

MINUTES

MONTANA HOUSE OF REPRESENTATIVES 52nd LEGISLATURE - REGULAR SESSION

COMMITTEE ON TAXATION

Call to Order: By DAN HARRINGTON, CHAIR, on March 27, 1991, at 4:02 p.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 HB 1000 and HB 1011

Presentation and Opening Statement by Sponsor:

REP. COHEN, House District 3, Whitefish, stated HB 1000 and HB 1011 provides an individual income tax credit against property taxes paid or the taxpayers principal resident. This bill is an income tax credit for property taxes paid. He provided the committee with written testimony on HB 1011. **EXHIBIT 1**

He referred the committee to the fiscal note. Assumption #3--the credit provided for is non-refundable and can be claimed only by

filing an income tax form. Only one taxpayer per household can claim the credit. Taxpayers claiming the term "elderly, homeowner, renter credit" can not claim the credit in this proposal. A taxpayer can only claim it once so that you can't get back more in income tax credit than what you paid in property taxes. A person can receive back the first 50% of the first \$400 which means that the maximum a person can receive back is \$200.

He provided the committee with a spread sheet which explained how the reclassification takes affect. Class 1 is minerals net and gross proceeds. There is no change. Class 2 is all productive property. These are all new classes with the exception of agricultural which has no change. The timber classification is based upon productivity. There are no numbers under taxable value or proposed taxable value because we are providing a classification for timber which is dependent upon the completion of the productivity studies that are in REP. REAM'S HB 340. The temporary timber classification was written to expire on 1/1/93. This should be extended to correspond to the temporary class in HB 340 which is 7/1/93. A change must be made in the body of HB 1011. EXHIBIT 2

REP. COHEN talked further about productive property based on market value. The rate on commercial and industrial real property is going from 3.86% to 5%. Business equipment property is mostly in Class 8, at 9%. HB 1011 will put that property at 8% with certain exceptions such as supplies and materials. Furniture and fixtures and repair tools are being eliminated.

The change in new and expanding industry machinery and equipment is the rural co-op personal property. It will be moved from 3% to 4%. There is no change in rural, independent telephones. Special industry and co-op property--all the property in this class is put back in at the same rate of 3% of the value. There is no change in livestock or centrally assessed property. Because of the court decisions following the 4-R's Act, railroads and airlines both must be taxed at the weighted average of all similar property. Similar property, in this case, is all property in Class 2 productive property. It doesn't include minerals and non-productive property.

REP. COHEN went on to explain non-productive property. We are moving residential property from 3.86% to 4%. Recreational property, exclusive of improvements such as golf courses, are being taxed at 3%. The improvements on qualified golf courses is at 4% the same as the real improvements on all other property. He gave the committee a visual demonstration on how these bills give the counties an additional \$3.5 million, \$5.25 million to local schools, and \$1.9 million additional to cities and towns. There are some exceptions such as Bighorn County. They will lose money.

HB 1000 and HB 1011 also repeals I-105. If this restrictions is taken off, we don't have to give the block grants and we return

\$18 million a year to the general fund. We will be taking care of all the homeowners who have been objecting to their property taxes and 80% of the small business people.

Proponents' Testimony:

Dennis Burr, Montana Taxpayers Association, stood in support of HB 1000 and opposed HB 1011.

Chuck Stearns, Finance Officer, Missoula, stated that he supports the concept in that it does have some residential property tax relief. He had concerns about eliminating some statutory appropriation and limiting assessment SIDs for street lights.

Tootie Welker, Montana Alliance for Progressive Policy, rose in support of the concept of HB 1000 and HB 1011.

Opponents' Testimony:

Alec Hansen, Montana League of Cities and Towns, said that the spread sheet is okay, but he doesn't feel that everything will fall into place as **REP. COHEN** has stated. He is particularly upset with the canceling of the appropriation on the personal property tax program. You must be absolutely sure that every taxing jurisdiction is going to "made whole". This Legislature made that commitment and they need to be absolutely sure that it can be done. He also objected to doing away with the special improvement districts. Special improvement districts have been on the books for a long time. They are absolutely necessary for the affective management of the cities.

Tom Harris, Montana Society of CPAs, stated he can reverse the testimony that he gave this morning for the flat tax bill by **REP. REAM**. This is another political carrot on the income tax credit and another complication which the next Legislature can complain about. If you want to develop a business climate in Montana, then these bills are unacceptable.

Questions From Committee Members: None

Closing by Sponsor:

REP. COHEN spoke to the concerns of **Alec Hansen**. He stated that he can still have separate special improvement districts at separate rates. But if you are going to have one city wide district, there are some tremendous inequities because of the shapes of lots. He is not doing away with them. The people of the state have been asking for real property tax reform. HB 1000 and HB 1011 is the first step. The only way you are going to have property tax reform is by addressing a sales tax. If you don't move a bill like this through the Legislature, we will be back in June and we will have a tough time resisting the sales tax. It is in **REP. BRADLEY'S** back pocket just like she told us.

Announcements: CHAIR HARRINGTON informed the committee that Executive Session will be held at 11:00 a.m. on Monday, April 1, 1991.

EXECUTIVE ACTION ON HB 312

Motion: REP. HOFFMAN MOVED HB 312 DO PASS.

Motion: REP. HOFFMAN moved to amend HB 312. EXHIBIT 3

Discussion:

REP. HOFFMAN said that he had discussed the bill with many people and decided to leave the bill with the flat \$3 fee. Automobile dealers are really opposed to the addition of more than \$3. The amendments try to address some of the problems in looking at alternate funding. It requests the State Bar to study the money problem during the interim paying particular attention to the possibility of punitive damage awards. He would like to pass the bill out of committee and let the floor debate it.

REP. COHEN asked REP. HOFFMAN if he still had the \$3 per license. REP. HOFFMAN said the \$3 license fee, sunset, and the elimination of the appropriation is still in the bill.

Vote: Motion to amend HB 312 carried unanimously.

Motion: CHAIR HARRINGTON MADE A SUBSTITUTE MOTION THAT HB 312 DO PASS AS AMENDED.

Discussion:

REP. ELLIOTT said that REP. HOFFMAN has been in his district and seen the cars that they drive. We can not afford the \$3 license fee.

Motion/Vote: REP. ELLIOTT MADE A SUBSTITUTE MOTION TO TABLE HB 312. Motion failed 9 to 12 on a roll call vote. EXHIBIT 4

Vote: Motion that HB 312 Do Pass As Amended carried on the reverse vote of the Table motion.

EXECUTIVE ACTION ON HB 458

Motion/Vote: REP. ELLIOTT MOVED HB 458 BE TABLED. Motion carried unanimously.

EXECUTIVE ACTION ON HB 460

Motion: REP. COHEN MOVED HB 460 DO PASS.

Discussion:

CHAIR HARRINGTON said that HB 460 imposes a corporate license tax on insurance companies. REP. NELSON said the argument against the bill was that they pay more in license tax than they do in premium tax versus what they would in corporate tax. There would still be the cost of auditing above that. CHAIR HARRINGTON said that it is his feeling that HB 460 would be a nuisance.

Motion/Vote: REP. NELSON MADE A SUBSTITUTE MOTION THAT HB 460 BE TABLED. Motion carried unanimously.

EXECUTIVE ACTION ON HB 856

Motion: REP. FOSTER MOVED HB 856 DO PASS.

Motion: REP. FOSTER moved to amend HB 856. EXHIBIT 5

Discussion:

REP. O'KEEFE asked REP. FOSTER about the translator maintenance on the bill. REP. FOSTER said the people who pay into the tv district will pay for the maintenance. REP. FOSTER explained the amendments. He stated that they will get rid of the exemption that if someone is a customer of a cable tv company, they can go to the court house and fill out an exemption form which allows them not to pay their \$5 for receiving the signal from the translator. The tv districts are running out of money even though the people are still receiving the signal.

REP. MCCARTHY asked how many tv tax districts are there in the state. REP. WANZENRIED said that there may be 50 but no more. REP. FOSTER said that when the exemption was first set up, we didn't have the technology that we have now. The exemption was set up to protect people who are included in the district who couldn't the signal from the translator. The way the law is worded it has provided a loophole for people to get the signal but do not pay for the service.

Vote: Motion to amend HB 856 carried unanimously.

Motion/Vote: REP. FOSTER MADE A SUBSTITUTE MOTION THAT HB 856 DO PASS AS AMENDED. Motion carried 20 to 1 with REP. NELSON voting no.

EXECUTIVE ACTION ON HB 859

Motion: REP. COHEN MOVED HB 859 DO PASS.

Discussion:

REP. COHEN spoke in favor of HB 859. He noticed the fiscal note and he could understand why the sponsor didn't sign it because it is absurd. This is an assumption that many teachers are going to go out and get nice fancy computers, bring them to school, and look for this income tax credit. He thinks the assumption is way off base. REP. FAGG asked if the teachers were just loaning the schools the computers and do they have the ability to take them back whenever they want. REP. McCARTHY said the teacher is just loaning the computer; they are not giving the ownership of the computer to the school. The teacher may take it home on weekends, holidays, at any time. She thinks that it would be very hard to administer and keep track of. REP. COHEN said that small business people buy computers for their businesses and take them home on weekends. After the three years is up and they have written them off on their taxes, they take them home and leave them there. They have gotten the write-off and have done better than the school teachers.

Motion/Vote: REP. ELLIOTT MADE A SUBSTITUTE MOTION TO TABLE HB 859. Motion carried 17 to 4 with REPS. WANZENRIED, DOLEZAL, SCHYE, and COHEN voting no.

EXECUTIVE ACTION ON HB 894

Motion: REP. McCARTHY MOVED HB 894 DO PASS.

Motion: REP. McCARTHY moved to amend HB 894. EXHIBIT 6

Discussion:

REP. McCARTHY said that there is no impact on the general fund according to the fiscal note. REP. COHEN asked if the \$500 limit was for both he and his wife to make it \$1,000 for a married couple. REP. M. HANSON said that a Sub-S corporations do not pay taxes. REP. ELLIOTT said that he believes that it is poor tax policy to reward people for doing what they ought to do in the first place.

Vote: Motion to amend HB 894 carried 20 to 1 with REP. COHEN voting no.

Motion/Vote: CHAIR HARRINGTON MADE A SUBSTITUTE MOTION THAT HB 894 DO PASS AS AMENDED. Motion carried 11 to 10 on a roll call vote. EXHIBIT 7

EXECUTIVE ACTION ON HB 904

Motion: REP. M. HANSON MOVED HB 904 DO PASS.

Discussion:

CHAIR HARRINGTON said that HB 904 excludes social security income paid directly to nursing homes. REP. FOSTER said that this bill followed a controversial bill in the discussion. He thought everyone's attention was diverted. There were no proponents or opponents and there is no fiscal impact.

Vote: Motion that HB 904 Do Pass carried unanimously.

EXECUTIVE ACTION ON HB 949

Motion: REP. THOMAS MOVED HB 949 DO PASS.

Discussion:

CHAIR HARRINGTON said that HB 949 does have a small impact on the general fund. REP. THOMAS said that the bill helps people take care of the long-care needs versus medicaid. There will be a long term savings even though there is a short-term cost. REP. COHEN said the bill talks about premium payments for long-term care with benefits that neither exceed the minimum payment established by the Insurance Commission, but there is no statement of intent. He asked how the Insurance Commissioner can set minimum standard without rule making authority. REP. THOMAS said that he thought the standards were already there.

Vote: Motion that HB 949 Do Pass carried 11 to 9 with REPS. SCHYE, ELLISON, McCAFFREE, REAM, O'KEEFE, MCCARTHY, STANG, DOLEZAL, and ELLIOTT voting no.

EXECUTIVE ACTION ON HB 983

Discussion:

REP. COHEN said that HB 983 is a selective tax on Montana bottlers to encourage importers of soda pop.

Motion/Vote: REP. COHEN MOVED HB 983 BE TABLED. Motion carried 19 to 2 with REPS. O'KEEFE and ELLIOTT voting no.

EXECUTIVE ACTION ON HB 985

Discussion:

REP. RANEY said that the committee should pick up this bill and put it in their pockets because; two years from now, we are going to have to try to figure out how to fund the reconstruction and maintenance of Montana's highway system. Uncle Sam is taking a

whole bunch of our money away and our reconstruction trust fund expires. All the money we have to maintain our roads will be gone. This is proposal for the committee to consider between now and when they are sitting here two years from now.

Motion/Vote: REP. RANEY MOVED HB 985 BE TABLED. Motion carried unanimously.

EXECUTIVE ACTION ON HB 986

Motion: REP. GILBERT MOVED HB 986 DO PASS.

Discussion:

REP. DOLEZAL said that he has done research on HB 986. There was testimony regarding this bill as to who would have to pay the tax in that if the tax was put on that it could be passed on to the consumer. He distributed DOR information that was requested at the hearing. EXHIBIT 8

REP. HOFFMAN asked if it would solve the problem to amend the bill to exempt military sales. REP. GILBERT said he would rather it not be amended.

Motion: REP. HOFFMAN moved to amend HB 986. EXHIBIT 9

Discussion:

REP. GILBERT, Sponsor of HB 986, opposed the amendment. He thinks that we need to hear the whole story. He also did research and quoted from a letter by Michael Phifer, Defense Logistic Agency, Defense Fuel Supply Center, Alexandria, Virginia. EXHIBIT 10

REP. SCHYE said that he also opposed the amendment. He lived in Glasgow when the air base was still there, and they shipped their fuel oil by train car and the government paid the tax. REP. HOFFMAN said that it still remains that the federal government doesn't pay the tax whether they have to or not. REP. O'KEEFE said that he talked to Mr. Morrison, Morrison Flying Service, Helena. He said that the federal government does pay the tax. He has to put it in his bid to the refinery in Great Falls, and they pay the tax through the bid. The refiner gets rebated for the tax.

Vote: Motion to amend HB 986 carried 12 to 9 on a roll call vote. EXHIBIT 11

Motion/Vote: CHAIR HARRINGTON MADE A SUBSTITUTE MOTION THAT HB 986 DO PASS AS AMENDED. Motion carried 11 to 10 on a roll call vote. EXHIBIT 12

EXECUTIVE ACTION ON HB 992

Motion: REP. RANEY MOVED HB 992 DO PASS.

Motion: REP. RANEY moved to amend HB 992. Strike Section 3, Section 4, and Section 6. Section 3 will divert the coal tax money. Section 4 is how to spend it. Section 6 is the stripper well exemptions.

Vote: Motion to amend HB 992 carried unanimously.

Motion: REP. RANEY MADE A SUBSTITUTE MOTION THAT HB 992 DO PASS AS AMENDED.

Discussion:

REP. RANEY said that the bill as amended will provide that a state vehicle will maintain the fuel economy standards or attempt to reach them.

Motion/Vote: REP. RANEY moved to further amend HB 992. Page 3, Line 12, insert "if possible". Motion carried unanimously.

Discussion:

REP. FOSTER said that as far as the natural gas used for transportation and deregulating that, he doesn't know if we need a law for it.

Motion/Vote: REP. RANEY MADE A SUBSTITUTE MOTION TO TABLE HB 992. Motion carried unanimously.

EXECUTIVE ACTION ON HB 993

Motion: REP. M. HANSON MOVED HB 993 DO PASS.

Motion: REP. COHEN moved to amend HB 993. EXHIBIT 13

Discussion:

REP. COHEN said that DOR came in with amendments that would make HB 993 would correspond with another bill which has already been passed. CHAIR HARRINGTON asked if there was anyone from SRS who could explain the amendments. REP. O'KEEFE said he doesn't see anyone, but the amendments must be to put HB 993 in line with his bill that is on second reading which is the clothing allowance for foster parents. If the amendments support his bill, he will support the amendments. REP. SCHYE said that there were two other bill dealing with this issue.

Vote: Motion to amend HB 993 carried unanimously.

Motion: CHAIR HARRINGTON MADE A SUBSTITUTE MOTION HB 993 DO PASS AS AMENDED.

Discussion:

CHAIR HARRINGTON asked if the bill spell out exactly how they determine the eligibility. REP. HOFFMAN said no it just shifts the burden. REP. MCCARTHY said that Page 3, Line 8 says it is based on child support guidelines, and asked if it wouldn't be very limited as to what the court could order. REP. ELLISON said the child support guidelines were adopted by the Supreme Court, and they go by the needs of the child. This is what determines eligibility.

Vote: Motion that HB 993 Do Pass As Amended carried 19 to 2 with REPS. STANG and WANZENRIED voting no.

EXECUTIVE ACTION ON HB 215 and HB 216

Motion: REP. RANEY MOVED HB 215 AND HB 216 DO PASS.

Discussion:

REP. RANEY said that these two bills deal with the metal mines license tax. Both of the bills were heard in the Natural Resources Committee and not the Taxation Committee. The bills originally took RIT money to fund the Ground Water Characterization Program which is a 20 year program that would be handled by the School of Mines in Butte. It is an EQC bill to drill 10 million holes across Montana to find out everything there is to know about Montana's ground water. He offered an amendment in the Natural Resources Committee which struck the RIT as the funding source and inserted a metal mines license tax. It raises the tax on hard rock mining \$660,000 a year for 20 years to fund the program.

REP. GILBERT said that he no longer supports the bill because the funding source was changed. In fact, the entire complexity of the bill has been changed, and he doesn't know how many people from EQC support it now. REP. HOFFMAN asked if the counties take a hit. REP. RANEY said no. He said that the LFA adjusted all the figures so that everybody gets what they were getting and the \$600,000 goes after. CHAIR HARRINGTON said that going back after the metal mines is wrong.

Motion/Vote: REP. MCCARTHY MADE A SUBSTITUTE MOTION THAT HB 215 AND HB 216 BE TABLED. Motion failed 8 to 12 on a roll call vote. EXHIBIT 14

Motion/Vote: REP. MCCARTHY moved to amend HB 215 and HB 216. To reinsert the funding back to the RIT. Motion carried 13 to 8 on a roll call vote. EXHIBIT 15

Motion/Vote: REP. RANEY MADE A SUBSTITUTE MOTION THAT HB 215 AND HB 216 DO NOT PASS AS AMENDED. Motion failed 11 to 10 on a roll call vote. EXHIBIT 16

Motion/Vote: REP. GILBERT MADE A SUBSTITUTE MOTION THAT HB 215 AND HB 216 BE TABLED. Motion carried Unanimously.

Discussion: TRANSCRIPTION TAPES FOR THE REMAINDER OF EXECUTIVE ACTION WERE DEFECTIVE. ALL AVAILABLE INFORMATION IS PROVIDED IN THESE MINUTES.

EXECUTIVE ACTION ON HB 996

Motion: REP. REAM MOVED HB 996 DO PASS.

Motion: REP. REAM moved to amend HB 996. EXHIBIT 17

Discussion:

REP. REAM said that the amendments were cleared by DOR. There was a coordinating clause with the retirement bill if and when it passes both Houses. Lee Heiman, Legislative Council, said the retirement bill allows a deduction from income. REP. REAM said the amendments are mostly technical and that REP. MCCARTHY had another proposal to present to the committee.

Vote: Motion to amend HB 996 carried unanimously.

Motion: REP. MCCARTHY moved to further amend HB 996. EXHIBIT 18

Discussion:

REP. MCCARTHY said that her amendments deal with the retirees. It provides an income credit against the first \$3,600 of all qualified retirement income. All retirees are treated the same-- federal, state, and private.

Vote: Motion to further amend HB 996 failed 4 to 17 on a roll call vote. EXHIBIT 19

Motion/Vote: CHAIR HARRINGTON MADE A SUBSTITUTE MOTION THAT HB 996 DO PASS AS AMENDED. Motion carried 12 to 9 on a roll call vote. EXHIBIT 20

EXECUTIVE ACTION ON HB 998

Motion: REP. COHEN MOVED HB 998 DO PASS.

Discussion:

REP. NELSON said that he had a problem with HB 998 in that the bill penalizes anyone who makes more than \$25,000.

Motion/Vote: REP. COHEN moved to amend HB 998. To read as the sponsor REP. CODY had intended it to read. Motion carried unanimously.

Motion/Vote: CHAIR HARRINGTON MADE A SUBSTITUTE MOTION THAT HB 998 DO PASS AS AMENDED. Motion failed 7 to 14 on a roll call vote. EXHIBIT 21

Motion/Vote: REP. COHEN MADE A SUBSTITUTE MOTION HB 996 BE TABLED. Motion carried 20 to 1 with REP. O'KEEFE voting no.

EXECUTIVE ACTION ON HB 1001

Motion: REP. M. HANSON MOVED HB 1001 DO PASS.

Motion/Vote: REP. MCCARTHY moved to amend HB 1001. Motion carried unanimously. EXHIBIT 22

Motion/Vote: REP. COHEN moved to further amend HB 1001. To substitute 1 cent for 1 1/2 cents. Motion carried 19 to 2 with REPS. HOFFMAN and SCHYE voting no.

Motion/Vote: REP. COHEN moved to further amend HB 1001. To change the sunset clause to 7/1/93. Motion carried unanimously.

Motion/Vote: REP. NELSON MADE A SUBSTITUTE MOTION HB 1001 BE TABLED. Motion carried 14 to 7 with REPS. MADISON, SCHYE, MCCARTHY, FOSTER, COHEN, REAM, and McCAFFREE voting no.

EXECUTIVE ACTION ON HB 1007

Motion: REP. REAM MOVED HB 1007 DO PASS.

Motion/Vote: REP. REAM moved to amend HB 1007. Motion carried unanimously. EXHIBIT 23

Motion/Vote: CHAIR HARRINGTON MADE A SUBSTITUTE MOTION HB 1007 DO PASS AS AMENDED. Motion carried 11 to 10 on a roll call vote. EXHIBIT 24

EXECUTIVE ACTION ON HB 809

Motion: REP. COHEN MOVED HB 809 DO PASS.

Motion/Vote: REP. COHEN moved to amend HB 809. Motion carried unanimously. EXHIBIT 25

Motion/Vote: REP. COHEN MADE A SUBSTITUTE MOTION HB 809 DO PASS AS AMENDED. Motion carried 11 to 10 on a roll call vote. EXHIBIT 26

EXECUTIVE ACTION ON HB 267

Motion: REP. COHEN MOVED TO RECONSIDER HB 267 AND BRING FROM THE TABLE.


Discussion:

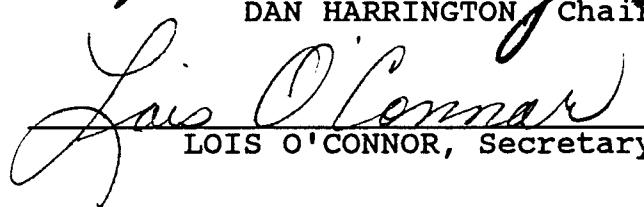
REP. COHEN asked Chuck Stearns, Finance Officer, Missoula, to explain. Mr. Stearns provided written testimony. EXHIBIT 27

Vote: Motion to reconsider HB 267 failed 2 to 19 with REPS. REAM and COHEN voting aye.

ADJOURNMENT

Adjournment: 6:50 p.m.


DAN HARRINGTON, Chair


LOIS O'CONNOR, Secretary

DH/lo

HOUSE OF REPRESENTATIVES

TAXATION COMMITTEE

ROLL CALL

DATE 3/27/91

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	✓		

10:05
3-28-91
JDR

HOUSE STANDING COMMITTEE REPORT

March 28, 1991

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Mr. Speaker: We, the committee on Taxation report that House Bill 312 (second reading copy -- yellow) do pass as amended.

Signed: *Dan Harrington*
Dan Harrington, Chairman

And, that such amendments read:

1. Title, line 13.

Following: "REIMBURSEMENTS;"

Insert: "TO PROVIDE FOR A STUDY OF FUNDING ALTERNATIVES BY THE
STATE BAR OF MONTANA;"

2. Page 21.

Following: line 12

Insert: "NEW SECTION. Section 15. State bar of Montana -- study of funding alternatives. The state bar of Montana conducted a the study that resulted in the enactment of the substantive portions of [this act], but recommended no source of funding other than an appropriation from the state general fund. The state bar is requested to continue the study and recommend a method of funding the substantive portions of [this act] to the 53rd Legislature. The state bar should consider:

(1) the deposit of all or a portion of punitive damage awards into the reimbursement fund;

(2) the deposit of prejudgment interest into the reimbursement fund;

(3) increasing the control and supervision over district court budgets;

(4) deposit of increased filing and judgment fees into the reimbursement fund; and

(5) any other matter it considers germane to the financing and fiscal administration of state district courts."

Renumber: subsequent sections

10:05
3-28-91
JDB

HOUSE STANDING COMMITTEE REPORT

March 28, 1991

Page 1 of 1

Mr. Speaker: We, the committee on Taxation report that House Bill 856 (first reading copy -- white) do pass as amended .

Signed: 
Dan Harrington, Chairman

And, that such amendments read:

1. Title, line 11.

Following: "WHO"

Insert: "RECEIVES THE SIGNAL FROM A COMMUNITY ANTENNA TELEVISION
SYSTEM THAT"

2. Page 2, line 3.

Strike: ":"

3. Page 2, line 4.

Strike: "(i)"

4. Page 2, line 8.

Strike: "; or"

Insert: "."

5. Page 2, line 9.

Strike: "(ii)"

Insert: "(d) The taxpayer receives the services through the
medium of a community antenna system that"

HOUSE STANDING COMMITTEE REPORT

10:05
3-28-91
JDD

March 28, 1991

Page 1 of 2

Mr. Speaker: We, the committee on Taxation report that House Bill 894 (first reading copy -- white) do pass as amended .

Signed: 
Dan Harrington, Chairman

And, that such amendments read:

1. Title, line 6.

Following: "FOUNDATIONS"

Insert: "AND MONTANA PRIVATE COLLEGES OR THEIR FOUNDATIONS"

2. Page 1, line 16.

Strike: "15-31-121"

Insert: "15-31-101"

3. Page 1, line 20.

Following: "foundations"

Insert: "or a general endowment fund of a Montana private college
or its foundation"

4. Page 2, line 1.

Following: "(3)"

Insert: "(a)"

5. Page 2, line 3.

Following: "system"

Insert: "or a Montana private college"

6. Page 2.

Following: line 5

Insert: "(b) For the purposes of this section, "Montana private
college" means a nonprofit private educational institution:

(i) whose main campus and primary operations are
within the state; and

(ii) that offers baccalaureate degree level education
and is accredited for that purpose by a national or regional
accrediting agency recognized by the board of regents of
higher education.

NEW SECTION. Section 2. Contribution by small
business corporation. A contribution to a general endowment
fund of the Montana university system [or a Montana private
college] by a small business corporation, as defined in 15-
31-201, qualifies for the credit in [section 1]. The credit

must be attributed to shareholders, using the same proportion used to report the corporation's income or loss for Montana income tax purposes.

NEW SECTION. Section 3. Contribution by partnership. A contribution to a general endowment fund of the Montana university system [or a Montana private college] by a partnership qualifies for the credit in [section 1]. The credit must be attributed to partners, using the same proportion used to report the partnership's income or loss for Montana tax purposes.

NEW SECTION. Section 4. Codification instruction. (1) [Section 1] is intended to be codified as an integral part of Title 15, chapter 30, part 1, and the provisions of Title 15, chapter 30, part 1, apply to [section 1].

(2) [Sections 2 and 3] are intended to be codified as an integral part of Title 15, chapter 31, part 1, and the provisions of Title 15, chapter 31, part 1, apply to [sections 2 and 3]."

Renumber: subsequent section

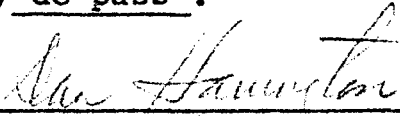
10104
3-28-91
TDD

HOUSE STANDING COMMITTEE REPORT

March 28, 1991

Page 1 of 1

Mr. Speaker: We, the committee on Taxation report that House Bill 904 (first reading copy -- white) do pass.

Signed: 
Dan Harrington, Chairman

10:05
3-28-91
JDB

HOUSE STANDING COMMITTEE REPORT

March 28, 1991

Page 1 of 1

Mr. Speaker: We, the committee on Taxation report that House
Bill 949 (first reading copy -- white) do pass .

Signed: _____

Dan Harrington, Chairman

10:05
3-28-91
JDR

HOUSE STANDING COMMITTEE REPORT

March 28, 1991

Page 1 of 1

Mr. Speaker: We, the committee on Taxation report that House Bill 986 (first reading copy -- white) do pass as amended.

Signed: 
Dan Harrington, Chairman

And, that such amendments read:

1. Page 5, line 10.

Following: "exported"

Insert: "or sold to the federal defense fuel supply center"

10:03
3-28-91
JDD

HOUSE STANDING COMMITTEE REPORT

March 28, 1991

Page 1 of 4

Mr. Speaker: We, the committee on Taxation report that House Bill 993 (first reading copy -- white) do pass as amended.

Signed: *Dan Harrington*
Dan Harrington, Chairman

And, that such amendments read:

1. Page 3, lines 11 through 14.

Following: "(4)"

Strike: remainder of subsection (4) in its entirety

Insert: "(a) Except as provided in subsection (4)(b), contributions ordered under this section and each modification of an existing order are enforceable by immediate or delinquency income withholding, or both, under Title 40, chapter 5, part 4. An order for contribution that is inconsistent with this section is nevertheless subject to withholding for the payment of the contribution without need for an amendment of the support order or for any further action by the court.

(b) A court-ordered exception from contributions under this section must be in writing and be included in the order. An exception from the immediate income withholding requirement may be granted if the court finds there is:

(i) good cause not to require immediate income withholding; or

(ii) there is an alternative arrangement between the department and the person who is ordered to pay contributions.

(c) A finding of good cause not to require immediate income withholding must, at a minimum, be based upon:

(i) a written determination and explanation by the court of the reasons why the implementation of immediate income withholding is not in the best interests of the child; and

(ii) proof of timely payment of previously ordered support in cases involving modification of contributions ordered under this section.

(d) An alternative arrangement must:

(i) provide sufficient security to ensure compliance with the arrangement;

(ii) be in writing and be signed by a representative of the department and the person required to make contributions; and

(iii) if approved by the court, be entered into the record of the proceeding."

2. Page 3, lines 19 through 23.

Following: "(6)" on line 19

Strike: the remainder of subsection (6) in its entirety

Insert: "(a) If the court orders the payment of contributions under this section, the department shall apply to the department of social and rehabilitation services for support enforcement services pursuant to Title IV-D of the Social Security Act.

(b) The department of social and rehabilitation services may collect and enforce a contribution order under this section by any means available under law, including the remedies provided for in Title 40, chapter 5, parts 2 and 4."

3. Page 5, lines 13 through 25.

Following: "(6)"

Strike: remainder of subsection (6) and all of subsections (7) and (8) in their entirety

Insert: "(a) Except as provided in subsection (6)(b), contributions ordered under this section and each modification of an existing order are enforceable by immediate or delinquency income withholding, or both, under Title 40, chapter 5, part 4. An order for contribution that is inconsistent with this section is nevertheless subject to withholding for the payment of the contribution without need for an amendment of the support order or for any further action by the court.

(b) A court-ordered exception from contributions under this section must be in writing and be included in the order. An exception from the immediate income withholding requirement may be granted if the court finds there is:

(i) good cause not to require immediate income withholding; or

(ii) there is an alternative arrangement between the department and the person who is ordered to pay contributions.

(c) A finding of good cause not to require immediate income withholding must, at a minimum, be based upon:

(i) a written determination and explanation by the court of the reasons why the implementation of immediate income withholding is not in the best interests of the child; and

(ii) proof of timely payment of previously ordered support in cases involving modification of contributions ordered under this section.

(d) An alternative arrangement must:

(i) provide sufficient security to ensure compliance with the arrangement;

(ii) be in writing and be signed by a representative of the department and the person required to make contributions; and

(iii) if approved by the court, be entered into the record of the proceeding.

(7) (a) If the court orders the payment of contributions under this section, the department shall apply to the department of social and rehabilitation services for support enforcement services pursuant to Title IV-D of the Social Security Act.

(b) The department of social and rehabilitation services may collect and enforce a contribution order under this section by any means available under law, including the remedies provided for in Title 40, chapter 5, parts 2 and 4."

4. Page 14, lines 8 through 11.

Following: "(10)"

Strike: remainder of subsection (10) in its entirety

Insert: "(a) Except as provided in subsection (10) (b), contributions ordered under this section and each modification of an existing order are enforceable by immediate or delinquency income withholding, or both, under Title 40, chapter 5, part 4. An order for contribution that is inconsistent with this section is nevertheless subject to withholding for the payment of the contribution without need for an amendment of the support order or for any further action by the court.

(b) A court-ordered exception from contributions under this section must be in writing and be included in the order. An exception from the immediate income withholding requirement may be granted if the court finds there is:

(i) good cause not to require immediate income withholding; or

(ii) there is an alternative arrangement between the department and the person who is ordered to pay contributions.

(c) A finding of good cause not to require immediate income withholding must, at a minimum, be based upon:

(i) a written determination and explanation by the court of the reasons why the implementation of immediate income withholding is not in the best interests of the child; and

(ii) proof of timely payment of previously ordered support in cases involving modification of contributions ordered under this section.

(d) An alternative arrangement must:

- (i) provide sufficient security to ensure compliance with the arrangement;
- (ii) be in writing and be signed by a representative of the department and the person required to make contributions; and
- (iii) if approved by the court, be entered into the record of the proceeding."

5. Page 14, lines 16 through 20.

Following: "(12)" on line 19

Strike: the remainder of subsection (12) in its entirety

Insert: "(a) If the court orders the payment of contributions under this section, the department shall apply to the department of social and rehabilitation services for support enforcement services pursuant to Title IV-D of the Social Security Act.

(b) The department of social and rehabilitation services may collect and enforce a contribution order under this section by any means available under law, including the remedies provided for in Title 40, chapter 5, parts 2 and 4."

6. Page 22, line 6.

Following: "~~41-3-1123~~"

Insert: "41-3-406, and 41-3-1122"

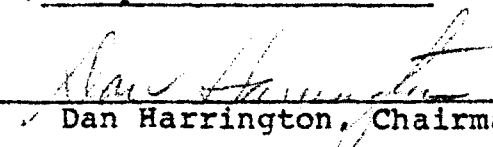
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HOUSE STANDING COMMITTEE REPORT

March 28, 1991

Page 1 of 7

Mr. Speaker: We, the committee on Taxation report that House Bill 996 (first reading copy -- white) do pass as amended.

Signed: 
Dan Harrington, Chairman

And, that such amendments read:

1. Title, line 9.

Following: "15-30-128,"

Insert: "15-30-145, 15-30-149,"

2. Title, line 13

Following: "15-30-105,"

Insert: "15-30-106,"

3. Title, line 17

Strike: "AND"

Following: "19-13-1003,"

Insert: "AND 80-12-211"

4. Title, line 18.

Strike: "A RETROACTIVE"

Insert: "AN"

5. Page 3, lines 13 and 14.

Strike: "within the meaning of"

Strike: "[section 6(2)(c)]" on line 14

6. Page 4, lines 15 and 16.

Strike: "within the meaning of"

Strike: "[section 6(2)(c)]" on line 16

7. Page 9.

Following: line 12

Insert: "(7) Montana adjusted gross income" means the amount of income a nonresident or part-year resident receives from sources within Montana. The term does not include income exempted from state taxation under the laws or constitution of the United States."

Renumber: subsequent subsections

8. Page 10, line 9.
Strike: "federal"
Following: "adjusted"
Insert: "federal"

9. Page 10, line 13.
Strike: "federal"
Following: "adjusted"
Insert: "federal"

10. Page 10, line 17.
Strike: "Federal adjusted"
Insert: "Adjusted federal"

11. Page 10, line 21 through page 11, line 3.
Strike: "income" on page 10, line 21 through "resident." on page 11, line 3
Insert: "Income exempted from state taxation under the laws or constitution of the United States may be deducted."

12. Page 11, line 4.
Strike: "(3)"
Insert: "(b)"
Renumber: subsequent subsections

13. Page 11, line 17 through page 12, line 4.
Strike: subsections (4) and (5) in their entirety
Insert: "(3) (a) Except as provided in subsection (3) (b), a nonresident's federal income tax liability for purposes of determining his state income tax liability pursuant to [section 7] is the taxpayer's federal tax liability multiplied by the percentage derived from dividing the taxpayer's Montana adjusted gross income by the taxpayer's federal adjusted gross income.
(b) If a nonresident's federal adjusted gross income is zero or a loss, then his federal income tax liability for purposes of determining his state income tax liability pursuant to [section 7] is the full amount of his federal tax liability."

14. Page 12, lines 5 through 9.
Following: "tax." on line 5
Strike: the remainder of section 7 in its entirety
Insert: "(1) The rate of state income tax is 30% of the sum of a taxpayer's federal income tax liability less federal credits.
(2) If a taxpayer has adjusted his federal taxable income as provided in [section 6(2)], he shall recompute his

federal income tax liability, less credits, before applying the 30% rate.

(3) A taxpayer's federal tax liability includes the tax and penalty on early distributions from individual retirement accounts or qualified retirement plans. A taxpayer's federal income tax liability does not include self-employment tax or the social security tax on tips."

15. Page 12, lines 14 through 20.

Following: "state" on line 14

Insert: ", including gain and interest received from the installment sales of property"

Strike: "It" on line 14 through "state." on line 20

16. Page 13, line 1.

Insert: "NEW SECTION. Section 9. Nonresident alternative gross receipts tax. Pursuant to the provisions of Article III, section 2, of the Multistate Tax Compact, every nonresident taxpayer required to file a return and whose only activity in Montana consists of making sales and who does not own or rent real estate or tangible personal property within Montana and whose annual gross volume of sales made in Montana during the taxable year does not exceed \$100,000 may elect to pay an income tax of 1/2 of 1% of the dollar volume of gross sales made in Montana during the taxable year. Such tax shall be in lieu of the tax imposed under [section 6]. The gross volume of sales made in Montana during the taxable year shall be determined according to the provisions of Article IV, sections 16 and 17, of the Multistate Tax Compact."

Renumber: subsequent sections

17. Page 13, line 2.

Following: "individual"

Insert: ", married couple filing a joint federal return,"

18. Page 13, line 3.

Following: "return"

Insert: ", using the same filing status used to file the taxpayer's federal return,"

19. Page 13, line 6.

Strike: "6(5)"

Insert: "7"

20. Page 13, line 9.

Following: "(c)"

Insert: "a complete copy of the federal individual income tax return and all supporting schedules as filed, a copy of any

amended federal individual income tax return filed, and"

21. Page 13, line 24.

Following: "(2)"

Insert: "As soon as practicable after the current year's tax return is filed, the department shall examine and verify the tax."

22. Page 14, line 1.

Strike: "30"

Insert: "90"

23. Page 14.

Following: line 2

Insert: "(3) If the amount of tax due is greater than the amount paid, the difference must be paid by the taxpayer to the department within 60 days after notice of the amount of the tax due. If payment is made after 60 days, interest must be added at the rate of 9% per year as the additional tax. A penalty may not be assessed if the deficiency is paid within 60 days after the first notice of the amount due is mailed to the taxpayer."

Renumber: subsequent subsections

24. Page 14.

Following: line 8

Insert: "Section 12. Section 15-30-145, MCA, is amended to read:
"15-30-145. Revision of return by department -- examination of records and persons. (1) If, in the opinion of the department, any return of a taxpayer is in any essential respect incorrect, it may revise such return. The department may revise the return to determine the taxpayer's correct federal taxable income regardless of whether the internal revenue service has revised the taxpayer's reported federal taxable income. If any taxpayer fails to make return as herein required, the department is authorized to make an estimate of the taxable income of such taxpayer from any information in its possession and to audit and state an account according to such return or the estimate so made by it for the taxes, penalties, and interest due the state from such taxpayer. Except in the case of a person who, with intent to evade the tax, purposely or knowingly files a false or fraudulent return violating the provisions of this chapter, the amount of tax due under any return shall be determined by the department within 5 years after the return was made and the department thereafter shall be barred from revising any such returns or recomputing the tax due thereon, and no proceeding in court for the collection of such tax shall be instituted after the expiration of said

period, notwithstanding the provisions of 15-30-322. The department may revise the return to determine the taxpayer's correct federal taxable income within 5 years after the return was made regardless of whether the federal statute of limitations has run. In the case of a person who, with intent to evade the tax, purposely or knowingly files a false or fraudulent return violating the provisions of this chapter, the amount of tax due may be determined at any time after the return is filed and the tax may be collected at any time after it becomes due and, where no return has been filed, the tax may be assessed at any time.

(2) The department, for the purpose of ascertaining the correctness of any return or for the purpose of making an estimate of taxable income of any person where information has been obtained, may also examine or cause to have examined by any agent or representative designated by it for that purpose any books, papers, or records of memoranda bearing upon the matters required to be included in the return and may require the attendance of the person rendering the return or any officer or employee of such person or the attendance of any person having knowledge in the premises and may take testimony and require proof material for its information, with power to administer oaths to such person or persons. The department may exercise this power regardless of whether the internal revenue service has revised the taxpayer's reported federal taxable income and regardless of whether the federal statute of limitations has run."

Section 13. Section 15-30-149, MCA, is amended to read:

"15-30-149. Credits and refunds -- period of limitations. (1) If the department discovers from the examination of a return or upon claim duly filed by a taxpayer or upon final judgment of a court that the amount of income tax collected is in excess of the amount due or that any penalty or interest was erroneously or illegally collected, the amount of the overpayment shall be credited against any income tax, penalty, or interest then due from the taxpayer and the balance of such excess shall be refunded to the taxpayer.

(2) (a) A credit or refund under the provisions of this section may be allowed only if, prior to the expiration of the period provided by 15-30-145 and by 15-30-146 during which the department may determine tax liability, the taxpayer files a claim or the department determines there has been an overpayment.

(b) If an overpayment of tax results from a net operating loss carryback, the overpayment may be refunded or credited within the period that expires on the 15th day of

the 40th month following the close of the taxable year of the net operating loss if that period expires later than 5 years from the due date of the return for the year to which the net operating loss is carried back.

(3) Within 6 months after an amended return, a delinquent return, or a claim for refund is filed, the department shall examine ~~said~~ the return or claim and either approve or disapprove it. If ~~said~~ the return or claim is approved, the credit or refund shall be made to the taxpayer within 60 days after the claim is approved; if the return or claim is disallowed, the department shall so notify the taxpayer and shall grant a hearing thereon upon proper application by the taxpayer. If the department disapproves a claim for refund, review of the determination of the department may be had as otherwise provided in this chapter.

(4) Except as hereinafter provided for, interest shall be allowed on overpayments at the same rate as is charged on delinquent taxes due from the due date of the return or from the date of the overpayment (whichever date is later) to the date the department approves refunding or crediting of the overpayment. With respect to tax paid by withholding or by estimate, the date of overpayment shall be deemed to be the date on which the return for the taxable year was due. No interest shall accrue on an overpayment if the taxpayer elects to have it applied to his estimated tax for the succeeding taxable year, nor shall interest accrue during any period the processing of a return or claim for refund is delayed more than 30 days by reason of failure of the taxpayer to furnish information requested by the department for the purpose of verifying the amount of the overpayment. No interest shall be allowed if:

(a) the overpayment is refunded within 6 months from the date the return is due or the date the return is filed, whichever date is later;

(b) the overpayment results from the carryback of a net operating loss; or

(c) the amount of interest is less than \$1.

(5) An overpayment not made incident to a bona fide and orderly discharge of an actual income tax liability or one reasonably assumed to be imposed by this law shall not be considered an overpayment with respect to which interest is allowable."

Renumber: subsequent sections

25. Page 24, line 1.

Strike: "10"

Insert: "11"

26. Page 31, line 23.

Strike: "10"
Insert: "11"

27. Page 33, lines 16.
Strike: "within the meaning of"

28. Page 33, line 17
Strike: "[section 6(2)(c)]"

29. Page 39, line 17.
Following: "Montana"
Strike: "during the"

30. Page 39, line 20.
Following: "15-30-105,"
Insert: "15-30-106,"

31. Page 39, line 24.
Strike: "and"
Following: "19-13-1003,"
Insert: "and 80-12-211,"

32. Page 40, line 3.
Strike: "10"
Insert: "11"

33. Page 40, line 5.
Strike: "10"
Insert: "11"

34. Page 40.
Following: line 8
Insert: "NEW SECTION. Section 35. Coordination instruction.
(1) If Senate Bill No. 333 is passed and approved the language in [section 6(3) of this act YO!] is void.
(2) If Senate Bill No. 445 is passed and approved, then the appeal provisions contained in that bill govern the appeal provisions set forth in [this act] and the 90 day provision in [section 10 of this act YO!] shall be changed to 60 days."

Renumber: subsequent sections

35. Page 40, lines 20 and 21.
Strike: "retroactively, within the meaning of 1-2-109,
Strike: "1990" on line 21
Insert: "1991"

10:55
3-28-91
JDP

HOUSE STANDING COMMITTEE REPORT

March 28, 1991

Page 1 of 1

Mr. Speaker: We, the committee on Taxation report that House Bill 1007 (first reading copy -- white) do pass as amended.

Signed: *Dan Harrington*
Dan Harrington, Chairman

And, that such amendments read:

1. Page 2, line 18.

Following: "education"

Strike: "\$15,125,701"

Insert: "\$14,204,499"

2. Page 3, line 5.

Strike: "517,408 1,750,925"

Insert: " 72,016 1,305,533"

3. Page 3, line 9.

Strike: "\$164,032 \$399,231"

Insert: "\$149,641 \$383,204"

10:05
3-28-91
TDR

HOUSE STANDING COMMITTEE REPORT

March 28, 1991

Page 1 of 1

Mr. Speaker: We, the committee on Taxation report that House Bill 809 (first reading copy -- white) do pass as amended .

Signed: *Dan Harrington*
Dan Harrington, Chairman

And, that such amendments read:

1. Page 1, line 23.

Strike: "1.5%"

Insert: "1%"

EXHIBIT 1
DATE 3-27-91
HB 1011

HB 1011

SPONSOR: REPRESENTATIVE BEN COHEN

PROPERTY TAX REFORM PROPOSAL

House Bill 1011
Property Tax Proposal

Ex. 1

3-27-91

HB 1011

I. Definitions

1. Define "productive property"
2. Define "non-productive property"
3. Delete definition of personal property

II. Classes:

1. Minerals

1A. Net Proceeds

1B. Gross Proceeds

2. Productive Property

2A. Based on Productive Capacity

2A-1. Agricultural property without improvements

2A-2. Timberland (productivity study via HB 340)

2A-3. Timberland - temporary to 1-1-93 at 4%

2B. Based on Market Value

2B-1. Commercial and Industrial real property at 5%

2B-2. All improvements to commercial, industrial, and agricultural, but delete multi-family residences, at 5%

2B-3. Business equipment, including air and water pollution equipment, but not furniture, fixtures, supplies, materials, and repair tools at 8%

2B-3a. New and expanding industrial machinery and equipment, including malting barley and canola. One-half rate of business equipment.

2B-3b. Rural Telephone and Electric at 8%

2B-3c. Rental property w/ \$5,000 exemption from class 6 at 4%

2B-4. Special Industry and Coop Property

(Improvements at One-half) at 3%

2B-4a. Real Property of Coops, New Industrial Property, Gasohol, R&D, aluminum reduction equipment at 3%

2B-5. Livestock at 4%

2B-6. Centrally Assessed at 12%

2B-7. Railroads and Airlines. Mix

3. Non-productive Property

3A. Residential property at 4%

3A-1. Urban lots

3A-2. Rural lots

3A-3. Special Rural Lots that do not meet the \$1500 test, 15 to 40 acres market at 3%, but if not access then either ag or timber

3B. Residential improvements

3B-1. Urban Improvements

3B-2. Rural Improvements

3B-3. Mobile homes

3C. Recreational Property

3C-1. Golf courses, baseball fields, etc. at 2%

3C-2. Improvements to above at 4%

III. Repeal I-105

IV. Repeal Statutory appropriations - Local Gov't Black Grant to replace 1989 property tax breaks for Industry

V. Adjust Assessment method for street maintenance. lighting, and hydrant districts.

PROPERTY TAX REFORM

EXHIBIT 2
DATE 3-27-91
1011

PROPOSED PROPOSE CURRENT PROPOSED
TYPE ID PROPERTY TYPE CLASS CLASS TAX RATE RATE TAXABLE VALUE TAXABLE VALUE

CLASS 1 NET AND GROSS PROCEEDS

AGD01	NET PROCEEDS	1	1A	100.000%	100.000%	\$16,099,308	\$16,099,308
B 7002	GROSS PROCEEDS OF COAL STRIP MI	2	1B	45.000%	45.000%	\$0	\$0
B 7003	GROSS PROCEEDS OF UNDERGR COA	2	1B	33.300%	33.300%	\$85,797	\$85,797
B 7004	GROSS PROCEEDS OF METAL MINES	2	1B	3.000%	3.000%	\$10,059,495	\$10,059,495
B 2108	ELIGIBLE MINING CLAIMS	18	1B	30.000%	30.000%	\$10,319	\$10,319
	SUBTOTAL					\$26,254,919	\$26,254,919

CLASS 2 ALL PRODUCTIVE PROPERTY

CAPACITY
AGRICULTURAL REAL PROPERTY

1301	EXEMPT AGRICULTURAL LAND	3	2A1	0.000%	0.000%	\$0	\$0
1003	GRAZING LAND	3	2A1	30.000%	30.000%	\$38,247,667	\$38,247,667
1004	WILD HAY	3	2A1	30.000%	30.000%	\$5,521,613	\$5,521,613
1001	TILLABLE IRRIGATED	3	2A1	30.000%	30.000%	\$13,956,278	\$13,956,278
1002	TILLABLE NON-IRRIGATED	3	2A1	30.000%	30.000%	\$83,721,552	\$83,721,552
	SUBTOTAL					\$141,447,110	\$141,447,110

TIMBER CLASSIFICATION BASED ON PRODUCTIVE B340)

1005	TIMBER LAND	13	2A2	3.840%	3.840%		
1302	EXEMPT TIMBER LAND	13	2A2	0.000%	0.000%		

TEMPORARY TIMBER CLASSIFICATION (EXPIRES 01/01/93)

1005	TIMBER LAND	13	2A3	3.840%	4.000%	\$6,612,075	\$6,887,578
1302	EXEMPT TIMBER LAND	13	2A3	0.000%	0.000%	\$0	\$0
	SUBTOTAL					\$6,612,075	\$6,887,578

(B) PRODUCTIVE PROPERTY BASED ON MARKET VALUE
COMMERCIAL & INDUSTRIAL REAL PROPERTY

2101	SUBURBAN TRACTS COMMERCIAL	4	2B1	3.860%	5.000%	\$7,873,376	\$10,198,674
2102	CITY/TOWN LOTS COMMERCIAL	4	2B1	3.860%	5.000%	\$32,630,636	\$42,267,663
2611	INDUSTRIAL SITES	4	2B1	3.860%	5.000%	\$2,826,704	\$3,661,534
	SUBTOTAL					\$43,330,716	\$56,127,870

IMPROVEMENTS TO COMMERCIAL & INDUSTRIAL & AGRICULTURAL REAL PROPERTY

3004	IMPROV ON DISPAR OWNED AG LAND	4	2B2	3.860%	5.000%	\$557,820	\$722,565
3005	IMPROV ON RT-OF-WAY-AGRICULTUR	4	2B2	3.860%	5.000%	\$533	\$690
3102	IMPROV ON CITY/TOWN LOTS COMME	4	2B2	3.860%	5.000%	\$92,313,307	\$119,576,823
3107	IMPROV ON INDUSTRIAL SITES	4	2B2	1.930%	2.500%	\$24,018,428	\$31,111,953
3103	IMPROV ON RT-OF-WAY-COMMERCIA	4	2B2	3.860%	5.000%	\$928,453	\$1,202,659
3105	IMPROV ON HYDRAULIC WORKS	4	2B2	3.860%	5.000%	\$0	\$0
3101	IMPROV ON SUBURBAN TRACTS-COM	4	2B2	3.860%	5.000%	\$21,612,418	\$27,995,360
3301	EXEMPT IMPROVEMENTS	4	2B2	0.000%	0.000%	\$0	\$0
3001	IMPROV ON AG/TIMBER LAND	14	2B2	3.088%	5.000%	\$52,890,304	\$85,638,446
3002	IMPROV ON AG LAND-LOW INCOME	14	2B2	1.988%	3.219%	\$130,614	\$211,492
3007	REMODELED AG/TIMBER IMPROV	14	2B2	0.000%	0.000%	\$0	\$0
3003	IMPROV ON DISPAR OWNED AG LAND	14	2B2	3.088%	5.000%	\$97,700	\$158,193
3109	REMODELED COMMERCIAL IMPROVEM	4	2B1	1.668%	0.000%	\$73,431	\$0
	SUBTOTAL					\$192,623,008	\$266,618,181

BUSINESS EQUIPMENT

6001	AG IMPLEMENTS	8	2B3	9.000%	8.000%	\$49,225,977	\$43,756,424
6108	SUPPLIES AND MATERIALS	8	2B3	9.000%	0.000%	\$6,356,291	\$0
6128	OIL & GAS FIELD EQUIPMENT	8	2B3	9.000%	8.000%	\$9,403,187	\$8,358,388
6103	MACH OTHER THAN FARM, MIN, MANUF	8	2B3	9.000%	8.000%	\$27,185,115	\$24,164,547
6109	ALL OTHER PROPERTY	8	2B3	9.000%	8.000%	\$100,517	\$89,348
6101	FURNITURE & FIXTURES	8	2B3	9.000%	0.000%	\$30,953,901	\$0
6105	MANUFACTURING MACHINERY	8	2B3	9.000%	8.000%	\$71,240,645	\$63,325,018
6129	OIL & GAS FLOW LINES	8	2B3	9.000%	8.000%	\$3,047,332	\$2,708,740
6106	MINING MACHINERY	8	2B3	9.000%	8.000%	\$1,199,938	\$1,066,612
6124	RENTAL EQUIPMENT	8	2B3	9.000%	8.000%	\$1,211,163	\$1,076,589
6104	REPAIR TOOLS	8	2B3	9.000%	0.000%	\$146,261	\$0
6122	CB'S AND MOBILE PHONES	8	2B3	9.000%	8.000%	\$108,200	\$96,178
6121	RADIO & TV BROADCAST EQUIP	8	2B3	9.000%	8.000%	\$714,455	\$635,071
6119	CABLE TV SYSTEMS	8	2B3	9.000%	8.000%	\$1,171,740	\$1,041,547
4004	COAL & ORE HAULERS	8	2B3	9.000%	8.000%	\$3,043,650	\$2,705,467
6120	THEATRE & SOUND EQUIP	8	2B3	9.000%	8.000%	\$178,006	\$158,228
6107	SKI LIFTS	8	2B3	9.000%	8.000%	\$615,705	\$547,293
4003	TRAILERS	8	2B3	9.000%	8.000%	\$3,759,718	\$3,341,972
4001	TRUCKS OVER 1 TON	8	2B3	9.000%	8.000%	\$6,475,109	\$5,755,652
4002	BUSES	8	2B3	9.000%	8.000%	\$90,072	\$80,064
6130	FAILURE TO REPORT PENALTIES	6	2B3	8.074%	8.074%	\$738,209	\$738,209
4005	VEHICLES (BACK TAXES)	9	2B3	9.599%	9.599%	\$1,006,108	\$1,006,108
6125	CLASS 20 OUT OF PROD	8	3B1	9.000%	8.000%	\$0	\$0
6111	H2O & AIR POLLUTION CONTROL	5	2B3	3.000%	8.000%	\$13,723,574	\$36,596,197
	SUBTOTAL					\$231,694,873	\$197,247,651

NEW AND EXPANDING INDUSTRY MACHINERY & EQUIPMENT

6126. NEW & EXPANDING IND-MACH & EQUI	8	2B3a	4.500%	4.000%	\$1,629,863	\$1,448,767
6118 CANOLA SEED PROCESSING EQUIP	6	2B3a	4.000%	4.000%	\$0	\$0
6117 MALTING BARLEY PROCESSING EQUIP	6	2B3a	4.000%	4.000%	\$0	\$0
8007 RURAL CO-OP CO.S PERSONAL	5	2B3a	3.000%	4.000%	\$2,690,462	\$3,587,283
SUBTOTAL					\$4,320,325	\$5,036,050

RURAL AND INDEPENDENT TELEPHONES

6110 RURAL TELEPHONE PROPERTY	7	2B3b	8.000%	8.000%	\$56,307	\$56,307
8016 INDEP TELE CO.S REAL	7	2B3b	8.000%	8.000%	\$400,747	\$400,747
8017 INDEP TELE CO.S PERSONAL	7	2B3b	8.000%	8.000%	\$431,081	\$431,081
SUBTOTAL					\$888,135	\$888,135

RENTAL PROPERTY

6123 RENTAL EQUIPMENT	6	2B3c	4.000%	4.000%	\$294,757	\$294,757
SUBTOTAL					\$294,757	\$294,757

(4) SPECIAL INDUSTRY AND CO-OP PROPERTY

6113 ALL GASOHOL RELATED PROPERTY	5	2B4	3.000%	3.000%	\$545	\$545
6116 ALUMINUM ELECTROLYTIC EQUIPMEN	5	2B4	3.000%	3.000%	\$1,105,201	\$1,105,201
2107 LOCALLY ASSESSED COOP LAND	5	2B4	3.000%	3.000%	\$6,926	\$6,926
3104 LOCALLY ASSESSED COOP IMPROV	5	2B4	3.000%	3.000%	\$6,190	\$6,190
3108 IMPROV ON NEW INDUSTRIAL SITES	5	2B4	3.000%	3.000%	\$231,022	\$231,022
2105 R & D LAND	5	2B4	3.000%	3.000%	\$876	\$876
6102 LOCALLY ASSESSED COOP PERS PRO	5	2B4	3.000%	3.000%	\$458,561	\$458,561
3110 R & D IMPROVEMENTS	5	2B4	3.000%	3.000%	\$20,310	\$20,310
6112 NEW EXPANDING INDUSTRY-AIR & H2	5	2B4	1.500%	3.000%	\$25,126	\$50,252
2104 NEW INDUSTRIAL SITES	5	2B4	3.000%	3.000%	\$39,450	\$39,450
6114 R & D PERSONAL PROPERTY	5	2B4	3.000%	3.000%	\$45,680	\$45,680
3112 NEW EXPANDING R & D IMPROV	5	2B4	1.500%	3.000%	\$16,995	\$33,990
6127 NEW INDUSTRY PERSONAL PROPERTY	5	2B4	3.000%	3.000%	\$1,250,808	\$1,250,808
3111 REMODELED R & D IMPROV	5	2B4	3.000%	3.000%	\$0	\$0
6115 NEW & EXPANDING R & D PERSONAL P	5	2B4	1.500%	3.000%	\$13,839	\$27,678
8006 RURAL CO-OP CO.S REAL	5	2B4	3.000%	3.000%	\$6,874,138	\$6,874,138
SUBTOTAL					\$10,095,667	\$10,151,627

(5) LIVESTOCK

5001 HORSES	6	2B5	4.000%	4.000%	\$1,394,806	\$1,394,806
5002 CATTLE	6	2B5	4.000%	4.000%	\$21,952,109	\$21,952,109
5003 SHEEP	6	2B5	4.000%	4.000%	\$637,974	\$637,974
5004 SWINE	6	2B5	4.000%	4.000%	\$94,762	\$94,762
5005 OTHER LIVESTOCK	6	2B5	4.000%	4.000%	\$92,738	\$92,738
SUBTOTAL					\$24,172,389	\$24,172,389

(6) CENTRALLY ASSESSED

8012 PIPELINES REAL	11	2B6	12.000%	12.000%	\$37,904,984	\$37,904,984
8005 GAS & ELECTRIC CO PERSONAL	11	2B6	12.000%	12.000%	\$31,330,687	\$31,330,687
8002 ELECTRIC COMPANIES PERSONAL	11	2B6	12.000%	12.000%	\$11,013,579	\$11,013,579
8003 NATURAL GAS COMPANIES REAL	11	2B6	12.000%	12.000%	\$2,417,951	\$2,417,951
8013 PIPELINES PERSONAL	11	2B6	12.000%	12.000%	\$5,587,804	\$5,587,804
8015 TELECOMM. COMPANIES PERSONAL	11	2B6	12.000%	12.000%	\$30,073,256	\$30,073,256
8014 TELECOMM. COMPANIES REAL	11	2B6	12.000%	12.000%	\$36,982,717	\$36,982,717
8001 ELECTRIC COMPANIES REAL	11	2B6	12.000%	12.000%	\$128,050,690	\$128,050,690
8004 GAS & ELECTRIC COMPANIES REAL	11	2B6	12.000%	12.000%	\$108,380,822	\$108,380,822
SUBTOTAL					\$391,742,490	\$391,742,490

(7) RAILROADS AND AIRLINES

8009 RAILROADS PERSONAL	15	2B7	7.490%	7.590%	\$0	\$0
8008 RAILROADS REAL	15	2B7	7.490%	7.590%	\$55,452,979	\$56,193,339
8010 AIRLINES REAL	17	2B7	7.490%	7.590%	\$6,933,501	\$7,026,071
8011 AIRLINES PERSONAL	17	2B7	7.490%	7.590%	\$454,447	\$460,514
SUBTOTAL					\$62,840,927	\$63,679,925

CLASS 3 ALL NON-PRODUCTIVE PROPERTY

(A) RESIDENTIAL PROPERTY

(1) REAL RESIDENTIAL

2301 EXEMPT LAND	4	3A1	0.000%	0.000%	\$0	\$0
2003 CITY/TOWN LOTS RESIDENTIAL	4	3A1	3.860%	4.000%	\$57,324,578	\$59,403,708
2004 SUBURBAN TRACTS RESID	4	3A1	3.860%	4.000%	\$56,717,052	\$58,774,147
2005 SUBURBAN TRACTS-LOW INCOME	4	3A1	2.267%	2.349%	\$1,301,082	\$1,348,144
3009 IMPROV ON CITY/TOWN LOTS RESID	4	3A1	3.860%	4.000%	\$183,407,415	\$190,059,497
2001 FARMSTEAD 1 ACRE	14	3A1	3.088%	4.000%	\$4,041,621	\$5,235,260
2002 FARMSTEAD 1 ACRE-LOW INCOME	14	3A1	1.874%	1.942%	\$34,620	\$35,876
2109 NONPRODUCTIVE LAND UNDER 20 AC	19	3A1	2.000%	4.000%	\$96,230	\$192,460
2110 CLASS 20 OUT OF PROD	20	3A1	3.860%	4.000%	\$0	\$0
SUBTOTAL					\$302,922,598	\$315,049,093

(B) RESIDENTIAL IMPROVEMENTS

3101.5 MULTI FAMILY DWELLINGS	4	3B1	3.860%	4.000%	\$195,726	\$195,726
3102.5 MULTI FAMILY DWELLINGS	4	3B1	3.860%	4.000%	\$1,582,577	\$1,582,577
3012 REMODELED RESIDENTIAL IMPROVEM	4	3B1	0.758%	0.000%	\$14	\$0
3010 IMPROV ON TRACTS/LOTS-LOW INCO	4	3B1	2.246%	2.327%	\$3,635,307	\$3,766,411
6002 MOBILE HOMES	12	3B1	3.860%	4.000%	\$15,980,051	\$16,559,638
6003 MOBILE HOMES-LOW INCOME	12	3B1	2.254%	2.335%	\$305,505	\$316,484
3011 IMPROV ON RT-OF-WAY-RESIDENTIAL	4	3B1	3.860%	4.000%	\$44,438	\$46,050

3006 IMPROV ON CLASS 20 OUT OF PROD	20	3B1	3.860%	4.000%	\$3,238	\$3,355
3008 IMPROV ON SUBURB TRACTS RESID	4	3B1	3.860%	4.000%	\$111,792,353	\$115,846,998
SUBTOTAL					\$133,539,209	\$138,317,239

(C) RECREATIONAL PROPERTY EXCLUSIVE OF IMPROVEMENTS

2106 QUALIFIED GOLF COURSES	4	3C1	1.930%	2.000%	\$168,801	\$174,923
SUBTOTAL					\$168,801	\$174,923

IMPROVEMENTS TO RECREATIONAL PROPERTY

3106 IMPROV ON QUALIFIED GOLF COURSE	4	3C2	1.930%	4.000%	\$412,769	\$855,480
SUBTOTAL					\$412,769	\$855,480

TOTALS					\$1,573,360,768	\$1,644,945,417
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LC 0495

Exhibit # 2
3-27-91 HB 1011

Impact to Local Property Tax Revenues - By County

***** Change in Property Tax Revenue *****

County	Change in Taxable Value	University (6 mills)	Foundation (95 mills)	Counties	Local Schools	Cities/ Towns	Total
Beaverhead	230,741	1,384	21,920	18,563	23,995	11,123	76,985
Big Horn	(392,739)	(2,356)	(37,310)	(24,538)	(25,728)	9,264	(80,669)
Blaine	327,871	1,967	31,148	21,687	36,112	14,006	104,920
Broadwater	226,132	1,357	21,483	16,346	10,855	3,484	53,525
Carbon	631,960	3,792	60,036	37,374	73,016	17,265	191,483
Carter	68,587	412	6,516	6,514	4,158	1,496	19,096
Cascade	3,751,466	22,509	356,389	354,026	507,491	252,697	1,493,112
Chouteau	352,746	2,116	33,511	26,763	32,189	9,370	103,949
Custer	404,278	2,426	38,406	37,687	60,284	23,127	161,930
Daniels	148,518	891	14,109	16,093	21,478	3,924	56,495
Dawson	458,399	2,750	43,548	39,633	63,610	21,059	170,600
Deer Lodge	362,276	2,174	34,416	60,949	38,770	1,771	138,081
Fallon	(150,958)	(906)	(14,341)	(4,262)	(5,676)	5,196	(19,989)
Fergus	300,433	1,803	28,541	22,262	38,052	14,844	105,502
Flathead	4,951,608	29,710	470,403	499,825	685,867	147,497	1,833,301
Gallatin	2,662,398	15,974	252,928	190,361	326,002	179,156	964,421
Garfield	72,308	434	6,869	7,560	3,877	772	19,512
Glacier	204,750	1,228	19,451	9,181	12,734	6,226	48,821
Golden Valley	98,885	593	9,394	5,123	7,884	612	23,607
Granite	107,902	647	10,251	9,977	11,750	1,489	34,113
Hill	1,005,016	6,030	95,476	73,075	90,063	46,555	311,199
Jefferson	162,148	973	15,404	10,090	19,456	5,169	51,093
Judith Basin	239,363	1,436	22,739	21,200	20,061	1,169	66,607
Lake	1,334,639	8,008	126,791	113,388	126,599	14,322	389,108
Lewis And Clark	2,759,367	16,556	262,140	278,117	399,905	137,495	1,094,213
Liberty	226,970	1,361	21,556	19,605	14,128	3,475	60,127
Lincoln	627,460	3,765	59,609	26,334	76,201	12,507	178,416
Madison	361,122	2,167	34,307	21,454	28,423	4,143	90,494
Mccone	157,319	944	14,945	18,295	13,046	4,129	51,359
Meagher	83,980	504	7,978	6,272	4,679	1,825	21,259
Mineral	177,410	1,064	16,854	15,930	27,657	3,604	65,108
Missoula	4,094,518	24,567	388,979	410,516	594,112	346,018	1,764,193
Musselshell	155,975	936	14,818	13,953	16,543	4,368	50,617
Park	805,829	4,835	76,554	52,935	78,998	34,532	247,854
Petroleum	23,069	138	2,192	1,810	2,588	764	7,492
Phillips	61,993	372	5,889	2,757	4,686	10,666	24,371
Pondera	350,778	2,105	33,324	31,784	37,080	13,201	117,493
Powder River	43,360	260	4,119	5,486	3,044	2,296	15,205
Powell	225,708	1,354	21,442	17,222	26,429	5,060	71,507
Prairie	99,087	595	9,413	11,078	5,329	1,931	28,345
Ravalli	1,821,180	10,927	173,012	140,850	197,999	21,885	544,673
Richland	119,904	719	11,391	7,410	14,202	21,866	55,589
Roosevelt	193,274	1,160	18,361	11,714	20,521	6,152	57,908
Rosebud	17,594,733	105,568	1,671,500	131,186	379,321	6,407	2,293,982
Sanders	575,156	3,451	54,640	37,581	46,760	6,675	149,106
Sheridan	52,756	317	5,012	1,941	4,300	12,825	24,394
Silver Bow	1,025,394	6,152	97,412	124,821	139,248	272	367,906
Stillwater	(58,344)	(350)	(5,543)	(4,401)	(6,085)	(1,754)	(18,132)
Sweet Grass	379,000	2,274	36,005	34,432	44,648	7,571	124,930
Teton	451,240	2,707	42,868	40,896	51,219	9,320	147,010
Toole	142,793	857	13,565	10,374	10,962	4,883	40,641
Treasure	82,348	494	7,823	6,457	7,182	1,386	23,341
Valley	440,156	2,641	41,815	26,427	61,913	23,164	155,960
Wheatland	121,252	728	11,519	10,100	9,950	2,991	35,287
Wibaux	(6,748)	(40)	(641)	(524)	(305)	814	(696)
Yellowstone	6,049,422	36,297	574,695	480,566	737,932	469,812	2,299,301
Statewide	56,796,127	340,777	5,395,632	3,562,258	5,235,510	1,971,879	16,506,056

LC 0495

Impact to Property Tax Revenues - City/Town

City/Town	Change in Taxable Value	Change in Revenue	City/Town	Change in Taxable Value	Change in Revenue
Alberton	5,420	412	Jordan	14,036	772
Anaconda	144,015	1,771	Judith Gap	2,687	129
Bainville	4,634	301	Kalispell	970,715	113,952
Baker	39,118	4,751	Kevin	6,630	541
Bearcreek	1,140	74	Laurel	226,511	26,275
Belgrade	162,220	17,275	Lavina	5,349	235
Belt	18,683	2,401	Lewistown	89,520	12,905
Big Sandy	30,425	1,978	Libby	127,287	8,414
Big Timber	89,991	7,571	Lima	744	87
Billings	5,442,026	442,981	Livingston	259,404	34,213
Boulder	26,985	3,063	Lodge Grass	1,940	180
Bozeman	1,242,494	154,628	Malta	82,294	9,728
Bridger	25,181	3,777	Manhattan	45,331	3,101
Broadus	21,163	2,296	Medicine Lake	8,656	1,428
Broadview	7,759	556	Melstone	4,313	427
Brockton	2,686	0	Miles City	169,948	23,067
Browning	(113)	(7)	Missoula	2,666,601	346,018
Cascade	25,914	2,001	Moore	9,608	368
Chester	51,305	3,475	Nashua	8,994	1,271
Chinook	87,551	11,376	Neihart	4,288	287
Choteau	70,743	5,668	Opheim	8,728	567
Circle	35,074	4,129	Outlook	5,822	934
Clyde Park	6,471	319	Philipsburg	12,881	1,275
Columbia Falls	128,606	14,008	Pinesdale	7,351	478
Columbus	(18,001)	(1,754)	Plains	(3,128)	(273)
Conrad	134,375	12,322	Plentywood	73,931	8,535
Culbertson	16,646	1,429	Plevna	7,543	445
Cut Bank	74,630	6,234	Polson	119,994	11,241
Darby	24,406	1,664	Poplar	5,465	546
Deer Lodge	74,868	5,060	Red Lodge	98,498	11,016
Denton	9,250	920	Rexford	3,406	0
Dillon	124,888	11,035	Richey	10,595	689
Dodson	3,441	224	Ronan	33,710	2,434
Drummond	2,358	213	Roundup	54,732	3,941
Dutton	11,666	1,062	Ryegate	6,607	377
East Helena	810,144	59,141	Saco	7,275	714
Ekalaka	12,343	1,496	Scobey	34,102	3,819
Ennis	21,406	1,398	Shelby	15,928	1,812
Eureka	41,631	3,330	Sheridan	24,339	2,069
Fairfield	27,563	2,591	Sidney	214,921	20,418
Fairview	16,462	1,449	Stanford	10,859	717
Flaxville	3,061	104	Stevensville	55,221	5,191
Forsyth	63,140	6,407	St. Ignatius	7,526	647
Fort Benton	55,803	7,133	Sunburst	19,621	2,531
Fort Peck	4,031	262	Superior	37,920	3,192
Froid	7,096	461	Terry	17,549	1,931
Fromberg	9,313	782	Thompson Falls	28,170	4,089
Geraldine	3,820	260	Three Forks	51,931	4,822
Glasgow	143,956	21,064	Townsend	44,106	3,484
Glendive	158,463	20,370	Troy	8,567	763
Grass Range	4,449	275	Twin Bridges	11,534	773
Great Falls	2,659,898	248,009	Valier	13,524	879
Hamilton	137,206	14,552	Virginia City	(1,480)	(96)
Hardin	105,180	9,083	Walkerville	5,442	272
Harlem	13,308	2,629	West Yellowstone	(11,347)	(669)
Harlowton	26,691	2,862	Westby	10,091	1,927
Havre	421,052	46,452	White Sulphur	21,350	1,825
Helena	1,012,857	78,355	Whitefish	221,375	19,536
Hingham	2,605	103	Whitehall	32,915	2,107
Hobson	6,768	453	Wibaux	7,140	814
Hot Springs	18,808	2,859	Winifred	7,817	376
Hysham	13,498	1,386	Winnett	11,102	764
Ismay	3,320	60	Wolf Point	36,818	3,414
Joliet	20,453	1,616	Total	20,047,735	1,971,879

Amendments to House Bill No. 312
Second Reading Copy

Requested by Rep. Hoffman
For the Committee on Taxation

Prepared by Lee Heiman
March 26, 1991

1. Title, line 13.

Following: "REIMBURSEMENTS;"

Insert: "TO PROVIDE FOR A STUDY OF FUNDING ALTERNATIVES BY THE
STATE BAR OF MONTANA;"

2. Page 21.

Following: line 12

Insert: "NEW SECTION. Section 15. State bar of Montana -- study
of funding alternatives. The state bar of Montana conducted
a the study that resulted in the enactment of the
substantive portions of [this act], but recommended no
source of funding other than an appropriation from the state
general fund. The state bar is requested to continue the
study and recommend a method of funding the substantive
portions of [this act] to the 53rd Legislature. The state
bar should consider:

(1) the deposit of all or a portion of punitive damage
awards into the reimbursement fund;

(2) the deposit of prejudgment interest into the
reimbursement fund;

(3) increasing the control and supervision over
district court budgets;

(4) deposit of increased filing and judgment fees into
the reimbursement fund; and

(5) any other matter it considers germane to the
financing and fiscal administration of state district
courts."

Renumber: subsequent sections

EXHIBIT 4
DATE 3-27-91
HB 312

HOUSE OF REPRESENTATIVES

TAXATION COMMITTEE

ROLL CALL VOTE

DATE 3/27 BILL NO. 312 NUMBER 1

MOTION: DP/A

Vote 12-9

passed with DP/A 12-9

NAME	AYE	NO
REP. BEN COHEN, 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. BOB REAM, VICE-CHAIRMAN		✓
REP. TED SCHYE		✓
REP. BARRY "SPOOK" STANG	✓	
REP. FRED THOMAS	✓	
REP. DAVE WANZENRIED	✓	
REP. DAN HARRINGTON, CHAIRMAN		✓
TOTAL		

9 :12

Amendments to House Bill No. 856
First Reading Copy

Requested by Rep. Foster
For the Committee on Taxation

Prepared by Lee Heiman
February 18, 1991

1. Title, line 11.

Following: "WHO"

Insert: "RECEIVES THE SIGNAL FROM A COMMUNITY ANTENNA TELEVISION
SYSTEM THAT"

2. Page 2, line 3.

Strike: "i"

3. Page 2, line 4.

Strike: "(i)"

4. Page 2, line 8.

Strike: "i or"

Insert: "."

5. Page 2, line 9.

Strike: "(ii)"

Insert: "(d) The taxpayer receives the services through the
medium of a community antenna system that"

Amendments to House Bill No. 894
First Reading Copy

For the Committee on Taxation

Prepared by Lee Heiman
March 19, 1991

Include Private College Foundations:

1. Title, line 6.
Following: "FOUNDATIONS"
Insert: "AND MONTANA PRIVATE COLLEGES OR THEIR FOUNDATIONS"
2. Page 1, line 20.
Following: "foundations"
Insert: "or a general endowment fund of a Montana private college
or its foundation"
3. Page 2, line 1.
Following: "(3)"
Insert: "(a)"
4. Page 2, line 3.
Following: "system"
Insert: "or a Montana private college"
5. Page 2.
Following: line 5
Insert: "(b) For the purposes of this section, "Montana private
college" means a nonprofit private educational institution:
(i) whose main campus and primary operations are
within the state; and
(ii) that offers baccalaureate degree level education
and is accredited for that purpose by a national or regional
accrediting agency recognized by the board of regents of
higher education."

Department of Revenue Clarifications:

6. Page 1, line 16.
Strike: "15-31-121"
Insert: "15-31-101"
7. Page 2.
Following: line 5
Insert: "NEW SECTION. Section 2. Contribution by small business
corporation. A contribution to a general endowment fund of
the Montana university system [or a Montana private college]
by a small business corporation, as defined in 15-31-201,
qualifies for the credit in [section 1]. The credit must be
attributed to shareholders, using the same proportion used
to report the corporation's income or loss for Montana
income tax purposes.
NEW SECTION. Section 3. Contribution by partnership."

EXHIBIT 7
DATE 3-27-91
HB 894

HOUSE OF REPRESENTATIVES

TAXATION COMMITTEE

ROLL CALL VOTE

DATE _____ BILL NO. 894 NUMBER _____

MOTION: _____

DP1

NAME	AYE	NO
REP. BEN COHEN, 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. BOB REAM, VICE-CHAIRMAN	✓	
REP. TED SCHYE	✓	
REP. BARRY "SPOOK" STANG	✓	
REP. FRED THOMAS		✓
REP. DAVE WANZENRIED	✓	
REP. DAN HARRINGTON, CHAIRMAN	✓	
TOTAL		

11 : 10

State of Montana
Stan Stephens, Governor

EXHIBIT 8
DATE 3-27-91
HB 986



Department of Revenue

Denis Adams, Director

Room 455, Sam W. Mitchell Building

Helena, Montana 59620

March 25, 1991

MEMO

TO: Representative Dolezal

FROM: Denis Adams, Director

SUBJECT: Fuel Tax Impacts On Dealers Selling to the Federal Government

The Motor Fuels Division has prepared the following information you requested about how the fuel tax impacts the Montana dealers ability to sell fuel to the federal government.

A distributor that imports gasoline or aviation/jet fuel into this state is required to become licensed as a distributor and pay the Montana tax of \$.20 on gasoline, \$.01 tax on aviation/jet fuel, and the \$.01 cleanup fee on both fuels. If the importer of this product is the federal government, we cannot force them to become licensed and pay the Montana taxes.

Back in 1986, the federal government started buying jet fuel from Wyoming Refining at the terminal in Sheridan, Wyoming. The federal government received title to this product in Wyoming and became the importer of this product. The State of Montana could not collect the tax due on this product going into Malmstrom Air Force Base.

Because we cannot force the federal government to become licensed and pay the tax, distributors in Montana are at a disadvantage in pricing this product if the federal government becomes the importer.

If the Department can be of further assistance, please let me know.

Montana Refinery competes with those who do not have to pay this tax.

EXHIBIT 9
DATE 3-27-91
HB 986

Amendments to House Bill No. 986
First Reading Copy

Requested by Rep. Dolezal
For the Committee on Taxation

Prepared by Lee Heiman
March 25, 1991

1. Page 5, line 10.

Following: "exported"

Insert: "or sold to the federal defense fuel supply center"

DEPARTMENT OF COMMERCE
AERONAUTICS DIVISION

EXHIBIT 10
DATE 3-27-91
HB 986 BOX 5178
2030 AIRPORT ROAD



STAN STEPHENS, GOVERNOR

STATE OF MONTANA

(406) 444-2506

HELENA, MONTANA 59604

March 26, 1991

Representative Bob Gilbert
Capitol Station
Helena, MT 59620

Dear Representative Gilbert:

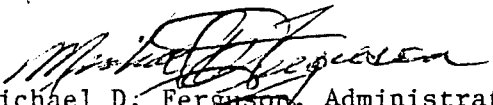
Per your request, I have contacted the Defense Logistic Agency, Defense Fuel Supply Center in Alexandria, Virginia and talked with Mr. Howard Phifer in the Office of Legal Counsel. Following is the information provided by Mr. Phifer on this date:

The federal government does have to pay the state tax on aviation fuel unless there is a constitutional issue discriminating against the federal government, i.e., if the state government is exempt and not the federal government. Diesel fuels, however, are treated differently and no state taxes are paid by the federal government. The federal government is entitled to a rebate of state taxes paid on off-highway use for motor vehicles.

Mr. Phifer also stated that his office had never been made aware of any problem relating to the Montana state aviation fuel tax.

If you should have any additional questions please call.

Sincerely,


Michael D. Ferguson, Administrator
Aeronautics Division

da

EXHIBIT 11
DATE 3-27-91
HB 986

HOUSE OF REPRESENTATIVES

TAXATION COMMITTEE

ROLL CALL VOTE

DATE 3/27 BILL NO. 986 NUMBER 11

MOTION: _____

NAME	AYE	NO
REP. BEN COHEN, 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. BOB REAM, VICE-CHAIRMAN	✓	
REP. TED SCHYE		✓
REP. BARRY "SPOOK" STANG	✓	
REP. FRED THOMAS	✓	
REP. DAVE WANZENRIED	✓	
REP. DAN HARRINGTON, CHAIRMAN		✓
TOTAL		

129

AMBIT 12
 DATE 3-27-91
 HB 986

HOUSE OF REPRESENTATIVES

TAXATION COMMITTEE

ROLL CALL VOTE

DATE _____ BILL NO. 986. NUMBER _____

MOTION: O/A.

NAME	AYE	NO
REP. BEN COHEN, 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. BOB REAM, VICE-CHAIRMAN	✓	
REP. TED SCHYE	✓	
REP. BARRY "SPOOK" STANG	✓	
REP. FRED THOMAS	✓	
REP. DAVE WANZENRIED		✓
REP. DAN HARRINGTON, CHAIRMAN		✓
TOTAL		

11:10

Amendments to House Bill No. 993
First Reading Copy

For the Committee on Taxation

Prepared by Lee Heiman
March 27, 1991

1. Page 3, lines 11 through 14.

Following: "(4)"

Strike: remainder of subsection (4) in its entirety

Insert: "(a) Except as provided in subsection (4)(b), contributions ordered under this section and each modification of an existing order are enforceable by immediate or delinquency income withholding, or both, under Title 40, chapter 5, part 4. An order for contribution that is inconsistent with this section is nevertheless subject to withholding for the payment of the contribution without need for an amendment of the support order or for any further action by the court.

(b) A court-ordered exception from contributions under this section must be in writing and be included in the order. An exception from the immediate income withholding requirement may be granted if the court finds there is:

(i) good cause not to require immediate income withholding; or

(ii) there is an alternative arrangement between the department and the person who is ordered to pay contributions.

(c) A finding of good cause not to require immediate income withholding must, at a minimum, be based upon:

(i) a written determination and explanation by the court of the reasons why the implementation of immediate income withholding is not in the best interests of the child; and

(ii) proof of timely payment of previously ordered support in cases involving modification of contributions ordered under this section.

(d) An alternative arrangement must:

(i) provide sufficient security to ensure compliance with the arrangement;

(ii) be in writing and be signed by a representative of the department and the person required to make contributions; and

(iii) if approved by the court, entered into the record of the proceeding."

2. Page 3, lines 19 through 23.

Following: "(6)" on line 19

Strike: the remainder of subsection (6) in its entirety

Insert: "(a) If the court orders the payment of contributions under this section, the department shall apply to the department of social and rehabilitation services for support enforcement services pursuant to Title IV-D of the Social Security Act.

(b) The department of social and rehabilitation services may collect and enforce a contribution order under this section by any means available under law, including the remedies provided for in Title 40, chapter 5, parts 2 and 4."

3. Page 5, lines 13 through 25.

Following: "(6)"

Strike: remainder of subsection (6) and all of subsections (7) and (8) in their entirety

Insert: "(a) Except as provided in subsection (6)(b), contributions ordered under this section and each modification of an existing order are enforceable by immediate or delinquency income withholding, or both, under Title 40, chapter 5, part 4. An order for contribution that is inconsistent with this section is nevertheless subject to withholding for the payment of the contribution without need for an amendment of the support order or for any further action by the court.

(b) A court-ordered exception from contributions under this section must be in writing and be included in the order. An exception from the immediate income withholding requirement may be granted if the court finds there is:

(i) good cause not to require immediate income withholding; or

(ii) there is an alternative arrangement between the department and the person who is ordered to pay contributions.

(c) A finding of good cause not to require immediate income withholding must, at a minimum, be based upon:

(i) a written determination and explanation by the court of the reasons why the implementation of immediate income withholding is not in the best interests of the child; and

(ii) proof of timely payment of previously ordered support in cases involving modification of contributions ordered under this section.

(d) An alternative arrangement must:

(i) provide sufficient security to ensure compliance with the arrangement;

(ii) be in writing and be signed by a representative of the department and the person required to make contributions; and

(iii) if approved by the court, entered into the record of the proceeding.

(7)(a) If the court orders the payment of contributions under this section, the department shall apply to the department of social and rehabilitation services for support enforcement services pursuant to Title IV-D of the Social Security Act.

(b) The department of social and rehabilitation services may collect and enforce a contribution order under this section by any means available under law, including the remedies provided for in Title 40, chapter 5, parts 2 and 4."

4. Page 14, lines 8 through 11.

Following: "(10)"

Strike: remainder of subsection (10) in its entirety

Insert: "(a) Except as provided in subsection (10)(b), contributions ordered under this section and each modification of an existing order are enforceable by immediate or delinquency income withholding, or both, under Title 40, chapter 5, part 4. An order for contribution that is inconsistent with this section is nevertheless subject to withholding for the payment of the contribution without need for an amendment of the support order or for any further action by the court.

(b) A court-ordered exception from contributions under this section must be in writing and be included in the order. An exception from the immediate income withholding requirement may be granted if the court finds there is:

(i) good cause not to require immediate income withholding; or

(ii) there is an alternative arrangement between the department and the person who is ordered to pay contributions.

(c) A finding of good cause not to require immediate income withholding must, at a minimum, be based upon:

(i) a written determination and explanation by the court of the reasons why the implementation of immediate income withholding is not in the best interests of the child; and

(ii) proof of timely payment of previously ordered support in cases involving modification of contributions ordered under this section.

(d) An alternative arrangement must:

(i) provide sufficient security to ensure compliance with the arrangement;

(ii) be in writing and be signed by a representative of the department and the person required to make contributions; and

(iii) if approved by the court, entered into the record of the proceeding."

5. Page 14, lines 16 through 20.

Following: "(12)" on line 19

Strike: the remainder of subsection (12) in its entirety

Insert: "(a) If the court orders the payment of contributions under this section, the department shall apply to the department of social and rehabilitation services for support enforcement services pursuant to Title IV-D of the Social Security Act.

(b) The department of social and rehabilitation services may collect and enforce a contribution order under this section by any means available under law, including the remedies provided for in Title 40, chapter 5, parts 2 and 4."

6. Page 22, line 6.

Following: "~~41-3-1123~~"

EXHIBIT 13
DATE 3-27-91
HB 993

Insert: "41-3-406, and 41-3-1122"

EXHIBIT 14
DATE 3-27-91
HB 215 + 216

HOUSE OF REPRESENTATIVES

TAXATION COMMITTEE

ROLL CALL VOTE

DATE 3/27 BILL NO. 215 + 216 NUMBER 1

MOTION: Yup

NAME	AYE	NO
REP. BEN COHEN, VICE-CHAIRMAN		✓
REP. ED DOLEZAL	✓	
REP. JIM ELLIOTT		✓
REP. ORVAL ELLISON		✓
REP. RUSSELL FAGG		✓
REP. MIKE FOSTER	✓	
REP. BOB GILBERT	<i>abst</i>	
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		✓
REP. DAN HARRINGTON, CHAIRMAN		✓
TOTAL		

8 : 12

EXHIBIT 15
DATE 3-27-91
HB 215-216

HOUSE OF REPRESENTATIVES

TAXATION COMMITTEE

ROLL CALL VOTE

DATE 3/27 BILL NO. 215/216 NUMBER 2

MOTION: (A) Back to RIT

NAME	AYE	NO
REP. BEN COHEN, 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. BOB REAM, VICE-CHAIRMAN		✓
REP. TED SCHYE		✓
REP. BARRY "SPOOK" STANG		✓
REP. FRED THOMAS	✓	
REP. DAVE WANZENRIED		✓
REP. DAN HARRINGTON, CHAIRMAN	✓	
TOTAL		

13: 8

EXHIBIT 16
DATE 3-27-91
HB 215-216

HOUSE OF REPRESENTATIVES

TAXATION COMMITTEE

ROLL CALL VOTE

DATE 3/27 BILL NO. 215/214 NUMBER 3

MOTION: _____

DNP. /A.

NAME	AYE	NO
REP. BEN COHEN, 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. BOB REAM, VICE-CHAIRMAN	✓	
REP. TED SCHYE	✓	
REP. BARRY "SPOOK" STANG	✓	
REP. FRED THOMAS	✓	
REP. DAVE WANZENRIED	✓	
REP. DAN HARRINGTON, CHAIRMAN		✓
TOTAL		

11:10
~~10:11~~

Amendments to House Bill No. 996
First Reading Copy

For the Committee on Taxation

Prepared by Lee Heiman
March 27, 1991

1. Title, line 9.
Following: "15-30-128,"
Insert: "15-30-145, 15-30-149,"
2. Title, line 13
Following: "15-30-105,"
Insert: "15-30-106,"
3. Title, line 17
Strike: "AND"
Following: "19-13-1003,"
Insert: "AND 80-12-211,"
4. Title, line 18.
Strike: "A RETROACTIVE"
Insert: "AN"
5. Page 3, lines 13 and 14.
Strike: "within the meaning of"
Strike: "[section 6(2)(c)]" on line 14
6. Page 4, lines 15 and 16.
Strike: "within the meaning of"
Strike: "[section 6(2)(c)]" on line 16
7. Page 9.
Following: line 12
Insert: "(7) Montana adjusted gross income" means the amount of
income a nonresident or part-year resident receives from
sources within Montana. The term does not include income
exempted from state taxation under the laws or constitution
of the United States."
Renumber: subsequent subsections
8. Page 10, line 9.
Strike: "federal"
Following: "adjusted"
Insert: "federal"
9. Page 10, line 13.
Strike: "federal"
Following: "adjusted"
Insert: "federal"
10. Page 10, line 17.
Strike: "Federal adjusted"
Insert: "Adjusted federal"

11. Page 10, line 21 through page 11, line 3.

Strike: "income" on page 10, line 21 through "resident." on page 11, line 3

Insert: "Income exempted from state taxation under the laws or constitution of the United States may be deducted."

12. Page 11, line 4.

Strike: "(3)"

Insert: "(b)"

Re-number: subsequent subsections

13. Page 11, line 17 through page 12, line 4.

Strike: subsections (4) and (5) in their entirety

Insert: "(3)(a) Except as provided in subsection (3)(b), a nonresident's federal income tax liability for purposes of determining his state income tax liability pursuant to [section 7] is the taxpayer's federal tax liability multiplied by the percentage derived from dividing the taxpayer's Montana adjusted gross income by the taxpayer's federal adjusted gross income.

(b) If a nonresident's federal adjusted gross income is zero or a loss, then his federal income tax liability for purposes of determining his state income tax liability pursuant to [section 7] is the full amount of his federal tax liability."

14. Page 12, lines 5 through 9.

Following: "tax." on line 5

Strike: the remainder of section 7 in its entirety

Insert: "(1) The rate of state income tax is 30% of the sum of a taxpayer's federal income tax liability less federal credits.

(2) If a taxpayer has adjusted his federal taxable income as provided in [section 6(2)], he shall recompute his federal income tax liability, less credits, before applying the 30% rate.

(3) A taxpayer's federal tax liability includes the tax and penalty on early distributions from individual retirement accounts or qualified retirement plans. A taxpayer's federal income tax liability does not include self-employment tax or the social security tax on tips."

15. Page 12, lines 14 through 20.

Following: "state" on line 14

Insert: ", including gain and interest received from the installment sales of property"

Strike: "It" on line 14 through "state." on line 20

16. Page 13, line 1.

Insert: "NEW SECTION. **Section 9. Nonresident alternative gross receipts tax.** Pursuant to the provisions of Article III, section 2, of the Multistate Tax Compact, every nonresident taxpayer required to file a return and whose only activity in Montana consists of making sales and who does not own or

rent real estate or tangible personal property within Montana and whose annual gross volume of sales made in Montana during the taxable year does not exceed \$100,000 may elect to pay an income tax of 1/2 of 1% of the dollar volume of gross sales made in Montana during the taxable year. Such tax shall be in lieu of the tax imposed under [section 6]. The gross volume of sales made in Montana during the taxable year shall be determined according to the provisions of Article IV, sections 16 and 17, of the Multistate Tax Compact."

Renumber: subsequent sections

17. Page 13, line 2.

Following: "individual"

Insert: ", married couple filing a joint federal return,"

18. Page 13, line 3.

Following: "return"

Insert: ", using the same filing status used to file the taxpayer's federal return,"

19. Page 13, line 6.

Strike: "6(5)"

Insert: "7"

20. Page 13, line 9.

Following: "(c)"

Insert: "a complete copy of the federal individual income tax return and all supporting schedules as filed, a copy of any amended federal individual income tax return filed, and"

21. Page 13, line 24.

Following: "(2)"

Insert: "As soon as practicable after the current year's tax return is filed, the department shall examine and verify the tax."

22. Page 14, line 1.

Strike: "30"

Insert: "90"

23. Page 14.

Following: line 2

Insert: "(3) If the amount of tax due is greater than the amount paid, the difference must be paid by the taxpayer to the department within 60 days after notice of the amount of the tax due. If payment is made after 60 days, interest must be added at the rate of 9% per year a the additional tax. A penalty may not be assessed if the deficiency is paid within 60 days after the first notice of the amount due is mailed to the taxpayer."

Renumber: subsequent subsections

24. Page 14.

Following: line 8

Insert: "Section 12. Section 15-30-145, MCA, is amended to read:

"15-30-145. Revision of return by department -- examination of records and persons. (1) If, in the opinion of the department, any return of a taxpayer is in any essential respect incorrect, it may revise such return. The department may revise the return to determine the taxpayer's correct federal taxable income regardless of whether the internal revenue service has revised the taxpayer's reported federal taxable income. If any taxpayer fails to make return as herein required, the department is authorized to make an estimate of the taxable income of such taxpayer from any information in its possession and to audit and state an account according to such return or the estimate so made by it for the taxes, penalties, and interest due the state from such taxpayer. Except in the case of a person who, with intent to evade the tax, purposely or knowingly files a false or fraudulent return violating the provisions of this chapter, the amount of tax due under any return shall be determined by the department within 5 years after the return was made and the department thereafter shall be barred from revising any such returns or recomputing the tax due thereon, and no proceeding in court for the collection of such tax shall be instituted after the expiration of said period, notwithstanding the provisions of 15-30-322. The department may revise the return to determine the taxpayer's correct federal taxable income within 5 years after the return was made regardless of whether the federal statute of limitations has run. In the case of a person who, with intent to evade the tax, purposely or knowingly files a false or fraudulent return violating the provisions of this chapter, the amount of tax due may be determined at any time after the return is filed and the tax may be collected at any time after it becomes due and, where no return has been filed, the tax may be assessed at any time.

(2) The department, for the purpose of ascertaining the correctness of any return or for the purpose of making an estimate of taxable income of any person where information has been obtained, may also examine or cause to have examined by any agent or representative designated by it for that purpose any books, papers, or records of memoranda bearing upon the matters required to be included in the return and may require the attendance of the person rendering the return or any officer or employee of such person or the attendance of any person having knowledge in the premises and may take testimony and require proof material for its information, with power to administer oaths to such person or persons. The department may exercise this power regardless of whether the internal revenue service has revised the taxpayer's reported federal taxable income and regardless of whether the federal statute of limitations has run."

Section 13. Section 15-30-149, MCA, is amended to read:

"15-30-149. Credits and refunds -- period of limitations. (1) If the department discovers from the

examination of a return or upon claim duly filed by a taxpayer or upon final judgment of a court that the amount of income tax collected is in excess of the amount due or that any penalty or interest was erroneously or illegally collected, the amount of the overpayment shall be credited against any income tax, penalty, or interest then due from the taxpayer and the balance of such excess shall be refunded to the taxpayer.

(2) (a) A credit or refund under the provisions of this section may be allowed only if, prior to the expiration of the period provided by 15-30-145 and by 15-30-146 during which the department may determine tax liability, the taxpayer files a claim or the department determines there has been an overpayment.

(b) If an overpayment of tax results from a net operating loss carryback, the overpayment may be refunded or credited within the period that expires on the 15th day of the 40th month following the close of the taxable year of the net operating loss if that period expires later than 5 years from the due date of the return for the year to which the net operating loss is carried back.

(3) Within 6 months after an amended return, a delinquent return, or a claim for refund is filed, the department shall examine said the return or claim and either approve or disapprove it. If said the return or claim is approved, the credit or refund shall be made to the taxpayer within 60 days after the claim is approved; if the return or claim is disallowed, the department shall so notify the taxpayer and shall grant a hearing thereon upon proper application by the taxpayer. If the department disapproves a claim for refund, review of the determination of the department may be had as otherwise provided in this chapter.

(4) Except as hereinafter provided for, interest shall be allowed on overpayments at the same rate as is charged on delinquent taxes due from the due date of the return or from the date of the overpayment (whichever date is later) to the date the department approves refunding or crediting of the overpayment. With respect to tax paid by withholding or by estimate, the date of overpayment shall be deemed to be the date on which the return for the taxable year was due. No interest shall accrue on an overpayment if the taxpayer elects to have it applied to his estimated tax for the succeeding taxable year, nor shall interest accrue during any period the processing of a return or claim for refund is delayed more than 30 days by reason of failure of the taxpayer to furnish information requested by the department for the purpose of verifying the amount of the overpayment. No interest shall be allowed if:

(a) the overpayment is refunded within 6 months from the date the return is due or the date the return is filed, whichever date is later;

(b) the overpayment results from the carryback of a net operating loss; or

(c) the amount of interest is less than \$1.

(5) An overpayment not made incident to a bona fide

and orderly discharge of an actual income tax liability or one reasonably assumed to be imposed by this law shall not be considered an overpayment with respect to which interest is allowable.""

Renumber: subsequent sections

25. Page 25, line 1.

Strike: "10"

Insert: "11"

26. Page 31, line 23.

Strike: "10"

Insert: "11"

27. Page 33, lines 16.

Strike: "within the meaning of"

28. Page 33, line 17

Strike: "[section 6(2)(c)]"

29. Page 39, line 17.

Following: "Montana"

Strike: "during the"

30. Page 39, line 20.

Following: "15-30-105,"

Insert: "15-30-106,"

31. Page 39, line 24.

Strike: "and"

Following: "19-13-1003,"

Insert: "and 80-12-211,"

32. Page 40, line 3.

Strike: "10"

Insert: "11"

33. Page 40, line 5.

Strike: "10"

Insert: "11"

34. Page 40.

Following: line 8

Insert: "NEW SECTION. Section 35. Coordination instruction.

(1) If Senate Bill No. 333 is passed and approved, then the language in [section 6(3) of this act] is void.

(2) If Senate Bill No. 445 is passed and approved, then the appeal provisions contained in that bill govern the appeal provisions set forth in [this act] and the 90-day provision in [section 10 of this act] must be changed to 60 days."

Renumber: subsequent sections

35. Page 40, line 19.

Strike: "Retroactive applicability"

EXHIBIT 17
DATE 3-27-91
HB 996

Insert: "Applicability"

36. Page 40, lines 20 and 21.

Strike: "retroactively, within the meaning of 1-2-109,

Strike: "1990" on line 21

Insert: "1991"

Amendments to House Bill No. 996
First Reading Copy

Requested by Rep. McCarthy
For the Committee on Taxation

Prepared by Lee Heiman
March 19, 1991

1. Title, line 7.

Following: "INCOME;"

Insert: "PROVIDING A RETIREMENT INCOME CREDIT AGAINST THE FIRST
\$3,600 OF QUALIFIED RETIREMENT INCOME;"

2. Page 14.

Following: line 8

Insert: "NEW SECTION. Section 11. Credit for qualified retirement income. (1) There is a retirement income credit against the tax imposed by this chapter for the first \$3,600 of qualified retirement income received by a taxpayer.
(2) The amount of the credit authorized by this section is 4.8% of qualified retirement income, in an amount not to exceed \$3,600.
(3) Income qualifies for the credit under this section if it is received by the taxpayer from any of the following:
(a) the Federal Employees' Retirement System Act or any other federal retirement system subject to federal income taxation;
(b) the public employee retirement laws of Montana or another state;
(c) an annuity, pension, or endowment under any private or corporate retirement plan or system."

Renumber: subsequent sections

3. Page 40, line 3.

Strike: "10"

Insert: "11"

4. Page 40, line 5.

Strike: "10"

Insert: "11"

317 19
DATE 3-27-91
HB 996

HOUSE OF REPRESENTATIVES

TAXATION COMMITTEE

ROLL CALL VOTE

DATE 3/27 BILL NO. 996 NUMBER 1

MOTION: _____

A³ McCarthy

NAME	AYE	NO
REP. BEN COHEN, 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. BOB REAM, VICE-CHAIRMAN		✓
REP. TED SCHYE	✓	
REP. BARRY "SPOOK" STANG		✓
REP. FRED THOMAS		✓
REP. DAVE WANZENRIED		✓
REP. DAN HARRINGTON, CHAIRMAN	✓	
TOTAL		

4 : 17

EXHIBIT 20
DATE 3-27-91
HB 996

HOUSE OF REPRESENTATIVES

TAXATION COMMITTEE

ROLL CALL VOTE

DATE 3/27 BILL NO. 996 NUMBER 2

MOTION: DD A¹/A²/A⁴

NAME	AYE	NO
REP. BEN COHEN, 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. BOB REAM, VICE-CHAIRMAN	✓	
REP. TED SCHYE	✓	
REP. BARRY "SPOOK" STANG	✓	
REP. FRED THOMAS		✓
REP. DAVE WANZENRIED	✓	
REP. DAN HARRINGTON, CHAIRMAN	✓	
TOTAL		

12:9

21
DATE 3-27-91
HB 998

HOUSE OF REPRESENTATIVES

TAXATION COMMITTEE

ROLL CALL VOTE

DATE 3/27 BILL NO. 998 NUMBER _____

MOTION: DP/A'

NAME	AYE	NO
REP. BEN COHEN, 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. BOB REAM, VICE-CHAIRMAN	✓	
REP. TED SCHYE	✓	
REP. BARRY "SPOOK" STANG		✓
REP. FRED THOMAS		✓
REP. DAVE WANZENRIED		✓
REP. DAN HARRINGTON, CHAIRMAN		✓
TOTAL		

7 14

Amendments to House Bill No. 1001
First Reading Copy

Requested by Representative J. DeBruycker
For the Committee on Taxation

Prepared by Greg Petesch
March 20, 1991

1. Title, line 5.

Following: "PROVIDING"

Strike: remainder of line 5 in its entirety

Insert: "AN INCOME"

2. Title, lines 6 through 9.

Following: "TAX" on line 6

Insert: "CREDIT"

Following: "GASOHOL"

Strike: "THAN GASOLINE"

Insert: "SOLD BY DISTRIBUTORS AND AT RETAIL"

Following: "AMENDING"

Strike: remainder of line 6 through line 9 in its entirety

Insert: "SECTION 15-31-406,"

3. Page 1, line 13 through page 19, line 24.

Strike: sections 1 through 15 in their entirety

Insert: "NEW SECTION. Section 1. Gasohol tax credit. There is a credit against the tax imposed by this chapter for each gallon of gasohol sold at retail or by a distributor as defined in 15-70-201. The credit is calculated by multiplying the number of gallons sold during the tax year by 1 1/2 cents.

Section 2. Section 15-31-406, MCA, is amended to read:

"15-31-406. License tax sections incorporated by reference.

The provisions of the following sections of this chapter are incorporated into this part by reference and made a part hereof:

(1) that part of 15-31-101 which defines the term "corporation" and 15-31-102, which specifies the classes of organizations whose income shall not be taxed;

(2) sections 15-31-111 through 15-31-114, 15-31-117 through 15-31-119, 15-31-141, 15-31-142, [section 1], 15-31-301 through 15-31-313, 15-31-501 through 15-31-509, 15-31-525, 15-31-526, 15-31-531, 15-31-532, 15-31-541, and 15-31-543, except that the term "gross income" shall be construed as excluding the net amount of interest income from valid obligations of the United States and except that wherever the words "tax", "license tax", "license fee", "corporation excise tax", or like words appear, referring to the tax imposed under part 1 of this chapter, there shall be substituted the words "income tax"."

NEW SECTION. Section 3. Codification instruction. (1) [Section 1] is intended to be codified as an integral part of Title 15, chapter 30, part 1, and the provisions of Title 15, chapter 30, part 1, apply to [section 1].

ex. 22

3-27-91

HB 1001

(2) [Section 1] is intended to be codified as an integral part of Title 15, chapter 31, part 1, and the provisions of Title 15, chapter 31, part 1, apply to [section 1]."

Amendments to House Bill No. 1007
Introduced Copy

Requested by Representative Kadas
For the Committee on House Taxation

Prepared by Pamela D. Joehler
March 25, 1991

1. Page 2, line 18.

Following: "education"

Strike: "\$15,125,701"

Insert: "\$14,204,499"

2. Page 3, line 5.

Strike: "517,408 1,750,925"

Insert: " 72,016 1,305,533"

3. Page 3, line 9.

Strike: "\$164,032 \$399,231"

Insert: "\$149,641 \$383,204"

This amendment reduces the allocation of "peer catch-up" funds to the Montana College of Mineral Science and Technology by \$445,392 each year of the 1993 biennium and corrects the additional amount needed to increase the state's share for community college funding to 51% and 55%.

EXHIBIT 24
DATE 3-27-91
HB 1007

HOUSE OF REPRESENTATIVES

TAXATION COMMITTEE

ROLL CALL VOTE

DATE 3/27 BILL NO. 1007 NUMBER 1

MOTION: _____

NP/A

NAME	AYE	NO
REP. BEN COHEN, 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. BOB REAM, VICE-CHAIRMAN	✓	
REP. TED SCHYE	✓	
REP. BARRY "SPOOK" STANG	✓	
REP. FRED THOMAS		✓
REP. DAVE WANZENRIED	✓	
REP. DAN HARRINGTON, CHAIRMAN	✓	
TOTAL		

11:10

EXHIBIT 25
DATE 3-27-91
HB 809

PROPOSED AMENDMENT TO HB 809
Prepared by Beth Baker, Department of Justice

Page 1, line 23:
Strike "1.5%"
Insert "1.0%"

EXHIBIT 26
DATE 3-27-91
HB 809

HOUSE OF REPRESENTATIVES

TAXATION COMMITTEE

ROLL CALL VOTE

DATE 3/27 BILL NO. 809 NUMBER 1

MOTION: _____

~~XXXXXXXXXXXX~~
DP/A'

NAME	AYE	NO
REP. BEN COHEN, 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. BOB REAM, VICE-CHAIRMAN	✓	
REP. TED SCHYE	✓	
REP. BARRY "SPOOK" STANG	✓	
REP. FRED THOMAS	✓	
REP. DAVE WANZENRIED	✓	
REP. DAN HARRINGTON, CHAIRMAN	✓	
TOTAL		

11 10

3-27

EXHIBIT 27

DATE 3-27-91

HB 267

Rep Bob Ream, Rep Dan Harrington, & Rep Ben Cohen

A serious error has occurred regarding HB 267, the bill ^{Bob Ream} ~~you~~ agreed to carry on allowing cities & counties to levy mills for capital improvements.

The bill was originally scheduled for hearing on March 20th, but several days before March 20th, the bill status sheet maintained by the Legislature and University of Montana showed a hearing change to today 3/27.

When I came today to testify, all of a sudden it is not on the schedule, so I check the status on the computer. The status now says

"Rescheduled in error, originally heard on 3/20"

Then I find out it was tabled, without cities and counties across Montana realizing it had been heard. As late as Tuesday 3/26, Alec Hansen called to remind it was up for today.

Check
next page

I am attaching my testimony. This is Missoula's highest priority and a bill that the Governor might sign. I would ask you to reconsider to all - Bill hearing delayed by the state committee. Chuck

HOUSE HEARING SCHEDULE BY COMMITTEE BY DATE

HEARING DATE---03/27

HEARING SCHEDULES ARE SUBJECT TO CHANGE. THIS SCHEDULE IS CURRENT AS OF THE RUN TIME/DATE SHOWN ABOVE. HEARING INFORMATION IS UPDATED THROUGHOUT THE DAY. FOR LATEST INFORMATION, PLEASE CALL 1-800-237-5079 (IN HELENA, CALL 444-4853), OR CHECK THE BILL STATUS SYSTEM ON THE COMPUTER.

(H) TAXATION

CHAIRMAN: DAN HARRINGTON

SECRETARY: MONA SPAULDING

THIS COMMITTEE NORMALLY MEETS IN ROOM 437 AT 8:00 A.M. ON M,T,W,T,F

HB 216

DRISCOLL, JERRY

* ADDITIONAL INFORMATION:

APPROPRIATION FOR GROUND WATER MONITORING AND CHARACTERIZATION PROGRAMS
9:00 A.M., ROOM 437

HB 267

REAM, BOB

* ADDITIONAL INFORMATION:

ALLOW COUNTIES AND CITIES TO LEVY MILLS FOR CAPITAL IMPROVEMENTS
9:00 A.M., ROOM 437

HB 992

RANEY, BOB

* ADDITIONAL INFORMATION:

ESTABLISHING TRANSPORTATION FUELS POLICY
9:00 A.M., ROOM 437

HB 993

ZOOK, TOM

* ADDITIONAL INFORMATION:

REQUIRE PARENTAL CONTRIBUTIONS FOR THE COST OF OUT-OF-HOME CARE
9:00 A.M., ROOM 437

HB 996

REAM, BOB

* ADDITIONAL INFORMATION:

IMPOSE A STATE INCOME TAX BASED ON A PERCENTAGE OF THE FEDERAL INCOME TAX
9:00 A.M., ROOM 437

HB 1000

COHEN, BEN

* ADDITIONAL INFORMATION:

INCOME TAX CREDIT FOR PROPERTY TAXES PAID BY TAXPAYER
9:00 A.M., ROOM 437

HB 1001

DEBRUYCKER, JANE

* ADDITIONAL INFORMATION:

REDUCE FUEL TAX ON GASOLINE
9:00 A.M., ROOM 437

HB 1004

DOLEZAL, ED

* ADDITIONAL INFORMATION:

GENERALLY REVISING THE PROPERTY TAX LAWS
9:00 A.M., ROOM 437

* INDICATES ROOM, DAY, OR TIME FOR HEARING MAY DIFFER FROM NORMAL COMMITTEE ROOM, DAY, OR TIME.

HOUSE



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 # 27
3-27-91 HB 267

CHUCK STEARNS TESTIMONY ON HOUSE BILL #267 March 27, 1991

The City of Missoula strongly supports HB267 and appreciates Representative Ream's sponsorship of this critical bill. This special tax authority would be in addition to existing levy authority and would be exempt from the limitations of I-105 as amended.

We believe the Legislature recognizes the need to do something about infrastructure. Two years ago we testified about a 1988 study that demonstrated one of the first credible links of government investment in non-military capital assets and the U.S. productivity rate. Attached is a summary of that study by David Alan Aschauer of the Chicago Federal Reserve Bank. Since then, many diverse interests have cited this study to underscore the importance of infrastructure financing.

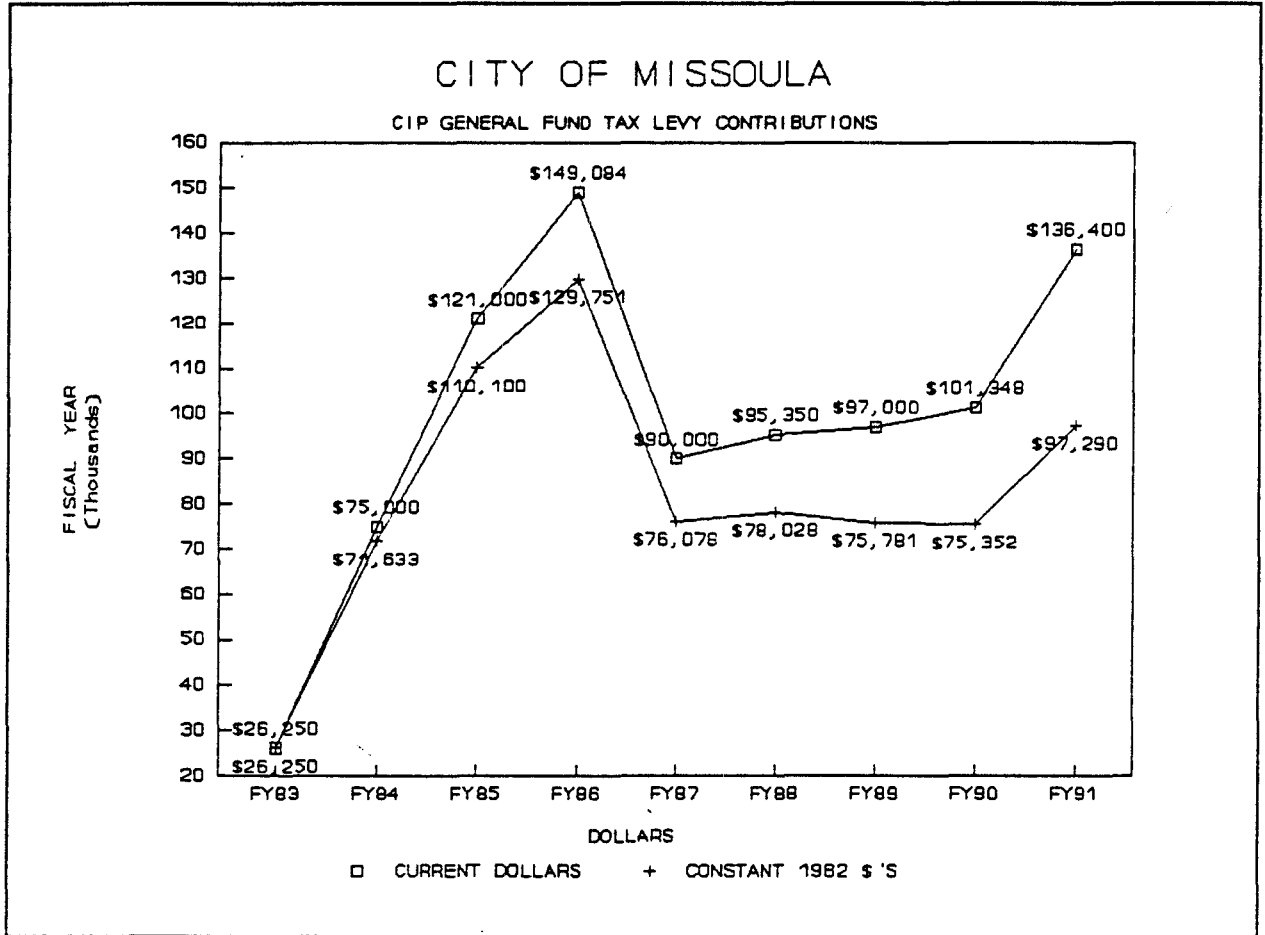
There is a dire need to have authority to raise more local funds for infrastructure. Looking back at history, since Governor Schwinden's Task Force on Infrastructure in 1984 identified over 8 billion dollars of repairs needed to Montana's infrastructure, we have seen:

1. The loss of revenue sharing for the state and local governments.
2. The imposition of I-105.
3. The elimination of EPA grants for sewage treatment facilities and the creation of low interest loans to be repaid entirely by local users.
4. The proposed turnback of funding and responsibility for highway maintenance and construction.

While the State Legislature did not cause these impacts, the Legislature recognizes that they exist and many of these actions dramatically affected the state government also. The Legislature, through the Big Sky Dividend, HB795, or HB905, will hopefully provide some relief. However, all of those programs allow the state to set priorities on projects and require new matching funds from local governments which, while justified, will be very difficult to raise without some relief from I-105 or additional revenue authority. This proposal for additional CIP levy flexibility also leaves the decision making on choice of projects and financing at the local level.

Attached to this testimony is a graph showing the City's contributions to the capital improvement program since its inception. Under current law, the City can contribute up to 5% of its general fund all purpose tax levy proceeds to the CIP program. In FY91, that contribution could have been as much as \$243,956, but the City was only able to afford to contribute \$136,400. As the graph shows, the City's ability to provide critical infrastructure financing is being eroded by I-105 and inflation. The City is investing less in the CIP now than six years ago despite a 25% growth in population and area.

We also believe that infrastructure and the impacts we have had to absorb are significant enough that this bill should still be approved as is, without requiring a vote or relying on HB822, Representative Kadas' bill for a local option repeal of I-105. Raising matching funds will be critical to increasing investment in infrastructure. Also, moving the CIP levy outside the general fund to special taxing authority secures the ability to provide such funds while freeing up a small amount of relief in the general fund of cities, towns, and counties. We strongly encourage your support of HB267.



Sources: City of Missoula Budget Documents, various years.
 Implicit price deflator for state and local government purchases was used to change nominal or current dollars into constant 1982 dollars. This information was gathered from the *Statistical Abstract of the United States, 1990* and *The Survey of Current Business, July, 1990*, United States Department of Commerce, (Washington, D.C.), 1990.

Table 20

1988

**If There Is a Need to Raise Additional Revenues to Improve
Public Works Services, Which One of These Would You Prefer?**
(in percent)

1. User Fees or Charge for Specific Services
2. Special Taxes Dedicated to Funding Specific Services
3. General Purpose Taxes
4. Don't Spend More/Don't Increase Revenues (volunteered)
5. Other
6. Don't Know/No Answer

	1	2	3	4	5	6
Total Public	35	37	12	7	2	7
Male	36	33	14	7	3	7
Female	33	42	10	7	1	7
Head of Household	36	37	12	8	2	5
Male Head	37	34	14	8	3	4
Female Head	34	41	11	7	1	6
Under 35 Years of Age	38	35	12	5	2	8
18-24	37	35	12	4	1	11
25-34	38	36	12	6	3	5
35-44	35	39	10	10	2	4
45-65	36	36	13	6	3	6
Over 65	26	42	12	9	2	9
High School Incomplete	30	36	14	11	1	8
High School Graduate	36	36	11	8	3	6
College Incomplete	34	40	8	8	2	8
College Graduate	39	39	14	1	2	5
Household Income: Under \$15K	29	39	12	9	2	9
\$15-24.9K	35	37	11	10	2	5
\$25K +	38	35	12	6	2	7
\$25-29.9K	34	37	16	6	1	6
\$30-39.9K	35	37	10	8	2	8
\$40K +	42	34	12	4	3	5
Own	35	39	12	7	2	5
Rent	36	34	11	9	2	8
White	36	36	12	7	2	7
Nonwhite	25	43	12	12	2	6
Employed	37	37	12	7	2	5
Employed Female	35	44	8	8	2	3
Unemployed	32	38	11	9	2	8
Not Employed Female	32	40	12	6	1	9
Prof., Manager, Owner	40	39	12	2	2	5
White Collar, Sales, Clerical	36	34	9	11	3	7
Blue Collar	35	36	13	8	2	6
Retired	27	41	12	13	1	6
Married	37	37	12	7	2	5
Not Married	31	38	12	7	2	10
Household Size: 1-2 People	35	37	12	8	2	6
3-4 People	34	40	12	4	2	8
5+ People	35	20	9	23	2	11
Children in Household: Under 18	36	38	12	7	2	5
No Children	34	37	12	7	2	8
Northeast	33	38	8	12	2	7
North-Central	39	36	13	5	3	4
South	33	40	12	5	2	8
West	34	35	13	9	1	8
Nonmetro	34	38	12	6	3	7
Metro-50,000 and Over	—	—	—	—	—	—
Fringe	42	33	12	6	2	5
Central City	28	41	12	10	1	8

Source: "Changing Public Attitudes on Governments and Taxes", Advisory Commission on Intergovernmental Relations (ACIR), Report S-17, Washington, DC., 1988, p. 41.

Chicago Fed Letter

Rx for productivity: Build infrastructure

A six-car collision on Tampa's two-lane Howard Frankland Bridge—the locals call it the "Frankenstein"—causes a three-hour traffic jam during rush hour. A dam bursts near Toccoa, Georgia, killing thirty-nine residents—mostly children—of a tiny Bibie college. A bridge collapses on Interstate 95 in Connecticut, hurling six people into the river some 75 feet below, killing three and injuring several others.

Such accidents and disasters happen almost daily in the United States. They are outward signs of a growing affliction—the decay of our national infrastructure. But not only safety and convenience are affected. There are deeper implications of this national neglect for the health of the U.S. economy. Indeed, as Bill Clinton, Governor of Arkansas, recently wrote, "America is falling apart, literally. Federal budget pressures and changes in the Federal tax law in the 1980s have steepened a decline in public works spending that dates to the 1950s."¹

This *Letter* looks at recent trends in public works expenditures and relates the fall-off in such spending with the productivity slowdown that became evident in the United States around 1970. The decline in public capital spending—on dams, highways, sewers, mass transit, etc.—relative to employment and private investment in plant and machinery forces private business to absorb higher costs, and thereby lowers productivity. And lower productivity, sooner or later, means a lower standard of living.

A stronger commitment to America's infrastructure by the public sector is necessary for at least two reasons.

First, a well-maintained public works system contributes to an expanding, robust economy. Second, directly and indirectly, it contributes to an improved standard of living.

A check-up

On the basis of most external appearances, the economy's health is robust. We are experiencing an expansion of output that is progressing into its sixth year; economists are raising their forecasts for this year's growth rate of gross national product (GNP); we see surging employment and a declining unemployment rate. To be sure, we see some threats of inflation, but not the inflation fever of other periods.

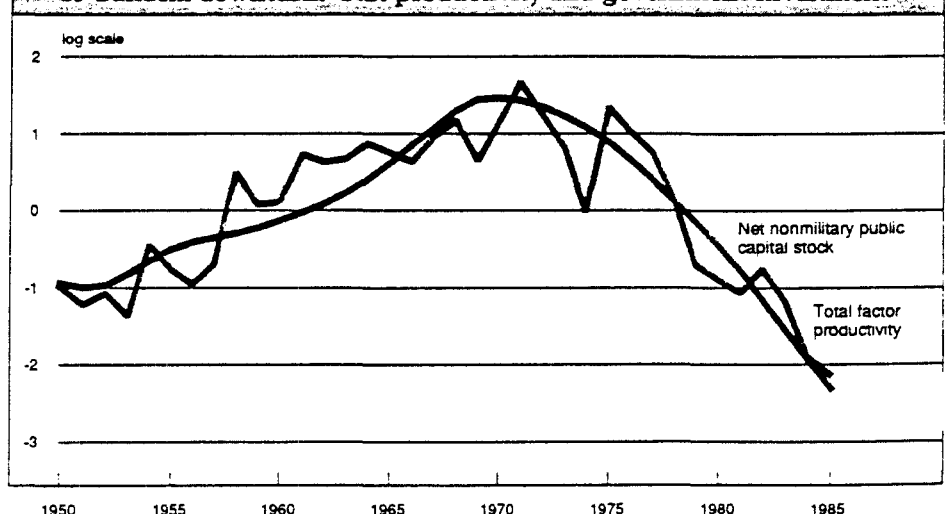
A complete physical examination, however, produces evidence of economic atrophy. The growth of output that is not explained by increases in labor and private capital inputs—generally called "total factor productivity"—has slumped during the last decade and a half. Indeed, the annual growth rate of total factor productivity in the private business econ-

omy has plummeted from 1.5% from 1951 to 1960 and 1.8% from 1961 to 1970 to 0.8% in the 1970s and a dismal 0.7% in the first half of the 1980s.

When an economy begins to produce less per worker, as has been the experience in the United States of late, commonsense suggests various possible solutions. Households can scale back consumption purchases in line with reduced income growth. Firms can reduce expenditures on capital goods in the face of lower profit margins. Or the government can reduce its own spending on goods and services (consumption spending), leaving a larger slice of output to be allocated to competing private sector needs. However, none of these resolutions have occurred, or at least have not occurred sufficiently enough to match the diminished availability of domestically produced goods and services.

Instead, households, businesses, and the government have saved less and borrowed more in the attempt to consume, invest, and finance public spending in excess of their income, cash flow, and tax revenue.

1. Tandem downturn: U.S. productivity and government investment



After averaging 9% of GNP during the 1960s, the private savings rate fell to 8.3% during the 1970s and even lower, to 6.2%, during the first half of the 1980s. Also, there has been a high budget deficit as the government sector's outlays exceeded the pace set by tax revenues. During the last years of the Carter Administration and throughout the Reagan Administration, budget deficits ballooned, with the excess of spending over revenues peaking at 5.4% of GNP in 1984.

In turn, the national attempt to spend beyond our present means has forced up real interest rates as well as caused a trade deficit in the international accounts. Higher interest rates work to choke off private expenditure, particularly on durable goods, thereby lowering the demand for borrowed funds. At the same time, higher domestic interest rates—relative to foreign rates—also attracted foreign capital. This had the desirable effect of allowing a higher private investment rate, thereby enhancing future productive capacity, than would have occurred in an economy closed off from international capital markets. Still, this has resulted in a large liability to the rest of the world. Indeed, by most accounts, the United States went from being the world's largest creditor to the world's largest debtor in less than a decade.

The ultimate consequence of the productivity disease then will be a lower standard of living as we pay back the debt held by foreigners.

Previous diagnoses

Prior studies of the fall-off in productivity have centered on a relatively small number of potential causes. A surge in aggregate productivity can be expected whenever resources are shifted from less to more productive sectors of the economy. The migration of labor from farm to nonfarm occupations had such an effect, but mostly came to a halt by the mid 1960s. Certain economists, most notably Zvi Griliches of Harvard University, have emphasized a general slowing of expenditures on research and development and a related slowing of technological change.

Average annual growth rates			
of:	1950-85	1950-70	1971-85
Productivity	1.5%	2.0%	0.8%
Public capital	3.0%	4.1%	1.6%
Public capital relative to private inputs	1.1%	2.4%	-0.6%
Capacity utilization	0.2%	0.3%	0.1%

But, the combination of these factors does not go far enough in explaining the productivity decline. The Bureau of Labor Statistics, for example, estimates that these factors probably account for only one-fourth or so of the slower productivity growth in the private economy. Lower rates of capacity utilization also may explain some of the reduction in total factor productivity; after averaging 84.1% during 1951 to 1970, the rate of capacity utilization fell to 79.5% in the period 1971 to 1985. But changes in capacity utilization rates, largely driven by erratic fluctuations in aggregate demand for goods and services and transitory technological shocks, are more likely to explain short-term, rather than long-term movements in productivity.

A new diagnosis

One place to search for a plausible reason for the productivity decline is in the government accounts—how the government gets and spends its money. Many have insisted that the financial status of the public sector—the budget deficit and consequent creation of government bonds—may play an important role in influencing the economy's performance. Specifically, it is argued that high public sector bond issuance forces up real interest rates and drives down the new private investment spending that is essential for fostering economic growth and technological improvement.

I suggest, however, that it is more reasonable to look at the physical aspects of the government budget, at the distribution of government spending across various broad categories.

As it happens, there is a remarkable correlation between the level of total factor productivity and the level of the nonmilitary public capital stock over

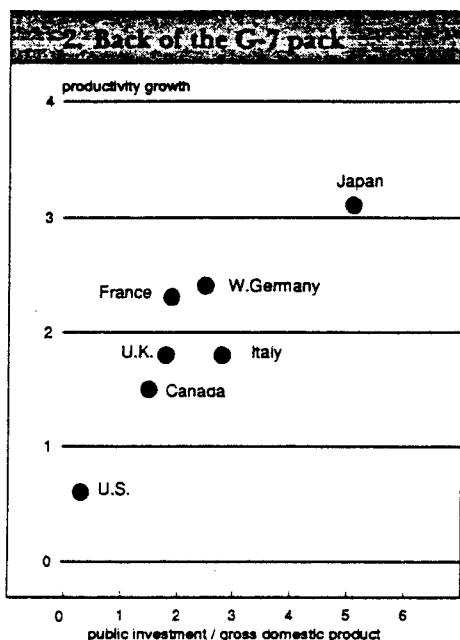
the last thirty-five years. My empirical results suggest that movements in public capital are capable of explaining a large portion of the longer term movements in productivity in the private sector over the period 1949 to 1985.²

Roughly, a one percentage point increase in the level of the net stock of public capital relative to the level of private sector inputs of labor and capital brings forth a one-third of one percentage point (.33) rise in productivity. Table 1 translates this result into an accounting mechanism for the growth rate of total factor productivity during the high-growth period 1950-70 and the subsequent low-growth period 1971-85. While productivity growth fell from 2% to 0.8% per year—a fall-off of 1.2 percentage points—the growth rate of the net stock of nonmilitary public capital shriveled from 4.1% to a mere 1.6% per annum. Even more strikingly, the growth rate of the public capital stock *relative to* a "combined" unit of private labor and capital went from a strongly positive 2.4% to a *negative* 0.6% in the slowdown period.

Multiplying the slump in the growth in public capital by the sensitivity of productivity to public capital growth—the previously mentioned 0.33—shows that fully $(3.0) \times (.33) = 1.0$ percentage point of the total decline in productivity of 1.2 percentage points can be attributed to the neglect of infrastructure.

Figure 1 vividly illustrates the tight relationship between public nonmilitary capital and total factor productivity by comparing levels of total factor productivity and the stock of public structures and equipment after removing time trends. As is clearly demonstrated, this relationship holds for the period of rising productivity growth during the 1950s and 1960s as well as for that of falling productivity growth during the last decade and a half. And, as low productivity growth leads a low standard of living by the hand, insufficient investment in the economy's infrastructure will soon force individuals to trim their style of living; Senator Quentin Burdick of North Dakota warns, "We have produced a high standard of living, but we are beginning to see cracks in that high stand-

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ard. and a less than adequate infrastructure has been identified as the cause."³

We would also expect that countries that sustain a high level of public investment relative to output would experience higher productivity growth than countries that do not invest in infrastructure. Figure 2 illustrates precisely this result, plotting combinations of annual growth rates of gross domestic output per employee hour and ratios of public investment spending to gross domestic output for the "G-7" countries over the period 1973-85. Japan has invested about 5.1% of output in public facilities and achieved productivity growth of 3.3%; at the other end of the spectrum we find the United States with a low public investment of 0.3% per year and low productivity growth of 0.6% per annum. At the same time, productivity growth in these countries was negatively related to government consumption spending.

While total government outlays relative to GNP have risen from 26% in the late 1950s to 35% in the middle of the 1980s, public nonmilitary capital expenditures have slid precipitously. Dana Huestis, President of Associated General Contractors of America, has stated in Congressional testimony, that "the infrastructure crisis is real. As a

nation, we have not been investing enough in our public facilities to either keep up with new growth, or to rebuild and protect what is falling into disrepair."⁴

Thus, a root cause of the decline in the competitiveness of the United States in the international economy may be found in the low rate at which our country has chosen to add to its stock of highways, port facilities, airports, and other facilities which aid in the production and distribution of goods and services. Just as thoughtful athletes would not think of neglecting their health for fear of failing to compete well on the playing field, we as a country should be vitally concerned with the viability of our economic lifelines that enable us to meet the challenge of an increasingly competitive world marketplace.

In the words of Nancy Rutledge, Executive Director of the National Council on Public Works Improvement, "If we spend too little on public works...society loses more than the direct public cost. In the long run, our ability to compete in the international economy will be weakened, and our standard of living will suffer."⁵ Nearly echoing her remarks, Peter Butkus, a public works manager for the State of Washington, has said that "good public works becomes the single most important thing that local governments can provide in the nation's effort to maintain and expand foreign trade and competitiveness."⁶

Prognosis

The chance for a recovery from a physical condition such as a minor hardening of human arteries is usually quite good if it is identified early enough, and the patient adopts a proper counting of calories, a good diet, and a certain amount of exercise. Similarly, given the stability of the relationship between the economy's infrastructure and the productivity of private factors of production, we may be confident that a more balanced distribution of public sector resources, shifting some from consumption and into capital accumulation, will rejuvenate the economy's lifelines.

Raising the level of public investment spending from its current abysmal level of less than one half a percent of GNP to a modest two percent—some 80 to 90 billion dollars per year—would work wonders, quite likely wonders comparable to those of modern medicine in dealing with human disease.

— David Alan Aschauer

¹ "America is Buckling and Leaking," *New York Times*, June 24, 1988.

² These estimates are contained in David Alan Aschauer, "Is Public Expenditure Productive?" Federal Reserve Bank of Chicago, working paper, in press.

³ Senate Hearings, Subcommittee on Water Resources, Transportation, and Infrastructure, October 21, 1987.

⁴ Senate Hearings, Subcommittee on Water Resources, Transportation, and Infrastructure, October 6, 1987.

⁵ *Fragile Foundations*, National Council on Public Works Improvement, February 1988.

⁶ Senate Hearings, Subcommittee on Water Resources, Transportation, and Infrastructure, November 4, 1987.

Karl A. Scheld, Senior Vice President and Director of Research; David R. Allardice, Vice President and Assistant Director of Research; Edward G. Nasn, Editor.

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