

MINUTES OF THE MEETING
TAXATION COMMITTEE
MONTANA STATE SENATE

April 13, 1987

The sixty-fourth meeting of the Senate Taxation Committee was called to order at 7:15 A.M. on April 13, 1987 by Chairman George McCallum in Room 413/415 of the Capitol Building.

ROLL CALL: All committee members were present.

FURTHER CONSIDERATION OF HB 904: Dave Hunter, Office of Budget and Program Planning, furnished the committee with an updated fiscal status and base revenues sheet, attached as Exhibit 1. He reviewed this information with the committee.

Senator Crippen asked if the LFA had worked with them on this.

Dave Hunter said they have not had a chance.

Senator Brown referred to the surcharge rate of 20% on the 3-5-7 and said in the first year it brings in \$40 million and in the second year approximately \$30 million. On the yellow sheet you have isolated the remaining deficit and for the first year it is \$19 million. Is it really necessary to apply that 20% surcharge in both years of the biennium. It would seem sufficient to cover the deficit in the first year but will not be sufficient to cover the deficit in the second year. Perhaps we could be thinking in terms of a 20% surcharge in the first year and 10% in the second year.

Dave Hunter said you could do that. Perhaps a phase down would make some sense.

Senator Mazurek said you also have to take into account the \$20 million ending fund balance.

Dave Hunter said 3-5-7 brings in \$39 million and \$21 million. The surcharge only gets you back to current law. If you are really talking about raising the amount of money you need to balance the budget with 3-5-7, you need a 40% surcharge in the first year.

Senator Hirsch said that figure does not include the \$20 million ending fund balance.

Dave Hunter said those figures just show the revenue raised.

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Senator McCallum questioned the discrepancy between the LFA's figures of April 10th and the Office of Budget Planning's figures today.

Dave Hunter said these are the best figures we could come up with.

Senator Crippen said assuming that we want a \$20 million ending fund balance what are the projections under 3-5-7.

Dave Hunter said if you want to balance the budget only with HB 904, then you need to go with 3-5-7 and a 40% surcharge.

Senator McCallum said if you use the LFA's projection of income, there is an \$18 million difference.

Dave Hunter said \$16 million difference and if you choose to use their projections rather than ours, then you need an additional \$16 million more in HB 904 than we would suggest you need.

Senator Neuman said if you use LFA's numbers, what surtax would you have to have to generate the revenue to balance the budget with HB 904.

Dave Hunter said if you use the LFA base and 3-5-7 rates and you want to balance the budget just with HB 904 with no transfer from the education trust, you would need a 55% surcharge. That would include the \$20 million surplus.

Senator McCallum said if you robbed the education trust fund \$50 million that is 25%, so you would have to have a 30% surcharge.

Senator Hirsch said we need to make the policy choice of what to do with the education trust.

Senator Mazurek said what vehicle is alive on the education trust transfer. Would we have to do it in HB 2 on the floor.

Dave Hunter said we have two alternatives alive, HB 904 and HB 2. The statutes say the education trust fund must be used for education. You could apply the appropriation to fund 0-0 for the school foundation program. You could offset the general fund appropriation with the education fund in HB 2.

Senator McCallum has a problem with the difference in the LFA figures and the Budget Office figures.

Senator Mazurek asked what did we use in HJR 41.

Dave Hunter said \$203 million was used for the base in HJR 41 and that is a comparable base. During the special session we provided joint status sheets and he is sure they could do that if they were given some direction.

Senator Crippen said what Senator Hirsch has said is appropriate. We have some figures that we can go to our respective caucuses and say this is where we are and these are the alternatives that we have.

The meeting recessed at 7:50 A.M. The meeting reconvened at 1:05 P.M. in Room 331 of the Capitol Building.

All committee members were present with the exception of Senator Crippen and he arrived at the hearing late.

CONSIDERATION OF HB 848: Representative Stang, House District 52, presented this bill to the committee. He said this bill provides for a refund equal to taxes paid in another state on certain property taxed in Montana. This only applies to heavy equipment and includes some oil drilling and logging equipment. People have their equipment sitting in their back yard on January 1st and are assessed property taxes on that property for the whole year. Some of these pieces of equipment are taken out of state for work and they have to pay taxes in the other state for the time they are there.

PROPOSERS: None.

OPPOSERS: None.

QUESTIONS FROM THE COMMITTEE: Senator Bishop said if your piece of property is in Montana six months and Idaho six months, you wouldn't pay anything in tax.

Representative Stang said you would get a refund on taxes paid equal to the amount of tax paid in Montana but not greater than the tax paid in Montana.

Representative Stang closed.

CONSIDERATION OF HB 726: Representative Spaeth, House District 84, presented this bill to the committee. This is an act allowing resort communities greater flexibility to choose the goods and services upon which the resort

community tax will be imposed. The House amended the bill and he would like to see it amended back to its original form.

PROPOSERS: None.

OPPOSERS: None.

QUESTIONS FROM THE COMMITTEE: Senator McCallum said if we try to amend this bill there is a question whether you will get it back in time.

Representative Spaeth closed.

CONSIDERATION OF HJR 48: Representative Spaeth, House District 84, presented this resolution to the committee. This is a resolution requesting an interim study of the property revaluation procedures in the property tax laws and requiring a report of the findings of the study to the 51st legislature. We have a problem with what we are doing now, no one seems to be very happy. This is a study resolution asking the Revenue Oversight Committee to take a look at the reappraisal problem in the next two years.

PROPOSERS: None.

OPPOSERS: None.

QUESTIONS FROM THE COMMITTEE: None.

DISPOSITION OF HJR 48: Senator Mazurek made a motion that HJR 48 BE CONCURRED IN. The motion carried with Senator Crippen absent.

DISPOSITION OF HB 726: Senator Mazurek made a motion that HB 726 BE CONCURRED IN. He would be willing to offer a floor amendment to do what Representative Spaeth wanted to do.

The motion carried with Senator Halligan opposed and Senator Crippen absent.

DISPOSITION OF HB 848: Senator Severson made a motion that HB 848 BE NOT CONCURRED IN. The motion failed with a vote of 5-6, see attached roll call vote.

Senator Severson has changed his thinking on this bill. If a logger goes into Idaho and pays a prorated tax to Idaho, this bill allows that person to obtain a refund

in Montana for the taxes paid in Idaho.

Senator Bishop said if he is in Idaho 6 months would he get half of the tax back.

Senator Neuman said we are talking about the dollar amount.

Senator Bishop made a motion that HB 848 BE CONCURRED IN. The motion carried with Senator Mazurek and Senator Hirsch opposed.

DISPOSITION OF HB 904: Senator Hirsch made a motion that we adopt HB 904 with a 4-6-8 rate and a 10% surcharge and appropriate \$34 million out of the educational trust fund to make up the deficit. That balances the budget.

Senator Brown said if you left the existing tax structure as it is, you would still need the same level of surcharge and money from the educational trust fund. The only difference is that with the 4-6-8 you take about 130,000 people off the tax rolls.

Senator Severson made a substitute motion to leave the present system at rates 2-11, add a 10% surcharge and take \$34 million out of the educational trust fund. This would use existing law and bring in exactly the same amount of money as 4-6-8.

Senator Halligan said the only problem is the tax reform aspects. In some point in time we have to deal with the tax reform. We will be going home without addressing this area.

Senator Crippen said we will have to address it again. Hopefully in the interim period we will be able to work something out.

Senator McCallum said the federal tax reform is new and we really don't know what the ramifications are after this U.S. Congress gets through. It can change a great deal. Under those circumstances he would vote with Senator Severson.

Senator Neuman said he will speak in favor of the motion to strip the reform. He is disappointed because a lot of work went into tax reform. He is giving that up in the spirit of trying to end the session.

Senator Mazurek asked if the motion includes whatever amendments would be necessary to appropriate the \$34 million.

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Senator Severson said yes.

The motion carried with Senator Halligan opposed.

Senator Crippen said we took this money out of the educational trust fund and he does not see any mechanism to build that up again if the sales tax does not pass. He would like to see some mechanism to put the money back in.

Senator Mazurek sympathizes with his trouble but he thinks this is not over yet. That bill is still alive

Senator Brown made a motion that HB 904 BE CONCURRED IN AS AMENDED. The motion carried with Senators Halligan and Bishop opposed.

DISPOSITION OF SB 384: Senator Mazurek made a motion that SB 384 DO PASS AS AMENDED. The motion carried 9-3, see attached roll call vote.

ADJOURNMENT: The meeting adjourned at 2:15 P.M.


SENATOR GEORGE McCALLUM, Chairman

ah

ROLL CALL

TAXATION

COMMITTEE

50th LEGISLATIVE SESSION -- 1987

Date 4-13-87

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.

Office of Budget & Program Planning
Fiscal Status 04/12/87

Fiscal Year 1987

Beginning Balance 7/1/86	16.002
HJR 41 Revenues	356.076
HB 434 (Education Trust)	35.000

Funds Available	407.078
Disbursements	
Appropriations	352.487
Foundation Program	27.906
HB 434 Supplementals	25.787
Reversions	(4.000)

Total Disbursements	402.180
Ending Balance	4.898
	=====

Fiscal Year 88-89

Beginning Balance 7/1	4.898	0.000
HJR 41 Revenues	350.050	388.563
HB 2 Capital Land Grant	0.692	0.458
	-----	-----
Total Available	355.640	389.021
Disbursements		
HB 2 - Senate Fin. & Claims	357.000	358.500
Foundation Program (HJR 41)	52.259	41.937
Debt Service & TRANS	15.400	20.406
Reversions	(6.500)	(6.500)
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Total Disbursements	418.159	414.343
Projected Deficit	(62.519)	(25.322)
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Bills Passed By Both Houses

*HB 021 21 Year Old Drinking Age	0.000	(0.233)
HB 039 Vo-Tech Transfer	(0.727)	(0.727)
*HB 136 Gas & Diesel Tax	0.830	1.982
HB 252 Coal Tax Reduction	(0.199)	(1.787)
HB 434 Supplemental (Lost Interest)	(3.979)	(3.979)
*HB 512 Fee for Aircraft	(0.205)	(0.206)
HB 583 PSC Tax	1.769	1.680
HB 599 Yellow Bay Biological Stat.	(0.100)	0.000
HB 611 Indirect Costs - U. System	(1.136)	(1.136)
HB 623 Prevent Liquor Store Closure	(0.104)	(0.372)
HB 814 State Beef Inspection	(0.139)	(0.134)
HB 851 Columbia Falls Relief	(0.211)	(0.211)
HB 870 Inst. Teachers Pay Increase	(0.067)	(0.067)
HB 871 MSDB Teachers Pay Increase	(0.150)	(0.150)
HB 878 Yellowstone Co. Air Monitor	(0.050)	0.000
HB 887 Counseling of Farmers	(0.124)	(0.124)
*SB 026 Moss Mansion	(0.113)	0.000
SB 044 Reduce Truck Taxes	(0.553)	(0.553)
*SB 046 Ag Loan Linked Deposit	(0.500)	0.000
*SB 092 Compact Commission	(0.114)	(0.114)
SB 100 Reduce New Trailer Tax	0.000	0.000
*SB 302 High School Tuition	(0.114)	(0.114)
SB 321 Mediate Ag Indebtedness	(0.075)	(0.025)
SB 340 Exempt Livestock & Grain	0.000	(0.507)
SB 383 Exempt Stripper-Net Proceeds	(0.289)	(0.323)
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Total Impact	(6.350)	(7.100)
Remaining Deficit	(68.869)	(32.422)
	=====	=====

SENATE JUDICIARY

EXHIBIT NO. 1

DATE 4-13-87

BILL NO. H.B. 904

Signed by the Governor

Director

	FY 88	FY 89	Total
Projected Deficit	(68.869)	(32.422)	(101.291)

House Bills Passed to the Senate

HB 185 Family Practice Residency	(0.070)	0.000	
HB 436 Annual Property Assessments	(0.500)	(0.500)	
HB 703 Unitary Tax	0.000	(2.309)	
HB 776 Stripper Wells	(1.003)	(1.130)	
HB 787 MBA Program EMC	(0.163)	0.000	
HB 848 Refund Property Taxes	(0.405)	(0.405)	
HB 862 Earmarking Education Trust	(2.134)	(2.319)	
HB 863 Video Poker	0.773	1.384	
HB 867 Super Collider	(1.000)	0.000	
HB 880 Premium Tax Speedup	12.609	0.925	
HB 884 Workers Comp Payroll Tax	(0.471)	(0.471)	
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Total Impact	7.636	(4.825)	
Remaining Deficit	(61.233)	(37.247)	(98.480)

Senate Bills Passed to the House

SB 022 Capitol Companies Credit	(0.688)	(0.679)	
SB 074 Exempt Public Retirement	(1.956)	(1.956)	
SB 200 Vehicle Tax To Replace Fees	7.429	7.735	
SB 228 Reallocate Coal Proceeds	18.616 **	13.393	
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Total Impact	23.401	18.493	
Remaining Deficit	(37.832)	(18.754)	(56.586)

Policy Choices Needed for \$20.000 M Surplus	57.832	18.754	76.586
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Policy Choices

Education Trust Transfer	50.000	(5.684)	
HB 904 State Tax Reform	24.928	17.457	
HB 377 Sales Tax	(1.831)	71.600	
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	73.097	83.373	156.470

** Includes \$5.9M of revenue received in FY 87.

Hester

BASE REVENUES -- 3-5-7% RATES

TAX FEATURES

	FY 88	FY 89
Current Law	\$208,088,000	\$229,991,000
SB307 - Original Rates & Base	\$5,700,000	\$5,700,000
\$3600 Ret. Exclusion (House)	(\$5,000,000)	(\$5,000,000)
Capital Gains - Senate Tax	(\$600,000)	(\$600,000)
Full Ret. Exempt. - Senate Tax	(\$700,000)	(\$700,000)
Reduced Rates	(\$33,178,000)	(\$33,178,000)
Timing Adjustment	(\$5,358,210)	\$0

Base Revenue - 3-5-7% Rates \$168,951,790 \$196,213,000

BASE REVENUES 3.5-5.5-7.5% RATES

TAX FEATURES

	FY 88	FY 89
Current Law	\$208,088,000	\$229,991,000
SB307 - Original Rates & Base	\$5,700,000	\$5,700,000
\$3600 Ret. Exclusion (House)	(\$5,100,000)	(\$5,100,000)
Capital Gains - Senate Tax	(\$600,000)	(\$600,000)
Full Ret. Exempt. - Senate Tax	(\$700,000)	(\$700,000)
Reduced Rates	(\$16,589,000)	(\$16,589,000)
Timing Adjustment	(\$2,123,355)	\$0

Base Revenues 3.5-5.5-7.5 Rates \$188,675,645 \$212,702,000

BASE REVENUES - 4-6-8% RATES

TAX FEATURES

	FY 88	FY 89
Current Law	\$208,088,000	\$229,991,000
SB307 - Original Rates & Base	\$5,700,000	\$5,700,000
\$3600 Ret. Exclusion (House)	(\$5,200,000)	(\$5,200,000)
Capital Gains - Senate Tax	(\$600,000)	(\$600,000)
Full Ret. Exempt. - Senate Tax	(\$700,000)	(\$700,000)
Timing Adjustment	\$1,111,500	\$0

Base Revenues 4-6-8% Rates \$208,399,500 \$229,191,000

SURTAX
(Millions)

Rate	FY88	FY89	FY88	FY89
10%	\$19.9	\$15.6	(\$19.2)	(\$18.2)
20%	\$39.8	\$31.2	\$0.7	\$2.6
30%	\$59.7	\$46.8	\$20.6	\$13.0
40%	\$79.6	\$62.4	\$40.5	\$28.6

NET EFFECT
(Millions)

Rate	FY88	FY89	FY88	FY89
10%	\$19.9	\$15.6	(\$19.2)	(\$18.2)
20%	\$39.8	\$31.2	\$0.7	\$2.6
30%	\$59.7	\$46.8	\$20.6	\$13.0
40%	\$79.6	\$62.4	\$40.5	\$28.6

Rate	FY88	FY89	FY88	FY89
10%	\$22.3	\$16.9	\$2.8	(\$0.4)
20%	\$44.5	\$33.9	\$25.1	\$16.6
30%	\$66.8	\$50.8	\$47.4	\$33.5

SENATE JUDICIARY

EXHIBIT NO. 1

DATE 4-13-87

BILL NO. H.8.904

Heater

ROLL CALL VOTE

SENATE COMMITTEE TAXATION

Date April 13, 1987 Bill No. HB 848 Time 1:30 P.M.

NAME	YES	NO
SENATOR CRIPPEN	Absent	
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 HB848 BE NOT
CONCURRED IN, motion failed 5-6.

ROLL CALL VOTE

SENATE COMMITTEE TAXATION

Date April 13, 1987 Bill No. SB 384 Time 2:10 P.M.

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 Mazurek's motion SB 384 DO PASS
AS AMENDED. MOTION CARRIED 4-3.

STANDING COMMITTEE REPORT

April 13 19. 37

MR. PRESIDENT

We, your committee on **SENATE TAXATION**

having had under consideration..... **HOUSE JOINT RESOLUTION** No. **48**

third reading copy (blue)
color

SPAETH (NEUMAN)

**JOINT RESOLUTION FOR INTERIM STUDY OF PROPERTY REVALUATION
PROCEDURES**

Respectfully report as follows: That..... **HOUSE JOINT RESOLUTION** No. **48**

BE CONCURRED IN

DO PASS

DO NOT PASS

.....
SENATOR GEORGE McCALLUM, Chairman.

STANDING COMMITTEE REPORT

April 13

19 87

MR. PRESIDENT

We, your committee on SENATE TAXATION

having had under consideration SENATE BILL No. 334

first reading copy (white)
color

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

Respectfully report as follows: That SENATE BILL No. 334

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

~~DO NOT PASS~~

SENATOR GEORGE McCALLUM,

Chairman.

STANDING COMMITTEE REPORT

April 13

19 87

MR. PRESIDENT

We, your committee on SENATE TAXATION

having had under consideration HOUSE BILL No. 726

third reading copy (blue)
color

SPAETH (MAZUREK)

FLEXIBILITY FOR RESORT COMMUNITY TAX

Respectfully report as follows: That HOUSE BILL No. 726

BE CONCURRED IN

~~DO PASS~~

~~DO NOT PASS~~

SENATOR GEORGE McCALLUM, Chairman.

STANDING COMMITTEE REPORT

April 13 1937

MR. PRESIDENT

We, your committee on SENATE TAXATION

having had under consideration HOUSE BILL No. 249

third reading copy (blue)
color

STANG (SEVERSON)

REFUND PRORATED SHARE OF CERTAIN TAXES PAID IN OTHER STATES

Respectfully report as follows: That HOUSE BILL No. 249

BE CONCURRED IN

DO PASS

DO NOT PASS

SENATOR GEORGE MCCALLUM, Chairman.

STANDING COMMITTEE REPORT

Page 1 of 3.

April 13,

19 37

MR. PRESIDENT

We, your committee on TAXATION

having had under consideration HOUSE BILL No. 904

third reading copy (blue)
color

INCOME TAX REVISION TO FUND EDUCATION

HARP (BROWN)

House Bill

904

Respectfully report as follows: That..... No.....

1. Title, line 4.

Following: "TO"

Strike: "REVISE THE"

Insert: "PROVIDE A 10% SURTAX ON"

2. Title, line 5.

Strike: "SYSTEM"

3. Title, line 6.

Strike: "ADJUST THE"

Insert: "APPROPRIATE FUNDS FROM THE EDUCATION AND LOCAL
IMPACT TRUST TO THE SCHOOL"

4. Title, line 7.

Strike: "SCHEDULES FOR ELEMENTARY SCHOOLS AND HIGH SCHOOLS"

5. Title, line 10.

Strike: "1-1-207, 7-14-1133, 7-34-2416, 15-1-101,"

6. Title, lines 11 through 14.

Following: "15-1-501," on line 11

Strike: remainder of line 11 through "15-32-402," on
line 14

7. Title, line 15.

Strike: line 15 in its entirety

DO PASS

DO NOT PASS

CONTINUED

Chairman.

April 13, 1987

8. Title, line 16.

Strike: "19-9-1005, 19-13-1003,"

Following: "20-9-319,"

Insert: "AND"

9. Title, lines 17 through 20.

Following: "20-9-343," on line 17

Strike: "53-2-101, AND 67-11-303,"

Following: "MCA;" on line 17

Strike: remainder of line 17 through "MCA;" on line 20

10. Page 1, line 25 through line 19, page 9.

Strike: sections 1 through 5 in their entirety

Renumber: subsequent sections

11. Page 10, line 25 and line 1, page 11.

Following: "title" on line 25

Strike: remainder of line 25 through end of line 1

12. Page 12, line 8 through line 20, page 56.

Strike: sections 7 through 25 in their entirety

Renumber: subsequent sections

13. Page 59, line 20 through line 7, page 62.

Strike: sections 27 through 36 in their entirety

Renumber: subsequent sections

14. Page 76, lines 20 through 23.

Strike: section 41 in its entirety

Insert: "NEW SECTION. Section 7. Exemption for gain on sale or exchange of certain capital assets. Notwithstanding the provisions of 15-30-111, adjusted gross income does not include 40% of capital gains on the sale or exchange of capital assets before December 31, 1986, as capital gains are determined under Subchapter P of Chapter 1 of the Internal Revenue Code as it read on December 31, 1986."

Renumber: subsequent sections

15. Page 76, line 25 and line 1, page 77.

Following: "appropriated" on line 25

Insert: "\$34 million from the education and local impact trust and \$62 million"

Following: "to the" on line 25

Strike: "superintendent of public instruction \$96 million"

Insert: "school foundation program"

CONTINUED

April 13,

19³⁷

16. Page 77, line 2.

Following: "."

Insert: "The governor is authorized to reduce the general fund appropriation to the amount necessary to fund the school foundation schedules in 20-9-318 and 20-9-319."

17. Page 77, lines 4 and 7.

Strike: "12" and "40"

Insert: "6" and "7"

19. Page 77, lines 12 through 14.

Strike: section 45 in its entirety

Re-number: subsequent sections

19. Page 77, lines 16 and 18.

Strike: "42"

Insert: "8"

20. Page 77, line 21.

Strike: "21, 26 through", "36, and", and "41"

Insert: "7"

21. Page 77, line 24 through line 6, page 78.

Strike: subsections (4) and (5) in their entirety

22. Page 78, line 7.

Strike: "40"

Insert: "5"

jhl/a:hb904sam.txt (dw3)

AND AS AMENDED,
BE CONCURRED IN

Senator McCallus, Chairman