

MINUTES

MONTANA SENATE 51st LEGISLATURE - PRE-SPECIAL SESSION

COMMITTEE ON TAXATION

Call to Order: By Senator Bob Brown, Chairman , on June 15, 1989, at 3:30 p.m.

ROLL CALL

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

Members Excused: Senator Harp

Members Absent: None

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

Announcements/Discussion:

Senator Brown announced he would like to review Senator Meyer's bill, LC0007, so that it can have a formal hearing before the committee Monday (June 19, the first day of special session) and, if possible, be acted upon that day.

There was a wide ranging discussion on the proposed bill which covered most aspects of the retirement exemption issue. (Because the bill had an extensive formal hearing on Monday, June 19, these minutes will reflect only a brief overview of the discussion.)

Senator Eck expressed concern that every person over age 62 who receives more than minimum wage income will receive \$18,000 to \$26,000 of exempt income. She felt this was an extremely large amount for the state to absorb. She said Representative Cohen's proposal will consider increasing state employees pensions enough to cover the tax they would have to pay if their pension is no longer exempt. She said another alternative is to treat the retirement income the same as social security and tax half of it if your retirement income is over \$32,000.

Senator Brown noted the bill would cost approximately \$8 million a year if the private annuities and investments are included in its provisions.

Senator Gage noted the first thing that has to be decided is whether everyone is going to be treated fairly, or if we are going to pick and choose.

Senator Norman asked if private retirees, those with a private IRA, those who may have sold a business or ranch and are living on the interest income, or who have devised their own private retirement income through investments are included.

Senator Brown felt the bill should include everyone with every type of retirement income. However, he felt if we are going to do that, then a reasonable limit of some sort needs to be established on the amount of income that is exempt.

Steve Bender, Department of Revenue, stated with an \$18,000 indexed exemption the fiscal impact would be \$4 million a year with just pension income included; \$8 million a year if dividend and interest income is included.

Senator Eck pointed out state employees have always understood their retirement income would not be taxed as part of their entire employment package. If we start taxing them, after not having done so for so many years, the public employees may well challenge it in court. She said there are approximately 9600 public retirees in the state and the average retirement benefits are \$3600.

Senator Mazurek presented the committee with a sheet indicating possible revenue enhancers for the 1991 biennium (Exhibit #1).

ADJOURNMENT

Adjournment At: 4:48 p.m.



SENATOR BOB BROWN, Chairman

BB/JDR

SSMIN315.STAX

ROLL CALL

TAXATION

COMMITTEE

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Date 6/15/89

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.

POSSIBLE REVENUE ENHANCERS FOR 1991 BIENNIUM

(in million \$--total revnue)

	FY90	FY91	Biennium
4% Luxury tax (SB462)	\$19.23	\$26.42	\$45.65
10% Surtax	25.66	27.47	53.13
Eliminate federal tax deduction	63.95	68.07	132.01
Divert revenue flow into education trust	4.02	3.56	7.58
Divert revenue flow into park acq. trust	1.01	0.89	1.90
Spend 15% coal tax interest(1)	6.21	6.57	12.78
Accelerate corp tax payments(SB423)(2)	8.00	14.55	22.55
Accelerate income tax payments(SB424)(2)	25.54	1.62	27.16
Education trust balance & surplus(2)(3)	24.50	0	24.50

1)May be reduced \$2 million during biennium by HB759

2)"One-time" revenue

3)Used in HB618(vetoed) to fund FY90-91 foundation program