MINUTES

MONTANA SENATE
51st LEGISLATURE - REGULAR SESSION

COMMITTEE ON TAXATION

Call to Order: By Senator Bob Brown, Chairman, on April 4, 1989, at 8:00 a.m.

ROLL CALL

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

Members Excused: None

Members Absent: None

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

Announcements/Discussion: None

HEARING ON HOUSE BILL 163

<u>Presentation and Opening Statement by Sponsor:</u>

Representative Campbell, District 48, sponsor, said the bill eliminates a variety of nuisance taxes. The collection procedures do not produce enough revenue to cover the cost of administration. Those taxes being stricken are the rural electric and telephone co-op tax, camper decal fee, express company license tax, sleeping car tax, store license tax, coal retailer's license, and the cement and gypsum producer's license tax. He submitted proposed amendments to the bill proposed by Director Nordtvedt (Exhibit #1).

<u>List of Testifying Proponents and What Group they Represent:</u>

Mike Strawbridge, Vice President and General Manager, Montana Division of Ideal Cement, Trident
Charles Brooks, Executive Vice President, Montana Retail Association

List of Testifying Opponents and What Group They Represent:

None

Testimony:

Mike Strawbridge, Ideal Cement, presented his testimony in support of the bill (Exhibit #2).

Charles Brooks, Montana Retail Association, said his organization supports the elimination of store licenses. They feel the store license represents a duplicate tax as cities and counties now require licenses for retail stores and the control of the licenses is best left to them. He said it is not efficient for the Department of Revenue to administer this tax.

Questions From Committee Members: None

Closing by Sponsor:

Representative Campbell noted in closing that he would like to see the micaceous mineral mines license tax restored. The W.R. Grace Company mines vermiculite and this is the only company covered under the micaceous mineral mines tax. He urged the committee to also consider the amendments proposed by the Department of Revenue.

HEARING ON HOUSE JOINT RESOLUTION 13

Presentation and Opening Statement by Sponsor:

Representative Bob Ream, District 54, sponsor, said the resolution contains the official revenue estimate for the 1990-1991 biennium. He submitted a copy of the report of the Joint Revenue Estimating Subcommittee (Exhibit #3). He noted natural gas production is now higher than estimated on table 3, page 13. The natural gas severance tax estimate of 1.100 is now at 1.15. He said the income tax revenues are also running higher than anticipated. Representative Ream believed things look good for the coming biennium.

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 Harp asked Terry Johnson to comment on the effect of federal tax reform.

Terry Johnson said 1987 is the first year of data available on the effects of federal tax reform on the state. Based on that data, it appears federal tax reform is bringing in more revenue than was originally anticipated. The base, as defined by federal tax reform, has been expanded, and there are other options in the area of capital gains and various deductions that are phased. He felt by fiscal year 1991 the total impact of the completely phased in federal tax reform will be understood.

Senator Harp asked about reserves such as the Common School Trust Account.

Terry Johnson replied the Common School Trust Account has a balance of approximately $225 million. That figure is somewhat misleading as it includes land asset values, therefore the actual cash amount is about $170-$180 million.

Senator Harp asked if that money is ever used, and if so, what for.

Mr. Johnson said the investment of the Common School Trust Account is 95% utilized for the school foundation program and the other 5% reverts back to the trust account.

Closing by Sponsor:

Representative Ream closed by suggesting changing the resolution in the areas of natural gas production, the final values for metalliferous mines, and the freight license tax. He said he felt Terry Johnson and Judy Waldron could provide the committee with the final figures on those three items. Other than those specific figures, he felt everything is right on target for the coming biennium.

HEARING ON HOUSE BILL 690

Presentation and Opening Statement by Sponsor:

Representative Gary Spaeth, District 90, sponsor, said the bill provides that a title plant will not be considered as taxable property and disallows depreciation or amortization of a title fund for income tax purposes. The Department of Revenue and title companies of the state have been fighting over DOR imposed rules for a number of years. In 1986 the Supreme Court ruled that the rules were invalid and that the assets of the title plant are intangible property and thus not taxable. He pointed out the bill is not dealing with the actual furnishings of the plant but with the microfiche or the records of the company. They obviously have some value, but the question becomes how much is a piece of microfiche blank worth compared to a piece with something on it. There are no guidelines with which to arbitrate since the Supreme Court decision. He said there are less than $50,000 in property taxes collected statewide on title plants and so it would seem better to just eliminate the assessment altogether than go to litigation and the expense involved to reach a resolution.

List of Testifying Proponents and What Group they Represent:

Gene Phillips, Montana Land Title Association

List of Testifying Opponents and What Group They Represent:

None

Testimony:

Gene Phillips, Montana Land Title Association, said the Association asked for the bill and requested Representative Spaeth carry it. He said they are trying to determine just what the value of a title plant is in terms of what in contained in the microfiche. He pointed out that value can vary a great deal between counties such as Yellowstone and Treasure. The bill will prohibit the use of the title plant as a deduction for income tax purposes and prevents the state from taxing the plant as personal property.

Questions From Committee Members: none

Closing by Sponsor: Representative Spaeth closed.

HEARING ON HOUSE BILL 766

Presentation and Opening Statement by Sponsor:

Representative Driscoll, District 92, said the bill classifies all machinery and equipment used in a malting barley facility as class six property which would be a rate of 4%. He pointed out there are no malting barley plants in Montana presently, however, attempts are being made to entice Anheuser Busch to locate a plant here and the bill is intended to be an inducement to them. He said the plant would be valued at about $50 million and at the 4% rate would pay $657,000 in taxes.

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 Crippen asked what the rate would be without this bill.

Representative Driscoll replied they would be taxed at 11%.

Closing by Sponsor: Representative Driscoll closed.

EXECUTIVE SESSION

DISPOSITION OF HOUSE BILL 690

Discussion: None

Amendments and Votes:

Senator Mazurek MOVED to amend the bill in the title and the body with an applicability date applying to taxable years beginning after December 31, 1989.

The motion CARRIED unanimously.

Recommendation and Vote:

Senator Eck MOVED HB 690 Be Concurred In As Amended.

The motion CARRIED unanimously.

DISPOSITION OF HOUSE BILL 163

Discussion:

Senator Brown asked Director Nordtvedt to address the fiscal note.

Director Nordtvedt, DOR, said there are a number of taxes in the bill and they are all raising revenue very inefficiently. The total amount is budgeted for in the DOR budget.

Senator Mazurek asked Director Nordtvedt why the language eliminating the micaceous mineral mines license tax was stricken in the House.

Director Nordtvedt said he had no idea. This is also tax that was budgeted for in the planned elimination of a number of nuisance taxes.

Senator Harp said he had questioned the sponsor about this and he had no idea why the House Taxation Committee had taken the action. He said there is only one plant in the state affected by the tax, the W. R. Grace Company in Libby. The sponsor had indicated that he would like to have it put back in the bill.

Senator Eck asked if it is not cost effective to spend $14,000 to collect $500,000.

Director Nordtvedt said this is a relative issue. He pointed out the FTE time spent in this area could be producing a great deal more revenue in another area. He also said the elimination of the nuisance taxes is done because of the benefit to the taxpayer, not to the state.

Amendments and Votes:

Senator Mazurek MOVED to reinsert the stricken language re micaceous mineral mines in the bill.

The motion CARRIED unanimously.

Senator Eck MOVED to amend the bill according to the proposed amendments in Exhibit #1.

The motion CARRIED unanimously.

Recommendation and Vote:

Senator Harp MOVED that HB 163 Be Concurred In As Amended.

The motion CARRIED unanimously.

HEARING ON HOUSE BILL 588

Presentation and Opening Statement by Sponsor:

Representative Menahan, District 67, sponsor, said the bill was passed two years ago, however, anyone who had a canoe or raft or personal watercraft under 12 feet in length was not included in the fee process and still had to pay the tax. This bill simply includes these vehicles in the fee process and also provides for a registration system for water vehicles which provides protection for the owner in case of theft. Representative Menahan said he had worked people from the Flathead Lake area and Gates of the Mountains to ensure the boatowners concerns were addressed in the bill.

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 Eck asked what advantages there are to boat registration.

Representative Menahan replied there are several advantages: the safety aspect, i.e. drinking, wrecks, and the Fish and Game Department's ability to exercise some control in that area. Also boats are used for a limited time. Therefore, a one-time fee is better than an ad valorem tax. There is also the benefit to the owner of a registration in case of theft.

Closing by Sponsor: Representative Menahan closed.

EXECUTIVE SESSION

DISPOSITION OF HOUSE BILL 588

Discussion: None

Amendments and Votes: None

Recommendation and Vote:

Senator Bishop MOVED HB 588 Be Concurred In.

The motion CARRIED with Senators Severson and Gage voting no.

ADJOURNMENT

Adjournment At: 10:00 a.m.

Bob Brown

SENATOR BOB BROWN, Chairman

BB/jdr

MIN404.jdr

ROLL CALL

TAXATION COMMITTEE

51st LEGISLATIVE SESSION -- 1989 Date 4/4/89

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

April 5, 1[illegible]

MR. PRESIDENT:

We, your committee on Taxation, having had under consideration HB 690 (third reading copy -- blue), respectfully report that HB 690 be amended and as so amended be concurred in.

Sponsor: Spaeth (Harwick)

1. Title, line 7.
Strike: "AND"

2. Title, line 8.
Following: "MCA"
Insert: ", AND PROVIDING AN APPLICABILITY DATE"

3. Page 15.
Following: line 1
Insert: "NEW SECTION. Section 6. Applicability. [This act] applies to taxable years beginning after December 31, 19[illegible]."

AND AS AMENDED BE CONCURRED IN

Signed: ______________________
Bob Brown, Chairman

SENATE STANDING COMMITTEE REPORT

April 5, 1989

MR. PRESIDENT:

We, your committee on Taxation, having had under consideration HB 163 (third reading copy -- blue), respectfully report that HB 163 be amended and as so amended be concurred in:

Sponsor: Campbell (Beck)

1. Title, line 5.
Following: "INCLUDING"
Insert: "THE LIQUOR EXCISE TAX PAID BY PASSENGER CARRIERS,"

2. Title, line 7.
Following: "~~TAX,~~"
Insert: "THE MICACEOUS MINERAL MINES LICENSE TAX,"

3. Title, line 11.
Following: ";"
Insert: "EXEMPTING PASSENGER CARRIERS FROM PURCHASING LIQUOR FROM MONTANA STATE LIQUOR STORES; ELIMINATING THE REPORTING REQUIREMENTS FOR THE SHIPMENT OF BEER AND WINE BY COMMON CARRIERS;"

4. Title, line 12.
Following: "SECTIONS"
Insert: "16-6-303,"
Following: "35-18-503"
Insert: ","

5. Title, line 13.
Following: "~~PART 2,~~"
Insert: "TITLE 15, CHAPTER 37, PART 2;"

6. Title, line 14.
Following: "~~23-2-715,~~"
Insert: "16-1-402, 16-1-403, 16-3-235, 16-3-405,"

continued

7. Page 1.
Following: line 18
Insert: "Section 1. Section 16-6-303, MCA, is amended to read:
"16-6-303. Sale of liquor not purchased from state store forbidden -- penalty. ~~It~~ Except for a passenger carrier issued a license pursuant to 16-4-302, it is unlawful for any licensee to sell or keep for sale or have on his premises for any purpose whatever any liquor except that purchased from the state liquor store, and any licensee found in possession of or selling and keeping for sale any liquor which was not purchased from a state liquor store shall, upon conviction, be punished by a fine of not less than $500 or more than $1,500, by imprisonment for not less than 3 months or more than 1 year, or by both such fine and imprisonment. If the department is satisfied that any such liquor was knowingly sold or kept for sale within the licensed premises by the licensee or by his agents, servants, or employees, the department shall immediately revoke the license.""
Renumber: subsequent sections

8. Page 2, line 14.
Following: "~~part 2;~~"
Insert: "Title 15, chapter 37, part 2;"

9. Page 2, line 15.
Following: "~~23-2-715,~~"
Insert: "16-1-402, 16-1-403, 16-3-325, 16-3-405,"

AND AS AMENDED BE CONCURRED IN

Signed: Bob Brown
Bob Brown, Chairman

7.C.
4/5/89
11:30 a.m.

scrhb163.405

SENATE STANDING COMMITTEE REPORT

April 4, 1989

MR. PRESIDENT:

We, your committee on Taxation, having had under consideration HB 588 (third reading copy -- blue), respectfully report that HB 588 be concurred in.

Sponsor: Menahan (Bishop)

BE CONCURRED IN

Signed: Bob Brown
Bob Brown, Chairman

4-4-89
11

scrhb588.404

Rep. Campbell

EXHIBIT 1
DATE 4/4/89
BILL NO. HB 163

Comments to HB 163 Amendments

The proposed amendments accomplish two objectives:

1) Passenger carriers, i.e. railroads and airlines, are issued liquor licenses in order to serve alcoholic beverages on their Montana routes. All licensees must buy their liquor from state liquor stores. Wine must be purchased from a state liquor store or a Montana wine distributor. Beer must be purchased from a Montana beer wholesaler. §§ 16-1-402 and 403, MCA, allow passenger carrier licensees to purchase liquor from out of state sources if they pay the amount of liquor excise tax which would have been collected had the liquor been purchased from a Montana state liquor store.

The most recent draft of the Legislative Auditor Report (Recommendation #5) calculated the amount of liquor excise tax collected in this manner as $12,824 for FY 86-87 and $13,641 for FY 87-88. Updated forms with new factors would have collected an additional $1,331 for FY 87-88 for a total of $14,972 in FY 87-88.

Repealing §§ 16-1-402 and 403, and amending § 16-6-303 will get rid of the requirement that passenger carrier licensees buy their liquor from state liquor stores or pay the liquor excise tax for liquor consumed on Montana routes. Beer and wine will still have to be purchased from Montana sources.

2) All common carriers must file monthly shipping reports with the Liquor Division for all beer (§ 16-3-235) and wine (§ 16-3-405) they transport within the state. The purpose of these shipping reports is to cross reference with beer wholesaler and wine distributor records to make sure all beer and wine being sold is subject to taxation. However, the Liquor Division does not consider the cross reference necessary. The beer wholesaler and wine distributor reports are considered adequate. The common carrier reports are not enforced.

Repealing §§ 16-3-235 and 16-3-405 will get rid of these unnecessary and burdensome reports. This proposed amendment is based upon the most recent draft of the Legislative Auditor Report, Recommendation # 4.

Eric Fehlig
DOR
2852

To Campbell
from Vandlock

EXHIBIT NO. 1 p.2
DATE 4/4/89
BILL NO. HB 163

HB 163 Amendments

1. Page 1, line 5.
Following: "INCLUDING"
Insert: "LIQUOR EXCISE TAX PAID BY AIRLINES AND RAILROADS,"

2. Page 1, line 11.
Following: "TAX;"
Insert: "EXEMPTING PASSENGER CARRIERS FROM PURCHASING LIQUOR FROM MONTANA STATE LIQUOR STORES; REPEALING COMMON CARRIER REPORTING REQUIREMENTS;"

3. Page 1, line 11.
Following: "SECTIONS"
Insert: "16-6-303,"

4. Page 1, line 14.
Following: "SECTIONS"
Insert: "16-1-402, 16-1-403, 16-3-235, 16-3-405,"

5. Page 1.
Following: line 17
Insert: "**Section 1.** Section 16-6-303, MCA, is amended to read:

16-6-303. Sale of liquor not purchased from state store forbidden — penalty. It is unlawful for any licensee, <u>except for a passenger carrier issued a license pursuant to 16-4-302,</u> to sell or keep for sale or have on his premises for any purpose whatever any liquor except that purchased from the state liquor store, and any licensee found in possession of or selling and keeping for sale any liquor which was not purchased from a state liquor store shall, upon conviction, be punished by a fine of not less than $500 or more than $1,500, by imprisonment for not less than 3 months or more than 1 year, or by both such fine and imprisonment. If the department is satisfied that any such liquor was knowingly sold or kept for sale within the licensed premises by the licensee or by his agents, servants, or employees, the department shall immediately revoke the license.

Renumber: subsequent sections

EXHIBIT NO. 1 p. 3
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6. Page 2, line 14.
Following: "sections"
Insert: "16-1-402, 16-1-403, 16-3-235, 16-3-405,"

SENATE TAXATION
EXHIBIT NO. 1 p 4
DATE 4/4/89
BILL NO. HB163

HOUSE BILL NO. 163

INTRODUCED BY Campbell Tobb Grinde Swift Mercer

A BILL FOR AN ACT ENTITLED: "AN ACT REPEALING CERTAIN TAXES AND FEES THAT ARE NOT COST-EFFECTIVE, INCLUDING THE RURAL ELECTRIC AND TELEPHONE CO-OP TAX, THE CAMPER DECAL FEE, THE MICACEOUS MINERAL MINES LICENSE TAX, THE EXPRESS COMPANY LICENSE TAX, THE SLEEPING CAR COMPANY LICENSE TAX, THE STORE LICENSE TAX, THE COAL RETAILER'S LICENSE TAX, THE CEMENT AND GYPSUM PRODUCER'S LICENSE TAX, AND THE TRAMWAY AND ANNUAL REGISTRATION FEE GROSS RECEIPTS TAX; AMENDING SECTIONS 35-18-503 AND 61-1-129, MCA; REPEALING TITLE 15, CHAPTER 37, PART 2; TITLE 15, CHAPTER 54; TITLE 15, CHAPTERS 56 THROUGH 59; AND SECTIONS 23-2-714, 23-2-715, 61-3-524, 61-3-525, AND 61-3-606, MCA; AND PROVIDING AN IMMEDIATE EFFECTIVE DATE."

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

Section 1. Section 35-18-503, MCA, is amended to read:

"35-18-503. ~~Annual--fee--to--department--of-revenue---exemption~~ Exemption from other taxes. ~~Cooperatives~~ Except as provided in 10-4-201, cooperatives and foreign corporations transacting business in this state pursuant to the provisions of this chapter ~~shall-pay-annually-on--or--before duly--1,--to-the-department-of-revenue-a-fee-of-$10-for-each 100-persons-or-fractions--thereof--to--whom--electricity--or~~

Eric 2-6-89
Have draft as amended to this bill repealing the liquor tax on airlines, etc.

~~telephone--service--is-supplied-within-the-state-but,-except as-provided-in-10-4-201,~~ shall be exempt from all other excise and income taxes of whatsoever kind or nature."

Section 2. Section 61-1-129, MCA, is amended to read:

"61-1-129. Camper. The term "camper" as used in ~~61-3-524~~ 61-3-521 and ~~61-3-525~~ 61-3-523 includes but is not limited to truck camper, chassis-mounted camper, cab over, half cab over, non cab over, telescopic, and telescopic cab over, but does not include a truck canopy cover or topper weighing less than 300 pounds and having no accommodations attached."

NEW SECTION. **Section 3.** Repealer. Title 15, chapter 37, part 2; Title 15, chapter 54; Title 15, chapters 56 through 59; and sections 23-2-714, 23-2-715, 61-3-524, 61-3-525, and 61-3-606, MCA, are repealed.

NEW SECTION. **Section 4.** Saving clause. [This act] does not affect rights and duties that matured, penalties that were incurred, or proceedings that were begun before [the effective date of this act].

NEW SECTION. **Section 5.** Effective date. [This act] is effective on passage and approval.

-End-

INTRODUCED BILL
HB163

SENATE TAXATION
EXHIBIT NO. 2 p1
DATE 4/4/89
BILL NO. HB 163

HB 0163 Nuisance Taxes

Mr. Chairman and committee members, my name is Mike Strawbridge and I am the Vice-President and General Manager for the Montana Division of Ideal Cement at Trident, Montana.

I wish to support Mr. Campbell's bill of removing nuisance taxes for the following reasons:

1. The cement industry in Montana has experienced severe economic times over the last seven years. Cement consumption in Montana has dropped to approximately 50% of the amount used by this state in the early 1980s. We as an industry have had to implement some permanent lay-offs and extended lay-offs for many of our employees. We have been unable to provide pay increases for our employees for nearly six years. In order to find a market for our cement, we have been forced to expand our shipping area far into other states where our competitors are not faced with the same tax burden placed on Montana industry. In one area, we must compete against a cement producer that pays no federal, state, or local taxes.

2. The cement tax slated for elimination in Mr. Campbell's bill is a prime example of why any industry is reluctant to further process raw materials in Montana. We as an industry currently pay "net proceeds" tax on all raw materials used in the production of cement. After the processing is complete, we are taxed

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EXHIBIT NO. 2 p.2
DATE 4/4/89
BILL NO. HB163

again for each ton of cement made from those same raw materials. This type of Double Taxation acts as a deterent for industry and puts Montana cement producers at a competitive tax disadvantage.

I hope you will favorably consider House Bill 0163 which will eliminate nuisance taxes not only for the cement industry in this state, but for other businesses as well. Thank you for this opportunity to voice my opinion in support of this bill.

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DATE 4/4/89
BILL NO. HJR 13

The Second Report

of the

Joint Revenue Estimating Subcommittee

The Fifty-First Legislative Session
60th Legislative Day

Senators

Robert J. (Bob) Brown
Dorothy Eck
Delwyn Gage
John Harp
Bill Norman
Mike Walker

Representatives

Bob Ream, Chairman
Jerry Driscoll
Orval Ellison
Leo Giacometto
John Patterson
Ted Schye

March 15, 1989

SENATE TAXATION
EXHIBIT NO. 3 p2
DATE 4/4/89
BILL NO. HJR 13

The Big Sky Country

MONTANA HOUSE OF REPRESENTATIVES

REPRESENTATIVE BOB REAM
HOUSE DISTRICT 54

HELENA ADDRESS:
CAPITOL STATION
HELENA, MONTANA 59620
PHONE: (406) 444-4800

HOME ADDRESS:
5950 WILDCAT ROAD
MISSOULA, MONTANA 59802
PHONE: (406) 542-2695

COMMITTEES:
FISH AND GAME, CHAIRMAN
TAXATION, VICE-CHAIRMAN
AGRICULTURE
REVENUE OVERSIGHT

March 15, 1989

TO: Senator Jack Galt, President of the Senate
Representative John Vincent, Speaker of the House
Honorable Members of the Senate
Honorable Members of the House of Representatives

FROM: Representative Bob Ream, Chairman
Joint Revenue Estimating Subcommittee

RE: First Report of the Joint Revenue Estimating Subcommittee

Under the Joint Rules adopted by the 51st Legislature, the Joint Revenue Estimating Subcommittee is required to report to the respective houses on the 40th Legislative Day and on the 60th Legislative Day. (Joint Rule 30-60(2).) As Chairman of the Joint Subcommittee, I respectfully submit the following report, as required, as the Second Report of the Joint Revenue Estimating Subcommittee.

Although the Subcommittee is not required to submit any reports subsequent to this, it is our intention to keep apprised of all legislation that significantly affects the revenue estimates. Prior to final adoption of House Joint Resolution No. 13, we intend to include the effects of the legislation into the HJR 13 estimates.

M5024 9074dbha

SENATE TAXATION
EXHIBIT NO. 3 p.3
DATE 4/4/89
BILL NO. HJR 13

RECENT HISTORY AND BACKGROUND OF REVENUE ESTIMATES

The Joint Revenue Estimating Subcommittee has its origin in a House Joint Resolution introduced during the 48th Legislative Session. House Joint Resolution No. 33, introduced by Representative Jack Ramirez, et al., was one of the first formal attempts by the Legislature to estimate state revenues for an ensuing biennium. After receiving the approval of the House on a vote of 89 to 5, the resolution was amended in the Senate and approved 50 to 0 on second reading, then killed.

In 1985, Representative Steve Waldron soloed as the sponsor of House Joint Resolution No. 9, again a resolution to estimate state revenues for the biennium. In addition, HJR 9 also recommended the adoption of a beginning general fund balance based on generally accepted accounting principles, or GAAP, and requested that the economic assumptions and revenue estimates contained in the resolution be used by the Governor's Office of Budget and Program Planning (for the purpose of developing fiscal notes).

Also in 1985, then Representative John Harp became the first chairman of a six member subcommittee of the House Committee on Taxation. It was this "Subcommittee on Revenue Estimates" that began the formalization of estimating revenues in the Legislature, rather than in a committee of the Legislature or by deferring to the Executive branch.

While HJR 9 had considerable success in both houses, passing the House 95 to 4 and, as amended, the Senate 34 to 15, it never received final approval.

The effort was not abandoned, however, and in 1987, then Representative John Harp introduced House Joint Resolution No. 41.

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In addition, the Joint Rules Committee established a Joint Revenue Estimating Subcommittee comprised of the members of the respective Committees on Taxation. The responsibility of the Subcommittee was to estimate revenues for the coming biennium. With the adoption of the Joint Rules in 1987, the responsibility of the Legislature to estimate revenues finally had an institutionalized toehold in the legislative process.

The resolution, HJR 41, again attempted to establish revenue estimates for the 1988-89 biennium. The resolution passed the House with flying colors, 95 to 3, but was never acted on by the Senate Taxation Committee.

During this 51st Legislative Session, House Joint Resolution No. 13, introduced by Representative Bob Ream, establishes a formal estimate <u>by the Legislature</u> of revenues for the ensuing biennium. As required by the Joint Rules of the House and Senate, this narrative is part of the second report of the Joint Revenue Estimating Subcommittee.

WHY ADOPTING THE RESOLUTION IS IMPORTANT

Creating a balanced budget for the State of Montana is a big job with many components and complexities. If a bill has a specific appropriation, the fiscal impact of the legislative action is more easily recognized. All too often, however, the budgetary impacts of substantive legislation of a general nature go unnoticed or are underestimated or overestimated. As a result, the Appropriations and Finance and Claims Committees and the Taxation Committees struggle to assure that incoming revenue will at least balance with outgoing expenditures.

Montana's Constitution speaks directly to the question of balancing the state's budget. Article VI, section 9, requires the Governor to submit a budget to the Legislature detailing expenditures and revenues. As a

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counterweight on the balance of power scales, Article VIII, section 9, precludes the Legislature from appropriating funds in excess of anticipated revenues. The language in Article VIII, section 9, not only requires the Legislature to determine appropriations, it also requires the Legislature to estimate revenues.

The argument is often made that incoming revenues can only be estimated, while appropriations are specifically limited in the main appropriations bill and the "cats and dogs" that survive the session. The clarity of the argument fades, however, if one examines reversions of unexpended appropriations made by state agencies at fiscal yearends or the requests for supplemental appropriations that crop up for each Legislature to consider. Appropriations appear to be specific, but some funds go unspent and are reverted. Similarly, expenditures are made for which insufficient money has been appropriated, thereby causing supplementals. Neither appropriating funds nor estimating revenues is an exact science -- except in hindsight!

While the Appropriations and Finance and Claims Committees struggle to establish the **maximum** amount of funds that may be expended, other committees, primarily the Taxation Committees, struggle to assure that the **minimum** amount of revenue necessary to fund state activities will be generated. Because the actions of all committees and all legislators affect both sides of the budget equation -- revenues as well as expenditures -- the Constitution requires the Legislature as a whole to adopt a balanced budget. Consequently, it is the responsibility of the entire Legislature to balance authorized expenditures with anticipated revenues, not to delegate the responsibility to the committees that consider raising or expending revenue.

FIRST PROGRESS REPORT ON REVENUE ESTIMATES

To date, the Joint Revenue Estimating Subcommittee has met nine times and reached consensus on the fundamental economic assumptions that underlie the revenue estimates: interest rates, inflation, population and employment, mineral prices and production, corporate

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profits, and the general direction of the state's economy.

The prognostication of the Subcommittee is that growth in Montana for the next two years will be slow.

Based on testimony provided by Mr. Phil Brooks, formerly the State Economist; Ms. Judith Curtis Waldron and Ms. Madalyn Quinlan, Analysts in the Office of the Legislative Fiscal Analyst; Mr. Terry Johnson, staff to Governor Schwinden's Revenue Estimating Advisory Council; and various industry representatives and based on projections from Wharton Econometrics, the Subcommittee's consensus is that growth in population and employment will be no greater than 1 percent each year of the 1990-91 biennium. The slow growth in population and employment will be accompanied by annual growth ranging from over 7 to under 5 percent in total personal income and slightly higher growth in nonfarm labor income. The purchasing power associated with the growth in total personal income will be somewhat offset, however, by inflation ranging from 4 to 5 percent over the biennium.

GENERAL FUND REVENUE ESTIMATES

Because approximately 70% of general fund revenue is generated from five sources -- individual income taxes, corporation license taxes, oil severance taxes, coal severance taxes, and income from the investment of state funds -- the Subcommittee concentrated on those sources. The following sections discuss briefly some of the major forecast assumptions adopted by the Joint Revenue Estimating Subcommittee. All forecasts are based on law as of January 1, 1989, and may need to be adjusted for legislation that has been or will be passed by the 1989 Legislature.

The Subcommittee forecasts total general fund revenue at $402.4 million in fiscal 1989, $390 million in fiscal 1990, and $405.8 million in fiscal 1991. The revenue forecasts and the underlying economic assumptions are discussed below and in Table 1.

Table 1

GENERAL FUND REVENUE COMPARISON
Fiscal Years 1990 and 1991
(Millions)

Category	Fiscal 1990 LFA	Fiscal 1990 Executive	Fiscal 1990 Subcommittee	Fiscal 1991 LFA	Fiscal 1991 Executive	Fiscal 1991 Subcommittee	1991 Biennium LFA	1991 Biennium Executive	1991 Biennium Subcommittee
Individual Income Tax	$148.782	$139.170	$149.350	$161.263	$148.077	$159.894	$310.045	$287.247	$309.244
Corporation License Tax	30.064	28.855	29.932	29.841	29.010	30.166	59.905	57.865	60.098
Coal Severance Tax	7.097	7.235	7.237	6.420	6.249	6.412	13.517	13.484	13.649
Oil Severance Tax	12.819	14.439	13.165	11.961	13.836	12.613	24.780	28.275	25.778
Interest on Investments	20.984	14.920	20.097	18.986	14.282	19.806	39.970	29.202	39.903
Bond Transfer	40.610	37.760	40.611	42.571	38.977	42.483	83.181	76.737	83.094
Coal Trust Interest Income	37.190	35.913	36.540	39.501	37.510	38.646	76.691	73.423	75.186
Insurance Premiums Tax	20.928	22.187	22.187	21.836	23.685	23.685	42.764	45.872	45.872
Public Inst. Reimbursement	12.012	12.211	12.211	12.045	12.352	12.352	24.057	24.563	24.563
Liquor Profits	3.714	3.153	3.714	3.942	2.680	3.942	7.656	5.833	7.656
Liquor Excise Tax	5.252	4.691	5.252	5.370	4.402	5.370	10.622	9.093	10.622
Inheritance Tax	9.550	8.905	9.550	9.980	9.151	9.980	19.530	18.056	19.530
Metal Mines Tax	4.336	4.145	4.336	3.703	3.595	3.703	8.039	7.740	8.039
Electrical Energy Tax	3.221	3.488	3.221	3.221	3.528	3.221	6.442	7.016	6.442
Drivers' License Fees	0.790	0.791	0.791	0.790	0.812	0.812	1.580	1.603	1.603
Telephone License Fees	3.720	3.821	3.821	3.803	3.971	3.971	7.523	7.792	7.792
Beer License Tax	1.228	1.244	1.244	1.240	1.260	1.260	2.468	2.504	2.504
Natural Gas Severance Tax	1.036	0.999	1.000	1.135	1.035	1.100	2.171	2.034	2.100
Freight Line Tax	1.288	1.117	1.288	1.342	1.180	1.342	2.630	2.297	2.630
Wine Tax	0.794	0.868	0.794	0.794	0.835	0.794	1.588	1.703	1.588
Other Revenue Sources	22.297	23.096	23.672	23.937	23.723	24.314	46.234	46.819	47.986
Total	$387.712	$369.008	$390.013	$403.681	$380.150	$405.866	$791.393	$749.158	$795.879

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Individual Income Tax

General fund revenue from the individual income tax is anticipated to total $150.5 million in fiscal 1989, $149.3 million in fiscal 1990, and $159.9 million in fiscal 1991. These general fund estimates are based on the following assumptions:

(1) Total Montana personal income is expected to grow 7.8 percent in 1989, 4.5 percent in 1990, and 4.3 percent in 1991.

(2) Montana's population growth will average 0.6 percent per year over the biennium.

(3) The individual income tax surtax applies only to 1987 and 1988 income tax liabilities. Termination of the surtax causes fiscal 1990 revenue to drop below the fiscal 1989 level.

(4) Income tax collections in fiscal 1990 will be bolstered by 1989 income growth that exceeds the estimated rate of inflation by 3.1 percent.

(5) The effects on income tax collections from the final phase-in of the 1986 federal income tax reform are estimated to be $49.4 million in 1988, $60.6 million in 1989, $73.2 million in 1990, and $87.4 million in 1991.

Corporation License Tax

Each year of the forecast period, the corporation income tax is expected to yield approximately $29 million of general fund revenue. Experience indicates that the profitability of Montana corporations and, hence, their corporate tax liabilities are dependent on U.S. corporate profits, oil prices, and interest rates. Underlying the committee's forecasts of corporate tax collections are the assumptions that U.S. corporate profits will rise 8 percent in 1988, 5 percent in 1989, and 5 percent in 1990. Accompanying the increases in profits are gradually rising oil prices and long-term interest rates averaging 10 percent.

Coal Severance Tax

The general fund's share of the coal severance tax is forecast to drop from $9.1 million in fiscal 1989 to $7.2 million in fiscal 1990 and $6.4 million in fiscal 1991. The decline between fiscal 1989 and 1990 is the result of the general fund allocation falling from 15.31 percent of total revenue to 13.68 percent and production falling from the record 36.9 million ton production level of 1988. Coal production is anticipated to decline to 31.8 million tons in 1989 and 32 million tons in both 1990 and 1991. Forecasted production shows tonnages returning to the levels of 1985 and 1986. Shifts in the average price of Montana coal result from shifts in production among companies, each with different contracted prices.

Oil Severance Tax

According to the Subcommittee's forecasts, general fund revenue from the oil severance tax will decline from $13.5 million in fiscal 1989 to $13.2 million in fiscal 1990 and $12.6 million in fiscal 1991. While average oil prices are not expected to return to the levels of the early 1980s, the Subcommittee anticipates a gradual price rise after the drop in the second half of 1988. By 1991, Montana prices are forecast to average $16 per barrel compared with an average of $14.50 in 1988. More than offsetting the anticipated price increases are declines in the state's total production which falls from 22.5 million barrels in 1988 to 19 million barrels in 1990. Taxable production falls even more as tax exemptions for "new" and "stripper" production reduce the proportion of total production subject to taxation.

Interest on Investments

Unless statutes specify otherwise, cash balances in the state's treasury earn interest that is deposited in the general fund. Revenue from interest on investments is expected to total $21 million in fiscal 1989, $20.1 million in fiscal 1990, and $19.8 million in fiscal 1991. Short-term investments are anticipated to earn interest at the rate of 8.5 percent in fiscal 1989 and 8 percent in both fiscal 1990 and 1991. The average cash balance available for investment is anticipated to total $248 million in fiscal 1989, $251.2 million in fiscal 1990, and $247.6 million in fiscal 1991. Included in the fiscal 1990 balance is $51 million from the sale of tax and revenue anticipation notes (TRANS), while the fiscal 1991 balance contains $62 million from TRANS. The decline in the average balance without TRANS proceeds between fiscal 1989 and 1990 is attributable to increased highway spending that reduces cash available for investment.

Coal Trust Interest Income

General fund interest from the permanent coal trust fund is forecast to be $39.7 million in fiscal 1989, $36.5 million in fiscal 1990, and $38.6 million in fiscal 1991. The decline in fiscal 1990 is the result of the general fund's share of total interest falling from 98 percent to 85 percent. The forecasts of interest income are consistent with the outlook for coal severance taxes and long-term interest rates on deposits to the trust averaging 9.75 percent in fiscal 1989, 10 percent in fiscal 1990, and 10 percent in fiscal 1991.

SCHOOL FOUNDATION REVENUES

Revenue to the School Foundation Program is forecast to be $278.4 million in fiscal 1989, $255.8 million in fiscal 1990, and $262.3 million in fiscal 1991. Table 2 summarizes the Subcommittee's forecasts. The allocations shown for individual income taxes, corporate license taxes, and coal severance taxes are consistent with the estimates shown for the general fund. Similarly, Foundation Program revenues that derive from the same sources as general fund revenues, e.g. natural resource prices and production, on like economic assumptions.

Common School Interest and Income

Approximately two-thirds of common school interest and income is derived from interest earned by the common school trust fund. Another one-third is derived from income collected from rentals and leases on state lands. Revenues are projected to increase approximately $1 million each year of the biennium with the growth of the common school trust fund. Revenue from rentals and leases is not projected to grow during the fiscal 1989-91 period.

Table 2

PUBLIC SCHOOL FOUNDATION PROGRAM REVENUE COMPARISON

Fiscal Years 1990 and 1991
(Millions)

	Fiscal 1990			Fiscal 1991			1991 Biennium		
	Executive	LFA	HJR 13	Executive	LFA	HJR 13	Executive	LFA	HJR 13
Beginning Balance	$0.000	$0.000	$0.000	$0.000	$0.000	$0.000	$0.000	$0.000	$0.000
State Equalization									
31.8% Individual Income Tax	$76.042	$81.294	$81.604	$80.908	$88.113	$87.365	$156.950	$169.407	$168.969
25% Corporate License Tax	11.271	11.744	$11.692	11.332	11.657	$11.783	$22.603	$23.401	$23.475
Coal Severance Tax	2.010	1.972	$2.010	1.736	1.783	$1.781	$3.746	$3.755	$3.791
Interest and Income	33.485	34.341	$33.699	34.353	35.664	$34.770	$67.838	$70.005	$68.469
U.S. Mineral Royalties	22.686	17.594	$17.119	23.494	17.746	$17.404	$46.180	$35.340	$34.523
Education Trust Interest	0.926	2.064	$1.564	1.148	2.313	$1.831	$2.074	$4.377	$3.395
Education Trust Withdrawal	0.000	0.000	$0.000	0.000	0.000	$0.000	$0.000	$0.000	$0.000
Total State Equalization	$146.420	$149.009	$147.688	$152.971	$157.276	$154.934	$299.391	$306.285	$302.622
County Equalization									
45 Mill Levy	$85.499	$84.209	$85.635	$84.142	$83.706	$84.699	$169.641	$167.915	$170.334
Miscellaneous	6.797	8.727	$6.914	7.436	8.922	$7.265	$14.233	$17.649	$14.179
Forest Funds	1.465	1.163	$1.465	1.465	1.163	$1.465	$2.930	$2.326	$2.930
Grazing Funds	0.102	0.108	$0.102	0.102	0.108	$0.102	$0.204	$0.216	$0.204
Elem Transportation	($3.717)	($3.700)	($3.717)	($3.717)	($3.700)	($3.717)	($7.434)	($7.400)	($7.434)
High School Tuition	($0.838)	($0.759)	($0.838)	($0.838)	($0.759)	($0.838)	($1.676)	($1.518)	($1.676)
Total County Equalization	$89.308	$89.748	$89.561	$88.590	$89.440	$88.976	$177.898	$179.188	$178.537
District Share of Permissive	$17.127	$18.252	$18.537	$17.074	$18.195	$18.394	$34.201	$36.447	$36.931
TOTAL NON-GENERAL FUND	$252.855	$257.009	$255.786	$258.635	$264.911	$262.304	$511.490	$521.920	$518.090

U.S. Mineral Royalties

The state receives 50 percent of the royalties paid for mineral production on federal lands, including coal, oil, and natural gas production. Coal royalties comprise about one-half of the total royalties collected from production on federal lands. The revenue estimates for U.S. mineral royalties are based on declining coal production in fiscal years 1989 and 1990, relative to fiscal 1988. The revenue estimate declines in fiscal 1990 and 1991 due to federal legislation enacted as of March 1, 1989. The new federal provisions allow state severance taxes as a deduction from F.O.B. price before federal royalty is computed. Total impact of this change is $7.5 million over the 1989-1991 period.

Education Trust Fund Interest

The revenue estimates for education trust fund interest are based on current law. Under current law, 7.6 percent of coal severance tax revenue is allocated to the education trust fund in both fiscal 1990 and 1991, and 6.65 percent to the local impact account. The estimated growth in the amount of trust fund interest reflects the addition of these funds to the trust. The estimates also assume that $11.4 million of unspent education trust funds, which were appropriated to the School Foundation Program for the 1989 biennium, revert to the trust fund. The interest applied to new long-term investments is 10 percent in fiscal years 1990 and 1991. The portion of the education trust fund invested in the short-term investment pool is estimated to earn 8 percent in each year of the 1991 biennium.

Statewide Taxable Valuation and the 45 Mill Levy

Statewide taxable valuation for tax year 1988 is the final valuation certified by the Department of Revenue. Taxes are paid in November and May of fiscal 1989 based on tax year 1988 valuations. The statewide taxable valuation is projected to fall by 2.1 percent in tax year 1989 and by an additional 1.1 percent in tax year 1990. After increasing by 9 percent in tax year 1988, net and gross proceeds are projected to decline by 11 percent in tax year 1989 and 10 percent in tax year 1990. Statewide taxable valuation for all classes other than net and gross proceeds is projected to grow by 0.3 percent in tax year 1989 and 1 percent in tax year 1990.

CONCLUSION

The Subcommittee will continue to review and refine the revenue estimates over the remaining five weeks of the regular session. Amendments to HJR 13 will be prepared to include the anticipated effects on estimated revenues that result from the passage of legislation. The Subcommittee intends that the amendments will be included in HJR 13 when it is finally adopted.

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Table 3

COMPARISON OF GENERAL FUND REVENUES AND CURRENT ESTIMATES

Fiscal Years 1988 through 1991
(Millions)

ource of Revenue	Actual FY 1988	OBPP FY 1989	LFA FY 1989	Sub-Comm. FY 1989	OBPP FY 1990	LFA FY 1990	Sub-Comm. FY 1990	OBPP FY 1991	LFA FY 1991	Sub-Comm. FY 1991	OBPP FY 90-91	LFA FY 90-91	Sub-Comm. FY 90-91
ndividual Income Tax	142.746609	141.114000	143.762000	150.536000	139.170000	136.676000	149.351000	148.077000	150.401000	159.894000	287.247000	287.077000	309.245000
orporation License Tax	27.027277	28.694000	29.654000	30.184000	28.855000	29.660000	29.932000	29.010000	30.567000	30.165000	57.865000	60.227000	60.097000
oal Severance Tax	12.961531	8.918000	9.137000	9.115000	7.235000	7.318000	7.237000	6.249000	6.594000	6.412000	13.484000	13.912000	13.649000
il Severance Tax	16.484059	13.536000	12.943000	13.536000	14.439000	12.680000	13.165000	13.836000	13.467000	12.613000	28.275000	26.147000	25.778000
nterest on Investments	15.731943	14.324000	17.315000	21.080000	14.920000	19.423000	20.097000	14.282000	17.168000	19.806000	29.202000	36.591000	39.903000
ong-Range Bond Excess	37.461464	38.444000	39.636000	40.839000	37.760000	38.461000	40.612000	38.977000	41.010000	42.484000	76.737000	79.471000	83.096000
oal Trust Interest Income	36.754944	39.002000	39.574000	39.720000	35.913000	37.219000	36.540000	37.510000	39.700000	38.646000	73.423000	76.919000	75.186000
nsurance Premiums Tax	32.047077	21.371000	21.625000	21.371000	22.187000	21.120000	22.187000	23.685000	22.023000	23.685000	45.872000	43.143000	45.872000
ublic Institutions Reimb.	15.395310	16.090000	16.255000	16.090000	12.211000	16.702000	12.211000	12.352000	17.161000	12.352000	24.563000	33.863000	24.563000
iquor Profits	3.633000	3.623000	3.524000	3.524000	3.153000	3.714000	3.714000	2.680000	3.942000	3.942000	5.833000	7.656000	7.656000
iquor Excise Tax	5.322934	4.998000	5.188000	5.188000	4.691000	5.252000	5.252000	4.402000	5.370000	5.370000	9.093000	10.622000	10.622000
nheritance Tax	8.745457	8.727000	10.514000	10.514000	8.905000	9.550000	9.550000	9.151000	9.980000	9.980000	18.056000	19.530000	19.530000
etal Mines Tax	2.961778	3.691000	4.242000	4.242000	4.145000	4.336000	4.336000	3.595000	3.703000	3.703000	7.740000	8.039000	8.039000
lectrical Energy Tax	3.311082	3.389000	3.632000	3.632000	3.488000	3.221000	3.221000	3.528000	3.221000	3.221000	7.016000	6.442000	6.442000
rivers' License Tax	0.790325	0.804000	0.790000	0.804000	0.791000	0.790000	0.791000	0.812000	0.790000	0.812000	1.603000	1.580000	1.603000
elephone License Tax	3.450499	3.656000	3.560000	3.656000	3.821000	3.720000	3.821000	3.971000	3.803000	3.971000	7.792000	7.523000	7.792000
eer License Tax	1.254564	1.242000	1.228000	1.242000	1.244000	1.228000	1.244000	1.260000	1.240000	1.260000	2.504000	2.468000	2.504000
atural Gas Severance Tax	1.491523	1.143000	1.055000	1.100000	0.999000	1.036000	1.000000	1.035000	1.135000	1.100000	2.034000	2.171000	2.100000
reight Line Tax	1.229618	1.181000	1.184000	1.184000	1.117000	1.288000	1.288000	1.180000	1.342000	1.342000	2.297000	2.630000	2.630000
ine Tax	0.929861	0.901000	0.833000	0.833000	0.868000	0.794000	0.794000	0.835000	0.794000	0.794000	1.703000	1.588000	1.588000
ther Revenue Sources	21.421351	22.509000	23.797000	24.080000	23.096000	23.558000	23.673000	23.723000	24.418000	24.314000	46.819000	47.976000	47.987000
GRAND TOTAL	391.152206	377.357000	389.448000	402.470000	369.008000	377.746000	390.016000	380.150000	397.829000	405.866000	749.158000	775.575000	795.882000
Foundation Program Revenue Estimate Comparison													
und Balance		1.022000	1.688000	1.022000	0.000000	0.000000	0.000000	0.000000	0.000000	0.000000	0.000000	0.000000	0.000000
ndividual Income Tax	76.494683	77.104000	78.550000	82.252000	76.042000	74.679000	81.604000	80.908000	82.178000	87.365000	156.950000	156.857000	168.969000
orporation License Tax	10.557529	11.209000	11.583000	11.791000	11.271000	11.586000	11.692000	11.332000	11.940000	11.783000	22.603000	23.526000	23.475000
oal Severance Tax	14.215851	9.781000	10.022000	9.997000	2.010000	2.033000	2.010000	1.736000	1.832000	1.781000	3.746000	3.865000	3.791000
nterest & Income	34.078544	32.465000	30.313000	32.496000	33.485000	34.411000	33.699000	34.353000	35.815000	34.770000	67.838000	70.226000	68.469000
S Mineral Royalties	26.327798	23.524000	19.044000	20.955000	22.686000	18.634000	17.119000	23.494000	19.213000	17.404000	46.180000	37.847000	34.523000
ducation Trust Interest	3.430171	0.825000	0.821000	0.848000	0.926000	1.553000	1.564000	1.148000	1.824000	1.831000	2.074000	3.377000	3.395000
iscellaneous	9.350000	24.650000	17.323000	9.732000	0.000000	0.000000	0.000000	0.000000	0.000000	0.000000	0.000000	0.000000	0.000000
ounty Levy Surplus	10.558855	0.000000	0.000000	0.000000	0.000000	0.000000	0.000000	0.000000	0.000000	0.000000	0.000000	0.000000	0.000000
eneral Fund Transfers	0.000000	0.000000	0.000000	0.000000	0.000000	0.000000	0.000000	0.000000	0.000000	0.000000	0.000000	0.000000	0.000000
TOTAL	185.013431	180.580000	169.344000	169.093000	146.420000	142.896000	147.688000	152.971000	152.802000	154.934000	299.391000	295.698000	302.622000
5 Mill Levy		87.431000	87.433000	87.433000	85.499000	84.032000	85.635000	84.142000	83.625000	84.699000	169.641000	167.657000	170.334000
lementary Transportation		-3.717000	-4.419000	-4.419000	-3.717000	-3.700000	-3.717000	-3.717000	-3.700000	-3.717000	-7.434000	-7.400000	-7.434000
iscellaneous		5.876000	7.770000	7.950000	6.797000	8.727000	6.914000	7.436000	8.922000	7.265000	14.233000	17.649000	14.179000
orest Funds		1.465000	1.163000	1.163000	1.465000	1.163000	1.465000	1.465000	1.163000	1.465000	2.930000	2.326000	2.930000
aylor Grazing		0.102000	0.108000	0.108000	0.102000	0.108000	0.102000	0.102000	0.108000	0.102000	0.204000	0.216000	0.204000
igh School Tuition		-0.838000	-0.759000	-0.759000	-0.838000	-0.759000	-0.838000	-0.838000	-0.759000	-0.838000	-1.676000	-1.518000	-1.676000
TOTAL		90.319000	91.296000	91.476000	89.308000	89.571000	89.561000	88.590000	89.359000	88.976000	177.898000	178.930000	178.537000
istrict Permissive Levy		17.340000	18.880000	18.880000	17.127000	18.217000	18.537000	17.074000	18.179000	18.394000	34.201000	36.396000	36.931000
GRAND TOTAL		288.239000	279.520000	279.449000	252.855000	250.684000	255.786000	258.635000	260.340000	262.304000	511.490000	511.024000	518.090000
GFBWV Costs		279.446000	279.520000	279.446000	283.922000	284.200000	278.355000	287.856000	288.450000	276.678000	571.778000	572.650000	555.033000

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Table 4

GENERAL FUND REVENUE COMPARISON
Fiscal Year 1989
(Millions)

Category	LFA	Executive	Subcommittee
Individual Income Tax	$147.874	$141.114	$150.536
Corporation License Tax	29.814	28.694	30.184
Coal Severance Tax	9.006	8.918	9.115
Oil Severance Tax	13.170	13.536	13.536
Interest on Investments	21.038	14.324	21.080
Bond Transfer	40.370	38.444	40.839
Coal Trust Interest Income	39.620	39.002	39.720
Insurance Premiums Tax	21.625	21.371	21.371
Public Institutions Reimbu	16.255	16.090	16.090
Liquor Profits	3.524	3.623	3.524
Liquor Excise Tax	5.188	4.998	5.188
Inheritance Tax	10.514	8.727	10.514
Metal Mines Tax	4.242	3.691	4.242
Electrical Energy Tax	3.632	3.389	3.632
Drivers' License Fees	0.790	0.804	0.804
Telephone License Fees	3.560	3.656	3.656
Beer License Tax	1.228	1.242	1.242
Natural Gas Severance Tax	1.055	1.143	1.100
Freight Line Tax	1.184	1.181	1.184
Wine Tax	0.833	0.901	0.833
Other Revenue Sources	25.311	22.509	24.080
Total	$399.833	$377.357	$402.470

Table 5

PUBLIC SCHOOL FOUNDATION PROGRAM REVENUE COMPARISON

Fiscal Years 1989
(Millions)

	Executive	LFA	HJR 13
Beginning Balance	$1.022	$1.022	$1.022
State Equalization			
31.8% Individual Income Tax	$77.104	$80.797	$82.252
25% Corporate License Tax	11.209	11.646	$11.790
Coal Severance Tax	9.781	9.878	$9.997
Interest and Income	32.465	33.062	$32.496
U.S. Mineral Royalties	23.524	20.864	$20.955
Education Trust Interest	0.825	0.824	$0.848
Education Trust Withdrawal	15.857	11.034	$9.767
Total State Equalization	$170.765	$168.105	$168.105
County Equalization			
45 Mill Levy	$87.431	$87.433	$87.433
Miscellaneous	5.876	7.950	$7.950
Forest Funds	1.465	1.163	$1.163
Grazing Funds	0.102	0.108	$0.108
Elem Transportation	($3.717)	($4.419)	($4.419)
High School Tuition	($0.838)	($0.759)	($0.759)
Total County Equalization	$90.319	$91.476	$91.476
District Share of Permissive	$17.340	$18.880	$18.880
TOTAL NON-GENERAL FUND	$279.446	$279.483	$279.483

Table 6

ECONOMIC ASSUMPTIONS OF THE JOINT REVENUE ESTIMATING SUBCOMMITTEE

March 9, 1989 -- 55th Legislative Day

			CY/FY 1988		CY/FY 1989		CY/FY 1990		CY/FY 1991		
	YEAR	ASSUMPTION	Feb 16 Estimate	Mar 9[1] Estimate	Feb 16 Estimate	Mar 9 Estimate	Feb 16 Estimate	Mar 9 Estimate	Feb 16 Estimate	Mar 9 Estimate	
1	CV	Oil Production (Million Bbl.)	22.500	22.500	21.500	21.500	20.000	20.000	19.000	19.000	1
2	FY	Oil Production (Million Bbl.)	23.547	23.547	22.275	22.275	21.131	21.131	19.754	19.754	2
3	CV	Oil Price $/Bbl.	$14.500	$14.500	$15.000	$15.000	$15.500	$15.500	$16.000	$16.000	3
4	FY	Oil Price $/Bbl.	$16.487	$16.487	$14.476	$14.476	$15.176	$15.176	$15.587	$15.587	4
5	FY	Exempt "New" Production (Million Bbl.)	0.613	0.613	1.105	1.105	1.048	1.048	0.980	0.980	5
6	FY	Exempt "Stripper" Production (Million Bbl.)	1.709	1.709	1.636	1.636	1.602	1.602	1.602	1.602	6
7	CV	Coal Production (Million tons)	36.879	36.879	31.796	31.796	32.000	32.000	32.000	32.000	7
8	CV	Coal Price $/ton	$7.385	$7.385	$7.360	$7.360	$7.460	$7.460	$7.410	$7.410	8
9		MT Population on July 1	804,000	804,000	809,000	809,000	815,000	815,000	819,000	819,000	9
10	CV	Consumer Price Index (% change)	4.140%	4.140%	4.700%	4.700%	4.700%	4.700%	3.650%	3.650%	10
11	FY	Short-term Interest Rate (STIP)	7.500%	7.500%	8.500%	8.500%	8.000%	8.000%	8.000%	8.000%	11
12	FY	Long-term Interest Rate	10.140%	10.140%	9.750%	9.750%	10.000%	10.000%	10.000%	10.000%	12
13	CV	MT Total Personal Income (Billion $)	$10.300	$10.300	$11.100	$11.100	$11.600	$11.600	$12.100	$12.100	13
14	CV	MT Non-Farm Employment (Thousands)	279.000	279.000	280.700	280.700	282.200	282.200	284.100	284.100	14
15	CV	MT Total Non-Farm Labor Income (Billion $)	$6.300	$6.300	$6.600	$6.600	$7.000	$7.000	$7.500	$7.500	15
16	FY	Individual Income Tax Audits (Million $)	NA	NA	$10.307	$10.307	$10.786	$10.786	$11.266	$11.266	16
17	CV	Federal Tax Reform -- Individuals (Million $)	$39.233	$49.434	$48.120	$60.631	$58.079	$73.180	$69.383	$87.423	17
18	CV	U.S. Total Corporate Profits (Billion $)	$299.200	$299.200	$314.600	$314.600	$330.800	$330.800	NA	NA	18
19	CV	Corporation License Tax Audits (Million $)	$9.203	$9.203	$8.000	$8.000	$7.000	$7.000	$7.000	$7.000	19
20	CV	Federal Tax Reform -- Corporate (Million $)	$5.890	$7.421	$6.350	$8.001	$6.750	$8.505	$7.175	$9.041	20
21	FY	Treasury Cash Balance (Million $)	NA	NA	$241.0	$241.0	$244.2	$244.2	$240.6	$240.6	21
22	FY	TRANS (Million $)	NA	NA	NA	NA	$51.0	$51.0	$62.0	$62.0	22

DATE 4/4/89

COMMITTEE ON Taxation

VISITORS' REGISTER

NAME	REPRESENTING	BILL #	Check One: Support	Check One: Oppose
Charles Brooks	MT. Retail Assoc	163	X	
GENE PHILLIPS	MT. LAND TITLE A.	HB690	X	
Charles Brooks	MT. Retail Assoc	HB-766	X	
Don Ingels	Mt Chamber of Commerce	163 766	X	

(Please leave prepared statement with Secretary)