

MINUTES

MONTANA SENATE 51st LEGISLATURE - SPECIAL SESSION

COMMITTEE ON TAXATION

Call to Order: By Senator Bob Brown, Chairman, on Tuesday,
July 11, 1989, at 9:00 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

DISPOSITION OF HOUSE BILL 5

Recommendation and Vote:

Senator Eck MOVED to take HB 5 from the table. The motion
CARRIED with Senators Walker and Norman voting no.

Senator Eck MOVED HB 5 Be Concurred In As Amended. Senator
Eck explained the bill, as she understands it, starts
the exemption at \$12,000 which is then indexed to
\$18,000 for private, federal, and state retirees. She
felt there has been a commitment to state employees and
that should not be revoked. The additional cost of
providing the exemption to the private pensioners is
\$1.4 million a year.

Senator Walker said taxation should be an instrument of
fairness. Everyone should get the same break. He said
he did not feel the promise to state employees could be

broken but reminded the committee this is a very complex issue. He expressed concern over the dividend and interest issue and the private retiree such as a farmer or rancher.

Senator Eck added the cost of doing nothing would amount to \$2.6 million a year. She noted the study was dropped from the bill in previous action.

The motion that HB 5 Be Concurred In As Amended CARRIED on a roll call vote (Exhibit #1).

DISPOSITION OF SENATE BILL 8

Amendments and Votes:

Senator Walker MOVED to amend the bill by exempting all licensed brokerage commissions as reflected elsewhere in statute. The motion CARRIED unanimously.

No further action was taken on the bill.

PRESENTATION

Senator Brown introduced Larry Dodge, Helmville, to the committee. Mr. Dodge had asked to make a presentation on sale of state land to finance education.

Mr. Dodge said his proposal would generate approximately an additional \$40-\$50 million per year to fund schools by beginning to sell state lands and putting the proceeds into an inviolable trust. He said there are approximately 550 million acres of state land variously worth \$50 to \$2000 an acre. By averaging at \$200 an acre the proceeds would generate \$1 billion. That would net approximately \$90 to \$100 million a year. He said currently state leases generate about \$44-\$45 million per year.

Mr. Dodge pointed out nature conservancy groups are creating a new brand of land purchaser as well as those groups who are purchasing easements such as mining, oil, and/or grazing rights. Various easements on property could generate more money than outright sales.

Side benefits to the sale of the land would be a sunseting of the Department of State Lands, solving of the state land access problem, and reduction of the state fire liability.

In addition, it would put land on the tax rolls that has not previously been there thereby increasing the tax base.

Senator Brown asked if this would include state park lands, fishing accesses, cabin leases, etc.

Mr. Dodge replied those factors would all have to be considered and admitted it is a far ranging problem which would take a lot of work and study.

Senator Bishop objected strenuously to the idea saying he felt it was the stupidest proposal he had ever heard.

ADJOURNMENT

Adjournment At: 9:50 a.m.



SENATOR BOB BROWN, Chairman

BB/jdr

MIN711.jdr

ROLL CALL

TAXATION

COMMITTEE

~~50st~~ LEGISLATIVE SESSION -- 1989

Date 7/11/89

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

Each day attach to minutes.

SENATE COMMITTEE OF THE WHOLE AMENDMENT

July 12, 1989 11:26 am

Mr. Chairman: I move to amend HB 5 (third reading copy -- blue) as follows:

1. Strike Senate Committee on Taxation amendments 1, 2, and 3, dated July 11, 1989.

2. Title, line 5.

Following: "BENEFITS"

Insert: ", AFTER ADJUSTMENT FOR INFLATION,"

3. Title, line 7.

Following: "SYSTEMS;"

Insert: "TO EXCLUDE FROM TAXATION AN AMOUNT OF BENEFITS BASED UPON THE PERCENTAGE OF YEARS IN WHICH THE EMPLOYEE PAID INCOME TAXES ON THE CONTRIBUTIONS TO THE PENSION OR ANNUITY;"

4. Page 1.

Following: line 17

Insert: "NEW SECTION. Section 1. Determination of retirement benefits exempt from taxation -- limitations. (1) For the purposes of 15-30-111 and 15-30-136, the amount determined in subsection (1)(a) plus the amount determined in subsection (1)(b), subject to the limits in subsection (2), may be excluded from the amount of benefit income derived from pensions and annuities. The taxpayer is entitled to:

(a) the total amount of all Montana income tax adjustments for pensions and annuities paying benefits to the taxpayer. The tax adjustment for each pension or annuity is the amount of benefits from the pension or annuity received during the year multiplied by the product of 35% times a fraction with a numerator that is the number of years Montana income taxes were paid on contributions the employee made to the pension or annuity over a denominator that is the number of years the employee made contributions to the pension or annuity.

(b) \$12,000 in benefits, adjusted by the department of revenue by the inflation factor in 15-30-101(8), for each taxpayer regardless of the number of pensions or annuities paying benefits to the taxpayer.

(2) The allowable exclusion amount calculated in subsection (1) is limited to:

(a) the exclusion amount calculated pursuant to subsection (1); or

(b) the benefits received from pensions and annuities."

Renumber: subsequent sections

5. Page 2, lines 23 and 24.

Strike: "all" on line 23 through "received" on line 24

Insert: "the allowable exclusion amount of benefits from a pension

or annuity, determined pursuant to [section 1]"

6. Page 9, lines 15 and 16.

Strike: "all" on line 15 through "received" on line 16

Insert: "the allowable exclusion amount of benefits from a pension or annuity, determined pursuant to [section 1]"

7. Page 12, line 4.

Strike: "for"

Strike: "\$12,000"

Insert: "the exclusions provided in [section 1]"

8. Page 12, line 19.

Strike: "\$12,000"

Insert: "the exclusions provided in [section 1]"

9. Page 13, line 11.

Strike: "The first \$12,000"

Insert: "Benefits"

Strike: "is"

Insert: "are"

10. Page 13, line 12.

Following: "taxation"

Insert: "to the extent authorized under [section 1]"

11. Page 13, line 20.

Strike: "\$12,000"

Insert: "the exclusions provided in [section 1]"

12. Page 14, line 10.

Strike: "\$12,000"

Insert: "the exclusions provided in [section 1]"

13. Page 14, line 25.

Strike: "\$12,000"

Insert: "the exclusions provided in [section 1]"

14. Page 15, line 12.

Strike: "\$12,000"

Insert: "the exclusions provided in [section 1]"

15. Page 15, line 24.

Strike: "The first \$12,000 of benefits"

Insert: "Benefits"

16. Page 15, line 25.

Following: "taxation"

Insert: "to the extent authorized under [section 1]"

17. Page 16, line 10.

Strike: "The first \$12,000 of benefits"

Insert: "Benefits"

18. Page 16, line 12.

Following: "taxation"

Insert: "to the extent authorized under [section 1]"

19. Page 16, line 21.

Strike: "The first \$12,000 of benefits"

Insert: "Benefits"

20. Page 16, line 23.

Following: "taxation"

Insert: "to the extent authorized under [section 1]"

21. Page 17, line 4.

Strike: "\$12,000"

Insert: "the exclusions provided in [section 1]"

22. Page 17, lines 14 and 15.

Strike: "except" on line 14 through "\$12,000" on line 15

Insert: "to the extent authorized under [section 1]"

23. Page 17, lines 23 through 25.

Strike: "1" on line 23 through "(2)" on line 25

24. Page 18, lines 5 through 9.

Strike: subsection (b) in its entirety

Renumber: subsequent subsection

25. Page 18, lines 13 through 21.

Strike: subsection (2) in its entirety

Renumber: subsequent subsection

26. Page 18.

Following: line 25

Insert: "NEW SECTION. Section 17. Codification instruction.
[Section 1] is intended to be codified as an integral part of
Title 15, chapter 30, and the provisions of Title 15, chapter
30, apply to [section 1]"

Renumber: subsequent sections

27. Page 19, line 11.

Strike: "14"

Insert: "15"

Page 4 of 4
July 12, 1989

28. Page 19, line 12.
Strike: "15"
Insert: "16"

ADOPT

REJECT

Signed: B. C. Brown
Senator Brown

Y. C.
7/12/89
35
H. A. M.

csbLE05jm.712

ROLL CALL VOTE

SENATE TAXATION

EXHIBIT NO. 1

DATE 7/11/89

Bill No. HBS

SENATE COMMITTEE TAXATION

Date 7/11 HOUSE Bill No. 5 Time 9:38 a.m.

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

Secretary

Gill Robyans

Chairman

SENATOR BOB BROWN

Motion:

by Senator Eck that HBS
Be Concurred In As Amended