MINUTES

MONTANA SENATE
53rd LEGISLATURE - REGULAR SESSION

COMMITTEE ON TAXATION

Call to Order: By Senator Mike Halligan, on February 5, 1993, at 8:00 a.m.

ROLL CALL

Members Present:
Sen. Mike Halligan, Chair (D)
Sen. Dorothy Eck, Vice Chair (D)
Sen. Bob Brown (R)
Sen. Steve Doherty (D)
Sen. Delwyn Gage (R)
Sen. Lorents Grosfield (R)
Sen. John Harp (R)
Sen. Spook Stang (D)
Sen. Tom Towe (D)
Sen. Fred Van Valkenburg (D)

Members Excused: Sen. Bill Yellowtail (D)

Members Absent: None.

Staff Present: Jeff Martin, Legislative Council
Bonnie Stark, Committee Secretary

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

Committee Business Summary:
Hearing: SB 239, SB 269
Executive Action: SB 228

HEARING ON SB 269

Opening Statement by Sponsor:

Senator J. D. Lynch, representing Senate District 35, presented SB 269, which is a bill providing for voluntary state tax withholding from federal annuity payments. A bill was passed last session to tax the pensions of the state employees, teachers and federal employees. Retired federal employees are at a disadvantage to other retired taxpayers in that they are unable to voluntarily request their income tax to the State of Montana be deducted on a monthly basis. Unless Senate Bill 269 passes, the result is federal retirees on fixed incomes have to pay their income tax in one large lump sum at the end of the tax year.

Senator Lynch said SB 269 will initially cost approximately $4,200. The largest share of this, approximately $2,500, is for postage to notify the retirees of the rules and submit voluntary forms to them. The estimate is that approximately 20% of the retirees will take advantage of this voluntary tax withholding.

Proponents' Testimony:

Ed Sheehy, Federal Government retiree, spoke in favor of SB 269, stating Congress passed legislation in 1981 allowing voluntary withholding of income tax from federal retirees pensions. Montana now has a penalty for failure to file an estimated tax. Mr. Sheehy asked adoption of this bill to protect the retirees who may not be aware that they are now required to pay this penalty.

Mickey McGraff, Legislative Liaison for Butte/Silver Bow branch of NARFE, which represents approximately 8700 federal retirees, spoke in favor of SB 269. The Office of Personnel Management (OPM) of the Federal Government has invited all the states to make arrangements for OPM to withhold income tax annuities paid to their residents. However, the request to participate in the program must come from the state. NARFE has submitted all the information necessary to set up this program. OPM will do all the processing of the funds involved and forward, on a quarterly basis, the net withholding tax to the State of Montana.

Margaret Fleming, President of the NARFE Chapter of the Butte organization and Past President of state federation, spoke in support of SB 269, and asked that the committee support it. Ms. Fleming thinks the cost estimate of $4200 would soon be overcome by the money which would be coming into the state revenue on a monthly basis. She said retirees' federal tax is presently being withheld by OPM, and believes the monthly withholding would be more timely in helping the state revenue.

Opponents' Testimony:

None.

Informational Testimony:

None.

Questions From Committee Members and Responses:

Senator Eck asked Charlotte Maharg, Bureau Chief of the Business Tax Section of the Income Tax Division, Department of Revenue, if passage of SB 269 would bring in more revenue in one fiscal year over another. Ms. Maharg said she didn't have figures on this, but some of the federal retirees are currently making estimated withholding payments. Approximately 1/3 of the 8700 annuitants in Montana have no tax liability. Ms. Maharg also said the experience in other states is that about 8-16% of the people participate in a withholding program.

Senator Towe asked Ms. Maharg if the Department had any estimate of the revenue from 2/3 of the 8700 annuitants, those who have a tax liability. She said the 8700 are paid $9.6 million a month, but she did not have figures on how this translated into tax for the state.

In response to questioning by Senator Halligan, Jeff Miller, Income Tax Division, Department of Revenue, said the Department is not funded to implement this program. Any income generated would go into the general fund.

Closing by Sponsor:

Senator Lynch said SB 269 would provide a more convenient method for federal retirees to pay their withholding taxes.

EXECUTIVE ACTION ON SB 228

DISCUSSION:

Jean Riley, Executive Director of the Montana Petroleum Tank Release Compensation Board, in answer to questions from committee members, said the Department of Transportation does not presently collect fees on heating oils or diesel that is not used on the road. SB 228 will give them the authority to collect tax revenue, and audit, after July 1, 1993, but there is no retroactive applicability.

Senator Towe questioned Cindy Anders, Administrative Officer with the Department of Transportation, on when the tax revenue is recorded. Ms. Anders said fuel becomes taxable and recorded when the fuel is pulled off the terminal or refinery in the state, or when it is imported into the state. The tax revenue recording obligation to the distributor would be applicable and effective July 1, 1993.

MOTION/VOTE:

Senator Towe moved to AMEND SB 228 (sb022801.ajm). The motion CARRIED UNANIMOUSLY on oral vote.

MOTION/VOTE:

Senator Stang moved SB 228 DO PASS AS AMENDED. The motion CARRIED UNANIMOUSLY on oral vote.

HEARING ON SB 239

Opening Statement by Sponsor:

Senator Mignon Waterman, representing Senate District 22, presented SB 239, which she is introducing at the request of the Montana Hunger Coalition. Senate Bill 239 includes allowing a refundable earned income credit based on a percentage of the Federal Basic Earned Income Credit (FBEIC). Senator Waterman presented written testimony which is attached to these minutes as Exhibit No. 1. Senator Waterman said she is alarmed at the increase in poverty among children in Montana, and also the number of working Montanans who cannot work their way out of poverty. The principal behind an earned income tax credit, proposed in SB 239, is to make work more attractive than welfare. The FBEIC is a refundable tax credit that varies with family size, has a young-child supplement and a credit for health insurance coverage. The proposed Montana Earned Income Tax Credit (MEITC) is a refundable credit that takes into account family size. It will aid those who want to earn their way off welfare and prevent the state from taxing families into poverty. Senator Waterman admitted SB 239, by itself, may be too costly to implement, according to fiscal information from the Department of Revenue. However, it is the Montana Hunger Coalition's intent that SB 239 would be considered along with an over-all tax reform enacted during this legislative session.

Proponents' Testimony:

Mickie Medora, President of the Montana Hunger Coalition (MHC) and Director of Nutrition Services at Missoula Community Medical Center, spoke in favor of SB 239. The MHC is aware of the fiscal impact of SB 239, and Ms. Medora said the MHC is willing to negotiate or discuss options with the committee so that this bill could become part of some other legislation being considered in tax reform this legislative session. Ms. Medora said hunger is directly related to poverty. The MHC completed a study last year of 9,500 households, 252 households in every county in the state. The 1990 census data shows a 16% poverty level in the state, with a 25% poverty level of children under the age of 5, and a 40% poverty level of female-headed families with children under the age of 18. Montana had the second highest rate of increase in childhood poverty in the country due to the number of people unemployed. Most people covered in the MHC study do not see welfare as a way of life, but feel Montana is not offering any incentive to become employed. Ms. Medora said before these families drop further into poverty, it is important to provide them with incentives to keep working, or become employed, and the state would gain by not having as many people in the welfare program, and might help the regressivity of sales tax. She urged support of SB 239.

Harley Warner, representing the Montana Association of Churches, spoke in support of SB 239 and the concept of earned-income credit. Mr. Warner doesn't feel it would solve all the problems of the working corps, but it is a step in the right direction. Mr. Warner has studied the Department of Revenue fiscal note and agrees with their methodology. The concept of making the credit a non-refundable credit would reduce the fiscal impact down to approximately $2 million. Mr. Warner supports a third concept which would be to change the percentages listed in SB 239. For instance, if no state tax is withheld, one could still get a refund if there is a refundable credit. Mr. Warner said the main point of SB 239 is that it would encourage work, and asked support of this bill.

Margaret Woo Showen, Galusha Higgins Galusha, was asked by the Montana Hunger Coalition (MHC) to present an explanation of the concept of the Federal Basic Earned Income Credit (FBEIC). Ms. Showen said the FBEIC is available to a particular group of taxpayers. Those who are eligible are persons who have earned income and who provide a home for a dependent child. Earned income is defined either as wages, a job, or as income earned from self-employment activities such as a farm, a business, of anything of that nature. If you had earned income during 1992 of less than $22,370, and your total adjusted gross income was less than that amount, then you would qualify for the earned income credit. If you maintain a home for a dependent child, you don't have to claim that child as your dependent. The credit is determined on a sliding scale based on level of earned income and adjusted gross income, which is income from all activities. The government furnishes tables each year to determine what the level of credit is, and the scale increases based on level of income. You are also allowed additional credit if you had a child during the past year, and an additional credit for health insurance that you have purchased to cover your dependent children. The credit is a refundable credit at the government level, you don't have to owe any income tax in order to receive this credit. If you are self-employed and would be required to pay self-employment taxes on earnings from the business and have shown a profit in the business, your earned income credit would be used as a payment against that self-employment tax.

Judith Carlson, spoke on behalf of the Human Resource Development Council (HRDC) Directors Association of Montana, in support of SB 239. Ms. Carlson said SB 239 is a help to young families getting started, to families who are now on welfare trying to work themselves off the program, and a help to those families getting close to sliding into the welfare scheme. Ms. Carlson sees SB 239 as a significant factor in giving credit to those families who really need it.

Kate Cholewa from the Montana Womens Lobby said she would like to echo Ms. Carlson's testimony. Ms. Cholewa said there is not enough money to support the people who are on welfare, and she feels SB 239 would help families get off the welfare program.

Paulette Kohman, Executive Director of the Montana Council of Maternal and Child Health, spoke in favor of SB 239. Ms. Kohman feels SB 239 would help put maximum power in the hands of families to take care of their children. A family cannot take care of their children below the poverty level.

Ken Lurace, representing the Montana Hunger Coalition, urged support of SB 239. Mr. Lurace presented Exhibit 2 to these minutes, and said SB 239 is an opportunity to send a positive message to reinforce working families in the state.

Cristina Medina, represents the Montana Low Income Coalition (MLIC), which is part of the Montana Hunger Coalition. Ms. Medina said MLIC strongly supports SB 239. The constituency of the MLIC is basically the poor in Montana, families who receive welfare, and who desperately want to work. They are mothers and fathers who work who are barely making ends meet, who feel hopeless in their situation and who want to better that situation. These families are caught in poverty and feel if they work they are penalized, and if they don't work, they are penalized. Ms. Medina said these people need a ray of hope at this time and see SB 239 not as a hand-out, but as a hand-up.

Sharon Hoff, representing the Montana Catholic Conference, spoke in support of SB 239. In late 1991, the U. S. Catholic Bishops wrote a document called <u>Putting Children and Families First</u>. One of the suggestions from the Bishops was to create public policy which supports families and children, keeps them off welfare roles, and keeps them healthy and together.

Darrell Holzer, representing the Montana AFL-CIO, urged support of SB 239, or any other legislative mechanism to help the working force. Recent statistics show Montana's average wage is 77% of the national average, and there is a severe situation of unemployment in the state. Mr. Holzer said a majority of the people on welfare are not there by choice, and feels SB 239 is a good mechanism to remove these people from poverty.

<u>Opponents' Testimony</u>:

None.

<u>Informational Testimony</u>:

None.

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

Senator Gage questioned Jeff Miller if cutting the earned income percentages in half would cut the impact of SB 239 in half. Mr. Miller said a parent with a single child would get $69 and with two children it could be up to as high as $386. The Department found the average would be about $276. Cutting the percentages or moving them around would have an impact, and it could change significantly, but he is not sure it would be in half. This would be one alternative in adjusting the fiscal note.

Senator Towe asked Senator Waterman if she had any comments on how much of what is covered under SB 239 would be unnecessary if SB 235, or the income tax package included in SB 235, is passed. Senator Waterman said her understanding of SB 235 is that if your income is less than $13,000 you would not pay an income tax and as you raise the floor, you would impact less people. However, SB 239 would still have an impact. Senator Waterman said she has not analyzed SB 235 so could not give more definite answers.

Senator Eck asked Senator Waterman how much is being saved in Human Resources by cutting AFDC. Senator Waterman said cuts are being made in the Human Services budget, but so far no cuts or freezes have been made to the AFDC program.

Senator Eck asked Darrell Holzer if it is possible to calculate how much it would cost and how much income would be generated, and the impact on our public welfare system if we had a liveable wage of $7.00 an hour, and whether, instead of providing welfare to the workers, allow the small businesses to apply for welfare if they couldn't make a profit at that level of wage. Mr. Holzer said he would strongly support this idea, but the reality is good-paying jobs have been lost and are replaced with minimum-wage jobs in Montana. We no longer have a sufficient tax base in the state and in the country. People making good wages pay taxes.

Senator Halligan asked Jeff Miller if the administration looked at including something like this in the over-all tax reform when they were looking at income tax changes in SB 235. Mr. Miller said he was not aware that they were, and during any discussions he was involved in, there was no discussions about programs such as this. Senator Halligan asked if it would be possible to raise the issue with the Director of the Department of Revenue toward including this in any tax reform package. Mr. Miller said he would mention it.

<u>**Closing by Sponsor**</u>:

Senator Waterman said it is a sad fact today that parents working at minimum wage jobs cannot escape poverty. It is also a sad fact that if work does not pay what is necessary to live, the attractions of work lessen. Senate Bill 239 has the potential of breaking that cycle of poverty and give the working corps an opportunity.

ADJOURNMENT

Adjournment: The meeting adjourned at 9:00 a.m.

MIKE HALLIGAN, Chair

BONNIE STARK, Secretary

MH/bjs

ROLL CALL

SENATE COMMITTEE TAXATION DATE 2-5-93

NAME	PRESENT	ABSENT	EXCUSED
Sen. Halligan, Chair	✓		
Sen. Eck, Vice Chair	✓		
Sen. Brown	✓		
Sen. Doherty	✓		
Sen. Gage	✓		
Sen. Grosfield	✓		
Sen. Harp	✓		
Sen. Stang	✓		
Sen. Towe	✓		
Sen. Van Valkenburg	✓		
Sen. Yellowtail			✓

FC8

Attach to each day's minutes

SENATE STANDING COMMITTEE REPORT

February 5, 1993

MR. PRESIDENT:

We, your committee on Taxation having had under consideration Senate Bill No. 228 (first reading copy -- white), respectfully report that Senate Bill No. 228 be amended as follows and as so amended do pass.

Signed: ____________________
Senator Mike Halligan, Chair

That such amendments read:

1. Title, line 9.
Following: "AN"
Insert: "EFFECTIVE DATE AND AN"

2. Page 8, line 23.
Strike: "**Applicability**"
Insert: "**Effective date -- applicability**"
Following: "[This act]"
Insert: "is effective July 1, 1993, and"

3. Page 8, line 25.
Strike: "," through "accrued"

-END-

m Amd. Coord.
Sec. of Senate

291303SC.Sma

SENATE TAXATION
EXHIBIT NO. 1
DATE 2-5-93
BILL NO. SB239

EARNED INCOME CREDIT

Earned Income Credits (EIC's) make work more attractive than welfare.

Society has a responsibility to the poor to assist them in meeting their basic needs and to assist them in improving their condition. The poor receiving benefits have a responsibility to society to take responsibility for themselves. To move towards self-sufficiency.

Work should pay enough so that if a parent works full-time, year-round, the family will not be poor.

Full-time, year-round work at the minimum wage pays only 78 percent of the poverty line income for a family of three. For a family of four it comes to a little more than 60 percent of a poverty income.

Poverty rates for working families with children climbed from 8.6 percent in 1979 to 11.3 percent in 1990. This represents an increase of nearly one third.

Child poverty has grown in part because working families are poor.

In 1990 there were approximately 8.2 million poor children. Nearly two out of every three children lived in a family where a household member worked. Nearly three million poor children lived in a household with a full-time, year-round worker.

EIC supplements low earnings and promotes work as a viable alternative to welfare.

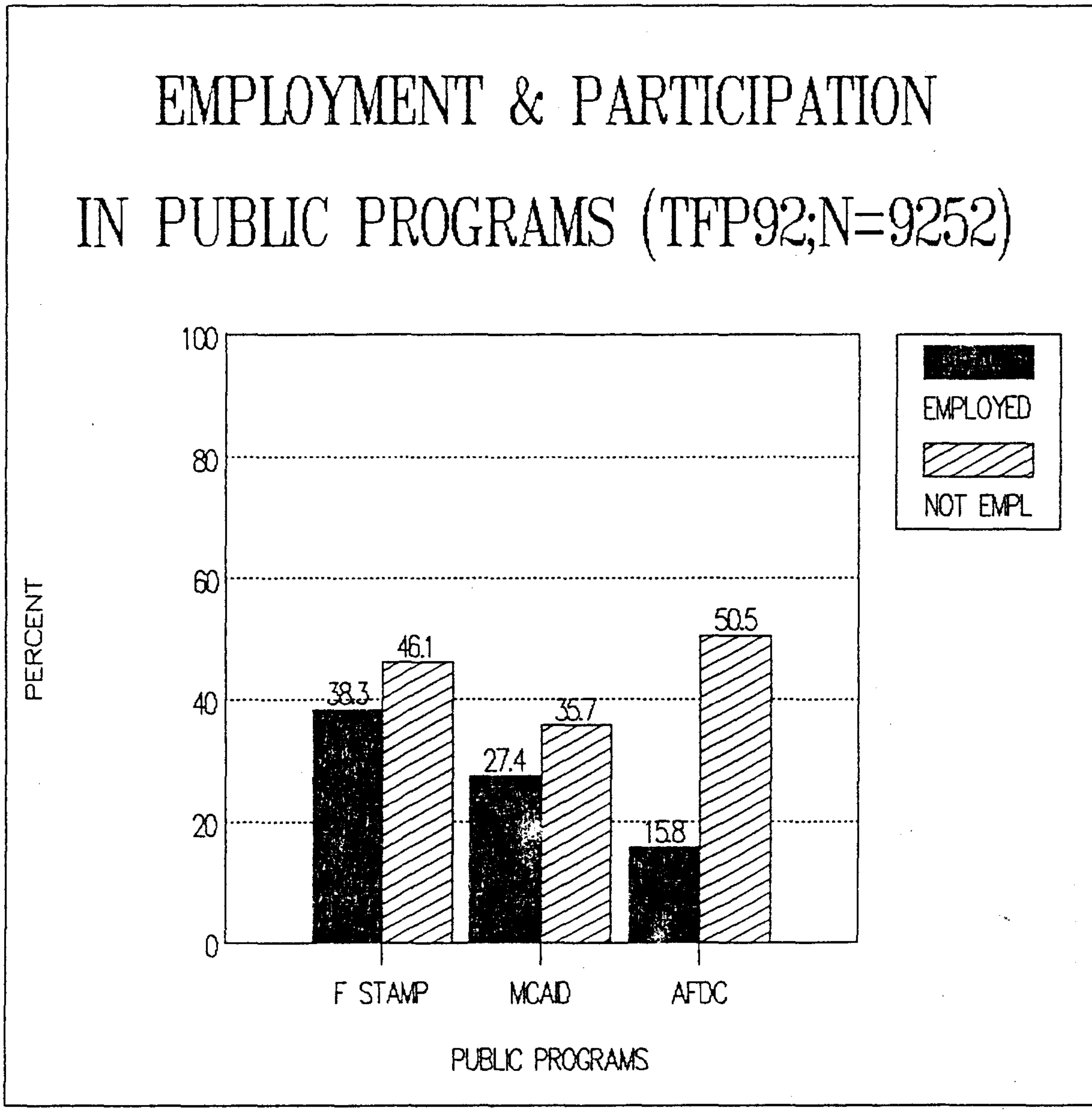
EIC is a reward for work. It is an efficiently targeted policy. EIC prevents states from taxing families deeper into poverty. EIC offsets the effects of regressive state and local taxes on the poor.

EIC is pro-family because only working parents can qualify for it.

Only parents who live with and support their children are eligible. EIC does not discriminate against two-parent families.

EIC's are particularly attractive to rural states. Census data indicates that two-thirds of all poor rural families work. Poverty rates among working families in rural areas increased significantly during the 1980's.

EIC is an efficiently targeted policy. A state EIC is less costly than other means of achieving similar goals.



EMPLOYMENT & PARTICIPATION
IN PUBLIC PROGRAMS (TFP92;N=9252)
100
80
60
40
20
0
PERCENT
EMPLOYED
NOT EMPL
38.3
46.1
27.4
35.7
15.8
50.5
F STAMP
MCAID
AFDC
PUBLIC PROGRAMS

State of Montana

Marc Racicot, Governor

EXHIBIT 1
DATE 2-5-93
SB-239

Department of Revenue
Mick Robinson, Director

Room 455, Sam W. Mitchell Building
Helena, Montana 59620

February 3, 1993

MEMO

TO: Senator Mignon Waterman

FROM: Mick Robinson Mick
Director

This letter is in response to your request concerning the impact of changing your proposed (SB 239) earned income credit to a non-refundable credit. The Department has estimated that a non-refundable credit based upon the determination method contained in SB 239 would result in a decrease of Individual Income Tax collections of about $2,030,000 per year. It is estimated that approximately 27,000 households would claim the credit (an average credit of $75 per household). The analysis was based upon a sample of returns from tax year 1991 taxpayers.

I hope you find this information useful in your deliberations. If you have any additional questions, please feel free to contact me at 444-2460.

CENTER ON BUDGET
AND POLICY PRIORITIES

SENATE TAXATION
EXHIBIT NO. 2
DATE 2-5-93
BILL NO. SB 239

Testimony

of

Center on Budget and Policy Priorities

on

Providing Income Tax Relief to the Working Poor By Enacting a State Earned Income Tax Credit

before the

53rd Legislature,

Committee on Taxation

of the

Montana State Senate

February 5, 1993

777 North Capitol Street, NE, Suite 705, Washington, DC 20002 Tel: 202-408-1080 Fax: 202-408-1056
Robert Greenstein, Executive Director ★ Loring Henderson, Deputy Director

The earned income credit is part of a "make work pay" agenda that has been adopted by the federal government and some states over the past several years. There is a growing consensus among policymakers that if a family includes a full-time, year-round worker, that family should not have to live in poverty. As a first step on that agenda, the federal government has eliminated federal income taxes for families with earnings below the poverty line. Since federal tax reform in 1986, many states have followed the federal lead by either eliminating state income taxes on the working poor, or by significantly increasing their income tax thresholds (i.e., income levels at which income taxes first become due). Unfortunately, Montana has lagged behind this trend.

- Montana is one of only seven states that imposes an income tax on the very poor, i.e., families with incomes *below half the poverty line.* In Montana, a family of four begins to pay income tax at an earnings level of $6,800 — some $7,570 below the poverty line. A family of three begins to pay income tax at an earnings level of $5,100 — some $6,108 below the poverty line.

- Of the 41 states and the District of Columbia that have an income tax, only six begin to tax families of four at income levels lower than Montana does.

- Since 1986, some 36 states and the District of Columbia have raised income tax thresholds by an average of $5,039. Over the same time period, Montana has raised its income tax threshold a mere $560.

Creating a state earned income tax credit is a very cost effective way to eliminate state income taxes for many of Montana's working poor families with children.

Advantages of a Montana State Earned Income Credit

The earned income credit (EIC) is a tax credit that is available only to low-and-moderate-income working families with children. At the federal level, it is designed to offset the regressive effects of social security payroll taxes on the working poor and to supplement their wages. The EIC leaves workers with more of their earnings to take home and so is a key component of a *make work pay* strategy. In 1993, the federal EIC will be available to families with incomes below $23,050.

EXHIBIT 2
DATE 2-5-93
SB-239

In recent years, states have begun to piggyback on the federal EIC by enacting state earned income credits. Six states now have state EICs that complement the federal EIC. These states set their state EICs at specified percentages of the federal EIC. State EIC legislation is pending in several other states.

In Montana, a state EIC would yield several advantages. First, it would significantly raise the personal income tax threshold for working poor families with children in a very cost effective manner. As compared to other methods of increasing an income tax threshold, such as increasing the standard deduction or the personal exemption, an EIC targets the tax relief to those most in need of it.

- For example, a state EIC set at five percent of the federal EIC would raise the earnings level above which a family of four would begin to owe state income tax to $10,100 — up some $3,300 from the current level of $6,800 — for an approximate cost of $2.3 million.

- A state EIC set at 10 percent of the federal credit would raise the income tax threshold for a family of four to $12,100 at an approximate cost of $4.6 million.

Second, a state EIC would help bring Montana closer in line with neighboring states that have an income tax.

- In 1992, Montana's income tax threshold for a family of three is $5,100, whereas Idaho's and North Dakota's are $12,200.

Third, a state EIC would complement current efforts in Montana to implement a "make work pay" agenda. In 1992, Montana, along with neighboring South Dakota, were the 11th and 12th state to enact *fill-the-gap budgeting*. In most states, families that both work and receive AFDC benefits lose a dollar of benefits for each dollar of earnings received after the first four months of work, essentially facing a 100 percent tax rate. Fill-the-gap budgeting allows a family on public assistance to keep all or some of its AFDC benefits after a family member begins working, as long as the combination of benefits and earnings do not exceed the state's "standard of need." In Montana, the standard of need is now $478 per month, or $5,736 per year for a family of three.

Having mitigated work penalties in AFDC so as to help families make a more gradual transition from welfare to work, Montana can turn to other issues in the "make work pay" agenda. A family of three that earns an amount equal to the standard of need, and thus leaves the welfare rolls, is still living at only 51 percent of the poverty line. Once AFDC transition benefits are exhausted, this family will likely face child care costs and medical care costs. A state earned income credit, in conjunction with the federal credit, can supplement the family's income and thus help it remain independent of welfare.

Table I
State Income Tax for Montana Family of Four
With State EIC At Various Income Levels, 1992

Income	Current Income Tax	State EIC	Net Income Tax (After EIC)	
	(With State EIC Set at Five Percent of Federal EIC)			
$ 6,800[a]	$ 0	$ 59	-$ 59	(Refund)
7,185[b]	6	62	-56	(Refund)
10,100[c]	62	62	0	
10,778[d]	78	62	16	
14,370[e]	191	46	145	
	(With State EIC Set at 10 Percent of Federal EIC)			
6,800[a]	0	118	-118	(Refund)
7,185[b]	6	124	-118	(Refund)
10,778[d]	78	124	-46	(Refund)
12,100[c]	119	120	-1	(Refund)
14,370[e]	191	92	99	

a. Current state income tax threshold for two-parent family of four.
b. Half the estimated poverty line for a family of four in 1992.
c. 1992 income tax threshold for two-parent family of four taking state EIC into account.
d. Three-quarters of the poverty line for a family of four in 1992.
e. Estimated 1992 poverty line for family of four as projected by the Congressional Budget Office in September 1992.

Table II
Impact of a State EIC on Montana Income Tax
Threshold for Family of Four, 1992

State EIC Status	State Income Tax Threshold	State Income Tax Threshold Above/Below Poverty Line[a]	State Threshold As % of Poverty Line	Estimated Cost of State EIC[b] (millions)
No State EIC	$ 6,800	-$7,570	47%	$0.0
5% State EIC	10,100	- 4,270	70%	2.3
10% State EIC	12,100	- 2,270	84%	4.6
15% State EIC	13,300	- 1,070	93%	6.9
20% State EIC	14,300	-70	100%	9.2

a. Estimated 1992 poverty line for a family of four is $14,370 as projected by the Congressional Budget Office in September 1992.
b. Although income tax threshold and poverty levels are based on 1992 estimates, state EIC cost estimates are for 1993.

EXHIBIT 2
DATE 2-5-93
SB-239

Table III
State Income Tax for Montana Family of Three
With State EIC At Various Income Levels, 1992

Income	Current Income Tax	State EIC	Net Income Tax (After EIC)	
(With State EIC Set at Five Percent of Federal EIC)				
$ 5,100[a]	$ 0	$ 47	-$ 47	(Refund)
5,604[b]	8	52	-44	(Refund)
8,406[c]	63	69	-6	(Refund)
8,700[d]	70	69	1	
11,208[e]	146	69	77	
(With State EIC Set at 10 Percent of Federal EIC)				
5,100[a]	0	94	-94	(Refund)
5,604[b]	8	103	-95	(Refund)
8,406[c]	63	138	-75	(Refund)
11,000[d]	140	138	2	
11,208[e]	146	138	8	

a. Current state income tax threshold for single-parent family of three.
b. Half the estimated poverty line for a family of three in 1992.
c. Three-quarters of the poverty line for a family of three in 1992.
d. 1992 income tax threshold for single-parent family of three taking state EIC into account.
e. Estimated 1992 poverty line for family of three as projected by the Congressional Budget Office in September 1992.

Table IV
Impact of a State EIC on Montana Income Tax
Threshold for Family of Three, 1992

State EIC Status	State Income Tax Threshold	State Income Tax Threshold Above/Below Poverty Line[a]	State Threshold As % of Poverty Line	Cost of State EIC[b] (millions)
No State EIC	$ 5,100	-$6,108	46%	$0.0
5% State EIC	8,700	- 2,508	78%	2.3
10% State EIC	11,000	- 208	98%	4.6
15% State EIC	12,600	+ 1,392	112%	6.9
20% State EIC	13,700	+ 2,492	122%	9.2

a. Estimated 1992 poverty line for a family of three is $11,208 as projected by the Congressional Budget Office in September 1992.
b. Cost estimates are for 1993.

DATE 2-4-93

SENATE COMMITTEE ON Taxation

BILLS BEING HEARD TODAY: SB 239, 269

Name	Representing	Bill No.	Check One: Support	Check One: Oppose
Ed Sheehy	Federal Retiree	269	✓	
Nikki Meders	MT Hunger Coalition	239	✓	
Bob Turner	DOR	239		
Cristina Medina	Mt. Low-Income Coalition	239	X	
Thade Schmith	NARF	269	✓	
Marie M. Cassidy	NARFE	269	✓	
Sue Corbett	NARFE	269	✓	
Michael J. McGrath	NARFE	269	✓	
J Holland	Federal Ret	269	—	
R. Haran	Fed. Ret.	269	✓	
Lee Masters	Fed. Ret.	269	✓	
Bob Connors	FED RET	269	✓	
Margaret Henry	NARFE	269	✓	
Ken O'Laurence	MT Hunger Coalition	239	✓	
Darrell Holzer	MT. St. AFL-CIO	239	✓	
HARLEY WARNER	ASSOC. OF CHURCHES	239	✓	

VISITOR REGISTER

PLEASE LEAVE PREPARED STATEMENT WITH COMMITTEE SECRETARY

F10

DATE ______________________

SENATE COMMITTEE ON ______________________

BILLS BEING HEARD TODAY: ______________________

____

Name	Representing	Bill No.	Check One: Support	Oppose
SHARON HOFF	MT CATH CONF	239	✓	
JUDITH CARLSON	HRDCs	239	✓	
Paulette Kohman	Mt Council Maternal & Child Health	239	✓	
Kate Cholewa	MT Womens Lobby	239	✓	
Margaret [illegible]	Galerda [illegible]	239	✓	
Sue Bartlett	SD 23	239	✓	

VISITOR REGISTER

PLEASE LEAVE PREPARED STATEMENT WITH COMMITTEE SECRETARY

F10