

MINUTES

MONTANA SENATE 51st LEGISLATURE - REGULAR SESSION

COMMITTEE ON TAXATION

Call to Order: By Senator Bob Brown, Chairman, on March 27, 1989, at 3:10 p.m.

ROLL CALL

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

Members Excused: None

Members Absent: Senator Halligan

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

Announcements/Discussion: None

DISPOSITION OF SENATE BILL 463

Discussion:

Senator Brown called on Director Ken Nordtvedt, Department of Revenue, to present his proposed amendments.

Director Nordtvedt presented the amendments as per the attached Exhibit #1. He said the bill as amended would still have the combination of tax brackets at 3%, 6% and 9%. It would reflect the inflation indexing of the basis of capital assets for the determination of capital gains and losses. Inflation indexing of the \$3600 pension exclusion and \$800 interest income exclusion would be added for senior citizens. However, the base would be delayed until 1990 instead of using the 1980 base which would take some of the revenue impacts out of those provisions. The standard deduction on personal income tax would increase to a flat rate of \$2980 in 1989 (double that amount for a couple filing jointly) and increase the personal exemption to \$1490

in 1989. These two items have a fiscal impact of \$22 million. The combination of the brackets equals a net impact of \$2.6 million and the indexing of the capital assets basis is a net of \$6 million. However, the administration feels it can reduce that \$6 million by \$1.5 million by another provision of law which it proposes to end. The amendment on page 5, line 8, puts the age provision back in to restrict the interest income exclusion to senior citizens. The page 5, line 10 amendment makes the income exclusion \$800 after indexing in 1990. Page 5, line 15, changes the \$2400 to \$3600 after indexing in 1990. It basically changes the base year from 1980 to 1990. The page 14 and 15 amendments are typographical corrections. The page 29, page 19, line 7 and page 19, line 8 amendments delay the effective date until the calendar year 1990 when sales tax revenue will come in. The final provision is to add a coordinating clause which says this bill will not pass unless SB 469 passes.

Senator Mazurek asked if the contingency clause should have language added which says "passage of SB 469 and approval by the electorate".

Director Nordtvedt said that is understood and that language should be added.

Amendments and Votes:

Senator Crippen moved the amendments as per Exhibit #1 with the addition of the language in the final amendment "and passage by a vote of the people".

Senator Mazurek said he understood this is not intended to be the final sales tax bill. He said it is his understanding that this bill and others dealing with the sales tax will move along in the process and eventually be distilled into one package.

Senator Crippen replied that is the plan.

The motion by Senator Crippen CARRIED unanimously with Senator Halligan absent.

Recommendation and Vote:

Senator Crippen moved Senate Bill 463 DO PASS AS AMENDED.
The motion CARRIED with Senators Norman and Bishop voting no
and Senator Halligan absent.

ADJOURNMENT

Adjournment At: 3:24 p.m.



SENATOR BOB BROWN, Chairman

BB/jdr

min327b.jdr

ROLL CALL

TAXATION

COMMITTEE

51st LEGISLATIVE SESSION -- 1989

Date 3/27/89
3:10 pm

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

page 1 of 2
March 27, 1989

p.m.

MR. PRESIDENT:

We, your committee on Taxation, having had under consideration SB 463 (first reading copy -- white), respectfully report that SB 463 be amended and as so amended do pass:

1. Title, line 24.

Strike: "A RETROACTIVE"

Insert: "AN"

2. Page 5, line 9.

Following: "elder"

Insert: "age 65 or older"

3. Page 5, line 10.

Following: "~~\$800~~"

Insert: "\$550"

4. Page 5, line 12.

Strike: ", \$800"

5. Page 5, line 15.

Strike: "\$3,000"

Insert: "\$2,400"

6. Page 14, line 20.

Strike: "maximum"

7. Page 15, line 6.

Strike: "maximum"

8. Page 29.

Following: line 2

Insert: "NEW SECTION. Section 13. Coordination instruction. If [this act] is passed and approved and Senate Bill No. 469 is not passed by the 51st legislature or is not approved by the people at the special election, [this act] is void."

Remember: subsequent section

9. Page 29, line 4.
Strike: "retroactive"

10. Page 29, lines 5 and 6.
Strike: "retroactively" on line 5 through "1-2-109," on line 6

11. Page 29, line 7.
Strike: "1988"
Insert: "1989"

12. Page 29, line 8.
Strike: "1989"
Insert: "1990"

AND AS AMENDED DO PASS

Signed: Bob Brown
Bob Brown, Chairman

Administration amendments to SB 463

Page 4, after line 6

(5) For capital assets held more than one year taxpayer may adjust the cost basis of the assets by the inflation adjustment factor for the appropriate holding period. For cash as well as installment purchases or sales of assets the Department shall adopt rules and provide forms for use by taxpayers in making inflation adjustments of capital asset costs.

- Page 5, Line 8 insert "age 65 or older"
- Page 5, Line 10 insert "\$550"
- Page 5, Line 12 strike "\$800"
- Page 5, Line 15 strike "\$3600" insert "\$2400"
- Page 14, Line 14 strike "maximum"
- Page 15, Line 6 strike "maximum"
- Page 29, Line 5 strike "retroactively, within the meaning
of 1-2-109,"
- Page 19, Line 7 strike "1988" insert "1989"
- Page 19, Line 8 strike "1989" insert "1990"
- Add contingency clause. "The passage of this act is contingent on the
passage of SB 469"

EXHIBIT NO. 1 p. 2DATE 3/27/89 p.m.BILL NO. SB 463
+ 2 Exemptions

Standard Deduction

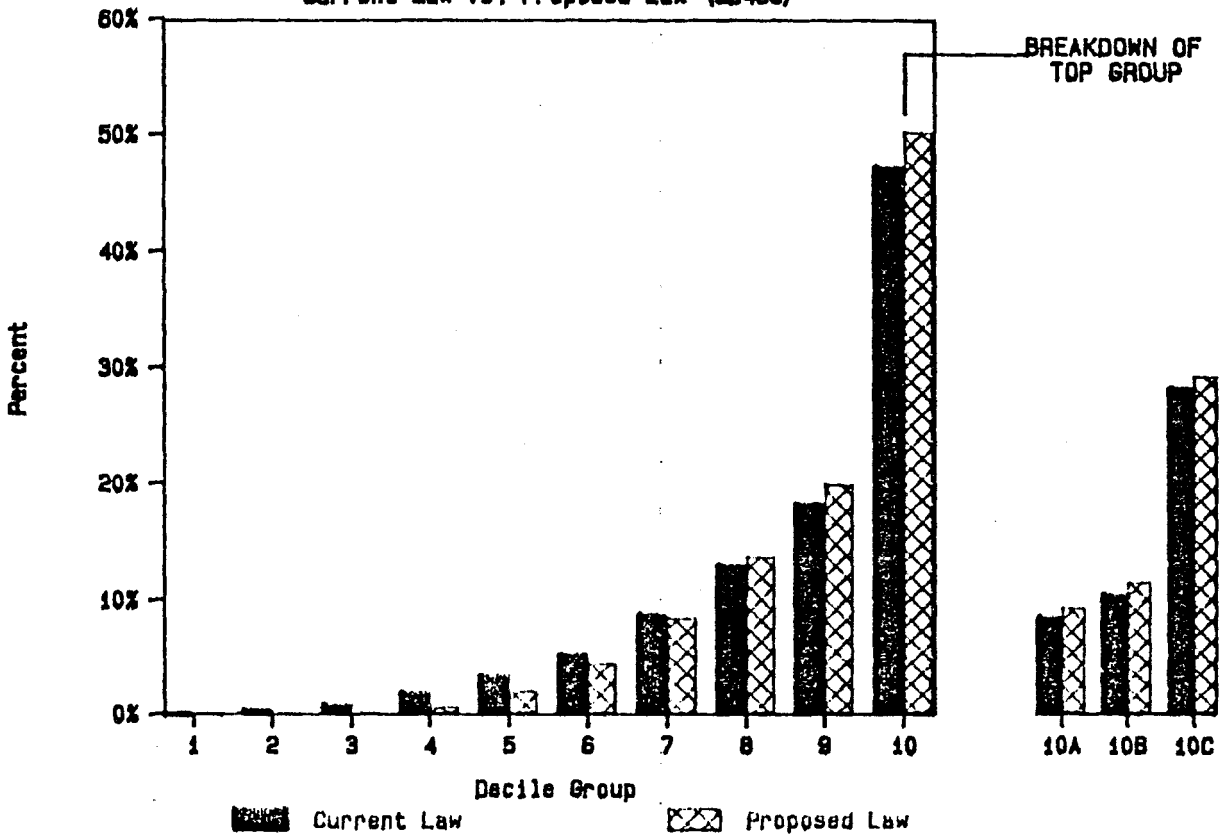
Gross Taxable	Present Law	Diff	SB 463
\$ 3000	\$ 2	(-2)	0
4000	18	(-18)	0
5000	38	(-38)	0
6000	62	(-53)	9
8000	122	(-53)	69
10000	186	(-57)	129
12000	279	(-73)	206
14000	389	(-63)	326
16000	511	(-65)	446
18000	651	(-85)	566
20000	803	(-117)	686
22000	963	(-97)	866
24000	1123	(-77)	1046
26000	1299	(-73)	1226
28000	1479	(-73)	1406
30000	1659	(-73)	# 1586

Itemized + 2 Exemptions

Taxable Income After Deductions	Present Law	Diff	SB 463
12,000	397	(-20)	377
14,000	520	(-23)	497
16,000	660	(-43)	617
18,000	815	(-52)	763
20,000	975	(-33)	943
22,000	1135	(-12)	1123
24,000	1312	(-10)	1303

PERCENT OF TOTAL STATE TAX LIABILITY

Current Law vs. Proposed Law (SB463)



TAX LIABILITY — CURRENT LAW AND SB463

Single Filer, Two Exemptions

