

MINUTES

MONTANA HOUSE OF REPRESENTATIVES 51st LEGISLATURE - REGULAR SESSION

COMMITTEE ON TAXATION

Call to Order: By Chairman Harrington, on March 15, 1989, at
8:00 a.m.

ROLL CALL

Members Present: All

Members Excused: None

Members Absent: None

Staff Present: Dave Bohyer, Legislative Council

Announcements/Discussion: None

HEARING ON SENATE BILL 283

Presentation and Opening Statement by Sponsor:

Senator Bruce Crippen, District 45, stated SB 283 continues tax credits for Montana capital companies until June 30, 1993. He said this act simply continues the previous act originated in 1983 which ends in June of 1991.

Testifying Proponents and Who They Represent:

Ken Nortveldt, Director, Department of Revenue
Cal Cumin, Economic Development Director, Yellowstone County
Bob Pansich, Assistant Investment Officer, Board of
Investments
Buck Bowles, President, Montana Chamber of Commerce

Proponent Testimony:

Ken Nortveldt submitted a proposed amendment to the committee. (Exhibit 1). He stated, if these amendments are adopted by the committee, the Administration can support the bill. Dr. Nortveldt said capital corporate tax credits are state expenditures. He stated if an investor invests his own money into a capital corporation, the state donates another \$1.00 for each of his investment dollars which is really a state subsidy. Dr. Nortveldt said the Administration feels this is not the way to encourage economic development. He stated many companies have done nothing with the money and the Administration wants to review this policy. He said it is a significant drain on the state treasury and tax loopholes for a small group of investors. Dr. Nortveldt stated the \$3,000,000.00 of new

credits should be suspended for the next biennium and cut the credits available for the 1989-91 period from \$3,000,000.00 to \$1,500,000.00 and the Administration will do a detailed analysis of the program to determine if it is accomplishing what was intended.

Cal Cumin stated one of the biggest problems in Montana is the lack of capital for small and medium sized businesses. He said the Capital Companies Act creates capital for investments that is available to companies in Montana. Mr. Cumin stated there is a need for incentives for businesses to develop and create jobs. He said many businesses are just beginning to take advantage of this act and it needs to be extended. He urged passage of the bill.

Bob Pansich stated the Board of Investments managed the Montana Capital Companies program of certifying and qualifying capital companies and the issuance of tax credits. Mr. Pansich said at the present time, there are eight Montana capital companies certified and three on the waiting list. He stated a fourth company will be presented to the board for approval at their next meeting. He said tax credits in the amount of \$3,289,950.00 have been issued so far and there is a time limit on the credits. Mr. Pansich stated there is interest in investing in Montana and a diversity of programs. He said there is a requirement that 30% of the tax credit be invested within three years, 50% in four years and 70% in five years and since the Capital Companies inception, every capital company has met their deadlines in this respect. Mr. Pansich said the company needs time to work and urged passage of the bill. Mr. Pansich submitted a Montana Capital Company Report. (Exhibit 2).

Buck Bowles stated the act has helped to form capital companies to assist economic development in the state. He urged support of the bill.

Testifying Opponents and Who They Represent:

None.

Opponent Testimony:

None.

Questions From Committee Members: Chairman Harrington asked Dr. Nortveldt if he was an opponent or a proponent of the bill. Dr. Nortveldt replied the Administration does not think the program is doing what was intended but with the amendments he proposed, they would support the bill. He stated they propose the \$1.5 million in credits instead of the \$3 million as a compromise in order to allow the Administration to review the policy. Chairman Harrington asked if he felt his amendments will help the program or lead to its

destruction. Dr. Nortveldt replied they did not see the state receiving adequate return on the 50% credits given investors. He said the Administration's position is limiting the tax credits but not eliminating the program entirely.

Rep. Raney asked Mr. Pansich what have the investments accomplished to date. Mr. Pansich replied the investments have been slow. He said one capital company has existed for the three year period and they have invested the 50%. He stated some companies are trying to bring technology into the state and others are trying to do other things in their particular locale. Rep. Raney then asked if Mr. Pansich knew of any company that was in existence because of capital company investments. Mr. Pansich replied they are in existence. Rep. Raney stated the purpose of the act was to create new business, not to simply create capital companies so what have they done to justify a \$3,000,000.00 investment. Mr. Pansich replied if the capital companies do not invest within the time frame, they are fined the equivalent of the tax credits plus 1% per month from the beginning date. He said he did not have the exact detail of the companies in which they had invested. Rep. Raney then asked if he could supply this information to the committee before they took action on the bill. Mr. Pansich stated he would do this.

Rep. Hoffman asked Mr. Pansich if it was required that the capital companies invest in Montana. Mr. Pansich replied 75% of the money is to be invested in the state and 25% outside. He stated many times the partners in venture capital companies are outside the state of Montana. Rep. Hoffman then asked if there was any history of what other states have done in this respect. Mr. Pansich replied a number of states are trying to pass this in their legislatures.

Rep. Good asked Dr. Nortveldt if he felt that jobs would be an adequate return for the state's investment. Dr. Nortveldt replied yes, if they are in the kind of risk ventures that would not have developed otherwise but not just general investment of any type. He said he felt he had the responsibility to analyze how these investments are used. Dr. Nortveldt stated the law does not identify the kind of investments to be made and a large share of the money can just be held or put into treasury bonds. He said the capital companies can invest in a safe business and make a large profit. Rep. Good asked if Dr. Nortveldt knew how many jobs had actually been created from this investment. Dr. Nortveldt replied he had a list showing the businesses that have received either equity or loan investments from capital corporations and the number of people employed by those businesses. Rep. Good asked how many jobs would it take to satisfy you. Dr. Nortveldt replied the money now being spent would be better spent by reducing the tax rate

of these high risk ventures. He said the risk should be taken by the private sector and if they are successful, then they could receive a tax credit.

Rep. Ellison asked Mr. Pansich if he was keeping a record of the investment companies. Mr. Pansich replied he did have the dollar amount invested in the specific companies but not the number of jobs created but he would furnish this information to the committee. Rep. Ellison stated unless the companies are tracked, how would there be any record of the return on this. Mr. Pansich replied there is a reporting system and in addition, the Commissioner of Financial Institutions must audit the companies to determine if they are living up to the intent of the law plus bank examiners also audit the companies at their own expense. Rep. Ellison asked how often this is done and if it would be available to the committee. Mr. Pansich stated the audits do not begin until the company has been in existence three years and he was not sure of the audit schedule.

Rep. Elliott asked Dr. Nortveldt if these companies are actually investing their money in treasury bills or was he suggesting only that they could do this. Dr. Nortveldt replied since their schedule for investing is 30% in three years, 50% in four and 70% in five years, they could use the money for other purposes during this time period.

Rep. Patterson asked Sen. Crippen if he objected to the Administration's proposed amendments. Sen. Crippen replied he certainly did and it would be better to kill the bill entirely. Rep. Patterson then asked Dr. Nortveldt if the amendments are not passed, would the Administration make governor's amendments. Dr. Nortveldt replied this would be his understanding but he had not discussed this with the governor as yet. Rep. Patterson then asked if the governor would veto the bill without the amendments. Dr. Nortveldt replied there would be an amendment veto and if this lost then they would consider a veto of the entire bill. Rep. Hoffman asked Dr. Nortveldt from what fund the money for these investments was obtained. Dr. Nortveldt replied it shows up as a \$3,000,000.00 reduction in personal income tax since the investors take a credit on this.

Closing by Sponsor: Sen. Crippen stated the amendments essentially eliminate the language proposed in the bill but also reduce the credit that is currently in the law to \$1.5 million. He said the issue of capital was missed by Dr. Nortveldt. Sen. Crippen stated he agreed there are many ways to improve the economy, but Montana is a capital poor state and there is no large influx of people waiting eagerly to come to Montana and invest. He said the state needs to provide ways to create capital. Sen. Crippen stated this deals with speculative businesses and the investors are expecting a return on their investment. He said this is a bipartisan bill and he urged the support of the committee.

Dr. Ken Nortveldt wished to comment that he vigorously fought this bill in the House in 1983 and lost.

DISPOSITION OF SENATE BILL 283

Motion: None.

Discussion: None.

Amendments, Discussion, and Votes: None.

Recommendation and Vote: None. Action will be taken at a later date.

HEARING ON HOUSE BILL 771

Presentation and Opening Statement by Sponsor:

Rep. Fritz Daily, District 69, stated HB 771 basically did three things: 1) deals with school equalization, 2) provides an additional source of revenue to the foundation program, and 3) provides an alternative source of revenue to the sales tax proposal. He said the state has not adequately funded education and the constitution provides that every child should have equal opportunity and a quality education. Rep. Daily stated revenue must be raised for this purpose. He said if the current proposals are implemented, approximately 75 school districts will receive less money than they receive currently and they will be devastated. Rep. Daily stated these districts have tried to cut costs and have not been able to do so. He submitted a document to the committee from the Department of Revenue showing the estimated increases in revenue from selected income tax adjustments. (Exhibit 3). Rep. Daily stated his bill provides a 10% individual income tax surcharge, a 10% corporate tax, a limit on federal income tax credits, and the state will levy a 100 mill levy for education. He said there are no exemptions to the 100 mill levy. He stated it will also equalize the statewide teacher's retirement based on a cost basis instead of per student cost and there are no caps in the bill.

Testifying Proponents and Who They Represent:

Terry Minnow, Montana Federation of Teachers
Eric Feaver, Montana Education Association
Ed Sheehy, Helena, Concerned Citizen
Don Reed, Montana Alliance for Progressive Policy

Proponent Testimony:

Terry Minnow stated her organization supports the concept of the bill and agrees that equalization is a major issue. She urged support of the bill.

Eric Feaver said some components of the bill are good, some marginal and some questionable. He stated the tax proposals in the bill he considered good are the limitation of federal income tax deductions, elimination of the school permissive levies, elimination of the grossly unequalized retirement levies and the mandated 100 school mill levy statewide. He said the tax proposal considered marginal is the 10% surcharge on personal income taxes and on corporation license fees. Mr. Feaver said he supported the lottery revenue redistribution into school equalization, the earmarking of new revenue for public schools and equalization, and the funding of retirement on a district by district basis at actual costs. He stated the objectionable concepts in the bill are the elimination of the earmarked funds from coal severance and the U.S. mineral royalties. He said the bill is not an entire solution to the Lobel decision and school equalization but it is a step forward. Mr. Feaver stated his organization's support for this bill did not mean they no longer supported HB 747. He said HB 771 is not an alternative to the sales tax.

Ed Sheehy stated he supported the bill since he was an opponent to the sales tax and there must be an alternative funding method.

Don Reed stated he wished to address the capping of the federal deductions in the bill. He said most states do not allow federal income tax deductions on state income tax and Montana is one of only seven states that still allows this.

Testifying Opponents and Who They Represent:

Dennis Burr, Montana Taxpayers Association
Ken Williams, ENTECH and Montana Power
Buck Bowles, Montana Chamber of Commerce

Opponent Testimony:

Dennis Burr stated if the problem of school funding is to be dealt with in this biennium, then some additional revenue will be needed. He said his objection to the bill is the fact that Montana currently has the highest income tax rates in the nation and this bill amounts to approximately a 20% increase in income taxes. Mr. Burr stated he supports HB 747 because the sales tax would provide the opportunity to make adjustments in income and property taxes in the state. He said this bill would only create higher taxes and offer no real solution to the revenue problems.

Ken Williams stated that the 100 mill levy would have an extensive impact on his company. He said the property tax increase for Montana Power would be approximately 6.6 million dollars and this would be passed on to consumers. Additionally, this levy represents approximately a \$.14

increase per ton to the cost of coal due to the gross proceeds tax which is 45% of the mill levy. Mr. Williams stated this would be an erosion of the coal business and could lead to increased unemployment due to less production in the state. He said there must be other avenues than state income tax increases to raise needed revenues.

Burt Bowles said those states that do not have income tax deductions have sales tax. He stated the Montana Chamber is on record as being opposed to any extension of the income tax surcharge and cautioned against the state income tax increasing to such high levels that it discourages people from coming to the state. He urged opposition to the bill.

Questions From Committee Members: Rep. Patterson asked Rep.

Daily if the 10% surtax on corporations will be removed or is it permanent. Rep. Daily responded this was a permanent part of the bill but he did not have an objection if the committee wished to add a termination date. Rep. Patterson suggested a 7% rate as an increase in schedule rather than a surtax and Rep. Daily said he had no objection. Rep. Patterson asked about transportation in the school districts. Rep. Daily stated this could be based on costs and needs in each individual district and there will be a study during the interim on this problem.

Rep. Schye asked Dennis Burr if he would support a sales tax only for education and nothing else. Mr. Burr said probably not since the part of the sales tax bill they liked was the chance to make adjustments in other tax areas. He said one of the problems is not knowing what the costs will be for schools.

Rep. Cohen asked Eric Feaver if teacher's retirement in low paying school districts would be subsidized. Mr. Feaver replied the opposite would be true. He said this bill allows retirement to be in the general fund but it is accounted for separately and provides dollar for dollar payment of retirement so there would be no subsidy. Mr. Feaver stated the reason salaries vary in different school districts is longevity.

Rep. Patterson asked Rep. Daily if special education and the gifted programs were included in the bill. Rep. Daily stated they were not.

Closing by Sponsor: Rep. Daily thanked the committee for the opportunity to present his bill. He said the Taxation Committee was the most important in the legislature and had very difficult decisions to make. He stated the problem of education must be resolved and the school funding equalization issue is the most serious issue ever faced in the state. Rep. Daily stated he thought the best solution would be to use new money from the coal tax trust fund but he did not think this would happen. He said the most

important point of his bill was to offer an alternative to the sales tax. Rep. Daily asked the committee to consider the bill along with HB 747, the sales tax bill. He said he does not support the sales tax but admired Rep. Bradley's courage in bringing the issue before the committee.

DISPOSITION OF HOUSE BILL 771

Motion: None.

Discussion: None.

Amendments, Discussion, and Votes: None.

Recommendation and Vote: None. Action will be taken at a later date.

HEARING ON HOUSE BILL 762

Presentation and Opening Statement by Sponsor:

Rep. Stella Jean Hansen, District 57, stated HB 762 is an extension of the children's trust fund which was established for child abuse victims. She said now the money is a fund going to SRS, disbursed by a board and those meeting the strict qualifications can apply to the SRS board for funds. Rep. Hansen said the bill imposed a tax on beer and wine to find a less punitive method of funding these programs. Rep. Hansen proposed an amendment to the bill lowering the tax increase from \$.05 to \$.01. She said the \$.01 tax would raise \$2,100,000.00 per year. She stated she would not object to removing wine from the tax. Rep. Hansen said the bill had been expanded to include health, welfare, education and the care of children, included but not limited to prevention of child abuse and neglect, day care programs, early invention programs, and programs that promote emotional and physical growth. She said the fund would not be limited to nonprofit organizations but could be used by the public sector, too. She stated there are many programs available and if a community sees a program that will fit their needs, they would be assisted in this effort. Rep. Hansen stated if avenues for additional funding can not be found, the programs cannot be continued. She urged support of the bill.

Testifying Proponents and Who They Represent:

Susan Sandwell, President, Montana Child Abuse Prevention Committee

Dr. Karen Anders, Montana Childrens Alliance

Phil Thomas, Helena, Concerned Citizen

Proponent Testimony:

Susan Sandwell spoke in support of the bill. (Exhibits 4,

5, 6, 7 & 8).

Dr. Karen Anders stated child abuse is on the increase currently and she urged support of the bill.

Phil Thomas stated the children's trust fund has been effective and its focus has been on child abuse and neglect. He said to avoid future expenses and pain for children, it was common sense to address these problems now. He urged support of the bill.

Testifying Opponents and Who They Represent:

Rep. Bob Pavlovich, House District 70
Roger Tippy, Executive Director, Council of Beer & Wine Wholesalers
Bob Durkee, Montana Tavern Association
Steve Browning, Anheuser Busch
Kevin Tipton, Distilled Spirits Council of the U.S.
Walter Jackovitch, Bar Owner, Butte
Roger Knudsen, Yellowstone County Tavern Association
Steve Wilkin, President, Montana Tavern Association
Tandy DeCoff, Tandy's Restaurant
Lori Sheenan, Bozeman Chamber of Commerce, Restaurant & Bar Owner
Bill Stevens, Executive Director, Montana Food Distributors Association
Bob Fletcher, Restaurant & Lounge Owner, Bozeman

Opponent Testimony:

Rep. Bob Pavlovich stated the bill focuses on one segment of society and this is unfair. He said all child abusers are not alcoholics.

Roger Tippy stated the bill would impose an average tax of \$1.20 per case of packaged beer (24 bottles or cans). He said for wine, the average would be approximately \$.90 per case. He stated the bill would nearly double the taxes on wine and beer. He said the causal link between alcohol and child abuse is even more remote when all the other programs the bill entails are considered. Mr. Tippy stated the bill is vague as to how exactly the funds would be applied to the various programs. He said he opposes the bill because the amount of the revenue is too large and there is no causal connection to alcohol to justify imposing this on one segment of the economy.

Bob Durkee stated it was unfair to single out one industry for a laudable cause. He said his association opposed funding an unknown program with an unlimited amount of money. He stated the industry could not tolerate any additional taxes on their products. He urged opposition to the bill.

Steve Browning spoke in opposition to the bill. (Exhibit 9).

Kevin Tipton stated the bill does not effect his organization but they oppose the bill because they consider it unfair to the industry and the targeting of one segment of the economy to pay the tax.

Walter Jackovitch stated he was opposed to the method of funding but not to child abuse needs.

Roger Knudsen stated the industry was struggling to survive and he strongly opposed the bill.

Steve Wilkin opposed the bill.

Tandy DeCoff stated he opposed the bill on behalf of the Missoula County Tavern Association. He said the taxes paid by this segment of the economy are currently too high.

Lori Sheenan stated she opposed the funding method but not the programs.

Bill Stevens said the members of his organization retail more beer and wine than any other source for these products. He stated they opposed the bill from the consumers point of view since the consumer will pay more than the tax. He urged opposition to the bill.

Bob Fletcher stated he opposed the funding method but not the programs. He said 30% of his employment staff were working mothers. Mr. Fletcher stated it is this type of employment that will be cut due to increased taxes on these products. He urged opposition to the bill.

Questions From Committee Members: Rep. Driscoll asked Rep. Hansen about page 9, section 13 of the bill stating if her suggested amendment to reduce the tax amount of \$.01 is approved, wouldn't this void the bill. Rep. Hansen replied she had checked on this and the answer was no. She stated they had difficulty drafting the bill and the reason for the voiding section was to avoid jeopardizing the program that is currently in place. Rep. Driscoll then asked if this could not be removed from the bill. Rep. Hansen stated she thought so.

Closing by Sponsor: Rep. Hansen stated there was also an amendment to remove the checkoff system from the bill. She said she would also take the table line out of the bill. Rep. Hansen stated she did not care how the tax was imposed as long as it provided the 10 to 12 million cap within the next few years. She stated beer is not a necessity but a luxury item and she did not feel this tax would be unfair. Rep. Hansen stated the board involved is a public entity working directly under the governor. She said it had been a

good board and there are checks and balances provided in the system. She urged support of the bill.

DISPOSITION OF HOUSE BILL 762

Motion: None.

Discussion: None.

Amendments, Discussion, and Votes: None.

Recommendation and Vote: None. Action will be taken at a later date.

HEARING ON SENATE BILL 302

Presentation and Opening Statement by Sponsor:

Senator Joe Mazurek, District 23, stated the bill imposes the 6 mill levy that funds 10% of the university costs. He said this was approved by the voters in the last election. He said this is done every ten years to fund the university system. He urged support.

Testifying Proponents and Who They Represent:

Leroy Schramm, Legal Counsel of the Board of Regents
Terry Minnow, Montana Federation of Teachers
Valerie Larson, Farm Bureau

Proponent Testimony:

Leroy Schramm urged support of the bill.

Terry Minnow urged support of the bill.

Valerie Larson urged support of the bill.

Testifying Opponents and Who They Represent:

None.

Opponent Testimony:

None.

Questions From Committee Members: Rep. Giacometto asked Sen. Mazurek is this would have to be on the ballot. Sen. Mazurek stated this is on the ballot every ten years and the bill simply imposes the tax after the voters have approved this.

Rep. Cohen asked Sen. Mazurek to comment on what would happen if Sen. Gage's or Rep. Bradley's bills pass. Sen. Mazurek replied nothing would happen since this is merely to

imposes the 6 mill levy on the taxable value of the state whatever that value may be.

Closing by Sponsor: Sen. Mazurek stated Rep. Vincent would carry the bill.

DISPOSITION OF SENATE BILL 302

Motion: None.

Discussion: None.

Amendments, Discussion, and Votes: None.

Recommendation and Vote: None. Action will be taken at a later date.

HEARING ON HOUSE BILL 751

Presentation and Opening Statement by Sponsor:

Rep. Jerry Driscoll, District 92, stated he would have to have an amendment to the bill since his intent was to allow a standard income tax deduction of \$6,000.00 per individual wage earner rather than a \$12,000.00 deduction for married couples only. Rep. Driscoll stated more and more of the tax burden on federal income tax has been placed upon the lower and middle class and most deductions have been eliminated. He said this bill will eliminate itemization, raise the standard deduction to \$6,000.00 per person, and change the individual exemption to \$1,500.00. He said an amendment was needed to start the indexing in 1989 at \$6,000.00. Rep. Driscoll stated the bill lowers the tax rates from the high rate of 11% to a maximum of 8%. He stated the reason for this is the federal changes are effecting the Montana tax system and most families are two income today. He said this is a simplification of the tax system.

Testifying Proponents and Who They Represent:

Don Reed, Montana Alliance for Progressive Policy
Terry Minnow, Montana Federation of Teachers
Eric Feaver, Montana Education Association
Don Judge, AFL-CIO

Proponent Testimony:

Don Reed spoke in support of the bill and also submitted testimony from the Montana Low Income Coalition. (Exhibits 10 & 11).

Terry Minnow stated the bill addressed many of the problems of the current Montana tax system. She said the demand for public services has not declined and this bill will provide revenue for these services. She urged support of the bill.

Eric Feaver stated his organization supports the bill and Rep. Driscoll's amendments. He urged support of the bill.

Don Judge submitted written testimony in support of the bill. (Exhibit 12).

Testifying Opponents and Who They Represent:

Dennis Burr, Montana Taxpayer's Association
Tom Harrison, Montana Society of CPAs

Opponent Testimony:

Dennis Burr stated the bill eliminates itemized deductions and 65% of Montana's citizens itemize their deductions. He said the bill will raise taxes by \$50.00 per person. He stated this is income tax reform that increases taxes and his organization prefers to see income tax reform that lowers income tax.

Tom Harrison said the state's revenue needs are grave problems but this bill is not the solution. He said the income tax in the state is high and the bill is not tax reform. He stated the elimination of the interest deductibility is counterproductive to business investments. He said the effects of this bill would be stagnation of an economy that is already in difficulty. He urged opposition to the bill.

Questions From Committee Members: Rep. Cohen asked Rep. Driscoll how much income a family of four with a combined income would have to have before they would pay any state income taxes under this bill. Rep. Driscoll replied \$18,000.00. Rep. Cohen then told Mr. Harrison he was a small businessman who received some small interest payments and paid interest on loans. He asked if this was still deductible. Mr. Harrison replied this would be a business interest expense so it would be deductible.

Closing by Sponsor: Rep. Driscoll referred to the statement concerning 65% of the citizen's itemizing their taxes. He stated this number is dwindling due to the federal elimination of so many deductions. He said soon only the wealthy will be able to itemize their deductions. He said this bill does not impose any surcharges and lowers the marginal rates. Rep. Driscoll stated under this bill 65% of the taxpayers receive a tax decrease and 21% an increase. He said the 21% are paying either very little or no income tax at all. He urged support of the bill.

DISPOSITION OF HOUSE BILL 751

Motion: None.

Discussion: None.

Amendments, Discussion, and Votes: None.

Recommendation and Vote: None. Action will be taken at a later date.

HEARING ON HOUSE BILL 664

Presentation and Opening Statement by Sponsor:

Rep. Ted Schye, District 18, submitted a fiscal note on the bill to the committee. (Exhibit 13). Rep. Schye stated the bill is to close the loopholes in the state income tax that allow those with the largest incomes to pay little or no tax. He said most of the people with incomes of \$100,000.00 or more per year pay nothing or as little as \$1,000.00 in taxes. Rep. Schye stated the bill establishes an alternative minimum tax to ensure that no taxpayer with substantial income avoids paying taxes. He said there is a disproportionate amount of deductions available to those in upper income brackets. Rep. Schye stated this was not a tax decrease but a bill to ensure fairness.

Testifying Proponents and Who They Represent:

Don Judge, AFL-CIO
Jim Kelble, Montana Alliance for Progressive Policy
Terry Minnow, Montana Federation of Teachers

Proponent Testimony:

Don Judge submitted written testimony in support of the bill. (Exhibit 14).

Jim Kelble stated his organization objects to those with large incomes paying nothing in taxes. He submitted the federal alternative minimum tax form as an example. (Exhibit 15). He urged support of the bill.

Terry Minnow stated her organization supports the concept of tax fairness. She urged the committee to look at all options for tax reform.

Testifying Opponents and Who They Represent:

Tom Harrison, Society of CPAs
Dennis Burr, Montana Taxpayer's Association

Opponent Testimony:

Tom Harrison stated state taxes must be viewed in a competitive situation. He said some of the surrounding states have no state income tax at all. Mr. Harrison stated his concern was the consequences of the bill. He said many

corporations have left the state or do not locate here due to the tax structure. Mr. Harrison stated the bill would be detrimental to business and the economy. He urged opposition to the bill.

Dennis Burr stated he did not fully understand the bill and therefore opposed it.

Questions From Committee Members: Rep. Raney asked Mr. Harrison about his reference to the tax structure driving people out of the state. He said do we want them if they don't contribute to the services of the state that they enjoy. Mr. Harrison replied he agreed but the fact is they pay in excess of \$30,000.00 per year in income taxes on the average. He said at some point, they decide to leave rather than pay more taxes.

Rep. Ream requested that the Department of Revenue provide an analysis of the fiscal impact of the bill.

Closing by Sponsor: Rep. Schye stated the people in the middle and lower income brackets are paying the bill and cannot just pick up and move away. He said there are many reasons why people leave the state besides the tax structure. He stated most people do not mind paying taxes if everyone pays their fair share.

DISPOSITION OF HOUSE BILL 664

Motion: None.

Discussion: None.

Amendments, Discussion, and Votes: None.

Recommendation and Vote: None. Action will be taken at a later date.

EXECUTIVE SESSION

MOTION: To RECONSIDER HOUSE BILL 690 by Rep. Giacometto. HB 690 was a DO NOT PASS on March 7.

DISCUSSION: Rep. Giacometto stated a court judgement stated an attempt to tax intangibles meaning the reputation, knowledge and expertise of the owner is not permissible.

Rep. Cohen opposed the motion. He stated there was a court case and as a result the DOR changed the way they determined the title plant value.

The motion CARRIED by a 11 to 7 roll call vote.

Rep. Giacometto made the motion to DO PASS.

DISCUSSION: Rep. Driscoll asked if the title companies paid taxes on their title plants. Rep. Giacometto replied they did. Rep. Hoffman stated this is their assets and is not an intangible since if the company is sold, this is worth a good deal of money. Rep. Gilbert stated that when anyone sells a commercial business, they are also selling their reputation and it is the same thing. Rep. Cohen stated this was the only asset of the company and there was no reason not to tax this. Rep. Gilbert asked Rep. Cohen if he paid taxes on his customer list. Rep. Cohen replied he did not pay property taxes on it but he amortized it, he did not depreciate it as the title companies do with their files. Rep. Gilbert disagreed stating files are not taxed in any business and it is not fair to tax the title companies simply because these are on microfiche.

The motion FAILED by a 12 to 6 roll call vote. Chairman Harrington moved to reverse the boat. The motion PASSED by a unanimous voice vote.

DISPOSITION OF HOUSE BILL 250 HEARD ON FEBRUARY 1:

MOTION: DO PASS by Rep. O'Keefe.

DISCUSSION: Rep. O'Keefe stated the reason for the boat bills was not to change the bulk of the current law but to correct the problems that had been encountered since the law was enacted. He stated currently all of the boats pay a \$2.00 decal fee. He said the bill has been amended to state on page 5, line 2 that all motorized rubber rafts pay a fee of \$7.50 regardless of their length and age. He stated on page 5, lines 3 through 19, all the exemptions except 7, 9, 11 and 14, have been struck. He said a separate class had been created for sailboats. Rep. O'Keefe stated for sailboats 14 to 18 feet, the fee will be \$14.50; those 18 to 23 feet will pay a flat fee of \$20.00; sailboats 23 to 27 feet will pay \$2.50 per foot; those in excess of 23 feet will pay a fee of \$3.00 per foot. He said all motorized equipment such as water skis, etc., are now defined as personal watercraft. He stated the decal fee had been raised to \$3.50 earmarked for enforcement.

Rep. Gilbert asked what was the original decal fee. Rep. O'Keefe stated it was \$2.00 and is now \$3.50. Rep. Gilbert then asked about the difference of \$1.00 between the motorboats fee and the sailboats of 23 feet. Rep. O'Keefe said he had no objection to changing this to the same amount. Dave Bohyer stated this was a significant change in the intent of the bill and the title does not accommodate these changes.

Rep. O'Keefe withdrew his motion to DO PASS and the committee agreed to wait for further amendments to be drafted before taking action.

DISPOSITION OF HOUSE BILL 479 HEARD ON FEBRUARY 10:

MOTION: To take OFF THE TABLE by Rep. Ream.

DISCUSSION: Rep. Ream proposed amendments. He said this eliminates the local option tax and sales tax and provides other alternatives.

Motion CARRIED by a 10 to 8 voice vote.

MOTION: DO PASS AND MOVED THE AMENDMENTS by Rep. Ream.

Rep. Ream stated there had been much discussion on this issue and he would like this to be debated in the house. Rep. Raney asked if the bill was limited only to sales tax. Rep. Ream said it is now a local option luxury tax only. Rep. Stang asked if this was a backdoor approach to get the bill out on the floor so Rep. Addy could remove all of the amendments. Rep. Ream said it was not and this was his own idea. Rep. Stang said he thought they could get the votes in the house to strip the amendments and he was concerned about this. Rep. Gilbert agreed and stated he would support this only if Rep. Addy stated to the committee, he would not try to do this. Rep. Rehberg stated he opposed the amendments entirely and this was an unfair tax.

Rep. Gilbert moved to TABLE the bill.

Rep. Ream said he would like Alec Hanson to speak on the bill since the amendments came from his organization. Rep. Gilbert agreed to withdraw his motion to allow Mr. Hanson to speak and then the motion would be remade.

Alec Hanson stated Rep. Addy was on his way to the committee. He stated he had recognized there was no possibility of the bill passing the House. He stated he agreed with Rep. Rehberg that if there is to be a general sales tax in Montana, this should be coordinated with that tax. He said they would be willing to amend the bill to limit the tax to 1% if the general sales tax passed. Mr. Hanson stated this is the last chance to provide any property tax relief for the cities and counties of the state. He said his organization is supporting this bill as amended and would not make or support any effort to remove the amendments on the floor of the House.

Rep. Addy had arrived at this point and Rep. Gilbert restated the issue for him. Rep. Addy replied this was a difficult compromise for him but better than nothing. He said he disagreed with the philosophy but he would not try to overturn the amendments on the floor of the House and he would oppose any effort to do so.

Rep. Giacometto stated he opposed the bill. He said he realized the cities and towns have a financial crises due to the property taxes. He stated this still does not address the major problems of property tax and a lot of people are not going to be able to take advantage of this.

Rep. Gilbert withdrew his TABLE motion.

Rep. Stang asked Rep. Addy if the committee approves the amendments, and Rep. Rehberg makes the motion on the floor to strip the amendments, would he vote for this motion. Rep. Addy stated he would not. Rep. Stang asked if this was a guarantee. Rep. Addy said it was.

The amendments were CARRIED by a 15 to 3 voice vote with Reps. Good, Giacometto and Rehberg voting no.

The motion to DO PASS AS AMENDED CARRIED by a 12 to 6 roll call vote.

DISPOSITION OF HOUSE BILL 256 HEARD ON FEBRUARY 10:

MOTION: DO PASS by Rep. Cohen.

DISCUSSION: Rep. Cohen proposed an amendment stating that if either HB 747 or HB 479 do pass, HB 256 would not take effect.

The motion CARRIED by a unanimous voice vote.

DO PASS AS AMENDED FAILED on a 15 to 3 roll call vote. Chairman Harrington made the motion to reverse the vote. Motion CARRIED by a unanimous voice vote.

ADJOURNMENT

Adjournment At: 12:04 p.m.



REP. DAN HARRINGTON, Chairman

DH/lj

6015.min

DAILY ROLL CALL

TAXATION

COMMITTEE

51st LEGISLATIVE SESSION -- 1989

Date March 15, 1989

NAME	PRESENT	ABSENT	EXCUSED
Harrington, Dan, Chairman	✓		
Ream, Bob, Vice Chairman	✓		
Cohen, Ben	✓		
Driscoll, Jerry	✓		
Elliott, Jim	✓		
Koehnke, Francis	✓		
O'Keefe, Mark	✓		
Raney, Bob	✓		
Schye, Ted	✓		
Stang, Barry	✓		
Ellison, Orval	✓		
Giacometto, Leo	✓		
Gilbert, Bob	✓		
Good, Susan	✓		
Hanson, Marian	✓		
Hoffman, Robert	✓		
Patterson, John	✓		
Rehberg, Dennis	✓		

STANDING COMMITTEE REPORT

March 15, 1989

Page 1 of 3

Mr. Speaker: We, the committee on Taxation report that House Bill 479 (first reading copy -- white) do pass as amended.

Signed: _____
Dan Harrington, Chairman

And, that such amendments read:

1. Title, line 5.

Strike: "ANY TYPE OF TAX NOT PROHIBITED BY LAW"

Insert: "AN EXCISE TAX ON THE SALE OF CERTAIN GOODS AND SERVICES"

2. Page 1, line 11 through page 2, line 6.

Strike: the statement of intent in its entirety

3. Page 2, line 10.

Following: "through"

Strike: "6"

Insert: "5"

4. Page 2, lines 18 through 22.

Following: "impose" on line 18

Strike: the remainder of line 18 through "law" on line 22

Insert: "an excise tax, not to exceed 2%, on the retail value of all goods and services sold within its jurisdiction by the following establishments:

(a) hotels, motels, and other lodging or camping facilities;

(b) restaurants, fast food stores, and other food service establishments;

(c) taverns, bars, night clubs, lounges, and other public establishments that serve beer, wine, liquor, or other alcoholic beverages by the drink;

(d) ski resorts and other recreational facilities; and

(e) establishments, except those operated by nonprofit organizations, that charge admission for movies, concerts, theatrical performances, sporting events, or other entertainment."

5. Page 2, line 24.

Following: "impose"
Strike: "a"
Insert: "the excise"

6. Page 3, lines 3 and 4.
Strike: subsection (a) in its entirety
Renumber: subsequent subsections

7. Page 3, line 7.
Following: "tax"
Insert: ", including the date on which the tax becomes effective
and the date on which the tax terminates"

8. Page 3, line 17.
Strike: "specified"
Insert: "excise"

9. Page 3, line 19.
Following: "section"
Strike: "6"
Insert: "5"

10. Page 3 line 22 through page 4 line 18.
Strike: section 3 in its entirety
Renumber: subsequent sections

11. Page 4, line 22.
Following: "the"
Insert: "excise"

12. Page 5, line 6.
Following: "of"
Strike: "a"
Insert: "an excise"

13. Page 5, line 9.
Following: "of"
Strike: "a"
Insert: "an excise"

14. Page 5, line 14.
Following: "option"
Insert: "excise"

15. Page 5, line 19.
Following: "distribute"
Insert: "excise"

16. Page 5, line 21.

STANDING COMMITTEE REPORT

March 15, 1989

Page 1 of 1

Mr. Speaker: We, the committee on Taxation report that HOUSE
BILL 690 (second reading copy -- yellow) do not pass.

Signed: _____
Dan Harrington, Chairman

Following: "retain"
Insert: "excise"

17. Page 5, line 23.
Following: "option"
Insert: "excise"

18. Page 6, line 1.
Following: "option"
Insert: "excise"

19. Page 6, line 2.
Following: "option"
Insert: "excise"

20. Page 6, line 3.
Following: "and the"
Insert: "excise"
Following: "tax"
Insert: "approved by the electorate of the county"
Following: "same"
Insert: "rate"
Following: "higher rate"
Insert: "than the rate approved by the electorate of the
municipality"

21. Page 6, line 5.
Following: "county"
Insert: "excise"

22. Page 6, line 6.
Following: "municipal"
Insert: "excise"
Following: "county"
Insert: "excise"

23. Page 6, line 7.
Following: "its"
Insert: "excise"

24. Page 6, lines 10 and 12.
Following: "through"
Strike: "6"
Insert: "5"

EXHIBIT 1 Ken Nordqvist, Doc
DATE 3/15/89 3/15/89
SB 283 SB 283
Sen. Bruce Crippen

Administration's proposed amendments to SB 283

1. In the title: strike "Continue", insert "Change"
 strike "Until", insert "Through"
 strike "1993", insert "1991"
2. Page 2, Line 11 strike "\$3", insert "\$1.5"
3. Page 2, Lines 14 to 18 strike all the new language

Montana Capital Company Report
As of 02/21/1989

EXHIBIT

DATE 3/15/89

BB 283

See: B. Crygier

	Date Applicatn Complete	Date Certified	Date Qualified	Total Tax Credit Reserved	Capital Eligible for 25% Tax Cr	Capital Eligible for 50% Tax Cr	Total \$ Tax Credits Authorized	Balance of Tax Credits Available	Reserved Tax Credit Expires	Dollars Invested in Montana	% TC \$ Invested in MT
Montana Venture Fund I 011	05/18/1988	05/26/1988		\$ 0	\$ 0	\$ 0	\$ 0	\$ 0		\$ 0	0 %
Alpha Limited Partners 013	06/06/1988	06/24/1988		\$ 500,000	\$ 0	\$ 0	\$ 0	\$ 500,000	06/24/1989	\$ 0	- 0 %
Relopment Corporation of 001	01/12/1984	02/02/1984	03/30/1984	\$ 184,075	\$ 736,300	\$ 0	\$ 184,075	\$ 0		\$ 421,194	57 %
Lat Falls Capital Corpor 008	12/18/1985	01/31/1986	10/31/1986	\$ 818,000	\$ 510,000	\$ 1,381,000	\$ 818,000	\$ 0		\$ 0	0 %
rst Montana Capital Corp 006	06/23/1987	11/30/1984	08/28/1987	\$ 150,000	\$ 0	\$ 200,000	\$ 100,000	\$ 50,000	12/04/1989	\$ 64,000	32 %
asure State Capital Lim 012	05/25/1988	05/26/1988	08/25/1988	\$ 500,000	\$ 0	\$ 405,051	\$ 202,525	\$ 297,475	06/30/1989	\$ 109,000	26 %
uthwest Montana Developm 010	11/25/1987	12/18/1987	12/16/1988	\$ 505,425	\$ 0	\$ 283,040	\$ 115,758	\$ 389,667	06/24/1989	\$ 0	0 %
e Glacier Springs Compan 014	06/17/1988	07/28/1988	01/27/1989	\$ 650,000	\$ 0	\$ 581,184	\$ 290,592	\$ 359,408	12/04/1989	\$ 0	0 %
K Venture Capital Compan 015	07/05/1988	07/28/1988	01/27/1989	\$ 105,000	\$ 0	\$ 210,000	\$ 70,000	\$ 35,000	12/04/1989	\$ 0	0 %
ntana Progress Capital I 016	12/04/1988	12/16/1988	01/27/1989	\$ 1,500,000	\$ 0	\$ 3,000,000	\$ 1,500,000	\$ 0		\$ 0	0 %
				\$ 4,912,500	\$ 1,246,300	\$ 6,060,275	\$ 7,306,575	\$ 1,631,550		\$ 594,194	

Total Tax Credits Authorized
Total Tax Credits Reserved

Total Credits Available for Allocation to MCC's

MONTANA CAPITAL COMPANIES

EXHIBIT 2
DATE 3/15/89
FB 283
Sen. B. Crupper

Certified and Qualified

Steve Brown
Development Corp. of Montana
P.O. Box 916
Helena, Montana 59624
406/442-3850

Mike Parker
Great Falls Capital Corp.
8 Third Street North
Great Falls, Montana 59401
406/761-7978

Robert G. Mullendore
First Montana Capital Corp.
310 West Spruce
Missoula, Montana 59802
406/721-8300

Conrad Stroebe
Treasure State Capital Ltd. Part.
P.O. Box 194
Billings, Montana 59103
406/248-5678

Evan Barrett
Southwest MT Development Corp.
305 West Mercury
Butte, Montana 59701
406/723-4349

James H. Koessler
KBK Venture Capital Co. of MT
2722 Third Avenue North
Billings, Montana 59101
406/252-4101

Pat Rice
The Glacier Springs Company
1501 Third Street N.W.
Great Falls, Montana 59404
406/727-7500

Thomas P. Kenneally
Montana Progress Capital Ltd.
600 South Main Street
Butte, Montana 59701
406/782-9121

Certified

R.D. "Pete" Bloomer
CVM Montana Venture Fund I, Ltd.
2995 Wilderness Place
Boulder, Colorado 80301
303/440-4055

Bruce Ennis
ECM Alpha Limited Partnership
2720 Third Avenue North
Billings, Montana 59101
406/259-4650

Thomas P. Kenneally
Big Sky Opportunities Ltd. Part.
600 South Main Street
Butte, Montana 59701
406/782-9121

Montana Capital Company
Report of Investments Made
As of 03/15/1989

EXHIBIT 2
DATE 3/15/89
BB 283
Sen. B. Crispin

Company: 001 Development Corporation of Montana

Investment Information:

09/30/1985 WSM, Inc.
1123 Third Ave North Billings, MT 59107

Major Shareholders:

Edward A. Shelby	11.37%
Sam E. McDonald, Jr.	9.17%
Development Corporation of Montana	8.49%
Rocky Mountain Capital	8.49%
Richard Cox	6.79%

Jobs	Small Business	Amount Invested
12	N	\$ 75,000

12/31/1985 American Telephone Advertising Corporation
P.O. Box 2307 Great Falls, MT 59403

Major Shareholders:

Gary Walrack	45.90%
Richard Walrack	33.70%
Clyde Neu	11.20%
Development Corporation of Montana	3.60%
Michael Parker	1.80%

Jobs	Small Business	Amount Invested
14	Y	\$ 60,000

EXHIBIT 2DATE 3/15/89SB 283*Dr. B. Crupper*

06/30/1986 American Telephone Advertising Corporation
P.O. Box 2307 Great Falls, MT 59403

Major Shareholders:

Gary Walrack	15.50%
Richard Walrack	33.70%
Clyde Neu	14.00%
Development Corporation of Montana	14.30%
Michael Parker	4.90%

Jobs	Small Business	Amount Invested
14	Y	\$ 34,194

03/31/1987 USA McDonald/Millwood Systems
P.O. Box 4227 Missoula, MT 59806

Major Shareholders:

James M McDonald (as trustee)	85.00%
-------------------------------	--------

Jobs	Small Business	Amount Invested
51	Y	\$ 52,000

06/30/1987 Mountain Meadows Products, Inc.
P.O. Box 867 Lewistown, MT 59457

Major Shareholders:

Gary & Linda Turco	77.80%
Gene Lyman	15.90%
Gilbert U. Burdett	6.30%

Jobs	Small Business	Amount Invested
2	Y	\$ 100,000

12/31/1987 Computer Systems Maintenance, Inc.
900 Technology Boulevard West Bozeman, MT 59715

Major Shareholders:

Gene Pipinich	67.00%
Paul Gauthier	20.00%
Martin Bourque	13.00%

Jobs	Small Business	Amount Invested
9	Y	\$ 100,000

TOTAL JOBS	SMALL BUSINESSES	TOTAL INVESTED
102	5/6	\$ 421,194
=====	=====	=====

Montana Capital Company
Report of Investments Made
As of 03/15/1989

EXHIBIT 2
DATE 3/15/89
BB 283
Sen. B. Criggin

Company: 006 First Montana Capital Corporation

Investment Information:

09/30/1987 Equipoise Corporation
211 North Higgins Avenue Missoula, MT 59802

Major Shareholders:
Randolph V. Peterson, Inc 50.00%
Robert G. Mullendore 50.00%

Jobs	Small Business	Amount Invested
0	Y	\$ 30,000

09/30/1987 Synpro Corporation
310 W. Spruce Missoula, MT 59802

Major Shareholders:
Robert G. Mullendore 100.00%

Jobs	Small Business	Amount Invested
0	Y	\$ 8,100

12/31/1987 Synpro Corporation
310 West Spruce Street Missoula, MT 59802

Major Shareholders:
Robert G. Mullendore 100.00%

Jobs	Small Business	Amount Invested
0	Y	\$ 9,900

EXHIBIT

2

DATE

3/15/89

SB

283*Sen. B. Cruppen*

06/30/1988 Synpro Corporation
310 W. Spruce Missoula, MT 59802

Major Shareholders:
Robert G. Mullendore

100.00%

Jobs
0

Small Business
Y

Amount Invested
\$ 7,000

07/01/1988 Synpro Corporation
310 West Spruce Street Missoula, MT 59802

Major Shareholders:
Robert G. Mullendore

100.00%

Jobs

Small Business
Y

Amount Invested
\$ 5,000

12/31/1988 Synpro Corporation
310 W. Spruce St. Missoula, MT 59802

Major Shareholders:
Robert G. Mullendore

100.00%

Jobs

Small Business
Y

Amount Invested
\$ 4,000

TOTAL JOBS

SMALL BUSINESSES
6/6

TOTAL INVESTED
\$ 64,000

=====

=====

=====

EXHIBIT 2DATE 3/15/89SB 283

Montana Capital Company
 Report of Investments Made
 As of 03/15/1989

John B. Cruppen

Company: 012 Treasure State Capital Limited Partnership

Investment Information:

12/31/1988 Idea/Wirth USA, Inc.
 1600 Poly Drive Billings, MT 59102

Major Shareholders:

Theodore J. Wirth	49.50%
Mr. Zaidon	33.30%
Mr. Aquil	17.20%

Jobs	Small Business	Amount Invested
15	Y	\$ 45,000

12/31/1988 Dismas International, Inc.
 801 14th St. West Billings, MT 59102

Major Shareholders:

John Keen	30.00%
Randy Dixon	30.00%
John Zuck	30.00%
Brian Boye	10.00%

Jobs	Small Business	Amount Invested
4	Y	\$ 40,000

12/31/1988 Tac-U-Comp Services
 512 North 29th St. Billings, MT 59101

Major Shareholders:

Ronald L. Musgrave	51.00%
Treasure State Capital Limited Partnership	49.00%

Jobs	Small Business	Amount Invested
3	Y	\$ 24,000

TOTAL JOBS	SMALL BUSINESSES	TOTAL INVESTED
22	3/3	\$ 109,000
=====	=====	=====

State of Montana

Stan Stephens, Governor



Department of Revenue

Ken Nordtvedt, Director

EXHIBIT

3

DATE 3/15/89

HB 271

Rep. Fritz Daily
Data Processing Division

Brenda Haseman, Administrator

February 15, 1989

MEMORANDUM

TO: Steve Bender
Acting Deputy Director

FROM: Larry Finch, Acting Chief *let*
Research Bureau

RE: Income Tax Adjustments

The following schedule shows the estimated increase in revenue from selected income tax adjustments:

	(\$ million)		
	FY90	FY91	Biennium
Corporation Surtax (10%)	\$ 4.921	\$ 4.950	\$ 9.871
FIT Limit (\$5,000/\$8,000)	25.214	28.243	53.457
PIT Surtax (10%)	26.434	28.267	54.701
Total	\$ 56.569	\$ 61.460	\$ 118.029

For all of this increase to go towards school equalization the percentage distributions would have to be changed as follows:

Corporation License Tax

	Current Law	Proposed Law
General Fund	64 %	57.7 %
School Equalization	25 %	32.4 %
Sinking Fund	11 %	9.9 %
Financial Institutions Percent to Locals:	80 %	72.7 %

Individual Income Tax

	Current Law	Proposed Law
General Fund	58.2 %	47.7 %
School Equalization	31.8 %	44.1 %
Sinking Fund	10.0 %	8.2 %

The attachment shows the derivation of these numbers.

EXHIBIT 3DATE 3/15/89HB 771*Rep. F. Daily*CORPORATION LICENSE TAX - 10% SURTAX

<u>FY 1990</u>	<u>Current</u>	<u>%</u>	<u>Proposed</u>	<u>%</u>
Total Collections	\$ 49.207		\$ 54.128	
Local Government Share	4.121		4.121	
Net Collections	\$ 45.086		\$ 50.007	
General Fund	\$ 28.855	64 %	\$ 28.855	57.7%
Foundation Program	11.271	25 %	16.193	32.4%
Sinking Fund	4.960	11 %	4.960	9.9%

Under current law, 80% of total collections from financial institutions (\$5.151 million in FY90) is returned to local jurisdictions. Under the proposal, total collections from financial institutions would be estimated at \$5.666 million. This reduces the percentage allocated to local jurisdictions from 80 percent to approximately 72.7 percent.

The above numbers for distribution percentages do not change in FY1991.

INDIVIDUAL INCOME TAX - FIT LIMIT(5,000/8,000) AND 10% SURTAXCurrent Law

	<u>FY90</u>	<u>FY91</u>	<u>Biennium</u>	<u>%</u>
Total Collections	\$ 239.124	\$254.428	\$493.552	
- General Fund	139.170	148.077	287.247	58.2 %
- Foundation Prog.	76.042	80.908	156.950	31.8 %
- Sinking Fund	23.912	25.443	49.355	10.9 %

Proposed Law

	<u>FY90</u>	<u>FY91</u>	<u>Biennium</u>	<u>%</u>
CL Collections	\$ 239.124	\$254.428	\$493.552	
Add FIT Limit	25.214	28.243	53.457	
Add Surtax (10%)	26.434	28.267	54.701	
PL Collections	\$ 290.772	\$310.938	\$601.710	
- General Fund	139.170	148.077	287.247	47.7 %
- Foundation Prog.	127.690	137.418	265.108	44.1 %
- Sinking Fund	23.912	25.443	49.355	8.2 %

MONTANA COMMITTEE FOR PREVENTION OF CHILD ABUSE



P.O. Box 20152
Billings, MT 59104

EXHIBIT 4
DATE 3/15/89
HB 762
Rep. Stella J. House

March 14, 1989

House Taxation Committee
Capitol Station
Helena, MT 59620

Dear Members of the Committee,

On behalf of the children of Montana and the Montana Committee for Prevention of Child Abuse, I urge your support for HB 762, a one cent tax on every can of beer purchased to support the Children's Trust Fund. The current source of funding, through a portion of divorce filing fees has proved to be inadequate over the past three years for the prevention programs needed statewide. Only \$40,000 of funding was provided last year from the existing Trust Fund monies. Over \$300,000 of grant proposal requests have been received annually from across the state for unique and worthwhile prevention programs that will benefit children and families. These programs will provide the following:

- * child sexual abuse prevention education
- * education and support for new parents, especially teen parents
- * non violent parenting skills education
- * recovery programs for abused children
- * statewide coordination for training and technical assistance under the guidance of MCPCA

I doubt anyone will disagree that the costs our children and families pay due to child abuse and neglect are immeasurable. It seems only fitting that alcohol, which fuels well over 50% of family violence, should also help fund the prevention effort. I again urge your support for HB762. This funding can insure that the Children's Trust Fund will be self sustaining, and prevention efforts can move forward at a rapid pace statewide.

I would welcome an opportunity to discuss the statewide child abuse prevention effort with you in more detail. I also wish to thank you for your contribution to the children of Montana, whose future may depend on our success.

Yours for Children,

Susan Sandwell
Susan Sandwell, PHN, President
440 Parkway Drive
Kalispell, MT 59901
752-5583, 756-5633

MONTANA COMMITTEE FOR PREVENTION OF CHILD ABUSE



EXHIBIT 5
DATE 3/15/89
HB 762
Rep. Stellinghaus
P.O. Box 20152
Billings, MT 59104

MONTANA COMMITTEE FOR PREVENTION OF CHILD ABUSE

Accomplishments To Date, September 1985 through October 1988.

Established seven local child abuse prevention councils (Billings, Bozeman, Butte, Miles City, Helena, Anaconda, Great Falls), and networked with two previously existing councils (Kalispell and Missoula), a total of nine councils statewide.

Developed a statewide network of individuals and groups interested in child abuse prevention, and conducted quarterly board meetings of the Montana Committee for Prevention of Child Abuse, an affiliate of the National Committee for Prevention of Child Abuse (NCPCA), Incorporated, October 1985.

Established a state office to act as a clearinghouse of child abuse prevention information and liason with the national office of NCPCA, in Chicago.

Participated in the 1986 and 1987 NCPCA Leadership Conferences on Child Abuse Prevention, in Chicago.

Supervised and trained a statewide network of VISTA volunteers facilitating local child abuse prevention efforts in nine locations (Twelve volunteers annually, October 1985 - May 1989).

Encouraged financial support for the Montana Children's Trust Fund which provides funding for child abuse prevention programs locally.

Disseminated resource materials on specific community prevention programs for local council efforts, including volunteer parent-aides, new parent support groups, community resource posters and newsletters, and sexual abuse prevention curriculums for children of all ages.

Coordinated statewide efforts to observe April as Child Abuse Prevention Month annually, and distributed public awareness materials provided by the National Committee for Prevention of Child Abuse.

Participated in the "Choose to Make a Difference" Master Card campaign, an annual fundraiser conducted jointly with NCPCA to benefit child abuse prevention efforts nationwide, and in Montana.

EXHIBIT 5
DATE 3/15/89
HB 762
Rep. Steller J. Hays
P.O. Box 20152
Billings, MT 59104

MONTANA COMMITTEE FOR PREVENTION OF CHILD ABUSE



Developed an inventory of materials and individuals who can provide resources for prevention education and board training.

Organized and sponsored, with the Children's Trust Fund, the first statewide child abuse prevention conference held October 9 and 10, 1987 in Bozeman, Montana. 85 Individuals participated.

Participated in the development of the Childrens' Agenda, a legislative advocacy document developed to improve the quality of life for Montana's children.

Organized and sponsored, with the Children's Trust Fund and Parents Anonymous, the second annual statewide child abuse prevention conference, "Building A Healthy Community for Montana's Families", October 28 and 29, 1988 in Helena, Montana. Seventy individuals attended, including new representatives from Havre and Wolf Point.

Conducted the first statewide child abuse prevention billboard campaign, "Take Time to Listen", targeted at preventing emotional abuse of children, May, 1988.

Coordinated and held a Benefit Concert with Mark Staples and the Helena Big Band on October 29, 1988, as a fundraising event for child abuse prevention statewide.

Recruited corporate sponsorship for this fundraising event from the IBM Corporation, U.S. West Foundation, D.A. Davidson, Helena Banks Clearinghouse Association, and Montana Power.

Conducted a statewide membership drive through the local councils to increase volunteer and financial support for the child abuse prevention effort.

Continued to promote the knowledge that prevention of child abuse is a community responsibility.

Exhibits 6:

3/15/89

#0762

Rep. Stella
Jean Han

Montana Committee for Prevention
of Child Abuse

DATE 3/15/89

NR 762

We Need You
J. Hansen



To Prevent
Child Abuse.



National Committee for
Prevention of Child Abuse

EXHIBIT

6

3/15/89

"think you know
something about
child abuse?"

Questions & Answers



National Committee for
Prevention of Child Abuse

332 S. Michigan Ave., Suite 950

Chicago, IL 60604-4357

(312) 663-3520

Exhibit B HD 762
3/15/89 Rep. Stella Jean Hansen



1987 Annual Report

National Committee for Prevention of Child Abuse

EXHIBIT 9
DATE 3/15/89
HB 762
Rep. Stella J. Hansen

HB 762

Statement by R. Stephen Browning
On Behalf of Anheuser Busch Companies
Before the House Committee on Taxation
March 15, 1989

BEER TAX HIKE TO FUND CHILDREN'S PROGRAMS DOESN'T MAKE SENSE

It would be inappropriate to increase the tax on beer from \$4.30 to \$20.83 per barrel to fund the Montana Children's Trust Fund Account. Beer excise taxes are highly regressive, hidden, and inefficient, and for a number of reasons, earmarking is not a sensible way to fund important programs. The current proposal is particularly inappropriate because it arbitrarily singles out responsible consumers who are already heavily burdened by multiple taxes on beer. In short, the state's programs for children are the responsibility of all citizens.

BEER EXCISE TAXES ARE HIGHLY REGRESSIVE: The proposed tax hike would fall most heavily on those who could least afford it. This was borne out by a recent federal government study which found that higher beer taxes, as a percent of income, would cost Americans making \$10,000 - \$20,000 a year about three times more than those making more than \$50,000. In 1986, it was estimated that the average household in Montana paid \$840 in total excise taxes. Placing an even bigger burden on the backs of working people would be grossly unfair.

HIDDEN TAXES ARE UNFAIR: Fair taxation demands that taxpayers know that they are paying a tax and know exactly how much it is. Beer excise taxes violate this basic rule of fairness . . . they are hidden in the price which means consumers have no idea how much they are paying.

EXCISE TAXES ARE INEFFICIENT: Every additional dollar the government collects in the form of excise taxes will ultimately cost consumers about \$3. This is because the tax becomes a part of the wholesaler and retailer's cost of doing business and is marked up as it moves through the distribution chain. Considering Montana's excise taxes on beer consumption of about 710,000 barrels, this means that consumers would end up paying around \$35 million more while the state would gain only about \$11.7 million in additional revenue.

CONSUMERS OF BEER IN MONTANA ALREADY PAY MORE THAN THEIR FAIR SHARE OF TAXES: Beer is taxed nearly three times higher than most other consumer products. The multiple taxes that consumers pay make up more of the price of beer than the costs of ingredients and labor combined. In 1987, Montana's 270,000 beer consumers paid over \$10 million in taxes on beer -- they should not be asked to pay even more.

EXCISE TAX INCREASES THREATEN JOBS: Excise tax hikes increase consumer prices which, in turn, reduce sales. The current proposal would cause beer sales in Montana to drop by about 1 million cases.

DATE 3/15/89HB 762*Rep. S. J. Hansen*

Such a decline would come at a time when Montana's beer sales have been falling dramatically (a 17.7 percent decline in per capita consumption since 1980 -- the second largest rate of decline in the country). This would adversely affect the brewing, wholesaling and retailing business in the state and place the jobs of many of the state's citizens at risk.

MONTANA'S BEER EXCISE TAX WOULD BE BURDENSOME COMPARED TO SURROUNDING STATES: Increasing the excise tax on beer to \$20.83 per barrel would push the rate well above all neighboring states. This could encourage an outflow of retail business to adjacent states. Here's what packaged excise taxes would be in the region:

Montana	\$20.83 per barrel
Idaho	\$4.65
Wyoming	\$0.62
North Dakota	\$4.71
South Dakota	\$8.50

EARMARKING TAX REVENUE IS BAD POLICY: One of the most important legislative duties is to regularly review resource allocations, thereby assuring that programs, new and old, are appropriately funded. This duty is abdicated when public revenues are earmarked for certain purposes. Furthermore, if funding levels are tied to the amount of beer sold, important programs are held hostage to marketplace conditions. In times of sales decline, funding decreases. Conversely, in times of strong sales growth, programs would have more money than they truly need or can efficiently use. Funding for children's programs should be based on need-- not sales trends.

BREWING INDUSTRY ALREADY MAKES A MAJOR ECONOMIC CONTRIBUTION: Though there is but one small brewer in Montana, the industry makes a major contribution to the Montana economy. Barley farmers are supported from beer produced in other states, and, of course, beer wholesaling and retailing are significant businesses within the state. Nearly 9,000 of the state's citizens hold jobs that rely directly or indirectly on the industry. And while employment is the most important contribution, it should not be forgotten that brewers, wholesalers, retailers and other related industries provide millions of dollars in income and other taxes for Montana's state and local treasuries. If the excise tax is raised, sales will decline and jobs will be lost which means that revenue from both personal and business income taxes will decline.

BOTTOM LINE:

The proposed beer tax hike would be a multi-million dollar penalty for Montana's working men and women and would damage an industry which provides employment for many of the state's citizens. Furthermore, its earmarking provision means that funds will not be properly allocated. Providing for the Montana Children's Trust Fund Account is the responsibility of all citizens and calls for a fair, comprehensive approach . . . it would be grossly unfair to place such a large proportion of the burden on the shoulders of those people who enjoy having a beer. Clearly, this proposal should be defeated.

IMPACT OF PROPOSED INCREASE IN MONTANA BEER TAX

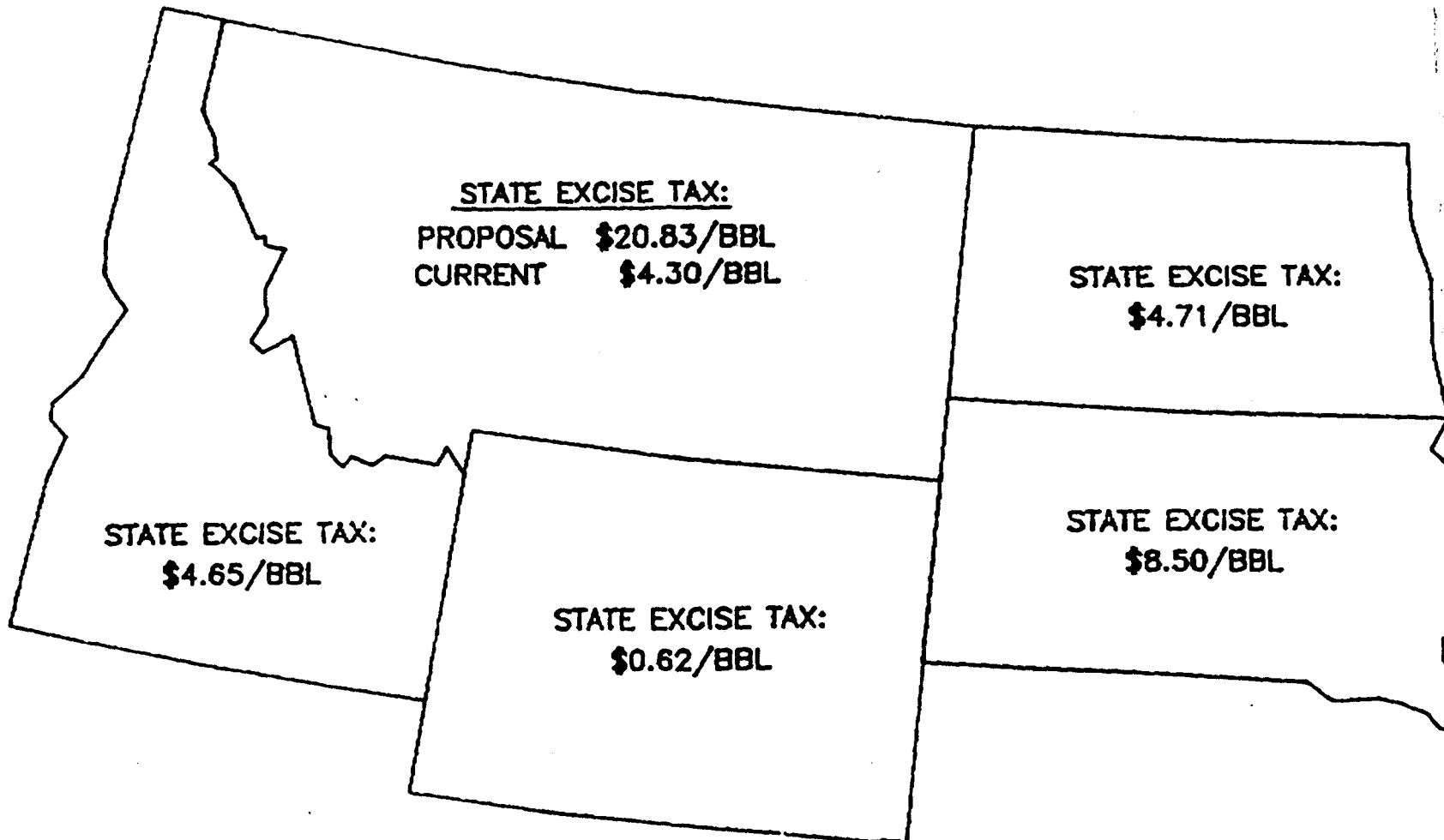


EXHIBIT 9
DATE 3/15/89
HB 762
Rep. S. Q. Brown

The Montana Alliance for Progressive Policy

P.O. Box 961 Helena, MT 59624 (406) 443-7283

EXHIBIT

DATE

10

HB 751: Broad Income Tax Reform

Mr. Chairman and members of the committee, for the record, my name is Don Reed and I'm here today on behalf of the Montana Alliance for Progressive Policy in support of HB 751.

This bill presents the opportunity for fundamental income tax reform. The bill broadens the tax base, raises standard deductions and exemptions, lowers marginal tax rates, and -- with the sponsor's amendments -- raises badly needed revenue.

I hope we can all agree on one point: our individual income tax system is unfair and in need of reform. Years of special interest tax breaks have left a tax system which is complex, confusing and unfair. That's the basis of our support for HB 751.

Our income tax system has been attacked as having among the highest marginal rates in the nation. This bill corrects that. Our income tax system has also been criticized as being riddled with loopholes. This bill corrects that. Our income tax system has been criticized as overly complex. This bill corrects that.

Montana's Income Tax

Of all Montana taxes, the individual income tax best reflects the principle of taxation based on ability to pay. As income increases, so too does the portion of income paid. That means the income tax is generally progressive.

Several factors, however, reduce the progressivity of the income tax. The most important of these factors are deductions which primarily benefit those at the top end of the income scale. This leads to a situation where -- as a 1986 study by the Department of Revenue found:

- * 14% of Montana households earning more than \$120,000 a year paid no Montana income tax;
- * 20% of all households earning more than \$120,000 a year paid less than \$1,000 in state income taxes; and,
- * 26% of households earning more than \$100,000 a year filing joint returns, paid no state income tax.

Obviously, this is not fair.

Education

Senior Citizens

Women

Conservation

Labor

Low Income

Many have criticized the income tax as being too high. Clearly that perception flows from the top marginal rate. That is the evidence most often cited. But if you stand back from the rhetoric, you find that the Montana income tax is not high. According to the Montana Taxpayers Association, for FY 1987, Montana's income tax collections per capita were \$240.64, ranking the state 30th of the fifty states and \$125 dollars below the national average. If you examine income tax collections per \$1,000 of personal income, Montana ranks 26th and is also well below the national average. Clearly, the collections of income tax are not high, but the combination of a narrow base and high marginal rates lend the wrong impression. This bill corrects that problem by broadening the base and lowering the rates.

Itemized Deductions

HB 751 does away with itemized deductions on the Montana individual income tax. The attached sheet lists the deductions in the current income tax, the tax expenditure or revenue foregone due to each deduction, and the percent of total tax expenditures resulting from each deduction. As you can see, far and away the largest deduction is for federal income taxes.

The next question is "Who benefits from the current deductions?"

The attached chart shows the percent of all tax expenditures from income tax deductions by income decile groups. The chart is clear; nearly all of the benefit to taxpayers from the current deductions goes to those in the top ten percent by income. In other words, the current deductions work primarily to the benefit of those who have a large ability to pay taxes.

The Deduction of Federal Taxes

In the previous two legislatures, we have supported closing this loophole. It clearly benefits most those who have a large ability to pay. As you can see from the attached chart, the lion's share of benefit of this loophole goes to those at the very top end of the income scale.

We believe that a majority of the increased revenue from this provision of the bill will be paid by those in the top 10% of taxpayers by income. Eliminating this deduction enables the lowering of the rates and makes the income tax more progressive over a full range of incomes.

Of the 43 states with individual income taxes, 32 allow no deduction of federal income taxes, 4 allow a partial deduction, and Montana is one of only 7 states which allow the complete deduction.

In summary, HB 751 makes the income tax more progressive, broadens the tax base, lowers tax rates, and has the potential to raise revenue.

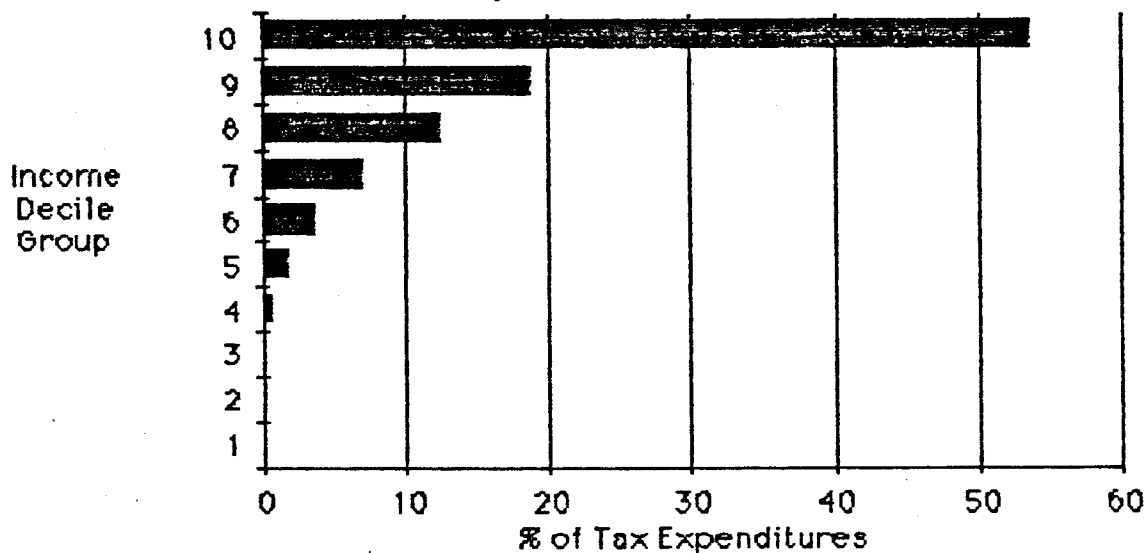
EXHIBIT 10
 DATE 3/15/89
 HB 751

Rep. J. Altrisch

Itemized Deduction	Tax Expenditure in \$ Million	Percent of Total
Medical	\$5.040	3.9%
Federal Income Tax	\$63.824	49.9%
Property Tax	\$9.836	7.7%
Other Taxes	\$0.577	0.5%
Home Mortgage Interest	\$25.135	19.6%
Personal Interest	\$0.166	0.1%
Other Interest	\$9.560	7.5%
Contributions	\$8.455	6.6%
Dependent Care Expenses	\$0.205	0.2%
Casualty/Theft Loss	\$0.188	0.1%
Moving Expenses	\$0.514	0.4%
Miscellaneous Deductions	\$4.416	3.5%
Total	\$127.936	100%

Source: MT Dept. of Revenue, Tax Expenditures Report, FY90 & 91

Tax Expenditures for Itemized Deductions by Income, FY90 Estimated



Source: MT Dept. of Revenue, Tax Expenditures Report, FY90 & 91

EXHIBIT

10

DATE

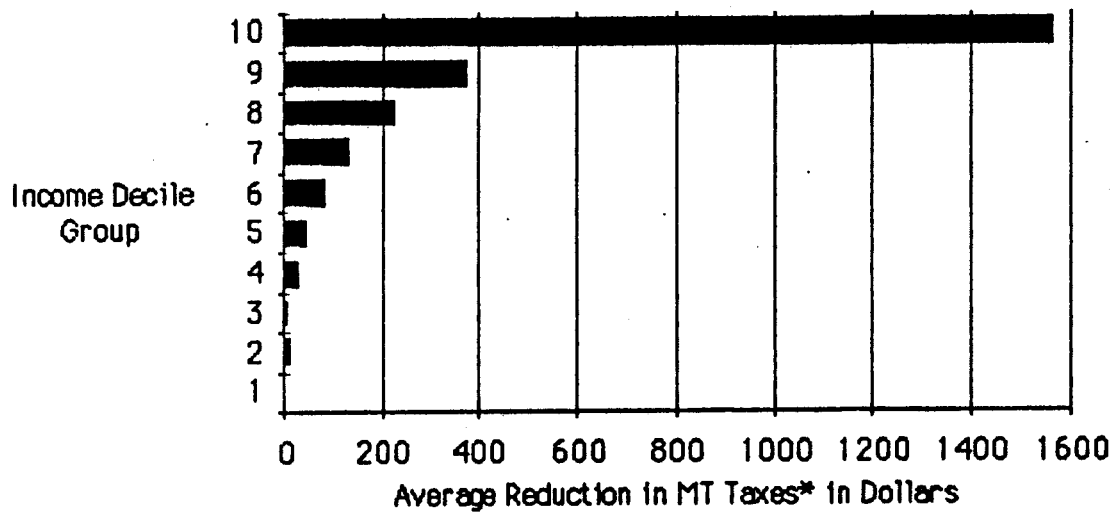
3/15/89

HB

751

Rep. J. Albrecht

Distribution of Tax Savings Among Taxpayers Deducting Federal Income Taxes For Montana Tax Purposes, 1990 Projected



Source: Montana Department of Revenue, Tax Expenditure
Report, FY 90 and 91

* The tax reductions listed are averages for taxpayers in each income decile group.

MONTANA LOW-INCOME COALITION



P.O. BOX 1029
HELENA, MONTANA 59624
(406) 449-8801
(406) 443-0012

EXHIBIT 11
DATE 3/15/89
HB 751

Rep. J. Driscoll

TESTIMONY IN SUPPORT OF H B 664 AND H B 751

BEFORE THE HOUSE TAXATION COMMITTEE

REPRESENTATIVE DAN HARRINGTON, CHAIRMAN

BUTTE
COMMUNITY UNION
113 HAMILTON
BUTTE 59701 • 782-0670

BOZEMAN
HOUSING COALITION
226 EAST KOCH
BOZEMAN 59715 • 587-3736

CONCERNED CITIZENS
COALITION
825 THIRD AVENUE SOUTH
GREAT FALLS 59402 • 727-9136

LAST CHANCE
PEACEMAKERS COALITION
107 WEST LAWRENCE
HELENA 59601 • 449-8680

LOW INCOME
SENIOR CITIZENS ADVOCATES
BOX 897
HELENA 59624 • 443-1630

MONTANA ALLIANCE FOR
PROGRESSIVE POLICY
324 FULLER
HELENA 59601 • 443-7283

MONTANA LEGAL SERVICES
EMPLOYEES ASSOCIATION
801 N. MAIN
HELENA 59601 • 442-9830

MONTANA
SENIOR CITIZENS ASSOCIATION
BOX 423
HELENA 59624 • 443-5341

MONTANANS
FOR SOCIAL JUSTICE
436 NORTH JACKSON
HELENA 59601 • 449-3140 • 227-8694

POWELL COUNTY
NEIGHBORHOOD
SUPPORT GROUP
BOX 342
DEER LODGE 59722 • 846-3437

The Montana Low Income Coalition is a member based coalition of low income groups around the state and other groups that are concerned about social justice and peace issues.

When low income people come to the legislature to support social programs necessary for the well being of Montana citizens, we are often met with the statement but where is the money going to come from? Our response is invariably, from taxes that are more justly applied!

The state of Montana needs increased revenues for a myriad of social programs. The very poor are dependent on the good will of this legislature to find the revenues necessary to fund them. Only increased revenues through progressive tax programs will meet this need. You can not balance the budget on the backs of the poor by decreasing basic assistance programs that barely provide a survival level subsistence--it can only come from taxpayers who have the financial capability to pay.

It is unconscionable that wage earners who make a few thousand dollars income are paying more taxes than someone who makes over \$100,000 per year. An income tax system is inequitable and unjust when this occurs. By eliminating itemization, as in H B 751, and establishing an alternative minimum tax, as in H B 664, some of that inequity would be corrected.

The Montana Low Income Coalition urges the House Taxation Committee to pass H B 751 and H B 664--both progressive tax reforms.



JAMES W. MURRY
EXECUTIVE SECRETARY

Box 1176, Helena, Montana

ZIP CODE 59624
406/442-1708

EXHIBIT 12
DATE 3/15/89
HB 751
Rep. J. J. ...

TESTIMONY OF DON JUDGE BEFORE THE HOUSE TAXATION COMMITTEE ON HOUSE BILL 751,
MARCH 15, 1989

Mr. Chairman and members of the Committee, for the record, I am Don Judge representing the Montana State AFL-CIO in support of House Bill 751 which would reform Montana's income tax by replacing itemized deductions with a \$6000 standard deduction, increasing personal exemptions to \$1500 and reducing tax rates.

This bill would reform Montana's income tax in two very important ways: it would broaden the tax base to include those wealthy individuals who are escaping their tax obligations and it would lower the rates on low and middle income taxpayers.

The Montana State AFL-CIO believes that ability to pay must be the standard for reform of our tax system. This legislation meets that standard in a fair and equitable manner. The wealthy will pay their fair share under House Bill 751 and the tax burden will be appropriately apportioned from the middle class to the affluent. This kind of legislation is fair for everyone. It relieves middle income taxpayers from an unfair system and it captures revenue from the wealthy who use tax loopholes to avoid their tax responsibilities to our state.

We encourage your favorable consideration of House Bill 751.

In compliance with a written request, there is hereby submitted a Fiscal Note for HB664, as introduced 3/15/89

HB 664

Rep. Ted Schye

DESCRIPTION OF PROPOSED LEGISLATION:

An act imposing an alternative minimum tax on Montana individual income; setting the alternative minimum tax rate at 8.25%; and providing an immediate effective date and a retroactive applicability date.

ASSUMPTIONS:

- Individual income tax collections are estimated to be \$239,124,000 in FY90, and \$254,428,000 in FY91 (REAC).
- Over the period 1983 - 1986, the federal alternative minimum tax increased federal revenue an average of 1.3% annually. A state alternative minimum tax closely patterned after the federal tax is assumed to increase state revenue approximately 1.3% also.
- Additional administrative expense needed to implement and maintain the alternative minimum tax is estimated to be \$16,708 in FY90, and \$2,198 in FY91.

FISCAL IMPACT:

Revenue Impact:

	FY '90	
	Current Law	Proposed Law
Individual Income Tax	\$239,124,000	\$242,224,000
		Difference
		\$3,100,000

Fund Information:

General Fund	\$139,170,168	\$140,974,368	\$1,804,200
Foundation Program	76,041,432	77,027,232	985,800
Sinking Fund	23,912,400	24,222,400	310,000
Total	\$239,124,000	\$242,224,000	\$3,100,000

Expenditure Impact:

General Fund			
Personal Services	\$ 0	\$ 11,418	\$ 11,418
Operating Expense	0	5,290	5,290
Total	\$ 0	\$ 16,708	\$ 16,708

	FY '91	
	Current Law	Proposed Law
	\$254,428,000	\$257,728,000
		Difference
		\$3,300,000

	\$148,077,096	\$149,997,696	\$1,920,600
	80,908,104	81,957,504	1,049,400
	25,442,800	25,772,800	330,000
	\$254,428,000	\$257,728,000	\$3,300,000

	\$ 0	\$ 1,428	\$ 1,428
	0	770	770
	\$ 0	\$ 2,198	\$ 2,198

Ray Shackleford 2/18/89
RAY SHACKLEFORD, BUDGET DIRECTOR DATE
Office of Budget and Program Planning

TED E. SCHYE, PRIMARY SPONSOR DATE

Fiscal Note for HB664, as introduced



JAMES W. MURRY
EXECUTIVE SECRETARY

Box 1176, Helena, Montana

ZIP CODE 59624
406/442-1708

EXHIBIT 14
DATE 3/15/89
HB 664
Rep. Lee Schye

TESTIMONY OF DON JUDGE BEFORE THE HOUSE TAXATION COMMITTEE ON HOUSE BILL 664,
MARCH 15, 1989

Mr. Chairman and members of the Committee, for the record, I am Don Judge representing the Montana State AFL-CIO in support of House Bill 664 which would impose an alternative minimum state income tax.

This bill is designed to close the biggest tax loophole that exists in our present tax structure -- making the wealthy pay their fair share of income taxes. Those at the top end of the economic spectrum should pay at least some state income tax, but because of the enormous number of deductions which these taxpayers can take on their state income tax, many of these people escape paying any state income tax at all. The wealthy share in the all of the benefits of our state and in the services provided by units of government; they should also share in the costs.

The Montana State AFL-CIO has appeared before you repeatedly to encourage you to consider an individual's ability to pay as a standard for reform of our tax structure. House Bill 664 takes careful aim at that standard and passage of this bill would be a direct hit at the inequities which currently exist. This legislation is a viable, reasonable revenue alternative which will help to close a glaring tax loophole for the wealthy and provide a progressive alternative for raising much-needed revenue for state services.

We encourage your favorable consideration of HB 664.

Thank you.

Form **6251**Department of the Treasury
Internal Revenue Service**Alternative Minimum Tax—Individuals**

▶ See separate instructions.

▶ Attach to Form 1040 or Form 1040NR. Estates and trusts, use Form 8656.

EXHIBIT

DATE 3/15/89 OMB No. 1545-0229HB 6641988Attachment
sequence No. 32
Your social security number

Name(s) as shown on Form 1040

1	Taxable income from Form 1040, line 37 (can be less than zero)		1
2	Net operating loss deduction. (Do not enter as a negative amount.)		2
3	Add lines 1 and 2		3
4	Adjustments: (See line-by-line instructions before completing.)		
a	Standard deduction from Form 1040, line 34	4a	
b	Personal exemption amount from Form 1040, line 36	4b	
c	Medical and dental expense	4c	
d	Miscellaneous itemized deductions from Schedule A, line 24	4d	
e	Taxes from Schedule A, line 8	4e	
f	Refund of taxes	4f	
g	Interest from Schedule A, line 12b	4g	
h	Other interest adjustments	4h	
i	Combine lines 4a through 4h		4i
j	Depreciation of property placed in service after 1986	4j	
k	Circulation and research and experimental expenditures paid or incurred after 1986	4k	
l	Mining exploration and development costs paid or incurred after 1986	4l	
m	Long-term contracts entered into after 2/28/86	4m	
n	Pollution control facilities placed in service after 1986	4n	
o	Installment sales of certain property	4o	
p	Adjusted gain or loss	4p	
q	Certain loss limitations	4q	
r	Tax shelter farm loss	4r	
s	Passive activity loss	4s	
t	Beneficiaries of estates and trusts	4t	
u	Combine lines 4j through 4t		4u
5	Tax preference items: (See line-by-line instructions before completing.)		
a	Appreciated property charitable deduction	5a	
b	Tax-exempt interest from private activity bonds issued after August 7, 1986	5b	
c	Depletion	5c	
d	Add lines 5a through 5c		5d
e	Accelerated depreciation of real property placed in service before 1987	5e	
f	Accelerated depreciation of leased personal property placed in service before 1987	5f	
g	Amortization of certified pollution control facilities placed in service before 1987	5g	
h	Incentive stock options. See instructions	5h	
i	Intangible drilling costs	5i	
j	Reserves for losses on bad debts of financial institutions	5j	
k	Add lines 5e through 5j		5k
6	Combine lines 3, 4i, 4u, 5d, and 5k		6
7	Alternative tax net operating loss deduction. (Do not enter more than 90% of line 6.) See instructions.		7
8	Alternative minimum taxable income (subtract line 7 from line 6). If married filing separate returns, see instructions.		8
9	Enter: \$40,000 (\$20,000 if married filing separately; \$30,000 if single or head of household)		9
10	Enter: \$150,000 (\$75,000 if married filing separately; \$112,500 if single or head of household)		10
11	Subtract line 10 from line 8. If -0- or less, enter -0- here and on line 12 and go to line 13. If this line is more than -0-, go to line 12		11
12	Multiply line 11 by 25% (.25)		12
13	Subtract line 12 from line 9. If -0- or less, enter -0-		13
14	Subtract line 13 from line 8. If -0- or less, enter -0- here and on line 19. If this line is more than -0-, go to line 15		14
15	Multiply line 14 by 21% (.21)		15
16	Alternative minimum tax foreign tax credit. See instructions		16
17	Tentative minimum tax (subtract line 16 from line 15)		17
18	Regular tax before credits (Form 1040, line 38) minus foreign tax credit (Form 1040, line 43). See instructions		18
19	Alternative minimum tax (subtract line 18 from line 17). Enter on Form 1040, line 49. If -0- or less, enter -0-		19

γ

COMMITTEE

DATE March 15, 1989

SPONSOR Sen. Bruce Crippen

[illegible]

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

PLEASE LEAVE PREPARED STATEMENT WITH SECRETARY.

VISITORS' REGISTER

HOUSE TAXATION

COMMITTEE

BILL NO.

HB 771

DATE _____

March 15, 1989

SPONSOR

Rep. Fritz Daily

[illegible]

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

PLEASE LEAVE PREPARED STATEMENT WITH SECRETARY.

VISITORS' REGISTER

HOUSE TAXATION

COMMITTEE

BILL NO.

HB 762

DATE

March 15, 1989

SPONSOR

Rep. Stella Jean Hansen

NAME (please print)	RESIDENCE	SUPPORT	OPPOSE
Roger Tippy	Helena (Mt Beantown) in Wholesale		X
Bill Stevens	Helena (Mt Food & Dist Assoc)		X
Ally Larson	M.T.A.		X
Chester Bullard	Basin		X
Rose Lee Bullard	Basin		X
Bob Durkin	Helena (MTA)		X
Laurie Shadon	Bozeman Chamber		X
Mary Jane Fox	NASW	X	
Susan Sandwell	Flathead County (MCPA)	X	
Bill Thomas	Helena	X	
Mama Jamisin	WIWE INSTITUTE		X
Steve Browning	Anheuser Busch		X
WALTER F. JICKOVICH	(Self) Food Hill Ave BUSTE		X
Mike Cetraro	BOZ-		X
John W. Keiper	M.T.A. Hedra-Waydango Bo.		X
Steve Wilkew	Hedra-Waydango Bo. 325 Speedway		X
Jay L. Kah	Missoula		X
Gandy Roff	Missoula		X
Roger L. Linton	Billings		X

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

PLEASE LEAVE PREPARED STATEMENT WITH SECRETARY.

Y

COMMITTEE

SB 302

March 15, 1989

SPONSOR Sen. Joe Mazurek

[illegible]

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

PLEASE LEAVE PREPARED STATEMENT WITH SECRETARY.

COMMITTEE

DATE March 15, 1989

[illegible]

PLEASE LEAVE PREPARED STATEMENT WITH SECRETARY.

Y

COMMITTEE

DATE March 15, 1989

4

4

ROLL CALL VOTE

TAXATION

COMMITTEE

DATE March 15, 1989 BILL NO. HB 690

NUMBER 1

NAME	AYE	NAY
Cohen, Ben		✓
Driscoll, Jerry		✓
Elliott, Jim		✓
Ellison, Orval	✓	
Giacometto, Leo	✓	
Gilbert, Bob	✓	
Good, Susan	✓	
Hanson, Marian	✓	
Hoffman, Robert	✓	
Koehnke, Francis	✓	
O'Keefe, Mark		✓
Patterson, John	✓	
Raney, Bob		✓
Ream, Bob		✓
Rehberg, Dennis	✓	
Schye, Ted	✓	
Stang, Barry "Spook"		✓
Harrington, Dan, Chairman	✓	

TALLY

L. J. Jahn
Secretary

Dan Harrington 11 7
Chairman

MOTION: TO RECONSIDER TABLING ACTION. MOTION CARRIED.

ROLL CALL VOTE

TAXATION

COMMITTEE

DATE March 15, 1989 BILL NO. HB 690

NUMBER 2

NAME	AYE	NAY
Cohen, Ben		✓
Driscoll, Jerry		✓
Elliott, Jim		✓
Ellison, Orval	✓	
Giacometto, Leo	✓	
Gilbert, Bob	✓	
Good, Susan	✓	✓
Hanson, Marian	✓	
Hoffman, Robert		✓
Koehnke, Francis		✓
O'Keefe, Mark		✓
Patterson, John	✓	
Raney, Bob		✓
Ream, Bob		✓
Rehberg, Dennis	✓	
Schye, Ted		✓
Stang, Barry "Spook"		✓
Harrington, Dan, Chairman		✓

TALLY

LaHarr John
Secretary

6 12
Alan Harrington
Chairman

MOTION: DO PASS. MOTION FAILED. VOTE REVERSED.

ROLL CALL VOTE

TAXATION

COMMITTEE

DATE March 15, 1989 BILL NO. HB 479

NUMBER _____

NAME	AYE	NAY
Cohen, Ben	✓	
Driscoll, Jerry	✓	
Elliott, Jim	✓	
Ellison, Orval		✓
Giacometto, Leo		✓
Gilbert, Bob	✓	
Good, Susan		✓
Hanson, Marian		✓
Hoffman, Robert	✓	
Koehnke, Francis	✓	
O'Keefe, Mark	✓	
Patterson, John	✓	
Raney, Bob	✓	
Ream, Bob	✓	
Rehberg, Dennis		✓
Schye, Ted	✓	
Stang, Barry "Spook"		✓
Harrington, Dan, Chairman	✓	

TALLY

LaShae John
Secretary

Alan Harrington
Chairman

MOTION: DO PASS AS AMENDED. MOTION CARRIED.

ROLL CALL VOTE

TAXATION

COMMITTEE

DATE March 15, 1989 BILL NO. HB 256

NUMBER _____

NAME	AYE	NAY
Cohen, Ben	✓	
Driscoll, Jerry		✓
Elliott, Jim		✓
Ellison, Orval		✓
Giacometto, Leo		✓
Gilbert, Bob		✓
Good, Susan		✓
Hanson, Marian		✓
Hoffman, Robert		✓
Koehnke, Francis		✓
O'Keefe, Mark		✓
Patterson, John		✓
Raney, Bob		✓
Ream, Bob	✓	
Rehberg, Dennis		✓
Schye, Ted		✓
Stang, Barry "Spook"	✓	✓
Harrington, Dan, Chairman	✓	

TALLY

LaHara John
Secretary

Rehberg 3 15
Chairman

MOTION: DO PASS AS AMENDED. FAILED.