

MINUTES

MONTANA SENATE
51st LEGISLATURE - REGULAR SESSION

COMMITTEE ON TAXATION

Call to Order: By Senator Bob Brown, Chairman, on April 7,
1989, at 8:00 a.m.

ROLL CALL

Members Present: Senator Brown, Senator Hager, Senator
Norman, Senator Eck, Senator Bishop, Senator Halligan,
Senator Walker, Senator Harp, Senator 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 202

Presentation and Opening Statement by Sponsor:

Representative Pavlovich, District 70, sponsor, said the bill increases the cigarette tax by 2 cents to be used to build a 40 to 50 bed veterans nursing home in Galen. He presented a fact sheet prepared by the Department of Administration and Department of Institutions which explains some of the technical corrections that need to be made in the bill (Exhibit #1). He pointed out there are 106,000 veterans in the state and only 29 nursing beds in Miles City and 90 in Columbia Falls. He said we will be facing a crisis situation in the next ten years in nursing home beds.

List of Testifying Proponents and What Group they Represent:

Hal Manson, American Legion of Montana
John Meehan, Past National Commander, American Legion
Rich Brown, Administrator, Veterans Affairs Division
George Poston, United Veterans of Montana
Kathy Spaar, Executive Director, Glendive Forward
John Denherder, Disabled Veterans

List of Testifying Opponents and What Group They Represent:

Jerome Anderson, Tobacco Institute
John Delano, Phillip Morris
Tom Maddox, Montana Association of Tobacco and Candy
Distributors
Rex Manuel, Phillip Morris, USA
Steve Buckner, Service Distributing Inc., Bozeman
Tom Stump, Pennington's, Great Falls, and President of
Montana Association of Tobacco and Candy
Distributors
Roger Tippy, R.J. Reynolds Co.
Sharon Ranstrom, Department of Administration

Testimony:

Hal Manson, American Legion of Montana, spoke in support of the bill noting there are 108,000 veterans in Montana. Many of these people will need help in their later years and prefer to be cared for in a veterans facility.

John Meehan, Past National Commander, American Legion, said there is a now a need for a nursing home in Eastern Montana and Galen. The people of Montana have supported the cigarette tax in the past for funding of veterans facilities and are willing to do so again.

Rich Brown, Administrator, Veterans Affairs Division, said by the year 2000 2 out 3 adult males over the age of 65 will be veterans. The veteran population over 65 will increase by 73% by the year 2000. Those over 75 will increase by 300% by the year 2000. The 90 beds at Columbia Falls and 26 beds at Miles City are full with long waiting lists. House Bill 202 provides 35% of the money needed for the new construction and 65% will come on a matching basis from the federal government. For each veteran in the nursing homes the federal government pays \$20.35 a day.

George Poston, United Veterans of Montana, said the waiting lists are long and more beds are urgently needed. He urged the committee to support the bill.

Kathy Spaar, Executive Director, Glendive Forward, expressed support for the bill saying they are committed to seeing there are nursing beds available for veterans on both sides of the state.

John Denherder, Montana Disabled Veterans, said the need is now and will only be more acute as time passes. He urged the committee to give favorable consideration to the bill.

Senator Bob Williams, District 15, spoke in support of the nursing homes on both sides of the state. The veterans need to be as close to home as possible and it is a real hardship when they are separated by long distances from their families and friends.

Representative John Johnson, District 23, Glendive, expressed support for the bill.

Opponents:

Jerome Anderson, Tobacco Institute, said he had served as a legislator at the time the tobacco tax was put on the ballot and was approved by the electorate. He said he is certainly not opposed to veterans nursing homes in any way, but feels the increased tax should be again voted on by the people, not just imposed by the legislature. He presented his remarks in opposition to bill as per Exhibit #2.

John Delano, Phillip Morris, stated he is an army veteran. He agreed with the previous testimony and added that everyone should pay to support veterans homes, not just the 25% of the population who smoke.

Tom Maddox, Montana Association of Tobacco and Candy Distributors, presented his testimony in opposition to the bill (Exhibit #3).

Rex Manuel, Phillip Morris, USA, stated opposition to the bill due to the funding source. He said this is a revenue bill and also a loosely written appropriations bill. He noted cigarette sales are declining and according to his calculations \$856,000 per month will be needed to pay the obligations. February figures for cigarette and tobacco products showed \$587,00 per month accruing to the Long Range Building Fund. He said that amount is considerably short and noted staff and equipment costs are not mentioned in the bill.

Steve Buckner, Service Distributing, Inc., Bozeman, presented his testimony in opposition to the bill (Exhibit #4).

Tom Stump, Pennington's Inc., presented his testimony in opposition to the bill (Exhibit #5).

Roger Tippy, R. J. Reynolds Co., expressed opposition to the bill based on the testimony of previous witnesses.

Sharon Ranstrom, Department of Administration, appeared as the author of Exhibit # 1. Her opposition was based solely on the technical problems in the bill as outline in the exhibit.

Questions From Committee Members:

Senator Crippen asked if the present tax on cigarettes all goes into Long Range Building.

Sharon Ranstrom said 80% goes into the debt service of the fund.

Senator Crippen asked if any general fund monies are used to supplement the cigarette tax proceeds that are used for the debt service of capital building projects.

Ms. Ranstrom said the debt service is paid from several taxes and it does not pay off the debt service.

Senator Crippen wondered at what point in time a deficit might occur.

Director Ken Nordtvedt, DOR, replied said there are several sources of tax funds that are used to pay for the hospital beds. If all the funds are not used, they go into the general fund at that point. He said the funding is from a combination package of cigarette taxes, personal income taxes, and corporate taxes.

Mr. Anderson said the information he has from the LFA is that the obligation on the present bonding structure to the year 1996 is an average of \$10.28 million a year. In February of this year, 1989, \$536,850 from the cigarette tax money was deposited in the service fund. That is below the average monthly amount needed to make the full payment. He noted monies from income tax

and corporate taxes also go into this fund. If on any month, the amount falls below the necessary funds needed to make the payment, money does have to spill back from the general fund to make up the shortfall.

Senator Crippen said his concern is not with the project in the bill but with the possibility of obligating more general fund expenditures in the future.

Closing by Sponsor:

Representative Pavlovich closed by saying said the adjusted fiscal note from the budget office and also one from the LFA will bring in approximately \$2.4 million in the biennium. He said many states have higher cigarette taxes than Montana. He also noted we have per capital more veterans in Montana than any other state. One way or the other we are going to have provide care for our veterans and this seems to be an easy solution at this time.

HEARING ON HOUSE BILL 703

Presentation and Opening Statement by Sponsor:

Representative Ramirez, District 87, sponsor, said the bill revises sales assessment ratio study procedures used in annual adjustments. This bill is intended to clean up mechanical problems in HB 436 of the 1987 session which has gone to court for remedy. He noted on the right of appeal is reinstated on page 3. Page 5 waives for one year the adjustment of values which allows everyone to get caught up. It also defines the sample assuring a sufficient sample size. The DOR can determine the areas in each adjustment under the provisions on page 6. Page 9 eliminates fee appraisals. Page 10 provisions provides for the study results to be made public so that local governments can check the validity of the data while still protecting the confidentiality of the realty transfer certificate. Page 11 also deals with improving the accuracy of the method of sales assessment ratio studies and also allows adjustment in valuations whether they go up or down. Page 14 contains an exemption for adjustment from I-105. He said the bill clears up the technical problems which improve the operation of the property tax appraisal and is essential to the property tax system.

List of Testifying Proponents and What Group they Represent:

Dennis Burr, Montana Taxpayers Association
John Lawton, City of Billings
Director Ken Nordtvedt, Department of Revenue

List of Testifying Opponents and What Group They Represent:

None

Testimony:

Dennis Burr, Montana Taxpayers Association, expressed support for the bill based on the testimony of Representative Ramirez. He suggested the sales assessment ratio studies be published by county as well as by district.

John Lawton, City of Billings, and also speaking for the Montana League of Cities and Towns, said they support the bill as it is simply to apply technical correction which are needed in the sales assessment ratio studies.

Director Nordtvedt, DOR, said they support the efficient operation of the annual reappraisal based on sales studies as the best way to approach the whole problem of reappraisal. Once all the kinks are worked out the people should be quite satisfied with the system. This bill takes care of many of the technical problems that have been encountered in the past two years. He said he does have some other technical amendments to propose which he will get to the committee before they next meet.

Questions From Committee Members:

None

Closing by Sponsor:

Representative Ramirez closed by saying this bill is extremely important to the property tax system. He urged the committee to pass the bill as soon as possible so that it can be in place quickly and satisfy the court and the plaintiffs.

HEARING ON HOUSE BILL 791

Presentation and Opening Statement by Sponsor:

Representative Ramirez, District 87, sponsor, told the Chairman due to a mistake he had informed the Chairman of Big Sky the hearing was scheduled for another time. The Chairman is out of town and could not get back for the hearing. He will be here on Monday and could present his testimony at that time if the Chairman should see fit.

Senator Brown said he would allow the testimony to be presented at the beginning of the meeting Monday.

Representative Ramirez said Big Sky is Montana's only airline. It serves many of the small communities in Montana and is part of the essential air service that is subsidized by the federal government. However, over the years the airline has been struggling and has finally had to file Chapter 11 bankruptcy and reorganization. The property tax has been a large part of the burden as it has been for many other businesses in Montana. The airline has to develop a plan for the bank which will allow them to keep operating. The bankruptcy court can require creditors to accept less than 100 cents on the dollar, but the court cannot do that with taxes owed. Therefore they are asking for a waiver of taxes from the counties to allow them to catch up and meet the terms of the reorganization plan. (Mr. Norsworthy, Chairman, Big Sky, presented testimony which is available in the minutes of April 10, 1989.) The company owes back taxes from 1983 through the first half of 1987. They have paid the last half of 1987 and all of 1988 taxes. They owe penalty and interest and taxes totalling \$800,000. They are asking for forgiveness of the 1983-1986 taxes and forgiveness of the penalty and interest on the 1987 and 1988 taxes which were paid late. That would total \$175,000. If they can get that relief, they feel they can put together a plan which would ensure their survival under bankruptcy reorganization. He said he understands the counties concerns about establishing a precedent, but pointed out the necessity of maintaining the air service to those same rural counties.

List of Testifying Proponents and What Group they Represent:

Kay Foster, Billings Chamber of Commerce

List of Testifying Opponents and What Group They Represent:

Director Ken Nordtvedt, Department of Revenue

Senator Bob Williams, District 15

Mike McGrath, Lewis and Clark County Attorney

Beverly Gibson, Montana Association of Counties

Testimony:

Kay Foster, Billings Chamber of Commerce, expressed support for the bill from both the Chamber of Commerce and the Billings City Council.

Opponents:

Director Nordtvedt, DOR, said he is not really opposed to the bill but has some concerns based on his legal staff's questions about the constitutionality of legislatively waiving tax payments due counties.

Senator Bob Williams, District 15, presented a letter from the Fergus County Commissioners in opposition to the bill (Exhibit #6).

Mike McGrath, Lewis and Clark County Attorney, said Lewis and Clark County would have to write off \$53,000 in back taxes. This impacts county services and school districts. He also voiced concerns with the constitutionality of the proposed bill.

Beverly Gibson, Montana Association of Counties, expressed opposition to the bill.

Questions From Committee Members:

Senator Crippen said this is most unfair to the property taxpayers but acknowledged in dealing with a public service it is probably a policy stand that should be adopted.

Senator Mazurek asked if Big Sky has this same problem in North Dakota as they do operate in that state.

Representative Ramirez said he did not think so as they do 90% of their business in Montana.

Closing by Sponsor:

Representative Ramirez closed by saying he understands the legislative concerns. He said the problem reflects on the state's system of property taxation which is totally out of kilter. He said this is a most important problem which deals with an essential service to Montana and one which the state must share some responsibility for in letting our tax structure get out of control.

HEARING ON SENATE BILL 471

Presentation and Opening Statement by Sponsor:

Senator Eck, District 40, sponsor, said the bill has been introduced in response to the U.S. Supreme Court decision which says federal retirement benefits must be treated in the same manner as the state treats its own employees retirement. She said private pensions are not included in the bill, however she does have amendments prepared to cover private pensions for the committee to consider in Executive Session. Senator Eck quoted from the Exhibits # 7, #8, and #9.

List of Testifying Proponents and What Group they Represent:

Director Ken Nordtvedt, Department of Revenue
Norris Mabry, Equal Taxation
Ed Sheehy, a member of the group that brought the lawsuit in
Mary Craig, CPA representing Equal Taxation
Dick Williams, President, Montana Retired Public Employees

List of Testifying Opponents and What Group They Represent:

John Denherder, Retired State Employee
Representative Dick Nelson, District 6
Eric Feaver, Montana Education Association

Testimony:

Director Nordtvedt, DOR, said there is concern as to whether the state will have to make retroactive settlements

due to the Supreme Court decision. It is his recommendation that the state do nothing at this point as there are some additional Supreme Court rulings to be made which will likely declare that state Supreme Courts will have to settle the retroactive obligation issue. The administration firmly believes in maintaining the tax free status of state pensions.

Mr. Nordtvedt said the total fiscal impact will be approximately \$4.3 million a year. He presented a sheet detailing alternatives to the \$16,000 exemption of state, local and federal retirement (Exhibit #10). He said the administration does not favor a cap on retirement income subject to taxation. He said he would present amendments which would maintain the tax free status of state retirees and address the cap tied to inflation.

Norris Maybry, Equal Taxation, said he would object to the bill as it stands in unamended form because it does not include private industrial retirement income. He understands an amendment will be presented to include that sector in which case they stand in support of the bill. He presented a copy of an article regarding the bill to the committee (Exhibit #11).

Ed Sheehy, a member of the group that brought the lawsuit, said the average annuitant for retirement in Montana is \$1,090 and for a survivor is \$550. He presented a copy of an article from the Butte Standard to the committee (Exhibit #12). He urged the committee to extend equal treatment to all retirees in the state.

Mary Craig, CPA representing Equal Taxation, presented her testimony in support of the bill (Exhibit #13).

Dick Williams, President, Montana Retired Public Employees, presented his testimony in support of the bill (Exhibit #14).

Opponents:

John Denherder, retired state employee, said he opposes any reduction in his state retirement whether it is above or below \$16,000. His state salary was much lower than the comparable position in surrounding states during his days of employment. He was promised that his retirement would be tax free and that was a benefit he counted on when calculating his retirement.

Representative Dick Nelson, District 6, said a delay in implementing the court decision would be helpful and could result in an interim study of the problem which would result in a comprehensive bill for next session. He said this is a complex issue which has a massive fiscal impact and restraint should be used in reaching a conclusion that will be fair and equitable to all parties concerned.

Eric Feaver, Montana Education Association, quoted some well known admonitions which he felt applied to this whole problem. "Haste makes waste, A stitch in time saves nine, and Never do today what you can put off until tomorrow". He said there seems to be a feeling that there needs to be a stampede to comply with the Supreme Court decision. He said Congress may very well repeal the statute on which the decision is based which would take care of the problem. He asked where the replacement revenue will come from. He reminded the committee that \$4.3 million equals 2 mills statewide per year in property taxation,

Questions From Committee Members:

Senator Crippen said the sales tax can provide the source of revenue to fund the bill. He asked Mr. Feaver if he would still be opposed to the philosophy.

Mr. Feaver said he suspects before the next week is over the source to replace all kinds of revenue that people want will have been found. He said maybe that will satisfy the Governor and his approach to SB 469 which piecemeals and keeps incrementally adding all that new revenue.

Senator Crippen said Mr. Feaver did not answer the question.

Mr. Feaver said he did answer the question. He said both Senator Crippen and Representative Bradley have said that there must be some new revenue in SB 469.

Senator Crippen said with that as a given, does Mr. Feaver support the philosophy presented here by the private pensioners.

Mr. Feaver responded said the MEA does support the fairness issue raised by the ET group and the other opponents.

Closing by Sponsor:

Senator Eck closed by saying there are a number of possibilities that can be explored and which would take time to do thoroughly. She said the problem can be addressed this session and should be taken care of as soon as possible. She felt it is appropriate to put a cap on if for no other reason than the perception issue. The formula in option 2 (Exhibit #10) is another option and it might be simple enough to do this session. She felt a subcommittee could still have time to define some of the issues before the session end. She said there is another group who have a retirement income from the ranch or farm or business they sold who are not addressed here. She said the bill itself is a good start and the peripheral issues would be good fodder for an interim study.

ADJOURNMENT

Adjournment At: 10:00 a.m.



SENATOR BOB BROWN, Chairman

BB/jdr

MIN407.jdr

ROLL CALL

TAXATION

COMMITTEE

51st LEGISLATIVE SESSION -- 1989

Date 4/7/89

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.

CIGARETTE TAX AND NURSING HOME(S) FOR VETERANS

Submitted by: Department of Administration
Department of Institutions

Date: April 7, 1989

Bill Titles: HB 202 Increase Cigarette tax to provide funds for Veterans' Home studies.

HB 547 Establish Veterans' Home in Eastern Montana -- Sell Long Range Bonds.

HB 718 Establish an annex of the Montana Veterans' Home to be located in Galen.

Introduced by: HB 202 Representative Bob Pavlovich

HB 547 Representative John Johnson

HB 718 Representative Red Menahan

Next action: HB 202 Hearing (Senate Taxation) Friday April 7 8 a.m.

HB 547 Hearing (Senate Finance & Claims) Tuesday April 11 8 a.m.

HB 718 Hearing (Senate Finance & Claims) Tuesday April 11 8 a.m.

Subject: HB 202 increases the cigarette tax to pay costs of studies and construction of nursing/domiciliary home(s) for veterans.

HB 547 establishes a State Veteran's home in Eastern Montana, authorizing a site selection committee and bond issuance (bond issuance is not authorized if HB 202 is passed).

HB 718 provides for establishing an annex to Columbia Falls Veterans' home, to be located at Galen; appropriates general funds to establish and operate the home (General fund dollars are not appropriated if HB 202 is passed).

There are several technical flaws in these bills:

HB 202.

As it is written, only 11.11% of 2 cent increase would be used to fund veterans' home projects, the remainder is unaccounted for (Page 1, Lines 19 and 20). Should read 11.11% of the money collected from the cigarette tax....

. The bill identifies the Board of Veterans' Affairs and Department of Administration to receive statutory appropriation, but does not identify the share each agency is to receive. Also, appropriation should be to the Department of Military Affairs, Veteran Affairs Division rather than the Board of Veterans' affairs (Page 1, Lines 22 - 25, Page 2 - Lines 1-4).

. There is no concrete estimate of the cost of these studies and construction projects; a 2 cent tax may or may not be the amount necessary to fund the projects.

. No funding limit or expiration date is established. The process of conducting studies (page 1, lines 22-25) and construction (page 2 lines 1-4) could continue infinitely with this cigarette tax income (1.2 million dollars per year). Since both DoFA and VA must concur to governor, this bill could result in a number of facilities to maintain and operate; facilities that have no limit on design and construction cost could also result. (Page 6 Section 7).

. The Fiscal note reflects the introduced bill at 5 cents per pack and implementation of the change in distribution October 1. Current language would result in approximately \$808,800 revenue in FY 1990 and \$1,200,000 in FY 1991; November 1 implementation of the change in distribution of the tax (minimizing the impact to the debt service and long range building program accounts).

HB 547.

. The project should not be bid until we have federal approval of the project. Language should be added to clarify both the requirement to apply for the federal funding and the requirement to receive federal approval before committing the entire 35% state share.

. The site selection committee is composed of 7 veterans from eastern Montana whose recommendation to the governor is binding (page 3, lines 22-23). There is no provision for negotiation or change of the recommendation.

. This bill directs the Department of Administration to consider this project for inclusion in the long range building planning process (Page 4, lines 1 - 5). This is the logical way for building planning to proceed. However, the language is unnecessary in this bill because the bill bypasses the planning process.

. The bill pledges financial support from the general fund for continued operation and maintenance of the home(s)

(page 7, Section 10), but the fiscal note does not reflect the amount of these costs. Based on experience with the Veterans' Home in Columbia Falls, operational cost for a 40 bed home would be approximately 2.8 million annually, the general fund portion would be approximately 1.4 million starting in fiscal year 1992.

The bill is written to either bond the project or to use revenue from HB 202. The following discussion pertains to 1) HB 202 failing or 2) HB 202 passing.

If HB 202 fails:

. The bill obligates the Board of Veterans' Affairs for paying the site selection committee expenses. Without the cigarette tax, will the Board have the funds to pay these expenses? (Page 3, lines 24 - 25). Further, an appropriation, either statutory or legislative, is required to spend State funds. Either this bill or the general appropriations bill (HB 100) should be amended to appropriate the specific funding amount and source.

. The bill obligates the Department of Institutions to enter into an agreement to pay the debt service on the bonds. The debt service payments would start as soon as the bonds were sold, but there is no provision for revenue. How is the Department going to pay the debt service? It has been suggested that Federal subsidy of the operation could be used to retire the debt. There are 2 problems: this money would not be available until after the facility is operational (months, years after debt service payments start); if this money is used to retire the debt, then operation of the facility will be totally out of the general fund.

. This bill does not set forth a plan that addresses the contingencies among funding, bonding, and federal approval. Planning and design work will be necessary to apply for the federal approval; bonds should not be issued until federal approval has been received. The planning and design work necessary to apply for federal approval will require expenditures. Where will the funding for this part of the project come from?

. If this bill passes, but not by the 2/3 vote required for approval of state debt, the bonding and appropriations provisions are void (page 10, Section 19 lines 18-25), but the provision for site selection, long-range building plan, planning, and construction remain--without an appropriation or funding. How will this work be funded?

If HB 202 passes:

. Coordination instructions in Section 20 (page 11) strike bonding issuance authority and appropriation language. Sections 4, 8, 17, and 19 should be included in these instructions.

HB 718.

. The bill appears to assume that veterans could occupy existing buildings with little or no construction. The buildings may not comply with VA standards for nursing homes and no planning has been done to determine the cost to correct deficiencies. The facility has been exempted into compliance for current programs. Renovation and change of use of any part of the facility may result in major reconstruction to bring the facility up to compliance for existing programs in addition to VA standards for nursing homes.

. The amount of the appropriation is blank. The bill should be amended to specify the amount to be appropriated for establishing the facility (page 1, lines 20 - 21).

. The bill requires the Department of Institutions to operate the facility (page 1, lines 13 - 16). The bill should be amended to specify the amount to be appropriated for operating the facility (page 1, lines 20 - 21).

. Department of Institutions would have to be involved to assess the availability of space and the impact on current residents.

. The size of the facility is not identified in the bill. Who will determine how many beds are to be provided?

. If HB 202 passes:

.. How much money of the cigarette tax is to be spent on establishing this facility? If HB 547 passes, how much of the tax is to be spent on which project and in which year?

.. Coordination instructions void the appropriation language and there will be no appropriation to the Department of Institutions for operation of the facility.

.. The effective date of this bill is July 1, 1989, but the revenue from the cigarette tax is not available until November 1989.

FACTS AND COMMENTS IN OPPOSITION TO HOUSE BILL 202

I. What the bill does:

- House Bill 202, as amended, adds 2 cents to the present state tax of 16 cents per package of 20 cigarettes. It thus increases the state tax to 18 cents per package which, coupled with the federal tax of 16 cents per package, raises the total tax from ~~36~~ to ~~38~~ cents per package of 20 cigarettes. ~~32~~ ~~37~~
- Monies collected from the proposed 2 cents per package increase would be statutorily appropriated and earmarked to:
 - (a) the Board of Veterans Affairs to pay costs of studies conducted by that Board to consider locations for the construction of state nursing homes and domiciliary homes for veterans in Montana; and
 - (b) the Department of Administration for construction or remodeling, including land purchase and design costs, of state nursing homes and domiciliary homes for veterans in Montana.
- The bill contains an effective date applicable to Sections 3 and 4 of the bill.
- The bill contains a termination or sunset date which is stated to be the date upon which the Board of Veterans Affairs and the Department of Administration certifies to the Governor that the costs incurred by the State of Montana in executing the provisions of Section 1 of the bill (site selection and costs of design and construction) have been completely paid.

II. What the bill does not do:

- The bill does not place any limitations on the length of time that may be consumed by the Board of Veterans Affairs in considering locations for the construction of the veterans nursing and domiciliary homes.
- The bill does not designate any particular areas of the state that are to be considered as locations.
- The bill does not contain any limitations as to the number of the facilities that are to be considered or constructed.
- The bill does not provide any limitation on the amount of money expended by the Board of Veterans Affairs in considering locations.

- The bill does not contain any standards to be followed by the Board of Veterans Affairs in judging the viability of any considered locations.
- The bill does not place any limitation on the size of any of the facilities.
- The bill does not place any limitation on the total cost of construction for any particular facilities.
- The bill does not place any limitation on the total cost of construction of all of the facilities.
- The bill does not place any limitation on the length of time to be consumed by the Department of Administration in the design and construction of the contemplated facilities.
- The bill does not define what kind of "veteran" is to be the recipient of the benefits of these facilities. As the bill is written, one could be a veteran of:
 1. The battle against the 1988 forest fires in Montana.
 2. The Vietnam demonstrations on campus in the 60's.
 3. The explosion associated with the train wreck in Helena on February 2, 1989, and so forth.

We realize that these examples are somewhat far-fetched, but they demonstrate the lack of thought that went into the preparation of this bill.

- This bill gives to the named agencies a virtual blank check to use \$1,250,000 per year any way they desire for as many years as they desire.
- In addition to the above bill, for the first time in the history of the Long-Range Building Program, places expenditure powers and responsibility in an agency other than the Department of Administration or the Board of Examiners. It gives a blank check to the Board of Veterans Affairs to conduct an activity for which they do not now have adequate staff or planning capabilities. It will start another new bureaucratic hierarchy in Montana.

III. What is the present tax in amount:

- The present state tax is 16 cents per package of twenty cigarettes.
- The tax was last raised in 1983 by 4 cents per package - a 25% increase - to essentially fund the construction of a "greenhouse" at MSU in Bozeman.

- There also is a tax of 16 cents per package of twenty cigarettes levied by the federal government.
- The combined federal and state tax, 32 cents per package, is the equivalent of a 35% sales tax on the cost of a package of cigarettes in Montana before taxes.

IV. What is the revenue from these taxes now used for:

- In 1988 net collections from the tax on cigarettes amounted to \$11,283,691. Net collections from the tax on other tobacco products amounted to \$726,365.
- 79% of the money received from these taxes is used to retire the bonded indebtedness in the Long-range Building Program.
- 21% of the money is used to fund the Capital Projects Fund--this fund pays for building maintenance and some construction that is paid in cash.
- In 1988, \$9,700,000 went to pay that year's obligations with regard to retirement of the bonded indebtedness in the Long-range Building Program.
- In future years, through 1996, the annual payments to retire the bonded indebtedness averages \$10,280,000 per year. Obviously, there is now a shortfall between revenues from tobacco taxes and the necessary annual payment. This shortfall is made up by contributions from corporate license taxes and personal income tax revenues. The shortfall will increase if the taxes are raised.

V. Why does the shortfall exist:

- The highest level of annual sales of packages of cigarettes occurred in 1982 when \$97.1 million tax-paid sales of cigarettes occurred. The cigarette tax was raised in 1983.
- By fiscal year 1988, sales were down by 25.2% to 72.6 million taxed packages sold that year.
- This decline in taxed sales is nearly three times greater than the decline in cigarette sales nationally during that time.
- We believe that this decline was caused by two factors:

- (a) The adverse publicity concerning tobacco products; tobacco 204
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- (b) Purchases of cigarettes on Indian reservations and elsewhere which were not taxed by the State of Montana. BILL NO. 45302

- We believe that untaxed sales accounted for the major part of the decline in revenues from the cigarette tax in this state.

VI. How do untaxed sales occur and how extensive are these sales:

- The principal source of untaxed sales are sales on Indian reservations in Montana.
- In 1985, a study conducted by Federal Advisory Commission on Intergovernmental Relations found that 17.2% of Montana's tobacco sales were untaxed sales on Indian reservations.
- We have reason to believe that that figure has now risen to the level of approximately 21%.
- Montana has the highest percentage of such sales of any state in the nation.
- Consumers also purchase tobacco products in Wyoming where the tax is substantially less as well as on federal reservations such as Air Force bases, et al. to avoid the Montana tax.

VII. What other tax bills are now pending in the Legislature:

- S.B. 469 would place a 4% sales tax not only on the actual cost of a package of cigarettes but also upon the amount of the cigarette tax itself. This amounts to a tax upon a tax. At present levels, the sales tax would add 5 cents per pack to the average retail cost plus tax of a package of cigarettes.

VIII. How should this money be obtained and used:

- First, limitations should be placed in the bill as to the number of facilities to be considered -- the parts of the state that should be considered -- the length of time for the studies of the locations and for the design and construction of the facilities -- and the amount of money to be spent.
- Second, the entire program should be placed under the Long-Range Building Program with the administration of selection of the locations and the design and construction of the facilities lodged solely in the

Department of Administration and the Board of
Examiners.

EXHIBIT NO. 2 RSDATE 4/7/89BILL NO. HB 302

- Third, the entire population of the State of Montana has a responsibility toward war veterans -- not just 30% of the population. The money should come from the General Fund, from general taxes, rather than from a select sales tax levied on less than 1/3 of the adult population of Montana.
- Fourth, the bill should define what is meant by the term "veteran."
- Fifth, proponents of the bill should be required to submit specific plans, etc. to the Legislature to ensure that the members of the body know specifically what they are voting for.
- Sixth, attention should be paid to the obligations incurred by the state for costs of general maintenance, equipment, and staffing associated with the operations of the buildings and what provisions have been made for payment of these costs of operation on a long-term basis. As the matter now stands, apparently the General Fund will be tagged with these amounts.
- Seventh, in analyzing the costs in paragraph six, immediately above, remember that the assertion has been repeatedly made, without contradiction, in debate on the House floor in connection with House Bill 785 that this state is suffering two years deferred maintenance because it cannot now afford to take care of the buildings it now is operating.

IX. Enough is Enough:

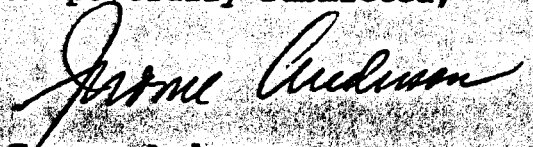
- Tobacco products have been the scapegoat for all manner of groups seeking funding.
- There has been enough discrimination, enough harassment, enough control, enough censorship, and enough taxation.
- A national poll, taken in the latter part of 1988, showed that most Americans do not support an increase in cigarette excise or sales taxes.
- 53% stated that they believe that the taxes should stay the same (38%) or be significantly reduced (15%).
- People now understand that the present rate of tax is about all the traffic will bear.

X. We urge you to vote against House Bill 202:

- Such a vote will protect the revenue source for debt retirement of bonds issued under the Long-range Building Program. Increased taxes historically have resulted in reduced sales and reduced revenues.
- House Bill 202 is poorly thought out, poorly drafted, and ahead of its time.

Please do not approve House Bill 202.

Respectfully submitted,



Jerome Anderson
Representing the Tobacco Institute

Exhibit 2 P.7
4-7-89
HB 202

Message to Legislature

In 1965 the Legislature passed the long-range building program and the state immediately sold \$8 million of bonds at a very low rate of interest. These bonds were guaranteed and paid from a sinking fund consisting of 5 percent of the income and corporation license tax. At that time the cigarette tax was committed to paying off war bonuses.

At the next election the people voted to add to the sinking fund the cigarette tax as soon as the bonus bonds were paid. At the next session of the Legislature the 5 percent of the income and corporation tax that went into the sinking fund was increased to 11 percent. The reason these large sums were committed to the sinking fund was to sell the bonds at a low rate of interest. The law has always provided that surpluses in the sinking fund shall be transferred to the general fund.

For over 20 years under this law many millions of dollars have been invested in needed new buildings and repairs. In the middle 1970s, for the convenience of the record keepers, all interest and principal payments on the bonds were made from the tobacco taxes and many people thought of the program as being supported only from cigarette taxes.

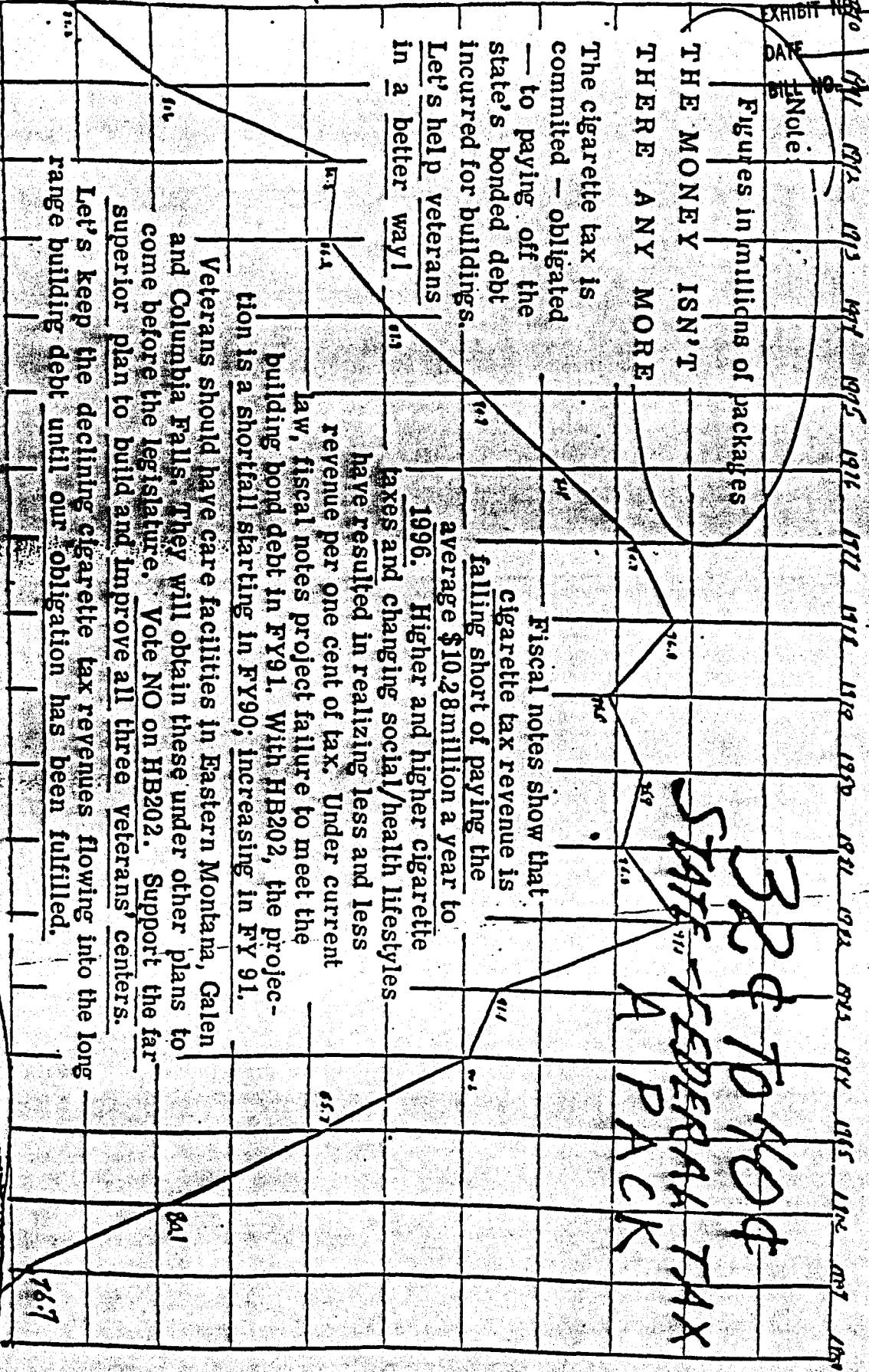
Now, in this 1989 session, it seems that many legislators, not wanting to siphon income tax revenue from the sinking fund, and finding the tobacco taxes not so great as they once were, are wondering how to pay for the needed buildings. Therefore, I suggest a very simple and practical solution. Since there never was any reason why tobacco users should be singled out to pay for building programs it is just as sensible to single out another group of taxpayers to contribute to the long-range building program's sinking fund. My suggestion is the gasoline users. Add 5 cents per gallon to the tax on gasoline and earmark it for the sinking fund. Thus, no income tax will be lost to the general fund and the building program can go forward as planned.

Robert D. Watt
Former Legislator
451 Kensington Ave.
Missoula, Mont.

part and figures provided by Montana Department of Revenue

3 P. 0
4/7/88
MONTANA TAXED CIGARETTE SALES ARE PLUNGING TO ALL-TIME LOWS

SENATE TAXATION



32¢ TO 40¢
STATE-FEDERAL TAX
A PACK

Let's keep the declining cigarette tax revenues flowing into the long range building debt until our obligation has been fulfilled.

superior plan to build and improve all three Veterans' centers.

Let's help veterans in a better way!

Fiscal notes show that cigarette tax revenue is falling short of paying the average \$10.28million a year to 1996. Higher and higher cigarette taxes and changing social/health lifestyles have resulted in realizing less and less revenue per one cent of tax. Under current law, fiscal notes project failure to meet the building bond debt in FY91. With HB202, the projection is a shortfall starting in FY90; increasing in FY 91.

THE MONEY ISN'T THERE ANY MORE

The cigarette tax is committed — obligated — to paying off the state's bonded debt incurred for buildings.

Figures in millions of packages

sert copy by Montana Association of Tobacco and Candy Distributors
Tom Maddox Executive Director

LOW 71.4 MILLION PACKS
(TREND CONTINUING DOWN)



(This sheet to be used by those testifying on a bill)

SENATE TAXATION

EXHIBIT NO. 3 01

DATE 4/7/89

BILL NO. HB 202
DATE: April 7, 1989

NAME: Thomas W Maddox

ADDRESS: P. O. Box 123, Helena M T 59624

PHONE: (406) 442 - 1582

REPRESENTING WHOM? Montana Association of Tobacco and Candy Distributors Inc.

APPEARING ON WHICH PROPOSAL: H B 2 0 2

DO YOU: SUPPORT?

AMEND?

OPPOSE?

COMMENT:

In this presentation, there is NO opposition to the NEED
for more veterans facilities. We understand that part of the problem.

We see that our members in Congress are supporting appropriations being
lobbied by our new U. S. Department of Veterans Affairs. A House bill
would provide 314 million dollars. A Senate bill more than 600 million dollars.

A conference committee will work out the final amount. This second largest
of all federal departments has requests for reinstating VA nursing care
for veterans in Helena.

Montana's
joint committee on investing in our state buildings is still the
best way to handle high-cost investments in our buildings. That's the
committee which should have been asked to fill in the details on
veterans' care needs, to propose the wherewithal. I'm sure this
committee would do the right thing in according the priorities.

A PRIMARY WEAKNESS OF HB202: THE MONEY ISN'T THERE!

SENATE TAXATION

EXHIBIT NO. 3
DATE 4/17/82
HB 202

Refer to the gold colored chart of figures provided by the Department of Revenue.

Sales of state-taxed cigarettes are plunging steadily downward in 1982 the state and federal governments increased taxes about the same time, The total tax is \$3.20 for ^{A carton} pack of 20 cigarettes; and \$4 for ^{pack} of 25 cigarettes.

Consumers resisted. Manufacturers recognize the poor income market and offer generic cigarettes, selling for \$6.78 a carton for one generic. Of this the tax is \$3.20. Under HB202 the tax would be \$3.40, on the same ^{CARTON} pack at \$6.98.

Nearly half the pack would be tax. The average weighted tax percentage for all cigarettes is rated at 35 per cent.

In this session, one new law allows all Montana schools to be 100 per cent tobacco free. Another new law allows a proprietor to declare 100 per cent of premises open to the public to be 100 per cent smokefree. The same for all buildings.

Add the high taxation, and the results are clear in the chart.

In 1988 Montana sales of state-taxed cigarettes plunged off the chart; to the lowest total since state taxing began 40 years ago. Then per capita consumption in Montana was 133.5 packs of cigarettes. Today it's an alltime low of 87.1 packs. Going down.

THE CIGARETTE TAX BELONGS TO THE STATE'S CREDITORS. The state is obligated to pay an average of two and a quarter million dollars a year through 1966 to pay off the "first mortgage" on state buildings. As cigarette revenues plunge to a shortfall, the difference must be made up by the General Fund. Thus, HB202 has been labeled "A BACKDOOR APPROACH TO THE GENERAL FUND."

The higher the tax the less the revenue from one cent of tax.
In 1982 the state tax was 12 cents a pack. One cent tax netted \$941,667.
In 1987 the state tax was 16 cents a pack. One cent tax netted \$749,937.
Assessing more tax resulted in a loss of revenue for one cent of nearly \$2 million!

MONTANA TAXED CIGARETTE SALES ARE PLUNGING TO ALL-TIME LOWS



Note:

Figures in millions of packages

THE MONEY ISN'T THERE ANY MORE

The cigarette tax is committed - obligated - to paying off the state's bonded debt incurred for buildings. Let's help veterans in a better way!

Fiscal notes show that cigarette tax revenue is falling short of paying the average \$10.28 million a year to 1996. Higher and higher cigarette taxes and changing social/health lifestyles have resulted in realizing less and less revenue per one cent of tax. Under current law, fiscal notes project failure to meet the building bond debt in FY91. With HB202, the projection is a shortfall starting in FY90; increasing in FY 91.

Veterans should have care facilities in Eastern Montana, Galen and Columbia Falls. They will obtain these under other plans to come before the legislature. Vote NO on HB202. Support the far superior plan to build and improve all three veterans' centers. Let's keep the declining cigarette tax revenues flowing into the long range building debt until our obligation has been fulfilled.

LOW 71.4 MILLION PACKS - TREND CONTINUING DOWN!

SENATE TAXATION EXHIBIT NO. 30 DATE 4/17/87 BILL NO. HB302

HB202 IS A BACKDOOR APPROACH TO BLEED THE GENERAL FUND.

In 1983 the building bond company projected the loss of revenue stability. The bonder required the legislature to pledge the good faith and full credit of the state; imposing a first mortgage on our general fund.

HB202 has been amended to state the tax increase is temporary. Its section 7 promises the tax would terminate when all the provisions of section one are paid. THAT MAKES HB202 A BLANK CHECK ON THE GENERAL FUND. Section one provides no specifics other than authorizing state nursing HOMES in the plural, and domiciliary HOMES in the plural. There is a conflict with the title reference to "A state nursing home or domiciliary home, in the singular."

HB202 is a dangerous bill. HB202 is a combination revenue and appropriation bill WITHOUT A LIMIT, WITHOUT A DATE CERTAIN FOR TERMINATION.

NO PLANS. NO SPECIFIC SITE. NO LIMIT ON COSTS. Some veterans must be assuming HB202 is for an eastern Montana veterans home of some sort. Others perhaps assume this will help pay for one at Galen. Others may be assuming there'll be money to spruce up and expand Columbia Falls. IT COULD BE. Section 7 IS THAT KIND OF BLANK CHECK. When the check bounces, perhaps it is assumed the cigarette tax will simply be diverted some more.

WE BELIEVE HOUSE BILL 202 IS A SORRY PROMISE TO VETERANS WHO DESERVE MORE FROM MONTANA. They served or fought for all of us. All of us deserve the opportunity to help pay for ADEQUATE LONGTERM CARE FACILITIES FOR OUR VETERANS.

CIGARETTES DON'T PAY TAXES. PEOPLE PAY TAXES.

HB202 is entitled a cigarette tax. In our codes 16-11-112 states that it is a tax on the consumer; a tax on SALES to the people. For perspective and better understanding of the impact of this hidden selective sales tax, the first people in Montana to bear the full tax burden are the wholesale distributors. The laws of governments and the marketplace require that the wholesale distributor pay for both the federal and state taxes on cigarette sales **PRIOR TO DISTRIBUTION**. You, who are business people, how would you like — or even be able to — prepay taxes on your products or services **BEFORE** delivery; **BEFORE PAYMENT BY YOUR CUSTOMERS**? How many businesses can you think of on which government imposes such a burden to stay in business? (See 16-11-113) **IN ADDITION**, the cigarette distributor must provide high cost equipment to affix the state tax insignia, and pay for the employment of people to affix the tax insignia.

To the credit of our Montana wholesale distributors, **NOT ONE OF THOSE IN BUSINESS TODAY** has ever defaulted in carrying out this great trust.

For further perspective, when this tax was created 40 years ago, there were 50 or more state licensed tobacco wholesale distributors. All that's left today are a dozen Montana family-owned, family-operated wholesale distributing businesses. The others -- six — are multistate, regional or national corporate held businesses. The cigarette sales business has been getting tougher, and increasing taxes on sales must be charged with a share of the negative business climate.

THE DECLINE IN CIGARETTE SALES IS SERIOUS
 NOT ONLY TO THIS STATE'S INDEBTEDNESS . . .

When I became affiliated with the tobacco business, a common mix of business was 70 per cent cigarettes, and 30 per cent other products. The other products included other tobacco products, and confectionery items. And the state government was enjoying an easy harvesting of revenue from such cigarette sales.

Today that 70-30 mix is no longer the norm. Today that mix is perhaps flip-flopped. Our wholesale distributors have had to diversify. Their products now include groceries, all kinds of food stuffs, health products, beauty aids, school supplies, commercial cleaning and sanitary items, auto accessories, beer, wine. They attend workshops to learn how to survive.

The decline of cigarettes is serious business. A recent survey showed that approximately one-fourth of the country's tobacco and candy distributors are reaching retirement age in the 1990s WITHOUT PLANS FOR SUCCESSION IN PLACE. Three-quarters of those surveyed said they have been approached to sell-out or buy-out within the past 5 years.

The state's bonders recognized this in 1983. That's when the legislature had to pledge the general fund for any cigarette revenue shortfall on repayment.

HB202's shortcomings — details — can be PATCHED UP. However, IT IS STILL POINTED THE WRONG WAY, TARGETING THE WRONG SOURCE OF REVENUE.

The RIGHT WAY is to assign the task of building for the veterans to the legislature LONGRANGE BUILDING COMMITTEE. Let that committee fill in the necessary details, propose the wherewithal and recommend LONGTERM CARE WHICH OUR VETERANS CAN BE PROUD OF, AND WE CAN BE PROUD OF.

REVENUE STAMPS

SENATE TAXATION

EXHIBIT NO. 3 p 7

DATE 4/7/89

BILL NO. HB 303

Opinion

Editorial Board:

Robert S. Gilluly, Editorial Editor

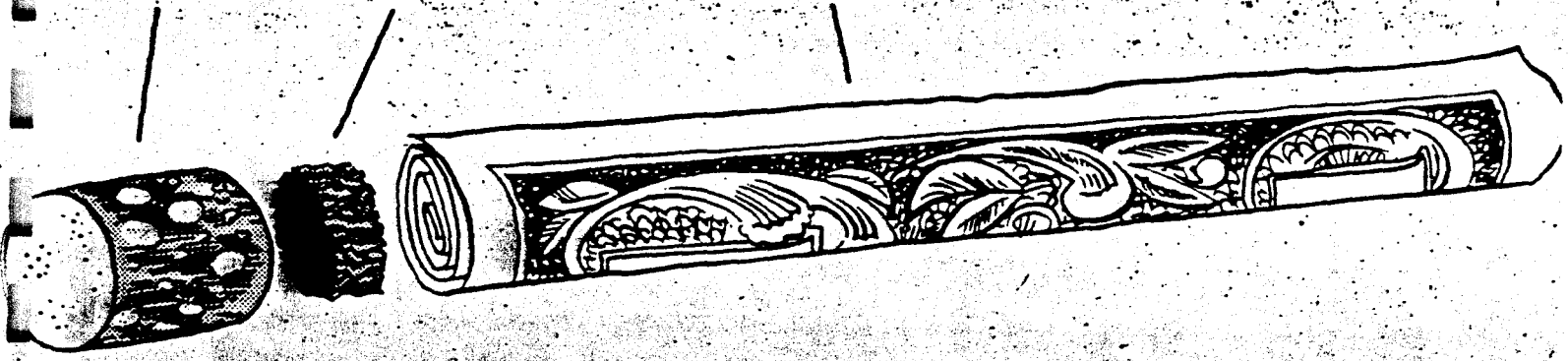
Gary D. Moseman, Managing Editor

Steven A. Studt, Publisher

SMOKELESS CIGARETTE

FILTER TOBACCO

TAXES



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Engelhart
 THE HARTFORD COURANT

(This sheet to be used by those testifying on a bill)

SENATE TAXATION
EXHIBIT NO. 4 p.1
DATE 4/7/89
BILL NO. HB 203
DATE April 7, 1989

NAME: Steve Buckner
P. O. Box 1887
ADDRESS: Bozeman MT 59715
PHONE: 586 - 9183

REPRESENTING WHOM? Service Distributing Inc.

APPEARING ON WHICH PROPOSAL: HB 202

DO YOU: SUPPORT? _____ AMEND? _____ OPPOSE?

COMMENT:

PLEASE LEAVE ANY PREPARED STATEMENTS WITH THE COMMITTEE SECRETARY.

SENATE TAXATION

EXHIBIT NO. 4 p. 2

DATE 4/7/89

BILL NO. HB202

My name is Steve Buckner, and I am one of the owners of a family owned business in Bozeman.

Well, it has finally happened. During the last two weeks an out of state wholesaler has come in and purchased one of the locally owned wholesale companies in Missoula. This disturbs me because this just isn't any wholesaler, this is one of the big boys, and they aren't going to stop in Missoula.

HB202 proposes to increase the cigarette tax 12 1/2% to fund veterans facilities around the state.

This is a worthwhile cause and definitely should be considered, but this not the right way to fund it. As it has historically been shown, any increase in federal or state income cigarette tax has led to a decline in cigarette consumption.

A large out of state wholesaler would be better equipped to absorb a decrease in cigarette consumption than would the number of family owned wholesalers around the state.

This could lead to the decline of these and many other family owned Montana businesses.

HB202 would be detrimental to our Montana economy.

Please vote against HB202.

(This sheet to be used by those testifying on a bill)

EXHIBIT NO. 5
DATE 4/7/89
BILL NO. HB202
DATE: April 7, 1989

NAME: Thomas J. Stump

ADDRESS: P. O. Box 2 5 4 6
Great Falls M T 59403

PHONE: (406) 453 - 7628

REPRESENTING WHOM? Pennington's Inc.

Also, President, Montana Association of Tobacco and Candy Distributors Inc.
APPEARING ON WHICH PROPOSAL: HB202 IN THE SENATE

DO YOU: SUPPORT? _____ AMEND? _____ OPPOSE? (X)

COMMENT:

HB202 proposes an excise tax on a product that is already heavily taxed and ~~has~~ shows declining base resulting in an unreliable source for the state building fund.

The bill is vague in several areas. What is the definition of completed construction. Further how will the state in it's previous financial difficulty fund the operations once the projects are complete.

Finally, the people of Montana have paid their debt to these noble people.

PLEASE LEAVE ANY PREPARED STATEMENTS WITH THE COMMITTEE SECRETARY.

In closing you must take into consideration the effect that this bill does to the Montana businesses and their employees through lost

✓
✓
✓
FERGUS COUNTY
STATE OF MONTANA

Lewistown, Montana 59457

SECTION 6 P 1
DATE 4/9/89
BILL NO. HB791

41,000

April 4, 1989

Senator Bob Williams
Capitol Station
Helena, MT 59602

Dear Bob:

Here is our letter opposing HB #791. We would sure appreciate it if you would read this to the Taxation Committee hearing on Friday, April 7 at 8 o'clock A.M.

Thank you.

BOARD OF COUNTY COMMISSIONERS
FERGUS COUNTY

Alfred B. Miller
Alfred B. Miller, Chairman

Vernon Petersen
Vernon Petersen, Vice-Chairman

Donna Heggem
Donna Heggem, Commissioner

DH/mb

FERGUS COUNTY

STATE OF MONTANA

Lewistown, Montana 59457

REGISTRATION
SUBJECT NO. 6 p. 2
DATE 9/7/89
BILL NO. HB 791

April 4, 1989

Senate Taxation Committee
Senator Bob Brown, Chairman
Capitol Station
Helena, MT 59601

Subject: HB #791

Dear Committee:


The Board of County Commissioners of Fergus County oppose HB #791 for the following reasons:

1. The people of Montana should not be subject to laws written specifically for one Company, namely, Big Sky Airlines.
2. Taxes are the responsibility of any property owner. Should Chapter 11 be filed by the Company, payment of taxes should be included in the reorganization plan.
3. A Contract made in 1987 between Big Sky and the Counties involved provided for long term payment of taxes and made possible refinancing for Big Sky. At that time, the counties decided not to accept a plea by the Company to forgive taxes, penalty, and interest. That agreement is still in effect.
4. Should Big Sky move to the profit column in the future, payment of taxes owed should still be made. Passage of this bill eliminates that possibility.

Therefore, the Board of County Commissioners of Fergus County oppose House Bill #791.

BOARD OF COUNTY COMMISSIONERS
FERGUS COUNTY


Alfred B. Miller, Chairman


Vernon Petersen, Vice-Chairman


Donna Heggem, Commissioner

DH/mb
cc/Gordon Morris

DATE 04/06/89
 TIME 10:27:26

STATE OF MONTANA
 MIKE COONEY
 SECRETARY OF STATE
 CORPORATION INFORMATION REQUEST

NAME: BIG SKY TRANSPORTATION CO.
 ASSUMED BUS. NAME: NORTHWEST AIRLINK
 IDENTIFICATION: D-048853
 INCORPORATION DATE: 08/02/1979
 STATUS: ACTIVE
 STATUTE: 35-001-0202 MCA
 TYPE: GENERAL BUSINESS
 TERM: PERPETUAL
 REGISTERED AGENT: GREG J. PETERSON
 ADDRESS: 2720 3RD AVE N
 P. O. BOX 31397
 BILLINGS MT 59107
 STATE OF JURIS: MONTANA
 ART AR FILED DATE: 01/14/88
 PURPOSE: TRANSPORTATION-AIRLINES

AUTHORIZED SHARES	SHARES ISSUED	CLASS	SERIES	PAR VALUE
2,500,000.00	0	PREFER		10
1,000,000.00	1,000,000.00	PREFER	10% PREFER	10
10,100,000.00	2,416,678.00	COMMON		10

DIRECTOR NAMES:			DIRECTOR ADDRESSES:		
BLEMAN	H.V.		3580 MASTERSON CR		MT 59101
NO SWORTHY	JASE	0	2005 PLY DR		MT 59101
DELOVER	GEORGE		2046 PRYOR LN		MT 59101
DESHALL	TERRY	D	7822 BUCKSKIN		MT 59079
DE RCHI	JON		7783 VALLEY VIEW RD		MT 59860

THIS IS AN ABBREVIATED LIST OF DIRECTOR NAMES

OFFICER NAMES:			OFFICER ADDRESSES:		
SECRETARY:					
DESHALL	TERRY	D	7822 BUCKSKIN		MT 59079
PRESIDENT:					
DE S	ROBERT	L	3951 PALISADES PK		MT 59102

DATE 04/06/89
TIME 10:27:26

STATE OF MONTANA
MIKE COONEY
SECRETARY OF STATE
CORPORATION INFORMATION REQUEST

SENATE TAXATION
EXHIBIT NO. 6 p. 4
DATE 4/7/89
BILL NO. HB 791

OFFICER NAMES:

SECRETARY:

FATES

SEABROOK

TREASURER:

PETERSON

GREG

J

OTHER:

SCHUYLER VPRES

WILLIAM

L

OFFICER ADDRESSES:

1931 MULBERRY
BILLINGS

MT 59101

1336 CONCORD AVE
BILLINGS

MT 59101

2445 TERRY AVE
BILLINGS

MT 59102

STATE TAXATION

EXHIBIT NO. 6 P.S.

DATE 4/17/89

BILL NO. AB 741

DATE 04/06/89
TIME 10:27:10

STATE OF MONTANA

MIKE COONEY

SECRETARY OF STATE

ASSUMED BUSINESS NAME INFORMATION REQUEST

ASSUMED BUS. NAME: BIG SKY AIRLINES

IDENTIFICATION: A-019160

FOLDER LOCATOR: 1596-07

ISSUING DATE: 02/08/89

STATUS: ACTIVE

DATE OF FIRST USE: 08/01/78

EXPIRATION DATE: 02/08/94

OWNER TYPE: CORPORATION
 NAME: BIG SKY TRANSPORTATION CO.
 ADDRESS: 2720 3RD AVE N
 BILLINGS MT 59101

PURPOSE: COMMERCIAL AIR TRANSPORTATION

ALL COUNTIES

DATE 4/7/89 p.k.
BILL NO. HS 791

DATE 04/06/89
TIME 10:27:54

STATE OF MONTANA
MIKE COONEY
SECRETARY OF STATE
ASSUMED BUSINESS NAME INFORMATION REQUEST

ASSUMED BUS. NAME: BIG SKY TRANSCO
IDENTIFICATION: A-019161
FOLDER LOCATOR: 1596-08
FILING DATE: 02/08/89
STATUS: ACTIVE
DATE OF FIRST USE: 02/07/89
EXPIRATION DATE: 02/08/94
ABN OWNER TYPE: CORPORATION
NAME: BIG SKY TRANSPORTATION CO.
ADDRESS: 2720 3RD AVE N
BILLINGS MT 59101
PURPOSE: COMMERCIAL AIR TRANSPORTATION
ALL COUNTIES

DATE 04/06/89
TIME 10:28:07

STATE OF MONTANA
MIKE COONEY
SECRETARY OF STATE
ASSUMED BUSINESS NAME INFORMATION REQUEST

SENATE TAXATION
EXHIBIT NO. 6 PAGE 07
DATE 4/7/89
BILL NO. HB 791

ASSUMED BUS. NAME: NORTHWEST AIRLINK
IDENTIFICATION: A-012769
HOLDER LOCATOR: 1084-03
ISSUING DATE: 11/17/86
STATUS: ACTIVE
DATE OF FIRST USE: 12/01/86
EXPIRATION DATE: 11/17/91
OWNER TYPE: CORPORATION
NAME: BIG SKY TRANSPORTATION CO.
ADDRESS: 2720 3RD AVENUE NORTH
BILLINGS MT 59101
PURPOSE: SCHEDULE COMMERCIAL AIR TRANSPORT

	COUNTIES			
CUSTER	HILL	LEWIS & CLARK	VALLEY	FERGUS
RT. HIGHLAND	CASCADE	DAWSON	ROOSEVELT	SILVER BOW
GALATIN	MISSOULA	YELLOWSTONE		

MONTANA ANNUAL CORPORATION REPORT
MUST BE RETURNED AS REQUIRED BY 35-1-1102

SENATE TAXATION
EXHIBIT NO. 6
DATE MCA 4/7/88
BILL NO. HS 99-291

- MAKE ANY CHANGES AS PER INSTRUCTIONS AND SIGN.
- IF THERE ARE NO CHANGES, JUST SIGN.
- EITHER WAY, RETURN ORIGINAL WITH PROPER FEE
- BEFORE APRIL 15, 1988 \$10.00
- AFTER APRIL 15, 1988 \$15.00

STATE OF MONTANA

FILED

JAN 14 1988

JIM WALTERMIRE
SECRETARY OF STATE
Jim Waltermire

RETURN TO: JIM WALTERMIRE
MAKE CHECK PAYABLE TO: SECRETARY OF STATE
MONTANA STATE CAPITOL
HELENA, MT 59620

NAME : BIG SKY TRANSPORTATION CO.

AGENT : GREG J. PETERSON
OFFICE: 2720 3RD AVE N
PO BOX: P. O. BOX 31397
CITY : BILLINGS , MT 59107

FOLDER NO: D-048853 *DM*

IF THERE IS ANY CHANGE IN AGENT OR OFFICE LOCATION (ABOVE), PLEASE COMPLETE THE ENCLOSED STATEMENT OF CHANGE AND SEND WITH \$5.00 ADDITIONAL FEE. ANY CHANGE IN CORPORATE NAME (ABOVE) REQUIRES FILING AMENDED ARTICLES.

1. STATE/COUNTRY OF INCORPORATION: MONTANA

2. DESCRIPTION OF BUSINESS: REGIONAL AIRLINE

3. OFFICERS OF CORPORATION - PLEASE MAKE ANY CHANGES IN OFFICERS NAMES AND ADDRESSES TO THE RIGHT OF THE NAMES BELOW. ATTACH A LIST IF NOT COMPLETE.
NOTE: PRESIDENT AND SECRETARY CANNOT BE THE SAME PERSON.

PRESIDENT:
TERRY D MARSHALL
7822 BUCKSKIN
SHEPERD MT 59079

VICE-PRES:
ROBERT L HAYES
3951 PALISADES PK
BILLINGS MT 59102

SECRETARY:
SEABROOK PATES (ALSO A DIRECTOR)
1931 MULBERRY
BILLINGS MT 59101

TREASURER:
GREG J PETERSON
1336 CONCORD AVE
BILLINGS MT 59101

OTHER :

VICE-PRESIDENT:
WILLIAM L. SCHUYLER
2445 TERRY AVE.
BILLINGS, MT 59102

ASS'T SECRETARY:
LAURENCE W. PETERSON
ATTORNEY AT LAW

RECEIVED

JAN 14 1988

MONTANA SECRETARY OF STATE

4. DIRECTORS OF CORPORATION (MINIMUM OF ONE REQUIRED): PLEASE MAKE ANY CHANGES IN DIRECTORS NAMES AND ADDRESSES TO THE RIGHT OF THE NAMES BELOW. ATTACH A LIST IF NOT COMPLETE.

H.V. HOLEMAN
3580 MASTERSON CR
BILLINGS MT 59107

JASE D NORSWORTHY (CHAIRMAN) (ALSO AN OFFICER)
2005 PLY DR
BILLINGS MT 59101

GEORGE SELOVER (VICE-CHAIRMAN) (ALSO AN OFFICER)
2046 PRYOR LN
BILLINGS MT 59101

TERRY D MARSHALL
7822 BUCKSKIN
SHEPERD MT 59079

JON MARCHI
BOX 437
POLSON MT 59860
← 7783 VALLEY VIEW ROAD

THIS IS AN ABBREVIATED LIST OF DIRECTORS AS SHOWN ON OUR RECORDS.

PLEASE FILL IN THE BLANKS BELOW WITH THE CORRECT NUMBER OF ISSUED SHARES. ANY CHANGE IN AUTHORIZED SHARES REQUIRES AMENDING THE ARTICLES. ATTACH A LIST IF NOT COMPLETE.

SHARES AUTHORIZED	SHARES ISSUED		CLASS	SERIES	PAR VALUE
	OUR RECORDS	YOUR RECORDS			
10100000.00	2414875.00	2,416,679	COMMON		0.10
10000000.00	0.00	0	PREFER		0.10

MY SIGNATURE BELOW, I, AN OFFICER OF THE ABOVE CORPORATION, DO STATE THAT I SIGNED THIS REPORT ON BEHALF OF THE CORPORATION AND THAT THE STATEMENTS HEREIN CONTAINED ARE TRUE, UNDER PENALTY OF FALSE SWEARING.

G. SKY TRANSPORTATION CO.
NAME OF CORPORATION
[Signature]
SIGNATURE OF OFFICER
TREASURER & CFO
TITLE OF OFFICER
1/13/88
DATE

PLEASE ATTACH CORRECT FILING FEE TO THIS REPORT:
FILING FEE IS \$10.00 IF FILED PRIOR TO APRIL 15TH.
FILING FEE IS \$15.00 IF FILED AFTER APRIL 15TH.

SENATE TAXATION

EXHIBIT NO.

6 p. 10

SECRETARY OF STATE

DATE

4/17/89

BILL NO.

H.S. 79

STATE OF MONTANA

CERTIFICATE OF AMENDMENT TO THE CERTIFICATE OF INCORPORATION

I, MIKE COONEY, Secretary of State of the State of Montana, do hereby certify that the Articles of Amendment to the Articles of Incorporation of BIG SKY TRANSPORTATION CO., a Montana profit corporation, duly executed pursuant to the provisions of Section 35-1-210, Montana Code Annotated, have been received in my office and conform to law.

NOW, THEREFORE, I, MIKE COONEY, as such Secretary of State, by virtue of the authority vested in me by law, hereby issue this Certificate of Amendment to the Certificate of Incorporation of BIG SKY TRANSPORTATION CO., a Montana profit corporation, and attach hereto a copy of the Articles of Amendment to the Articles of Incorporation.

IN WITNESS WHEREOF, I have hereunto set my hand and affixed the Great Seal of the State of Montana, at Helena, the Capital, this February 13, A.D. 1989.



MIKE COONEY
Secretary of State

(GREAT SEAL)

JAN 13 1989

RAC
#105

SECRETARY OF STATE

ARTICLES OF AMENDMENT
OF THE
ARTICLES OF INCORPORATION
OF
BIG SKY TRANSPORTATION CO.

The undersigned, Terry D. Marshall and Seabrook Pates, the President and Secretary, respectively, of Big Sky Transportation Co. (the "Company"), a corporation organized pursuant to Title 35, Chapter 1, of the Montana Code Annotated, hereby certify that:

(i) the Amendment to the Articles of Incorporation of the Company set forth in paragraph (vi) below was duly adopted in accordance with the laws of the State of Montana and the Articles of Incorporation and Bylaws of the Company at the Annual Meeting of Stockholders of the Company held on January 19, 1989;

(ii) the number of shares of common stock and preferred stock outstanding on December 1, 1988, the record date for the meeting, were 2,417,053 and 529,989, respectively;

(iii) the holders of common stock and preferred stock were each entitled to vote on the amendment as a separate class;

(iv) the numbers of common shares voted for and against such amendment were 1,389,221 and 47,555, respectively;

(v) 529,989 preferred shares were voted for such amendment and no shares were voted against such amendment; and

(vi) the resolutions adopted by the shareholders to amend the Articles of Incorporation were as follows:

RESOLVED, the first paragraph of Article Fourth of the Articles of Incorporation be amended to read as follows:

"FOURTH"

The aggregate number of shares which the corporation shall have authority to issue is 13,600,000 shares, divided into 10,100,000 shares of common stock, par value \$.10 per share, and 3,500,000 shares of preferred stock, par value \$.10 per share."

FURTHER RESOLVED, that in all other respects Article Fourth shall remain unchanged.

SENATE TAXATION

EXHIBIT NO. 6 p. 13

DATE 4/17/89

PHL NO. 913791

IN WITNESS WHEREOF, the undersigned have executed this instrument this 31st day of January, 1989.

BIG SKY TRANSPORTATION CO.

By Terry D. Marshall
Terry D. Marshall
President

By Seabrook Pates
Seabrook Pates
Secretary

STATE OF MONTANA)
) ss.
COUNTY OF YELLOWSTONE)

On this 31st day of January, 1989 before me a Notary Public within and for said County, personally appeared Terry D. Marshall and Seabrook Pates, known to me to be the President and Secretary, respectively, of the corporation that executed the within instrument, and acknowledged to me that such corporation executed the same.

Jean L. Hailand
Notary Public
NOTARY PUBLIC for the State of Montana
Residing at Laurel, Montana
My commission expires March 21, 1989

(Notarial Seal)

State of Montana
Stan Stephens, Governor

SENATE TAXATION
Senator Eck,
EXHIBIT NO.
DATE 4/7/89
per your request
BILL NO. SB 171

STEVE
BENDER



Department of Revenue
Ken Nordtvedt, Director

Data Processing Division
Brenda Haseman, Administrator

April 4, 1989

MEMORANDUM

TO: Steve Bender
Acting Deputy Director

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

RE: Senator Eck Pension Data Request

Computer simulations using the 1986 and 1987 income tax samples indicate the following revenue effects of selected pension proposals:

<u>Proposal</u>	<u>Revenue Impact</u>
Allow Full Exclusion for Federal Pensions.....	\$(2,540,000)
Allow Blanket Exclusion of \$16,000 for Federal, State, and Local Pensions.....	\$(2,270,000)
Allow Blanket Exclusion of \$20,000 for Federal, State, and Local Pensions.....	\$(2,460,000)
Allow Blanket Exclusion of \$16,000 for All Pensions.....	\$(3,420,000)
Allow Blanket Exclusion of \$20,000 for All Pensions.....	\$(3,763,573)

TEACHERS' RETIREMENT SYSTEM

NO. 8 P.1

417/89

BILL NO. SB471

1500 SIXTH AVENUE
HELENA, MONTANA 59620-0139

(406) 444-3134

STAN STEPHENS, GOVERNOR



STATE OF MONTANA

DAVID L. SENN, EXECUTIVE SECRETARY

MARY L. HARRINGTON, ASST EXECUTIVE SECRETARY

MEMORANDUM

TO: Senator Dorothy Eck

FROM: David L. Senn, Executive Secretary

DATE: April 6, 1989

RE: Senate Bill 471

Senate Bill 471 will exempt from state income tax the first \$16,000.00 received under Montana and federal public pensions. As I read the bill I do not see that \$16,000 is indexed for inflation. Unless the \$16,000 annual exclusion is indexed for inflation this legislation will result in an erosion of state retirees spendable income, which may not have been intended by the bill or the Supreme Court Ruling.

As you requested we have analyzed the records of the Teachers' Retirement System and find the following:

Table I Impact this legislation would have had on Teachers' Retirement System members retiring in each of the last three fiscal years.

	<u>FY 1986</u>	<u>FY 1987</u>	<u>FY 1988</u>
Total number retired each year	360	280	334
Number in excess of \$16,000	99	69	105
Average monthly benefit	\$1,046.45	\$1,020.90	\$1,104.61
Benefits in excess of \$16,000	\$473,311.00	\$340,038.00	\$514,886.00

Table II Number of Teachers' Retirement System retirees and the total benefits that would be subject to state income taxes at different levels of exemption.

	Exempt		
	<u>\$16,000.00</u>	<u>\$18,000.00</u>	<u>\$20,000.00</u>
Number of retirees	495	331	213
Average monthly benefit	\$1,691.52	\$1,831.03	\$1,967.22
Benefits subject to taxes	\$2,127,600.00	\$1,314,867.00	\$1,194,200.00

Table III Current statistics for all retirees under the Teachers' Retirement System.

Total Retirees	6,233
Average monthly benefit	\$ 630.15
Total annual benefits	\$47,057,300.00

If I can be of further assistance, please do not hesitate to call.

STATE OF MONTANA
FISCAL NOTE WORKSHEET
Form BD-14

ASAP leaving 8:30 AM

AUTHORITY: Title 6, Chapter 4, Part 2 of the Montana Code Annotated (MCA).

TO: Administration
Agency or Unit

Completed worksheets are due in the Office of Budget and Program Planning on or before 4-7-89.
Note: The copy of the proposed legislation must be returned to the Budget Director with the completed worksheets.

A Fiscal Note estimate and statement are requested for:

As Originally Introduced Bill
 Second Reading (yellow) Copy
 Third Reading (blue) Copy
 Salmon Reference Copy
 Ivory Final Reference Copy

S.B. 471

H.B. _____

Senate Amendments (pink)
 House Amendments (green)
 Other, as described _____

	First Fiscal Year of Next Biennium FY -		Second Fiscal Year of Next Biennium FY -	
	Estimated Amount Under Current Law	Estimated Amount Under Proposed Law	Estimated Amount Under Current Law	Estimated Amount Under Proposed Law
I. Estimated Effect on Revenue and/or Expenditures				
A. Effect on Revenue by Source: (List in Detail)				
TOTAL REVENUE				
B. Effect on Expenditures by Category:				
Personal Services				
Operating Expenses				
Capital Outlay				
Local Assistance, Grants				
Benefits & Claims				
TOTAL EXPENDITURES				
NET EFFECT (A LESS B)				
C. Fund Information:				
General Fund				
Earmarked Special Revenue Fund				
Fed & Private Special Revenue				
Capital Project Fund				
Proprietary fund				
Other (describe)				

SENATE TAXATION
BUDGET NO. 89
DATE 4/7/89
BILL NO. 5847

SENATE TAXATION
EXHIBIT NO. 8 P. 3
DATE 4/7/89
BILL NO. SB 471

STATE OF MONTANA

REQUEST NO. _____
FISCAL NOTE WORKSHEET

Form BD-14

Agency Representative Who Prepared Estimates:

Office of Budget and Program Planning

DAVID L. SENN
(Name)

Received _____
Analyzed by _____

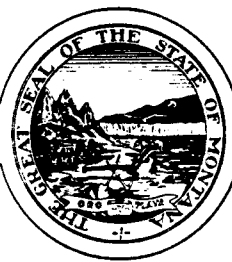
EXECUTIVE SECRETARY 444-3134
(Title) (Phone No.)

Fiscal Note by _____
Date _____

April 6, 1989
(Date)

SENATE TAXATION
EXHIBIT NO. 8 p. 4
DATE 4/17/89
FILE NO. SB 471

DEPARTMENT OF ADMINISTRATION
PUBLIC EMPLOYEES' RETIREMENT DIVISION



STAN STEPHENS, GOVERNOR

(406) 444-3154

STATE OF MONTANA

1712 9TH AVENUE
HELENA, MONTANA 59620-0131

April 6, 1989

Senator Dorothy Eck
Capitol Station
Helena, MT 59620

SUBJECT: SB 471

Dear Senator Eck:

Enclosed are the recaps you requested showing the level of benefits paid from the various PERD administered retirement systems.

Schedule I shows the number of individuals from each system receiving annual benefits in excess of \$16,000, \$18,000 and \$20,000.

Schedule II is a recap of the new retirees for the years 1986, 1987 and 1988.

If you have any questions on this data or require any additional information, please contact me at your earliest convenience.

Respectfully,

A handwritten signature in cursive script that reads "Larry Nachtsheim".

Lawrence P. Nachtsheim
Administrator

LPN/lo

Enclosures

STATE OF MONTANA

REQUEST NO.

FISCAL NOTE WORKSHEET

Form BD-14

II. ASSUMPTIONS USED IN OBTAINING ESTIMATES:

1. Effective January 1, 1989, all retirement benefits in excess of \$16,000.00 per year received by residents of the state of Montana under the teachers, PERS, judges, sheriffs, game wardens, highway patrol, municipal police officers, Firefighters Unified Retirement Systems and federal retirees will become taxable.
2. The Teachers' Retirement System will be required to withhold state income taxes and report to the Department of Revenue quarterly and annually. This additional withholding and reporting requirements will require the modification to the Teachers' Retirement Divisions computer system. Assume this modification and related production cost, will not exceed \$10,000.00 in FY 1990 and \$2,000 in FY 1991.
3. Of the 6,300 retirees receiving benefits under the Teachers' Retirement System, as of April 1, 1989, 495 reside in state and receive benefits in excess of \$16,000.00 per year. Assuming that the taxable amount and the total number of retirees will increase by 5% per year, the following TRS benefits will become taxable, as follows:

Teachers' Retirement System			
Greater than \$16,000.00	1989	1990	1991
Number of Retirees	495	520	546
Taxable Amount	\$2,127,600	\$2,233,980	\$2,345,680

III. DERIVATION OF ESTIMATES:

1. The number of retirees receiving benefits in excess of \$16,000.00 and the total amount taxable was based upon TRS retirees as of April 1, 1989
- | | |
|--|--------------|
| Number of Retirees in excess of \$16,000 | 495 |
| Estimated gross benefits | \$10,047,600 |
| Exemption (\$16,000 X 495) | (7,920,000) |
| Taxable Amount | \$ 2,127,600 |

STATE TAXATION
 4/17/89
 # 5847

STATE OF MONTANA
FISCAL NOTE WORKSHEET

REQUEST NO. Form BD-14

III. DERIVATION OF ESTIMATES (Continued):

2. Impact on the budget of the Teachers' Retirement System:

	FY90		Difference	FY91		Difference
	Current Law	Proposed Law		Current Law	Proposed Law	
<u>Expenditures:</u>						
FTE	11.0	11.0	0.0	11.0	11.0	0.0
Pers. Serv.	\$251,319	\$251,319	\$0.0	\$251,684	\$251,684	\$0.0
Oper. Exp.	199,990	209,990	\$10,000	174,409	176,409	2,000
Equipment	8,688	8,688	0.0	2,089	2,089	0.0
TOTAL	\$459,997	\$469,997	\$10,000	\$428,182	\$430,182	\$2,000

FUNDING:

The additional spending authority will be funded through interest earnings of the pension trust fund and no general fund monies will be required.

IV. EFFECT ON COUNTY OR OTHER LOCAL REVENUE OR EXPENDITURES:

None

V. LONG-RANGE EFFECTS OF PROPOSED LEGISLATION:

VI. TECHNICAL OR MECHANICAL DEFECTS OR CONFLICTS WITH EXISTING LEGISLATION:

Unless the \$16,000 annual exclusion is indexed from inflation, this legislation will result in significant erosion of state retirees spendable income which may not have been intended by this bill or the Supreme Court Ruling.

TAXATION
8
4/7/89
SIS 471

RETIREMENT BENEFITS FOR IN-STATE RESIDENTS

4/5/89
PERD

IN EXCESS OF \$16,000
 TAXATION
 9 p.1
 4/7/89
 5347

	<u>Number of Retirees</u>	<u>Highest Benefit</u>	<u>Lowest Benefit</u>	<u>Average Benefit</u>	<u>Total Benefits Paid</u>	<u>Over \$16,000</u>
PERS	160	\$27,955.00	\$16,004.00	\$19,109.00	\$3,057,489.00	\$497,489.00
JUDGES	19	31,591.00	17,568.00	23,164.00	440,123.00	136,123.00
G.W.	10	24,435.00	16,164.00	19,599.00	195,994.00	35,994.00
H.P.	18	23,596.00	16,083.00	18,416.00	331,487.00	43,487.00
SHERIFFS	1	16,066.00	16,066.00	16,066.00	16,066.00	66.00
POLICE	13	21,398.00	16,337.00	18,082.00	235,068.00	27,068.00
F.U.R.S.	28	24,240.00	16,019.00	17,708.00	495,835.00	47,835.00
ALL	249	31,591.00	16,019.00	19,165.00	4,772,062.00	788,062.00

	<u>Number of Retirees</u>	<u>Highest Benefit</u>	<u>Lowest Benefit</u>	<u>Average Benefit</u>	<u>Total Benefits Paid</u>	<u>Over \$18,000</u>
PERS	83	\$27,955.00	\$18,086.00	\$21,139.00	\$1,754,529.00	\$260,529.00
JUDGES	17	31,591.00	19,736.00	23,806.00	404,703.00	98,703.00
G.W.	6	24,435.00	18,667.00	21,761.00	130,567.00	22,567.00
H.P.	10	23,596.00	18,491.00	19,508.00	195,084.00	15,084.00
SHERIFFS	0	.00	.00	.00	.00	.00
POLICE	6	21,398.00	18,043.00	19,445.00	116,672.00	8,672.00
F.U.R.S.	6	24,240.00	18,849.00	20,694.00	124,162.00	16,162.00
ALL	128	31,591.00	18,043.00	21,295.00	2,725,717.00	421,717.00

	<u>Number of Retirees</u>	<u>Highest Benefit</u>	<u>Lowest Benefit</u>	<u>Average Benefit</u>	<u>Total Benefits Paid</u>	<u>Over \$20,000</u>
PERS	51	\$27,955.00	\$20,009.00	\$22,479.00	\$1,146,440.00	\$126,440.00
JUDGES	13	31,591.00	20,088.00	25,021.00	325,273.00	65,273.00
G.W.	4	24,435.00	20,966.00	23,307.00	93,228.36	13,228.00
H.P.	1	23,596.00	23,596.00	23,596.00	23,596.00	3,596.00
SHERIFFS	0	.00	.00	.00	.00	.00
POLICE	2	21,398.00	20,736.00	21,067.00	42,134.00	2,134.00
F.U.R.S.	4	24,240.00	20,142.00	21,586.00	86,343.60	6,343.60
ALL	75	31,591.00	20,009.00	22,894.00	1,717,016.00	217,016.00

BENEFITS PAID TO NEW RETIREES

EXHIBIT NO. 9 p. 2

DATE 4/5/89 4/7/89

PERD

BILL NO. 58971

CALENDAR YEAR 1988

	<u>Number of Retirees</u>	<u>Highest Benefit</u>	<u>Lowest Benefit</u>	<u>Average Benefit</u>
PERS	662	\$22,759.00	\$ 262.00	\$ 5,813.00
JUDGES	2	20,088.00	12,610.00	16,349.00
G.W.	4	18,672.00	3,491.00	13,836.00
H.P.	14	19,908.00	10,254.00	14,472.00
SHERIFFS	11	16,066.00	1,099.00	9,281.00
POLICE	21	21,398.00	8,574.00	13,342.00
VOL. F.F.	34	1,713.00	857.00	1,418.00
F.U.R.S.	19	20,995.00	900.00	13,965.00
ALL	767	22,759.00	262.00	6,308.00

CALENDAR YEAR 1987

	<u>Number of Retirees</u>	<u>Highest Benefit</u>	<u>Lowest Benefit</u>	<u>Average Benefit</u>
PERS	692	\$27,768.00	\$ 119.00	\$ 5,513.00
JUDGES	0	.00	.00	.00
G.W.	4	23,426.00	13,202.00	16,912.00
H.P.	11	23,596.00	10,846.00	14,782.00
SHERIFFS	3	10,630.00	4,046.00	6,350.00
POLICE	19	19,883.00	8,256.00	13,808.00
VOL. F.F.	55	1,713.00	857.00	1,405.00
F.U.R.S.	17	17,746.00	751.00	11,863.00
ALL	801	27,768.00	119.00	5,750.00

CALENDAR YEAR 1986

	<u>Number of Retirees</u>	<u>Highest Benefit</u>	<u>Lowest Benefit</u>	<u>Average Benefit</u>
PERS	585	\$23,745.00	\$ 279.00	\$ 5,543.00
JUDGES	1	22,870.00	22,870.00	22,870.00
G.W.	0	.00	.00	.00
H.P.	13	19,832.00	5,397.00	14,516.00
SHERIFFS	12	9,862.00	1,266.00	5,799.00
POLICE	16	18,452.00	8,256.00	11,933.00
VOL. F.F.	37	1,713.00	857.00	1,412.00
F.U.R.S.	16	18,969.00	900.00	11,893.00
ALL	680	23,745.00	279.00	5,819.00

**Alternatives to \$16,000 Exemption of
State, Local and Federal Retirement**

Option 1 -- Exempt All Federal and Private Pensions

Option 2 -- Exempt Previously Taxed Portion of All Pensions

- (1) An allowance for tax-free pension income is made for employee contributions to pension funds previously taxed by the State of Montana. The tax-free allowance is:

$$35\% \times \left[\frac{\text{Years of Employee Contributions Taxed by Montana}}{\text{Years of Employee Contributions to Pension}} \right] \times \text{Pension}$$

- (2) In addition to the allowance of (1), the next \$14,000 of pension income is tax-free.
- (3) The amount in (2) is indexed for inflation using the inflation factor defined in 15-30-101 (8), MCA.

SENATE TAXATION
11
DATE 4/7/84
BILL NO. SB 471

SENATE TAXATION
SENATE NO. 11
DATE 4/7/84
BILL NO. SB 471

Private-sector retirees fight pension-tax bias

Charging discrimination, members of a group of private business retirees met Monday over state taxation of their retirement benefits.

Lou Marquardt, spokesman for the group known as E.T. for Equity in Taxation, noted that a Supreme Court decision last week requires that federal pensions be treated equally with state and local pensions.

"Why aren't private pensioners also treated equally?" Marquardt asked.

Marquardt the group fears the Legislature might remove taxation from federal pensions to achieve equality, while totally ignoring the needs of the private sector retirees. E.T. members voted to support Sen. Dorothy Eck's proposal to exempt \$16,000 of everyone's retirement benefits as the "only fair to treat us all like," Marquardt said.

He said "a possible lawsuit" would be explored if legislative action is not forthcoming. "We had not intended to bring this subject up in this session," said Marquardt, "but since the Legislature is scurrying to meet the court requirements, it might as well eat us all the same."

Butte / Area

SECRET TAXATION

EXHIBIT NO. 12

DATE 4/7/89

BILL NO. SB 471

Federal employees back bill to equalize pensions' tax status

By Standard Staff

Representatives of retired federal employees are pleased that the Montana Senate will consider a bill to change the way their taxes are calculated.

Sen Dorothy Eck, D-Bozeman, said late last week she is proposing a bill that is expected to bring Montana into compliance with a recent U.S. Supreme Court decision.

Just before Eck's announcement, Edmund Sheehy told The Standard he felt something had to be done soon. Sheehy, president of the Montana branch of the National Association of Retired Federal Employees, noted that state Revenue Director Ken Nordtvedt had laid out proposals regarding the Supreme Court decision.

"I don't think that the ball's in his court," Sheehy said, adding the

federal jobs. Though that case arose in Michigan, it is expected to have the same effect in 14 other states, including Montana.

Montana allows federal retirees an exemption on the first \$3,600 of their pensions, but grants former state workers a \$16,000 waiver.

People who have retired to Montana from other states or the military are also granted only \$3,600 tax-free, and that allowance also be increased under proposed legislation.

Eck said her bill will suggest giving all former government workers the \$16,000 exemption to meet the equalization, though she said that could be negotiated.

Fleming said, however, there's still the question of taxes paid by former federal workers in the past.

She said Montanans on federal pensions realize as well as anyone that state government is strapped, and thus if old tax payments are to be reimbursed, it would probably be best if the state started as soon as possible.

"We're part of Montana's tax base," Fleming said. "I don't want to sound like we're not concerned with Montana's taxing problems — we are."

The issue isn't so much that federal employees are given an exemption under the Supreme Court ruling, but that they are given the same treatment as former state workers. Thus, it may be possible, though doubtful, that past state workers' exemptions would be reduced to the \$3,600 now given the federal ones.

"I shouldn't be opposed to that," Sheehy said, emphasizing equality is the key.

However, he said "There should be some incentive to keep the federal retirees in the state."

Federal pensions coming to Montanans amount to nearly \$7 million a month, he said, and those people pay property taxes and make purchases here.

Also, both Fleming and Sheehy said they feel it is inappropriate for them to suggest what exemptions state retirees should get, and proposing a reduction to the federal workers' level would be doing that.

We're part of Montana's tax base. I don't want to sound like we're not concerned with Montana's taxing problems — we are. — Margaret Fleming

matter must be resolved legislatively.

Margaret Fleming of Butte, the group's vice president, said there is a certain amount of urgency in getting Montana's laws changed so that retired federal workers are treated the same as state and local government retirees. That's because a question exists over whether the state would have to refund taxes paid by those federal retirees over the past five years, the length of the statute of limitations.

In late March, the court ruled 8-1 that if a state grants tax exemptions on the pensions of retired state employees, it must have the same standards for those retired from

EXHIBIT NO. 13
DATE 4/7/89
BILL NO. SB 471

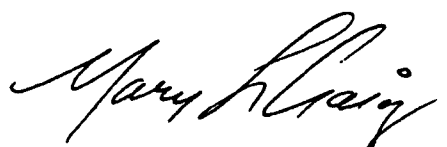
E.T.- EQUITY IN TAXATION
PO Box 277
Helena, MT 59624

Testimony on SB 471
April 7, 1989

My name is Mary L. Craig of Helena representing a group of private retirees across the state. Very simply, we want equity in the treatment of retirement benefits in our tax laws. Senator Hager will be presenting an amendment to SB 471 which will exempt the first \$16,000 of any retirement benefits from state taxation. We support SB 471 with that amendment. We would support any provision which treats everyone alike, e.g. SB 463 passed by the Senate earlier. The problem with that bill is that it may or may not become law so we can't count on it.

In my practice as a CPA there is one problem that continually has caught my attention - and that is the gross inequity in the way our law treats the taxation of retirement benefits. Some progress was made last session with the passage of Sen Mazurek's bill to bring private retirees up to the \$3600 of the federal retirees. Now is the time to make that progress complete. The Supreme Court decision relating to federal pensions gives us the opportunity to change the law to give all retirees the same exemption.

Our Montana Constitution provides that we shall all have the equal protection of the law and that our individual dignity shall be protected. Equalizing tax treatment of all retirement income will make us all 1st class citizens. Please support Sen. Hager's amendment and then pass out SB 471 with a DO PASS.





Association of Montana Retired Public Employees

Post Office Box 4721
Helena, Montana
59604

SENATE TAXATION

EXHIBIT NO. 14

BILL NO. 4/2/84
SB 471

A non-profit
corporation
of P.E.R.S. Retirees
for P.E.R.S. Retirees

TESTIMONY ON SB 471

Dick Williams, President

The Association of Montana Retired Public Employees is a statewide non-profit organization of 4,000 retired state, county and municipal employees.

The Association has, since its inception, opposed any taxation of PERS benefits. As most of you are aware, public employee salaries historically fell short of the federal and private sector; in many instances far short. In addition, many private sector retirement plans contain substantial benefits, such as medical insurance and automatic cost of living adjustments, which the public sector plans don't contain. The exemption of PERS payments from taxation is one of the few benefits offered retired public employees. The exemption helps attract and retain qualified public employees. The State of Montana has a moral, if not legal, obligation to those retirees and current employees who entered employment and served their years in anticipation of their benefits not being taxed.

As you can imagine, the issue of taxation of PERS benefits has come as a major surprise to The Association. However, The Association recognizes the need of the Legislature to address the decision of the U.S. Supreme Court.

The preference of The Association is to continue the present exemption and, if legally necessary, exempt all federal retirement benefits. However, if the Legislature feels that it is absolutely necessary to tax those benefits above \$16,000, then The Association reluctantly supports SB 471. However, The Association strongly opposes any reduction of the bill below the \$16,000 level.

SB 471
4-7-89

April 5, 1989

Dear Senator,

Regarding: Senate Bill No. 471
Introduced by Dorothy Eck, Bozeman

"An act exempting from taxation
the first \$16,000 of retirement benefits
received under Montana and Federal Public
Pensions"

Please consider modifying this bill to provide for
ALL pensioners to be treated as EQUAL under
Montana Individual Income Tax laws.

Benefits received as an annuity, pension or endowment
under the Public Employee Retirement System,
the Federal Employees Retirement Act, and
any Private or Corporate Plan or System
should each be accorded the same treatment when
considered for exemption from taxation.

Yours truly,

Rex A. Young

Rex A. Young Taxpayer & Pensioner
1407 Jerome Place
Helena, Montana 59601

COMMITTEE ON Taxation

VISITORS' REGISTER

NAME	REPRESENTING	BILL #	Check One	
			Support	Oppo
RACHEL BAKKEN	ET	471	X AMEND	
Walter Skurten	ET	471	X	
Dwaine A. Bakken	ET	471	WITH AMENDMENT	
Bernadine L. Randall	ET	471	W/T HAGER AMENDMENT	
BILL LEE	ET	471	W/T HAGER AMENDMENT	
Tom Waterman	ET	471	W/T HAGER AMENDMENT	
Mary K. Craig	ET	471	W/T HAGER AMENDMENT	
Tom F. Mullaney	ET	471	W/T HAGER AMENDMENT	
Peter Manuel	Phillip Morris	HB202		✓
ew Smalgrub	ET	HB471	W/HAGER AMENDMENT	
Tom Schuder	MPEA	471		✓
John Jensen				
John DENHEIDER	DEPT MT DAY	202	X	
"	INDIVIDUAL MPER	471		✓
Lyle Jensen	ET	471	w/AMENDMENT	✓
Norris Moberg	ET	471		✓
WVON CARLSON	ET	471	"	
Sen Bob Williams		202	X	
George Poston	Unid Veterans Con. AMT	202	X	
John Lawton	City of Billings	HB703	✓	
Gladys Bloom	Helen			
ew Perbont	HP # 70 BITE	HB202	✓	
John E. Storn	MOPH	202	✓	
Kathy Sparr	Gladice Forward	HB202	X	
Roger Tippy	RJ Reynolds Tobacco	202		✓
Larry Nachtstein	DEPD (Request of Sparr)	471		

COMMITTEE ON Taxation

VISITORS' REGISTER

NAME	REPRESENTING	BILL #	Check One	
			Support	Oppose
Larry Reining	Equity in Taxation	471	X	
Jim McIVER	EQUITY IN TAXATION	471	X	
Chuck Wirth	Equity in Taxation	471	XX	
HERB BEVAN	ET	471	XX	
ELLEN WALKER	ET	471	X	
GREGG HAMLIN	E. T.	471	X	
Ward J. Soules	E. T.	471	X	
Jane D. Foster	E. T.	471	X	
LOU MARQUARDT	E. T.	471	X	
ED SHERIDAN	1731 FIFTH WALKER	471	✓	
Lloyd C. Lamb, Sr.	E. T.	471	X	
Tom F. Mullaney	"	471	X	
Rep. M. Wilson	Robert M. Wilson	471	X	X
John Gudum	Nelson Mt	HB 202	X	X
Ray Manson	American Legion	HB 202	X	X
John A. Tolson	VFW	HB 202	X	X
Rev. A. Young	Equity in Taxation	471	X	
E. D. Dierkes	Equity in Taxation	471	X	
R. D. Douse	ET	471	X	
John Johnson	SELF	202	X	
Bob F. ...	U.S. West Comm.	471	X	
Maile ...	" " "	471	X	
MILLIE McGRATH	LEWIS & CLARK CLUB	791	X	X
Beverly Dixon	MAAO	791	X	
		✓		
	X WITH AMENDMENT			

