

## MINUTES

### MONTANA SENATE 51st LEGISLATURE - REGULAR SESSION

#### COMMITTEE ON TAXATION

Call to Order: By Senator Bob Brown, on March 13, 1989, at  
9:00 a.m.

#### ROLL CALL

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

Members Excused: Senator Harp

Members Absent: None

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

Announcements/Discussion: None

#### DISPOSITION OF SENATE BILL 424

##### Discussion:

Jeff Miller, Department of Revenue, reviewed the attached draft (Exhibit #1) of House Bill 424 with proposed highlighted amendments. Many of the amendments are designed to conform Montana law to federal statutes. He explained the process for submission of forms by the taxpayers. The taxpayers affected will be identified by the Department based on the previous year's returns. They will be contacted and provided with a series of vouchers which they will then submit with 25% of the their last year's tax in each installment. The taxpayer also has the option of estimating the current year liability and submitting quarterly payments totalling 90% of that amount. If 100% of the previous year liability or 90% of the current year (accurately computed) is submitted, there will be no penalty or interest assessed. The amendments address these changes as well.

Senator Severson asked how many taxpayers would be affected by the quarterly payment procedure.

Mr. Miller replied it would be the same population as is currently paying federal quarterly payments, approximately 25,000.

Senator Brown noted this bill has a \$400 floor for state tax although the federal floor is \$500.

Mr. Miller said that \$150 in state tax equates to about \$500 in federal tax. The \$400 amount will equate to the higher tax bracket taxpayer who will be paying the quarterly federal tax. It simplifies the process and keeps the paper work down to set it at this level. He further noted it would take \$6600 in taxable income not subject to withholding to trigger the \$400.

Senator Mazurek felt the bill as amended very adequately includes those taxpayers who are paying their federal taxes quarterly in the same process on the state level.

Amendments and Votes:

Senator Gage moved to adopt the amendments as per the attached standing committee report (Exhibit #2). The motion CARRIED unanimously.

Recommendation and Vote:

Senator Gage moved SB 424 Do Pass As Amended. The motion CARRIED unanimously.

DISPOSITION OF SENATE BILL 451

Discussion:

Steve Bender, Department of Revenue, reviewed the attached overview and proposed amendments to SB 451 (Exhibits #3 and #4).

Amendments and Votes:

Senator Crippen moved to amend SB 451 as per the amendments listed in the attached Exhibit #4. The motion CARRIED unanimously.

Senator Eck expressed concern that there needs to be some sort of stable base of funding for the long term if we are going to enact a workable form of tax reform.

Senator Walker agreed and felt he could not support the bill unless there is a dedicated revenue source to ensure the cities and counties will get their money.

Senator Crippen said he felt this same frustration is felt on both sides of the aisle. We want property tax relief in this area and we need a mechanism to provide it as both this bill and HB 747 do. He felt the bill needs to get into the system and over the House in order to be considered in the whole scheme of funding things. He acknowledged there needs to be a funding mechanism, but also felt the bill needs to get moving.

Senator Halligan suggest SB 451 be tied to the passage of HB 747.

Senator Crippen felt it might come to that and it could be a very necessary component of the bill.


Senator Brown felt it might be premature to tie SB 451 to another source of revenue at this point in time when things are so up in the air. He noted there are funding bills that haven't even been heard yet and there is time to take action on the bill when we are more familiar with the options that will be available.

Recommendation and Vote:

Senator Gage moved SB 451 DO Pass As Amended. The motion FAILED on a roll call vote (Exhibit #5).

ADJOURNMENT

Adjournment At: 10:00 a.m.



SENATOR BOB BROWN, Chairman

BBjdr

MIN313.jdr

ROLL CALL

TAXATION

COMMITTEE

51st LEGISLATIVE SESSION -- 1989

Date 3/13/89

| 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.

BILL NO. \_\_\_\_\_

INTRODUCED BY \_\_\_\_\_

A BILL FOR AN ACT ENTITLED: "AN ACT TO PROVIDE FOR QUARTERLY PAYMENTS OF ESTIMATED TAX; TO PROVIDE FOR A PENALTY FOR FAILURE TO FILE A DECLARATION OF OR TO PAY ESTIMATED TAX; TO PROVIDE THAT INTEREST IS PAYABLE ON UNPAID ESTIMATED TAX INSTALLMENTS; AMENDING SECTIONS 15-30-241 AND 15-30-242 MCA; AND PROVIDING AN APPLICABILITY DATE. "

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF MONTANA:

1 Section 1. Section 15-30-241, MCA is amended to read:

2 "15-30-241. Declaration <sup>①</sup> and payment of estimated tax.

3 (1) Every individual except farmers, ranchers, or stockmen, <sup>②</sup> as  
 4 defined in Section 6654(i) (2) of the Internal Revenue Code of  
 5 1986, as amended, shall, at the time prescribed in subsection-~~(3)~~  
 6 ~~of this section,~~ 15-30-242, make a declaration of his estimated  
 7 tax for the taxable year if his ~~net-income from-sources-other~~  
 8 ~~than-wages,-salaries,-bonuses,-r-or-other-emoluments-can~~  
 9 ~~reasonably-be-expected-to-equal-or-exceed-his-net-income-from~~  
 10 ~~wages,-salaries,-bonuses-or-other-emoluments,-which-are-subject~~  
 11 ~~to-withholding~~ <sup>③</sup> estimated current-year tax, less-any-withholding  
 12 and-credits, <sup>④</sup> as calculated in 15-30-241 (2) (a) or (b), is \$400 or  
 13 more.

14 (2) In the declaration required under subsection (1) of  
 15 this section, the individual <sup>⑤</sup> estimated tax shall <sup>⑥</sup> be either:

16 (a) ~~the-amount-which-he-estimates-as-the-amount-of-tax-under~~  
 17 ~~15-30-103-for-the-current-year~~ <sup>⑦</sup> 100% of the individual's prior

18 year Montana income tax. If married filing jointly the joint  
19 income tax liability must be declared. Or,

20 (b) 90% of the individual's current year Montana income tax  
21 estimated as follows:

22 (i) annualize his taxable income for the <sup>(8)</sup>current year and;

23 <sup>(9)</sup>(ii) calculate the tax using the tax using the tax rates  
24 provided in 15-30-103;

25 <sup>(10)</sup>(b)(iii) the-amount-which-he-estimates-will-be-withheld-from  
26 -wages-paid-by-his-employer-if-said-individual-is-an-employee  
27 deduct all withholding and credits to which he is entitled; <sup>(11)</sup>and.

28 ~~(c)(3) the-excess-of-the-amount-estimated-under-subsection~~  
29 ~~(2)(a)-over-the-amount-estimated-under-subsection-(2)(b);-which~~  
30 ~~excess-for-purposes-of-this-section-shall-be-considered-the~~  
31 ~~estimated-tax-for-the-taxable-year; <sup>(12)</sup>Every individual required to~~  
32 ~~declare his estimated tax must make four equal installments on~~  
33 ~~the dates prescribed in 15-30-242 if the tax due <sup>(13)</sup>calculated as~~  
34 ~~directed in either 15-30-241(2) (a) or (b) is \$400.00 or more.~~

35 ~~(d)--such-other-information-as-may-be-prescribed-in-rules~~  
36 ~~promulgated-by-the-department.~~

37 ~~(3) The-declaration-required-under-subsection-(1)-of-this~~  
38 ~~section-shall-be-filed-with-the-department-on-or-before-April-15~~  
39 ~~of--the--taxable--year,--except--that--if--the--requirements--of~~  
40 ~~subsection-(1)-of-this-section-are-first-met:~~

41 ~~(a)--after-April-1-and-before-October-1-of-the-taxable-year;~~  
42 ~~the-declaration-shall-be-filed-on-or-before-October-15-of-the~~  
43 ~~taxable-year;~~

44 ~~(b)(4)~~ after October 1 of the taxable year, the declaration  
45 shall be filed on or before February 15 of the succeeding taxable  
46 year. During the taxable year, an individual may make amendments  
47 to the declaration required under subsection (1) if the amount of  
48 his estimated tax changes. The adjustment must be reflected in  
49 his next required installment.

50 ~~(4)(5)~~ An individual may make amendments of a declaration  
51 filed during the taxable year under subsection (3) of this  
52 section under rules prescribed by the department. If the  
53 taxpayer is unable to make his own declaration, the declaration  
54 shall be made by a duly authorized agent or guardian of such  
55 taxpayer.

56 ~~(5)~~ If on or before February 15 of the succeeding taxable  
57 year, the taxpayer files a return for the taxable year for which  
58 the declaration is required and pays in full the amount computed  
59 on his return as payable, then under rules prescribed by the  
60 department:

61 ~~(a)~~ if the declaration is not required to be filed during  
62 the taxable year but is required to be filed on or before such  
63 February 15, such return shall for the purposes of this section  
64 be considered as such declaration; and

65 ~~(b)~~ if the tax shown on the return is greater than the  
66 estimated tax shown in a declaration previously made or in the  
67 last amendments thereof, such return shall for the purposes of  
68 this section be considered as the amendment of the declaration  
69 permitted by subsection (4) of this section to be filed on or

70 before-such-February-15-

71 (6)---The--department--shall--promulgate--rules--governing  
72 reasonable--extensions--of--time--for--filing--declarations--and--paying  
73 --the--estimated--tax--except--in--the--case--of--taxpayers--who--are  
74 abroad,--and--no--such--extension--shall--be--for--more--than--6--months-

75 (7)---If--the--taxpayer--is--unable--to--make--his--own--declaration,  
76 the--declaration--shall--be--made--by--a--duly--authorized--agent--or--by  
77 the--guardian--or--other--person--charged--with--the--care--of--the--person  
78 or--property--of--such--taxpayer-

79 (8)---Any--individual--who--fails--to--file--a--declaration--of  
80 estimated--tax--as--required--by--this--section--is--not--subject--to--the  
81 penalties--set--forth--in--15-30-321."

82 Section 2. Section 15-30-242, MCA is amended to read:

83 "15-30-242. Installment payments of estimated tax and  
84 penalty and interest for underpayment of installment. (1)

85 Estimated-tax-provided-for-in-15-30-241-shall-be-paid-as-follows-

86 (a)---If--the--declaration--is--filed--on--or--before--April--15--of  
87 the--taxable--year,--the--estimated--tax--shall--be--paid--in--two--equal  
88 installments.--The--first--installment--shall--be--paid--at--the--time--of  
89 filing--of--the--declaration--and--the--second--or--last--installment  
90 shall--be--paid--on--October--15--of--the--taxable--year-

91 (b)---If--the--declaration--is--filed--after--April--15--and--not  
92 after--October--15--of--the--taxable--year--and--is--not--required--by--15-  
93 30-241(3)--to--be--filed--on--or--before--April--15--of--the--taxable--year,  
94 the--estimated--tax--shall--be--paid--at--the--time--of--filing--of--the



95 declaration:

96 (c) ~~--if the declaration is filed after October 15 of the~~  
97 ~~taxable year and is not required by 15-30-241(3) to be filed on~~  
98 ~~or before October 15 of the taxable year, the estimated tax shall~~  
99 ~~be paid in full at the time of filing of the declaration.~~

100 (d) ~~--if the declaration is filed after the time prescribed~~  
101 ~~in 15-30-241, including cases where extensions of time have been~~  
102 ~~granted, subsections (1)(b) and (1)(c) of this section shall not~~  
103 ~~apply and there shall be paid at the time of such filing all~~  
104 ~~installments of estimated tax which would have been payable on or~~  
105 ~~before such time if the declaration had been filed within the~~  
106 ~~time prescribed in 15-30-241(3) and the remaining installments~~  
107 ~~shall be paid at the times at which and in the amounts in which~~  
108 ~~they would have been payable if the declaration had been so~~  
109 ~~filed. Quarterly For calendar year taxpayers, quarterly estimated~~  
110 ~~tax payments provided for in 15-30-241 shall be due on the~~  
111 ~~following dates of the subsequent taxable year:~~

|     |            |                                    |
|-----|------------|------------------------------------|
| 112 | <u>1st</u> | <u>April 15</u>                    |
| 113 | <u>2nd</u> | <u>June 15</u>                     |
| 114 | <u>3rd</u> | <u>September 15</u>                |
| 115 | <u>4th</u> | <u>January 15 of the following</u> |
| 116 |            | <u>taxable year.</u>               |

117 (2) ~~if any amendment of a declaration is filed after April~~  
118 ~~15 and before October 15 of the taxable year, the remaining~~  
119 ~~installment, if any, shall be ratably increased or decreased, as~~  
120 ~~the case may be, to reflect the respective increase or decrease~~

121 ~~in-the-estimated-tax-by-reason-of-such-amendment.-If-any~~  
122 ~~amendment-is-made-after-October-15-of-the-taxable-year,-any~~  
123 ~~increase-in-the-estimated-tax-by-reason-thereof-shall-be-paid-at~~  
124 ~~the-time-of-making-such-amendment.~~ At the election of the  
125 individual, any installment of the estimated tax may be paid  
126 prior to the date prescribed for its payment.

127 (3) ~~At-the-election-of-the-individual,-any-installment-of~~  
128 ~~the-estimated-tax-may-be-paid-prior-to-the-date-prescribed-for~~  
129 ~~its-payment~~ For an individual whose taxable year begins  
130 on any other date than January 1, estimated tax payments shall be  
131 due the following number of months after his taxable year  
132 begins:

|     |            |                       |
|-----|------------|-----------------------|
| 133 | <u>1st</u> | <u>3 1/2 months</u>   |
| 134 | <u>2nd</u> | <u>5 1/2 months</u>   |
| 135 | <u>3rd</u> | <u>8 1/2 months</u>   |
| 136 | <u>4th</u> | <u>12 1/2 months.</u> |

137 (4) ~~Payment-of-the-estimated-tax-or-any-installment-thereof~~  
138 ~~shall-be-considered-on-account-of-the-tax-for-the-taxable-year~~  
139 This section does not apply to individuals with short taxable  
140 years or to part-year residents.

141 (5) ~~The-application-of-this-section-to-taxable-years-of~~  
142 ~~less-than-12-months-shall-be-as-prescribed-in-the-rules~~  
143 ~~promulgated-by-the-department~~ An individual who is required to  
144 pay estimated tax under 15-30-241 but fails to pay-the-tax <sup>(3)</sup> do so  
145 is subject to a penalty of 10% of the underpayment, but not less  
146 than \$5 per installment, and interest at the rate of 9% per

147 year. To calculate the amount of the underpayment and the period  
148 of time for interest to be paid the provisions of Section  
149 6654(b) (1),(2),and (3) of the Internal Revenue Code of 1986, as  
150 amended, apply. penalty-and-interest-as-provided-in-Subsection-3-

151 (6) ~~In the application of this section to taxpayers~~  
152 ~~reporting income on a fiscal year basis, there shall be~~  
153 ~~substituted for the dates specified therein the months~~  
154 ~~corresponding thereto~~ Except as provided in Section 3 the penalty  
155 and interest for underpayment of estimated tax must be added to  
156 the tax due under 15-30-103.

157 (7) An individual who fails to pay an estimated tax as  
158 required by this section is not subject to the penalties set  
159 forth in 15-30-321."

160  
161 NEW SECTION. <sup>(15)</sup> Section 3. Exception to assessment of penalty  
162 and interest for failure to pay estimated tax. (1) <sup>(20)</sup> An  
163 ~~underpayment of tax results when the total of the estimated tax~~  
164 ~~installments provided for in 15-30-242 is smaller than the lesser~~  
165 ~~of the following~~ A taxpayer is subject to the penalty and  
166 interest provided for in Section 2 only if the amount of an  
167 installment, if any, is less than:

168 <sup>(1)</sup> (a) 25% of 90% of the actual tax due, or

169 <sup>(2)</sup> (b) 25% of 100% of the prior year's tax liability.

170 ~~(2) There shall be added to the tax of an individual a~~  
171 ~~penalty of 10% of the underpayment but not less than \$20.00 in~~  
172 ~~subsection (1) and interest at the rate of 9% per annum from the~~

173 payment-date-at-which-the-underpayment-first-occurred-

174 (2) (a) <sup>(2)</sup> No penalty shall be imposed under section (1) with  
175 respect to any underpayment for newly retired or disabled  
176 individuals.

177 (i) By newly retired or disabled individuals is meant  
178 taxpayers who became disabled or who retired after having  
179 attained age 62 in the taxable year for which estimated payments  
180 were required to be made or in the taxable year preceding such  
181 taxable year.

182 (b) No penalty or interest shall be imposed under section 1  
183 with respect to any underpayment to the extent the Director of  
184 the Department of Revenue determines that by reason of casualty,  
185 disaster or other unusual circumstance the impositions of such  
186 addition to tax would be against equity and good conscience.

187 (3) Interest shall not be paid for any overpayment of  
188 estimated tax, <sup>(3)</sup> except as provided in 15-30-149(4).

189

190 NEW SECTION. Section 4. Extension of authority. Any  
191 existing authority to make rules on the subject of the provisions  
192 of this act is extended to the provisisons of this act.

193 NEW SECTION. Section 5. Codification instruction. Section  
194 3 is intended to be codified as an integral part of Title 15,  
195 chapter 30, part 2, and the provisions of Title 15, chapter 30,  
196 part 2, apply to section 8.

197 NEW SECTION. Section 6. Saving clause. This act does not  
198 affect rights and duties that matured, penalties that were  
199 incurred, or proceedings that were begun before the effective  
200 date of this act.

201 NEW SECTION. Section 7. Applicability. This act applies to  
202 taxable years beginning after December 31, 1989.

203 NEW SECTION. Section 8. Effective date. This act is  
204 effective July 1, 1989.

205

206

207

## MR. PRESIDENT:

We, your committee on Taxation, having had under consideration SB 424 (first reading copy -- white), respectfully report that SB 424 be amended and as so amended do pass:

1. Page 1, line 13.

Following: "Declaration"

Insert: "and payment"

2. Page 1, line 14.

Following: "stockmen"

Insert: ", as defined in section 6654(i)(2) of the Internal Revenue Code of 1986, as amended,"

3. Page 1, lines 21 and 22.

Strike: "current year" on line 21

Following: "tax" on line 21

Strike: "less" on line 21 through "credits" on line 22

Insert: "as calculated in subsection (2)(a) or (2)(b)"

4. Page 1, line 24.

Strike: "individual shall"

Insert: "estimated tax must be one of the following"

5. Page 2, line 1.

Following: "year"

Insert: "100% of the individual's Montana income tax from the prior year. If the individual is married and filing jointly, the joint income tax liability must be declared.

(b) 90% of the individual's Montana income in the current year. The taxpayer shall:

(i)"

6. Page 2, line 2.

Following: "for the"

Insert: "current"

Strike: "and"

Insert: "; (ii)"

7. Page 2, line 3.

Following: ";

Insert: "and"

8. Page 2, line 4.

Strike: "(E)"

Insert: "(iii)"

9. Page 2, line 6.

Strike: ";"

Insert: "."

10. Page 2, line 7.

Strike: "and"

11. Page 2, line 8.

Strike: "(c)"

Insert: "(3)"

Renumber subsequent subsections

12. Page 2, line 11.

Following: "year"

Insert: "Each individual required to declare his estimated tax shall"

13. Page 2, line 13.

Following: "due"

Insert: ", as calculated in either subsection (2)(a) or (2)(b)."

14. Page 4, line 15.

Following: "tax"

Insert: "-- penalty and interest for underpayment of installment"

15. Page 5, line 18.

Strike: "Quarterly"

Insert: "For calendar year taxpayers, quarterly"

16. Page 5, line 19.

Strike: "subsequent"

17. Page 7, lines 3 and 4.

Strike: "pay" on line 3 through "tax" on line 4

Insert: "do so"

18. Page 7, lines 4 and 5.

Strike: "penalty" on line 4 through "section 31" on line 5

Insert: "a penalty of 10% of the underpayment, but not less than \$5 per installment, and interest at the rate of 9% per year. To calculate the amount of the underpayment and the period of time for interest to be paid, the provisions of section 6654(b)(1), (2), and (3) of the Internal Revenue Code of 1986, as amended, apply.

(c) Except as provided in [section 3], the penalty and interest for underpayment of estimated tax must be added to the tax due under 15-30-103."

SENATE COMMITTEE ON TAXATION, SB 424  
page 3 of 3

19. Page 7, line 13.

Strike: "Penalty"  
Insert: "Exceptions to assessment of penalty"  
Strike: "for"  
Insert: "-- interest for overpayment"

20. Page 7, line 14.

Strike: "failure to pay estimated tax"

21. Page 7, lines 14 through 17.

Following: "(1)" on line 14  
Strike: remainder of line 14 through "following" on line 17  
Insert: "A taxpayer is subject to the payment of penalty and interest provided in 15-30-242(5) only if the amount of an installment paid, if any, is less than"

22. Page 7, line 18.

Following: "(a)"  
Insert: "25% of"

23. Page 7, line 19.

Following: "(b)"  
Insert: "25% of"

24. Page 7, lines 21 through 24.

Following: "(2)" on line 21  
Strike: remainder of lines 21 through 24 in their entirety  
Insert: "(a) Penalty or interest may not be imposed under 15-30-242(5) with respect to any underpayment of estimated taxes for a newly retired or disabled person. For the purpose of this subsection (2)(a), "newly retired" or "newly disabled" person means a person who retired at 62 years of age or older or who became disabled in the taxable year for which estimated payments are required to be made or in the taxable year preceding the current taxable year.  
(b) Penalty or interest may not be imposed under 15-30-242(5) with respect to any underpayment to the extent the director of the department determines that by reason of casualty, disaster, or other unusual circumstance the imposition of the payment of estimated taxes would be contrary to equity and good conscience."

25. Page 8, line 1.

Following: "tax"  
Insert: ", except as provided in 15-30-149(4)"

AND AS AMENDED DO PASS

Signed: Bob Brown  
Bob Brown, Chairman

4/10/89  
3/14/89  
3/13/89  
S.P.  
scrsb424.314



**An Overview of the Reimbursement Mechanism  
Contained in SB 451**

SB 451 -- Governor Stephen's personal property tax proposal -- provides true dollar for dollar reimbursements to local governments to offset the reduction in personal property tax receipts. Moreover, the mechanism reflects the timing of personal property tax receipts in order to leave the cash flow of local governments unaffected.

This brief overview attempts to explain:

- \*\* the mechanics of the reimbursement mechanism, and
- \*\* the adjustments made in the reimbursement schedules to mimic the current law cash flow of local government personal property tax receipts.

Unique Payment Dates of Personal Property

Certain personal property taxes are collected much earlier than real and other property tax payments. Unsecured personal property taxes, personal property taxes of owners who have insufficient real property to secure the payment of the tax, are payable on demand and are assessed at the previous year's mill levies. In normal circumstances, these payments are received in one installment during the spring of the tax year.

On average, 30 percent of personal property taxes fall into this category.

This payment date is in sharp contrast to the payment dates of real property, mineral production and secured personal property taxes. These taxes are payable in two equal installments, which are due by the end of November of the tax year and by the end of May in the following year.

The unique payment date of unsecured personal property taxes results in an almost immediate change in personal property tax receipts due to legislative actions. As a result, the revenue impact occurs one fiscal year earlier than would normally occur for other property taxes.

The reimbursement mechanism contained in SB 451 incorporates the timing of unsecured personal property taxes in order to leave the cash flow of local governments unaffected.

3 p. 2  
DATE 3/13/89  
BILL NO. 53451

Mechanics of the Reimbursement

The following example illustrates the impact of the timing of receipts on the reimbursement schedules as proposed in the "clean-up" amendments. For simply, the example is based on the revenue loss of county governments.

County Government Reimbursements -- SB 451

3 p 3  
5/13/54  
SB 451

BILL NO.

Fiscal Year 1990 Loss  
\$0.96 Million - Unsecured 90 tax  
\$0.96 Million - FY Total

% of Base Year

30 %

30%

Tax Year 1990 Loss  
\$3.2 Million  
(Base Year)

Fiscal Year 1991 Loss  
\$2.2 Million - Secured 90 tax  
\$1.8 Million - Unsecured 91 tax  
\$4.0 Million - FY Total

127 %

30%

Tax Year 1991 Loss  
\$5.9 Million

Fiscal Year 1992 Loss  
\$4.2 Million - Secured 91 tax  
\$2.6 Million - Unsecured 92 tax  
\$6.8 Million - FY Total

212 %

30%

Tax Year 1992 Loss  
\$8.7 Million

Fiscal Year 1993 Loss  
\$6.1 Million - Secured 92 tax  
\$3.4 Million - Unsecured 93 tax  
\$9.5 Million - FY Total

298 %

30%

Tax Year 1993 Loss  
\$11.4 Million

Fiscal Year 1994 Loss  
\$8.0 Million - Secured 93 tax  
\$3.4 Million - Unsecured 94 tax  
\$11.4 Million - FY Total

360 %

30%

Tax Year 1994 Loss  
\$11.4 Million

**Explanation of Proposed Amendments to SB 451  
Introduced (white) Reading Copy**

The following provides a brief explanation of the proposed amendments to the introduced version of SB 451. The amendments are not intended to change the substance of the bill. Rather, they correct omissions or errors contained in the bill and, more importantly, remove the statutory appropriations.

**Amendment 1** -- The amendment corrects the title of the bill to reflect changes proposed in amendment 6. Amendment 6 retains the current tax rate for Class 7 real property (rural electrical and telephone property). Class 7 personal property is exempt under the proposal. (Note that the bill does not affect Class 5 property -- co-op's, pollution control, new industrial property, etc. -- which currently is taxed at a 3 percent rate).

**Amendment 2** -- This amendment corrects an oversight in the title. The bill exempts certain forms of personal property, but this fact is not mentioned in the title.

**Amendments 3 through 5** -- The statutory appropriation language and code references in the title are deleted.

**Amendment 6** -- The introduced bill erroneously phased-down the tax rate for rural telephone and electrical real property to 4 percent. The amendment corrects this oversight.

**Amendments 7 and 8** -- Proposed amendments 7 and 8 remove the amendments to 17-7-502, MCA (requisites for validity of statutory appropriations) and school equalization revenues to reflect the deletions of the statutory appropriations from the bill.

**Amendment 9** -- Amendment 9 corrects an error in the internal references.

Amendments 10 through 27 make minor changes in the reimbursement mechanism for local governments. Most of these changes update the percentages of the base year revenue loss that are to be returned to local governments each fiscal year. The new percentages reflect the impact of the property tax exemptions added to the bill.

**Amendment 10** -- This amendment allows the Department to estimate the amount to be returned to local governments for the fiscal year 1990 reimbursement. The change is necessary because, as drafted, local governments will not be reimbursed for the personal property taxes they would normally receive in the spring of 1990 on unsecured personal property. The 30 percent figure represents the fraction of personal property taxes levied for an entire tax year that are collected in April or May.

**Amendments 11 through 22** -- These amendments update the reimbursement percentages applied to the certified revenue loss to reflect the personal property tax exemptions added to the bill.

**Amendment 23** -- The section is unnecessary and is eliminated. The personal property tax reductions end in 1993 (reach the 4 percent rate). The tax year 1993 reimbursement, therefore, applies in following years.

**Amendments 24, 25 and 26** -- The amendments are proposed to correct the problem explained in 23 and to adjust subsection references due to amendment 23.

**Amendment 27** -- Proposed amendment 27 removes the statutory appropriations for the reimbursements to local governments.

**Amendment 28** -- The amendment deletes the statutory appropriation to replace the revenue loss to local schools.

**Amendments 29 through 37** -- These amendments change internal references to reflect the deletions of the statutory appropriations from the bill.

ROLL CALL VOTE

SENATE TAXATION

EXHIBIT NO. 4 p3  
DATE 3/13/54  
BILL NO. SB451

SENATE COMMITTEE TAXATION

Date 3/13 SB Bill No. 424 Time 9:01

| NAME             | YES | NO |
|------------------|-----|----|
| 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   |    |

Secretary \_\_\_\_\_

SENATOR BOB BROWN  
Chairman

Motion: by Gage SB424 DPAA

ROLL CALL VOTE

SENATE TAXATION

EXHIBIT NO. 5

DATE 3/13/89

BILL NO. SB 451

SENATE COMMITTEE TAXATION

Date 3/13/89 Senate Bill No. 451 Time \_\_\_\_\_

| NAME             | YES | NO |
|------------------|-----|----|
| 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  |

Bill Robinson  
Secretary

SENATOR BOB BROWN  
Chairman

Motion: by Senator Gage that  
SB 451 Do Pass As Amended.

Failed