

MINUTES

MONTANA SENATE
51st LEGISLATURE - REGULAR SESSION

COMMITTEE ON TAXATION

Call to Order: By Senator Bob Brown, Chairman, on February
2, 1989, at 8:00 a.m.

ROLL CALL

Members Present: Senator Brown, Senator Hager, Senator
Norman, Senator Eck, Senator Bishop, Senator Halligan,
Senator Walker, Senator Harp, Senator Severson, Senator
Mazurek, Senator Crippen

Members Excused: Senator Gage

Members Absent: None

Staff Present: Jill Rohyans, Committee Secretary
Jeff Martin, Legislative Council

Announcements/Discussion: None

HEARING ON SENATE BILL 283

Presentation and Opening Statement by Sponsor:

Senator Crippen, District 45, sponsor, said the bill would
continue the availability of tax credits for qualified
Montana capital companies until June 30, 1993, which is
a two year extension.

List of Testifying Proponents and What Group they Represent:

Marty Connell, representing himself, Billings
Dan Walker, U. S. West Communications
Buck Boles, Montana Chamber of Commerce

List of Testifying Opponents and What Group They Represent:

Ken Nordtvedt, Director, Department of Revenue

Testimony:

Marty Connell, Billings, said he has been involved in
venture capital a great deal. He urged the committee

to grant the two year extension in order for the companies to work out the details and develop new sources of venture capital.

Dan Walker, U. S. West Communications, said he has been involved in establishing a venture capital company in Montana for the last year and a half. He expects to be capitalized very soon in the amount of \$10 million. Any effort to promote capital formation or venture capital formation in Montana is very good for the state and should be rigorously supported.

Buck Boles, Montana Chamber of Commerce, said he has been involved with this legislation for the last two sessions and he strongly supported extending the opportunity for tax credits.

OPPONENTS:

Ken Nordtvedt, Director, Department of Revenue, says he considers the bill a continuing unjustified raid on the Montana treasury. He said there is nothing wrong with promoting venture capital but it is wrong to do it with an up front 100% subsidy. The state gets no return on the investment at all. The capital corporations are sitting on their capital, investing in treasury notes, getting safe 8% or 9% returns, and issuing dividends on their earnings. Down the road, if they liquidate and haven't made one penny, they can keep the 50% state subsidy. He suspects some companies are being formed simply as tax loophole tax shelters.

Director Nordtvedt suggested the way to promote venture capital in the state is to reduce the taxes on successful profits from people who take risks with their private funds from venture capital investments. Reducing the taxes on capital gains is just one of the many other ways of rewarding people who invest in venture capital. He said as he reads the bill, it extends for two years the use of unused tax credits and creates \$3 million in new credits. He felt the unused credits should be used but did not approve of granting any new credits.

Questions From Committee Members: None

Closing by Sponsor: Senator Crippen closed.

HEARING ON HOUSE BILL 58

Presentation and Opening Statement by Sponsor:

Representative Driscoll, District 92, sponsor, said the bill allows county commissioners, following a public hearing, to forgive taxes on businesses that have been closed for six months. If, at the hearing, the commissioners determine the new corporation is separate and distinct from the old one, they can hold the old taxes in suspension. If the new business is kept open for three years, the taxes are forgiven. If not, the old taxes, with penalty and interest, are assessed against that property. The taxes are not being paid currently, so if they are forgiven, nothing is lost and a new business is contributing to the economy.

List of Testifying Proponents and What Group they Represent:

None

List of Testifying Opponents and What Group They Represent:

None

Testimony:

None

Questions From Committee Members:

Senator Mazurek said Senator Gage had expressed some concern about the six month provision as it is not uncommon in the oil business for things to shut down for six months.

Senator Crippen noted the bill specifies this bill is to be implemented at the local government's discretion. He felt the concern Senator Gage has would be addressed by the local government under that discretionary provision.

Senator Walker said the two basic concepts of the bill are to stimulate employment and to expand the tax base.

Closing by Sponsor:

Representative Driscoll said the bill is intended to stimulate the reopening of closed businesses and to get people back to work.

HEARING ON SENATE BILL 282

Presentation and Opening Statement by Sponsor:

Senator Halligan, District 29, sponsor, said the bill provides for a credit against Montana income taxes for amounts paid by an employer for dependent care assistance provided to or on behalf of an employee. Absenteeism caused by problems with day care availability and quality have had \$3 billion impact nationwide and certainly some of that impact has been felt in Montana. He said he has introduced the bill as an economic development tool to enhance the productivity of Montana businesses. Senator Halligan said there about 50,000 children in day care in Montana on a daily basis which impacts over half the families in the state.

Senator Halligan stated there are only two other states who have recently implemented a system of day care credits. He called this legislation the "benefit package of the '90's". The bill applies to only licensed or registered day care programs which ties in the Department of Family Services. It provides a 50% credit with a \$2500 cap. Businesses can contract for payments with providers, provide for employee benefits, or start their own day care within their business. The bill is not designed to reduce salaries or be a part of a wage concession plan. It is designed to be an enhancement. The benefits are not to be included in wages or gross income of the employees. The employer gets the deduction as well as the credit and the employee doesn't have to pay taxes on that amount. There is also a provision for a five year carryover of credit if it is not used.

List of Testifying Proponents and What Group They Represent:

Nancy Lien Griffin, Montana Women's Lobbyist Fund
Dan Walker, U.S. West Communications
Chris Deveny, League of Women Voters

List of Testifying Opponents and What Group They Represent:

None

Testimony:

Nancy Lien Griffin, Montana Women's Lobbyist Fund, presented written testimony in support of bill (Exhibit #1).

Dan Walker, U. S. West Communications, spoke in support of the bill. He said as employers they realize the hardships brought on by the need for quality day care facilities and how employee productivity can be affected by lack of such facilities.

Chris Deveny, Montana League of Women Voters, presented her written testimony in support of the bill (Exhibit #2).

Questions From Committee Members:

Senator Hager asked how much it would cost a company to start a licensed in house day care center.

Nancy Lien Griffin responded the start up costs and staffing for a year would be approximately \$80,000. That would vary depending on the size of the day care and the operating hours.

Closing by Sponsor:

Senator Halligan reiterated this is an economic development bill, designed for the flexibility of an employer to use at his discretion. It encourages quality private day care and benefits both employer and employee.

HEARING ON SENATE BILL 230

Presentation and Opening Statement by Sponsor:

Senator Hager, District 48, sponsor, said the bill provides for businesses to be able to pay their property taxes on a monthly basis. He felt it would be possible for an automatic withdrawal system to be put into effect for those payments as many of the counties are now computerized and it would be simple to put such a program into effect. It is a local option program and this is enabling legislation.

List of Testifying Proponents and What Group they Represent:

Marty Connell, Agricultural and Financial Management,
Billings
Bob Spannagel, First Citizens Bank, Billings
Richard Pippin, representing himself, Billings

List of Testifying Opponents and What Group They Represent:

None

Testimony:

Marty Connell, Agricultural and Financial Management,
Billings, presented his written testimony in support of
the bill (Exhibit #3).

Bob Spannagel, First Citizens Bank, Billings, felt the
option of paying taxes on an installment program would
save a lot delinquent taxes and be very helpful for
taxpayers. He said his bank is somewhat forced into
making loans for these taxes because they know they
will end up paying them if they don't in the event of a
foreclosure.

Richard Tippen, Billings, said as a delinquent taxpayer he
could make monthly payments and it would help him
immensely. He urged the committee to support the bill
as it would be beneficial to many people in the same
predicament he is in.

Questions From Committee Members:

Senator Eck expressed concern about the administrative
complications this bill would create. She felt it in a
sense makes the county a lending agent.

Senator Severson said tax delinquencies are figured on a
yearly basis. He asked how that would compute on a
monthly basis.

Senator Hager replied that if one payment was missed, the
entire balance would be due.

Senator Crippen asked about the interest rate.

Senator Hager said it is tied to the prime rate and would
keep the county from becoming a lending agent.

Senator Crippen said there is a time value for money and people would perhaps opt for this method of payment because it would be beneficial in terms of their investments and money management. Conversely, he felt it could hurt the county on an income basis. He also felt there would have to be quite a spread between what the money could earn and what it would cost.

Mr. Connell replied the spread has to be adequate which is why he felt the New York Prime Rate plus 2% adjusted annually would be an acceptable and safe level. This would make doing business with the state more expensive than doing business with the bank, or at least comparable to it. The time value would be taken care of if there is an adequate interest rate.

Senator Crippen said he had been contacted by the Yellowstone County Treasurer who had real concerns about the time he would have to spend working out payment schedules with taxpayers who are delinquent.

Mr. Connell felt by freezing the delinquent taxes, establishing a 90 day period to apply for monthly payments, and establishing a standard formula, the process could be smoothly and efficiently implemented. He felt the County Treasurers just don't want to have to deal with anything new. Mr. Connell has volunteered to help develop the system in Yellowstone County which he felt could work across the state.

Closing by Sponsor:

Senator Hager closed by saying this bill could be a tool to help small businesses get back on their feet and urged the committee to support the bill.

EXECUTIVE SESSION

DISPOSITION OF HOUSE BILL 58

Discussion:

Senator Crippen MOVED HOUSE BILL 58 BE CONCURRED IN.

Senator Mazurek expressed some concern that Senator Gage be able to address the bill as that is the main reason the

bill was moved to this committee. He also felt there needed to be some clean up in the language re the county discretionary ability as it is not consistent throughout the bill.

Senator Crippen felt that the bill had been adequately reviewed in the legislative process and although anything can certainly be tightened up even more, the bill is in decent enough shape to pass and be implemented without any further problem.

Senator Brown felt the bill should be held for a day for Senator Gage to look at it.

Senator Crippen WITHDREW HIS MOTION.

DISPOSITION OF HOUSE BILL 283

Discussion:

Senator Crippen felt the Department of Revenue has a different philosophy about capital companies than does the legislature. He felt their position flies in the face of what the legislature has been trying to accomplish in the past and currently is doing in this bill. He felt this bill is intended to encourage and stimulate investment.

Amendments and Votes: None

Recommendation and Vote:

Senator Crippen moved SB 283 DO PASS. The motion CARRIED unanimously with Senators Harp and Gage absent.

DISPOSITION OF SENATE BILL 220

Discussion:

Jeff Martin reviewed the amendments as per Exhibit #4. He noted the 2 1/2 % discount had been inadvertently omitted and would have to be added to the amendments.

Senator Severson felt if the rate goes below 5% it no longer becomes an incentive.

Amendments and Votes:

Senator Halligan moved the amendments as per Exhibit #4 with the 3% discount to apply to the second half taxes only and not to apply to any delinquencies.

Following discussion of the discount rate and the amount of incentive it would or would not provide, the committee felt there needed to be further clarification and decided to withhold action on the bill for another day.

Senator Halligan WITHDREW HIS MOTION.

ADJOURNMENT

Adjournment At: 10:00 a.m.



SENATOR BOB BROWN, Chairman

BB/jdr

MIN202.jdr

ROLL CALL

TAXATION

COMMITTEE

51st LEGISLATIVE SESSION -- 1989

Date 2/2/89

NAME	PRESENT	ABSENT	EXCUSED
SENATOR BROWN	X		
SENATOR BISHOP	X		
SENATOR CRIPPEN	X		
SENATOR ECK	X		
SENATOR GAGE			X
SENATOR HAGER	X		
SENATOR HALLIGAN	X		
SENATOR HARP			X
SENATOR MAZUREK	X		
SENATOR NORMAN	X		
SENATOR SEVERSON	X		
SENATOR WALKER	X		

Each day attach to minutes.

SENATE STANDING COMMITTEE REPORT

February 2, 1989

MR. PRESIDENT:

We, your committee on Taxation, having had under consideration SB 283 (first reading copy -- white), respectfully report that SB 283 do pass.

DO PASS

Signed: _____

B. G. B.
Bob Brown, Chairman

*H.C. '89
2/2/89
3:20 p.m.*

MONTANA WOMEN'S LOBBYIST FUND

P.O. Box 1099

Helena, MT 59624

406/449-7917

EXHIBIT NO. 1

DATE 2/2/89

SB 282

Testimony of Nancy Lien Griffin Proponent for S.B. 282 Employer Assisted Child Care

In the past decade working parents have asked their employers and government for assistance with child care, identified in some polls as the number one family need in America. Child care costs are a major cost of employment for workers in our country and the lower the income, the higher percentage of the worker's paycheck is eaten up by child care costs.

Companies all over America are rising to the challenge and are anxious to meet the needs of their employees. Employer assisted child care programs have come to be known as the "benefit" of the 90's. Many companies has assigned task forces and study commissions to prepare child care plans for their employees. Child care has come to be recognized as a personnel issue.

Many Montana companies, Champion International, U.S. West, Montana Power, as well as hospitals, local governments and school districts are voluntarily becoming involved in child care. The provision of tax incentives for this involved, as developed by S.B. 282, will encourage more companies, large and small, to join this trend toward employer assisted child care.

Montana employers are, for the most part, small businesses that employ fewer than 20 people. The advantage of S.B. 282 is that it provides real incentives to involve business, regardless of its size, in assistance with employee's child care costs.

S.B. 282 allows Montana businesses who develop a plan in accordance with IRS guidelines to take a tax credit of 50% of employer assisted child care payments, up to \$2400 per employee. The employer has flexible options in determining both the method of disbursement of child care payments, and whether payments will be made to the employee or the provider. The employee is able to choose licensed child care placement for their child, and terms of the company's child care plan are negotiated between employee and employer.

S.B. 282 allows for growth of private, small business child care programs designed to meet the specific needs of Montana's workers and their employees.

MONTANA WOMEN'S LOBBYIST

STATE TAXATION

DEBIT NO. 1

FUND

DATE 2/2/89 P.O. Box 1099

Helena, MT 59624

406/449-7917

LINE NO. SB 282

S.B. 282 - Proponent

Page 2

Montana's workforce is undergoing rapid change. In 1980 more than 62% of women with children under 6 were in Montana's workforce and 85% of women with children ages 6-17 were in the workforce. As the number of working mothers increases, so does the need for reliable, quality child care during the workday, care not always available in the child's home or with a member of the family. Stress and anxiety generated by this need can distract the parent-employee on the job. At many companies, personnel policies are being reshaped to permit a realistic blending of job and family duties, creating a new harmony that keeps parent employees on the job, with reduced stress and absenteeism and higher morale.

S.B. 282 will be good for Montana workers, and therefore good for Montana. The Montana Women's Lobby urges a do pass recommendation for this legislation.

Early Childhood Project



Herrick Hall
Montana State University
Bozeman, Montana
59717
406-994-4746

SENATE TAXATION

EXHIBIT NO. 1 pg 3

DATE 2/13/89

BILL NO. SB 282

EMPLOYER-SUPPORTED CHILD CARE: WHAT ARE THE BENEFITS?

The workforce is changing

- * Women now comprise over 62 percent of Montana's laborforce, and are expected to represent over two-thirds by 1995.
- * More than 79 percent of Montana families are now supported by two or more wage-earners.
- * More than 65 percent of Montana mothers of children under the age of six, and 80 percent of mothers of school-age children, work outside their homes.
- * The report Focus: Women in the Workforce predicts that two-thirds of new entrants to the state's workforce between now and the year 2000 will be women. (MEA Research Department, August 1987)

Child care problems can affect the productivity of working parents

- * A nationwide Fortune Magazine study released in February, 1987 found that - for male and female employees with children under 12 - "problems with child care are the most significant predictors of absenteeism and unproductive time at work."
- * In a 1984 Portland State University survey of 8,000 Portland-area employees, 47 percent of women and 28 percent of men said that child care was a source of stress.
- * A 1987 survey of 931 employees in New Jersey found that 40 percent had missed at least one day of work in the previous three months because of child care.

Employers believe workplace child care programs are beneficial

No methodologically sound data are yet available on the effects of child care programs on productivity. However, three national surveys have produced information on the perceptions of employers with programs that support working parent employees:

- * A 1978 survey of 58 employers (primarily hospitals) sponsored by the U.S. Department of Labor found that 88 percent said that an onsite child care center had been a boon to recruitment; 72 percent reported lowered absenteeism; and 57 percent said the turnover rate was lower.

- * In a 1984 study published by the American Management Association, the 204 companies responding ranked recruitment advantage, improve employee morale, and lowered absenteeism at the top of a list of impacts.
- * The National Employer-Supported Child Care Project found in a 1984 survey that 90 percent of the 178 employers responding reported that their child care program improved employee morale; 85 percent reported a favorable impact on recruitment; 85 percent saw the program as improving public relations; and 83 percent reported an improvement in employee work satisfaction.

A growing number of employers are becoming involved
Nationally:

- * The Conference Board, a New York-based research organization, estimates that 3300 American employers have child care-related programs, compared to just over 100 in 1978.
- * The U.S. Chamber of Commerce predicted in 1982 that child care will be the fastest-growing benefit of the 1990's.
- * Employer assistance with child care can involve flexible work arrangements, financial assistance (such as subsidies, flexible benefit plans and salary reduction accounts), information and referral programs, on- or near-site child care centers, or participation in community projects.

In Montana:

- * Community Hospital in Missoula and St. Peter's Hospital in Helena have started on-site centers for employers and parents from the community.
- * Family Resources, Inc. has a contract with Work/Family Directions, a national resource and referral service to provide referrals for their employees statewide.
- * The Great Falls Public School has started an on-site center for school district employees.
- * St. Patrick's Hospital in Missoula has started the first sick-child care program in Montana.
- * US WEST has provided a grant to the Early Childhood Project to provide information and assistance to employers.

FOR ADDITIONAL INFORMATION on employer-supported child care program options, needs assessment, and tax considerations, contact:

Billie Warford, Early Childhood Project
M.S.U., Herrick Hall
Bozeman, MT 59717
994-5005



#2
SENATE TAXATION

EXHIBIT NO. 2

DATE 2/2/89

BILL NO. SB 282

Senate Bill 282
Senate Taxation Committee
February 2, 1989
LWVM Contact: Chris Deveny
442-2617

Mr. Chairman, members of the committee, my name is Christine Deveny, here today representing the League of Women Voters of Montana.

The League recently completed a two year study of child care in Montana, and considers the advocacy of quality child care legislation one of its top priority issues. The League supports the use of economic incentives such as tax credits, for involving employers in the child care needs of their workers, as one important step in achieving quality affordable child care.

The need for child care is easily demonstrated by demographics. In Montana over 50 percent of mothers with preschool children are in the workforce. The demand for child care exceeds the supply, and that demand will only continue to increase as more women enter the labor market in the future. Quality, affordable child care is a necessity if women are to have true equal access to employment opportunities, and if our children are to become well-adjusted, successful, and effective contributing members of society. Senate Bill 282 takes a positive step toward creating a partnership between private business, parents and government in finding solutions to the child care dilemma. The League of Women Voters of Montana urges your support of this legislation. Thank you.

MARTY CONNELL

Agricultural and Financial Management

Senate Bill
SENATE TAXATION 230
COMMITTEE NO. 3 pg 1
DATE 2/7/89
BILL NO. SB 230

PROPOSED LEGISLATION ON MONTANA REAL ESTATE TAX

PROLOG:

A tremendous amount of property owners in the State of Montana this March will lose their property because of the regressive method with which they are required to pay their delinquent taxes. The properties that are being lost are being lost because of the economics and the disinflation that is occurring in both businesses and real estate throughout the State of Montana. The State of Montana will take back properties that have values which in many cases are far less than the taxes owed against them. Montanans are a proud people and will hang on as long as they can to their property, even if the current market values are less than the taxes owed against them. The last legislature instituted new payments procedures that were more regressive than the previous ones because of the abuses that were being done by a few so they did not have to pay their property taxes.

Montana should enact a law that would benefit the State of Montana and the taxpayers of Montana providing a method where the back taxes could be paid and the properties would not have to be sold. Montana should also provide a system whereas the taxes could be paid on a monthly basis, which more nearly fits the needs and cash flow of many Montanans.

PROPOSAL A - OLD TAXES:

All taxes not paid as of January 1, 1989 would be considered old and delinquent taxes. The owners of the property would be allowed, in a 90-day time frame, to sign up on a one time basis for a time payment system. The amount of the delinquent tax, penalties and interest would be consolidated into a single amount that would be amortized over 15 years, put on a promissory note at a rate of interest that would be equal to the New York Prime Rate as published in the Wall Street Journal and adjusted annually. The note would be collateralized by the property. Since the State of Montana has a first lien position, they would come ahead of all creditors. The taxpayer could select annual, semi-annual, quarterly or monthly payments. There would be a 30-day default period, and if the payment was not made, then the State of Montana could proceed immediately to sheriff's sale.

PROPOSAL B - TIME PAYMENT:

Effective January 1, 1989 the taxpayers would be able to select and start paying immediately monthly or quarterly or semi-annual payments on their up and coming taxes. This would be a method of allowing the taxpayer to more easily handle the payment of taxes. To alleviate the difficulty of figuring the taxes in advance, the taxpayer would pay at a rate equal to the previous year with an adjustment to come with the last payment. This program would provide tremendous benefits to the State of Montana as the state would receive income earlier and on a more regular basis.

PROPOSAL C - FUTURE DELINQUENCIES:

The State of Montana must anticipate future delinquencies and handle them in a more modern and progressive manner. To keep taxpayers from seeking the State of Montana as the cheapest way of financing properties, on delinquent taxes, the taxpayer should be allowed to pay on a monthly, quarterly, semi-annual, or annual basis delinquent taxes, and that tax rate should be at a rate 2% over the New York Prime as published in the Wall Street Journal.

BENEFITS:

The benefits to the State of Montana are that they would receive a higher rate of return than they are getting on many investments, and at the same time, eliminate liquidation of taxpayers property and eventual sale at a loss. Proposal C would provide a means that if a taxpayer got delinquent, he could work a way out of the bill and not have to come up with large sums of money as the present system now requires to save his property.

DISCRETION:

The county commissioners of each county should be given the authority and discretion to make adjustments in the system. One example of a logical adjustment could be a minimum of \$300 in taxes to be eligible for the monthly payments. The county commissioners could also decide whether to include personal property taxes or not in this program. The State would provide to each county a one-time grant necessary to finance the conversion of computer systems to handle the receipt payments.

Amendments to Senate Bill No. 220
First Reading Copy

For the Committee on Taxation

Prepared by Jeff Martin
February 1, 1989

1. Title, line 7.

Following: "15-16-102"

Insert: "AND 15-16-302"

2. Page 2, line 24.

Strike: "taxes, penalties, and interest"

Insert: "real and personal property taxes, except assessments,"

3. Page 2, line 25.

Strike: "for prepayment of"

Insert: "included in"

4. Page 2.

Following: line 25

Insert: "Section 1. Section 5-16-302, MCA, is amended to read:

15-16-302. Tabulation and transmittal of real property delinquent list. (1) The county treasurer must, at the time specified in 15-16-301, deliver to the county clerk and recorder a complete delinquent list of all persons and property then owing taxes.

(2) In the list so delivered, all matters and things contained in the assessment book and relating to delinquent persons or property must be set down in numerical or alphabetical order.

(3) The county clerk and recorder must carefully compare the list with the assessment book, and if satisfied that it contains a full and true statement of all taxes due and unpaid, he must total the amount of taxes remaining unpaid, credit the county treasurer therewith, make a final settlement with the treasurer of all taxes charged against the treasurer on the assessment book, less any discounts provided for under 15-16-102(6), and require from the treasurer an immediate account for any existing deficiency."

Renumber: subsequent section

