MINUTES

MONTANA HOUSE OF REPRESENTATIVES
52nd LEGISLATURE - REGULAR SESSION

COMMITTEE ON TAXATION

Call to Order: By DAN HARRINGTON, CHAIR, on March 22, 1991, at 9:00 a.m.

ROLL CALL

Members Present:

Dan Harrington, Chairman (D)
Bob Ream, Vice-Chairman (D)
Ben Cohen, Vice-Chair (D)
Ed Dolezal (D)
Jim Elliott (D)
Orval Ellison (R)
Russell Fagg (R)
Mike Foster (R)
Bob Gilbert (R)
Marian Hanson (R)
David Hoffman (R)
Jim Madison (D)
Ed McCaffree (D)
Bea McCarthy (D)
Tom Nelson (R)
Mark O'Keefe (D)
Bob Raney (D)
Ted Schye (D)
Barry "Spook" Stang (D)
Fred Thomas (R)
Dave Wanzenried (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.

HEARING ON SJR 15

Presentation and Opening Statement by Sponsor:

SEN. VAUGHN, Senate District 1, Libby, stated the federal government takes the social security funds and transfers the amount from where they are now and puts them into a fund to be reserved for what the purpose was set up for. It is not only important for the people who are drawing social security now, but it is very important for those who are looking at social security in the future as to whether there will money in the fund for them to use.

This money is taken from both the employer and the employee and set aside for a purpose such as this. It is being used to give representation to the people of what are values are on a national level. It is very important that they be reminded that this money should come out of where it is and put into a separate fund.

Proponents:

REP. THOMAS went on record in support of SJR 15.

Opponents: None

Questions from the Committee:

REP. M. HANSON asked **SEN. VAUGHN** where the money is going now. **SEN. VAUGHN** said it is put into the general fund. It is added in so our national debt is actually showing less than what it is. This money should be taken out of that fund to show the people what our national debt actually is. It would also put the money aside so it will continue to be there for the people who are drawing social security now, and so it will be there for the people in the future.

Closing Statement by Sponsor:

SEN. VAUGHN said that **REP. THOMAS** will carry the bill.

HEARING ON SB 280

Presentation and Opening Statement by Sponsor:

SEN. BROWN, Senate District 2, Whitefish, stated SB 280 was requested by the DOR. It standardizes the administration and collection of eight miscellaneous taxes presently on the books: the telephone system fee, the telephone company license tax, the freight line company license tax, the lodging facility use tax, the passenger tramway assessment, the annual fee on rural cooperative utilities and the fee on regulated companies for the office of the consumer counsel.

There is a bill sponsored by him that dealt with the tramway tax. SB 280 will have to be amended to make it reconcile with SB 41.

Proponents' Testimony:

Bob Turner, DOR, stated the sole purpose of SB 280 is to improve the administration, penalties, and interest associated with the mentioned taxes. There will be only one reporting time which will be less costly to the taxpayers. There is no fiscal impact. It will just be used for standardization purposes.

Jim Kembel, Public Safety Division, DOC, stated that they are the receivers of the tramway tax collection as of SB 41. He has no problem with the bill or the amendments.

Opponents' Testimony: None

Questions From Committee Members: None

Closing by Sponsor:

SEN. BROWN made no closing statement.

HEARING ON SB 275

Presentation and Opening Statement by Sponsor:

SEN. GAGE, Senate District 5, Cutbank, stated SB 275 repeals the coal retailer's license tax from which we get $11 and the corporation certificate fee of $1.

Proponents' Testimony: None

Opponents' Testimony: None

Questions From Committee Members:

REP. HOFFMAN said that the fiscal note shows a loss of revenue in the cement and gypsum license tax and asked **SEN. GAGE** if that was amended out. **SEN. GAGE** said yes. At the time it was put in the bill, the DOR would just as soon repeal it.

Closing by Sponsor:

SEN. GAGE stated that **REP. HOFFMAN** will carry SB 275.

EXECUTIVE ACTION ON SJR 15

Motion/Vote: **REP. STANG MOVED SJR 15 BE CONCURRED IN.** Motion carried unanimously on a voice vote.

HEARING ON SB 115

Presentation and Opening Statement by Sponsor:

SEN. BLAYLOCK, Senate District 43, Laurel, stated that SB 115 is not a new concept before the Legislature. It has been tried several time in the past and has gotten further in this session that ever before. In light of our Constitution which gives great powers to our local governments, this is a concept whose time has come particularly in the light of I-105. There has been a steady procession of tax cuts go through the Legislature which seriously eroded the taxing capabilities of our local governments. He has opted to present a local option tax bill to this Legislature.

SB 115 is truly a local option tax. It gives the local governments (county and city) property tax options, general sales tax options, and an income option. Whatever the electorate chooses whether the county or city, the proposal must state the specific type of tax the local governments proposes to impose, the proposed tax rate, the proposed exclusions, deductions, and exemptions if any, the proposed duration of the tax, the purpose for which the proceeds of the proposed tax would be used, the estimated total annual revenue to be produced by the proposed tax, and the proposal must grant the governing body the authority to establish administrative procedures, penalties, and other powers that are consistent with improving the enabling authority.

His constituents have told him that once you put a tax on, it never leaves. These local option taxes do and that it how it must be sold to the people. We must let the people have some control at the local level particularly after what we have done to them on the state level.

Page 6 deals with how the revenue would be distributed. If the county puts on the tax, 50% of the amount collected is based on the ratio of the population of the municipalities to the population of the county derived from the most recent population estimates provided by the U.S. Census Bureau. **SEN BLAYLOCK** used his county (Yellowstone County) as an example. Eighty percent of the population of Yellowstone County resides in Billings. If $100,000 is collected, 80% of the first $100,000 would go to Billings on the basis of their population; 70% of it was at the point of origin. Seventy percent of the other $50,000 which would be $35,000 and add the two together. Billings would take $75,000 of the general sales tax if it were put on at the county level. If Billings were to put on the tax at the city level, then Billings would take 100%.

If they were to imposes a local option income tax, it would have to be collected by the DOR. A portion of that would be paid to the DOR as the administrative tax on the income tax. The taxes can not be stacked; either the city or county can have the tax, but both can not.

<u>**Proponents' Testimony**</u>:

Alan Tandy, City Administrator, Billings, provided written testimony. **EXHIBIT 1**

Gene Vuckovich, City Manage, Anaconda-Deer Lodge County, stated Anaconda-Deer Lodge County is in the same situation, if not worse, than many of the cities in Montana with the imposition of I-105. We have had to curtail many of our basic services primarily in the fire department.

In speaking with many of the citizens of Anaconda-Deer Lodge County, it is there belief that they need increased services and they are willing to pay for these services. They realized that with the imposition of I-105 that they are tapped out. SB 115 would giver them the chance to try to rectify what many of them see as a mistake.

In Anaconda-Deer Lodge County, there would be no chance-none-of passing a sales tax or an income tax; and he is not a proponent of either one. However, for basic services, they would like the opportunity to go to the voter and say "if you want additional fire service or maintaining the fire service, that you would be able to go over I-105 and increase the property tax". Most people would be in favor of this because they are smart enough to recognize their needs.

John Lawton, City Manager, Great Falls, talked about what Cascade County communities would do with this legislation if it were to pass. Great Falls would look at this in its own way. We would use this for capital investments. Investment in the infrastructure of the community which will allow them to grow and develop as a community. If you can't keep up your water systems, sewer systems, roadways, recreational facilities; you can not grow and develop because all of these things underlay economic development.

Great Falls and Cascade County would use this authority to propose to the voters that we invest in our infrastructure for the future which will enable our communities to grow. It will in turn generate support for tax supportive services. We would create a coalition in the community consisting of government, education, labor, business, Chamber of Commerce; and we would decide as a community what we want to do with the money and what kind of tax we would propose to the voters. We are asking for the authority to grow, develop, and allow us to decide our own destiny as a community.

Royal Johnson, Self, REP., urged the committee's support of SB 115. As we reach the end of the session, we all see tremendous problems of financing whatever we are trying to finance. These local communities can make the right type of decisions to do the things they have to do for their community. Let the local level people take care of their needs.

Alec Hansen, Montana League of Cities and Towns, provided written testimony. **EXHIBIT 2**

John Witt, Montana Association of Counties, urged the committee's support of SB 115.

Chuck Stearns, Finance Director, Missoula, provided written testimony. **EXHIBIT 3**

Miral Gamradt, Finance Director, Bozeman, urged the committee's support of SB 115.

Owen Neiter, City Council, Billings, provided written testimony. **EXHIBIT 4**

Tim Bergstrom, Firefighter, Billings, provided written testimony. **EXHIBIT 5**

Kay Foster, Billings Chamber, provided written testimony. **EXHIBIT 6**

Tom Hopgood, Montana Association of Realtors; Don Bailey, Rosebud County Commission; and Gorden Morris, Montana Association of Counties, stood in support of SB 115.

Opponents' Testimony:

Dennis Burr, Montana Taxpayers Association, stated that this is not the best type of tax policy. Income and sales taxes are generally the province of state governments across the country. These types to taxes are administered by the state. A better method of answering local government problems would be through revenue sharing from state to local governments. Montana is 28% below the national average in sharing the revenues with local governments.

A local option sales or income tax would be inefficient. The property tax option, he argued, already exists. Even under the provision of I-105, local governments can place a measure on the ballot to be voted on by the electorate. Most of the things under the property tax option can already be done. Local option income and sales taxes put the communities at a competitive disadvantage.

SB 115 has no assurance that local governments that need the help the most will be those that adopt a local option tax. You can see this in school districts who have turned down levies that should probably have been adopted. SB 115 is, however, the best local option tax bill to come before the Legislature.

REP. WALLIN, Bozeman, stated that he has listened to local option tax bill for several sessions and none of them prevail because we already have a local option tax on the books that doesn't work. Legislation such as this pits one city and county against another.

Charles Brooks, Montana Retailer's Association, said that their board of directors have adopted a policy to have the Legislature face up to the reality that we need a comprehensive tax reform for the entire state. Local option taxes are a patchwork at best.

Jerry Perkins, Karst Stage, Bozeman, stated local option is not the answer to city or county government problems. They are a bandaid approach and it is time that we started from scratch on total tax reform for the entire state. Local option taxes are discriminating and selective instead of addressing the real issues. Let be fair and equitable. The only way to get there is total tax reform.

Pat Connell, Connell Chevrolet, Bozeman, said that SB 115 is a bill that would pit city against city and county against county. The sales tax that could be imposed on an automobile could send people to all different part of the state. The counties could create an island for business that people could go to. People in Montana will drive a significant distance to purchase an automobile for $700 cheaper. This is not the piece of legislation we need. If we need to bite the bullet and impose a sales tax, get on it and get the job done.

Darla Joyner, Bozeman Chamber of Commerce, stated the survey of their membership overwhelmingly supported statewide tax reform. Their position is to do what is best for the entire state rather than a locally imposed legislation.

SB 115 has two things that concern them: (1) many of those who collect the tax would not be able to vote on the tax; and (2) the 5% administrative fee is out of line. We believe that local governments need help. They are the only entities under I-105. The Legislature needs face the need to address our tax system and not continue to look at selective types of taxes. We need to be competitive with the world not each other.

Jack Snyder, Montana Taverns Association, said that it is not unrealistic to believe that the white collar workers and professional people residing in Helena would approve such a tax. He urged the committee to Do Not Pass SB 115.

Stuart Doggett, Montana Innkeepers Association, went on record in opposition to SB 115.

Steve Turkiewicz, Montana Auto Dealers Association, stated SB 115 would have a tremendous impact on the automobile industry. In 1977, he stood before the committee as a representative of MACO and he was a supporter of local option taxes. Nothing has changed in 14 years to make it any better for local governments. In fact, many of the actions of the Legislature have created the situation that we are looking at. Time and time again, this Legislature and the federal government have managed to take mandated services and shift them down to the lowest level of government.

In 1975, the Legislature passed what is called the Drake Amendment which states that if the Legislature passes mandated services, they are to give them a funding source. This has been ignored continually. Do not make the problem worst by creating a patchwork taxation system over the top of a patchwork service delivery system.

Brian Harris, Distilled Spirits Council U.S., stated that their experience with local option tax has been that they become selective over a matter of time. He reminded the committee that the alcohol beverage industry is the highest taxed commodity in the U.S. They pay their share to support local governments, and the problem of cross border activity would be compounded with SB 115.

Bernal Kahrs, Elkhorn Hot Springs and Resort, said that he is against any local option tax because it proves unfair. It is a sales tax, so lets call it what it is. We have been after the Legislature for years to get on the ball and restructure the state taxes.

Questions From Committee Members:

REP. COHEN said SB 115 talks about a local option general sales tax. In the past sales tax bill have been like this with many inclusions and exclusions. He asked **SEN. BLAYLOCK** how the sales tax is going to work without all the defining parameters that we have seen in previous legislation and are you allowing local governments to decide what will or will not be included in the sales tax. **SEN. BLAYLOCK** said that since this is a local option tax, the local enabling authority would put together that package. In all honesty, there will be exclusions in it. We put the words "general" sales tax with the idea of meeting some of the objections stated by the opposition. **REP. COHEN** asked if it would be possible for his community to enact a general sales tax that would exclude everything except for hotels, motels, restaurants, and bars. **SEN. BLAYLOCK** said it could be done, but it would be challenged.

CHAIR HARRINGTON said that in **Bernal Kahrs'** testimony, he spoke many time about the Legislature getting on the ball and restructure the tax system. He asked if what he was talking about is a general sales tax. **Mr. Kahrs** said that he would mention the dirty word; yes, a sales tax. **CHAIR HARRINGTON** said that he just wanted that clarified.

REP. WANZENRIED said that one of the arguments over the years has been that the people who utilize services should help pay for the services. He asked **SEN. BLAYLOCK** if that was the philosophy that is contained in the bill. **SEN. BLAYLOCK** said that he feels that is in there.

REP. FAGG said that he remembers that **Alan Tandy** is from another state; and asked him if he could explain how this local option tax has worked in other states. **Mr. Tandy** said that he was a City Manager in Ohio. The primary general fund revenues of the cities in Ohio is a local option income tax--locally collected and administered. Each community has a different tax. In establishing the tax, each community evaluate the competitive nature of other neighboring cities. The electorate makes a decision on the taxes weighing those factors. We even had a local option tax for a time in Billings on hotels and motels which were approved by the local electorate. That was removed by the Supreme Court. The opposition did not take into account the wisdom of the local electorate because the local electorate will make the decision as to whether it is going impose this.

Closing by Sponsor:

SEN. BLAYLOCK offered the committee an amendment that if any local option property tax is put on by the city or county that the levy be uniform against all taxable property in its jurisdictions.

Alot was said about have a total tax reform. What that means is a general sales tax, and he does not care for a general sales tax. One of the reasons we got into this problem is because of many foolish decisions by the Legislature in 1981 and 1983. We had one tax cut after another. We cut the insides out of the local governments in anything they could do in running their cities, and we have continued that.

The only reason I-105 passed was because there was another initiative called CI-27. He was campaigning that year, and the biggest question was "what about CI-27". He told them that they didn't want to vote that in because it would destroy their communities. You will not have a community. I-105 would never have passed if it hadn't been for CI-27 which was the greater of the two monsters.

He voted for the general sales tax two years ago, and he caught heck for it. It is easy to stand up here and tell the Legislators to be brave and support a general sales tax. Well, try it, particularly if you are a Democrat. He doesn't want the committee to kill the bill just because it has a general sales tax provision. If the community wants it, they can vote to have it.

If you think you are going to get a general sales tax out of this session, you may be right. He doesn't. It is going to get desperate, and the Legislators feel the pressure already. It is going to get worse because we are short of money. There are all these demands and no money to pay for them. We need to be able to pay for these services that the people demand and urged the committee to support SB 115.

HEARING ON HB 949

Presentation and Opening Statement by Sponsor:

REP. TUNBY, House District 24, Plevna, stated HB 949 allows a state income tax deduction for the cost of purchasing long-term care insurance. The cost of associated with the bill will be lost revenues coming through the income tax deduction.

He did not sign the fiscal note because there are other thing that enter into the bill. It will be really hard to tell how much income there will be. There is a bill by **REP. FOSTER** which allows for the purchase of life insurance that could be converted to long-term care insurance. If that passes, it could allow for quite a bit more for the purchase of this type of insurance.

Proponents' Testimony:

Bob Frazier, Governor's Health Care Committee, stated HB 949 is not directed to older folks but is directed toward people in their 30's, 40's, and 50's to get them to consider planning for their needs in the future as far as long-term care is concerned. It is important for people in those age groups to start thinking about these types of things.

Ronee Hansan, Montana Senior Citizens Association, went on record in support of HB 949.

REP. NELSON, Billings, said one of his practices is the retirement planning of his clients. In the trade journals that he reads with regard to retirement planning, one of the areas that we must pay attention to is the saving of the estates of the surviving spouses and the saving of the estates of those who take care of debilitating spouses. HB 949 is a way of encouraging the purchase of this type of insurance which can help solve this problem. To put an elderly spouse into a nursing home can eat up the estate of the elderly very fast. When this happens, it puts them on the roles of the needy that we must take care of out of the general fund.

Opponents' Testimony: None

Questions From Committee Members: None

Closing by Sponsor:

REP. TUNBY said this legislation is part of the **Governor's** health care project. It tries to encourage individuals to prepare for their long-term care.

HEARING ON HB 972

Presentation and Opening Statement by Sponsor:

REP. SIMPKINS, House District 39, Great Falls, stated HB 972 would encourage businesses to invest in printing equipment. Their is a bill in the State Administration Committee that would require that all in-state printing be done by in-state printers. Their has been quite a lengthy discussion because it would have increased the cost of many of our full-color brochures describing the state. The printing we send out of state normally requires highly sophisticated equipment or it requires a six-color press which is not available in the state. In order to get six-color production, you have to run it through the printer twice which would increase the cost. If you want to see the printing business grow, we must get sophisticated equipment which goes into six-color, high speed presses in order to compete with the market.

The appropriate way to do this is to say that any establishment who wants to buy these expensive presses would get a tax break and see how they respond to that particular tax incentive. HB 972 is strictly aimed at the printers who would be willing to invest increased capital to be competitive in national as well as international markets.

The purpose of HB 972 is to increase jobs. We have created a tax initiative to encourage capital investments. Page 2 is a break down of the tax, keeping in mind the equipment doesn't exist in the state. It is gradually phased in. The 0 - 0 will allow the company to gets their feet off the ground, line up their contracts, and get their presses rolling. If a company replaces any equipment, the only tax break they will get is the difference between the new equipment and the old equipment.

The bill defines what it means by the hiring of people. The company must hire five new fulltime employees, and the employee must receive insurance benefits. After the first year, the company must sustain and average of four employees during the entire taxable period. This gives the opportunity in case one employee quits and it takes a period of time to hire someone else.

It puts the burden on the DOR to establish the procedures in order to qualify. The company must identify what type of equipment they will buy, how many employees, etc. in order to qualify. There is also a recapture provision. If an employers fails to keep the intent of this bill, we can go back and recover the taxes on the equipment.

REP. SIMPKINS stated further that he looks upon HB 972 as a test vehicle, and if it works, we can apply it to other business in the state. There are four companies who are interested in purchasing this equipment; however, it is not limited to just those four companies. This is not a special interest bill.

<u>Proponents' Testimony</u>: None

<u>Opponents' Testimony</u>:

Chuck Walk, Montana Newspaper Association, provided written testimony. **EXHIBIT 7**

<u>Questions From Committee Members</u>:

REP. RANEY said that there are small businesses in his areas who print color and they only have three employees. He asked **REP.**

SIMPKINS if a company would come along and make a major investment in color printing in his area the small businesses would be done, could HB 972 be disastrous for small business. **REP. SIMPKINS** said that is a possibility, but the small company has three people has three people working for them already, so their requirement is the hiring of two. This is why it is limited to such a narrow spectrum to see if it will work. He still thinks it will create jobs in the long run.

Closing by Sponsor:

REP. SIMPKINS said he agrees with the statements made by the newspaper industry. It would be nice to broaden out the scope and let everyone have the window of opportunity. It is not unreasonable to put a hiring of five people requirement because we are more interested in jobs.

HEARING ON HB 998

Presentation and Opening Statement by Sponsor:

REP. CODY, House District 20, Wolf Point, stated HB 998 would change our corporate tax structure from a flat rate of 6.75% on all corporations in the state to a graduated or progressive based on the net income of the corporation. It was not drafted to keep revenues as they are now, nor was it drafted to be a revenue enhancement bill. It was drafted in the interest of fairness and equity based on a corporation's income made after all other deductions. It will not solve any budgetary problems, but it could be a part of a comprehensive tax policy change.

The 6.75% rate was enacted 20 years ago. As with so many things that have changed over the past 20 years, the time has come to consider this change as well. In 20 years, we have gone from the unpopularity of Vietnam to the patriotic concern for Operation Desert Shield. HB 998 will assist the continued growth of our smaller corporations in the state by treating them fairly in their net income. As they grow and become more successful, they too will contribute more to the state.

REP. CODY provided the committee with handouts to show them that this idea is not far fetched. They show the states that have the graduated rate income tax structure, testimony to show how this change will affect revenue and the number of corporations it applies too. **EXHIBIT 8**

Proponents' Testimony: None

Opponents' Testimony:

Dennis Burr, Montana Taxpayers Association, said he has not had an opportunity to see the information provided by **REP. CODY.** The only document that he has seen relating to this bill is the one entitled Corporate Income Tax Revisions. **EXHIBIT 9**

The sheet indicates the revenue increase of $5.3 million. If it reflects **REP. CODY'S** intention as to how the bill is to be administered, he doesn't think the tax is constitutional. The reason being that entire income of a company is taxed at its highest marginal rate. The first $25,000 isn't taxed if the company has $350,000 income. The entire amount is taxed at 8%. The problem is that your saying a company who has $50,000 worth of income will have that $50,000 taxed at 4%. A company who $350,000 worth of income will not have the first $50,000 taxed at 4%, it will be taxed at 8%. So we have an equal protection problem.

This is an extremely progressive rate structure except at the very lowest end of the corporate income ladder. That refers to corporations who show no income. According to this date in 1988, there were 9,416 firms in Montana that showed no positive income that paid a total tax of $470,000. Under the provisions of HB 998, they would pay a total of $941,000 because the minimum has been increased from $60 to $100. It is more important to look at affective tax rates than nominal tax rates. Many states have higher nominal rates that Montana; but if you look at affective tax rates, it becomes different.

He urged the committee to Do Not Pass HB 998.

Gene Phillips, Northwestern Telephone Systems, stated he agrees with **Mr. Burr's** comments on that there would be equal protection violations due to the way the rates are applied. His main concern is that **REP. CODY** said the purpose of the bill was to promote fairness and equality. HB 998 does not do that. A tax will be imposed upon the urban residents in the state, as applied to utilities, but not the rural residents. Rural telephone cooperatives do not pay income tax because as rural cooperatives they do not have income as such. He gave an example: He lives three miles north of Kalispell on the West side of Highway 93. He will pay this tax on his telephone bill, but he will not pay it on his electric bill because he a customer of Flathead Electric Cooperative. Anybody living on the East side of Highway 93 will pay it. This is unfair to impose this tax on the urban residents and not the rural residents.

John Miller, Montana Power, said HB 998 is designed to recover additional revenues by taxing 90 companies in the state who have incomes of over $1 million dollars. It will result in a $1.9 million tax difference for Montana Power. Over a period of time, we would collect this money from our customers. Even though the tax appears to be a progressive tax in that it taxes those who are most able to pay; it is in reality, a regressive tax because the company will pass it on to each customer including those who are least able to pay the tax.

Forest "Buck" Boles, Montana Chamber of Commerce, stated he has a problem with the language on Page 2, Line 4. He has a problem with the idea that if you make a water's-edge election, because you have foreign investments which are eliminated from the formula in the computation of your tax for Montana; why, irregardless of the amount of money you made, do you still pay the maximum rate. This doesn't seem right. It puts the load on those companies who have some degree of success in Montana.

Tom Hopgood, GTE, said they have a small operation in the Northwest corner of the state, and they oppose HB 998 on the same principals already spoken about.

Tom Ebzery, NERCO Coal Corporation, provided written testimony. **EXHIBIT 10**

Questions From Committee Members:

REP. M. HANSON asked **Gene Phillips** how he can say that he is not going to have a tax increase at his home but the guy across the street is. If the cooperative purchases the power from a regulated don't they pass that increase on to the coop. **Mr. Phillips** said that the Flathead Coop get their power from Bonneville Power.

Closing by Sponsor:

REP. CODY stated she has been in the Legislature since 1985; and she is asking everyone elected "when is it going to end". "When are all of the Legislators going to take all of them and say you are not dictating tax policy in Montana, we are". We are dictating policy here for the people we represent. This is what it is all about. She wants to see things change, and she thinks it will start with HB 998.

Mr. Burr said that their was an equal protection. She does not think there is an equal protection problem. That is his assessment and not necessarily the laws assessment. If that were the case, why would these other states have graduated taxes. **Mr. Phillips** said that under HB 998 he will pay more taxes than before. Isn't he paying it on the flat tax now as a utility user. Don't they tack that on to the bill.

Certainly, it is a good bill for rural Montana. Rural Montana is bleeding to death. At least lets try to do something for the small downtown businesses. There is nothing wrong with that. **REP. CODY** further stated that the Legislature has been considerate of the big businesses since 1981. We have given them so many tax breaks that is why we are bleeding to death. And it has all been in the name of "lets increase business". I do not see where all the tax breaks have made any difference.

REP. CODY read from Page 5, under Changes in Natural Resource Taxes from her exhibit. The people in her district all agree that Montana needs tax reform. HB 998 should be part of that reform.

EXECUTIVE ACTION ON HB 832

Motion: REP. ELLIOTT MOVED HB 832 DO PASS.

Motion: REP. ELLISON moved to amend HB 832. **EXHIBIT 11**

Discussion:

REP. REAM said that the Income/Severance Tax Subcommittee recommended to adopt **REP. BROWN'S** and **REP. ELLISON'S** amendments.

Vote: Motion to amend HB 832 carried unanimously.

Motion/Vote: CHAIR HARRINGTON MADE A SUBSTITUTE MOTION THAT HB 832 DO PASS AS AMENDED. Motion carried unanimously.

EXECUTIVE ACTION ON HB 809

Motion/Vote: REP. GILBERT MOVED HB 809 BE TABLED. Motion carried 16 to 5 with **REPS. O'KEEFE, WANZENRIED, COHEN, REAM,** and **HARRINGTON** voting no.

EXECUTIVE ACTION ON HB 929

Motion/Vote: REP. STANG MOVED HB 929 BE TABLED. Motion carried unanimously.

EXECUTIVE ACTION ON HB 973

Motion: REP. STANG MOVED HB 973 DO PASS.

Motion: REP. STANG moved to amend HB 973. **EXHIBIT 12**

Discussion:

REP. REAM said the Income/Severance Tax Subcommittee voted 8 to 1 Do Pass.

Vote: Motion to amend HB 973 carried unanimously.

Motion/Vote: CHAIR HARRINGTON MADE A SUBSTITUTE MOTION THAT HB 973 DO PASS AS AMENDED. Motion carried 17 to 4 with **REPS. GILBERT, M. HANSON, ELLIOTT,** and **McCAFFREE** voting no.

EXECUTIVE ACTION ON HB 790

Motion: REP. REAM MOVED HB 790 DO PASS.

Motion: REP. REAM moved to amend HB 790. **EXHIBIT 13**

Discussion:

REP. REAM stated that on Page 2, Line 16, reinsert "home health agency services". On Page 2, Lines 11 and 12 strike "adjusted" and following "income" insert: "including all nontaxable income". He stated that they were trying to include all revenue income including social security.

Vote: Motion to amend HB 790 carried unanimously.

Motion/Vote: **REP. ELLIOTT MADE A SUBSTITUTE MOTION THAT HB 790 DO PASS AS AMENDED.** Motion carried unanimously.

EXECUTIVE ACTION ON HB 796

Motion/Vote: **REP. ELLIOTT MOVED HB 796 BE TABLED.** Motion carried 15 to 6 with **REPS. O'KEEFE, SCHYE, MADISON, COHEN, FAGG,** and **RANEY** voting no.

EXECUTIVE ACTION ON HB 614

Motion: **REP. THOMAS MOVED HB 614 DO PASS.**

Discussion:

REP. THOMAS said this is a cigarette tax that would help purchase insurance for uninsured children.

Motion/Vote: **REP. ELLISON MADE A SUBSTITUTE MOTION THAT HB 614 BE TABLED.** Motion carried 15 to 4 on a roll call vote. **EXHIBIT 14**

EXECUTIVE ACTION ON SB 280

Motion: **REP. FAGG MOVED SB 280 BE CONCURRED IN.**

Motion: **REP. ELLISON** moved to amend SB 280. **EXHIBIT 15**

Discussion:

Lee Heiman, Legislative Council, explained that SB 41 changed the collection of passenger tramway collection to the DOC. The **Governor** signed that as Chapter 34, so that tramway passenger assessments have to be removed for the bill.

Vote: Motion to amend SB 280 carried unanimously.

Motion/Vote: **CHAIR HARRINGTON MADE A SUBSTITUTE MOTION SB 280 BE CONCURRED IN AS AMENDED.** Motion carried unanimously.

EXECUTIVE ACTION ON HB 970

Motion: **REP. COHEN MOVED HB 970 MOVED HB 970 DO PASS.**

Motion: **REP. COHEN** moved to amend HB 970. **EXHIBIT 16**

Discussion:

Lee Heiman, Legislative Council, said that the bill as introduced took certain service industries and put them into the current tax exemption. At the same time, they made a requirement that 50% of all of their revenues had to come from out-of-state. It basically messed up the existing program and added a service program into it. The amendment put the existing programs back exactly the way they are and add the service type of industry into it. It would allow service industries to participate in the program if more that 50% of the revenue for sales come from out-of- state sales.

The original bill talked about transportation, warehousing, distribution, and communication services. The amendments take the communication services out of the bill. They add an affective date and a retroactive applicability date. We also adopted an amendment based upon the DOR's concerns on the use of the word "industry". We replaced "industry" with the word "firm".

Vote: Motion to amend HB 970 carried unanimously.

Motion/Vote: **CHAIR HARRINGTON MADE A SUBSTITUTE MOTION THAT HB 970 DO PASS AS AMENDED.** Motion carried 19 to 2 with **REPS. RANEY** and **ELLIOTT** voting no.

ADJOURNMENT

Adjournment: 11:56 a.m.

Dan Harrington
DAN HARRINGTON, Chair

Lois O'Connor
LOIS O'CONNOR, Secretary

DH/lo

HOUSE OF REPRESENTATIVES

TAXATION COMMITTEE

ROLL CALL DATE 3/22/91

NAME	PRESENT	ABSENT	EXCUSED
REP. DAN HARRINGTON	✓		
REP. BEN COHEN, VICE-CHAIRMAN	✓		
REP. BOB REAM, VICE-CHAIRMAN	✓		
REP. ED DOLEZAL	✓		
REP. JIM ELLIOTT	✓		
REP. ORVAL ELLISON	✓		
REP. RUSSELL FAGG	✓		
REP. MIKE FOSTER	✓		
REP. BOB GILBERT	✓		
REP. MARIAN HANSON	✓		
REP. DAVID HOFFMAN	✓		
REP. JIM MADISON	✓		
REP. ED MCCAFFREE	✓		
REP. BEA MCCARTHY	✓		
REP. TOM NELSON	✓		
REP. MARK O'KEEFE	✓		
REP. BOB RANEY	✓		
REP. TED SCHYE	✓		
REP. BARRY "SPOOK" STANG	✓		
REP. FRED THOMAS	✓		
REP. DAVE WANZENRIED	✓		

all here.

HOUSE STANDING COMMITTEE REPORT

March 22, 1991

Mr. Speaker: We, the committee on Taxation report that Senate Joint Resolution 15 (third reading copy -- blue) be concurred in.

Signed: ______________________
Dan Harrington, Chairman

Carried by: Rep. Thomas

HOUSE STANDING COMMITTEE REPORT

March 22, 1991

Mr. Speaker: We, the committee on Taxation report that House Bill 832 (first reading copy -- white) do pass as amended .

Signed: ______________________
Dan Harrington, Chairman

And, that such amendments read:

1. Page 3, line 3.
Following: line 2
Insert: "(5) The distribution formula specified in subsections (2) through (4) may be modified by an impact plan approved as provided in 90-6-307 or amended as provided in 90-6-311, if the modification is needed in order to ensure a reasonable correspondence between the occurrence of increased costs resulting from the mineral development and the allocation of taxable valuation resulting from the mineral development."

2. Page 3, line 15.
Following: "impacts"
Insert: ", resulting in increased employment or local government costs,"

HOUSE STANDING COMMITTEE REPORT

March 22, 1991

Mr. Speaker: We, the committee on Taxation report that House Bill 973 (first reading copy -- white) do pass as amended .

Signed: ______________________
Dan Harrington, Chairman

And, that such amendments read:

1. Page 6, lines 2 and 3.
Strike: "or licensed to sell special fuels as provided by 15-70-302"

2. Page 10, lines 24 and 25.
Strike: "July 1, 1991,"
Insert: "[the effective date of this section]"

3. Page 11, line 16.
Strike: "July 1, 1991"
Insert: "April 13, 1989"

4. Page 12, line 6.
Strike: ":"

5. Page 12, lines 7 through 12.
Strike: "(i)" on line 7
Strike: ", for" on line 7 through fund on line 12

6. Page 12, lines 22 and 23.
Following: "(2)"
Insert: "(a)"
Following: "~~not~~"
Insert: "not"
Strike: ":" on line 23

7. Page 12, line 24.
Strike: "(a)"
Following: "fund"
Insert: "or the small petroleum tank release cleanup fund"

8. Page 12, line 25.
Following: "~~following~~"
Insert: "the following"

9. Page 13, line 1.
Strike: "with the following exceptions"

10. Page 13, lines 9 through 13.
Strike: subsection (v) in its entirety
Renumber: subsequent subsections

11. Page 13, line 20.
Strike: "; or"
Insert: "."

12. Page 13, line 21.
Following: "(b)"
Insert: "An owner or operator is not eligible for reimbursement"
Strike: "small"

13. Page 13, line 23.
Strike: "only"

14. Page 14.
Following: line 3
Insert: "(c) An owner or operator is eligible for reimbursement from the small petroleum tank release cleanup fund for expenses caused by releases from petroleum storage tanks listed in subsection (2)(b) only."

15. Page 18, line 24.
Strike: "tanks"
Insert: "claims and complexity of claims"

16. Page 19, line 1.
Strike: "tanks"
Insert: "claims and complexity of claims"

17. Page 20, line 15.
Strike: "tanks"
Insert: "claims and complexity of claims"

18. Page 20, line 17.
Strike: "tanks"
Insert: "claims and complexity of claims"

19. Page 21.
Following: line 10
Insert: "(5)(a) The legislature may appropriate to the small petroleum tank release cleanup fund repayable advances from the petroleum tank release cleanup fund as necessary to carry out the administrative needs of this part. The outstanding total repayable advances may not exceed the

amount the board estimates will be received by the fund from the small petroleum storage tank cleanup fee during the next 4 months.

(b) Whenever determined appropriate by the board, advances to the small petroleum tank release cleanup fund must be repaid with interest at a rate equal to the average short-term investment pool portfolio 7-day average yield for the months in which the loan is outstanding. All advances to the fund, plus interest, must be repaid before January 1, 1994."

20. Page 22, line 1.
Strike: "and"

21. Page 22.
Following: line 1
Insert: "(b) special fuels sold to the federal government;
(c) special fuels sold to another gasoline distributor licensed under 15-70-201; and"
Renumber: subsequent subsection

22. Page 22, line 3.
Following: "oil"
Insert: "or waste oil"

23. Page 23, line 23.
Following: "expenses"
Strike: "and"
Insert: ","

24. Page 24, line 2.
Following: "part"
Insert: ", and to pay for department of revenue staff utilized for the collection of the petroleum storage tank cleanup fee and the small petroleum storage tank cleanup fee"

25. Page 26, line 23.
Following: line 22
Insert: "NEW SECTION. Section 12. Report to legislature. The petroleum tank release compensation board shall report to the 53rd legislature a proposal for consolidation of the petroleum tank release cleanup fund and the small petroleum tank release cleanup fund and for consolidating the administration of the programs."
Renumber: subsequent sections

26. Page 27, line 10.
Following: "10,"

Strike: "12"
Insert: "13, 14"

27. Page 27, line 12.
Following: "8"
Insert: ","
Strike: "and"
Following: "11"
Insert: ", and 12"

HOUSE STANDING COMMITTEE REPORT

March 22, 1991

Mr. Speaker: We, the committee on Taxation report that House Bill 790 (first reading copy -- white) do pass as amended .

Signed: ____________________
Dan Harrington, Chairman

And, that such amendments read:
1. Page 2, line 11.
Strike: "adjusted"
Following: "income"
Insert: ", including all nontaxable income,"

2. Page 2, line 12.
Strike: "adjusted"
Following: "income"
Insert: ", including all nontaxable income,"

3. Page 2, line 17.
Following: "~~administration~~"
Insert: "home health agency services,"

HOUSE STANDING COMMITTEE REPORT

March 22, 1991

Mr. Speaker: We, the committee on Taxation report that Senate Bill 280 (third reading copy -- blue) be concurred in as amended .

Signed: ______________________
Dan Harrington, Chairman

Carried by: Rep. Fagg

And, that such amendments read:

Senate Bill 41 changed collection of passenger tramway assessments from DOR to Department of Commerce by amending 23-2-715, MCA. It has been enacted as Ch. 34, Laws of 1991. Senate Bill 280 amends the same section by adding standardized collection provisions for use by Department of Revenue. Section 23-2-715 is removed from SB 280 with this amendment.

1. Title, line 12.
Strike: "THE PASSENGER TRAMWAY ASSESSMENT,"

2. Title, line 16.
Strike: "23-2-715,"

3. Page 8, line 21 through page 10, line 16.
Strike: section 7 in its entirety
Renumber: subsequent sections

4. Page 22, line 9.
Page 22, line 12.
Page 22, line 13.
Page 22, line 16.
Strike: "12 and 16"
Insert: "11 and 15"

5. Page 22, line 17.
Page 22, line 20.
Strike: "13"
Insert: "12"

6. Page 22, line 21.
Page 22, line 24.

Strike: "11, 14, and 15"
Insert: "10, 13, and 14"

7. Page 22, line 25.
Page 23, line 3.
Strike: "12, 16, 17, and 18"
Insert: "11 and 15 through 17"

8. Page 23, lines 7 and 8.
Strike: "7"
Strike: "9"
Insert: "8"

9. Page 23, lines 5 and 8.
Strike: "__ Bill No. __ [LC 981]"
Insert: "Senate Bill No. 445"

HOUSE STANDING COMMITTEE REPORT

March 22, 1991

Mr. Speaker: We, the committee on Taxation report that House Bill 970 (first reading copy -- white) do pass as amended .

Signed: ______________________________
Dan Harrington, Chairman

And, that such amendments read:

1. Title, line 7.
Following: "INCLUDE"
Insert: "COMPANIES THAT ENGAGE IN"
Following: "WAREHOUSING"
Insert: "OR"

2. Title, lines 8 through 11.
Strike: ", AND COMMUNICATION" on line 8 through "PROPERTY" on line 11
Insert: "OF COMMERCIAL PRODUCTS OR MATERIALS IF 50 PERCENT OR MORE OF THE INDUSTRY'S GROSS OPERATING SALES OR RECEIPTS ARE EARNED FROM OUTSIDE THE STATE AND BUSINESSES THAT EARN 50 PERCENT OR MORE OF THEIR ANNUAL GROSS OPERATING INCOME FROM OUT-OF-STATE SALES"

3. Title, lines 13 through 15.
Strike: "REQUIRING" on line 13 through "LOCATED;" on line 15

4. Title, line 18.
Strike: "AND"

5. Title, line 19.
Following: "MCA"
Insert: "; AND PROVIDING AN IMMEDIATE EFFECTIVE DATE AND A RETROACTIVE APPLICABILITY DATE"

6. Page 3, lines 14 through 16.
Strike: "and" on line 14 through "is" on line 16
Insert: ", as"

7. Page 3, line 18.
Following: "~~those~~"
Insert: "only those"

8. Page 4, line 5.
Strike: "or"

9. Page 4, line 6.
Strike: "provide"
Insert: "engage in the"
Following: "warehousing"
Insert: "or"

10. Page 4, line 7.
Strike: "or communications services"
Insert: "of commercial products or materials if 50% or more of the industry's gross operating sales or receipts are earned from outside the state; or
(v) earn 50% or more of their annual gross operating income from out-of-state sales"

11. Page 4, line 11.
Following: "professions"
Insert: "unless the business or profession meets the requirements of subsection (4)(b)(v)"

12. Page 5, lines 3 through 6.
Strike: "means" on line 3 through "Industry" on line 6

13. Page 5, line 17.
Strike: "or"

14. Page 5, line 18.
Strike: "provision of"
Following: "warehousing,"
Insert: "or"

15. Page 5, line 19.
Strike: ", or communications services"
Insert: "of commercial products or materials if 50% or more of the industry's gross operating sales or receipts are earned from outside the state; or
(e) earn 50% or more of their annual gross operating income from out-of-state sales"

16. Page 5, line 20.
Strike: "industry"
Insert: "firm"

17. Page 9.
Following: line 19
Insert: "NEW SECTION. Section 5. Effective date -- retroactive applicability. [This act] is effective on passage and approval and applies retroactively, within the meaning of 1-2-109, to taxable years beginning after December 31, 1990."

EXHIBIT 1
DATE 3-22-91
HB SB115

CITY OF BILLINGS TESTIMONY - MARCH 22, 1991
LOCAL OPTION TAXES - SENATE BILL 115

Honorable Committee Members, my name is Alan Tandy. I am the City Administrator of Billings. I appear before you on behalf of the City of Billings for the fourth consecutive Legislative Session to ask your approval of local option taxes. The bill, as submitted by SENATOR BLAYLOCK and co-signed by a large group of senators and representatives, is the best financial alternative that could be provided to Montana cities and towns in this Session of the Legislature.

This legislation asks nothing more than to give voters at the local level the right to determine their own destiny. It provides those voters the right to determine what sources of taxation are acceptable and what level of programs and activities they would like to see in their jurisdiction. Forty-seven other states have some form of local option taxes. I have had personal experience with successful local option taxes in Ohio and Wyoming. Local option taxes are also working effectively in South Dakota and in Wyoming, and even in West Yellowstone, Montana. Other Montana cities and towns are not afforded the opportunity to ask their voters for approval of alternate forms of taxation, however.

SENATE BILL 115 would provide an escape valve for communities such as Billings where property value decreases have cost the City in excess of $1 million in revenue loss in the last three years, and where voter frustration with property taxes has been in place for many years. The City of Billings has suffered repeated budget cutbacks, including losses in services and personnel. We currently have in place an organizational hiring freeze which has impacted eight full time jobs. We have also eliminated twenty-seven seasonal positions. This is after years of previous cuts. This legislation

SB

would provide our citizens with the right to determine what level of services they want and to let them decide if there are more acceptable forms of taxation than the property tax.

This legislation would only allow for the addition of taxes when local voters approve it. The ballot issue would identify the source, term and use of the tax proceeds. It is purely in the democratic process to give such discretion to local voters. We, in the City of Billings, ask your support of SENATE BILL 115.

EXHIBIT 2
DATE 3-22-91
SB 115

Montana League of Cities and Towns

LOCAL OPTION TAX AUTHORITY

1. THIS BILL MEETS THE TWO STANDARDS THAT SHOULD BE APPLIED TO TEST THE VALIDITY OF LEGISLATION

A. IT IS NEEDED
B. IT WILL WORK

ON THE FIRST POINT:

SINCE THE PROPERTY TAX FREEZE WAS ENACTED IN 1987, MUNICIPAL TAX REVENUES HAVE DECLINED TWO PERCENT. DURING THE SAME PERIOD THE CUMULATIVE RATE OF INFLATION HAS BEEN 18%. UNDER THIS DEADLY COMBINATION OF STATIC REVENUES AND SPIRALING COSTS THE MUNICIPAL TAX BASE HAS BEEN DEPRECIATED BY 20% OR ALMOST $10-MILLION IN THE LAST FOUR YEARS. CITIES AND TOWNS ARE LOSING $250,000 A MONTH TO INFLATION. EVERY EXTRANEOUS EXPENDITURE HAS BEEN ELIMINATED, AND THE NEXT TARGETS ON THE FINANCIAL HIT LIST ARE POLICE AND FIRE PROTECTION AND THE OTHER SERVICES THAT ARE THE FOUNDATION OF SAFE AND DECENT COMMUNITIES.

IN THE LAST FOUR YEARS, MORE THAN 600 CITY JOBS HAVE BEEN ELIMINATED, WHICH IS 15% OF THE MUNICIPAL WORK FORCE. IF THIS PATTERN OF LAYOFFS CONTINUES, CITIZENS CAN EXPECT CUTS IN PUBLIC SAFETY SERVICES, WHICH COULD DANGEROUSLY INCREASE THE TIME IT TAKES TO RESPOND TO EMERGENCIES.

THE GRADUAL, PERNICIOUS DESTRUCTION OF MUNICIPAL GOVERNMENT IS AN UNACCEPTABLE CONSEQUENCE OF OUR STATE'S SYSTEM OF LOCAL GOVERNMENT FINANCE. IF THESE PROBLEMS ARE IGNORED FOR ANOTHER TWO YEARS, MANY OF THE CITIES AND TOWNS YOU REPRESENT WILL CROSS THE LINE THAT SEPARATES A BALANCED BUDGET FROM A FINANCIAL EMERGENCY.

ON THE SECOND POINT:

THIS BILL WILL WORK. LOCAL OPTION TAXES HAVE BEEN PROVEN IN PRACTICE IN MORE THAN 40 OTHER STATES, AND THE THEORY HAS BEEN TESTED AND VALIDATED IN WEST YELLOWSTONE.

SENATE BILL 115 RECOGNIZES THAT THE LEGISLATURE CANNOT BE A WELFARE AGENCY FOR LOCAL GOVERNMENTS. IT ASKS FOR DISCRETION INSTEAD OF MONEY AND IT GIVES FINAL RESPONSIBILITY FOR ALL TAXING DECISIONS TO LOCAL VOTERS.

THE OPPOSITION TO THIS BILL WILL COME FROM MANY DIRECTIONS, AND MUCH OF IT WILL BE CONFUSING AND CONTRADICTORY. SOME OPPONENTS WILL ARGUE THAT THE BILL WILL OPEN THE DOOR TO A SALES TAX. AT THE SAME TIME, OTHERS WILL SAY THAT IT WILL INTERFERE WITH COMPREHENSIVE REFORM AND THE ADOPTION OF A SALES TAX.

P.O. Box 1704 • Helena, Montana 59624 • Telephone (406) 442-8768

YOU WILL HEAR DISCUSSION THAT THIS MEASURE WILL LEAD TO IRREGULAR PATTERNS OF TAXATION. THIS IS A VALID ARGUMENT, BECAUSE OPTION AUTHORITY IS NOT INTENDED TO PROMOTE UNIFORMITY, BUT THE COMMITTEE IS ASKED TO REMEMBER THAT THE PROPERTY TAX SYSTEM IS SO OUT OF BALANCE THAT THE PER CAPITA VALUE OF A MILL AMONG OUR COUNTIES RANGES FROM $839 TO $21,800. THIS BILL ISN'T MAGIC, BUT AT LEAST IT WILL GIVE SOME OF THE POORER JURISDICTIONS AN OPPORTUNITY TO CONSIDER AN ALTERNATIVE TO THEIR WITHERING PROPERTY TAX BASE.

YOU WILL HEAR THAT THIS BILL WILL BE BAD FOR BUSINESS. THE SAME COMMENTS HAVE BEEN MADE IN THIS LEGISLATURE FOR THE LAST 15 YEARS ABOUT THE PROPERTY TAX. AT LEAST THROUGH LOCAL OPTION AUTHORITY, VOTERS WILL HAVE AN OPPORTUNITY TO IMPROVE THEIR COMMUNITIES, BUILD NEW PUBLIC FACILITIES, MAKE CITIES AND TOWNS BETTER PLACES TO OPERATE BUSINESSES AND REDUCE PROPERTY TAXES. WE ALSO ASK YOU TO RECOGNIZE THAT CITIES AND COUNTIES ARE COMMITTED TO ECONOMIC DEVELOPMENT AND OUR COMMON INTENT IS TO PROPOSE OPTION TAXES THAT WILL PROTECT AND ENHANCE LOCAL BUSINESS AND JOB OPPORTUNITIES.

THIS IS THE LAST ROUNDUP. THERE IS NOT ANOTHER BILL IN THIS LEGISLATURE, A PROPOSAL IN THE FEDERAL CONGRESS OR SOME TRICK OF MANAGEMENT OR ACCOUNTING THAT WILL SLOW DOWN THE PROCESS OF GRADUAL DETERIORATION THAT IS DESTROYING MONTANA'S CITIES AND COUNTIES. WE ARE NOT ASKING FOR MONEY OR SYMPATHY OR SPECIAL PRIVILEGES. THE SINGLE PURPOSE OF THIS BILL IS TO GIVE THE VOTERS BACK HOME, THE SAME PEOPLE THAT SENT YOU TO HELENA, AN OPPORTUNITY TO DECIDE FOR THEMSELVES THE AMOUNT AND TYPE OF TAXES THEY WILL PAY FOR LOCAL GOVERNMENT SERVICES.

IN THE FINAL ANALYSIS, THIS IS A QUESTION OF FAIRNESS. OVER THE LAST 10 YEARS STATE GENERAL FUND COLLECTIONS HAVE INCREASED BY 58.6 PERCENT. DURING THE SAME TIME, THE INCREASE IN MUNICIPAL PROPERTY TAXES HAS BEEN ONLY 9.5 PERCENT. IF THE STATE HAD BEEN OPERATING UNDER THE SAME FINANCIAL RESTRICTIONS THAT CITIES FIGHT EVERY DAY, THERE WOULD BE A $277-MILLION HOLE IN THE BIENNIAL BUDGET. THE LEGISLATURE CANNOT EXPECT CITIES AND TOWNS TO PULL A RABBIT OUT THE HAT EVERYTIME THEY WRITE AN ANNUAL BUDGET. IT CANNOT HOLD CITIES AND COUNTIES TO UNREASONABLY STRINGENT STANDARDS OF FINANCIAL MANAGEMENT, AND IT CANNOT FORGET THAT GOVERNMENT IN MONTANA DOES NOT STOP AT THE BACK DOOR OF THE CAPITOL BUILDING.

MISSOULA
FINANCE/CITY CLERK OFFICE
435 RYMAN ST. • MISSOULA, MT 59802-4297 • (406) 523-4700
FAX (406) 728-6690

FINANCE AND DEBT MANAGEMENT
BUDGET AND ANALYSIS
ACCOUNTING
CITY CLERK
UTILITY BILLING
RISK MANAGEMENT
GRANT ADMINISTRATION

EXHIBIT 3
DATE 3-22-91
HB SB 115

CITY OF MISSOULA
CHUCK STEARNS TESTIMONY ON SENATE BILL 115
March 22, 1991

> *It could be very well within the time that this Constitution is in effect that local governments will have other taxing powers and bases besides property -- they might have income tax powers; they might have excise taxes -- and they might want to pledge a certain amount of those revenues to the payments of bonds.*
>
> Delegate Russell C. McDonough, Delegate to the 1972 Constitutional Convention, speaking on Section 6 of the Revenue and Finance Committee proposal, March 4, 1972, Transcripts, page 1512.

> *We have talked of delegated powers of local government, and we are now talking of the concept of shared powers.*
>
> Delegate Lucille Speer, Delegate to the 1972 Constitutional Convention, speaking on Section 6 of the Local Government Committee Article, March 16, 1972, Transcripts, page 2529.

City of Missoula officials cannot be more persuasive than the eloquent statements of Delegates McDonough and Speer were at the 1972 Constitutional Convention. We encourage you to listen carefully to the words of support for SB115 from Senator Blaylock and the advice from Chairman Harrington, be it supportive or contrary. As delegates to the Constitutional Convention, these two legislators, as well as Senator Eck, have a unique perspective on the issue of local option taxes.

What SB115 is becomes very clear from reading the bill. What it is not is a panacea for local government's problems. Nor is it tied to or a foot in the door for tax reform or a statewide sales tax. It is, however, an opportunity for local voters to start to solve local problems according to their wishes. If SB115 had not been amended so heavily in the Senate, a broader menu of local option taxes would be available. Yet, the options remaining in SB115, each possibly distasteful in some respect to one Montanan or another, represent a chance to give local governments and the communities they represent, the authority to work on local solutions.

City of Missoula officials strongly encourage your support of SB115 and thank you for your consideration of it. Please enhance the partnership of shared powers begun in 1972.

EXHIBIT 4
DATE 3-22-91
HB SB 115

CITY OF BILLINGS TESTIMONY - MARCH 22, 1991
LOCAL OPTION TAXES - SENATE BILL 115

Honorable Committee Members, my name is Owen Neiter. I am a City Council Member in Billings and am filling in today for Norm Kolpin who is the President of the Montana League of Cities and Towns. All across the state, we have seen cities in hardship. We've seen cities suffering from decreased property values and from excessive reliance on the property tax. We have seen cutbacks in employee and service levels and we see city council members being asked to provide services that they do not have the funds to provide. Local option taxes will provide every incorporated city in this state with the opportunity to ask their voters what source and type of taxation is most acceptable to them. It allow the local government to work with its own constituents to structure a tax that they find acceptable. As the years have passed, the cities have fallen deeper and deeper into crisis with their infrastructure deteriorating and its ability to respond to citizen demands reduced.

This proposal is supported by a membership vote of the Montana League of Cities and Towns. We ask your support of this local option tax legislation. We further ask that it be left essentially in this same form as passed in the Senate. A broad bill, giving maximum discretion to local voters, is the best form. We ask that you do not get involved in the partisan issue of determining what kinds of tax is acceptable and what kind is not, but instead, delegate to the wisest decision-maker of all, the local electorate, the responsibility for determining their own destiny.

Thank you for your consideration.

EXHIBIT 5
DATE 3-22-91
HB SB 115

SENATE BILL 115

March 22, 1991

Tim Bergstrom - Fire fighter employed by the City of Billings

Mr. Chairman, my comments will be brief. I would like to address some of the hidden costs our municipalities incur in the delivery of services to the citizens.

My intent is to provide the committee with information that I hope will encourage you to support the concept presented in this bill. Our cities in eastern Montana are enduring steadily declining property tax revenues generated by assessed property values ~~provided~~ ESTABLISHED by a state agency.

The cities desperately need the authority to place revenue generating proposals before the voters so that alternative revenue sources might be created.

Montana cities afford the citizens a very highly trained fire service with valuable emergency medical expertise. Billings Fire Department responded to very nearly 5,000 emergency calls in 1990.

Many of these responses require the use of very specialized and expensive equipment.

Hurst tools are complicated extrication tools used in rescuing vehicular accident victims so that emergency medical procedures can be implemented. These tools cost in excess of $10,000 each. Because there is an ongoing increase in this type of incident, Billings must maintain four of these units.

Hazardous materials incidents have increased along with technology in this country. Hazardous materials proximity suits that can be used only one time and must be destroyed cost $650 per unit. If the hazardous material is of an unknown composition, the cost of a full spectrum test can be as much as $1500 per test.

Oxygen generating resuscitators are used in nearly all emergency medical incidents. The number of emergency medical responses in Billings requires my city to maintain 12 of these units at an initial cost of $1,000 each.

EMT certification costs $350 per employee certified. This figure does not include transportation and per diem costs for employees who must travel to the testing facility to certify.

EXHIBIT 5
DATE 3-22-91
HB SB-115

Operations and maintenance cost are steadily increasing. I ask the committee to concur in SB 115, so that Montana Cities may have the option to create new revenue sources following voter approval.

I thank the committee for the opportunity to testify on this proposal.

Tim A. Bergstrom
726 Ave. F
Billings, Montana
59102

EXHIBIT 6
DATE 3-22-91
HB SB115

BILLINGS
CHAMBER OF COMMERCE®

March 22, 1991

Chairman Dan Harrington
Members of the House Taxation Committee

Testimony by Kay Foster in support of SB115

I am here on behalf of the Board of Directors of the Billings Area Chamber of Commerce to support the authorization to local governments to diversify their tax base through local option taxes. This is the third legislative session in which our Chamber has appeared in support of local taxing authority on the condition that these taxes are approved by the voters, have a definite sunset provision, and are designated for a specific purpose.

Before each legislative session we publish position statements on major issues we see may face you as our representatives. Our 1991 Issues Manual listed only seven major areas of concern which are now being considered. Among these is our support of local option taxes and I will submit with this testimony a copy of that statement.

We appreciate your positive consideration of allowing this authority, with local voter approval, to cities and counties.

815 So. 27th St. • P.O. Box 31177 • Billings, MT 59107-1177 • (406) 245-4111 • FAX (406) 245-7333

Ex. 4
3-22-91 SB 115

ISSUES '91

BILLINGS AREA CHAMBER OF COMMERCE
CONSOLIDATED LEGISLATIVE POSITION STATEMENT

This document expresses the position of the Billings Area Chamber of Commerce on some of the major issues of local concern that face the State of Montana and need to be resolved by the 52nd Legislature.

1. Local Option Taxes -- Local units of government are almost totally dependent on property taxes. The funding of local governments needs to be given more balance, flexibility, and independence.

   CHAMBER POSITION: The Billings Area Chamber supports local taxing authority on the condition that these taxes are approved by the voters, have a definite sunset provision, and are designated for a specific purpose.

BILLINGS
AREA CHAMBER OF COMMERCE®

A PREVIEW OF ISSUES FACING THE 52 ND MONTANA LEGISLATIVE ASSEMBLY

EXHIBIT 7
DATE 3-22-91
HB 972

Testimony on HB 972 by Charles W. Walk, Executive Director of the Montana Newspaper Association, before the House Taxation Committee, March 22, 1991.

Mr. Chairman, members of the committee, for the record my name is Charles Walk. I am executive director of the Montana Newspaper Association, which represents all 11 Montana daily newspapers and 64 weekly newspapers across the state.

I rise in opposition to HB 972.

Although we are not in the practice of opposing legislation aimed at helping reduce the tax burden on the printing industry, the extreme narrowness of HB 972 forces our opposition today.

We certainly have no objection to the stated purpose of the bill as outlined in Section 1 and we applaud the sponsor for that purpose. We believe, however, that the legislation as drafted falls short of its stated goals.

Without becoming repetitive in testimony before this extremely busy committee, I would like to say that my association's objection to HB 972 rests in a couple of its provisions.

First, we object to the narrow "window" of opportunity mandated by the legislation. The two-year window for purchase and placement of equipment in order to gain the tax benefit of the bill is too restrictive. The planning and financial negotiations time schedules which projects of this size might need could make it impossible for such a window to be used.

And what might happen to a business that based its entire financial package on being able to obtain the tax benefits outlined in the bill and then found - through no fault of its own - that it would not be able to have its plant in operation by July 1, 1993?

We also object to the bill's prejudice in the way it treats new equipment verses replacement equipment in Section 3, Paragraph 2. If the legislation was truly interested in encouraging the existing Montana printing industry to expand, no such prejudice would be included in the bill.

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We also object to the unrealistic employment requirements included in Section 3, Paragraph 3. Adding five full time employees within a year to an existing Montana printing plant within a year of the new equipment being placed is not economic development it is a pipe dream. And the further requirement of the retention of four other employees only makes the development nature of the legislation as far as existing Montana printing facilities even more far-fetched.

While one or two firms might be able to avail themselves of the benefits set out in HB 972, it is not reasonable to call the bill economic development legislation for the entire Montana printing industry.

In fact, the bill might give such a competitive advantage to a company which could meet its narrow requirements that it could be economically disastrous to some existing Montana printers.

For these reasons we oppose HB 972 and ask the committee to give it a "do not pass."

Thank you.

EXHIBIT 8
DATE 3-22-91
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STATE CORPORATE INCOME TAX COMPARISON
FLAT RATE STRUCTURE STATES
(INCLUDING CHANGES AS OF 1990 LEGISLATIVE ACTIONS)

STATE	RATE
CONNECTICUT	11.5%
DISTRICT OF COLUMBIA	10.0%
MINNESOTA	9.8%
WEST VIRGINIA	9.525%
ARIZONA	9.3%
CALIFORNIA	9.3%
NEW JERSEY	9.0%
NEW YORK	9.0%
RHODE ISLAND	9.0%
DELAWARE	8.7%
PENNSYLVANIA	8.5%
IDAHO	8.0%
NEW HAMPSHIRE	8.0%
WISCONSIN	7.9%
NORTH CAROLINA	7.0%
MARYLAND	7.0%
MONTANA 6.75%	
OREGON	6.6%
GEORGIA	6.0%
TENNESSEE	6.0%
VIRGINA	6.0%
OKLAHOMA	6.0%
FLORIDA	5.5%
ALABAMA	5.0%
MISSOURI	5.0%
SOUTH CAROLINA	5.0%
UTAH	5.0%
ILLINOIS	4.8%
KANSAS	4.5%
MASSACHUSETTES	MODIFIED FLAT RATE (SEE TABLE 22)
MICHIGAN	MODIFIED FLAT RATE (SEE TABLE 22)
NEVADA	NO TAX
SOUTH DAKOTA	NO TAX
TEXAS	NO TAX
WASHINGTON	NO TAX
WYOMING	NO TAX

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STATE CORPORATE INCOME TAX COMPARISON
PROGRESSIVE RATE STRUCTURE STATES
(INCLUDING CHANGES AS OF 1990 LEGISLATIVE ACTIONS)

STATE	BRACKET	
IOWA	1ST $25,000	6.0%
	25,001 - 100,000	8.0%
	100,000 - 250,000	10.0%
	OVER 250,000	12.0%
HAWAII	FINANCIAL INSTITUTIONS	11.7%
	CAPITAL GAINS	4.0%
	1ST $25,000	4.4%
	25,001 - 100,000	5.4%
	OVER 100,000	6.4%
NORTH DAKOTA	1ST $3,000	3.0%
	3,001 - 8,000	4.5%
	8,001 - 20,000	6.0%
	20,001 - 30,000	7.5%
	30,001 - 50,000	9.0%
	OVER 50,000	10.5%
ALASKA	1ST $10,000	1.0%
	10,001 - 20,000	2.0%
	20,001 - 30,000	3.0%
	30,001 - 40,000	4.0%
	40,001 - 50,000	5.0%
	50,001 - 60,000	6.0%
	60,001 - 70,000	7.0%
	70,001 - 80,000	8.0%
	80,001 - 90,000	9.0%
	OVER 90,000	9.4%
MAINE	1ST $25,000	3.5%
	25,001 - 75,000	7.93%
	75,001 - 250,000	8.33%
	OVER 250,000	8.93%
OHIO	1ST $50,000	5.1%
	OVER 50,000	8.9%
	OR	
	5.82 MILLS TIMES THE VALUE OF THE STOCK WHICHEVER IS GREATER	
KENTUCKY	1ST $25,000	3.0%
	25,001 - 50,000	4.0%
	50,001 - 100,000	5.0%
	100,001 - 250,000	6.0%
	OVER 250,000	8.25%

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VERMONT	1ST $10,000	5.5%
	10,001 - 25,000	6.6%
	25,001 - 250,000	7.7%
	OVER 250,000	8.25%
LOUISIANA	1ST $25,000	4.0%
	25,001 - 50,000	5.0%
	50,001 - 100,000	6.0%
	100,001 - 200,000	7.0%
	OVER 200,000	8.0%
NEW MEXICO	1ST $500,000	4.8%
	2ND 500,000	6.4%
	OVER $1 MILLION	7.6%
NEBRASKA	1ST $50,000	5.17%
	OVER 50,000	7.24%
ARKANSAS	1ST $3,000	1.0%
	3,001 - 6,000	2.0%
	6,001 - 11,000	3.0%
	11,001 - 25,000	5.0%
	OVER 25,000	6.0%
COLORADO	1ST $50,000	5.0%
	OVER 50,000	5.5%
MISSISSIPPI	1ST $5,000	3.0%
	5,001 - 10,000	4.0%
	OVER 10,000	5.0%
INDIANA	BASED ON AGI	3.4%
	SUPPLEMENTAL NET INCOME TAX	4.5%

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Table 22

State Corporate Income Tax Rates For Tax Year 1989

(as of October 1989)

State	Net Income Brackets	Marginal Rate (percent)	Special Rates or Features
Alabama	—	5.0%	
Alaska	First $10,000	1.0	
	$10,001-$20,000	2.0	
	$20,001-$30,000	3.0	
	$30,001-$40,000	4.0	
	$40,001-$50,000	5.0	
	$50,001-$60,000	6.0	
	$60,001-$70,000	7.0	
	$70,001-$80,000	8.0	
	$80,001-$90,000	9.0	
	Over $90,000	9.4	
Arizona	First $1,000	2.5	Minimum tax $50
	$1,001-$2,000	4.0	
	$2,001-$3,000	5.0	
	$3,001-$4,000	6.5	
	$4,001-$5,000	8.0	
	$5,001-$6,000	9.0	
	Over $6,000	10.5	
Arkansas	First $3,000	1.0	Federal income allows federal ACRS for realty.
	$3,001-$6,000	2.0	
	$6,001-$11,000	3.0	
	$11,001-$25,000	5.0	
	Over $25,000	6.0	
California	—	9.3	California minimum tax $600 ($800 after 1989). A 7 percent alternative minimum tax is imposed. Beginning in 1988, banks and corporations electing a water's-edge method of apportioning income must pay an annual amount equal to 0.3 percent of 1 percent of the sum of taxpayer's property, payroll, and sales in California.
Colorado	First $50,000	5.0	Beginning on 7/1/89, the tax rates are reduced until, for income tax years beginning on or after 7/1/93, the tax is imposed at the rate of 5 percent. Qualified taxpayers may pay an alternative tax of 0.5 percent of 1 percent of gross receipts from sales in or into Colorado.
	Over $50,000	5.5	
Connecticut	—	11.5	To the extent they exceed the net income tax, the greater of the following taxes are imposed on capital stock: 3.1 mills/dollar (minimum $100; maximum $500,000) on capital stock and surplus.
Delaware	—	8.7	
District of Columbia	—	10.0	A 2.5 percent surtax is imposed; 3.3 percent alternative minimum tax also is imposed.
Florida	—	5.5	A 3.3 percent alternative minimum tax also is imposed.
Georgia	—	6.0	
Hawaii	First $25,000	4.4	
	$25,001-$100,000	5.4	
	Over $100,000	6.4	
	Capital gains	4.0	
	Financial institutions	11.7	
Idaho	—	8.0	Minimum tax $20. Additional $10 tax on each corporation filing a return and having gross income during the tax year.
Illinois	—	4.8	Additional 2.5 percent personal property replacement tax imposed.
Indiana	Corporate income tax	3.4	Domestic and interstate corporations pay a tax of 3.4 percent of AGI from sources within Indiana. A supplemental net income tax is imposed on corporations, banks, trust companies, savings associations, and domestic insurers at 4.5 percent.
	Supplemental net income	4.5	
Iowa	First $25,000	6.0	The financial institutions franchise tax is 5 percent of taxable net income.
	$25,001-$100,000	8.0	
	$100,001-$250,000	10.0	
	Over $250,000	12.0	

Table 21 (cont.)

Local Government Income Tax Rates for Selected Cities and Counties, by State, 1989

(in percent)

State	City Name (county)	City Tax Rate Resident	City Tax Rate Nonresident	County Tax Rate Resident	County Tax Rate Nonresident	Income Tax Based on
Pennsylvania	Allentown (Lehigh)	1.045	1.0			Salaries, wages, commissions, and other income earned in taxing cities. Only those school districts listed may impose income taxes.
	Erie (Erie)	1.0	1.0			
	Philadelphia	4.96	4.3125			
	Pittsburgh (Allegheny)	1.625	1.0			
	Reading (Berks)	1.0	1.0			
	Scranton (Lackawanna)	2.2	1.0			
School Districts	Philadelphia	4.96[1]				
	Pittsburgh (Allegheny)	1.875[2]				
Taxes are imposed on the total payroll of employers in the following cities at the rates listed.						
California	Los Angeles	0.75				
	San Francisco	1.50				
New Jersey	Newark	1.0				
Oregon	Clackamas, Multnomah and Washington counties (Portland area)	0.60				
	Lane County Mass Transit District	0.49				Includes financial institutions and corporations that perform services in the transit district service area.

[1] Unearned income (interest, dividends, rents, royalties, and capital gains).

[2] Is included on the same form as city tax. Residents of Pittsburgh pay 3.5% on earned income.

Source: Commerce Clearing House, *State Tax Reporter*, October 1989. See also, ACIR, *Local Revenue Diversification: Local Income Taxes*.

State Corporate Income Tax Rates For Tax Year 1989
(as of October 1989)

State	Net Income Brackets	Marginal Rate (percent)	Special Rates or Features
Kansas	—	4.5	A 2.25 percent surtax is imposed on taxable income in excess of $25,000. Banks, 4.25 percent of net income plus 2.125 percent surtax on net income over $25,000.
Kentucky	First $25,000	3.0	
	$25,001-$50,000	4.0	
	$50,001-$100,000	5.0	
	$100,001-$250,000	6.0	
	Over $250,000	7.25	
Louisiana	First $25,000	4.0	Except for insurance companies
	$25,001-$50,000	5.0	
	$50,001-$100,000	6.0	
	$100,001-$200,000	7.0	
	Over $200,000	8.0	
Maine	First $25,000	3.5	2.25 percent of federal alternative minimum tax
	$25,001-$75,000	7.93	
	$75,001-$250,000	8.33	
	Over $250,000	8.93	
Maryland	—	7.0	
Massachusetts	—	—	Corporations pay an excise tax equal to the greater of the following: (1) $2.60 (includes 14 percent surtax) per $1,000 of value of Massachusetts tangible property not taxed locally, or net worth allocated to Massachusetts, plus 9.5 percent (includes surtax) of net income; or (2) $400, whichever is greater. A surtax of 14 percent is imposed. Minimum tax $228.
Michigan	—	—	State uses a single business tax (which operates similar to a value-added tax) rather than a corporate income tax. The 2.35 percent rate is applied to an adjusted tax base. Other nonfederal components are also used in the tax base. The first $40,000 of the tax base is exempt.
Minnesota		9.5	For tax years beginning after 1986 and before 1990, an alternative minimum tax is imposed equal to 0.1 percent of the alternative minimum tax base on allocable sales, property, and payroll. For taxable years beginning after 1989, a federal piggyback alternative minimum tax is imposed. Federal income allows federal ACRS for realty.
Mississippi	First $5,000	3.0	
	$5,001-$10,000	4.0	
	Over $10,000	5.0	
Missouri	—	5.0	Financial institutions are taxed at a rate equal to the sum of (1) the greater of $25 or 0.05 percent of the par value of the institution's outstanding shares and surplus employed in Missouri and (2) 7 percent of the institution's net income for the income period minus tax computed on their shares and surplus under (1) and credits allowable for other state and local taxes.
Montana	—	6.75	Minimum license tax $50, except $10 for small business corporations. Beginning in 1988, corporations electing to use water's-edge apportionment are taxed at 7 percent. A 5 percent surtax applies to all corporate taxpayers, effective for tax year 1990 and terminating 1/1/91.
Nebraska	First $50,000	4.75	
	Over $50,000	6.65	
Nevada	No tax		
New Hampshire	—	8.0	8 percent of taxable business profits of business organizations.
New Jersey	—	9.0	A 7.25 percent corporation income tax is imposed on net income from New Jersey other than those subject to or exempt from the general income tax. For accounting or privilege periods ending before 7/1/93, a surtax is imposed at a rate determined by the Division of Taxation based on the amount of franchise tax paid that is attributable to changes made to federal income tax laws by the *Tax Reform Act of 1986*. (A 0.375 percent surtax is imposed for the period 7/1/89-6/30/90.)

Table 22 (cont.)

State Corporate Income Tax Rates For Tax Year 1989

(as of October 1989)

State	Net Income Brackets	Marginal Rate (percent)	Special Rates or Features
New Mexico	First $500.000 Second $500.000 Over $1.000.000	4.8 6.4 7.6	
New York	—	9.0	Corporations are subject to a 9 percent tax on net income or a tax on three alternative bases. whichever produces the greatest tax. A 10 percent tax is imposed on unrelated business income. with modifications. of taxpayers subject to the federal tax on unrelated business income. Minimum tax $250. Surcharge imposed in Metropolitan Commuter Transportation District. New York City corporation income tax is 17 percent of tax imposed for tax years ending on or after 12/31/83 but before 12/31/90. Small business taxpayers are subject to a lower tax rate. An additional tax of 0.9 mills/$1 of subsidiary capital is levied.
North Carolina	—	7.0	
North Dakota	First $3,000 $3,001-$8,000 $8,001-$20,000 $20,001-$30,000 $30,001-$50,000 Over $50,000	3.0 4.5 6.0 7.5 9.0 10.5	The tax is equal to the greater of the tax rate on taxable income or 6 percent of alternative minimum taxable income, effective for tax years beginning after 1988. Banks, trust companies and associations, 5 percent of North Dakota building/savings and loan net income.
Ohio	First $50,000 Over $50,000 or 5.82 mills multiplied by value of stock, whichever is greater	5.1 8.9	Minimum tax $50. Financial institutions are taxed at 15 mills times the value of stock. For ACRS, taxpayer must add 25 percent of the amount by which the corporation's federal taxable income was reduced by ACRS depreciation, but a deduction of 20 percent of such addition is allowed in each of the next five tax years.
Oklahoma	—	5.0	
Oregon	—	6.6	Minimum tax $10. Qualified taxpayers may elect to pay alternative tax of 0.25 percent or 0.125 percent of gross sales in Oregon.
Pennsylvania	—	8.5	
Rhode Island	Greater of 8 percent or 40 cents per $100 of net worth, whichever is greater	9.0	
South Carolina	—	5.0	Banks pay 4.5 percent of South Carolina net income; savings and loan associations pay 8 percent of South Carolina net income.
South Dakota	No tax		Banks and financial institutions pay 6 percent of net income with modifications; minimum $200 per authorized business location.
Tennessee	—	6.0	Corporations are also subject to 9 percent tax on dividends and interest.
Texas	No tax		
Utah	—	5.0	Minimum tax $100
Vermont	First $10,000 $10,001-$25,000 $25,001-$250,000 Over $250,000	5.5 6.6 7.7 8.25	Minimum tax $75
Virginia	—	6.0	
Washington	No tax		
West Virginia	—	9.525	Beginning 7/1/88. the rate is reduced by 0.15 percent per year for five successive years. such rate to be 9 percent on and after 7/1/92.
Wisconsin	—	7.9	ACRS allowed for property placed in service before 1987.
Wyoming	No tax		

Source: Commerce Clearing House, *State Tax Guide* and *State Tax Reporter*, October 1989.

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State	Tax Description	Amount (millions)	Effective Date
CORPORATION INCOME TAX (AND OTHER MAJOR BUSINESS TAXES)			
Arizona	Abolished old rates and established 9.3% flat tax; eliminated federal income tax subtractions	FY91=$25.0	1/90
	Changed definition of certain foreign corporations	FY91=$4.0	1/90
	Allowed deduction for controlled corporation dividends for out-of-state corporations	FY91=($6.5)	1/90
	Eliminated foreign income tax credit	FY91=$3.1	1/90
	Conformed to IRS code	FY91=$5.3	1/90
California	Conformed to selected portions of IRS code	FY91=$525.0	1/90
Connecticut	Accrued 6 weeks' collections in FY91 (7/1 through 8/15) to FY90 general fund budget	FY90=$25.0*	7/90
	Accelerated collections by increasing from 60% to 70% the estimated minimum tax due in the sixth month of the tax year	FY91=$45.0*	1/91
Delaware	Capped net operating loss deduction at $30,000	FY91=$2.0 FY92=$4.0	Tax years ending after 6/30/90
	Accelerated bank franchise tax by increasing the proportions due each quarter	FY90=$9.0*	7/2/90
Kentucky	Increased rates with top rate (net taxable income over $250,000) rising from 7.25% to 8.25% (actual date of collection affected by estimated tax payment schedule)	FY90=$8.0 FY91=$30.2 FY92=$38.2	1/90
Massachusetts	Accelerated collection of estimated payments	FY91=$50.0*	1/91
Minnesota	Increased rate from 9.5% (10.2% with surcharge) to 9.8%; decreased AMT from 7% (7.5% with surcharge) to 5.8%	FY91=negligible	1/90
	Conformed to IRS code	FY90=$6.3 FY91=$5.3	1/90

State	Tax Description	Amount (millions)	Effective Date
Nebraska	Increased rate from 4.75 to 5.17% on first $50,000 of taxable income and from 6.65% to 7.24% on taxable income over $50,000 (due to lags in collections, full receipts are not expected until FY92)	FY91=$0.0 FY92=$10.0	1/90
New Hampshire	Accelerated collection of business profits tax by requiring larger payments of estimated tax due	FY90=$4.0*	4/90
New Jersey	Increased temporary surcharge rate from 9.375% to 9.417% (calculated on top of 9% statutory base rate) as enacted by previous legislation; surcharge expires after FY94	FY91=$5.2*	7/90
New York	Enacted temporary 15% surcharge on all corporation and subchapter S taxpayers (the 15% surcharge remains in effect until 1992 when it will drop to 10%)	FY91=$549.0	1/90
	Imposed corporation level tax on S Corporations to equalize tax rate to that of 9% corporation tax rate	FY91=$13.0	1/90
North Carolina	Required estimated corporation income tax payments at lower tax liability thresholds	FY91=$39.0*	8/90
	Conformed to federal rules on extension returns for personal income tax, corporation franchise tax, and corporation income tax (FY91 figure includes all three changes)	FY91=$40.0*	1991 tax year
Oklahoma	Increased corporation income and bank/credit union privilege tax from 5% to 6%	FY91=$14.6	1/90
Puerto Rico	Postponed scheduled rate cuts in top bracket from 45% to 35%	FY91=$15.0*	1/91
Rhode Island	Increased minimum estimated payment of corporation income tax	FY90=$21.0*	6/90
South Carolina	Conformed to IRS code	FY91=($0.8)	1/90
Tennessee	Extended bank franchise tax to banking activities in Tennessee on the part of out-of-state banks	FY91=$20.0	4/90
Virginia	Delayed conformity to federal depreciation write-offs for corporation income tax	FY91=$29.9	1990 tax year

State	*Tax Description*	*Amount (millions)*	*Effective Date*
Wisconsin	Conformed to IRS code	FY90=$1.0 FY91=$2.2	1/90
SALES AND USE TAX			
Arizona	Eliminated vendor compensation for collecting the tax	FY91=$8.0	1/90
	Reduced rate from 5.0 to 4.75% on rentals of real property (rate is scheduled to reduce to 4.5% in CY92)	FY91=($1.8)	1/91
	Reduced share of state collections to provide county property tax relief	FY91=($10.0)	11/90
	Accelerated collections by requiring advance payments of estimated or actual liability for the first 15 days of sales at the time payment is made on the remaining liability for the prior month	FY90=$48.0*	5/90
Colorado	Extended to catalog sales (pending federal legislation)	$10.0-15.0 annually	Pending
Florida	Enacted minor changes in base	FY91=$1.7	7/90
	Accelerated sales tax payments	FY90=$181.1*	7/22/90
	Changed remittance requirements	FY91=$19.4*	7/22/90
Georgia	Extended to out-of-state sales	No estimate	7/90
Hawaii	Waived statute of limitations for refunds of overpayment of use taxes by any General Motors dealer in the state (expires 12/31/98)	FY91=($2.1)	6/30/90
Kentucky	Increased from 5% to 6%	FY91=$187.4 FY92=$204.4	7/90
Louisiana	Enacted 3% tax on intra-state telecommunication services (other than cable television)	FY91=$30.8	8/90
	Repealed sales tax on equipment purchased by lease or rental businesses (in FY91 only car purchases are affected)	FY91=($2.5) FY92=($12.0)	1/91 7/91

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STATE OF MONTANA

Office of the Legislative Fiscal Analyst

STATE CAPITOL
HELENA, MONTANA 59620
406/444-2986

TERESA OLCOTT COHEA
LEGISLATIVE FISCAL ANALYST

April 18, 1990

Senator Pat Regan
204 Mountain View
Billings, MT 59101

Dear Senator Regan:

In accordance with your request, my staff has prepared the enclosed analysis of the fiscal impact on 1993 biennium tax collections of legislative changes made since 1981 in major state tax sources. The following table summarizes this analysis:

Table 1
1993 Biennium Total Fiscal Impact of
Legislative Changes Since 1981 - Major Tax Sources

	Reductions	Additions	Total
Income Tax	$ 70.9	$0.5	$ (70.4)
Corp. Tax	1.9	1.8	(0.1)
Natural Resources Taxes	143.3	0.0	(143.3)
Property Tax	39.8	0.0	(39.8)
Total	$255.9	$2.3	$(253.6)

The following methodology was used in preparing these estimates:

1) The estimated fiscal impacts shown in the income and corporate tax areas for the 1993 biennium are based on the estimated impact of the change when enacted, adjusted for inflation. In other words, the estimated fiscal 1992-1993 impact of a tax change made in 1981 is the estimated impact of the change when passed, expressed in fiscal 1992-1993 dollars. In most cases, there is not sufficient data to isolate the impact of each change in the fiscal 1992-1993 base.

2) The estimated fiscal impacts shown for natural resource taxes for the 1993 biennium are based on calendar year 1989 price and production and the tax rates that will be in effect during the 1993 biennium.

3) The estimated fiscal impact shown in the property tax area was limited to three significant changes. Although many other changes were adopted, time constraints did not allow a thorough analysis of each

change. These estimates were based on the loss in taxable valuation at the point of enactment and were calculated using 101 mills (95 mills for public schools and 6 mills for the university system).

4) Since your request focused on Montana legislative policy decisions, these estimates do not include revenue changes due to federal tax laws and state and federal administrative rules. Therefore, the significant reduction in corporation tax revenue due to the 1981 federal tax changes and the large increases in income tax collections due to the 1986 federal law are not shown in these estimates. Similarly, the $5.1 million biennial loss due in income tax collections due to the U.S. Supreme Court ruling on federal retirement income is not shown in these estimates.

5) The fiscal impacts of tax changes adopted since 1981 that do not affect the fiscal 1992-1993 biennium are not reflected. As an example, the 5 percent surtax on individual and corporate taxpayers will sunset on December 31, 1990, and therefore was not included in the fiscal 1992-1993 biennium cost.

6) The enclosed analyses provides a short description of each tax change. As you are aware, tax changes are, in many cases, quite complex. If you would like further description about any of these tax changes, we would be glad to provide it to you.

I hope this analysis is helpful. Please call if we can provide any further assistance.

Sincerely,

Teresa Olcott Cohea
Legislative Fiscal Analyst

TC3A:pe:SR4-18

[redacted]
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Changes in Personal Income Tax

Year in Effect	Action	Cost Per Biennium 1992-93 Millions (Source)
1981; 1983	Allowed tax credit for rent or property tax paid for people 62 or older (elderly homeowner/renter credit); new upper limit on credit allowed.	$ -6.4 (1)
1980	Application of indexing to standard deduction, personal exemptions, and taxable income brackets beginning in 1981. (Frozen at 1990 levels.)	-30.2 (2)
1981	Allowed taxpayers 65 and older to exempt up to $800 (single, $1,600 (joint) in interest earnings.	-11.6 (1)
1983	Wages covered by federal jobs credit are exempt.	-.5 (3)
1983	Allowed married couples filing separate returns to claim child care deduction.	-.2 (3)
1983	Renewed energy tax credit for installation of alternative energy systems.	-.9 (1)
1983; 1987	Allowed tax credit for investment in Montana capital companies; increased amount of capital company credit that an individual could claim to $150,000.	-.3 (1)
1983	Exempted tips earned by food service workers from income tax.	-1.5 (4)
1983	Included lump sum distributions in Montana adjusted gross income.	+.5 (5)
1983	Granted tax deduction to landowners who sell land to beginning farmers.	-.2 (4)
1983	Tax credit equal to 35% of eligible costs for an investment of $5,000 or more in a commercial wind-powered generation system.	minimal
1985	Excluded certain social security, railroad retirement, workers' compensation and employer paid insurance benefits from taxation by defining the taxable base for married individuals filing separately.	-.5 (4)
1985	Required employers to pay for employees contribution to public retirement systems.	-3.5 (4)

Exhibit # 8
3-22-91 HB 998

Year in Effect	Action	Cost Per Biennium 1992-93 Millions (Source)
1987	Increased exemption for up to $3,600 of public and private retirement benefits.	$-11.6 (1)
1987	Required employers to pay for members' contribution to United Firefighters Retirement System.	-.1 (4)
1989	Allowed tax credit for expenses incurred in care of elderly family member.	-1.2 (4)
1989	Exempted "Agent Orange" settlements from taxation.	-.1 (4)
1989	Extended residential property tax credit to those who rent from public housing authorities.	-.3 (4)
1989	Provided a tax credit for amounts paid by employer for dependent care assistance provided to employees.	-1.8 (4)
	Reduction to Revenue	$70.9
	Additions to Revenue	$ .5

Changes in Corporate License Tax

Year in Effect	Action	Cost Per Biennium 1992-93 Millions (Source)
1983; 1989	Allowed tax credits for investment in Montana capital companies; increased maximum credit to $1.5 million.	$ -.3 (1)
1983	Tax credit equal to 35% of eligible costs for an investment of $5,000 or more in a commercial wind-powered generation system.	minimal
1987	Allowed corporations to elect water's edge worldwide combination method in apportioning income to Montana for tax purposes; corporations who so elect will face 7% corporation tax rate.	-1.6 (4)
1987	Exemption on net income of a research and development firm.	minimal (1)
1989	Required corporations with liabilities in excess of $5,000 to make estimated payments during the tax year. Increased 1990-91 revenue. In 1992-93 will increase interest earnings for state.	+1.8 (5)
	Reductions to Revenue	$1.9
	Additions to Revenue	1.8

EXHIBIT 8
DATE 3-22-91
HB 998

Source Notes:
1) Tax Expenditure Report for the State of Montana, Fiscal Years 1990 and 1991; numbers assumed to apply to 1992-93.

2) Budget Projections for the 1993 Biennium; a report to the Legislative Finance Committee, LFA, March 29, 1990.

3) Biennial Appropriations Reports,

4) Biennial Appropriations Reports, numbers adjusted for inflation.

5) Legislative Fiscal Analyst, Income Tax Model or Corporate Tax Model, 2/90.

Changes in Natural Resource Taxes

Year in Effect	Action	Cost Per Biennium 1992-93 Millions (Source)
	OIL	
1985	Six percent during April 1983 through March 1985, then five percent.	$ -5.8
1987	Interim and new production exempt from local government severance tax.	-.9
1987	New production exempt from state severance tax for 24 months.	-2.1
1987	Interim and new production exempt from local taxation for 12 months.	-1.5
1987	First five barrels of stripper production is exempt from state severance tax.	-1.6
1987	Stripper production between 5 and 10 barrels is taxed at three percent instead of five percent.	-.1
1989	Local government severance tax in lieu of net proceeds tax.	-5.8
1989	Local government severance tax includes no added revenue for forty mill state equalization aid levy.	-12.5
	GAS	
1987	Interim and new production exempt from local government severance tax.	-.6
1987	New production exempt from state severance tax for 24 months.	-.6

Year in Effect	Action	Cost Per Biennium 1992-93 Millions (Source)
1987	Interim and new production exempt from local severance tax for 12 months.	$ -1.3
1987	First 30,000 million cubic feet of stripper production is exempt from state severance tax.	-.5
1987	Stripper production after first 30,000 million cubic feet is taxed at 1.59% instead of 2.65%.	-.1
1989	Local government severance tax in lieu of net proceeds tax.	-8.6
1989	Local government severance tax includes no added revenue for forty mill state equalization aid levy.	-3.7
	COAL	
1983	First 20,000 to 50,000 tons are exempt	-.5
1985	Credit of 25 to 40 percent for incremental new production (effective rate 15 percent).	-2.2
1987	Deduction against state severance tax for a portion of royalties paid to federal, state, and tribal governments (at 15 cents per ton).	-9.7
1989	Five percent flat tax in lieu of gross proceeds tax.	-1.8
1989	Local government severance tax includes no added revenue for forty mill state equalization aid levy.	-8.9
1991	Tax rate reduced from 30 percent to 15 percent.	-74.5
	Total Reductions to Revenue	$143.3

EXHIBIT 8
DATE 3-22-91
HB 998

Changes in Property Taxes

Year in Effect	Action	Cost Per Biennium 1992-93 Millions (Source)
1982	Remove motor vehicles from the property tax base.	$ -22.2
1983	Remove business inventories from the property tax base.	-6.7
1991	Personal property tax rate reduction to 9 percent.	-10.9
	Reductions to Revenue	$39.8

TC3A:pe:SR4-18

EXHIBIT 9
DATE ~~5~~ 3-22-9
HB 998

CORPORATE INCOME TAX REVISIONS

TAXABLE INCOME BRACKET	INCOME	TAX PAID	EFFECTIVE RATE	# OF CORPS	%	MINIMUM TAX ONLY	REVISED RATE	REVISED TAX	DIFFERENCE
$0-25	$30,805,719	$2,079,386	6.75%	14453	86.16%	9416	2.00%	$1,418,203.26	($661,182.74)
25K-50	$34,031,111	$2,297,100	6.75%	940	5.60%	0	4.00%	$1,361,244.44	($935,855.56)
50K-100	$71,203,511	$4,806,237	6.75%	887	5.29%	0	6.00%	$4,272,210.67	($534,026.33)
100K-350	$42,140,652	$2,844,494	6.75%	198	1.18%	0	7.00%	$2,949,845.63	$105,351.63
350K-1M	$111,740,844	$7,542,507	6.75%	206	1.23%	0	8.00%	$8,939,267.56	$1,396,760.56
+1M	$342,880,370	$23,144,425	6.75%	90	0.54%	0	8.50%	$29,144,831.48	$6,000,406.48
TOTALS	$632,802,207	$42,714,149		16774		9416		$48,085,603.04	$5,371,454.04

* BASED ON 1988 CORPORATE TAX RETURNS

EXHIBIT 10
DATE 3-22-91
HB 998

Mr. Chairman & Members of the Committee:

For the record, I am Tom Ebzery, an attorney from Billings and representing Nerco Coal Corp. Nerco owns and operates the Spring Creek Mine in southeastern Montana.

We rise in opposition to HB 998 for a number of reasons:

1) As a revenue source for funding state government, the Corporate License Tax is historically difficult to predict. During the observance of Revenue Oversight Committee meetings, this tax has fluctuated dramatically up and down due to downturns in the economy, tax settlements and so forth.

Even more reliance on this tax as a source of funding of state government makes little sense to a legislature which meets only every two years.

2) A second reason: raising the effective corporate license or income tax to the highest in our region and perhaps top group in the country sends a message to businesses here thinking about expansion or new businesses interested in locating here. Imposition of this tax will make Montana stick out like a sore thumb in tax comparisons which are used widely by current and prospective businesses.

° We believe there is promise for new high tech business moving to this state, as well as potential in value added. HB 998 will not assist in these endeavors.

Montana has had a relatively stable and calm Corporate Tax statute and we urge you to leave the structure in place.

EXHIBIT 11
DATE 3-22-98
HB 832

Amendments to House Bill No. 832
First Reading Copy

For the Committee on Taxation

Prepared by Greg Petesch
March 20, 1991

1. Page 3, line 3.
Following: line 2
Insert: "(5) The distribution formula specified in subsections (2) through (4) may be modified by an impact plan approved as provided in 90-6-307 or amended as provided in 90-6-311, if the modification is needed in order to ensure a reasonable correspondence between the occurrence of increased costs resulting from the mineral development and the allocation of taxable valuation resulting from the mineral development."

2. Page 3, line 15.
Following: "impacts"
Insert: ", resulting in increased employment or local government costs,"

hb083201.agp

EXHIBIT 12
DATE 3-22-91
HB 973

Amendments to House Bill No. 973
First Reading Copy

Requested by Rep. Stang
For the Subcommittee on Income Taxes

Prepared by Lee Heiman
March 18, 1991

1. Page 6, lines 2 and 3.
Strike: "or licensed to sell special fuels as provided by 15-70-302"

2. Page 10, lines 24 and 25.
Strike: "July 1, 1991,"
Insert: "[the effective date of this section]"

3. Page 11, line 16.
Strike: "July 1, 1991"
Insert: "April 13, 1989"

4. Page 12, line 6.
Strike: ":"

5. Page 12, lines 7 through 12.
Strike: "(i)" on line 7
Strike: ", for" on line 7 through fund on line 12

6. Page 12, lines 22 and 23.
Following: "(2)"
Insert: "(a)"
Following: "~~not~~"
Insert: "not"
Strike: ":" on line 23

7. Page 12, line 24.
Strike: "(a)"
Following: "fund"
Insert: "or the small petroleum tank release cleanup fund"

8. Page 12, line 25.
Following: "~~following~~"
Insert: "the following"

9. Page 13, line 1.
Strike: "with the following exceptions"

10. Page 13, lines 9 through 13.
Strike: subsection (v) in its entirety
Renumber: subsequent subsections

11. Page 13, line 20.
Strike: "; or"
Insert: "."

Ex. 12
3-22-91
HB 973

12. Page 13, line 21.
Following: "(b)"
Insert: "An owner or operator is not eligible for reimbursement"
Strike: "small"

13. Page 13, line 23.
Strike: "only"

14. Page 14.
Following: line 3
Insert: "(c) An owner or operator is eligible for reimbursement from the small petroleum tank release cleanup fund for expenses caused by releases from petroleum storage tanks listed in subsection (2)(b) only."

15. Page 18, line 24.
Strike: "tanks"
Insert: "claims and complexity of claims"

16. Page 19, line 1.
Strike: "tanks"
Insert: "claims and complexity of claims"

17. Page 20, line 15.
Strike: "tanks"
Insert: "claims and complexity of claims"

18. Page 20, line 17.
Strike: "tanks"
Insert: "claims and complexity of claims"

19. Page 21.
Following: line 10
Insert: "(5)(a) The legislature may appropriate to the small petroleum tank release cleanup fund repayable advances from the petroleum tank release cleanup fund as necessary to carry out the administrative needs of this part. The outstanding total repayable advances may not exceed the amount the board estimates will be received by the fund from the small petroleum storage tank cleanup fee during the next 4 months.

(b) Whenever determined appropriate by the board, advances to the small petroleum tank release cleanup fund must be repaid with interest at a rate equal to the average short-term investment pool portfolio 7-day average yield for the months in which the loan is outstanding. All advances to the fund, plus interest, must be repaid before January 1, 1994."

20. Page 22, line 1.
Strike: "and"

21. Page 22.
Following: line 1
Insert: "(b) special fuels sold to the federal government;

EXHIBIT 12
DATE 3-22-91
HB 973

(c) special fuels sold to another gasoline distributor licensed under 15-70-201; and"
Renumber: subsequent subsection

22. Page 22, line 3.
Following: "oil"
Insert: "or waste oil"

23. Page 23, line 23.
Following: "expenses"
Strike: "and"
Insert: ","

24. Page 24, line 2.
Following: "part"
Insert: ", and to pay for department of revenue staff utilized for the collection of the petroleum storage tank cleanup fee and the small petroleum storage tank cleanup fee"

25. Page 26, line 23.
Following: line 22
Insert: "<u>NEW SECTION.</u> **Section 12. Report to legislature.** The petroleum tank release compensation board shall report to the 53rd legislature a proposal for consolidation of the petroleum tank release cleanup fund and the small petroleum tank release cleanup fund and for consolidating the administration of the programs."
Renumber: subsequent sections

26. Page 27, line 10.
Following: "10,"
Strike: "12"
Insert: "13, 14"

27. Page 27, line 12.
Following: "8"
Insert: ","
Strike: "and"
Following: "11"
Insert: ", and 12"

EXHIBIT 13
DATE 3-22-91
HB 790

Amendments to House Bill No. 790
First Reading Copy

Requested by Sponsor
For the Committee on Taxation

Prepared by Lee Heiman
March 7, 1991

1. Page 2, line 11.
Strike: "adjusted"
Following: "income"
Insert: ", including all nontaxable income,"

2. Page 2, line 12.
Strike: "adjusted"
Following: "income"
Insert: ", including all nontaxable income,"

3. Page 2, line 17.
Following: "~~administration~~"
Insert: "home health agency services,"

EXHIBIT 14
DATE 3-22-91
HB 614

HOUSE OF REPRESENTATIVES

TAXATION COMMITTEE

ROLL CALL VOTE HB614

DATE 3/22 BILL NO. ~~[illegible]~~ NUMBER

MOTION: Sub table Ellison -
Ellison subst motion to table

NAME	AYE	NO
REP. BEN COHEN, VICE-CHAIRMAN Pass		
REP. ED DOLEZAL	✓	
REP. JIM ELLIOTT		✓
REP. ORVAL ELLISON	✓	
REP. RUSSELL FAGG	✓	
REP. MIKE FOSTER	✓	
REP. BOB GILBERT	✓	
REP. MARIAN HANSON	✓	
REP. DAVID HOFFMAN	✓	
REP. JIM MADISON	✓	
REP. ED MCCAFFREE	✓	
REP. BEA MCCARTHY	✓	
REP. TOM NELSON	✓	
REP. MARK O'KEEFE		✓
REP. BOB RANEY		✓
REP. BOB REAM, VICE-CHAIRMAN	✓	
REP. TED SCHYE	✓	
REP. BARRY "SPOOK" STANG	✓	
REP. FRED THOMAS		✓
REP. DAVE WANZENRIED Absent		
REP. DAN HARRINGTON, CHAIRMAN	✓	
TOTAL		

15 4

EXHIBIT 15
DATE 3-22-91
HB 280

Amendments to Senate Bill No. 280
Third Reading Copy

Technical Amendment
Coordination with SB 41, Enacted as Ch. 34
For the Committee on Taxation

Prepared by Lee Heiman
March 6, 1991

Senate Bill 41 changed collection of passenger tramway collection to Department of Commerce by amending 23-2-715, MCA. It has been enacted as Ch. 34, Laws of 1991. Senate Bill 280 amends the same section with standardized collection provisions for use by Department of Revenue. The amendment to 23-2-715 is removed from SB 280 with this amendment.

1. Title, line 12.
Strike: "THE PASSENGER TRAMWAY ASSESSMENT,"

2. Title, line 16.
Strike: "23-2-715,"

3. Page 8, line 21 through page 10, line 16.
Strike: section 7 in its entirety
Renumber: subsequent sections

4. Page 22, line 9.
Page 22, line 12.
Page 22, line 13.
Page 22, line 16.
Strike: "12 and 16"
Insert: "11 and 15"

5. Page 22, line 17.
Page 22, line 20.
Strike: "13"
Insert: "12"

6. Page 22, line 21.
Page 22, line 24.
Strike: "11, 14, and 15"
Insert: "10, 13, and 14"

7. Page 22, line 25.
Page 23, line 3.
Strike: "12, 16, 17, and 18"
Insert: "11 and 15 through 17"

8. Page 23, lines 7 and 8.
Strike: "7"
Strike: "9"
Insert: "8"

Ex. 15
3-22-91
HB 280

9. Page 23, lines 5 and 8.
Strike: "__ Bill No. __ [LC 981]"
Insert: "Senate Bill No. 445"

EXHIBIT 16
DATE 3-22-91
HB 970

Amendments to House Bill No. 970
First Reading Copy

Requested by Rep. Cocchiarella
For the Committee on Taxation

Prepared by Lee Heiman
March 20, 1991

1. Title, line 7.
Following: "INCLUDE"
Insert: "COMPANIES THAT ENGAGE IN"
Following: "WAREHOUSING"
Insert: "OR"

2. Title, lines 8 through 11.
Strike: ", AND COMMUNICATION" on line 8 through "PROPERTY" on line 11
Insert: "OF COMMERCIAL PRODUCTS OR MATERIALS IF 50 PERCENT OR MORE OF THE INDUSTRY'S GROSS OPERATING SALES OR RECEIPTS ARE EARNED FROM OUTSIDE THE STATE AND BUSINESSES THAT EARN 50 PERCENT OR MORE OF THEIR ANNUAL GROSS OPERATING INCOME FROM OUT-OF-STATE SALES"

3. Title, lines 13 through 15.
Strike: "REQUIRING" on line 13 through "LOCATED;" on line 15

4. Title, line 18.
Strike: "AND"

5. Title, line 19.
Following: "MCA"
Insert: "; AND PROVIDING AN IMMEDIATE EFFECTIVE DATE AND A RETROACTIVE APPLICABILITY DATE"

6. Page 3, lines 14 through 16.
Strike: "and" on line 14 through "is" on line 16
Insert: ", as"

7. Page 3, line 18.
Following: "~~those~~"
Insert: "only those"

8. Page 4, line 5.
Strike: "or"

9. Page 4, line 6.
Strike: "provide"
Insert: "engage in the"
Following: "warehousing"
Insert: "or"

10. Page 4, line 7.
Strike: "or communications services"
Insert: "of commercial products or materials if 50% or more of

Ex. 16
3-22-91
HB 970

the industry's gross operating sales or receipts are earned from outside the state; or
(v) earn 50% or more of their annual gross operating income from out-of-state sales"

11. Page 4, line 11.
Following: "professions"
Insert: "unless the business or profession meets the requirements of subsection (4)(b)(v)"

12. Page 5, lines 3 through 6.
Strike: "means" on line 3 through "Industry" on line 6

13. Page 5, line 17.
Strike: "or"

14. Page 5, line 18.
Strike: "provision of"
Following: "warehousing,"
Insert: "or"

15. Page 5, line 19.
Strike: ", or communications services"
Insert: "of commercial products or materials if 50% or more of the industry's gross operating sales or receipts are earned from outside the state; or
(e) earn 50% or more of their annual gross operating income from out-of-state sales"

16. Page 5, line 20.
Strike: "industry"
Insert: "firm"

17. Page 9.
Following: line 19
Insert: "NEW SECTION. **Section 5. Effective date -- retroactive applicability.** [This act] is effective on passage and approval and applies retroactively, within the meaning of 1-2-109, to taxable years beginning after December 31, 1990."

HOUSE OF REPRESENTATIVES

VISITOR'S REGISTER

Taxation COMMITTEE BILL NO. SB280

DATE 3/22/91 SPONSOR(S) Sen. Brown

PLEASE PRINT PLEASE PRINT PLEASE PRINT

NAME AND ADDRESS	REPRESENTING	BILL	OPPOSE	SUPPORT
Bill Kloker	DOR	SB280		X
Bob Turner	DOR	SB280		X
Jim Kembel	Public Safety Div / DOC	SB280	information	

PLEASE LEAVE PREPARED TESTIMONY WITH SECRETARY. WITNESS STATEMENT FORMS ARE AVAILABLE IF YOU CARE TO SUBMIT WRITTEN TESTIMONY.

HOUSE OF REPRESENTATIVES

VISITOR'S REGISTER

TAXATION COMMITTEE BILL NO. SB115

DATE 3/22/91 SPONSOR(S) Sen Blaylock

PLEASE PRINT PLEASE PRINT PLEASE PRINT

NAME AND ADDRESS	REPRESENTING	BILL	OPPOSE	SUPPORT
John Lawton	City of Great Falls			✓
Marie Durkee	Assoc. Mgmt Svc. Helena		✓	
Debbie Schlesinger	MT Library Assoc			✓
Richard Miller	MT State Library Comm.			
Brian Harris	Distilled Spirits Council U.S.		✓	
Douglas S. Sandiland	The Crystal Bar Inc Bozeman		✓	
Jerry Perkins	Karst Stage Bozeman MT		✓	
Jack D. Snyder	MTA		✓	
Darla Joyner	Bozeman Area Chamber of Commerce		✓	
Tom Hopgood	Mt. Assoc. Realtors	SB115		✓
Alan Tandy	City of Billings			✓
Owen Neitor	Mont. League of Cities & Towns			✓
Bernal Kahns	Bozeman Governmental Advisory Bd.		✓	

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Tim Bergstrom	Billings Fire Fighters	SB115	✓	

HOUSE OF REPRESENTATIVES

VISITOR'S REGISTER

Taxation COMMITTEE BILL NO. SB115

DATE 3/22/9 SPONSOR(S) Sen Blaylock

PLEASE PRINT PLEASE PRINT PLEASE PRINT

NAME AND ADDRESS	REPRESENTING	BILL	OPPOSE	SUPPORT
Chuck Stearns	City of Missoula	SB115		✓
Dennis Burr	MT Taxpayers assoc	SB 115	—	
Bob Turner	DOR	SB 115		
Kay Foster	Billings Chamber			✓
Pat Connell	Connell Chev		✓	
David Wallin Bzn	Bozeman Ford Lincoln Merc.		✓	
Gene Vuckovich	Anaconda/Deer Lodge Co.			✓
Miral Gamradt	City of Bozeman			✓
Lynn Miller	Miller's Cars Helena		✓	
Larry Fasbender	Cascade County			✓
Don Larson	MTA		✓	
Gordon Morris	MACo	115		✓
Alfred Kaschke	MACO.	115		✓

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HOUSE OF REPRESENTATIVES

VISITOR'S REGISTER

Taxation COMMITTEE BILL NO. SB 115

DATE 3-22-91 SPONSOR(S) Sen Blaylock

PLEASE PRINT PLEASE PRINT PLEASE PRINT

NAME AND ADDRESS	REPRESENTING	BILL	OPPOSE	SUPPORT
John E. Witt	MACO			✓
Brendan F. Beatty	MT assoc. of Realtors			✓
Charles R. Brooks	MT. Retail Assoc	115	✓	
Roger L Johnson H	Myself	115		✓
Don Bailey - Box 47 Forsyth	MACO.			✓
STEVE TURKIEWICZ	MT AUTO DEALERS ASSN	115	✓	
Stuart Doggett	MT Innkeepers	115	✓	
Mike Mathew	Yellowstone Co	115		✓
Leon Stalcup	MONT Restaurant Assn	115	✓	
Barry Stang	#052		✓	

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HOUSE OF REPRESENTATIVES

VISITOR'S REGISTER

Taxation COMMITTEE BILL NO. HB949

DATE 3/22/91 SPONSOR(S) Rep. Tunby

PLEASE PRINT PLEASE PRINT PLEASE PRINT

NAME AND ADDRESS	REPRESENTING	BILL	OPPOSE	SUPPORT
Tom Hopgood	Health Ins Assoc Ameri -	HB949		✓
Bob Turner	Dept. of Revenue	HB 949		
Ronee Hanson	MSOA	HB 949		✓
Bob Frazier	Gov's Health Care Committee	HB 949		✓
Tom NELSON	H.D. 95	HB 949		✓

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HOUSE OF REPRESENTATIVES

VISITOR'S REGISTER

Taxation COMMITTEE BILL NO. HB972

DATE 3/22/91 SPONSOR(S) Rep. Simpkins

PLEASE PRINT PLEASE PRINT PLEASE PRINT

NAME AND ADDRESS	REPRESENTING	BILL	OPPOSE	SUPPORT
Chuck Walk	MMIA		✓	

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HOUSE OF REPRESENTATIVES

VISITOR'S REGISTER

Taxation COMMITTEE BILL NO. HB 998

DATE 3/22/91 SPONSOR(S) Rep. Cody

PLEASE PRINT PLEASE PRINT PLEASE PRINT

NAME AND ADDRESS	REPRESENTING	BILL	OPPOSE	SUPPORT
GENE PHILLIPS	PACIFIC POWER & LIGHT NORTHWESTERN TELEPHONE	HB 998	X	
Tom Hopgood	GTE	HB 998	✓	
Dennis Burr	MT Taxpayers assoc	998	✓	
John S Miller	Montana Power	998	✓	
Tucker Hill	Champion INT'L	998	✓	
Charles R. Brooks	MT. Retail Assoc.	998	✓	
E H Buck Boles	Mont Chamber	998	✓	
Tom Ebzery	Nerco	998	✓	

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