

MINUTES

MONTANA SENATE 51st LEGISLATURE - SPECIAL SESSION

COMMITTEE ON TAXATION

Call to Order: By Senator Bob Brown, Chairman, on June 21, 1989, at 8:30 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 SENATE BILL 3

Presentation and Opening Statement by Sponsor:

Senator Gage, District 5, sponsor, said the bill is a proposed referendum to amend the Constitution of the state of Montana for spending limitations. It has provisions for emergency exceptions and also allows for adjustments based on changes in the cost of living, population, and the real income of Montana residents. He said his constituents want this legislation as do people all across the state. The Governor has said he wants this bill and if it doesn't pass, he has indicated he will push for an initiative.

List of Testifying Proponents and What Group they Represent:

Tom Hopgood, Montana Association of Realtors
James Tutweiler, Montana Chamber of Commerce
Charles Brooks, Montana Retailers Association
Jerry Jack Montana Stockgrowers and Montana Farm Bureau
Marvin Barber, Agricultural Preservation

List of Testifying Opponents and What Group They Represent:

None

Testimony:

Tom Hopgood, Montana Association of Realtors, said his organization philosophically supports the bill. Spending is out of control and this is a measure to get some control and stability back into government spending.

James Tutweiler, Montana Chamber of Commerce, said polls of their membership have consistently shown this to be a number one concern of businesses throughout the state. Current economic conditions in Montana dictate the necessity of this legislation at this time.

Charles Brooks, Montana Retailers Association, said as he travels the state he finds small businesses all want spending and costs of government controlled.

Jerry Jack, Montana Stockgrowers and Montana Farm Bureau, expressed support for the bill.

Marvin Barber, Agricultural Preservation, expressed support for the bill.

Senator Eck, District 40, said she does not object to the concept of the bill, however, she felt the language was not appropriate for the Constitution. She presented the committee members with a draft proposal containing the constitutionally appropriate language (Exhibit #1). She said if the issue is put on the ballot, it should be put on in proper form.

Questions From Committee Members:

Senator Eck felt it is important to see how the various school funding proposals and the current Foundation Program expenditures fit into these spending limitations.

Senator Brown said the committee needs to review the 1981 statute and see if that needs to be amended to address the concerns about school funds exceeding the spending limitations.

Closing by Sponsor:

Senator Gage said the people do not trust the legislature to keep limitations in place when all they have to do is change the statute. He felt it needs to be a constitutional provision and told the committee he feels the electorate will pass it three votes to one given the opportunity.

HEARING ON SENATE BILL 6

Presentation and Opening Statement by Sponsor:

Senator Crippen, District 45, said the bill has been introduced at the request of the Governor. He pointed out it is very similar to Senate Bill 263 of the regular session. SB 6 allows application of an inflation factor to capital gains or losses for tax purposes. The primary feature of the bill is the inflation factor to be used by the Department of Revenue is determined by dividing the consumer price index of June of the taxable year by the consumer price index of June, 1988. If the asset is acquired after 1988, the consumer price index of the year it is acquired would be used. Senator Crippen noted trending is something the Department has done with real property and this is a trending mechanism which can be used on capital gains.

List of Testifying Proponents and What Group they Represent:

Steve Bender, Deputy Director, Department of Revenue

List of Testifying Opponents and What Group They Represent:

None

Testimony:

Steve Bender, DOR, said the Department drafted this legislation and supports it. Capital gains are unfairly taxed now and this will remove the tax on the inflationary component. He noted this is being discussed on the federal level currently as an alternative to a blanket exclusion.

Questions From Committee Members:

Senator Norman asked if there is any estimate of cost.

Mr. Bender replied there will be no cost the first year. The second year will cost \$250,000 as it is phased in. It may take 30 years to fully phase in. Given historical date, the full impact over that time period could be \$6-\$8 million.

Senator Eck asked Mike Holland what the CPAs think of the bill.

Mike Holland replied the CPA Society is concerned about obtaining the information. He said the computations would be relatively easy.

Senator Gage said that problem already exists and this bill would not add to it. In fact, there will be no problem with property acquired after 1988 at all.

Mr. Holland said if that is so, they would have no problem with it.

Closing by Sponsor:

Senator Crippen closed by noting the bill is within the call of the special session as it deals with a provision of income tax reform as requested by the Governor. He said the 1988 start-up minimizes the fiscal impact. The bill affects everyone as everyone has a capital asset. The ravages of time have taken their toll on capital gains over time and this bill will help cure that situation.

ADJOURNMENT

Adjournment At: 9:15 a.m.



SENATOR BOB BROWN, Chairman

BB/jdr
MIN621.jdr

TAXATION

COMMITTEE

51ST LEGISLATIVE SESSION -- 1989Date 6/21/89

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.

Unproofed Draft

Printed 3:40 pm on June 20, 1989

SENATE TAXATION

EXHIBIT NO. 1

DATE 6/21/89

BILL NO. LC124 3

*** Bill No. *****

Introduced By *****

By Request of *****

A draft for a bill entitled: "An act to submit to the qualified electors of Montana an amendment to Article viii, section 9 of the Montana Constitution to provide a limit on the growth of state general fund expenditures unless general fund expenditures in excess of the limit are approved by a two-thirds vote of the legislature."

Be it drafted for sponsor approval

Section 1. Article 8, Section 9, of The Constitution of the State of Montana is amended to read:

"Section 9. Balanced budget--expenditure limit. (1) Appropriations by the legislature shall not exceed anticipated revenue.

(2) General fund expenditures for a biennium shall not increase by more than the percentage increase in personal income for the previous biennium unless authorized by a two-thirds vote of all the members of the legislature, whether one or more bodies. The legislature shall provide by law the method for determining the growth in personal income. This subsection does not apply to payments for state debt, inter-agency transfers, or

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Printed 3:40 pm on June 20, 1989

SENATE TAXATION

EXHIBIT NO. 1

DATE 6/31/89

BILL NO. SB3

expenditures mandated by the federal government.

NEW SECTION. Section 2. Submission to the electorate.

This amendment shall be submitted to the qualified electors of Montana at the general election to be held in November 1990 by printint on the ballot the full title of this act and the following:

FOR placing a limit on the growth of state general fund expenditures.

AGAINST placing a limit on the growth of state general fund expenditures.

-END-

LC124

Machine ID m5009

DATE 6/24/89

COMMITTEE ON Taxation

VISITORS' REGISTER

[illegible]

(Please leave prepared statement with Secretary)