

MINUTES

MONTANA HOUSE OF REPRESENTATIVES 52nd LEGISLATURE - REGULAR SESSION

COMMITTEE ON INCOME/SEVERANCE TAX

Call to Order: By BOB REAM CHAIR, on March 18, 1991, at 9:00 a.m.

ROLL CALL

Members Present:

Rep. Dan Harrington, Chairman (D)
Rep. Bob Ream, Vice-Chairman (D)
Rep. Jim Elliott (D)
Rep. Mike Foster (R)
Rep. Bob Gilbert (R)
Rep. Marian Hanson (R)
Rep. Jim Madison (D)
Rep. Bea McCarthy (D)
Rep. Tom Nelson (R)
Rep. Bob Raney (D)
Rep. Barry Stang (D)

Staff Present: Lee Heiman, Legislative Council
Lois O'Connor, Committee Secretary

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

Announcements/Discussion: REP. REAM, CHAIR, announced the order bills would be heard: (HB 693 HB 550 HB 532).

Discussion on HB 693:

REP. THOMAS, Sponsor of HB 693, stated the bill is an incentive to get employers to insure their employees. An employer must qualify for the plan to get the tax credit. If he qualifies, he may get up to \$25 a month for each employee that he insures; but only the first 10 employees would qualify for the credit. The credit will not be a carryforward or carryback, but it would be a credit against taxes paid to the state. Full credit, under HB 693, would be 10 employees, times 25 or \$250 each month, times 12 months or a \$3,000 annual maximum credit provided the employee paid 100% of the premium. If the tax credit or liability to the state is \$1,000, then that is the maximum credit the employee may get.

Questions and Discussion from Committee:

REP. REAM asked if the employer would get a rebate. REP. THOMAS said there would be no rebates, carrybacks, or carryforwards. REP. STANG asked why there was a three year maximum credit limit, when after three years, employers can drop their insurance. REP. THOMAS stated in working with people in the insurance area, once you develop that as a benefit, it will stay as a benefit. People are dropping health insurance. Because of the rates, it is difficult to pay the premium. REP. STANG said if an employer doesn't get the credit after three years, and his rates go up, he will tell his employees that he can no longer afford the benefit and not pay it. The employee must find his own insurance. He responded that if the employee is under the basic health care plan proposed, rates would still be lower than a full plan. REP. MCCARTHY asked if in three years, the program could be looked at to see if it is working and possibly extend it. He said his interest in the three years was to make the program as affordable as possible. It was meant to be an incentive, with restrictions, so it wouldn't cost as much. REP. REAM asked if an employer gets three years, can they drop out one year and get three years coverage again, or is it three years for life. He stated there was no provision saying this is it for eternity.

REP. MCCARTHY asked if it is up to the individual or the company to drop the plan for the year and who would underwrite the program. REP. THOMAS said the employer would have to drop the plan and any insurance company wishing to sell the program would be eligible to underwrite. REP. STANG asked how many insurance companies want to be involved in this program. He replied Blue Cross Blue Shield is interested in providing this service. They have an individual policy called essential care which is a bare bones product as well. He isn't interested in many companies offering the plan. He would rather see a few good companies develop the program.

REP. REAM asked REP. THOMAS about assumption #3 of the fiscal note, in that 1% sounded low. He said the budget office, with the DOR, looked at Oregon's experience with a similar program. They found low utilization. He is hoping it will be used extensively in Montana so employees will have access to health care. In the fiscal note, if 4% utilize the program, the impact would be \$548,176; at 6% utilization, \$822,000; and 10% is \$1,370,000. There is no way to predict what will happen. Oregon's results were used to come up with what the fiscal note indicates.

REP. ELLIOTT asked how the money will be put back into the General Fund when there has been a dictum from the Governor that there will be no new taxes in the state. REP. THOMAS said calculating the net improvement in Montana's Governmental Assistance Programs, it's difficult to get an answer. He knows there will be cost savings, but is unsure how much. The Governor

has built the fiscal note into his budget. Montana spends \$150,000,000 annually on Medicaid for low income people. Medicaid is the best insurance one can be on. He hoped that the same could be done for the uninsured who don't qualify for Medicaid.

REP. ELLIOTT commented that he did not think it is a great service to the state or the United States. Austria has had a comprehensive medical plan for its citizens since 1885. The greed of the insurance industry and medical profession in the United States is a disservice to its citizens. He added that he had a difficult time with tax expenditures, and an even more difficult time with these expenditures when he is given ultimatums by the Executives. He cannot support any bill that states we cannot raise taxes to cover increased expenditures. REP. THOMAS responded that he tried to take the market system and tax code and make it work as efficiently as possible to entice employers to insure employees. He feels that HB 693 is a good proposal to help the health care field in the state.

Motion: REP. STANG RECOMMENDED HB 693 DO PASS.

Motion/Vote: REP. REAM moved to amend HB 693. On Page 5, Line 24 after 36 consecutive months insert a sub paragraph "the credit may not be claimed within 10 years following termination of coverage". Motion carried unanimously.

Discussion:

REP. MCCARTHY said the bill looked like an appropriations bill in that it removes monies from the General Fund. REP. THOMAS felt it was a tax credit; but if the committee wants to send it to appropriations, he has no objection.

REP. REAM asked if he had thought about the \$1,000 limit on Page 4, Lines 9 through 13. His concern is that an alcohol intervention cannot be done for under \$3,000. REP. THOMAS said the \$1,000 limit is not enough, but it is as generous as other state's health care product. REP. STANG asked if the limit could be raised and what the cost would be for every \$1,000 it was raised. He said he could have the numbers in a couple of days. REP. MCCARTHY said they should removed the word "lifetime" and insert "minimum yearly". She added that the word "lifetime" is as prohibitive as the \$1,000. REP. THOMAS said the original term was maximum. With the word maximum, it means that, if you sold the policy, you could sell no more. The word minimum allows you to offer more. The word "lifetime" could be taken out.

REP. REAM asked that REP. THOMAS come back Wednesday, March 20, 1991, with the information the committee wanted.

Vote: NO ACTION WAS TAKEN ON HB 693.

Discussion on HB 550:

REP. GRADY, Sponsor of HB 550, encouraged the committee to help find funding for parks which are in bad shape. He said he had visited Lewis and Clark Caverns and expressed how dirty they were. The park service is making a small attempt to clean them, but it is costly. In HB 550, money would be raised through a tax on car rentals. Most cars are rented by out of state people. They are looking for things to do that tie into the park systems. Once the parks are in shape, more advertising will be done. It will also help the car rental companies. He said there was another bill proposed; and he had spoke to the sponsor who has no problem with switching the funding for parks. He feels it is only fair that tourist pay taxes on rental cars.

Motion: REP. ELLIOTT RECOMMENDED HB 550 DO PASS.

Discussion/Question from Committee:

REP. RANEY stated if the committee is going to appropriate money for reconstruction and cleaning of parks, it should be done through the appropriations process. If the rental cars are taxed, it should go into the General Fund as stated in HB 532. There are many creative tax bill introduced that are trying to escape appropriations at a time when we can't afford our universities, schools, or senior in-home health care. He would support taking money from the General Fund for park cleaning.

REP. ELLIOTT said if we were to rely on the Appropriations Committee for economic development in the state, we would have a very hard time. The state park system is an integral approach to economic development within the state for the tourist industry. If we are going to attract people into the state, we must have something for the people to go to and see. This is an appropriate vehicle and committee to accomplish the task.

REP. MCCARTHY said she has been driving a rental car for several weeks. It has been expensive for her and her insurance company. She would not have cared for an added tax.

REP. REAM asked REP. GRADY if there were amendments. He stated the amendments were presented by the Department of Revenue. REP. REAM expressed concerns from car dealers. If the car dealers gets more than 5% of its gross business from renting fares, they would be subject to the tax. REP. NELSON expressed concerns about exempting car dealer as it would be an attack on rental car businesses. He felt it would be unfair competition. REP. GRADY said the survey indicated that most cars rented from car dealers are rented locally by local people. We didn't want to tax those cars. It is up to the committee if they want to include car dealers.

Motion/Vote: REP. NELSON moved to amend HB 550. Eliminate Lines 22, 23, 24, and 25 on Page 2. Motion carried unanimously.

Discussion:

Larry Akey, Montana Car Rental Association, stated there was a substitute amendment at the end which has an immediate effective date. He asked that the car agencies and dealerships be given more time to put HB 550 into effect if it passes.

Motion/Vote: REP. FOSTER moved the amendments presented by the Department of Revenue with the exception of the amendment on the effective date. Motion carried unanimously.

Motion/Vote: REP. STANG RECOMMENDED A SUBSTITUTE MOTION OF DO PASS AS AMENDED. Motion failed 4 to 6 with REPS. ELLIOTT, FOSTER, MADISON, and REAM voting aye.

Discussion on HB 532:

Motion/Vote: REP. STANG RECOMMENDED HB 532 DO NOT PASS. Motion carried 6 to 3 with REPS. MADISON, RANEY, and REAM voting no. REP. ELLIOTT absent.

ADJOURNMENT

Adjournment: 10:00 a.m.



BOB REAM, Chair



LOIS O'CONNOR, Secretary

BR/lo