

MINUTES

**MONTANA SENATE
52nd LEGISLATURE - REGULAR SESSION**

COMMITTEE ON TAXATION

Call to Order: By Senator Mike Halligan, Chairman, on April 8, 1991, at 8:00 a.m.

ROLL CALL

Members Present:

Mike Halligan, Chairman (D)
Dorothy Eck, Vice Chairman (D)
Steve Doherty (D)
Delwyn Gage (R)
John Harp (R)
Francis Koehnke (D)
Gene Thayer (R)
Thomas Towe (D)
Van Valkenburg (D)
Bill Yellowtail (D)

Members Excused:

Robert Brown (R)

Staff Present: Jeff Martin (Legislative Council).

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

Announcements/Discussion: None

HEARING ON HOUSE BILL 54

Presentation and Opening Statement by Sponsor:

Representative Ream, District 54, presented HB 54, which is a comprehensive income tax reform bill. It ties the state income tax to a percentage of the federal income tax liability. Simplicity and fairness are the main reasons the bill was introduced. Rep. Ream reviewed the attached materials (Exhibit #1) which give an overall review of the bill.

Proponents' Testimony:

Rep. Elliott, District 51, said the goals of the bill are to provide a stable source of state revenue, simplicity, and fairness. This bill is more progressive than the present system. He said people from all over the state have told him a fair tax taxes all income in the same way. The system should have a high threshold and give relief to the people who need it most - the low and middle income taxpayers. He noted 2/3 of the loophole benefits accrue to the top 10% of the taxpayers with a minimum income of \$55,000 per year. He pointed out the median income in the state is \$16,000. The bill shifts the tax burden away from those who cannot enjoy the tax breaks and gives it to those who can afford to pay.

Samantha Sanchez, Montana Alliance for Progressive Policy, said this is a large bill with a major impact. It represents a significant improvement in Montana's tax system and repeals \$120 million in tax loopholes which is an average of \$280 per taxpayer. The bill plays no favorites. She noted all major tax reform studies in the United States and abroad say family taxation is best way to judge the ability to pay.

Diane Sands, Women's Lobby, expressed support for the bill saying it is an improvement for low income taxpayers and it is more progressive and based on the ability to pay. There is also an increased emphasis on child and dependent care.

Senator Eck, District 40, submitted testimony from Jean Roll, Bozeman, in support of the bill (Exhibit #2).

Opponents' Testimony:

Dennis Burr, Montana Taxpayers Association, said it is very difficult to predict income when Montana is tied so closely to the federal tax system. The only way to do it is to estimate on a percentage basis. When the bill was introduced the rate was 32% and has now dropped to 29%. He noted both Alaska and Nebraska tried this method and ultimately abandoned it.

Mr. Burr said the bill is intended to be revenue neutral and from the state viewpoint it is, however, from the taxpayers viewpoint it is an increase because the lower income people are dropping out of the base. He said this is only a shift, not a reform. The fairest way to change progressivity is to change the Montana income tax rate structure.

Chase Hibbard, Montana Tax Reform Coalition, said the bill does remain revenue neutral for the state but it only shifts the tax burden which is not neutrality for the taxpayer. The bill approaches simplicity, equity, and fairness, but it needs more help. The tax coalition advocates a tax adequate to meet the needs of government, a tax that is fair and equitable, and which compares favorably with other state tax systems.

Ed Sheehy, retired federal employee, expressed opposition to the bill on behalf of the retired federal employees in the state.

Ed Brandt, Economic Development Corporation of Bozeman, and representing the Bozeman Chamber of Commerce, said the state needs a comprehensive tax reform bill. The tax burden needs to be spread out and the reliance on individual income tax must be decreased. He urged the committee to take a broader look at this bill.

Bernard Grainey, retired federal employee, presented his testimony in opposition to the bill (Exhibit #3).

Questions From Committee Members:

Senator Yellowtail questioned Mr. Hibbard extensively about the tax coalition's stand on the sales tax. He asked Mr. Hibbard if he felt this bill is fair.

Mr. Hibbard said it approaches fairness, but it really depends on whether you are on the paying or receiving end of the tax process.

Senator Doherty asked Mr. Burr if there is anything in this session that he could support.

Mr. Burr replied there has been nothing major he could support at all.

Senator Doherty asked Mr. Burr if it wouldn't be a good idea to introduce a sales tax.

Mr. Burr said it probably would.

Senator Thayer expressed concern that this bill would be a detriment to economic development and development of high tech industrial development.

Rep. Ream said there are several high tech industries in the state now and they seem to be willing to pay their fair share.

Senator Eck said among the bottom 10% there are some taxpayers who have a significant income but do not pay taxes because of deductions. She asked if they would pay anything under this bill or just drop off the rolls.

Jeff Miller replied to the extent they pay federal taxes, the state would get a percentage.

Senator Gage said he felt the bill plugged some loopholes, added some loopholes, and created even larger loopholes.

Closing by Sponsor:

Rep. Ream closed by saying this bill represents true tax reform. He was surprised MTRC opposed the bill as the flat tie to a percentage of the federal tax is in the package they propose. He said there will always be gainers and losers in the tax process, but for all groups there will be more gainers than losers. He noted the top 6.33 % of the taxpayers will pay more because of the federal tax law. He noted Alaska abandoned the federal tie because the oil companies were the only ones who were paying. Nebraska's withdrawal was not because the system was unpopular, rather, it was due to a political differences in the legislature.

Rep. Ream answered the Great Falls Tribune by saying the bill ties Montana to the federal tax liability because the Montana tax system is more unfair than the federal law.

HEARING ON HOUSE BILL 822Presentation and Opening Statement by Sponsor:

Representative Kadas, District 55, said this bill is a local option repeal of 1105. It is very similar to a Senate bill which is now in the House. Rep. Kadas asked the committee to table HB 822 and let the House pass the Senate bill.

Proponents' Testimony:

There were no proponents.

Opponents' Testimony:

Gordon Morris and Dennis Burr indicated their presence.

Questions From Committee Members:

There were no questions.

Closing by Sponsor:

Rep. Kadas closed.

EXECUTIVE ACTION ON HOUSE BILL 822Recommendation and Vote:

Senator Doherty moved HB 822 be TABLED.

The motion CARRIED unanimously.

HEARING ON HOUSE BILL 1007Presentation and Opening Statement by Sponsor:

Representative Kadas, District 53, said the bill imposes a 2% surtax on individual and corporate income for the support of the university system. He said there is an inverted faculty scale as a result with the new people receiving more than those who have been there for 15 or 20 years. The \$4 million in the long range building fund is only half of what is needed right now for basic maintenance for the units in the system. The equipment is old and not suitable for training students in today's technology. Our university system used to be on a par with peer institutions but has begun falling behind.

Proponents' Testimony:

John Hutchinson, Commissioner of Higher Education, expressed support for the bill on behalf of all the units in the system. He said 10 years ago we were at parity with peer institutions in the western plains and Rocky Mountain region. However, we have fallen further behind each year and we need the provisions of HB 1007 to just begin to catch up, he said. There are general accreditation as well as specific accreditation for the engineering program at Montana Tech, pharmacy at the University of Montana, and education at Eastern. There are very great needs in instructional materials and deferred maintenance problems have become very severe. Polls which were taken last spring show 65% of the electorate support a surtax for education as well as a poll conducted this year by Eastern Montana College students.

Kirk Lacey, Montana Associated Students, said he represents students from all six units. He submitted the MAS report on "A Campus in Crisis" to the committee for their consideration (Exhibit #4). He said he sees this bill as the final opportunity for the students to plead for attention to the critical problems facing their schools. He felt the message the faculty is getting is "get out while the getting is good" and there is certainly no incentive to attract new faculty. The accrediting teams see no effort made toward improvement.

Eric Feaver, Montana Education Association, expressed the full support of his organization for the bill. He said it is most appropriate to pass this legislation as it is not a new tax, rather just a continuation of the surtax now in place. He said it is impossible to overstate how bad the damage to the university system is right now. The teacher preparatory programs do not exhibit quality now and will not be accredited if something is not done immediately.

Bob Frasier, University of Montana, rural health care consultant for the Governor's Commission, said there are openings in Montana for 88 pharmacists right now. Wiche-Wami has openings for 48 doctors in Montana. There is a critical nursing shortage. The university system has the capability of meeting these needs if they can get the funding to restore their programs to an accredited level.

Theresa Reardon, Montana Federation of Teachers, representing the faculty of the university system units, said the inverted faculty situation and salary issues are beyond critical.

Opponents' Testimony:

Dennis Burr, Montana Taxpayers Association, said he agreed with all the previous testimony. His objection is based on the chance that this money will end up in the general fund rather than being an additional support to the university system. He questioned whether the funds would not end up being a replacement funding for current university expenditures.

Laurie Shadoan, Tax Reform Coalition, said they have supported university system funding, but they object to the source of funding.

Ed Brandt, Gallatin Development Corporation, Bozeman Chamber of Commerce, and himself as a businessman, said his only opposition to the bill is to the funding by increased income taxes.

Questions From Committee Members:

Senator Harp asked if the surtax would be permanent.

Rep. Kadas said it was intended to be permanent.

Senator Eck echoed the concern about the revenue being used as general fund increase.

Rep. Kadas said he tried very hard to draft the bill so it would not be used that way. He admitted he didn't know how to guarantee it. He said he also has a great concern about the 2% going to the general fund.

Closing by Sponsor:

Rep. Kadas closed by saying there is more money in this bill for Gallatin County than for anyone else. He objected to those people who were opposed and yet provided no solution to the problem.

HEARING ON HOUSE BILL 74Presentation and Opening Statement by Sponsor:

Rep. Strizich, District 41, said the bill has been introduced at the request of the Joint Interim Subcommittee on Adult and Juvenile Detention. It is part of a package which changes policies relative to the incarceration of both youth and adults. HB 74 provides the local source of funding which fits into the mix of funding required to accomplish the plan of the interim committee. The plan includes a mix of federal, state, and local funding. This is a very important piece of the plan. The bill is limited to regional jails in the adult area, and limits similarly in the juvenile area. A lot of responsibility has been placed on local governments and this is the funding portion of that charge.

Proponents' Testimony:

Steve Nelson, Board of Crime Control, said he knows most of the committee has a great deal of background in these bills as they have served on a number of different interim committees and study groups in this area. He said the package is well balanced in both program and funding.

Gordon Morris, MACo, said this is an integral funding feature of the juvenile detention mandated services. He urged the committee to give the bill a positive recommendation.

Bill Fleiner, Helena Police Department and the Montana Sheriffs and Peace Officers Association, expressed support for the bill.

Lt. Mike O'Hara, Montana Juvenile Probation Officers, said he has worked with MACO and other groups on this legislation. It is absolutely critical to the juvenile detention package.

Opponents' Testimony:

There were no opponents.

Questions From Committee Members:

There were none.

Closing by Sponsor:

Rep. Strizich closed by saying the bill is a critical part of the overall package and urged the committee to pass the bill.

EXECUTIVE ACTION ON HOUSE BILL 74

Recommendation and Vote:

Senator Towe moved HB 74 Be Concurred In.

Senator Brown said he is uncomfortable with this approach.

The motion CARRIED with Senators Harp and Brown voting no.

HEARING ON HOUSE BILL 550

Presentation and Opening Statement by Sponsor:

Rep. Grady, said the bill would enact a tax on rental car fees to fund state parks. He said people from out of state use our parks and they should help support them.

Proponents' Testimony:

Rep. South, District 86, expressed support for the bill as he had a similar bill. He said he prefers calling this a user fee and said he feels it is a good way to raise money for the state's parks. He urged the committee to pass the bill.

Don Johnson, President, Canyon Ferry Recreation Association, expressed support for the bill. He said Montana is becoming a destination state and recreational usage will continue to increase. There is a competition in the tourist trade and our ability to sustain a competitive tourist industry in twenty years depends on the decisions we make now. Maintaining and upgrading our park system is one of most important facets of our tourist industry. He urged support of the bill.

Janet Ellis, representing the Montana Audubon, said support is needed just for basic park services such as restrooms, picnic tables and lawns. She compared the tax to the bed tax and said that the bulk of those paying the tax will be from out of state.

Alan Newell, Historical Sites Study Commission, expressed support for the bill.

Marcella Sherfy, State Historic Preservation Office, presented her testimony in support of the bill (Exhibit #5).

Opponents' Testimony:

Steve Costly, Montana Car Rental Dealers Association, expressed opposition on the basis that this is a selective sales tax. He said the bulk of the people renting cars are from out of state, but they are not renting the cars to visit state parks. Sixty percent of them are commercial and business sector people.

Joe Taylor, Missoula, representing the small car rental dealers said used and new car dealers should not be exempt from this bill. Small business rental dealers cannot compete with the larger car dealers. Insurance is a major factor in this business as many dealerships rent cars until insurance claims are settled. The small dealers cannot attempt to compete if they have an extra tax to contend with. The bill is discriminatory and creates unfair competition.

Jerry Woodall, Hertz Rent A Car, Missoula, agreed with the previous testimony and expressed opposition to the bill.

Rob DeMarois, Hertz, Missoula, Great Falls, and Billings, expressed opposition to the bill.

Steve Turkiewicz, Montana Auto Dealers Association, said owners of rental cars already pay a 1.5% tax, they pay taxes to airports, and on gasoline. He said the tax is unfair and selective.

Larry Akey, Car Rental Association of Montana, agreed with the previous testimony and expressed opposition to the bill.

Dale Duff, Hertz, Flathead Valley, expressed opposition to the bill.

Questions From Committee Members:

Senator Van Valkenburg asked if the Governor will support this bill if it is sent to him.

Rep. Grady said he didn't know, but that he would like to see what the Governor would do as he has been a supporter of the park system in the state.

Senator Towe asked if truck rentals are included.

Rep. Grady said he wanted them to be exempt.

In reply to a question from Senator Towe, Mr. Akey said he has no objection to fixing up the parks in the state. However, he said he could see no connection between car rentals and park visits.

Senator Towe asked if there is a relationship between car rentals and tourism, and if so, would Mr. Akey object to the tax if it were used to promote tourism.

Mr. Akey replied there is a relationship and he would not be as opposed to that tax.

Closing by Sponsor:

Rep. Grady closed by saying said it was his intention to tax rented pickups, but not trucks such as U-hauls. He said we need the out of state dollars to support our parks just as the bed tax supports tourism promotion. The money from the rental tax would support the parks that are used by those people who come to the state as a result of the tourism promotion supported by the bed tax.

HEARING ON HOUSE BILL 701

Presentation and Opening Statement by Sponsor:

Representative Driscoll, District 92, said the bill creates a clean coal technology demonstration account in the coal tax trust fund. It just renames a fund in the trust. It puts \$5 million a year for six years into clean coal technology fund. When a company applies for a loan, the next legislature would make that decision. He noted Rep. Bardanouve wants to amend the bill to add the Board of Investments for secured and risky loans. A specific provision of the bill is directed at the MHD facility in Billings and authorizes them to apply for a loan from the fund. Any clean coal technology would have to reduce emissions and have a coal cleaning process.

Proponents' Testimony:

Keith Colbo, MHD Development Corporation, reviewed the material in Exhibit #6 in support of the bill. He also presented a letter of support from the Billings Chamber of Commerce (Exhibit #7). He said MHD has made an investment in Montana and it needs a commitment from Montana to be successful.

Steve Huntington, MHD Corporations, presented his testimony in support of the clean coal technology program and the MHD project (Exhibit #8).

Don Peoples, CEO, Montana Technology, said the bill is very appropriate for Montana in development and adding value to coal. The MHD project in Butte is very successful. He noted the federal government has spent millions of dollars in development money in the Butte project and it is now ready to go to the retrofit stage. He said the project in Billings will exceed \$900 million in development funds. He urged the committee to support this legislation for the economic health of the state.

James Tutwiler, Montana Chamber of Commerce, said this is a step toward making Montana more competitive and is using a natural resource to its full potential for the good of the state.

Jim Mockler, Montana Coal Council, expressed support for the bill.

Opponents' Testimony:

There were no opponents.

Questions From Committee Members:

Senator Doherty asked if the 25 year exemption is locked in.

Rep. Driscoll replied the life of a project is usually about 25 years. The bonds are issued for 25 - 30 years.

Senator Yellowtail said this bill asks the legislature to allow local governments to exempt a business from local and state taxes. He asked if we do that anywhere else in the law.

Rep. Driscoll said last session the legislature passed a bill that allows local governments to forgive all taxes in specific instances. He pointed out in this bill only the specific equipment that is used to clean the coal will be exempt, not the entire plant, such as the Corrette plant in Billings whose facilities will be used in the technology development.

Closing by Sponsor:

Rep. Driscoll closed by saying this country will continue using coal for many years to come. We need to develop clean coal technology to address the acid rain problem. This project is made possible because of the ability to use the Corrette plant generator and related structures. Otherwise, it would entail another \$40 - \$50 million development.

HEARING ON HOUSE BILL 970

Presentation and Opening Statement by Sponsor:

Rep. Cocchiarella, District 59, said the bill is sponsored by the economic development community of Montana. The bill seeks to allow other basic industries which are not necessarily manufacturers to qualify for property tax reductions which are already provided to new manufacturing industries. The bill also lowers the new and expanding industry incentive minimums so that smaller businesses can qualify.

Proponents' Testimony:

Ron Klophoke, President and CEO of the Missoula Economic Development Corporation expressed support for the bill. It cleans up the definitions in the law very well and he urged the committee to pass the bill in its current form.

Opponents' Testimony:

Shelly Ann Laine, Director of Administrative Services, City of Helena, presented her testimony in opposition to the bill (Exhibit #9).

Questions From Committee Members:

Senator Halligan asked Rep. Cocchiarella if she had any objection to clarifying amendments from the Department of Revenue.

Rep. Cocchiarella said they would be fine with her.

Closing by Sponsor:

Rep. Cocchiarella said this is a national trend and she urged the committee to support the bill.

EXECUTIVE ACTION ON HOUSE BILL 982

Amendments, Discussion, and Votes:

Jeff Martin presented the amendments as requested by Rep. O'Keefe (Exhibit #10).

Recommendation and Vote:

Senator Van Valkenburg moved HB 982 Be Concurred In.

Senator Gage expressed concern that the bill contains more than one area by adding the school foundation program increase.

Senator Van Valkenburg read the Constitution and determined the provisions of the bill were in order.

Senator Harp expressed concern about the 1992 contracts with Detroit Edison and Montana Power. He said the changes from net and gross proceeds to the flat tax and now other proposed changes are sending a very mixed message to these industries.

Senator Eck said if a choice had to be made between 0 and 0 funding for schools and the companies, she would have to go with the schools. This is the only thing there is left to fund schools. It may not be the best, but it is all we have.

Senator Gage said a bill should not be passed if we don't know what it will do. We are doing that in this bill as we don't know what the deductions will be. The flat tax at least gives some stability.

Senator Yellowtail said he supports the bill because it is a major fairness policy issue. He said if we have to come back and fix some element of the net and gross proceeds, then so be it.

Senator Thayer said it is wrong to vote for a bad bill to fund education. Companies are moving out of the state and will continue to move if we continue to try to tax them out of business. We need to maintain a competitive atmosphere.

Senator Van Valkenburg asked Senator Gage how he would feel about and increase in the flat tax on the severance tax in order to get increased money for the foundation program.

Senator Gage said he would agree if Senator Van Valkenburg would be willing to go back to the state severance tax and pick up \$20 million in auto fees.

Senator Van Valkenburg said we need a market for our oil and gas. He said he is somewhat uncomfortable with this is a funding mechanism. However, the education of children has to be the most important priority. He continued we have to find a way this session to stay in the ballpark for education and this is the best way to try. The bill needs to go to the Governor so we can determine if he has any ideas about funding education in this state. He could amendatorily veto the bill with another funding

source.


The motion that HB 982 Be Concurred In CARRIED on a roll call vote (attached).

ADJOURNMENT

Adjournment At: 12:00 noon



SENATOR MIKE HALLIGAN, Chairman



JILE D. ROHYANS, Secretary

MH/jdr

ROLL CALL

SENATE TAXATION COMMITTEE

DATE 4/8/11

57²⁰¹¹ LEGISLATIVE SESSION

NAME	PRESENT	ABSENT	EXCUSED
SEN. HALLIGAN	X		
SEN. ECK	X		
SEN. BROWN			X
SEN. DOHERTY	X		
SEN. GAGE	X		
SEN. HARP	X		
SEN. KOEHNKE	X		
SEN. THAYER	X		
SEN. TOWE	X		
SEN. VAN VALKENBURG	X		
SEN. YELLOWTAIL	X		

Each day attach to minutes.

DATE 4/8

COMMITTEE ON _____

VISITORS' REGISTER

NAME	REPRESENTING	BILL #	Check One	
			Support	Oppose
<i>Marilyn Sheff</i>	MT Hist Soc	HP 550	<input checked="" type="checkbox"/>	<input type="checkbox"/>
<i>Wesley</i>	221-1st St. 60	550	<input checked="" type="checkbox"/>	<input type="checkbox"/>
Janet Ellis	MT Audubon	550	<input checked="" type="checkbox"/>	<input type="checkbox"/>
<i>Harold Cole</i>	Mont Test Co.			
JAMES TUTTOILER	UT Chamber	HB 701	<input checked="" type="checkbox"/>	<input type="checkbox"/>
Hwe Turkiewicz	Int. Auto Dealers Assn	HB 550		<input checked="" type="checkbox"/>
Sam Hubbard	Mountain West Ventures	HB 701	<input checked="" type="checkbox"/>	<input type="checkbox"/>
Jim Markler	MT Car / Comm. /	11	<input checked="" type="checkbox"/>	<input type="checkbox"/>
<i>Anna Miller</i>	DNR	901		
LARRY AKEN	MONT CAR RENTAL ASSOC	550		<input checked="" type="checkbox"/>

DATE April 8, 1991

COMMITTEE ON _____

Senate Tidewater
HB 1007, 996, 822, 74, 550, 701, 970

VISITORS' REGISTER

NAME	REPRESENTING	BILL #	Check One	
			Support	Oppose
<i>Helen Dawson</i>	<i>retired</i> <i>those do not pass</i> <i>any more anything</i>	996		<input checked="" type="checkbox"/>
<i>Walter Weller</i>	MAPP	996	<input checked="" type="checkbox"/>	<input type="checkbox"/>
<i>Ed Sheehy</i>	RETIREES ASSOC	996		<input checked="" type="checkbox"/>
<i>Gordon Morris</i>	MHCo	HB 74	<input checked="" type="checkbox"/>	<input type="checkbox"/>
DEBBIE SCALESINGER	MT LIB ASSOC	822	<input checked="" type="checkbox"/>	<input type="checkbox"/>
ED BRANDT	GALLATIN DEVELOP Corp	1007 966		<input checked="" type="checkbox"/>
<i>Sumatha Sanchez</i>	MAPP	996	<input checked="" type="checkbox"/>	<input type="checkbox"/>
<i>Jim Elliott</i>	HD 51	996	<input checked="" type="checkbox"/>	<input type="checkbox"/>
<i>Jennies Burr</i>	mt taxpayers	996		<input checked="" type="checkbox"/>
<i>Hutchinson</i>	CHE	1007	<input checked="" type="checkbox"/>	<input type="checkbox"/>
<i>Gordon Morris</i>	MHCo	HB 822		<input checked="" type="checkbox"/>

HB 996 -- Ream Income Tax Reform Proposal

SENATE TAXATION

EXHIBIT NO. 1

DATE 4/18/91

BILL NO. 4/13/91 HB 996

HB 996, by Representative Bob Ream, repeals the current Montana income tax system and replaces it with a flat percent of federal taxes, lowering the top marginal rate from 11.55% to 9.3% (maximum effective rate is 4.79%) and simplifying taxes for everyone.

The bill would leave existing Montana tax credits intact but would repeal all deductions that are unique to Montana and not part of the federal deduction system. As a result of increasing the tax base, 81% of Montanans, especially those at or below median income, would have a lower effective tax rate or the same as present law.

Simplicity : Completing a Montana tax return will be a 60-second task once the taxpayer has calculated federal tax. Between 85 and 90% of Montana taxpayers will use a postcard size form and most will simply enter their federal taxes, multiply by 30%, and then enter their Montana taxes on the bottom line.

FORM 2 - Montana Individual Income Tax Return - 1991

OR FISCAL year beginning _____, 1991 and ending _____, 19 ____

CAYTRAME		First Name & Initial	Your Social Security No.	Occupation
Spouse's Last Name & Initial		Spouse's First Name & Initial	Spouse's Social Security No.	Spouse's Occupation
Mailing Address		City	State	Zip Code

1. Enter federal tax from federal return line 54 or Montana form 1M, line 8	1.		
2. FICA taxes (federal return lines 48 and 51)	2.		
3. Adjusted federal tax (subtract line 2 from line 1)	3.		
4. Montana tax (multiply line 3 by .30)	4.		
5. For each of the programs below you and your spouse each may contribute \$5, 10, 20 or any amount. Enter totals in boxes.	5.		
Nongame Wildlife Program			
Child Abuse Prevention			
Agriculture in Schools			
Total contribution			
Add to line 4.			
6. Montana tax credits (line 7, Montana form 1C)	6.		
7. Montana tax withheld (attach W-2's)	7.		
8. Total tax reduction (add lines 6 and 7)	8.		
9. Total Tax Due (if line 5 is greater than line 8, enter difference)	9.		
10. Tax refund (if line 8 is greater than line 5, enter difference)	10.		

Equity: The same rate applies to everybody and all income is taxed. If everybody pays their share, we can have lower effective tax rates. Adopting the federal definition of income and tax will produce a fairer distribution of Montana taxes because there will be fewer loopholes and special interest provisions. Those who use loopholes now will see their taxes increase and those who don't will have tax cuts. Montana will improve its tax system in one step without having to attack each provision separately and appearing to penalize any one segment of Montana taxpayers.

Impact: The tax burden will be slightly more progressive than the current Montana tax system, for two reasons:

A. The tax threshold is higher. The federal standard deduction and personal exemptions -- \$5300 for single individuals and \$9550 for married couples--means that the first dollar taxed is closer to the poverty level than current Montana tax law, which has a \$2000/\$3500 threshold. The DOR estimates that 20,000 to 30,000 poverty level wage earners would be removed from the tax rolls.

B. Taxes overall are slightly more progressive. The top effective rate, for the wealthiest 3%, is increased from 4.78% to 5.5%. Most taxpayers will have lower effective rates than they do now and the top 10% will have increases.

C. Retirees: The federal tax includes all retirement income because it was excluded when it was earned to allow workers to save more, so retirees would lose their \$3600 exemptions (the average exemption is actually much less). The McCarthy amendment, added on the House floor, will replace that exemption with the tax credit equivalent by allowing a credit equal to 4.5% of pension income up to \$3600.

In addition, the federal tax threshold for the elderly is \$3000 higher than Montana's so much retirement income is not actually taxed. The present tax threshold of \$4,000 will be increased to \$7,000. Social security, which averages \$7032 per year in Montana is also not taxed, for total untaxed income of more than \$14,000 for each senior, plus a tax credit exempting another \$3,600 of pension income.

More importantly, more than 40% of retirees do not have qualified pension income and have been discriminated against by the current law exemption. These seniors, who have saved for retirement through savings accounts or building their businesses, will gain substantially from the higher threshold.

Federal retirees and others who do not have social security or railroad retirement can qualify for a federal low income credit which will exempt the first \$10,000 of their income which is actually higher than their pre-Davis exemption of \$8,000. They will also qualify for the McCarthy credit, exempting another \$3600.

This bill requires that state retirees will be made whole through an increase in their pensions now contained in SB 226.

D. Whose taxes change: On average, 60% of Montanans will have small tax cuts and those in the top 10% will have tax increases.

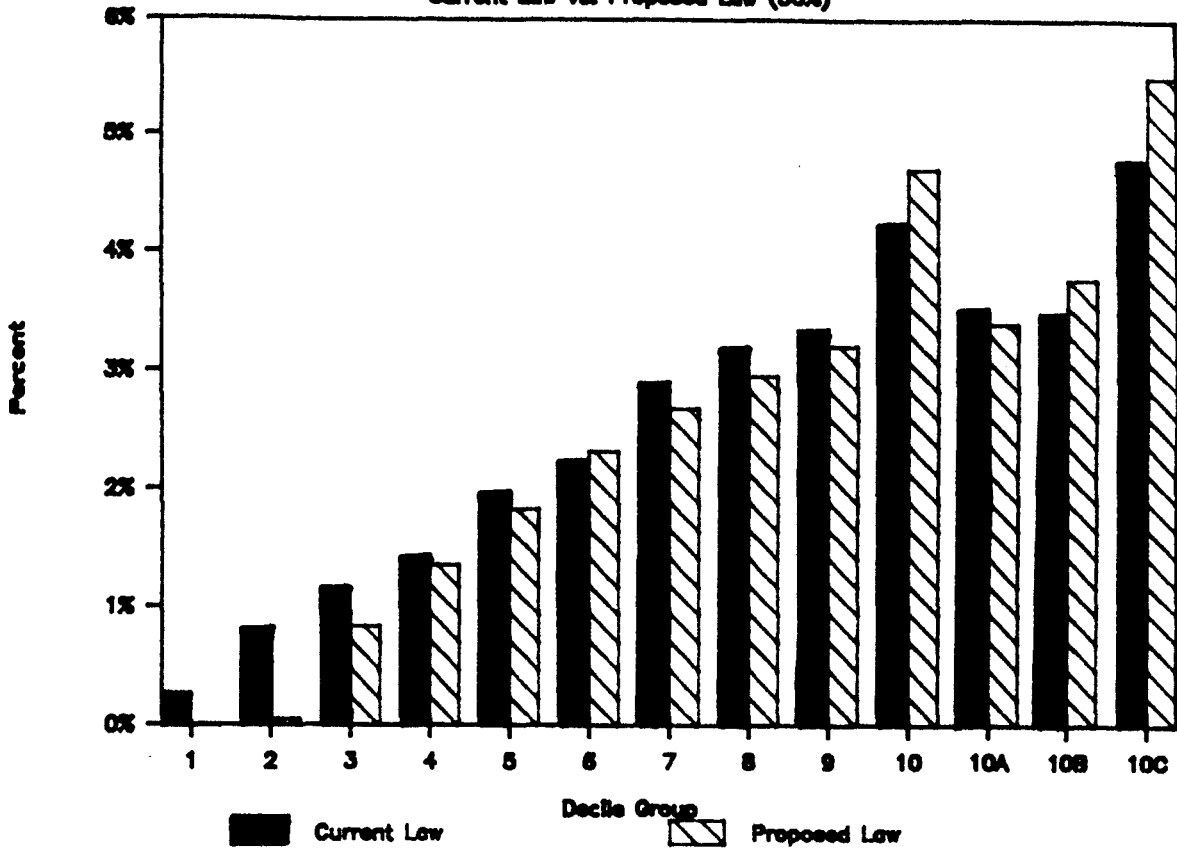
The Department of Revenue analysis below shows the details broken down by deciles (note that the lowest decile always has people who actually have higher income than they appear to because of business deductions):

All Households

Decile	Income	% with tax Decrease	% with tax Increase	Effective rates		\$ change in ave. taxes
				Current	Proposed	
1	\$0 - 2,800	18.7%	0.0%	0.28%	0.00%	- 4.23
2	2,800 - 5,700	70.7	0.5	0.82	0.05	- 32.56
3	5,700 - 8,700	64.6	11.6	1.16	0.83	- 23.97
4	8,700 - 12,400	54.9	19.8	1.43	1.35	- 7.68
5	12,400 - 16,500	64.4	26.1	1.96	1.82	- 18.89
6	16,500 - 21,900	58.3	35.7	2.24	2.31	16.62
7	21,900 - 28,800	67.9	28.9	2.90	2.67	- 53.95
8	28,800 - 37,300	65.6	31.5	3.19	2.94	- 82.80
9	37,300 - 49,500	68.4	29.4	3.33	3.20	- 60.72
10	49,500+	44.9	54.0	4.24	4.70	536.33

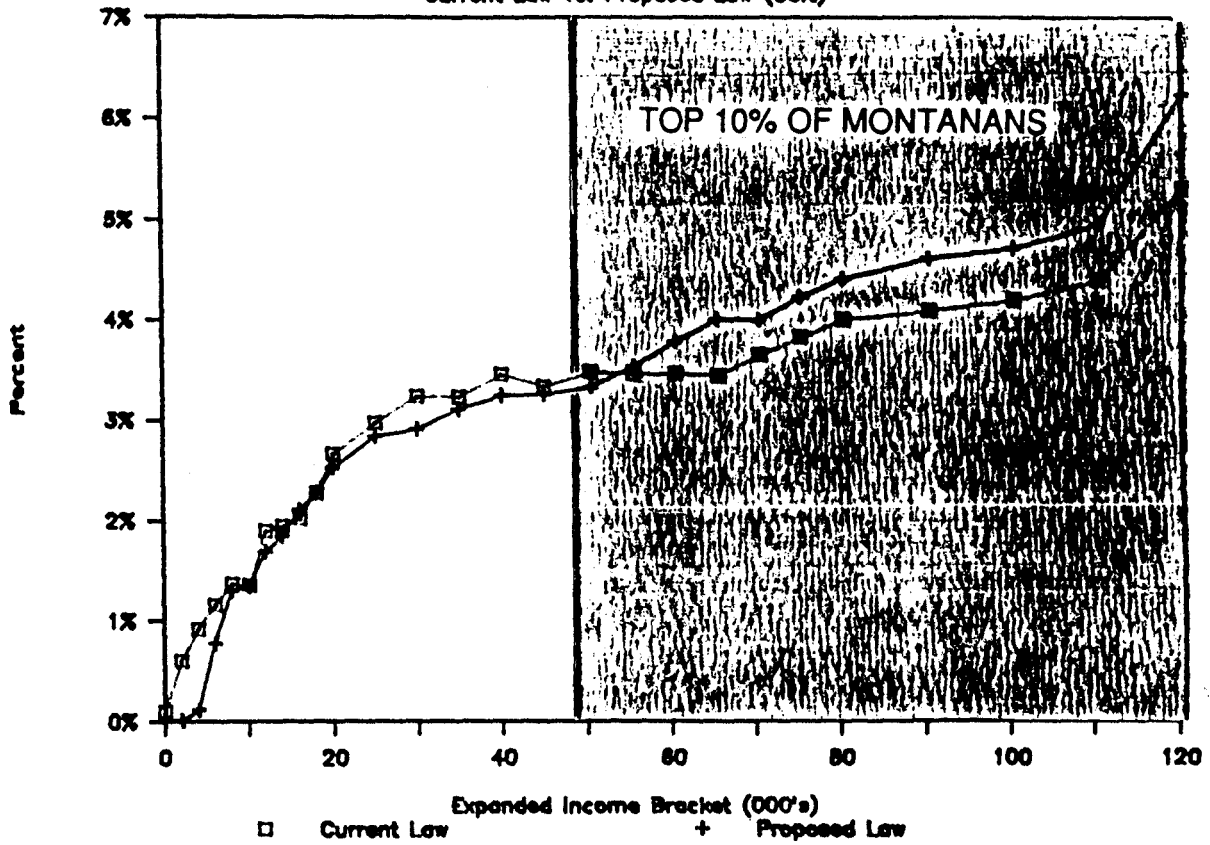
EFFECTIVE (AFTER FED. OFFSET) TAX RATES

Current Law vs. Proposed Law (30%)



EFFECTIVE (AFTER FED. OFFSET) TAX RATES

Current Law vs. Proposed Law (30%)



House Bill 996 30% of Federal Tax Liability

MARRIED-JOINT HOUSEHOLDS

Decile	Income		% with tax Decrease	% with tax Increase	Effective rates		\$ Change in average taxes
					Current	Proposed	
1	\$0	- 2,800	0.0	0.0	0.00	0.00	0.00
2	2,800	- 5,700	11.8	0.0	0.08	0.00	-3.36
3	5,700	- 8,700	21.1	0.0	0.20	0.00	-14.42
4	8,700	- 12,400	55.8	8.7	0.72	0.30	-45.16
5	12,400	- 16,500	60.3	24.5	1.23	0.87	-51.17
6	16,500	- 21,900	55.3	36.1	1.52	1.75	46.04
7	21,900	- 28,800	70.7	27.8	2.49	2.26	-52.72
8	28,800	- 37,300	78.3	19.1	3.19	2.56	-217.38
9	37,300	- 49,500	73.1	25.1	3.28	2.96	-159.36
10	49,500 +		71.2	28.6	4.74	5.18	715.48

MARRIED-SEPARATE HOUSEHOLDS

Decile	Income		% with tax Decrease	% with tax Increase	Effective rates		\$ Change in average taxes
					Current	Proposed	
1	\$0	- 2,800	0.0	0.0	0.00	0.00	0.00
2	2,800	- 5,700	100	0.0	1.24	0.00	-50.99
3	5,700	- 8,700	100	0.0	0.98	0.00	-64.22
4	8,700	- 12,400	86.8	8.9	1.16	0.51	-70.59
5	12,400	- 16,500	73.8	23.7	1.67	1.36	-45.34
6	16,500	- 21,900	51.8	41.9	1.87	1.85	-2.79
7	21,900	- 28,800	49.9	43.6	2.44	2.45	9.80
8	28,800	- 37,300	55.2	41.5	2.84	2.79	-14.46
9	37,300	- 49,500	73.1	24.7	3.26	3.04	-103.47
10	49,500 +		39.4	59.3	4.00	4.44	440.00

House Bill 996 30% of Federal Tax Liability

HEAD OF HOUSEHOLDS

Decile	Income		% with tax Decrease	% with tax Increase	Effective rates		\$ Change In average taxes
					Current	Proposed	
1	\$0	- 2,800	0.0	0.0	0.00	0.00	0.00
2	2,800	- 5,700	63.6	0.0	0.60	0.00	-27.13
3	5,700	- 8,700	78.6	0.0	0.89	0.00	-63.17
4	8,700	- 12,400	83.5	10.2	1.51	0.75	-80.56
5	12,400	- 16,500	88.1	8.3	2.17	1.63	-78.78
6	16,500	- 21,900	75.1	23.4	2.45	2.33	-18.59
7	21,900	- 28,800	90.8	9.2	3.34	2.76	-149.55
8	28,800	- 37,300	83.5	15.0	3.57	3.00	-206.75
9	37,300	- 49,500	75.2	24.8	3.52	3.91	119.27
10	49,500 +		63.2	36.3	7.87	7.90	-12.61

SINGLE HOUSEHOLDS

Decile	Income		% with tax Decrease	% with tax Increase	Effective rates		\$ Change In average taxes
					Current	Proposed	
1	\$0	- 2,800	21.6	0.0	0.32	0.00	-4.89
2	2,800	- 5,700	84.8	0.7	1.02	0.07	-39.69
3	5,700	- 8,700	73.6	17.1	1.49	1.21	-20.03
4	8,700	- 12,400	43.6	30.1	1.89	2.26	38.86
5	12,400	- 16,500	58.4	32.3	2.53	2.70	27.25
6	16,500	- 21,900	61.2	34.8	3.23	3.23	2.72
7	21,900	- 28,800	81.4	16.4	3.93	3.49	-113.49
8	28,800	- 37,300	65.2	32.0	3.95	3.98	10.01
9	37,300	- 49,500	29.6	66.7	3.83	4.62	378.06
10	49,500 +		20.8	77.7	5.06	5.93	1066.73

4/5/91

HB 996 - Ream Tax Proposal Impact on the Elderly

Current Montana law

- complete exemption for state retirees (and federal, post-Davis)
- \$3600 exemption for federal pensions (pre-Davis) and private pensions
- \$800 of interest excluded
- tax threshold of \$4,000

HB 996

- all retirement income is taxed for state and federal retirees
- a credit equivalent of a \$3600 exemption ($4.5\% \times \3600) for all taxable pensions, federal, state and private
- all interest is taxed
- tax threshold of \$7,000

Who loses: Federal retirees will lose their complete exemption, ending their one or two year tax holiday resulting from the suspension of the tax laws governing their pensions. However, they will be better off than they were before Davis.

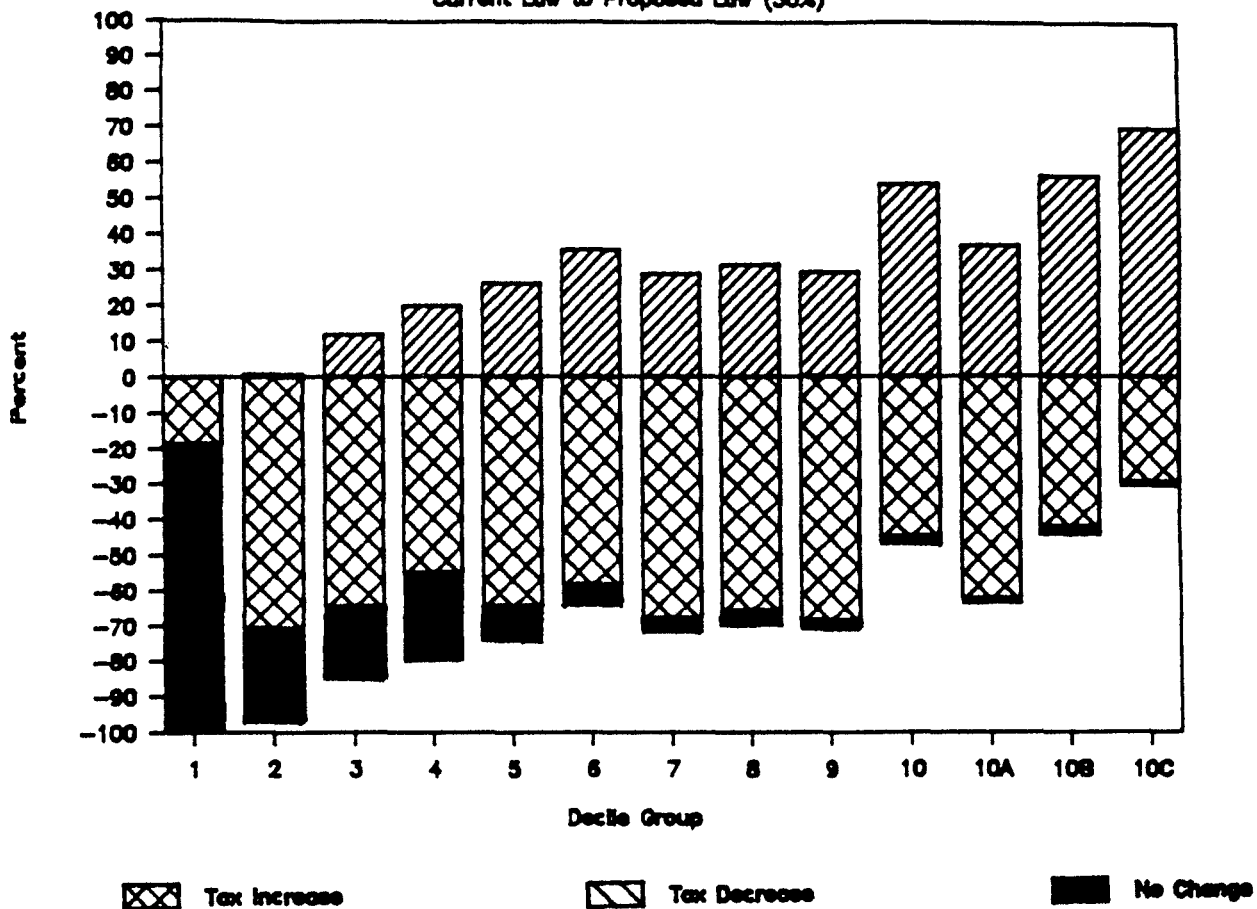
Who gains: Federal and private retirees will have a \$3,600 exemption/credit and a higher tax threshold (+\$3,000) so they gain.

Retirees with no tax-deferred pension (40-50% of seniors) will have a higher tax threshold (+ \$3,000) so they gain. This will more than compensate for the loss of the \$800 interest exclusion.

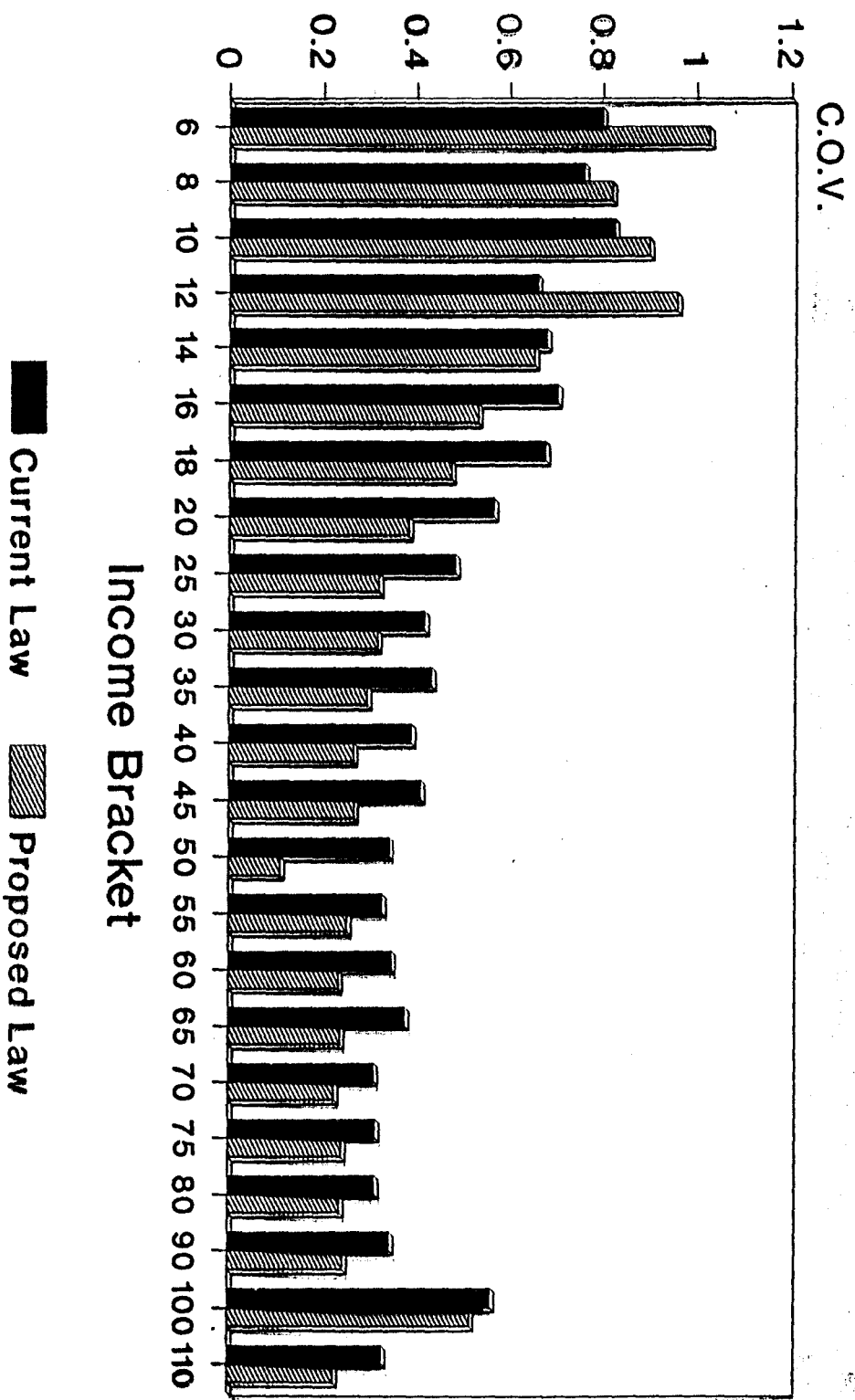
Who Stays the Same: State retirees lose their total exemption and get the credit instead, but SB 226 is intended to make them whole by increasing their pensions.

% WHO CHANGE -- STATE INCOME TAX

Current Law to Proposed Law (30%)



32% of Federal Liability Coefficients of Variation



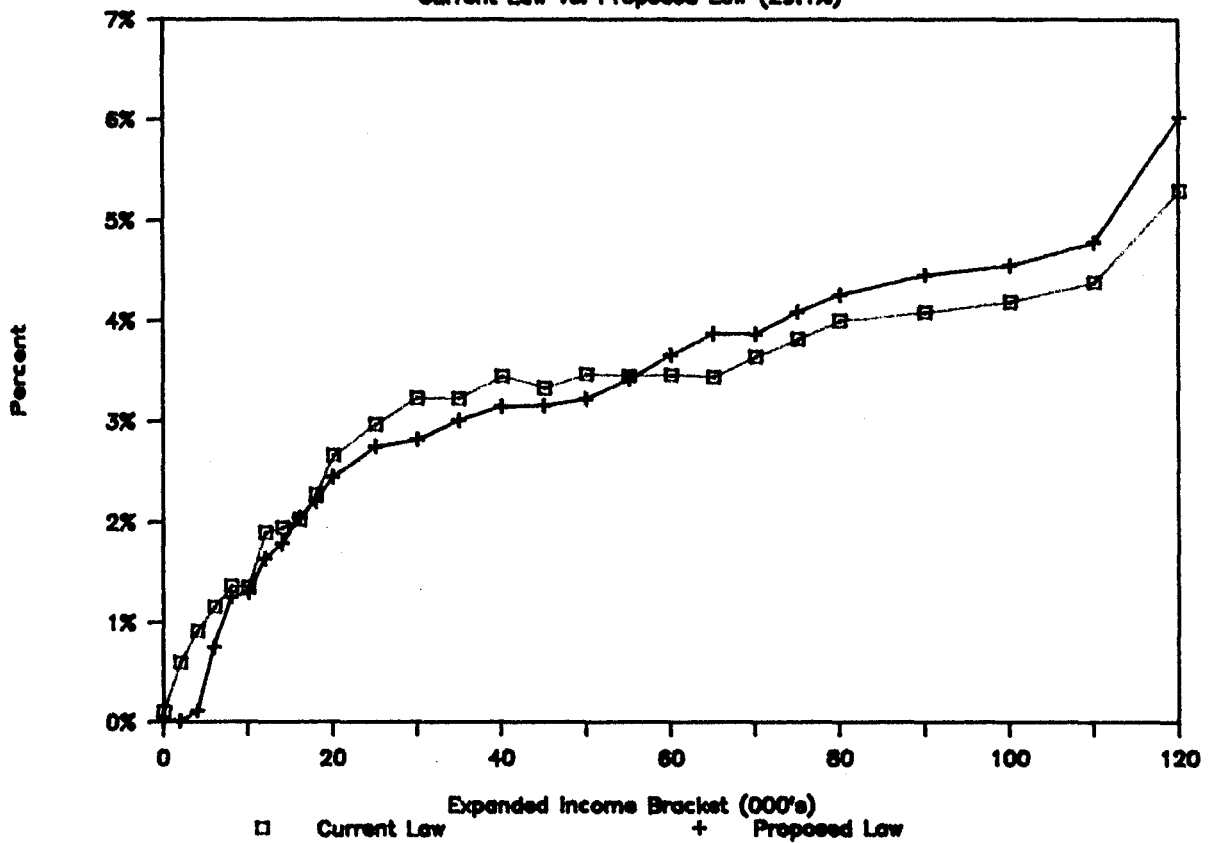
FORM 2 - Montana Individual Income Tax Return - 1991

OR FISCAL year beginning _____, 1991 and ending _____, 19__

1. Enter federal tax from federal return line 54 or Montana form 1M, line 8	1.		
2. FICA taxes (federal return lines 48 and 51)	2.		
3. Adjusted federal tax (subtract line 2 from line 1)	3.		
4. Montana tax (multiply line 3 by .32)	4.		
5. For each of the programs below you and your spouse each may contribute \$5, 10, 20 or any amount. Enter totals in boxes.	5.		
Nongame Wildlife Program			
Child Abuse Prevention			
Agriculture in Schools			
Total contribution			
Add to line 4.			
6. Montana tax credits (line 7, Montana form 1C)	8.		
7. Montana tax withheld (attach W-2's)	9.		
8. Total tax reduction (add lines 6 and 7)	10.		
9. Total Tax Due (if line 5 is greater than line 8, enter difference)			
10. Tax refund (if line 8 is greater than line 5, enter difference)			

EFFECTIVE (AFTER FED. OFFSET) TAX RATES

Current Law vs. Proposed Law (29.1%)



SENATE TAXATION

EXHIBIT NO. 2

DATE

4/8/91

BILL NO.

HB 996

From: Jean Roll, 721 South 6 Avenue, Bozeman, MT 59715; 406-587-1767.

To: Senator Dorothy Eck, Montana State Senate.

Date: April 5, 1991

Because April 8, the date of the Senate Taxation Committee hearing on HB996, is the only day next week that I cannot arrange to be away from my job, I hope there is a way you can include the following as testimony in favor of the bill.

I am very much in favor of one's State income tax being a percentage of one's federal tax. My comments are those of an individual, not a representative of any group.

This change would greatly reduce the effort and expense of preparing and filing Montana tax returns.

The Montana Department of Revenue would be relieved of its potential auditing duties. My experience with this procedure several years ago led me to believe some MDOR personnel lack knowledge, become confused when attempting to gain knowledge, have a poor attitude and follow poor procedures. After challenging something I had done in accordance with IRS instructions, MDOR suddenly offered to drop the matter when we were about to go to the State Tax Appeal Board. I suspect many taxpayers cannot afford the appeals process. HB996 would ensure that taxpayers would not have to suffer an experience similar to mine.

Surely it would cost less to print, distribute, and process a one-page return.

The "upkeep" would be relatively easy since only one figure (the percentage of the federal tax) would need to be changed to adjust for the State's changing revenue needs.

Granted, this bill does not fix everything that should be fixed in Montana's tax system. It does, however, fix a very frustrating part. Until all the rest can be changed, why not start with this?

Thank you.

My name is Bernard F. Grainey, a resident of Helena, Montana, a retired federal employee and past President of Helena Chapter of the National Association of Retired Federal Employees. I retired after nearly thirty-eight years of Federal Service.

I oppose HB996 because it results in a greater tax obligation for federal retirees than for virtually all other retirees.

In arriving at the federal adjusted taxable income for federal retirees all of their federal retirement is included as income.

The vast majority of other retirees receive social security which, in most cases, is not included as income for federal tax purposes, or in the case of those with incomes of \$25,000, if single or \$32,000, if married and filing a joint return, a portion of their social security is included as income but such portion cannot exceed fifty percent.

Thus all other retirees, private or public, have a substantial amount of their retirement income that is not included as federal income and will not be included in forming the basis for computing the Montana Income Tax.

To emphasize how the federal retiree is penalized by this bill I present the following examples,

Example I

A married federal retiree has a total income of \$32,000 from pension plus investment or other income.

A married state or private sector retiree has the same \$32,000 in income. Of this sum \$20,000 consists of pension plus investment or other income. Twelve Thousand comes from social security. Both are over 65 and use the standard deduction of \$6750.00 and personal exemption of \$4,100.

The federal employee has an adjusted gross income of \$32,000 and a taxable income of \$21,150. His federal tax will be \$3170.00 and his state tax \$1016.00

The other party, with the same actual income, will have an adjusted gross of \$20,000 and a taxable income of \$9150 and will pay \$1376 in federal tax and \$440.00 in state tax.

If the total income for both parties is reduced by \$10,000 the private or state employee would pay no tax and the federal retiree would pay \$1519 in federal and \$486.00 in state tax.

This is not equal treatment. It is not fair and it is in fact, unconscionable.

In 1963 the legislature recognized the inequity of taxing federal retirees to a greater extent than other retirees and established a \$3600.00 exemption of federal retirement pay. At that time \$3600.00 approximated the maximum amount payable under Social Security.

As the amount payable under Social Security increased over the years this \$3600.00 was never changed. Thus the inequity which was corrected in 1963 was in part recreated.

HB996 reestablishes this inequity and compounds it by eliminating the partial correction which was created under the act of 1963 (MCA 15-30-111(2)(c)(i)).

It should be recognized that federal retirees who elect to live in Montana add substantially to the economy of this state.

According to the department of revenue in 1989, federal retirees in Montana had income of \$341 million dollars. The impact of this sum on the economy of this state is greater than that of most industries. This sum is added to the state economy, not by a smokestack industry but from a source that is environmentally clean.

The department of revenue shows the average federal retirement to be \$13,516. This is less than the average state or private pension when social security is added to these pensions. Much has been said about the need to attract industry into Montana and the need for tax incentives for such industries. Should not Montana at least treat fairly a group which adds \$341 million annually to the state's economy.

In addition to the financial benefit which the state economy derives from federal retirees, the state receives other non monetary benefits. Many contribute their time and money to charitable organizations, various governmental boards and other civic functions.

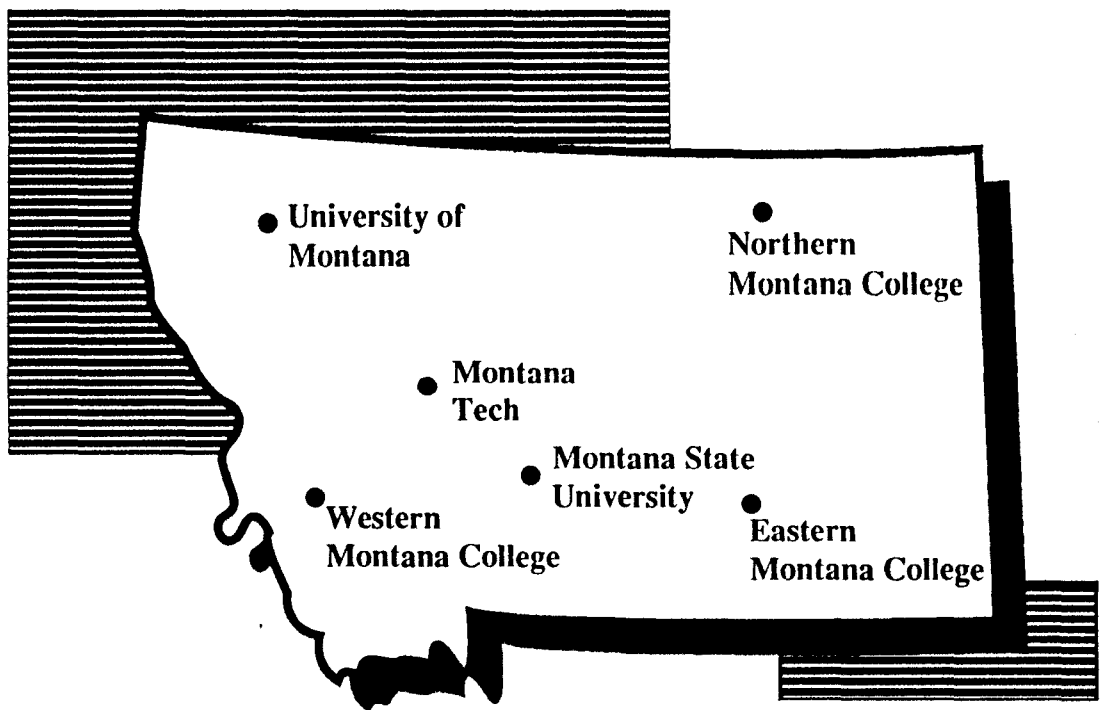
Those of us who have elected to stay in Montana do not seek special treatment but only equality of treatment. HB996 does not provide such equality. To create a level playing field the federal retiree should be allowed to deduct that portion of his federal retirement that is not in excess of

the maximum amount payable under social security. Only then will you have achieved the equality which you are seeking. Only then will you create an atmosphere that will encourage federal retirees to come to Montana and add to the state's economy. Only then will you stem the exodus of federal retirees.

Serial taxation
EXHIBIT NO 4
DATE 4/11/97
FILED HZ
1007

The Montana Associated Students report on the

University System: “A Campus in Crisis”



“ Montana is at a crossroad. It is our firm conviction that our state cannot continue its present course for higher education without profound and detrimental impacts on the future of our people. We face fundamental choices that cannot be postponed any longer.

-“Crossroads” report of the Montana Education
Commission for the Nineties and Beyond.

”



State Historic Preservation Office

Montana Historical Society

Mailing Address: 225 North Roberts • Helena, MT 59620-9990

Office Address: 102 Broadway • Helena, MT • (406) 444-7715

April 5, 1991

TESTIMONY IN SUPPORT OF HOUSE BILL 550, SENATE TAXATION COMMITTEE

Mr. Chairman and Members of the House Taxation Committee, I am Marcella Sherfy. I work for the Montana Historical Society in the capacity of State Historic Preservation Officer.

The Society encourages your enthusiastic endorsement of this particular bill--one piece in a package of measures designed to provide more adequate (albeit not luxurious) funding for the Montana State Parks System.

As we outlined in hearings before you last week for HB386, historic sites in the state parks system possess extraordinary potential and are in flat out jeopardy. We are losing buildings to unchecked deterioration; archaeological sites sustain vandalism.

As you wrestle with this logical addition to a defensible funding package for our state parks, I would urge you to consider the advice of a tourism consultant that the Historic Sites Study Commission, a committee on which your colleague Bob Brown served, used in its transmittal of their report to the Governor:

Countries, states, and cities are engaged in cutthroat competition for the tourism dollar. The competition is rugged because the stakes are high. Tourism is the second largest retailing industry in the United States today Those states that protect and develop their historic sites will be the leaders in American tourism in the 21st century. Why? Studies from around the country are beginning to show that historic sites and buildings are among the one or two most important attractions to tourist and travelers The savviest states are beginning to understand that more than mere marketing is necessary. They are asking themselves "What is the product we are marketing and how can we make it so unique and inviting that it will attract visitors on its own?" Publicly-owned resources must be maintained to the highest level It is better to have a few well-maintained and exceptionally well-capitalized resources than a broad array of rundown facilities that give the state or city a bad image and turn off the traveler.

Thank you!

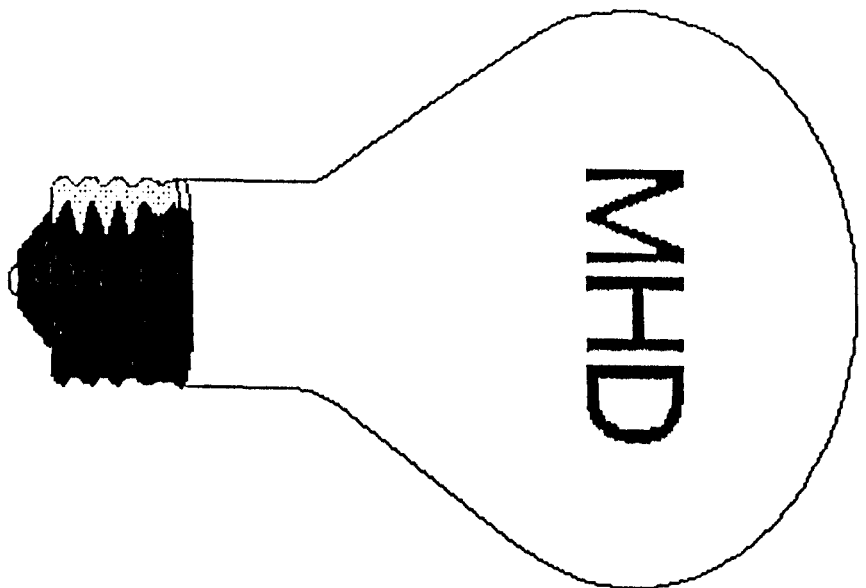
SENATE TAXATION

EXHIBIT NO.

DATE

BILL NO.

6
4/11/91
HB 701



ELECTRIC POWER FROM COAL

MONTANA TECHNOLOGY COMPANIES, INC.

MHD MAGNETOHYDRODYNAMICS

THE GENERATION OF ELECTRIC POWER
BY PASSING A FLUID CONDUCTOR
THROUGH A MAGNETIC FIELD

RESULTING IN

CLEANER, MORE EFFICIENT BURNING OF COAL
TO GENERATE ELECTRICITY

MONTANA TECHNOLOGY COMPANIES, INC.

BENEFITS OF MHD

- HIGHER EFFICIENCY
- ENVIRONMENTAL PERFORMANCE
- LOWER COST OF ELECTRICITY
- COAL RESOURCE UTILIZATION

MHD RETROFIT WHY MONTANA?

- REJUVENATION OF MONTANA COAL INDUSTRY
- INVESTMENT OF COAL TAX FUNDS IN THE INDUSTRY THAT PROVIDES THEM
- COMPETITION BETWEEN STATES FOR CLEAN COAL FUNDS

MHD RETROFIT **BENEFITS TO MONTANA**

- INCREASE TAX BASE
- JOBS FOR CONSTRUCTION
- JOBS FOR OPERATION OF PLANT
- INCREASED COAL SALES IN MONTANA AND ELSEWHERE
- ESTABLISH MONTANA AS A LEADER IN COAL DEVELOPMENT
- CAPITALIZE ON FEDERAL COMMITMENT TO MONTANA
- PRESERVE ENVIRONMENT AND QUALITY OF LIFE

MONTANA TECHNOLOGY COMPANIES, INC.

CLEAN COAL INVOLVEMENT

OHIO \$100 MILLION OF STATE BONDS
TO BE RETIRED FROM GENERAL
REVENUE

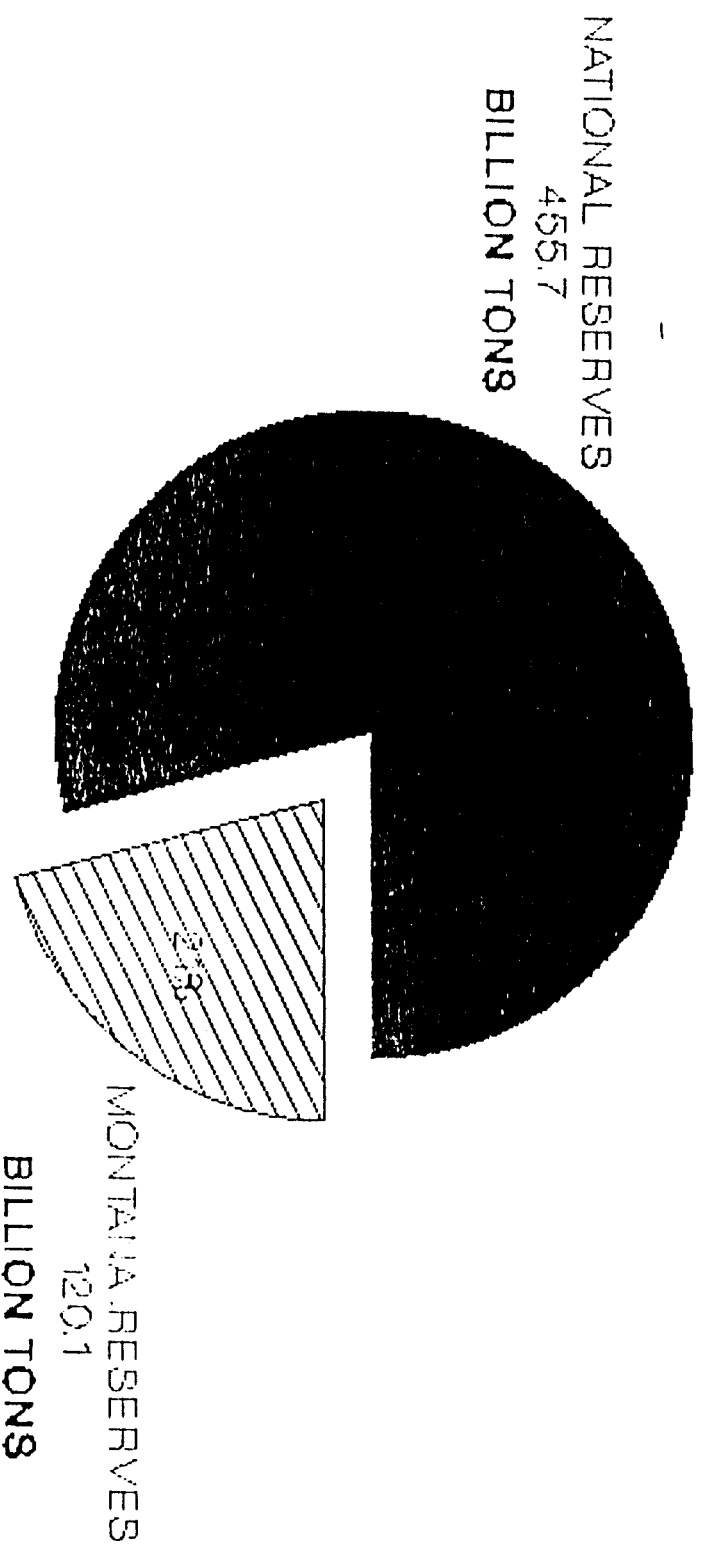
KENTUCKY \$3 MILLION PER YEAR FROM
THE UNIVERSITY BUDGET

WYOMING \$30 MILLION INVESTMENT OF
STATE FUNDS

ILLINOIS \$5 MILLION PER YEAR FROM
UTILITY TAX FUND

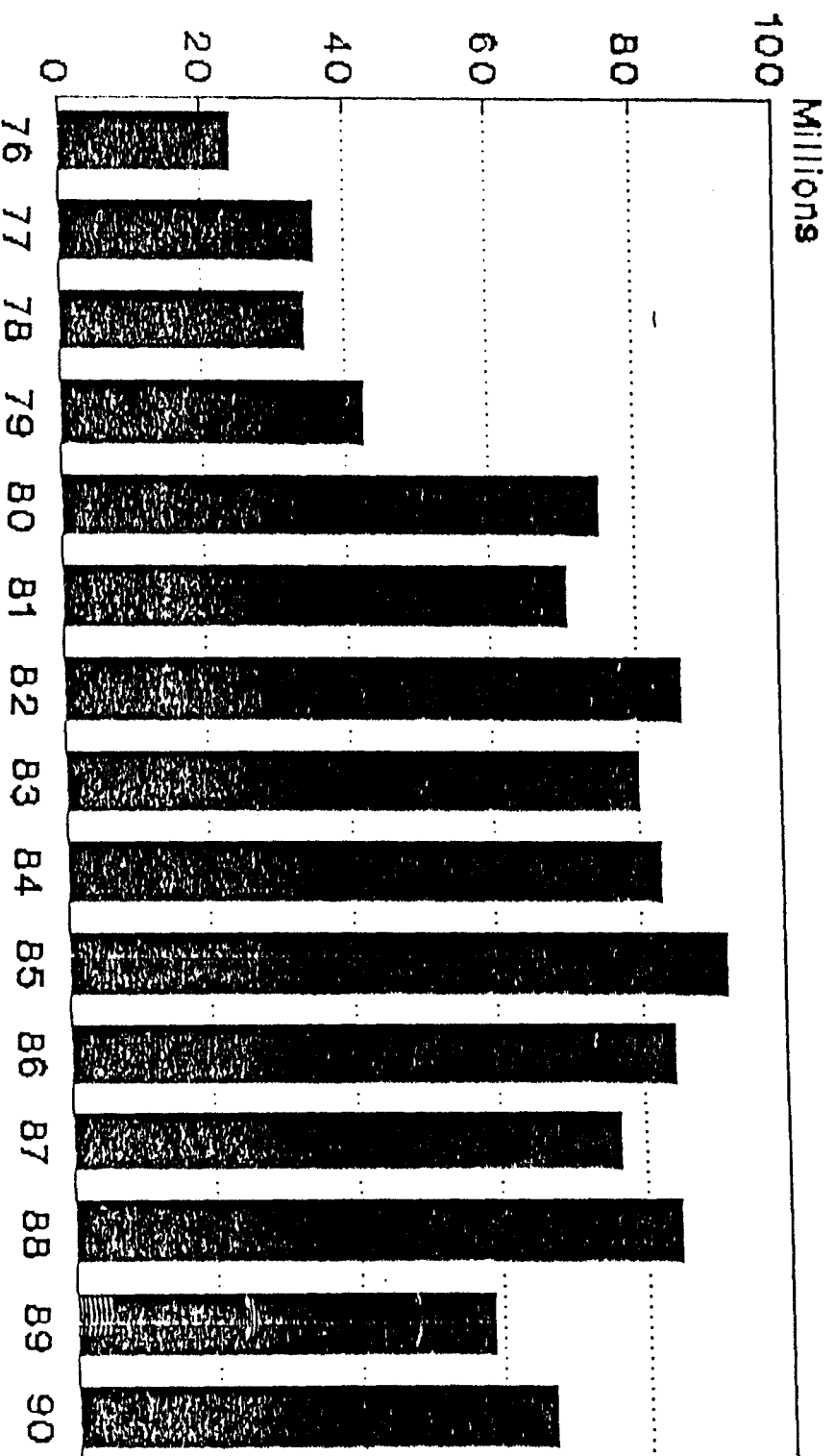
MONTANA TECHNOLOGY COMPANIES, INC.

NATIONAL COAL RESERVES MONTANA'S RANKING



RESERVES OF 15 MAJOR COAL PRODUCING STATES
MONTANA RANKS FIRST IN COAL RESOURCES AND RESERVES

COAL SEVERANCE TAX COLLECTIONS



Series 1

TOTAL - \$994,311,000 (NEARLY \$1 BILLION)

COAL SEVERANCE TAX
EXPENDITURES
FOR
CLEAN COAL DEVELOPMENT

\$350,000

MHD RETROFIT CLEAN COAL PROGRAM AWARD

<u>POSSIBLE FUNDING SOURCES</u>	<u>AMOUNT</u>
MONTANA	\$ 50 - \$60 MILLION
FEDERAL CLEAN COAL FUNDS	120 MILLION
MHD PROOF-OF-CONCEPT PROGRAM EXTENSION	40 MILLION
CONGRESSIONAL LINE ITEM OPERATING FUNDS	70 MILLION
VENTURE CAPITAL	50 MILLION
OTHER SOURCES	<u>70 MILLION</u>
TOTAL	\$400+ MILLION



TRANSMISSION
EXTENSION 7
DATE 4/11/91
BILL NO. HB 701

April 8, 1991

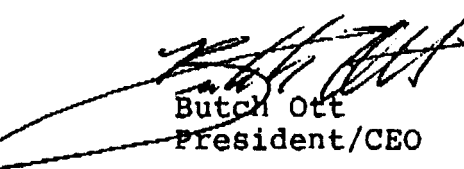
Senator Mike Halligan, Chairman
Members of the Senate Taxation Committee

RE: Support of HB701

The Billings Area Chamber of Commerce urges your support for HB701, authorizing tax abatement for legislatively approved clean coal technology projects. Our Chamber has been actively involved through the work of our MHD Committee in efforts to establish a clean coal demonstration project at the Corette Plant in Billings. This authority to allow abatement of taxes for buildings and equipment is an essential part of the state and local commitment to secure this project.

We urge your favorable consideration of HB701.

Respectfully,


Butch Ott
President/CEO

BO/kf

Post-It™ brand fax transmittal memo 7671		# of pages > 1
To Keith Colbo	From Butch Ott	
Co. MT. Legislature	Co. Billings Chamber	
Dept.	Phone # 245-4111	
Fax # 444-4105	Fax # 245-7333	

THE CLEAN COAL TECHNOLOGY PROGRAM AND THE MHD PROJECT

While Montana possesses vast coal resources and is known for its aggressive coal severance tax, it has devoted nearly nothing to the advancement of technologies which can enhance the attractiveness and marketability of its coal. House Bill 701 enacts a Clean Coal Technology Demonstration Program and establishes the framework for two financing vehicles for Clean Coal Technology Projects which are in their initial stages of commercialization. The bill also designates the installation of magnetohydrodynamics (MHD) technology at the J.E. Corette power plant in Billings as the first project to be included under the program.

The MHD-Corette project is expected to cost between \$300 and \$400 million. The most significant source of funds is projected to be \$120-180 million of Clean Coal Technology program funding from the U.S. Department of Energy (DOE). Private funding will amount to be \$100-170 million. The proposed state and local portion of the overall financing package is about \$50 million which represents a substantial source of funding and will play a major role in demonstrating the state's support for the project - thereby strengthening the request for federal support from DOE.

The bill contains the following four major provisions:

- 1) It establishes criteria by which the Department of Natural Resources and Conservation must designate legitimate Clean Coal Technology Projects before such projects can be eligible for benefits under the program. Designation criteria include requirements for efficiency in electricity generation and reduced pollutant emissions compared to current coal burning methods.
- 2) It allows local taxing jurisdictions, after Department designation and legislative approval, to exempt up to 100 percent of property taxes, for up to 25 years, owed as a result of new development by a Clean Coal Technology Project. Funds made available as a result of tax exemptions can be used directly for project development, construction, or operations - or to support debt service related to such activities.
- 3) It establishes a Clean Coal Technology Demonstration Fund within the Coal Severance Tax Trust Fund. It transfers \$25 million of current Trust Fund monies to the Clean Coal Fund and it directs \$5 million per year, for six years, of new Coal Severance Tax collections to the Clean Coal Fund. Loans may be made from the Fund only upon legislative approval of Department recommendations to make such loans to projects that receive matching funds on a 4:1 ratio versus the loan amount.
- 4) The bill designates the MHD-Corette Project as a Clean Coal Technology Project eligible to apply to local government

entities in Yellowstone County for property tax exemptions and it designates the MHD-Corette project as eligible to apply for a loan in an amount up to \$25 million from the Clean Coal Technology Demonstration Fund. The 1993 legislature may be asked to act on such a loan as part of the overall project financing package after the U.S. Department of Energy makes its decision regarding at least a \$100 million award to the project.

IMPORTANT POINTS

- A) The bill disburses no funds and exempts no property from taxation. Any loans from the Clean Coal Technology Development Fund must be approved by future legislatures. The MHD project is designated as eligible to apply for a loan and to apply to local governments in Yellowstone County for tax exemptions. Any other projects must seek legislative approval in order to secure such eligibility.
- B) Property tax exemptions can apply only to new, clean coal technology property. No existing property can be exempted from taxation and there can be no loss to the current local tax base.
- C) All local taxing jurisdictions must approve the property tax exemption in order for it to become effective. The exemption percentage must be the same for all jurisdictions. State collected property taxes would be exempted by the same percentage approved by localities.
- D) The MHD facility in Billings will be owned by the MHD Development Corporation (a consortium of nationally significant companies involved in electric energy technology) and will be developed on property directly adjacent to MPCo's Corette Plant.
- E) This is a majority vote bill. Establishment of the Clean Coal Technology Demonstration Fund within the Coal Severance Tax Trust Fund has no effect on the status of any programs operated through the Trust Fund. Distribution of interest and earnings is not affected. Money in the Clean Coal technology Demonstration Fund is available for In-State Investment just as are any other Coal Trust Funds.
- F) The bill is of critical importance to the MHD project in Billings because it will put Montana on record as having identified potential funding sources by which it may choose to participate with the federal government in demonstrating the MHD technology in Montana.
- G) Installation of MHD technology at the Corette Plant in Billings will provide for the advancement of a clean coal technology that can burn low sulphur Montana coal and will allow for the employment of hundreds of people in the construction phase and about 40 full time employees as a result of ongoing operations. MHD is cutting edge technology that will put Montana in the forefront of clean coal technology development efforts.

Commissioners
Russell J. Ritter, Mayor
Margaret A. Crennen
Tom Huddleston
Mike Murray
Blake J. Wordal



Senate Bill 970
Enacted 9
DATE 4/11/91
BILL NO. HB 740
City-County Administration Building
316 North Park
Helena, MT 59623
Phone: 406/442-9920

William J. Verwolf
City Manager

City of Helena
April 11, 1991

Senator Mike Halligan, Chairman
Senate Taxation Committee
Montana State Senate
State Capitol
Helena, MT 59620

Dear Senator Halligan:

The Helena City Commission is opposed to House Bill 970. The City Commission has, indeed, adopted an enabling Resolution and related eligibility criteria for the tax abatement program relating to new and expanding industries presently in place. However, the City has received no applications to date to use this provision and has had no real experience in the application of its provisions.

Because of this, the Commission is reluctant to see a lot of changes made--especially ones that broaden the scope of the qualifying industries so drastically. This opposition includes lowering the dollar amount of qualifying improvements necessary to qualify.

Please consider these points when taking action upon House Bill 970 and give it a do not pass recommendation.

Sincerely,

A handwritten signature in cursive script that reads "Shelly Ann Laine". The signature is written in dark ink and is positioned above the printed name and title.

Shelly Ann Laine, Director
ADMINISTRATIVE SERVICES

Small Taxation
Exhibit 10
DATE 4/11/91
BILL NO. HB 9821

Amendments to House Bill No. 982
Third Reading Copy

Requested by Representative O'Keefe
For the Committee on Taxation

Prepared by Greg Petesch
April 2, 1991

1. Page 69, line 18.

Following: ". $\frac{1}{2}$ "

Insert: "(1)"

2. Page 69, line 22.

Following: line 21

Insert: "(2) If Senate Bill No. 86 is passed and approved and if it contains a section amending 15-23-601, then the amendment to the definition of "new production" in Senate Bill No. 86 is void.

(3) If Senate Bill No. 373 is passed and approved and if it contains a section amending 15-23-601, 15-23-607, 15-23-612, 15-36-101, 15-36-105, 15-36-112, or 15-36-121, then the amendment to that section in Senate Bill No. 373 is void.

(4) If Senate Bill No. 467 is passed and approved and if it contains a section amending 15-23-603, 15-23-605, or 15-23-612, then the amendment to that section in Senate Bill No. 467 is void.

(5) If Senate Bill No. 468 is passed and approved, then Senate Bill No. 468 is void."

(6) If Senate Bill No. 345 is passed and approved and if it contains a section amending 15-23-703 or 15-36-112, then the amendment to that section in Senate Bill No. 345 is void.

(7)(a) If Senate Bill No. 82 is passed and approved and if it contains a section amending 15-23-703, then the amendment to that section in Senate Bill No. 82 is void.

(b) If Senate Bill No. 82 is passed and approved and if it contains a section amending 20-10-144, then the amendment in Senate Bill No. 82 to 20-10-144(3)(f), relating to coal gross proceeds taxes, is void.

(8) If House Bill No. 868 is passed and approved and if it contains a section amending 15-23-703, then the amendment to that section in House Bill No. 868 is void.

(9) If House Bill No. 793 is passed and approved and if it contains a section amending 15-23-703 or 15-36-112, then the amendment to that section in House Bill No. 793 is void.

(10) If Senate Bill No. 466 is passed and approved and if it contains a section amending 15-36-101, 15-36-105, 15-36-112, or 15-36-121, then the amendment to that section in Senate Bill No. 466 is void.

(11) If House Bill No. 992 is passed and approved and if it contains a section amending 15-36-121, then the amendment to that section in House Bill No. 992 is void.

(12) If House Bill No. 647 is passed and approved and if it contains a section amending 20-9-316, 20-9-317, 20-9-318, or 20-

9-319, then the amendment to that section in [this act] is void.

(13) If Senate Bill No. 17 is passed and approved and if it contains a section amending 20-9-366, then the amendment to the definition of "Statewide county mill value per elementary ANB" or "statewide county mill value per high school ANB" in that section in Senate Bill No. 17 must read as follows:

"(4) "Statewide county mill value per elementary ANB" or "statewide county mill value per high school ANB" means the sum of the current taxable valuation of all property in the state plus the taxable value of oil and gas net proceeds determined under 15-23-607(4) for production occurring after March 31, 1990, plus all the taxable value of nonlevy revenue for support of the elementary school or high school district retirement fund budget, other than Public Law 81-874 funds, divided by 1,000, with the quotient divided by the total state elementary ANB count or the total state high school ANB count used to calculate the elementary school districts' and high school districts' current year foundation program amounts. The taxable value of nonlevy revenue for the purposes of computing guaranteed tax base aid to the county retirement fund is the amount of nonlevy revenue deposited in the elementary school or high school district retirement fund the previous year, including for fiscal year 1991 the revenue received in calendar fiscal year 1990 from the net proceeds taxation of oil and natural gas and including for fiscal year 1992 and thereafter the local government severance tax, divided by the number of mills levied by the county in the previous year in support of the elementary school and high school retirement funds, multiplied by 1,000."

(14) If House Bill No. 580 is passed and approved and if it contains a section amending 20-9-366, MCA, then the amendment to the definition of "Statewide county mill value per elementary ANB" or "statewide county mill value per high school ANB" in that section in House Bill No. 580 must read as follows:

"(4) "Statewide county mill value per elementary ANB" or "statewide county mill value per high school ANB" means the sum of the taxable valuation in the previous year of all property in the state plus the taxable value of oil and gas net proceeds determined under 15-23-607(4) for production occurring after March 31, 1990, plus all the taxable value of nonlevy revenue for support of the elementary school or high school district retirement fund budget, other than public law 81-874 funds, divided by 1,000, with the quotient divided by the total state elementary ANB count or the total state high school ANB amount used to calculate the elementary school districts' and high school districts' current year foundation program amounts. The taxable value of nonlevy revenue for the purposes of computing guaranteed tax base aid to the county retirement fund is the amount of nonlevy revenue

deposited in the elementary school or high school district retirement fund the previous calendar year, including for school fiscal year 1991 the revenue received in calendar year 1990 from the net proceeds taxation of oil and natural gas and including for school fiscal year 1992 and thereafter the local government severance tax, divided by the number of mills levied by the county in the current school fiscal year in support of the elementary school and high school retirement funds, multiplied by 1,000."

ROLL CALL VOTE

SENATE COMMITTEE ON TAXATION

Date 4/8/91 SB Bill No. 982 Time

NAME	YES	NO
SEN. HALLIGAN	Y	
SEN. BROWN		X
SEN. ECK	X	
SEN. GAGE		X
SEN. VAN VALKENBURG	X	
SEN. HARP		X
SEN. YELLOWTAIL	X	
SEN. THAYER		X
SEN. TOWE	X	
SEN. KOEHNKE		X
SEN. DOHERTY	X	

Gill Rhymer
Secretary

Chairman

Motion: by Senator Van Valkenburg that
SB 982 BC1

SENATE STANDING COMMITTEE REPORT

Page 1 of 1
April 27, 1991

MR. PRESIDENT:

We, your committee on Taxation having had under consideration House Bill No. 74 (third reading copy - blue), respectfully report that House Bill No. 74 be concurred in.

Signed:

Mike Halligan
Mike Halligan, Chairman

LR 4/8/91
Ampt. Coord.

01248-210
Sec. of Senate

SENATE STANDING COMMITTEE REPORT

Page 1 of 1
April 7, 1991

MR. PRESIDENT:

We, your committee on Taxation having had under consideration House Bill No. 982 (third reading copy - blue), respectfully report that House Bill No. 982 be concurred in.

Signed: _____
Mike Halligan, Chairman

4/4 10:11
And. Coord.

SP 4-8
Sec. of Senate

2:10