

MINUTES

MONTANA HOUSE OF REPRESENTATIVES 52nd LEGISLATURE - REGULAR SESSION

COMMITTEE ON INCOME/SEVERANCE TAX

Call to Order: By **CHAIR BOB REAM**, on January 16, 1991, at 9:05

ROLL CALL

Members Present:

Rep. Bob Ream, Chair (D)
Rep. Jim Elliott (D)
Rep. Mike Foster (R)
Rep. Bob Gilbert (R)
Rep. Jim Madison (D)
Rep. Bea McCarthy (D)
Rep. Tom Nelson (R)
Rep. Bob Raney (D)
Rep. Barry Stang (D)

Members Absent: Rep. Marian Hanson

Staff Present: Lisa Fairman, Committee Secretary

Please Note: These are summary minutes. Testimony and discussion are paraphrased and condensed.

Announcements/Discussion:

CHAIR REAM asked that the subcommittee operate on an informal basis. He asked the committee to generate good discussion and share knowledge. The first few meetings will be informational with presentations from Department of Revenue (DOR).

REP. JIM MADISON will operate as vice-chair of the committee. Meetings will not be scheduled on a regular basis until bills start being assigned to the subcommittee. Meetings will probably occur in the mornings during the regularly scheduled time for Taxation meetings. **CHAIR REAM** presented handouts to committee members for reference purposes. **EXHIBITS 1-5**. He stated the Legislative Library has a wealth of information which the committee is welcomed to access. **CHAIR REAM** stated DOR will provide an information presentation on Income Tax.

Informational Presentation:

Denis Adams - Director of DOR, **Jeff Miller** - Administrator of DOR's Income and Miscellaneous Tax Division, and **Bob Turner** - DOR Auditor, presented an overview on personal income tax. They explained how to complete the forms. **EXHIBIT 6**. **Mr. Turner** stated the single largest deduction is the federal return.

Mr. Adams said DOR will be very flexible when dealing with families of military personnel in the Gulf. DOR may need some legislation to extend the exemption for families of military personnel. Mr. Adams will investigate the need further.

Announcements:

CHAIR REAM announced the next subcommittee meeting will be January 18. DOR will present an overview on corporate tax.

ADJOURNMENT

Adjournment: 10:30 am



BOB REAM, Chair



LISA FAIRMAN, Secretary

BR/lf

HOUSE OF REPRESENTATIVES

INCOME/SEVERANCE TAX SUBCOMMITTEE

ROLL CALL

DATE 1-16-91

NAME	PRESENT	ABSENT	EXCUSED
REP. JIM ELLIOTT	X		
REP. MIKE FOSTER	X		
REP. BOB GILBERT	X		
REP. MARIAN HANSON		X	
REP. BEA MCCARTHY	X		
REP. JIM MADISON	X		
REP. TOM NELSON	X		
REP. BOB RANEY	X		
REP. BOB REAM, VICE-CHAIR	X		
REP. BARRY STANG	X		
REP. DAN HARRINGTON, CHAIR			

EXHIBIT 1

DATE 1-16-91

ISSN 0146-9002

~~H3~~ info - general

Income / Severance Tax Subcom.

Significant Features of Fiscal Federalism

Volume 1

*Budget Processes
and Tax Systems*

1990

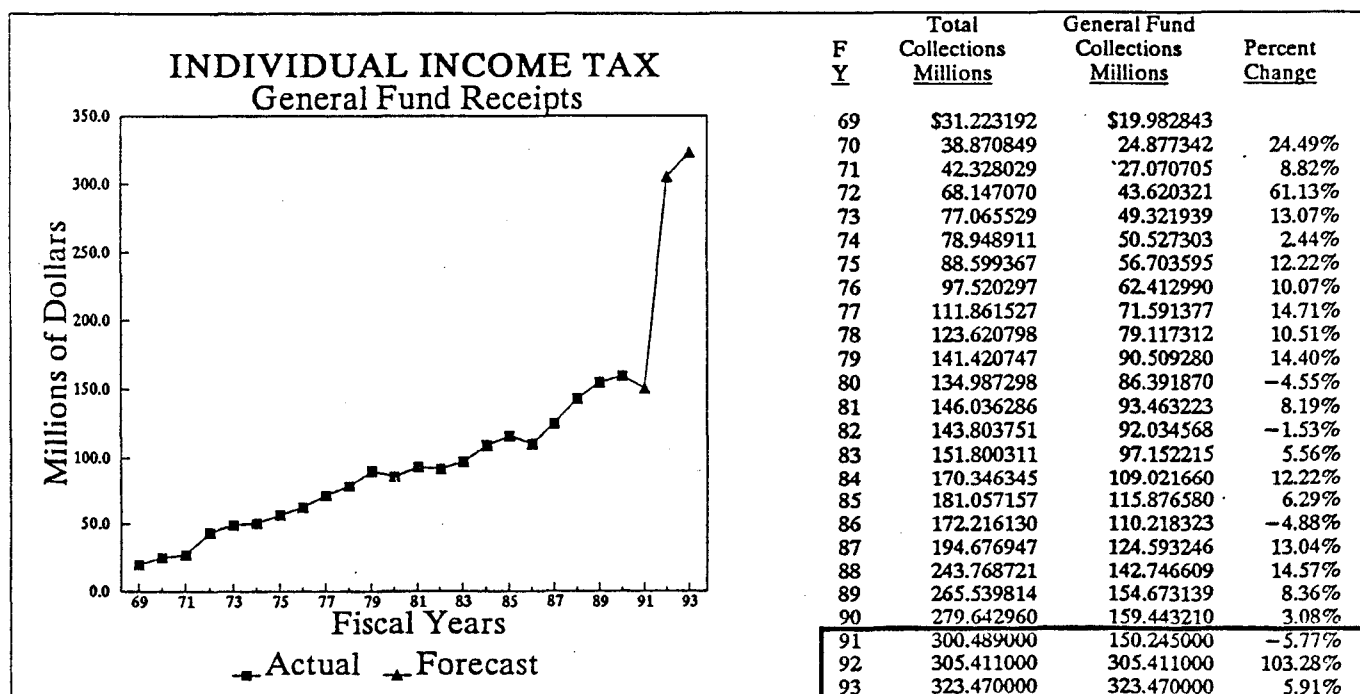
acir

Advisory Commission
on Intergovernmental Relations
January 1990 M-169

GENERAL FUND REVENUES BY COMPONENT

Table 1
 Distribution of Individual Income Tax Collections

<u>Fiscal Year</u>	<u>General Fund</u>	<u>School Equalization</u>	<u>Debt Service</u>
1975-86	64.0%	25.0%	11.0%
1987-89	58.2	31.8	10.0
1990	57.0	33.2	9.8
1991	50.0	41.3	8.7
1992 and Beyond	100.0	0.0	0.0

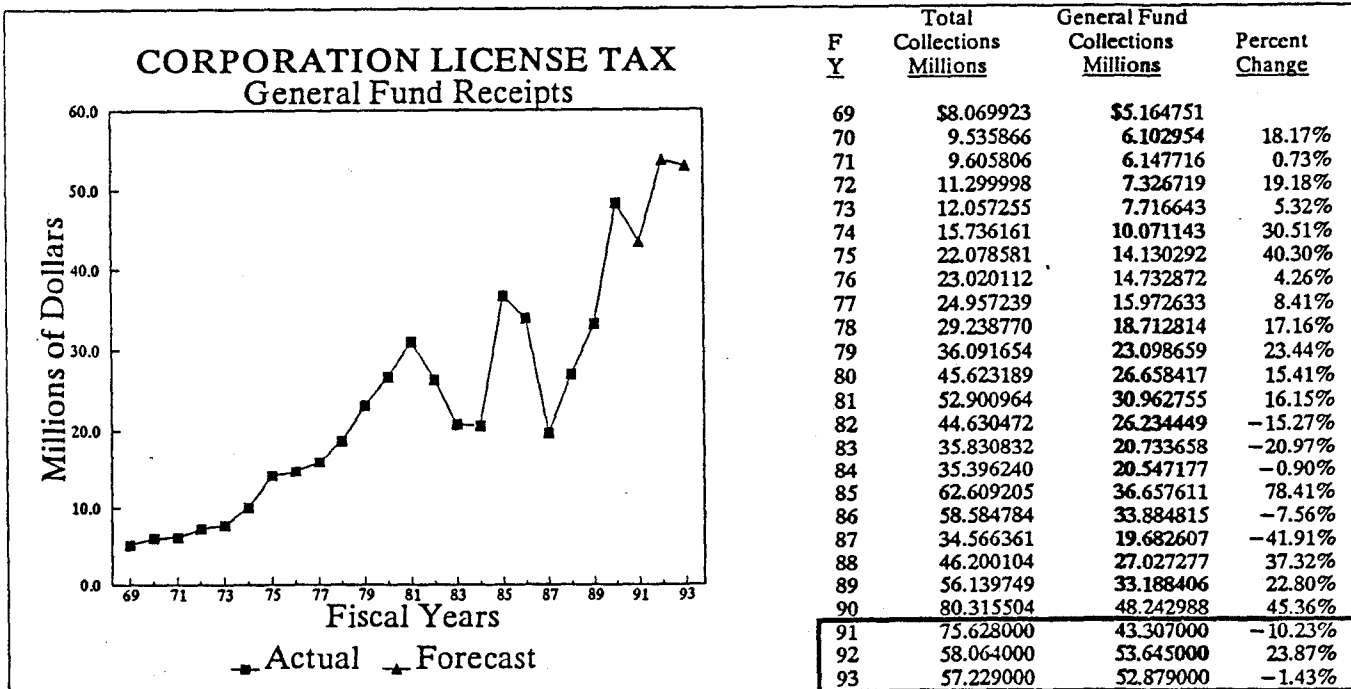


GENERAL FUND REVENUES BY COMPONENT

Table 2
Distribution of Corporation License Tax Collections*

<u>Fiscal Year</u>	<u>General Fund</u>	<u>School Equalization</u>	<u>Debt Service</u>
1975-1990	64.0%	25.0%	11.0%
1991	61.0	28.5	10.5
1992 and Beyond	100.0	0.0	0.0

*After distribution of financial institutions' corporation tax to counties.



DATE 1-16-91

Income/Severance Tax
Subcomm.

GENERAL FUND REVENUES BY COMPONENT

General Fund Revenue Estimates

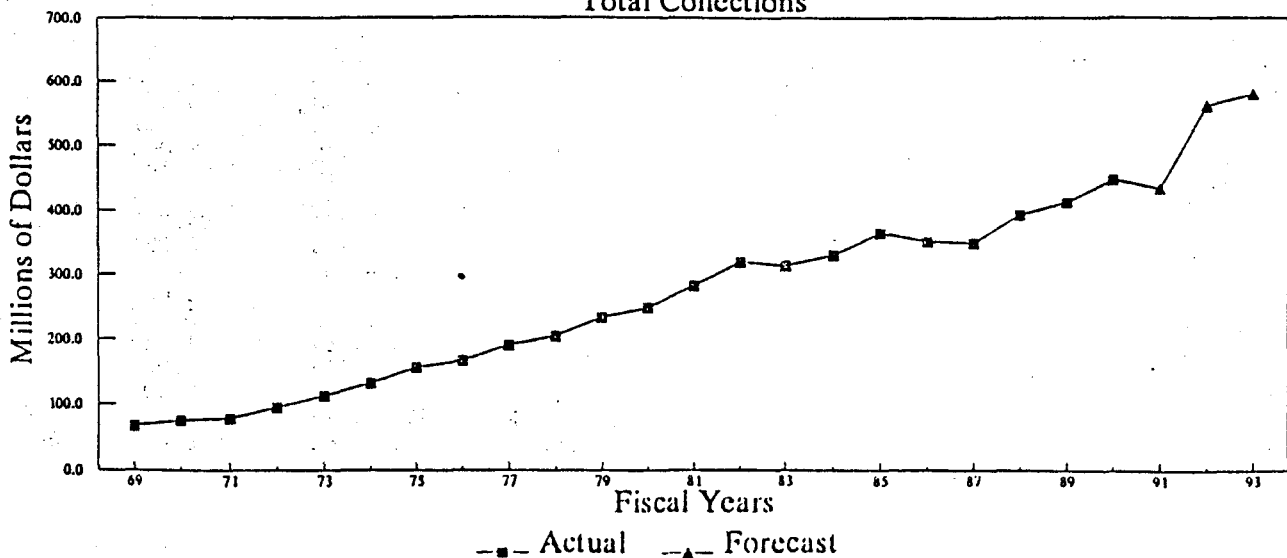
General fund revenue includes receipts from levies upon personal income, corporate income, mineral extraction, alcoholic beverage consumption, insurance premiums, and numerous other fees, fines, and taxes. Since most sources are influenced by the economic climate, forecasts formulated for these

revenues utilize the economic forecasts previously outlined.

Following are descriptions summarizing the forecast methodology used for each of the larger general fund revenue sources. Also shown are historical collections for each major source and projected revenue for the 1993 biennium.

Source of Revenue	Actual Fiscal 1990	Estimated Fiscal 1991	Estimated Fiscal 1992	Estimated Fiscal 1993	Estimated FY 90-91	Estimated FY 92-93
Individual Income Tax	\$159.443210	\$150.245000	\$305.411000	\$323.470000	\$309.688210	\$628.881000
Corporation License Tax	48.242988	43.307000	53.645000	52.879000	91.549988	106.524000
Coal Severance Tax	10.445286	7.456000	5.939000	5.913000	17.901286	11.852000
Oil Severance Tax	14.510149	20.296000	20.520000	18.081000	34.806149	38.601000
Interest on Investments	25.869827	20.235000	18.421000	17.835000	46.104827	36.256000
Long-Range Bond Excess	46.168712	43.036000	9.393000	9.335000	89.204712	18.728000
Coal Trust Interest Income	44.830283	42.473000	44.225000	45.890000	87.303283	90.115000
Insurance Premiums Tax	19.446368	18.746000	18.020000	17.395000	38.192368	35.415000
Public Institutions Reimb.	12.284668	12.205000	12.618000	13.065000	24.489668	25.683000
Liquor Profits	3.500000	8.018000	4.363000	4.302000	11.518000	8.665000
Liquor Excise Tax	5.428076	5.500000	5.710000	5.691000	10.928076	11.401000
Inheritance Tax	9.049129	9.391000	9.704000	9.969000	18.440129	19.673000
Metal Mines Tax	3.664579	3.991000	4.661000	4.460000	7.655579	9.121000
Electrical Energy Tax	4.100543	4.240000	4.239000	4.241000	8.340543	8.480000
Drivers' License Tax	0.862954	0.879000	0.882000	0.886000	1.741954	1.768000
Telephone License Tax	3.760038	3.903000	4.073000	4.209000	7.663038	8.282000
Beer License Tax	1.267950	1.264000	1.272000	1.280000	2.531950	2.552000
Natural Gas Severance Tax	1.057277	1.438000	1.634000	1.816000	2.495277	3.450000
Freight Line Tax	1.166312	1.197000	1.197000	1.193000	2.363312	2.390000
Wine Tax	0.832453	0.806000	0.785000	0.766000	1.638453	1.551000
Video Gaming Income Tax	5.302840	6.304000	6.965000	7.517000	11.606840	14.486000
Motor Vehicle Account	6.207916	6.672000	6.850000	7.033000	12.879916	13.883000
Vehicle Fees	2.661686	2.667000	2.710000	2.781000	5.328686	5.491000
Public Contractor's Tax	1.118458	1.044000	1.070000	1.067000	2.162458	2.137000
Other Revenue Sources	16.740072	16.996000	17.977000	18.527000	33.736072	36.504000
Grand Total	\$447.961774	\$432.309000	\$562.288000	\$579.601000	\$880.270774	\$1,141.889000

GENERAL FUND REVENUE Total Collections



LINE 2
DATE 1-16-91
HS N/A
Income/Severance
Tax Subcomm.

DERIVATION OF INCOME TAX LIABILITY

	Federal Adjusted Gross Income
+/-	<u>State Additions/Exclusions</u>
	Montana Adjusted Gross Income
-	Personal Exemptions
-	<u>Deductions (Standard or Itemized)</u>
	Montana Taxable Income
X	<u>Tax Rates (2% to 11%)</u>
	Tax Before Credits
-	<u>Tax Credits</u>
	Tax

State of Montana

Stan Stephens, Governor

EXHIBIT W
DATE 1-16-91
HB info



Department of Revenue

Denis Adams, Director

Income and
Miscellaneous Tax Division

Jeff Miller, Administrator

TO: Tax Practitioners and Preparers

FROM: Jeff Miller, Administrator
Income & Miscellaneous Tax Division

RE: State Individual Income Tax Forms ("Package X")

DATE: 1990 Tax Preparation Season

Due to numerous requests over the past several years, the Income Tax Division has decided to distribute, on a trial basis, the enclosed packet containing all 1990 Individual Income Tax forms. We are calling it our "Package X".

We feel the "Package X" can be economical and efficient for both tax preparers and the State. The package gives preparers a complete inventory of all individual income tax forms. All income tax forms can be duplicated and will be accepted as originals. By having a full compliment of individual income tax forms in your office, it could reduce the waiting you experience each year after you have ordered forms; it can reduce the cost of mailing forms experienced by the State and it can increase the availability of the forms to tax practitioners and their clients.

This program is experimental and may or may not be continued in future years. Therefore, we are asking for your input. What do you think of the "Package X"? Is it useful? Do you have suggestions for improvements? Let us know how you feel. We will evaluate the responses received and determine if this program is worth continuing.

Thank you.

VISITOR'S REGISTER

Income / Severance TAX

SUBCOMMITTEE

AGENCY(S) _____

DATE 1-16-91

DEPARTMENT _____

NAME	REPRESENTING	SUP- PORT	OP- POSE
<i>Samantha Sanchez</i>	<i>MAPP</i>		
<i>Devin Adam</i>	<i>DOR</i>		

IF YOU CARE TO WRITE COMMENTS, ASK SECRETARY FOR WITNESS STATEMENT.
IF YOU HAVE WRITTEN COMMENTS, PLEASE GIVE A COPY TO THE SECRETARY.