

MINUTES

MONTANA SENATE 51st LEGISLATURE - SPECIAL SESSION

COMMITTEE ON TAXATION

Call to Order: By Senator Bob Brown, on June 20, 1989, at
8:17 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

DISPOSITION OF SENATE BILL 4

Discussion:

Senator Brown said the meeting was being held to reconsider
and clarify the action taken on Senate Bill 4 at the
June 19 meeting.

Senator Mazurek MOVED to reconsider the action taken on
Senate Bill 4. The motion CARRIED unanimously.

Senator Brown noted a transcript of the action taken on
Senate Bill 4 on Monday had been distributed to the
members of the Committee (Exhibit #1).

Amendments and Votes:

Senator Norman MOVED that "in the bill, \$18,000 be the
figure we use, and there is an exemption for everybody
under \$18,000. Furthermore, that the bill would not
apply to anybody until they are 62 years of age".

Senator Norman said his intent on Monday was to reflect the

\$18,000 exemption limit and age 62 for everyone wherever it applied in the bill.

Senator Eck said it was her understanding that if the bill was passed with \$18,000 as the absolute limit, something would have to be amended in the tiers. As the bill is now written, the exemption can work up to \$26,000.

Senator Mazurek said he had misunderstood the motion on Monday. He thought the motion was as the bill as written in the sense that pensions were exempt. He did not realize the public, state, and private pensions would not be exempt until the pensioner reached age 62. Senator Mazurek pointed out taking the tiers out of the bill would be the ultimate unfairness. Prior to 1985, public retirees contributed with aftertax dollars. That money was taxed before it went in, now we are going to tax it when it comes out. That amounts to double taxation.

Senator Brown said the state public employees are not taxed now. With the adoption of Senator Norman's amendment if they retire at age 55 their income will be taxed until they reach age 62. Senator Brown felt we have more of an obligation to the state employees than that. He suggested keeping the \$18,000 limit, amending page 2, sub 6, to reflect the \$18,000 figure instead of the \$12,000 adjusted for inflation, leaving the sunset provision in, and leaving the tier 1 and tier 2 provisions in the bill. He felt the private retirees without pensions could be dealt with separately. Senator Brown said it was his understanding that the \$18,000 figure was set as a way of keeping state retirees from having to pay any taxes. If they have to wait until they are age 62 they will be taxed.

As a substitute motion, Senator Halligan MOVED to amend the bill as per Senator Norman's amendments with the addition of tier 1 benefits. This would have the effect of granting an \$18,000 exemption to everyone at age 62 with the exception of the public employees who are subject to tier 1.

The motion CARRIED unanimously.

Senator Norman moved to amend the bill with the sunset provision and the exclusion of railroad retirement and social security benefits as per the amendments adopted in the Monday action on the bill (see attached committee report Exhibit #2, amendments #2, #14, and #23).

The motion CARRIED unanimously.

Senator Eck MOVED to strike subsection d, page 6, dealing with annuities and dividends over age 62. She pointed out this would save \$4 million.

Senator Norman expressed concern about the middle class wage earner who has been self-employed and whose retirement is based solely on savings, dividends, and annuities.

Senator Mazurek said this section is adding a whole new deduction and has double the impact of what we are currently doing in the state. He added, however, the fairness of it cannot be argued.

Senator Eck said the Fiscal Analyst's Office feels the \$4 million impact is very, very low and what it really means is that no one over age 62 will pay any income tax in Montana. It would be easier and better to just say no one over 62 has to pay income tax in Montana because, she felt, that is what is being done with the bill.

The motion FAILED on a roll call vote.

Senator Crippen MOVED that the tier 1 provisions be applicable to qualified private people (as the bill was originally written).

The motion CARRIED with Senator Eck voting no.

Senator Eck asked that a fiscal note be requested.

Recommendation and Vote:

Senator Halligan MOVED SB 4 Do Pass As Amended.

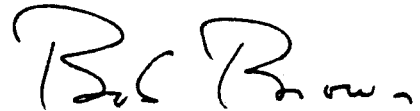
Senator Brown asked Jeff Martin to review for the Committee the changes in the bill as it stands.

Jeff Martin said tier 1 remains the same, tier 2 changes to a flat \$18,000. The \$800 interest exclusion and railroad retirement and social security benefits are deleted, the 62 age limit is added to the bill, and the adjustment for inflation is eliminated.

The motion CARRIED on a roll call vote (Exhibit #4).

ADJOURNMENT

Adjournment At: 8:45 a.m.

A handwritten signature in dark ink, appearing to read "Bob Brown", is written above a horizontal line.

SENATOR BOB BROWN, Chairman

BB/jdr

Min620.jdr

TAXATION

COMMITTEE

5^{PM} LEGISLATIVE SESSION -- 1989Date 6/20/891st Special Session

NAME	PRESENT	ABSENT	EXCUSED
SENATOR BROWN	X		
SENATOR BISHOP	X		
SENATOR CRIPPEN	X		
SENATOR ECK	X		
SENATOR GAGE	X		
SENATOR HAGER	X		
SENATOR HALLIGAN	X		
SENATOR HARP	X		
SENATOR MAZUREK	X		
SENATOR NORMAN	X		
SENATOR SEVERSON	X		
SENATOR WALKER	X		

Each day attach to minutes.

SENATE STANDING COMMITTEE REPORT

DATE

BILL NO.

June 20, 1989

MR. PRESIDENT:

We, your committee on Taxation, having had under consideration SB 4 (second reading copy -- yellow), respectfully report that SB 4 be amended and as so amended do pass:

1. Title, line 7.

Following: "BENEFITS"

Insert: "FOR PERSONS 62 YEARS OF AGE OR OLDER"

2. Title, line 21.

Following: "DATE"

Insert: "AND A TERMINATION DATE"

3. Page 2, line 11.

Following: "annuity"

Strike: "received"

4. Page 2, line 17.

Strike: "twelve thousand dollars"

Insert: "\$18,000"

Following: "benefits"

Strike: ", adjusted by"

5. Page 2, lines 18 and 19.

Following: line 17

Strike: line 18 through "15-30-101(8)," on line 19

6. Page 2, line 22.

Strike: "subject"

Insert: "limited"

Following: "to"

Strike: "the following limitations:"

7. Page 2, line 23 through page 3 line 3.

Strike: subsection (a) in its entirety

8. Page 3, line 4.

Strike: "(b) for"

Following: "older"

Strike: ", "

Insert: "."

9. Page 3, line 5.

Following: line 4

Strike: "the"

Insert: "The"

10. Page 3, line 6.

DATE 6/30/89
BILL NO. SB4
Page 2 of 3
June 20, 1989

Strike: "(i)"
Insert: "(a)"

11. Page 3, line 8.
Strike: "(ii)"
Insert: "(b)"

12. Page 6, line 4.
Following: "(13)"
Insert: "(a) Except as provided in subsection (13)(b)."
Strike: "Pension"
Insert: "pension"

13. Page 6, line 5.
Strike: "(a)"
Insert: "(i)"

14. Page 6.
Following: line 11
Insert: "(b) For the purposes of this subsection (13), pension or annuity does not include benefits received under social security or railroad retirement."

15. Page 6, line 12.
Strike: "(b)"
Insert: "(ii)"

16. Page 6, line 15.
Strike: "(c)"
Insert: "(iii)"

17. Page 6, line 20.
Strike: "(d)"
Insert: "(iv)"

18. Page 6, line 21.
Strike: "(i)"
Insert: "(A)"

19. Page 6, line 23.
Strike: "(ii)"
Insert: "(B)"

20. Page 8, line 23 through page 9, line 1.
Strike: subsection (b) in its entirety
Renumber: subsequent subsections

21. Page 9, line 2.
Following: "all"

DATE 6/20/89
BILL NO. SB 2
Page 3 of 3
June 20, 1989

Insert: "for taxpayers 62 years of age or older,"

22. Page 13,, line 13.

Strike: "(2)(f)"

Insert: "(2)(e)"

23. Page 25.

Following: line 2

Insert: "NEW SECTION. Section 19. Termination. [This act]
terminates January 1, 1991.

DO PASS AS AMENDED

DO NOT PASS AS AMENDED

Signed: Bob Brown

Bob Brown, Chairman

DATE 6/20/89

BILL NO. SB 4

Senator Norman: "I make - repeat the motion, only make it \$18,000."

Senator Brown: "\$18,000 for everybody."

Senator Mazurek: "The bill as is."

Senator Norman: "Yeah."

Senator Brown: "Just - So, would we recognize your motion as Do Pass on the bill as is?"

Senator Norman: "Yeah, if that's clear with everybody."

Senator Brown: "Senator Norman has moved that we recommend SB #4 Do Pass. Is there discussion on that motion?"

Senator Mazurek: "I should know this, and I think I do, it's my understanding the impact of this is \$4.1 million for public and an additional \$4 million for private. Is that right?"

Director Nordtvedt: "No, well, there's three parts. It's \$2.6 just to include federal civil service. Another \$1.4 to include federal military and private - that's the first \$4. And another \$4 to include dividends and interests for people over 62."

Senator Norman: "How about the state employees - what are they.."

Director Nordtvedt: "They're already exempted. And we're literally tagging this so that 99.9% of their income is still exempt."

Senator Norman: "So those numbers you mentioned there - what does that come to?"

Director Nordtvedt: "\$8"

Senator Mazurek: "I guess - I had asked and they ran some numbers for me based on exclusion levels, but I assume that's only - I guess I don't know what the effect of it is."

Director Nordtvedt: "It's very insensitive. You can change an exclusion level and it hardly changes the revenues. I mean, they literally change by a few hundred thousand until you string the exclusion level way down - essentially start to tax a big share of every new retiree in the state. In other words, it's pretty flat because there's very few people at these levels - most of the pensions are much smaller than the levels. These levels were set so that the vast majority of the people retiring this year, next year, and the next year after, maintain their tax exemption."

Senator Norman: "Mr. Chairman, I sort of agreed that my motion is the same as the bill. Well, it's 62 years and \$18,000, and it's private as well as public. But it probably shouldn't be considered the same as the bill because there is some features in the bill that, uh, that you might want to further amend that have nothing to do with the 62 or the \$18,000 and maybe Senator Crippen, for instance, wanted to put a sunset on or something and that could be argued, but that should be amended in the bill. It shouldn't really be included in this motion."

Senator Brown: "OK. Senator Crippen?"

Senator Crippen: "That's fine. I'll wait then. I'll make another motion to put a sunset on it."

Senator Brown: "You can do it if you want to do it now."

Senator Crippen: "Well, not with his motion. He didn't want that and that's fine."

Senator Brown: "Oh, you don't want it."

Senator Norman: "Why don't we just take the \$18 and the 62 and pass that and then if you want - if you're going to - and then if you want to amend the bill, well, fine."

Senator Brown: "OK."

Further discussion about a study, etc.

Senator Brown: "Further discussion. Bill, do you want to close?"

Senator Norman: "No, that's fine. You're voting on 62 and \$18,000."

Senator Brown: "What I've got here is Senator Norman's motion to exempt all public retirement income up to a level of \$18,000. And private retirement income as defined in this bill up to \$18,000 beginning at age 62."

Senator Norman: "OK"

Senator Brown: "You've heard the motion. Secretary will call the role."

Senator Mazurek: "Which is... the amendment - that's the sunset?"

Senator Norman: "No, no, that has nothing to do with the sunset."

SENATE TAXATION

EXHIBIT NO. 1 p 3

DATE 6/26/89

BILL NO. SB 4

Someone: "That's the bill."

Senator Norman: "That isn't even the bill.. this is just the"

Senator Brown: "By your vote of 8 to 4 the motion's passed. Are there further motions on the bill?"

Senator Mazurek: "Now wait a minute, I think you have some confusion here."

Senator Severson: "No, no, that was Doc's amendment. Right?"

Senator Norman: "Yeah, what that motion was was for 62 years and \$18,000. And I think Crippen wants to put an amendment in the bill and that's his business and that's fine and so it isn't the bill - you've merely voted on a concept which is in this bill and you've agreed to it, but now you may want to change how you define an annuity, whether there's a sunset, all kinds of other things - you haven't had the bill yet."

Senator Brown: "OK, are there further motions on the bill?"

Senator Crippen: "Mr. Chairman, I would move that we place a sunset provision in there mumble, mumble, tax years ending December 31st, 1990." CARRIED

further discussion....

Senator Gage: "Mr. Chairman, I would move that we amend this bill on page 6, line 4, after "annuity" to insert " except social security and army retirement".

Discussion about where to put it -- decides to put it somewhere in sub A so that it is not included.

CARRIED

Senator Gage: "Subject to taxation by Montana" would indicate to me that you under the current code - those of a certain age get an \$800 exemption. That would indicate to me that you get that \$800 as well. And Director Nordtvedt indicated that was not their intention. So I would, however it can be accomplished, if we have to put that section of the code in here or if its already in here, I'm not sure, but that \$800 interest exclusion be eliminated because it's already provided for under this section."

Senator Brown: That's just purely a clean-up provision, isn't it Del?"

more discussion CARRIED

SENATE TAXATION

EXHIBIT NO. 1 2.11

DATE 6/24/84

BILL NO. 5134

Director Nordtvedt: "I have a question? I'm trying to understand Senator Norman's motion... is the net effect of your motion that we will start to tax state pensions if the pensioner is under 62?"

Senator Norman: "No, No."

Director Nordtvedt: "So then it's as the bill is written."

Senator Norman: "As it is written as it relates to 62 and \$18,000 but nothing else."

Senator Gage motion Do Pass As Amended.
FAILED.

Amended copy

SENATE TAXATION

EXHIBIT NO. 2

DATE 6/30/89

BILL NO. SB 4

SENATE STANDING COMMITTEE REPORT

June 20, 1989

MR. PRESIDENT:

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1. Title, line 7.

Following: "BENEFITS"

Insert: "FOR PERSONS 62 YEARS OF AGE OR OLDER"

2. Title, line 21.

Following: "DATE"

Insert: "AND A TERMINATION DATE"

3. Page 2, line 11.

Following: "annuity"

Strike: "received"

4. Page 2, line 17.

Strike: "twelve thousand dollars"

Insert: "\$18,000"

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5. Page 2, lines 18 and 19.

Following: line 17

Strike: line 18 through "15-30-101(8)," on line 19

6. Page 2, line 22.

Strike: "subject"

Insert: "limited"

Following: "to"

Strike: "the following limitations:"

7. Page 2, line 23 through page 3 line 3.

Strike: subsection (a) in its entirety

8. Page 3, line 4.

Strike: "(b) for"

Following: "older"

Strike: ", "

Insert: "."

9. Page 3, line 5.

Following: line 4

Strike: "the"

Insert: "The"

10. Page 3, line 6.

Strike: "(i)"

Insert: "(a)"

11. Page 3, line 8.

Strike: "(ii)"

Insert: "(b)"

12. Page 6, line 4.

Following: "(13)"

Insert: "(a) Except as provided in subsection (13)(b),"

Strike: "Pension"

Insert: "pension"

13. Page 6, line 5.

Strike: "(a)"

Insert: "(i)"

14. Page 6.

Following: line 11

Insert: "(b) For the purposes of this subsection (13), pension or annuity does not include benefits received under social security or railroad retirement."

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Strike: "(b)"

Insert: "(ii)"

16. Page 6, line 15.

Strike: "(c)"

Insert: "(iii)"

17. Page 6, line 20.

Strike: "(d)"

Insert: "(iv)"

18. Page 6, line 21.

Strike: "(i)"

Insert: "(A)"

19. Page 6, line 23.

Strike: "(ii)"

Insert: "(B)"

20. Page 8, line 23 through page 9, line 1.

Strike: subsection (b) in its entirety

Re-number: subsequent subsections

June 20, 1989

21. Page 9, line 2.

Following: "and"

Insert: "for taxpayers 62 years of age or older,"

22. Page 13, line 13.

Strike: "(2)(f)"

Insert: "(2)(e)"

23. Page 25.

Following: line 2

Insert: "NEW SECTION. Section 19. Termination. [This act]
terminates January 1, 1991.

DO PASS AS AMENDED

Signed: Bob Brown
Bob Brown, Chairman

SENATE TAXATION

EXHIBIT NO. 3DATE 6/20/89BILL NO. SB 4ROLL CALL VOTESENATE COMMITTEE TAXATIONDate 6/20/89 SENATE Bill No. 4 Time 8:36

NAME	YES	NO
SENATOR BROWN		X
SENATOR BISHOP		X
SENATOR CRIPPEN		X
SENATOR ECK	X	
SENATOR GAGE		X
SENATOR HAGER		X
SENATOR HALLIGAN	X	
SENATOR HARP		X
SENATOR MAZUREK	X	
SENATOR NORMAN		X
SENATOR SEVERSON		X
SENATOR WALKER	X	

Jim C. Brown
SecretarySENATOR BOB BROWN
ChairmanMotion: by Senator Eck to strike
subsection d, page 6.Failed

ROLL CALL VOTE

SENATE TAXATION

EXHIBIT NO. 4

DATE 6/20/89

BILL NO. SB4

SENATE COMMITTEE TAXATION

Date 6/20/89 Senate Bill No. 4 Time 8:48

NAME	YES	NO
SENATOR BROWN	X	
SENATOR BISHOP	X	
SENATOR CRIPPEN	X	
SENATOR ECK		X
SENATOR GAGE	X	
SENATOR HAGER	X	
SENATOR HALLIGAN	X	
SENATOR HARP		X
SENATOR MAZUREK		X
SENATOR NORMAN	X	
SENATOR SEVERSON	X	
SENATOR WALKER		X

Bill Robinson
Secretary

SENATOR BOB BROWN
Chairman

Motion: my Senator Halligan that
SB4 DPRA

CARRIED