorized for all companies
between July 1, 1989, and June 30, 1991, may not exceed \$3
million plus any portion of the credits available for
authorization before June 30, 1989, that is allocated to
qualified companies.
(3)"

Renumber: subsequent subsections

100. Page 137, line 20.
Following: line 19
Strike: "(4)"
Insert: "(5)"

101. Page 138, line 6.
Following: "\$25,000"
Strike: "\$50,000"
Insert: "\$150,000"

102. Page 138, line 12.
Following: "subsection"
Strike: "(4)"
Insert: "(5)"

103. Page 138, line 24 through line 1, page 139.
Strike: all language on indicated lines
Insert: "within 4 years of July 1, 1987."

104. Page 140.
Following: line 12
Insert: "Section 85. Section 15-31-553, MCA, is amended to
read:

"15-31-553. Fees to reimburse department for costs --
deposit in general fund. All moneys collected under
~~15-31-551~~ and 15-31-552 shall be required to reimburse the
department of revenue for costs involved in the
preparation of the copies and certificates. All such
moneys collected shall go into the general fund."

Renumber: subsequent sections

105. Page 141.
Following: line 16

SENATE TAXATION

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Insert: "Section 89. Section 35-18-503, MCA, is amended to read:

~~"35-18-503. Annual fee to department of revenue--- exemption from other~~ Exemption from taxes. Cooperatives Except as provided in 10-4-201, cooperatives and foreign corporations transacting business in this state pursuant to the provisions of this chapter shall pay annually on or before July 1, to the department of revenue a fee of \$10 for each 100 persons or fractions thereof to whom electricity or telephone service is supplied within the state but, except as provided in 10-4-201, shall be are exempt from all other excise and income taxes of whatsoever kind or nature."

Renumber: subsequent sections

106. Page 142, line 5.

Following: "year."

Insert: "The department of revenue shall furnish decals to the county treasurers at no charge."

107. Page 144, line 14.

Following: "transcript"

Insert: "or a tape recording"

108. Page 144, line 15.

Following: line 14

Strike: "testimony received"

Insert: "hearing"

109. Page 146.

Following: line 6

Insert: "NEW SECTION. Section 102. Repealer. Sections 15-31-201 and 15-31-208, MCA, are repealed."

Renumber: subsequent sections

110. Page 146, line 7.

Strike: "15-31-553"

Insert: "15-31-551"

111. Page 147, line 22.

Following: "15-59-203"

Strike: ", "

Insert: "through"

112. Page 148, lines 4 and 5.

Strike: section 113 in its entirety

Renumber: subsequent sections

113. Page 148, lines 8 and 9.

Strike: section 115 in its entirety

Renumber: subsequent sections

114. Page 148, line 24.

Strike: "37"

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Insert: "44"
Strike: "39"
Insert: "46"

115. Page 149, line 2.
Strike: "37"
Insert: "44"
Strike: "39"
Insert: "46"

116. Page 149, line 3.
Strike: "41"
Insert: "48"
Strike: "49"
Insert: "55"

117. Page 149, line 5.
Strike: "41"
Insert: "48"

118. Page 149, line 6.
Strike: "49"
Insert: "55"

119. Page 149, line 7.
Strike: "57"
Insert: "63"
Strike: "61"
Insert: "67"

120. Page 149, line 9.
Strike: "57"
Insert: "63"
Strike: "61"
Insert: "67"

121. Page 149, line 11.
Strike: "57"
Insert: "63"
Strike: "61"
Insert: "67"

122. Page 149.
Following: line 20
Insert: "NEW SECTION. Section 121. Coordination instruction. If Senate Bill No. 122, including that section amending 15-2-301, is passed and approved, section 85 of this act, amending 15-2-301, is void."
Renumber: subsequent sections

123. Page 150, line 1.
Strike: "78"
Insert: "84"
Strike: "84, 101, 106"

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DATE 3-13-87

BILL NO. S.B. 307

Insert: "92, 110, 115"

124. Page 150, line 2.

Strike: "110"

Insert: "119"

Strike: "114"

Insert: "122"

Strike: "116"

Insert: "123"

125. Page 150.

Following: line 3

Insert: "(3) Sections 29, 30, and 31 apply to all small business corporations that have made a valid election under Subchapter S of Chapter 1 of the Internal Revenue Code on or before December 31, 1986, and for tax years ending after December 31, 1986."

e:sb307rep.txt

SENATE TAXATION

EXHIBIT NO. 3

DATE 3-13-87

BILL NO. S.B. 307

Amend Senate Bill NO. 390, Introduced Copy

1. Title, line 9.

Following: "AND"

Strike: "AN"

2. Title, line 10.

Strike: "DATE"

Insert: "DATES"

3. Page 7, line 3.

Following: "(2)"

Strike: "This"

Insert: "Except as provided in subsection (3), this"

4. Page 7.

Following: line 4

Insert: "(3) Section 1 (1)(a) of this act applies retroactively, within the meaning of 1-2-109, to taxable years beginning after December 31, 1986."

SENATE TAXATION

EXHIBIT NO. 4

DATE 3-13-87

BILL NO. 390

SENATE TAXATION COMMITTEE
Subcommittee Meeting
SB 307 (Governor's Proposal)

March 6, 1987

The meeting of the above subcommittee to study SB 307 met in Room 413/415 at 5 p.m. on March 6, 1987. Senator Crippen, Chairman, Senator Brown, Senator Mazurek and Senator Neuman were the committee members present. Also present for their input were John Lafaver, Department of Revenue; Dan Bucks, Department of Revenue; Forrest H. Boles and George D. Anderson of the Montana Chamber of Commerce; Gary Carlson, Montana Society of Certified Public Accountants and Jim Lear of the Legislative Council and staff researcher for the Committee.

Mr. Lafaver explained the unitary tax system as having three possible avenues; the water's-edge, tax rate and the fee. The unitary tax could be taken out of the bill and that would maintain the neutrality of the tax rate of the bill. He said they had not agreed to that but that is what the status of the negotiations are. Mr. Anderson agreed with Mr. Lafaver. Sen. Neuman said he would resist a motion to strike the unitary tax from the bill.

Sen. Mazurek stated that he had difficulty with the Japanese being treated differently than U.S. corporations. He said there would be a significant impact but it did not seem appropriate that this be done. Mr. Anderson said that HB 703 doesn't address that at all. He said he didn't believe the Japanese would make the election that is allowed on the waters' edge without Sen. Halligan's amendments.

Sen. Mazurek MOVED to adopt the Halligan Amendment and strike the remainder of sections 40 through 49.

Mr. Anderson asked a question concerning computing the alternate minimum taxing for unitary corporations but Mr. Lafaver said that had nothing to do with the worldwide issue. Sen. Mazurek said that his motion to strike sections 49-49 from the bill would eliminate the unitary portion but it would leave the tax as it presently is in the statutes. Sen. Neuman resisted the motion and stated that that would leave Rep. Gilbert's bill to come over from the House, however, if that bill fails we would be left with the current system.

Sen. Mazurek said that would leave us with either the current situation or Rep. Gilbert's bill but it would not be something that would be worse than those two alternatives; if the House bill was incorporated into this bill it would not go anywhere in the full Taxation Committee.

SENATE TAXATION

EXHIBIT NO. 5

DATE 3-13-87

BILL NO S.B. 307

Senator Crippen stated that he would like to see the subcommittee exhaust all possibilities before a decision is made. Sen. Brown said he did not like the fiscal note on the House bill and would rather see that language in this bill. He said on the other hand that he didn't see any harm in removing the unitary tax from this bill and be left with what we currently have.

Sen. Mazurek made a SUBSTITUTE MOTION to incorporate HB 703 into this bill. The MOTION FAILED on a tie vote; Crippen and Mazurek voting "yes" and Neuman and Brown voting "no".

Sen. Mazurek said he really would prefer to have it stricken from the bill but did not feel that would be fair to Sen. Neuman who is carrying the bill. Sen. Brown said that we would still have what we have now if the House version fails.

Mr. Anderson did not feel the Japanese would come in on joint ventures because of the unitary tax. We are competing with other states that don't have unitary tax. Sen. Crippen stated that with the Halligan amendment the foreign corporations are excluded.

Discussion was held concerning domestic corporations coming into Montana and whether they are making money or not. Penneys, Sears, Shell Oil, etc., were mentioned. Sen. Crippen said that Sears and Penneys have a policy that they will be in every state whether they make money or not, in fact, it is costing Sears money in the Pacific Northwest.

Mr. Boles did not think corporations would consider the state of Montana for expansion as long as we have the unitary tax. The perception is there and we must get rid of it. He said the fee is .003% and the compromise might be .001%. He did not feel that California will have a fee in another year. He said that no one would elect to go to the waters' edge.

Sen. Neuman said that every session the business community comes in and says that taxes are too high, unfair and they need one more break - why don't they ever say they are satisfied and they are paying their fair share. The burden has been shifted to the local taxpayers.

Sen. Mazurek asked how the other states are getting by without the unitary tax and we can't. Mr. Lafaver said we could get by without it; it is just a matter of who pays the taxes and the corporation license tax has been raised on existing corporations to partially pay it. Mr. Anderson stated that Texas International moved into Colorado Springs employing approximately 3,4000 people because Colorado doesn't have the unitary tax. Mr. Bucks said that the majority favor the retention of the worldwide unitary tax. Sen. Crippen said that we can't keep trading one thing for another.

Sen. Neuman said he would just as soon leave this provision in the bill but he was not standing hard and fast on everything.

Sen. Mazurek suggested that the rate be 6 3/4% for those corporations electing to the water's-edge and 6 1/2% for others.

Mr. Anderson said they would not support the bill the way it is now. Sen. Brown asked if the Department could provide figures on the 6 3/4% and the 6 1/2% and by that time maybe the subcommittee would have a better idea of where they would be. Mr. Anderson said that 15% of the foreign income and foreign dividends are included; 85% would be excluded. Sen. Crippen asked if the foreign dividend could be eliminated entirely, keep the tax rate the same and reduce the fee and make the fee deductible.

Mr. Lafaver said a number of states have the option for corporations to chose between worldwide and the water's-edge, but Sen. Mazurek wondered if it is really an election if they have to pay a fee. Mr. Lafaver said it is not the money but the method of taxation that is the problem. When they choose to go to the water's-edge that tax break has to be made up so it is not the amount of money but the way the tax is assessed.

Sen. Brown said he would like to hear again from the Department with those new figures and see what the impact would be. Sen. Mazurek felt they should also look at some language in the foreign dividend area where the language is very offensive. The Department of Revenue will compile the requested figures and bring them back to the subcommittee for their perusal.

The subcommittee then went on to Section 57, page 113 to which Sen. Neuman said there were some technical amendments that had been prepared. Gary Carlson said that the federal maximum penalty is 25% and 5% per month. Mr. Lafaver said there was really no rationale for the 30% in the bill and they would have no objection to lowering it to 25%.

Sen. Mazurek MOVED to reduce the maximum penalty from 30% to 25% wherever it appears in the bill pertaining to this penalty.
MOTION CARRIED 4-0.

Section 58, page 114, concerning payments to be applied to penalty and interest. Mr. Carlson said that the Feds apply the penalty first to interest if not specified otherwise. It was the consensus of the subcommittee to leave Section 58 as it is written.

Section 59, page 115; penalty for understatement of tax. Mr. Lefaver said the Feds have a penalty but no one present was sure of the rate. Mr. Lefaver felt that the penalty in this bill is either comparable to or less than the Feds

Section 60, page 115 concerning publication of delinquent taxpayers. Mr. Lefaver explained that the proposed amendment would make sure that if someone is appealing their taxes or are in the midst of litigation they would not be permitted to publish their name. Sen. Crippen asked what would happen with an amended return. Mr. Lefaver answered that it is not considered delinquent until the assessment has been made and they do not pay. Sen. Crippen said that he did not like the idea of publishing names. Mr. Lefaver said they have a hard-core group of people that refuse to pay their taxes and they have not been able to collect the amount owing, which is a significant amount, by any means available to them. He said that other states have adopted policies which enables them to stop operation of a business and lift professional licenses, however, that is not in this bill.

Sen. Mazurek MOVED that when taxes are on appeal or being litigated the names cannot be published. MOTION CARRIED 4-0.

Sen. Crippen said he would MOVE to delete Section 60 in its entirety. Following further discussion Sen. Crippen WITHDREW his motion

Sen. Mazurek MOVED an amendment to state that the delinquent taxpayer must be notified before his name is published. MOTION CARRIED. Section 60 MOVED ADOPTED AS AMENDED, MOTION CARRIED 3-1.

Section 61: MOVE TO ADOPT SECTION 61 AS WRITTEN. MOTION CARRIED 4-0.

Section 62, page 116; waiver and abatement of penalties and interest. Mr. Carlson said that the subcommittee might consider waiving all the interest because some people just are not able to pay it and the Feds are able to waive this. He also pointed out that when the tax is lowered following an amended return and the penalty has been paid, the Department of Revenue has no way of refunding a portion of that penalty, however, the Feds can do so. Mr. Lefaver said he would not want to see carte blanche to waive the interest. Sen. Crippen asked if they could waive part of the penalty why can't they waive part of the interest. Mr. Lefaver said they do not like to be locked into a penalty. Mr. Carlson said that the Department doesn't have the authority to adjust the penalty as the Feds do. There was no objection from the Department on this. Mr. Lear said that page 117, line 4 doesn't cover the amended return situation. Mr. Lefaver said there is complex language in the law which would have to be considered but an amendment could be worked out.

MOTION MADE TO AMEND ON line 6, page 117, following "interest", insert a "." and strike the remainder of line 6 and line 7. MOTION CARRIED.

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March 6, 1987
Page 5

Sen. Mazurek MOVED TO ADOPT Section 62 AS AMENDED. MOTION CARRIED 4-0.

The subcommittee then considered Section 63, page 118, line 18 inserting the language in the proposed amendments. MOTION CARRIED 4-0. (See Jim Lear for amendment)

Sen. Brown MOVED Section 63 AS AMENDED, MOTION CARRIED 4-0.

Section 64, page 120, line 7; the 30% has been changed to 25%, therefore it was MOVED TO ADOPT Section 64 AS AMENDED. MOTION CARRIED 4-0.

Section 65, Amendment #12 of proposed amendments. MOVED ADOPTION OF AMENDMENT #12, MOTION CARRIED 4-0. Section 65 MOVED AS AMENDED, MOTION CARRIED 4-0.

Mr. Lefaver pointed out that the general provision of changing the maximum from 30% to 25% to coincide with the Feds will be taken care of through the remainder of the sections through Section 76.

MOVED ADOPTION OF AMENDMENT #13, page 131, line 17. MOTION CARRIED 4-0.

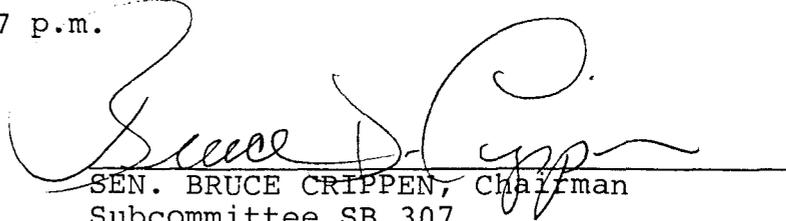
MOVED AMENDMENT of reducing maximum penalty from 30% to 25% in Sections 66 through 76. MOTION CARRIED 4-0.

MOVED ADOPTION OF REPEALER of Sections 99-100, 102 through 105 and 111. MOTION CARRIED 4-0.

The subcommittee will meet on March 7 at a time to be announced and on March 8 at 8 a.m.

MOTION WAS MADE for Mr. Lear to include coordination instructions on the STAB portion. MOTION CARRIED.

The meeting adjourned at 7 p.m.


SEN. BRUCE CRIPPEN, Chairman
Subcommittee SB 307

SENATE TAXATION
EXHIBIT NO. 5
DATE 3-13-87
BILL NO. S.B. 307

19-7-705. Exemption from ~~taxes and~~ legal process. Any money received or to be paid as a member's annuity, state annuity, or return of deductions or the right of any of these is:

~~(1) exempt from any state, county, or municipal tax except for a refund paid under 19-7-304(1) of a member's contributions picked up by an employer after June 30, 1985, as provided in 19-7-402;~~

~~(1)(2)~~ exempt from levy, sale, garnishment, attachment, or any other process; and

~~(2)(3)~~ unassignable except as specifically provided in 19-7-706.

Section 35. Section 19-8-805, MCA, is amended to read:

19-8-805. Exemption from ~~taxes and~~ legal process. Any money received or to be paid as a member's annuity, state annuity, or return of deductions or the right of any of these is:

~~(1) exempt from any state, county, or municipal tax except for a refund paid under 19-8-502 of the member's contributions picked up by an employer after June 30, 1985, as provided in 19-8-502;~~

~~(1)(2)~~ exempt from levy, sale, garnishment, attachment, or any other process; and

~~(2)(3)~~ unassignable except as specifically provided in 19-8-806.

Renumber: Subsequent sections.

10. Page 118, line 18.

Following: "unpaid."

Insert: "The department may not assess a penalty for failure to pay a tax if it has already assessed against the same taxpayer for the same period a penalty for failure to file a return."

11. Page 121, line 22.

Following: "tax"

Strike: "and penalty"

12. Page 122, line 1.

Following: "required"

Strike: "to pay the minimum license tax for the privilege of doing business in this state shall be required to pay a minimum penalty of \$10 for its failure to file the return required by this chapter, or pay the minimum \$10 fee on the date specified in this chapter.:"

Insert: "by this chapter to pay the minimum license tax for the privilege of doing business in this state, and which fails to do so on the date required or fails to file the return required by this chapter shall be assessed a penalty of not less than \$10."

13. Page 131, line 17.

Following: "tax"

Strike: "and the penalties added thereto"

14. Page 141.

Following: Line 16

Insert: "Section 82. Section 35-18-503, MCA, is amended to

SENATE TAXATION

EXHIBIT NO. 5

DATE 3-13-87

AMENDMENTS FOR SENATE BILL NO. 307
INTRODUCED COPY

CLARIFYING THAT NAMES OF TAXPAYERS
WHO HAVE FILED TAX APPEALS CAN NOT
BE PUBLISHED

1. Page 115.

Following: line 24.

Insert: (4) This section does not permit the publication of names of taxpayers who have filed tax appeals, have paid taxes under protest or are in litigation concerning their taxes. unless, in another matter or at the conclusion of the appeal or litigation the taxpayer is delinquent in paying a tax or fails to file a return as provided in subsections (1) and (2).

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However, such taxpayers name may be publish if

AMENDMENT TO SENATE BILL NO. 307

INTRODUCED COPY

DECREASING THE MAXIMUM PENALTY FOR FAILURE TO FILE A RETURN AND
FOR FAILURE TO PAY FROM 30% TO 25%

1. Page 114, line 12.

Following: "is"

Strike: "30%"

Insert: "25%"

2. Page 118, line 4.

Following: "maximum"

Strike: "30%"

Insert: "25%"

3. Page 118, line 16.

Following: "maximum"

Strike: "30%"

Insert: "25%"

4. Page 120, lines 17 and 18.

Following: "maximum"

Strike: "30%"

Insert: "25%"

5. Page 121, line 21.

Following: "maximum"

Strike: "30%"

Insert: "25%"

6. Page 131, line 16.

Following: "maximum"

Strike: "30%"

Insert: "25%"

7. Page 133, line 12.

Following: "maximum"

Strike: "30%"

Insert: "25%"

8. Page 134, line 20.

Following: "maximum"

Strike: "30%"

Insert: "25%"

9. Page 135, lines 22 and 23.

Following: "maximum"

SENATE JOURNAL

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BILL NO. S.B. 307

Strike: "30%"
Insert: "25%"

ilb/90
amendsb307/8

SENATE TAXATION COMMITTEE
Subcommittee Meeting

SB 307 (Governor's Proposal)

March 7, 1987

The second meeting to study SB 307 met in Room 413/415 at 1:00 p.m. on March 7, 1987. Senator Crippen, Chairman, Senator Brown, Senator Mazurek and Senator Neuman were the committee members present. Also present were John Lafaver, Department of Revenue; Dan Bucks, Department of Revenue; Forrest H. Boles and George D. Anderson, representing the Chamber of Commerce; Jim Fewer, researcher for the Republican Senate; Jim Lear of the Legislative Council and staff researcher for the Committee and Lloyd Bender,

UNITARY TAX:

John Lafaver stated that the election fees raised \$7,000. Instead, he suggested, there could be a higher tax of possibly 7½% which would generate \$350,000 and a 2½% surcharge. He said it was not the administration's intent to tax all the foreign dividends, only those relating to Montana. The existing statute on unitary tax is Section 15-31-300, part 3.

Chairman Crippen asked Dan Bucks about the DOR's amendment to replace the revenues lost if the water's edge election fee were dropped. Mr. Bucks presented Exhibit 1. It would be necessary to increase the corporate tax rate for electing corporations by 2½% to offset the \$700,000 loss in revenue from the elimination of the election fee. Mr. Lafaver said it was written to clarify the intent not to tax 100% of the dividends, only those relating to business going on in Montana.

Mr. Anderson stated he would like to know which dividends were to be taxed by this. He doesn't feel any foreign income or dividends should be taxed. Mr. Lafaver said the only dividends that can be taxed are those that are in fact related to business activities in Montana. "Related to" means "contributes to and is dependent upon" the business activities of Montana, he said. It will be a case by case determination depending upon the type of business.

Sen. Crippen, referring to the 85% figure in HB 703, asked if that meant 15% of all dividends would be taxed. Anderson said it meant all foreign dividends and all foreign income.

Chairman Crippen asked what the fiscal impact would be if we used that approach. Mr. Lafaver said a \$1.2 million loss yearly. To be specific, there are three cost items: dividends, the fee and the 80-20 investing corporations doing business overseas, the latter a \$1.2 million item.

SB 307 Subcommittee
March 7, 1987
Page 2

Mr. Lafaver said the 15% in HB 703 is not 15% of all foreign dividends received by the corporations, but only 15% related to the activities in Montana.

Sen. Mazurek said he had a problem with the definition of unitary. Mr. Anderson said the corporations in Montana have complained about this.

Sen. Brown suggested eliminating the fee, setting the tax rate at 7½% and adopt the HB 703 language on the dividends. Sen. Neuman objected to the exclusion of the dividends.

George Anderson said the figures in Exhibit 1 were not the same as those given previously by the DOR.

Sen. Brown MOVED a compromise setting the tax rate at 7½%, adopting HB 703 language on the 15% concept only on the unitary businesses and eliminate the fee. The MOTION FAILED with Senators Brown and Crippen voting YES and Senators Mazurek and Neuman voting NO.

Chairman Crippen MOVED to strike all language pertaining to unitary tax. After some discussion, the MOTION CARRIED UNANIMOUSLY. (Pertains to Sections 40-49)

CAPITAL COMPANIES:

Chairman Crippen MOVED that the language in Section 77 and other pertinent language in the bill pertaining to capital companies be changed to conform with the language in Sen. VanValkenburg's bill (SB 22) which has passed the Senate.

Sen. Neuman said that the tax credits go to \$150,000 maximum for each individual. Mr. Lafaver said it is extended for an extra 2 years or an extra \$3 million. Capital companies could be stricken from the bill, but Chairman Crippen felt there should be some reference to it as it is a part of the package. Sen. Neuman said the impact falls to the counties and would like to leave the bill as is and perhaps later work it out in a conference committee.

Sen. Brown thought a comparison should be made between this bill and SB 22 .

Chairman Crippen said he understood that the Great Falls Capital Company was the reason for this section. He felt that the more the earnings, the more that is invested in the Great Falls area benefitting the economy there.

The MOTION CARRIED with Sen. Neuman voting NO.

More discussion brought out Sen. Neuman's feeling that much of the money earned was not reinvested in Montana. Also, Mr. Lafaver said he didn't like the "out of state" portion and thought it created a major loophole. Chairman Crippen said the subcommittee had to come up with a compromise having SB 307 on one side and a total revenue on the other side.

Sen. Mazurek asked to speak to the "out of state" portion. Mr. Lafaver said it changes the definition of capital base, determines what is subject to regulation and also allows 25% of its available investment monies outside the state. Dan Bucks said the capital companies act has 3 parts to it: 1. defines its general purposes, 2. gives tax credits and 3. the regulatory part. Sen. Neuman pointed out there is a \$3 million cap. Chairman Crippen asked if a company's 25% were \$10million would that be allowed. Mr. Lafaver said that one of the problems with SB 22 was the definition of "funds". After some discussion, it was determined to postpone that definition.

Sen. Crippen MOVED to accept the VanValkenburg bill entirely as it pertains to Section 90-8-202. The motion PASSED UNANIMOUSLY.

MISCELLANEOUS SECTIONS:

Section 78. MOVED, PASSED UNANIMOUSLY.

Section 79. MOVED, PASSED UNANIMOUSLY.

Section 80. MOVED, PASSED UNANIMOUSLY.

Sections 81 through 84. MOVED, PASSED UNANIMOUSLY with the Sen. Neuman's MOTION that the words "or tape recording" be added on page 144, line 14 of Section 83.

NUISANCE TAXES:

Section 94, regarding monies collected for certified copies of returns etc was amended by Chairman Crippen who MOVED that 15-31-"553" should be AMENDED to "551". MOTION CARRIED and Section 94 was MOVED, PASSED UNANIMOUSLY.

The DOR representatives said that in 604 through 607 an interchange of information is required between Labor and Industry and the Department of Revenue which is difficult to accomplish. Since the computer systems do not communicate well, Sections 95 and 96 will repeal the requirement.

Sections 95 and 96. MOVED, PASSED UNANIMOUSLY.

SENATE TAXATION

EXHIBIT NO. 5

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March 7, 1987
Page 4

Other sections passing and adopted by the Committee were:

101

106

107 (company tax)

108 (\$15 store license)

109 (Retailer tax)

110 (gypsum producers - AMENDED AND PASSED AS AMENDED)

112 (non-effective; relating to credit for payment of
cigarette tax)

113 AMENDED AND PASSED AS AMENDED

114, 115

116 (it was referred to as having been passed previously)

117 (penalty for late payment)

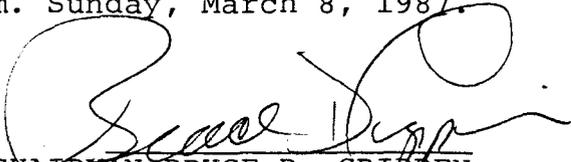
54

55

56

53 (oil tax)

The meeting adjourned until 8 a.m. Sunday, March 8, 1987.


CHAIRMAN BRUCE D. CRIPPEN
Subcommittee for SB 307

Don Bucher

INCREASE IN RATES REQUIRED TO REPLACE THE REVENUES LOSS IF WE ~~DROR~~
THE WATER'S EDGE ELECTION FEE

We have determined it would be necessary to increase the corporate tax rate for electing corporations by 2 1/2 % (overall 8 1/2 % rate) to offset the \$700,000 loss in revenue from the elimination of the election fee.

The determination is based on our analysis of the 20 corporations receiving the greatest gain from a change to water's edge combination based on FY 86 data. The combined Montana taxable income for these corporations under a w.e. approach was \$28,364,000. Therefore, it would take an increase of 2 1/2% to raise the \$700,000. (.025 X 28,364,000 = 709,000) The caveat here is as stated before, FY86 data may or may not be an accurate prediction of the future.

We suspect that the industry opposition to the fee is based on the stability of the "minimum fee", it would remain more or less fixed. Whereas, tying the election payment to income could create the potential for a reduced fee or no fee. Thus, no cost to elect out of world wide combination.

Amendment:

Page 82

After line 14;

Insert: (3) In the case of a corporation subject to tax under this chapter which receives dividend income from corporations incorporated in a foreign country, the dividend income will be subject to apportionment only to the extent such income constitutes business income as defined in Section 15-31-302.

In order for such dividend income to be considered business income, the activities of the dividend payor must be directly related to the unitary business of the recipient, a part of which is operating in this state.

AMENDMENTS TO SENATE BILL NO. 307

INTRODUCED COPY

ALTERNATIVE MINIMUM TAX.

1. Page 31, line 18.

Following: "by"

Strike: "sections"

Insert: "section"

Following: "55"

Strike: "through 59"

2. Page 31, line 19

Following: "to"

Strike: "file"

Insert: "pay"

3. Page 31, line 20.

Following: line 19

Strike: "return"

4. Page 33, line 20.

Following: "residents,"

Strike: "the rates provided for in 15-30-103 must"

Insert: "a tax rate of 5% shall"

5. Page 80, line 11.

Following: "part"

Insert: "which are required to pay a tax pursuant to Section 55
of the Internal Revenue Code."

6. Page 81, line 1.

Following: (i)

Strike: "6"

Insert: "4"

7. Page 81, line 5.

Following (ii)

Strike: "6"

Insert: "4"

rr/93

amendsb307/18

SENATE TAXATION
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Exhibit 3
Bucks

HMT 3/9/87

3-10

AMENDMENTS TO SENATE BILL NO. 307

INTRODUCED COPY

1. Page 32, line 13.

Following: "income"

Insert: "less the applicable exemption amount provided for
in Section 55 of the Internal Revenue Code,"

2. Page 32, line 24.

Following: "income"

Insert: "less the applicable exemption amount provided for
in Section 55 of the Internal Revenue Code,"

3. Page 80, line 16.

Following: "Code"

Insert: "less the applicable exemption amount provided for
in Section 55 of the Internal Revenue Code"

4. Page 80, lines 18 and 19.

Following: "15-31-305"

Strike: "the federal alternative minimum"

5. Page 80, line 25.

Following: "The"

Insert: "Montana"

6. Page 81, line 1.

Following: "of"

Strike: "the federal alternative minimum"

ilb/90

amendsb307/13

SENATE TAXATION

EXHIBIT NO. 5

DATE 3-13-87

BILL NO. S.B. 307

SENATE TAXATION COMMITTEE
Subcommittee Meeting
SB 307 (Governor's Proposal)

March 8, 1987

The third meeting to study SB 307 met in Room 413/415 at 8:00 a.m. on Sunday, March 8, 1987. Senator Crippen, Chairman, Senator Brown, Senator Mazurek and Senator Neuman were the committee members present. Also present were John Lafaver and Dan Bucks, Department of Revenue; Forrest H. Boles and George D. Anderson, representing the Chamber of Commerce; Jim Fewer, researcher for the Republican Senate; Jim Lear of the Legislative Council and staff researcher for the committee; Lloyd Bender, researcher for the Democratic Senate; Gary Carlson and Mike Hall, Certified Public Accountants; Curt Nichols, Legislative Fiscal Analyst; and Senator Chet Blaylock.

UNITARY TAX.

Discussion was held regarding dividends and a tax exclusion being allowed for corporations for the first 5 years they are in the state. Mr. Lafaver said this would be a compromise proposal on Sen. Brown's suggestion of the 15% exclusion. He said it puts out the welcome mat and keeps the price low.

Sen. Mazurek questioned the short-term approach, as did Sen. Crippen and Mr. Anderson. Mr. Lafaver said HB 703 has a similar 5-year window on separate accounting. He said the logic was that when a firm starts up, they are losing money for the first five years. Mr. Anderson said it would be unfair to present companies in Montana, whose economy is going steadily downhill and whose unitary tax is driving people out. He gave as an example Grace Vermiculite who will move out the minute they find vermiculite anyplace else. Sen. Neuman said the reason unitary tax had been put in was that the tax burden had shifted to Montana-owned businesses as the multi-state and multi-national companies didn't pay any Montana taxes.

Sen. Neuman MOVED that the Section pertaining to Unitary Tax be reopened and that the subcommittee accept the Brown Amendment from the March 7 meeting, with the change that 85% of a company's dividends be excluded for the first five years a company lives in Montana.

Chairman Crippen, clarifying the Brown Amendment, said it eliminated the fee, set the tax rate at 7.25% and accepted the SB 703 language pertaining to dividends.

Mr. Anderson said that would still not be acceptable to Montana businesses -- that Montana sticks out "like a sore thumb" in the taxing of foreign dividends.

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Mr. Lafaver said one-third of the states tax these dividends and one-third taxes them partially. He also said another portion of the bill serves to tax all dividend income once.

Sen. Neuman said his motion was not to include the 80/20 companies. Mr. Bucks said HB 703 excludes the 80/20s from the definition of the "waters edge". But then it comes back in and puts in 15% of the after-tax income as part of the dividends. If you don't go along with 703 on 80/20, you don't need the dividend language, he said.

Sen. Brown meant the foreign dividends only. He said his intent was to trade the fee for the 7½% and to treat the dividends the same way they are treated in HB 703, taxed at 15%. Sen. Crippen then asked for a definition of 80/20 corporations. Mr. Anderson answered that an 80/20 corporation is a corporation incorporated within the United States that has 80% or more of its business outside of the United States. It is a vehicle used by U. S. corporations to do business outside of the United States, rather than forming a subsidiary in a foreign country i. e. Coca Cola.

Sen. Neuman's MOTION (an amended version of Sen. Brown's) adding the 5-year exclusion PASSED by a vote of 3 to 1 with Sen. Crippen voting NO.

Section 35.

Chairman Crippen MOVED ADOPTION of Section 35. The MOTION CARRIED UNANIMOUSLY.

Section 37.

Mr. Carlson said (2) of Section 37 referred to credits allowed at the federal level that aren't allowed at the state level. Mr. Bucks responded that the fiscal impact of that is \$4.25 million because a credit was allowed for taxing only once. Chairman Crippen asked who would be making up that money and Mr. Bucks said mostly a dozen oil corporations.

Mr. Anderson said the state gets 3 taxes out of the same money: From the bank holding company, from the bank and from the stockholders. Mr. Bucks commented that that problem was being taken care of by providing a credit to the bank holding company. He said the funds are only taxed once at the corporation level, a duplication of treatment done at the federal level.

Sen. Mazurek MOVED that Section 37 BE ADOPTED. Chairman Crippen said Section 39 should be included in the motion

as they are tied together. The MOTION on the ADOPTION of Sections 37 and 39 CARRIED, with Sen. Crippen voting NO.

Section 36, dealing with loss carry-backs and carry-forwards, was discussed by the subcommittee at some length. Sen. Crippen MOVED for 1 year back and 9 years forward. In further discussion, Mr. Lafaver said that Idaho's law had a dollar limit on its carry-back, Idaho's being \$100,000.

Various suggestions were made with different numbers of years. It was stated that the reason for the carry-back was to average a very bad year, financially, with a preceeding good year. A potato farmer was used as an example by Mr. Anderson. Mr. Hall mentioned a dairy farmer who sold the dairy, but was unable to sell the dairy farm for a number of years. He no longer has the dairy income, but is still paying taxes on the non-producing dairy farm. Sen. Brown asked, if the fiscal impact comes from the carry-back provision, then why was the carry-forward being limited to three years. Mr. Lafaver commented that services have been provided by the state and should be paid for, but he said there was no "magic number" which had to be used regarding the number of years. As to comparison with other states in this area, Mr. Bucks said there were no carry-backs in many states because of the on-going services provided by the states and the need to balance the budget.

Sen. Mazurek suggested using 3 years back and 7 years forward with a dollar cap. He asked the DOR to figure the impact and, because of the time needed to do this, action on Section 36 was postponed to a future meeting.

Sen. Neuman said that a farmer could control his income by not selling grain one year when he could see his year was going to be bad. He might accelerate a loss knowing he will get a big refund, essentially borrowing money from the state to operate in the coming year. He agreed with more carry-forward.

Mr. Anderson said he felt few businesses were complaining about the 6 3/4% rate and wondered why that change was being proposed. Mr. Lafaver said the Governor's Economic Council suggested it as a way to improve business climate. Chairman Crippen and Mr. Anderson thought the small lowering of taxes would not solve the problems that corporations are complaining about i.e. the unitary taxes, income taxes and the ATM. Mr. Hall agreed that the 3/4% reduction wouldn't help his clients much, but said the carry-back would.

Sen. Crippen withdrew his motion of one year back and 9 forward.

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Section 38 - Alternative Minimum Tax (ATM)

Mr. Lafaver felt the state couldn't come up with a percentage of the federal but only to income that is portionable to Montana. It will require more than borrowing from the federal calculations, he said, and will probably require a short state form. Mr. Carlson said that banks and oil companies are the companies that have been paying ATM. He feels this will be a dramatic shift and that it can't yet be determined who will be impacted with ATM. The federal ATM rate is not the same rate as the income tax rate. The income tax rate is generally higher. He felt it would be better to keep the 6 3/4% rate and drop the exploration of the ATM altogether. Mr. Anderson said it is going to mainly affect the resource companies i.e. mining and oil companies, in addition to banks and all corporations that use fast depreciation. In reference to the tax preferences they have, he said that was because they are in a very high risk business. As SB 307 is now written, Mr. Anderson said the preferences would be taxed and the deductions eliminated.

Chairman Crippen asked if Mr. Lafaver would object to eliminating the ATM for the present and have the Revenue Oversight Committee look into the impact of the interim. Mr. Lafaver said he did object, that it was a major piece of the structure of the bill.

Mr. Anderson maintained that the ATM was pointed unfairly at corporations and would cost them far more than the Fiscal Note indicated. Mr. Lafaver said the DOR would be happy to sit down with the Montana Power Company and compare figures if this would be a way of reaching a meeting of the minds in this area.

Sen. Brown asked how the Fiscal Note was figured. Mr. Bucks said it was based on making the conversion, what Montana corporations paid under prior federal law, working in the adjustments from the new tax reform act, and assigning that to the Montana corporations using the rate structure the bill proposes. The figures are very much in line with Mr. Vasquez' final line by line estimates, he said.

It was a consensus of the committee to postpone action on this section.

Section 17 - Personal Income Tax on Retirement Income.

Sen. Mazurek felt the exemptions should stay as they are and asked what exemptions could be restored. Mr. Bucks said that,

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if we left current law with full exemption for public and private employees, the impact would be \$4 million, after the federal changes. He said it would be a net gain to the private retirees because they lose a \$360 exclusion but gain a higher standard deduction and thus gain a couple thousand dollars in deductions.

Sen. Mazurek asked for a break-down of impact on state income tax for the retirees and Mr. Lafaver read the following:

Private retirees - 8100 (about 1/3 of the state's retirees)
8044 pay less and 56 pay more
Federal retirees - 6647 (about 1/5) 547 will pay less, 6100
will pay more
State and local retirement - (less than 1/3 of total retirees)
1600 will pay less, 8100 will pay more
Private and state retirees - (retirement coming from both
sources, doesn't include railroad retirees, indian
reservation) (about 8% of total), 402 pay less,
1900 pay more

Total: Of 33,000 households, 10,600 will pay less, 22,000
will pay more

After both federal reform and SB 307: 22,800 will pay less
10,000 will pay more

Mr. Carlson said he knows of a retired teacher who has a \$10,000 pension and \$3,000 in interest income who paid \$28 in 1985 and, under SB 307, will pay \$393 - a \$355 increase.

Sen. Blaylock said he is a retired teacher on Social Security. He said that after three years, the retiree gets back everything he has put into the fund. After that, the pension is paid out of a trust. He feels this is a fair tax and thinks retired people should pay their share.

Further discussion included \$3600 exemption, cost of living, double-dippers, taxation of interest, retirees migrating to no-tax states, a \$1000 deduction, the fact that a retiree with a \$10,500 income per year doesn't have to file, use of an age limit, a \$1700 deduction, no-pension retirees who sell businesses, other states' exemptions and joint returns.

Sen. Brown MOVED that we eliminate tax retirement provisions in SB 307, and leaving things "as is" with deductions from AGI (all current retirement) as may be affected by SB 74, wherever it is referred to in the bill.

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Other members asked for time to consider Sen. Brown's amendment. It was decided to take a lunch recess from 12:15 until 1:30 p.m., allowing the committee members time to eat and consider the amendment.

When the subcommittee reconvened, Sen. Neuman MOVED A SUBSTITUTE MOTION to allow \$3600 deduction for all pensions for all retirees, which will cost \$5 million, he said. Sen. Brown's motion, according to Sen. Neuman, was discriminatory to some retirees. The result would be lowering the PERS and raising the fed income tax. Sen. Crippen felt that had already been accomplished with HB 74. Sen. Neuman said it would be an increase with the standard deduction plus the personal, with \$3600 on top of that. Sen. Neuman's substitute motion PASSED 3-1 with Sen. Crippen voting NO.

Mr. Lear was asked to amend all sections pertaining to this amendment: 17, 30, 31, 32, 86, 113, 7, 8, 9 to conform to the intent.

Mr. Carlson asked if IRA's would be included in this exclusion; he felt a definition of "retirement income" should be made. Mr. Lafaver said he thought IRA's and Keoghs would be included. Mr. Lear was asked to clarify language regarding the committee's intent.

Sections 2, 4, 5, 7, 8, 9, 16.

Technical amendments were MOVED AND PASSED UNANIMOUSLY.

Section 36 was reopened for discussion. Mr. Bucks said research had been done on 1986 figures of total net operating losses or corporations and calculated what the losses would be if \$100,000 were applied to the carry backs. The impact on the original proposal would be a reduction of one-half (Page 3 of the Fiscal Note). In 1988, that would be \$750,000 and in FY 1989, it would be \$1,125,000. In the proposal, the excess over \$100,000 would still be available for carry-forwards. To make the loss up, a 6.15% rate would have to be used. Mr. Bucks said 95% of the losses for FY '86 were under \$100,000.

Sen. Neuman MOVED to amend to provide three years carry-back subject to a maximum carry-back of \$100,000 per loss year. The excess over \$100,000 could be carried forward up to seven years. The MOTION PASSED UNANIMOUSLY. Mr. Carlson referred the committee to page 75, line 8 of the bill which states "after January 1, 1987", indicating that it would be retro-active.

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Section 98 - Alternative energy credits for both individuals and corporations.

Sen. Mazurek MOVED TO ADOPT Section 98. MOTION CARRIED UNANIMOUSLY.

Section 25, Extensions for filing.

Mr. Bucks explained that amendments were needed. The bill was drafted incorrectly as it was intended to conform to the federal law.

Sen. Crippen MOVED that wording be changed on page 56, line 24 from "two" months to "four" months. The MOTION CARRIED UNANIMOUSLY.

Sen. Mazurek MOVED on page 58, line 1 and on page 57, line 3, following "department", to insert "." and strike the balance of lines 3 through 6. The MOTION CARRIED UNANIMOUSLY.

Sen. Crippen MOVED Section 25 be adopted, as amended. The MOTION CARRIED UNANIMOUSLY.

Section 26. Sen. Mazurek MOVED ADOPTED, PASSED UNANIMOUSLY.

Section 27 was MOVED ADOPTED by Sen. Crippen. The motion PASSED UNANIMOUSLY.

Section 28 was MOVED ADOPTED by Sen. Crippen. The motion PASSED UNANIMOUSLY.

Section 29. Discussion by Mr. Carlson, Mr. Anderson, Mr. Bucks and Mr. Lafaver led to Sen. Neuman making a MOTION to stipulate that if a taxpayer files a Sub-chapter S return at the federal level, it will be automatic at the state level. The MOTION CARRIED UNANIMOUSLY.

Section 29 was MOVED ADOPTED AS AMENDED; the motion PASSED UNANIMOUSLY.

Other sections MOVED ADOPTED and PASSED UNANIMOUSLY were:

(Section) 30, 31, 32, 33, 34, 9, 12, 10, 11, and 23.

The meeting adjourned at 4:30 p.m.


Chairman Bruce D. Crippen
SENATE TAXATION

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EXHIBIT NO. 5
DATE 3-13-87
BILL NO. S.B. 307

SENATE TAXATION COMMITTEE
Subcommittee Meeting

SB 307 (Governor's Proposal) March 11, 1987

The fourth meeting was called to order at 8:20 p.m. in Room 413/415 by Chairman Bruce Crippen. Present were committee members Brown, Neuman and Mazurek. Also present were John Lafaver and Dan Bucks of the Department of Revenue; Leo Berry, Association of Montana Retired Public Employees; Ron Aker and Mike Holland, Montana Society of Certified Public Accountants; Judy Waldron, Legal Fiscal Analyst; Jim Fewer, Senate Republican Leadership; Lloyd Bender, Senate Democratic Leadership; Joseph F. Shulin, MSCPA; Don Reed, Montana Alliance for Progressive Policy.

Chairman Crippen reviewed what had been accomplished in past meetings and commented that Corporate and Individual income taxes needed further discussion. He asked that the committee start today with Section 1, the 4-6-8 rate.

Sen. Mazurek MOVED to amend on page 8, line 14 an increase of the \$35,000 exemption to \$85,000 (increased credit). The motion CARRIED. Sections 1 and 2 were MOVED AS AMENDED and PASSED UNANIMOUSLY.

Section 3 refers to the March 1 deadline which is often missed or forgotten and is now being changed to coincide with the April 15 federal deadline. There would be no fiscal impact. Sen. Neuman MOVED that Section 3 be adopted. The MOTION PASSED UNANIMOUSLY.

Section 4 would take out federal tax refunds. In this section household income is redefined as it applies only to low income tax relief. Mr. Lafaver said the legislature was after a broader definition than used in income tax statutes. Other types of income concerning unemployment, workers compensation, welfare are clarified. He said it is a substantive change. Indexing the \$4,000 exemption is a change from previous policy. Chairman Crippen asked if a tax refund is included, and Mr. Lafaver said yes. Chairman Crippen felt that a refund was not really income, just a return of a taxpayer's own money. He asked if it could be expanded to include insurance for casualty losses. Mr. Lafaver did not have any objection to taking out the tax refund.

Sen. Crippen MOVED to AMEND on page 12, line 9 (g). Strike line 9 and add "and" after "benefits; and". Motion PASSED.

Sen. Mazurek MOVED that Section 4 BE ADOPTED AS AMENDED. MOTION CARRIED UNANIMOUSLY.

1.

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Section 5. Sen. Mazurek said that when the committee granted the \$3600 tax exclusion, it was suggested that there be a trade-off with this section. Mr. Lafaver distributed figures regarding the affect of the \$3600 exemption for all retirement income. After more discussion, Section 5 was MOVED to be adopted by Sen. Mazurek and PASSED UNANIMOUSLY.

Sections 6, 7 and 8. Senator Crippen MOVED to adopt. MOTION CARRIED UNANIMOUSLY.

Sections 21 and 22 regarding trusts. Mr. Holland said this income is currently taxed, but this section will make statute conform to the federal statute. All the things allowed on the federal return will be allowed here, he said. Chairman Crippen said he would like to defer action on this section to a later meeting.

Section 24 -- filing status. This would require a married couple to file a joint state return if they filed a joint federal return. Mr. Holland said the CPAs felt this would be a good move but thought there could be an adjustment of the rates. Sen. Neuman MOVED to adopted Section 24. MOTION CARRIED UNANIMOUSLY.

MIN TAX.

Mr. Lafaver said the DOR had worked with the CPAs and had prepared an amendment to state that you must pay a federal ATM before you would be liable to do so in the state. Based on CPA figures, the tax could be lowered to 4% for corporations and 5% for individuals and both would not be subject to the ATM if they're not subject to the Federal ATM.

Mr. Holland was concerned that nearly every taxpayer would have to file an ATM. A taxpayer would only have to file if he earned \$40,000 or more in an amendment the DOR is willing to present, said Mr. Lafaver. Mr. Holland felt the impact is not known, so the CPAs have reservations on the ATM.

Due to Mr. George Anderson's inability to attend the meeting, he sent written testimony to the committee (EXHIBIT 1) regarding ATM. It was read by Chairman Crippen. Mr. Anderson felt that the Montana Power Company would pay \$1.2 million per year. Mr. Lafaver said if his amendment of lowering the figure to 4 were accepted, then MPC would pay no ATM. Mr. Bucks said you would have to be in the 8% rate to pay ATM. Holland agreed, but thought the rates were still too high.

Sen. Brown asked how the DOR arrived at the 4% and 5% rates. Mr. Lafaver said from information received from MPC and other Montana firms. Sen. Brown asked if that were 25% of the federal figure. Mr. Holland said the state corporate rate is 2/3 of the federal rate, but that the CPAs are afraid it will have a greater impact than the DOR thinks on the corporate level.

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Sen. Mazurek MOVED to AMEND to reduce to 4% and 5%, from the 4, 6, 8 structure to 5% flat rate, as mentioned in the amendment drafted by Mr. Bucks. MOTION CARRIED. No further action was taken on MIN TAX.

Section 13 was discussed. Mr. Lafaver thought that the substantive language was on page 26, line 17 where the definition of net taxable income, non-resident and part-year resident appeared (sub (11), page 26).

Mr. Lear said the Ramirez bill would take care of this. Mr. Bucks said the Ramirez bill doesn't clearly reinstate the prior capital gains. In further discussion, it was suggested that that bill could be used to define a capital gains system for Montana that is different from the federal one.

Mr. Lafaver said Sec. 13 (11) does away with the federal income tax deduction. Starting FIT is worth \$45 million per year. This is a major element in allowing the rates to be lowered.

Mr. Bucks read figures from a chart showing impact of reducing deductions and adding a surtax. See EXHIBIT 4.

The surtax would make up the revenue lost by the cap changes, he said, and that the main item worth \$49.9 million is increasing the standard deductions and exemptions. Chairman Crippen felt the high bracket taxpayer would mostly make this up because they wouldn't take the standard deduction. Eliminating the FIT and increasing the deductions shifts the burden to the upper end, he said. Mr. Lafaver agreed but said no one would be paying 11% as it is lowered to 8%, similar to other states.

Mr. Holland said the people worst off in this area are the retired married couples with no deductions. They start paying at \$8900 and break into the 28% bracket at \$28,000. Mr. Bucks said you lower the top rate to get back into the 7 to 11 proportion. The reality was 5.5%, but the perception was 11%, he said. Mr. Holland suggested that the rates will chase a lot of older people to states that don't have any income tax because in Montana, they will be paying a higher percentage than other people. Mr. Bucks mentioned that some persons in the \$700,000 bracket are paying no tax. SB 307 would be bringing them to the same tax as persons in the \$60,000 without shelters. Mr. Holland said the \$700,000 income person paid a considerable amount to the federal government; but that, in the meantime, Montana had had the use of \$50,000 of his money for the year before. Mr. Lafaver said that 1/4 of all people who make \$100,000 pay no Montana tax because of shelters.

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Mr. Reed explained a graph which showed regressive tax lowering. Mr. Holland said Montana's tax picture is bleak for wealthy taxpayers, particularly retired people with a great amount of savings.

Jim Fewer said his research indicated that the deduction is much less benefit -- only worth 28% rather than 50% after federal tax reform. Sen. Mazurek felt that the combination of joint filing and loss of deductibility increased the state income tax. Mr. Bucks indicated more people would be treated alike with SB 307.

RESIDENCY.

Residency problems were discussed and the CPAs indicated they would like to see equalizing and liberalizing for income tax states and tightening up for non-income tax states. They would like medical, house and other deductions, especially for the wage earner. It was the consensus that agreement could be reached in this area.

MIN TAX.

John Lafaver read figures showing what rates would be necessary to make up the \$3600 retirement deduction. He spoke of the federal tax changes and mentioned federal income that can't be taxed.

RETIREMENT EXCLUSION.

This subject was reopened at the request of Leo Berry who represents Retired Public Employees. He felt that PERS retirees are going to pay more even with the federal windfall. He said the original numbers looked good, but were off \$540 even with the \$3600 exclusion. He felt the tax-free status should be grandfathered. Mr. Lafaver said a married, joint filing retiree earning \$14,000 will pay no state tax. Discussion on grandfathering and lowering the deduction occurred. Sen. Mazurek asked Jim Lear to draft an amendment on PERS retirement grandfathering and changing the deduction to \$2500.

CAPITAL GAINS.

Chairman Crippen asked for the impact on DOR if capital gains were reinstated. Mr. Lafaver said it would be \$24 million. Mr. Holland said capital gains would be a major impact, and that an adjustment in rates would be simpler. If the U. S. Congress changed capital gains, a schedule would be applied.

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It was indicated that the total impact on what the subcommittee had done was about \$13 million lost from the bill. Mr. Lafaver's note on impact EXHIBIT 3.

Chairman Crippen announced that the next meeting would be at 1:00 p.m., Thursday, March 12.

The meeting was adjourned at 11:45 p.m.



Senator Bruce D. Crippen
Chairman

SENATE TAXATION
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SB 307, as amended

The following examples show the effect of SB 307 as amended (\$3,600 exemption for all retirement income).

The attached sheet shows the break out between state and federal taxes.

<u>Taxpayer Description</u>	<u>Old Law</u>	<u>Proposed Law</u> <u>with Amendment</u> State Employee
Single, \$9,600 retirement income, std. ded.	\$ 851	\$ 740
Single, Interest and Retirement Income totaling \$14,600, item. ded.	\$ 1,527	\$ 1,563
Single, Wages, Interest and Ret. Inc. of \$22,100, item. ded.	\$ 2,974	\$ 3,258
Married-Joint, Interest and Ret. Inc. of \$10,200, std. ded.	\$ 435	\$ 105
Married-Joint, Tot. Retirement Inc. of \$20,000, item. ded.	\$ 1,921	\$ 1,899
Married-Joint, one State worker, one retired; Wages and Ret. Inc. of \$34,000, item. ded.	\$ 5,886	\$ 5,017
Married-Joint, \$17,900 private retirement income; \$45,400 total income; item. ded.	\$ 8,078	\$ 8,223

TAXPAYER EXAMPLES

		STATE/LOCAL EMPLOYEE			FEDERAL EMPLOYEE			PRIVATE EMPLOYEE		
		OLD LAW	PROPOSED LAW	PL PLUS \$3,600 EXCL.	OLD LAW	PROPOSED LAW	PL PLUS \$3,600 EXCL.	OLD LAW	PROPOSED LAW	PL PLUS \$3,600 EX
EXAMPLE 1: (INCOME= \$9,600)	FEDERAL	851	698	698	851	698	698	851	698	698
	STATE	0	189	42	114	189	42	412	189	42
	TOTAL	851	887	740	965	887	740	1263	887	740
EXAMPLE 2: (INCOME= \$14,600)	FEDERAL	1527	1335	1335	1527	1335	1335	1527	1335	1335
	STATE	0	444	228	162	444	228	331	444	228
	TOTAL	1527	1779	1563	1689	1779	1563	1858	1779	1563
EXAMPLE 3: (INCOME= \$22,100)	FEDERAL	2645	2528	2528	2645	2528	2528	2645	2528	2528
	STATE	329	1018	730	542	1018	730	791	1018	730
	TOTAL	2974	3546	3258	3187	3546	3258	3436	3546	3258
EXAMPLE 4: (INCOME= \$10,200)	FEDERAL	435	105	105	435	105	105	435	105	105
	STATE	0	28	0	20	28	0	106	28	0
	TOTAL	435	133	105	455	133	105	541	133	105
EXAMPLE 6: (INCOME= \$20,000)	FEDERAL	1921	1575	1575	1921	1575	1575	1921	1575	1575
	STATE	0	540	324	262	540	324	454	540	324
	TOTAL	1921	2115	1899	2183	2115	1899	2375	2115	1899
EXAMPLE 7: (INCOME= \$34,000)	FEDERAL	5098	3675	3675	5098	3675	3675	5098	3675	3675
	STATE	788	1630	1342	1425	1630	1342	1719	1630	1342
	TOTAL	5886	5305	5017	6523	5305	5017	6817	5305	5017
EXAMPLE 8: (INCOME= \$45,400)	FEDERAL	7066	6017	6017	7066	6017	6017	7066	6017	6017
	STATE	1012	2494	2206	2005	2494	2206	2689	2494	2206
	TOTAL	8078	8511	8223	9071	8511	8223	9755	8511	8223

SB 307

Alternative Minimum Tax

Date	Prepared By	Work Paper No.
3/11/87	George Anderson	
	Reviewed By	

Alternative minimum tax should be deleted from SB 307 and the concept studied over next biennium as to two aspects:

1) Should Montana even assess such a tax? Is it a proper tax for a state to assess?

2) If it should, then what should its structure be?

The DOR either does not understand the workings and effect of A.M.T. or does not care. The effect is very severe upon resource development companies and capital intensive companies. DOR does not have a sufficient data base to really assess the effect of the tax nor are they able to obtain it in time to make proper decisions as to the practicality of the tax nor the rate it should be set at.

SENATE TAXATION

EXHIBIT NO. 5

DATE 3-13-87

Bill No. S.B. 307

Ex 3
John LaFaver

3-10

(^{\$}10.4M)

(1.9M)

.7M

Retirement \$3600 exemption

Net operating loss 100,000 by

unitary waters Edge

AMENDMENTS TO SENATE BILL NO. 307

INTRODUCED COPY

ALTERNATIVE MINIMUM TAX.

1. Page 31, line 18.

Following: "by"

Strike: "sections"

Insert: "section"

Following: "55"

Strike: "through 59"

2. Page 31, line 19

Following: "to"

Strike: "file"

Insert: "pay"

3. Page 31, line 20.

Following: line 19

Strike: "return"

4. Page 33, line 20.

Following: "residents,"

Strike: "the rates provided for in 15-30-103 must"

Insert: "a tax rate of 5% shall"

5. Page 80, line 11.

Following: "part"

Insert: "which are required to pay a tax pursuant to Section 55
of the Internal Revenue Code."

6. Page 81, line 1.

Following: (i)

Strike: "6"

Insert: "4"

7. Page 81, line 5.

Following (ii)

Strike: "6"

Insert: "4"

rr/93

amendsb307/18

SENATE TAXATION

EXHIBIT NO. 5

DATE 3-13-87

BILL NO. S.B. 307

AMENDMENTS TO SENATE BILL NO. 307

INTRODUCED COPY

- 1. Page 32, line 13.
Following: "income"
Insert: "less the applicable exemption amount provided for in Section 55 of the Internal Revenue Code,"
- 2. Page 32, line 24.
Following: "income"
Insert: "less the applicable exemption amount provided for in Section 55 of the Internal Revenue Code,"
- 3. Page 80, line 16.
Following: "Code"
Insert: "less the applicable exemption amount provided for in Section 55 of the Internal Revenue Code"
- 4. Page 80, lines 18 and 19.
Following: "15-31-305"
Strike: "the federal alternative minimum"
- 5. Page 80, line 25.
Following: "The"
Insert: "Montana"
- 6. Page 81, line 1.
Following: "of"
Strike: "the federal alternative minimum"

ilb/90
amendsb307/13

Exhibit 3
Bucke

HAT 3/91

3-10

AMENDMENTS TO SENATE BILL NO. 307

INTRODUCED COPY

1. Page 32, line 13.

Following: "income"

Insert: "less the applicable exemption amount provided for
in Section 55 of the Internal Revenue Code,"

2. Page 32, line 24.

Following: "income"

Insert: "less the applicable exemption amount provided for
in Section 55 of the Internal Revenue Code,"

3. Page 80, line 16.

Following: "Code"

Insert: "less the applicable exemption amount provided for
in Section 55 of the Internal Revenue Code"

4. Page 80, lines 18 and 19.

Following: "15-31-305"

Strike: "the federal alternative minimum"

5. Page 80, line 25.

Following: "The"

Insert: "Montana"

6. Page 81, line 1.

Following: "of"

Strike: "the federal alternative minimum"

ilb/90

amendsb307/13

SENATE TAXATION

EXHIBIT NO. 5

DATE 3-13-81

BILL NO. S.B. 307

SENATE TAXATION COMMITTEE
Subcommittee Meeting
SB 307 (Governor's Proposal)

March 12, 1987

A meeting of the Senate Taxation Subcommittee met in Room 331 to further discuss Senate Bill 307. The meeting was held at 1 p.m. Senator Crippen, Chairman, Senator Brown, Senator Mazurek and Senator Neuman were the committee members present. Also present were John LaFaver, Department of Revenue, Dan Bucks, Department of Revenue, Michael Holland, Certified Public Accountant, Jim Fewer, Researcher for the Senate Republican Leadership, and Lloyd Bender.

Chairman Crippen told members of the subcommittee that he felt they had made some progress with Senate Bill 307. He said he sensed they are at a point where they will have to come to grips with realities of life. He said from he and Senator Brown's position, they have no intention of disposing of SB 307 and that they would not have spent such late hours (and Sundays), if that were their intention.

Senator Mazurek said from the perspective of the Democratic caucus there were efforts being made to deal with the rules suspension problems and the sentiment in that caucus is to make sure that rules get suspended. He said they would like to keep the committee going and keep it in shape and be as comfortable as possible as a subcommittee. He felt that by continuing to work on SB 307 and get it in shape it could be acted upon by the entire committee. He said he realizes there are people on the Republican side who are not totally pleased with SB 307 but he felt they would be a lot worse off not to have SB 307. He said he feels the Senate has an obligation to deal with the income tax area because without the passage of this bill or some other bill, we are not addressing the dramatic changes made at the federal level. He said there will be a lot of citizens who will be worse off if we do nothing than if we pass this bill.

Senator Crippen said he was surprised at the action which happened in the committee and felt the only thing the subcommittee can do now is to proceed and finish the action on this bill and send it to the whole committee and hear their thoughts. He further stated that he has no problem with trying to suspend the rules on Monday, March 16, but it was his opinion that what they would try to do would be to put this in a condition that would be acceptable as possible and then do the same thing on the sales tax item; however, the opportunity to accomplish this has passed because of the time element. He expressed his surprise at Senator McCallum's appointment of another committee but he felt it was probably the suggestion of other members of the Taxation Committee to have more of an active role in this.

SENATE TAXATION

EXHIBIT NO. 5

DATE 3-13-87

BILL NO. S.B. 307

It was the opinion of Senator Crippen that the Senate must respond in some way but the question is, when? He said the consensus in the Republican leadership is that they fought long and hard two years ago on the federal deductibility factor and to turn around and recapitulate on that is repugnant. He said this bill will greatly increase the taxes and individuals will be hit higher by a federal tax reform, a sales tax, and sur-tax. He felt they should discuss the various aspect of that deduction. He said they are also concerned about the capital gains and the elimination of other deductions under the federal tax reform and there is a strong concern about the future sales of farm property, etc., which will be hard hit by the Federal Tax Reform Act. He felt they should not be adding another burden to the already over-burdened segment of our economy. He said the minimum tax is designed to hit a certain segment of the people who are going to be hit repeatedly.

Senator Crippen also stated that he is concerned that they are trying to meet a deadline that is entirely unrealistic. He said his leadership expressed that SB 307 should be a total package including sales tax, property tax reform and even so far as expenditure reform but certainly tax reform and they have to be tied together. He said it was his opinion that if they are faced with all these decision that have to be met by Saturday, that he does not think they have the support to suspend the rules to accomplish this.

Senator Mazurek said he feels they expressed a willingness to work together to try and meet the deadlines. He felt it was totally irresponsible for the Senate to do nothing concerning SB 307 and rely on whatever package the House submits and then amend it in or amend it out.

It was expressed by Senator Brown that there are some problems with some of the conditions and he felt it may be possible to sell some of the objectionable provisions to quite a few Republicans if they could be made part of the package.

Senator Mazurek said that he would hope they make an effort to get the Governor's bill out to be debated. He said they would like to get the amendments prepared and changes made so it could be presented to the entire tax committee.

Senator Crippen stated that any amendments made to this bill, the sponsor will have the option to accept them or not.

Senator Brown asked if it would be possible to offer the Governor the bill in the shape he wants it in.

Senator Mazurek felt that by accepting the bill as originally submitted would be a mistake.

Subcommittee - SB 307
March 12, 1987
Page 3

Senator Crippen stated that in its present form, the bill is a better bill now than when it was originally submitted. He said he felt the subcommittee did a fine job and should be commended.

Senator Neuman felt the actions that have been taken so far are satisfactory and that they must work on the remaining issues. He said a vote will make the determination of the final status of the bill. He further stated that he was not receptive to writing a sales tax into the bill.

It was the opinion of Senator Crippen that the bill was not dead and the subcommittee must continue to work on the bill.

The meeting adjourned at 3 p.m.

A copy of the amendments which were adopted by the subcommittee, is attached.



SENATOR BRUCE CRIPPEN, CHAIRMAN
Subcommittee SB 307

SENATE TAXATION
EXHIBIT NO. 5
DATE 3-13-87
BILL NO. S.B. 307

INDIVIDUAL INCOME TAX REVISIONS & PROPERTY TAX RELIEF

Amend Senate Bill No. 307, Introduced Copy

(INCREASE \$35,000 TO \$80,000 FOR MOBILE HOME IN CLASS 12 FOR PURPOSES OF PRIMARY RESIDENCE TAX BREAK FOR LOW INCOME TAXPAYER)

1. Page 8, line 3.
Following: "first"
Strike: "\$35,000"
Insert: "\$80,000"

(EXCLUDE TAX REFUNDS FROM CALCULATION OF "GROSS HOUSEHOLD INCOME" FOR PURPOSES OF RESIDENTIAL PROPERTY TAX CREDIT)

2. Page 12, line 9.
Following: line 8
Strike: "(g) all tax refunds;"

(IMPOSE ALTERNATIVE MINIMUM TAX ONLY IF TAXPAYER IS REQUIRED TO PAY FEDERAL ALTERNATIVE MINIMUM TAX)

3. Page 31, line 18.
Following: "by"
Strike: "sections"
Insert: "section"
Following: "55"
Strike: "through 59"

4. Page 31, line 19.
Following: "to"
Strike: "file"
Insert: "pay"

5. Page 31, line 20.
Following: line 19
Strike: "return"

(ESTABLISH ALTERNATIVE MINIMUM TAX RATE AT 5% INSTEAD OF THE 4%, 6%, AND 8% RATES)

6. Page 33, line 20.
Following: "residents,"
Strike: "the rates provided for in 15-30-103 must"
Insert: "a tax rate of 5% shall"

(PROVIDE FOR \$40,000 EXEMPTION IN COMPUTING ALTERNATIVE MINIMUM TAX)

7. Page 32, line 13.

Following: "income"

Insert: ", less the applicable exemption amount provided for in section 55 of the Internal Revenue Code,"

8. Page 32, line 24.

Following: "income"

Insert: ", less the applicable exemption amount provided for in section 55 of the Internal Revenue Code,"

(INCLUDE AS DEDUCTIBLE ITEM FOR NONRESIDENT TAXPAYER INTEREST AND TAXES ON MONTANA PROPERTY USED FOR PRODUCTION OF MONTANA INCOME)

9. Page 42, line 14.

Following: "reservation"

Insert: "; (viii) interest and taxes on Montana property used for the production of Montana income"

(CONFORM INDIVIDUAL TAX RETURN FILING EXTENSION WITH FEDERAL EXTENSION PROVISIONS)

10. Page 56, line 24.

Following: "automatic"

Strike: "2-month"

Insert: "4-month"

11. Page 58, line 1.

Following: "exceed"

Strike: "4"

Insert: "2"

(DELETE REQUIREMENT TO ATTACH COPY OF FEDERAL EXTENSION FORM 4868 WHEN FILING FOR STATE EXTENSION)

12. Page 57, lines 3 through 6.

Following: "department" on line 3

Strike: remainder of line 3 through "period" on line 6

(MAKE ELECTION OF SUBCHAPTER S ON FEDERAL RETURN AUTOMATIC ELECTION OF SUBCHAPTER S ON STATE RETURN)

13. Title, line 14 of page 1.

Following: "15-31-202,"

Insert: "15-31-204, 15-31-209,"

14. Title, line 24 of page 1.

Following: "15-31-127,"

Insert: "15-31-201, 15-31-209,"

15. Page 64, line 3.

Following: "corporation"

Strike: "may elect"

Insert: "that has made a valid election under Subchapter S
of Chapter 1 of the Internal Revenue Code is"

Following: "not"

Strike: "to be"

16. Page 64, lines 5 through 22.

Strike: subsections (2) and (3) in their entirety

Insert: "(2) A small business corporation that has made a valid election under Subchapter S of Chapter 1 of the Internal Revenue Code shall file by the 15th day of the third month of its first taxable year a copy of the Internal Revenue Service notification or other proof that a valid federal election has been made. If such proof is not filed by the time the department receives the corporation's first tax return, the department shall notify the corporation that such proof is required within 60 days of the date of the notice. If proof is not received within 60 days, or a reasonable extension date based upon a request by the taxpayer prior to the expiration of the 60 days, the corporation is subject to the taxes imposed by this chapter.

(3) A small business corporation that has made a valid election under Subchapter S of Chapter 1 of the Internal Revenue Code may elect to be subject to the taxes imposed by this chapter by filing an election on a form provided by the department. The form must have printed on it a notification that making the election will subject income to tax under both this chapter and Chapter 30. For tax years beginning on or after January 1, 1987, but before March 1, 1988, the election must be filed by May 15, 1988. Thereafter the election must be filed by the 15th day of the third month of the taxable year for which the election is to become effective. The election may be revoked by written notification to the department. Such revocation must be filed by the 15th day of the third month of the taxable year for which the revocation is to be effective."

17. Page 64, line 23.

Following: "This"

Strike: "election"

Insert: "section"

18. Page 64, line 24.

Following: "of"

Strike: "such electing"

Insert: "the nonelecting small business"

19. Page 65, line 2.

Following: "Every"

Strike: "electing"

Insert: "nonelecting small business"
Following: "pay"
Strike: "the"
Insert: "a"

20. Page 65.

Following: line 3

Insert: "Section 30. Section 15-31-204, MCA, is amended to read:

"15-31-204. Minimum fee of qualifying corporations unaffected. Notwithstanding the provisions of 15-31-121 corporations ~~electing and~~ qualifying under 15-31-202 shall pay a minimum fee of \$10."

Section 31. Section 15-31-209, MCA, is amended to read:

"15-31-209. Termination and revocation. If the election under the provisions of Subchapter S is either terminated or revoked for federal purposes, the corporation must notify the department within 30 days of such termination or revocation. ~~The department may terminate an election at any time if it discovers the corporation does not qualify as a small business corporation as provided for under the provisions of Subchapter S of the Internal Revenue Code of 1954.~~ A corporation that does not have a valid federal election for the entire taxable year is subject to tax under this chapter."

Renumber: subsequent sections

21. Page 146.

Following: line 6

Insert: "NEW SECTION. Section 94. Repealer. Sections 15-31-201 and 15-31-208, MCA, are repealed."

Renumber: subsequent sections

22. Page 150.

Following: line 3

Insert: "(3) Sections 29, 30, and 31 apply to all small business corporations that have made a valid election under Subchapter S of Chapter 1 of the Internal Revenue Code on or before December 31, 1986, and for tax years ending after December 31, 1986."

(EXEMPT \$3600 OF RETIREMENT INCOME FOR ALL RETIREES)

23. Page 39.

Following: line 3

Insert: "(c) all benefits, not in excess of \$3,600, received as an annuity, pension, or endowment under any public, private, or corporate retirement plan or system other than a railroad retirement plan;"

Renumber: subsequent subsections

24. Title, line 19 of page 1.
Following: "19-4-706,"
Insert: "19-5-704,"
Following: "19-6-705,"
Insert: "19-7-705, 19-8-805, 19-9-1005, 19-13-1003"

25. Title, line 13 of page 2.
Following: "16-11-101,"
Strike: "19-9-1005,"

26. Page 65, line 5.
Following: "and"
Insert: "taxes and"

27. Page 65, line 8.
Following: "÷"
Insert: ":"

28. Page 65, line 9.
Following: "(±)"
Insert: "(1)"

29. Page 65, line 10.
Following: "7"
Strike: "1"
Insert: ";"

30. Page 65, line 14.
Following: "or"
Insert: "(2) subject to state, county, or municipal taxes to the extent provided in 15-30-111, except for a refund paid under 19-3-703 of a member's contributions picked up by an employer after June 30, 1985, as provided in 19-3-701; or"

31. Page 65, line 15.
Following: "(3)"
Strike: "nor is it"
Insert: "(3)"

32. Page 65, line 18.
Following: "and"
Insert: "taxes and"

33. Page 65, line 23.
Following: "÷"
Insert: ":"

34. Page 66, line 2.
Following: "19-4-602,"
Insert: "(1) exempted from any state, county, or municipal tax of the state of Montana to the extent provided in

15-30-111, except for a refund paid under 19-4-603 of a member's contributions picked up by an employer after June 30, 1985, as provided in 19-4-602;"

35. Page 66, line 3.
Following: "{2}"
Insert: "(2)"

36. Page 66, line 5.
Following: "7"
Insert: ";"

37. Page 66, line 6.
Following: "{3}"
Strike: "are"
Insert: "(3)"

38. Page 66.
Following: line 7
Insert: "Section 32. Section 19-5-704, MCA, is amended to read:

"19-5-704. Exemption from taxes and legal process. Any money received or to be paid as a member's annuity, state annuity, or return of deductions or the right of any of these shall be exempt from any state or municipal tax to the extent provided in 15-30-111 and from levy, sale, garnishment, attachment, or any other process whatsoever and shall be unassignable except as specifically provided in 19-5-705."

Renumber: subsequent section

39. Page 66, line 9.
Following: "and"
Insert: "taxes and"

40. Page 66, line 12.
Following: "÷"
Insert: ":"

41. Page 66, line 16.
Following: "19-6-402"
Insert: "(1) exempt from any state, county, or municipal tax to the extent provided in 15-30-111, except for a refund paid under 19-6-403 of a member's contributions picked up by an employer after June 30, 1985, as provided in 19-6-402;"

42. Page 66, line 17.
Following: "{2}"
Insert: "(2)"

43. Page 66, line 18.
Following: "7"

Insert: ";"

44. Page 66, line 19.

Following: "+3}"

Strike: "is"

Insert: "(3)"

45. Page 66.

Following: line 20

Insert: "Section 34. Section 19-7-705, MCA, is amended to read:

"19-7-705. Exemption from taxes and legal process. Any money received or to be paid as a member's annuity, state annuity, or return of deductions or the right of any of these is:

(1) exempt from any state, county, or municipal tax to the extent provided in 15-30-111, except for a refund paid under 19-7-304(1) of a member's contributions picked up by an employer after June 30, 1985, as provided in 19-7-403;

(2) exempt from levy, sale, garnishment, attachment, or any other process; and

(3) unassignable except as specifically provided in 19-7-706."

Section 35. Section 19-8-805, MCA, is amended to read:

"19-8-805. Exemption from taxes and legal process. Any money received or to be paid as a member's annuity, state annuity, or return of deductions or the right of any of these is:

(1) exempt from any state, county, or municipal tax to the extent provided in 15-30-111, except for a refund paid under 19-8-503 of the member's contributions picked up by an employer after June 30, 1985, as provided in 19-8-502;

(2) exempt from levy, sale, garnishment, attachment, or any other process; and

(3) unassignable except as specifically provided in 19-8-806."

Section 36. Section 19-9-1005, MCA, is amended to read:

"19-9-1005. Exemption from taxes. Any money paid in accordance with the provisions of this chapter is exempt from any state, county, or municipal tax to the extent provided in 15-30-111, except a refund paid under 19-9-304 of a member's contributions picked up by an employer after June 30, 1985, as provided in 19-9-601."

Section 37. Section 19-13-1003, MCA, is amended to read:

"19-13-1003. Exemption from taxes. Any money received as a retirement allowance in accordance with the provisions of this chapter is exempt from any state or municipal tax to the extent provided in 15-30-111."

SENATE TAXATION

EXHIBIT NO. 5

DATE 3-13-87

BILL NO. S R 200

Renumber: subsequent sections -

46. Page 148, lines 4 and 5.

Strike: section 113 in its entirety

Renumber: subsequent sections

CORPORATION LICENSE AND INCOME TAX REVISION

Amend Senate Bill No. 307, Introduced Copy

(REVISE NET OPERATING LOSS CARRYBACK AND CARRYFORWARD PROVISIONS--LIMIT NOL CARRYBACK TO \$100,000 FOR A LOSS YEAR, BUT ALLOW 3 YEARS TO CARRY BACK--ALLOW NOL IN EXCESS OF \$100,000 TO BE CARRIED FORWARD 7 YEARS--APPLIES TO LOSSES SUSTAINED AFTER 1/1/87)

1. Page 74, line 21.

Following: "period"

Insert: "plus the net operating loss carrybacks to such taxable period, subject to a \$100,000 limit on net operating loss in any one loss year"

2. Page 75, line 1.

Following: "sustained,"

Insert: "not more than \$100,000 of"

3. Page 75, line 3.

Following: "and"

Insert: "shall be a net operating loss carryback to each of the three taxable periods preceding the taxable period of the loss, and the amount of the loss not carried back"

4. Page 75, line 5.

Strike: "three"

Insert: "seven"

5. Page 75, line 10.

Following: "be"

Insert: ", not subject to the \$100,000 carryback limitation,"

6. Page 75, line 12.

Following: "."

Strike: "The"

Insert: "Subject to the \$100,000 carryback limitation for a loss year, the"

(IMPOSE ALTERNATIVE MINIMUM TAX ONLY IF CORPORATION IS REQUIRED TO PAY FEDERAL ALTERNATIVE MINIMUM TAX)

7. Page 80, line 11.

Following: "part"

Insert: "if they are required to pay a tax pursuant to section 55 of the Internal Revenue Code"

(DECREASE ALTERNATIVE MINIMUM TAX RATE FROM 6% TO 4%)

8. Page 81, line 1.

Following: "(i)"

Strike: "6%"

Insert: "4%"

9. Page 81, line 5.

Following: "(ii)"

Strike: "6%"

Insert: "4%"

(PROVIDE FOR \$40,000 EXEMPTION IN COMPUTING ALTERNATIVE MINIMUM TAX)

10. Page 80, line 16.

Following: "Code"

Insert: ", less the applicable exemption amount provided for in section 55 of the Internal Revenue Code"

11. Page 80, lines 18 and 19.

Following: "15-31-305" on line 18

Strike: "the federal alternative minimum"

12. Page 80, line 25.

Following: "The"

Insert: "Montana"

13. Page 81, line 1.

Following: "of"

Strike: "the federal alternative minimum"

UNITARY TAX REVISIONS

Amend Senate Bill No. 307, Introduced Copy

(CLARIFY THAT FOREIGN DIVIDENDS ARE ONLY TAXABLE TO THE EXTENT THE ACTIVITIES OF THE DIVIDEND PAYOR ARE DIRECTLY RELATED TO THE UNITARY BUSINESS OF THE RECIPIENT, A PART OF WHICH IS OPERATING IN MONTANA)

(PROVIDE THAT ONLY 15% OF FOREIGN DIVIDENDS ARE TAXABLE IN THE FIRST 5 YEARS OF OPERATION OF A CORPORATION IN MONTANA, THEN 100% THEREAFTER)

1. Page 82.

Following: line 14

Insert: "(3) In the case of a corporation subject to tax under this chapter that receives dividend income from corporations incorporated in a foreign country, the dividend income is subject to apportionment only to the extent such income constitutes business income as defined in 15-31-302.

(4) In the first 5 years that a corporation is taxable under this chapter, only 15% of dividend income described in subsection (3) is taxable. Thereafter, 100% of such dividend income that constitutes business income as defined in 15-31-302 is taxable. The 15% taxability of dividend income does not apply to a corporation that operates for the first time in Montana merely as a result of a reorganization of an existing corporation or unitary business operating in Montana."

(ELIMINATE WATER'S-EDGE ELECTION FEE AND TAX ELECTING CORPORATION AT 7.25%)

2. Page 96, line 15 through line 16, page 99.

Strike: section 49 in its entirety

Re-number: subsequent sections

[reminder to revise all subsequent internal references]

3. Page 90, lines 18 and 19

Following: "pay" on line 18

Strike: "the amount specified in [section 49]"

Insert: "a corporation license or income tax at the rate of 7.25%"

[provide exception for this rate in 15-31-101 and 15-31-121]

4. Page 79, lines 15 through 19.

Following: "income," on line 15

Strike: remainder of line 15 through "(2)" on line 19

5. Page 79, line 20.

Following: "Code"

Insert: "are not deductible from gross income under this
chapter"

PROGRESSIVE PENALTY PROVISIONS

Amend Senate Bill No. 307, Introduced Copy

(DECREASE THE MAXIMUM PENALTY FOR FAILURE TO FILE A RETURN
AND FOR FAILURE TO PAY TAX FROM 30% TO 25%)

1. Page 114, line 12.

Following: "is"

Strike: "30%"

Insert: "25%"

2. Page 118, line 4.

Following: "maximum"

Strike: "30%"

Insert: "25%"

3. Page 118, line 16.

Following: "maximum"

Strike: "30%"

Insert: "25%"

4. Page 120, line 18.

Following: line 17

Strike: "30%"

Insert: "25%"

5. Page 121, line 21.

Following: "maximum"

Strike: "30%"

Insert: "25%"

6. Page 131, line 16.

Following: "maximum"

Strike: "30%"

Insert: "25%"

7. Page 133, line 12.

Following: "maximum"

Strike: "30%"

Insert: "25%"

8. Page 134, line 20.

Following: "maximum"

Strike: "30%"

Insert: "25%"

9. Page 135, line 23.

Following: line 22

Strike: "30%"

Insert: "25%"

(REQUIRE 30-DAY NOTICE BEFORE PUBLICATION)

10. Page 115, line 15.

Following: "discretion"

Insert: ", after 30 days' notice to the affected persons,"

11. Page 115, line 18.

Following: "discretion"

Insert: ", after 30 days' notice to the affected persons,"

(PROHIBIT PUBLICATION NAME OF TAXPAYER WHO APPEALS, PROTESTS, OR LITIGATES TAX)

12. Page 115.

Following: line 24

Insert: "(4) This section does not permit publication of the name of a taxpayer who has filed a tax appeal, paid the tax under protest, or otherwise litigated the tax considered delinquent for purposes of this section. However, such a taxpayer's name may be published upon failure to satisfy the delinquency, if any, remaining at the conclusion of the appeal, protest, or litigation, or upon failure to file a return or satisfy a tax delinquency as provided in subsections (1) and (2) in another matter not appealed, protested, or litigated."

(REQUIRE WAIVER OF PENALTY IF TAX APPEAL, PROTEST, OR OTHER LITIGATION RESULTS IN CANCELLATION OR REDUCTION OF TAX)

13. Page 117.

Following: line 3

Insert: "The department shall waive the assessment of a penalty for late filing of a return or statement or late payment of a tax upon final disposition of a tax appeal, protest, or other litigation that results in a cancellation or reduction of the tax."

(REMOVE \$100 CAP ON AMOUNT OF INTEREST DOR CAN WAIVE)

14. Page 117, line 6.

Following: "interest"

Strike: "not to exceed \$100"

(PROHIBIT DOUBLE PENALTIES FOR FAILURE TO FILE RETURN AND FAILURE TO PAY TAX)

15. Page 118, line 18.

Following: "unpaid."

Insert: "The department may not assess a penalty for failure to pay a tax if it has already assessed against

the same taxpayer for the same period a penalty for failure to file a return."

(DISALLOW CHARGING OF INTEREST ON PENALTY AMOUNT)

16. Page 121, line 22.

Following: "tax"

Strike: "and penalty"

17. Page 131, line 17.

Following: "tax"

Strike: "and the penalties added thereto"

(CLARIFY MINIMUM PENALTY FOR CORPORATION THAT FAILS TO PAY MINIMUM LICENSE TAX OR FILE RETURN)

18. Page 122, line 1.

Following: "required"

Insert: "by this chapter"

19. Page 122, lines 3 through 6.

Following: "state" on line 3

Strike: remainder of line 3 through end of line 6

Insert: "that fails to do so on the date required or fails to file the return required by this chapter must be assessed a penalty of not less than \$10."

NUISANCE TAX REVISIONS

Amend Senate Bill No. 307, Introduced Copy

(REPEAL 50 CENT FEE FOR EACH PAGE OF CERTIFIED COPY OF A CORPORATION LICENSE TAX MADE BY DOR FOR A CORPORATION)

1. Title, line 15.
Following: "15-31-552"
Strike: ", "
Insert: "THROUGH"

2. Title, line 24 of page 1.
Strike: "15-31-553"
Insert: "15-31-551"

3. Page 99, line 20.
Strike: "15-31-551"
Following: "~~15-31-553~~"
Strike: "and"
Following: "15-31-552"
Insert: "and 15-31-553"

4. Page 140.
Following: line 12
Insert: "Section 50. Section 15-31-553, MCA, is amended to read:
"15-31-553. Fees to reimburse department for costs -- deposit in general fund. All moneys collected under ~~15-31-551~~ and 15-31-552 shall be required to reimburse the department of revenue for costs involved in the preparation of the copies and certificates. All such moneys collected shall go into the general fund."
Renumber: subsequent sections

5. Page 146, line 7.
Strike: "15-31-553"
Insert: "15-31-551"

(CLARIFY SECTIONS REPEALED IN ORDER TO DELETE CEMENT DEALERS' TAX)

6. Title, line 11 of page 2.
Following: "15-59-203"
Strike: ", "
Insert: "THROUGH"

7. Page 147, line 22.
Following: "15-59-203"
Strike: ", "
Insert: "through"

(REWRITE PROVISIONS THAT REPEAL ANNUAL FEE PAID BY ELECTRIC COOPERATIVES TO ENSURE THAT LANGUAGE IS LEFT INTACT TO EXEMPT COOPS FROM ALL OTHER EXCISE AND INCOME TAXES)

8. Title, line 19 of page 1.
Following: "19-6-705,"
Insert: "35-18-503,"

9. Title, line 13 of page 2.
Following: "23-2-715,"
Strike: "35-18-503,"

10. Page 141.
Following: line 16
Insert: "Section 82. Section 35-18-503, MCA, is amended to read:

~~"35-18-503. Annual-fee-to-department-of-revenue--- exemption-from-other~~ Exemption from taxes. Cooperatives Except as provided in 10-4-201, cooperatives and foreign corporations transacting business in this state pursuant to the provisions of this chapter shall-pay-annually-on-or before-July-17-to-the-department-of-revenue-a-fee-of-\$10-for each-100-persons-or-fractions-thereof-to-whom-electricity-or telephone-service-is-supplied-within-the-state-but, except as-provided-in-10-4-201, shall-be are exempt from all other excise and income taxes of whatsoever kind or nature."

Renumber: subsequent sections

11. Page 148, lines 8 and 9.
Strike: section 115 in its entirety
Renumber: subsequent sections

(CLARIFY WITH REGARD TO REPEAL OF CAMPER DECAL FEE THAT DEPARTMENT OF REVENUE IS TO FURNISH DECALS TO COUNTY TREASURERS AT NO CHARGE)

12. Page 142, line 5.
Following: "year."
Insert: "The department of revenue shall furnish decals to the county treasurers at no charge."

CAPITAL COMPANY INCENTIVES

Amend Senate Bill No. 307, Introduced Copy

(AMEND SECTION 77 TO COINCIDE WITH AMENDMENTS IN SENATE BILL NO. 22, THIRD READING COPY)

1. Page 136, line 23.

Following: "(2)"

Insert: "(a)"

2. Page 137, line 2.

Following: "limitation."

Insert: "(b)"

3. Page 137, line 13.

Following: "companies."

Insert: "The total credits authorized for all companies between July 1, 1989, and June 30, 1991, may not exceed \$3 million plus any portion of the credits available for authorization before June 30, 1989, that is allocated to qualified companies. .

(3)"

Renumber: subsequent subsections

4. Page 137, line 20.

Following: line 19

Strike: "(4)"

Insert: "(5)"

5. Page 138, line 6.

Following: "\$257,000"

Strike: "\$50,000"

Insert: "\$150,000"

6. Page 138, line 12.

Following: "subsection"

Strike: "(4)"

Insert: "(5)"

7. Page 138, line 24 through line 1, page 139.

Strike: all language on indicated lines

Insert: "within 4 years of July 1, 1987."

STATE TAX APPEALS BOARD PROCEDURES

Amend Senate Bill No. 307, Introduced Copy

(ALLOW USE BY STAB OF TAPE RECORDING INSTEAD OF TRANSCRIPT
OF STAB HEARING CONDUCTED BY HEARING EXAMINER)

1. Page 144, line 14.
Following: "transcript"
Insert: "or a tape recording"

2. Page 144, line 15.
Following: line 14
Strike: "testimony received"
Insert: "hearing"

(PROVIDE COORDINATION INSTRUCTION, THAT WOULD VOID SECTION 85
OF SB 307 IF SENATE BILL NO. 122 IS PASSED AND APPROVED)

3. Page 149.
Following: line 20
Insert: "NEW SECTION. Section 121. Coordination
instruction. If Senate Bill No. 122, including that
section amending 15-2-301, is passed and approved, section
85 of this act, amending 15-2-301, is void."
Renumber: subsequent sections

ROLL CALL VOTE

SENATE COMMITTEE TAXATION

Date MARCH 13, 1987 Bill No. SB 381 Time 7:25 AM.

NAME	YES	NO
SENATOR CRIPPEN	✓	
SENATOR NEUMAN		✓
SENATOR SEVERSON	✓	
SENATOR LYBECK		✓
SENATOR HAGER	✓	
SENATOR MAZUREK		✓
SENATOR ECK		✓
SENATOR BROWN	✓	
SENATOR HIRSCH		✓
SENATOR BISHOP	✓	
SENATOR HALLIGAN, VICE CHAIRMAN		✓
SENATOR McCALLUM, CHAIRMAN	✓	

Aggie Hamilton
Secretary

Senator George McCallum
Chairman

Motion: Senator Severson's motion that SB 381 DO PASS
AS AMENDED. Motion failed 6-6.

ROLL CALL VOTE

SENATE COMMITTEE TAXATION

Date March 13, 1987 Bill No SB 307 Time 8:22 AM.

NAME	YES	NO
SENATOR CRIPPEN		✓
SENATOR NEUMAN	✓	
SENATOR SEVERSON		✓
SENATOR LYBECK	✓	
SENATOR HAGER		✓
SENATOR MAZUREK	✓	
SENATOR ECK	✓	
SENATOR BROWN		✓
SENATOR HIRSCH	✓	
SENATOR BISHOP		✓
SENATOR HALLIGAN, VICE CHAIRMAN	✓	
SENATOR McCALLUM, CHAIRMAN		✓

Aggie Hamilton
Secretary

Senator George McCallum
Chairman

Motion: Senator Neuman's motion that SB 307 DO PASS AS
Amended -- Motion failed 6-6.

ROLL CALL VOTE

SENATE COMMITTEE TAXATION

Date March 13, 1987 Bill No. SB-387 Time 9:17 AM.

NAME	YES	NO
SENATOR CRIPPEN		✓
SENATOR NEUMAN	absent	
SENATOR SEVERSON	✓	
SENATOR LYBECK	✓	
SENATOR HAGER		✓
SENATOR MAZUREK	absent	
SENATOR ECK	✓	
SENATOR BROWN	✓	
SENATOR HIRSCH	✓	
SENATOR BISHOP	✓	
SENATOR HALLIGAN, VICE CHAIRMAN	✓	✓
SENATOR McCALLUM, CHAIRMAN		

Aggie Hamilton
Secretary

Senator George McCallum
Chairman

Motion: Senator Eck's motion that the amendments
proposed be adopted. The motion carried 7-3.

STANDING COMMITTEE REPORT

..... March 13, 19 87

MR. PRESIDENT

We, your committee on SENATE TAXATION

having had under consideration SENATE BILL No. 384

first reading copy (white)
color

**REVISES THE DEFINITION OF GROSS VALUE OF PRODUCT FROM
METAL MINES**

Respectfully report as follows: That SENATE BILL No. 384

be amended as follows:

1. page 5, line 7.

Following: "effective"

Strike: "on July 1, 1987,"

Insert: "when sufficient revenue is collected and dedicated to
the replacement of revenue that would be lost as a result of
this act"

AND AS AMENDED

DO PASS

~~XXXXXXXX~~

DATE

5

DATE 3-13-87

BILL NO. S.B. 307

.....
SENATOR GEORGE McCALLUM, Chairman.

STANDING COMMITTEE REPORT

March 13

19 87

MR. PRESIDENT

We, your committee on SENATE TAXATION

having had under consideration SENATE BILL No. 390

first reading copy (white)
color

REVISE TAXATION OF 20 ACRES OR LARGER PARCELS OF LAND

Respectfully report as follows: That SENATE BILL No. 390

be amended as follows:

1. Title, line 9.

Following: "AND"

Strike: "AN"

2. Title, line 10.

Strike: "DATE"

Insert: "DATES"

3. Page 7, line 3.

Following: "(2)"

Strike: "This"

Insert: "Except as provided in subsection (3), this"

4. Page 7.

Following: line 4

Insert: "(3) Section 1 (1)(a) of this act applies retroactively, within the meaning of 1-2-109, to taxable years beginning after December 31, 1986."

AND AS AMENDED

DO PASS

~~DO NOT PASS~~

DATE 3-13-87
BILL NO. S.B. 307

SENATOR GEORGE McCALLUM, Chairman.