

## **MINUTES**

### **MONTANA HOUSE OF REPRESENTATIVES 53rd LEGISLATURE - REGULAR SESSION**

#### **COMMITTEE ON TAXATION**

**Call to Order:** By **CHAIRMAN BOB GILBERT**, on March 12, 1993, at 8:15 a.m.

#### **ROLL CALL**

##### **Members Present:**

Rep. Bob Gilbert, Chairman (R)  
Rep. Mike Foster, Vice Chairman (R)  
Rep. Dan Harrington, Minority Vice Chairman (D)  
Rep. Shiell Anderson (R)  
Rep. John Bohlinger (R)  
Rep. Ed Dolezal (D)  
Rep. Jerry Driscoll (D)  
Rep. Jim Elliott (D)  
Rep. Gary Feland (R)  
Rep. Marian Hanson (R)  
Rep. Hal Harper (D)  
Rep. Chase Hibbard (R)  
Rep. Vern Keller (R)  
Rep. Ed McCaffree (D)  
Rep. Bea McCarthy (D)  
Rep. Tom Nelson (R)  
Rep. Scott Orr (R)  
Rep. Bob Raney (D)  
Rep. Bob Ream (D)  
Rep. Rolph Tunby (R)

**Members Excused:** None

**Members Absent:** None

**Staff Present:** Lee Heiman, Legislative Council  
Jill Rohyans, Committee Secretary

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

##### **Committee Business Summary:**

Hearing: HB 670  
Executive Action: HB 326 Tabled, HB 400 Do Pass As Amended, HB 505 Do Pass As Amended, HB 592 Do Pass As Amended, HB 626 Tabled, HB 645 Do Pass, HB 639 Tabled, SB 399 Be Concurred In

EXECUTIVE ACTION ON HOUSE BILL 326

Motion: REP. DRISCOLL MOVED HB 326 DO PASS.

Discussion:

REP. HANSON said she had reservations about the bill. If a rancher has ten sections, runs cows on three sections, leases out two sections for hunting one year, and three others another year, it would constitute a bookkeeping nightmare not only for the rancher but for the County Clerk as well.

REP. RANEY said if the land is used for agricultural purposes, it should be taxed as agricultural. If it is used for a commercial venture, it should be taxed commensurately. He said it seemed fairly straightforward to him.

Motion/Vote: REP. FOSTER MADE A SUBSTITUTE MOTION TO TABLE HB 326. Motion to TABLE carried 13 - 6 with REP. HARRINGTON, REP. DOLEZAL, REP. DRISCOLL, REP. HARPER, REP. MCCARTHY, AND REP. RANEY voting no.

EXECUTIVE ACTION ON HOUSE BILL 400

Motion/Vote: REP. HARPER MOVED TO ADOPT THE AMENDMENTS AS PER THE STANDING COMMITTEE REPORT. Motion carried unanimously.

Motion: REP. TUNBY MOVED HB 400 DO PASS AS AMENDED.

Discussion:

REP. DRISCOLL said he would vote for the bill, but would like to see the law repealed completely. He said the state has to conduct the inspections, but the people do not want to pay for them. If the state does not conduct the inspections, it is liable for damages if anything goes awry.

REP. HARPER said the Committee should pass the bill and refer it to the Appropriations Committee.

CHAIRMAN GILBERT asked the Committee if they agreed the bill should be referred to Appropriations. The Committee agreed and CHAIRMAN GILBERT said he would move to refer to Appropriations when the bill came up on the floor.

Vote: Motion that HB 400 Do Pass As Amended carried unanimously.

EXECUTIVE ACTION ON HOUSE BILL 505

Motion: REP. DRISCOLL MOVED HB 505 DO PASS.

Discussion:

REP. DRISCOLL said HB 505 is a fairness issue. He said a daycare operator with two children of her/his own cannot keep those children at home without deducting them from the daycare limit. As a result of keeping them home, she/he cannot get daycare credit for them. If the children are sent to another daycare, the parent/operator can get a daycare credit. The bill simply corrects that inequity.

The Committee discussed various options for amending the bill so that a person could not deem his/her home a day care for his/her own children exclusively in order to receive the tax credit.

Motion/Vote: REP. HARPER MOVED TO AMEND THE BILL AS PER THE ATTACHED STANDING COMMITTEE REPORT. Motion to amend carried unanimously.

Motion/Vote: REP. DRISCOLL MOVED HB 505 DO PASS AS AMENDED. Motion carried 18 - 2 with REP. TUNBY and REP. ORR voting no.

EXECUTIVE ACTION ON HOUSE BILL 592

Discussion:

Don Vidrine, Manager, Hazardous Waste Program, Department of Health, explained the proposed amendments to the bill exclude the word "operation" which is a technical amendment. The amendments decrease the up-front fee for Class 2 facilities from \$50,000 to \$40,000, provides for some refundable fees, and reduces fees from \$8 a ton to \$4 a ton for certain facilities in order to eliminate a double billing situation.

REP. RANEY asked if industry representatives had reviewed the amendments.

Mr. Vidrine indicated most of the affected industries had reviewed the amendments and indicated they do not conflict with the reasons they want the bill.

Motion/Vote: REP. ORR MOVED TO ADOPT THE AMENDMENTS AS PER THE STANDING COMMITTEE REPORT. Motion carried unanimously.

Vote: REP. REAM MOVED HB 592 DO PASS AS AMENDED. Motion carried 16 - 3 with REP. ORR, REP. HANSON, and REP. FELAND voting no.

HEARING ON HOUSE BILL 670

**NOTE:** Due to technical problems, the following minutes are very abbreviated and, in some instances, incomplete.

Opening Statement by Sponsor:

**REP. BILL BOHARSKI, HD 4, Kalispell,** said there is an enormous health care problem in Montana and in the United States. He said health care and food are both basic necessities of life but, fiscally, they are completely different. Groceries are based on a market driven system, but health care has no market system at all. Individual medical savings accounts, as established in HB 670, would introduce a market approach to health care and enable people to have better access to a health care system. If an employer chooses to contribute to an employee's individual medical savings account, the contribution would not be subject to Workers' Compensation premium taxes and the employer would not be liable for the costs of the employee's medical care. He noted technical amendments had been prepared in collaboration with the Department of Revenue (DOR) and the Workers' Compensation Fund which close a loophole re federal deductibility and make the bill revenue neutral.

Proponents' Testimony:

**Terry Frisch, health care consumer,** said there are many advantages to the medical savings account approach to health care. Improved access, portability, administrative savings, and reduced reliance on medicaid care for nursing homes are all attractive provisions of this bill. The consumer makes the decision as to which health care he will buy and the money is readily available. Because money is better utilized and more available because of the individual's account, insurance companies monies can play a bigger role in developing catastrophic insurance policies.

**Fred Thomas, Stevensville,** said the bill is a good starting point for health care cost containment. It can very well be a model for national health care. He said the cost containment issue is the most difficult aspect of medical care and this bill addresses it very well. The bill puts the health care consumer back on the front line in making decisions about options for his own health care.

**Dr. Fowler, Anesthesiologist, Great Falls,** said the program would cut health costs because patients would be more selective about procedures when the costs are paid out of their own account, instead of a blank check insurance account.

A representative of the Golden Rule Insurance Company, said the company does not operate in Montana at this time; however, they would come back if proper health care funding reforms are in place. This bill goes a long way toward creating that medical care environment.

Jerry Loendorf, Montana Medical Association, said this is a good bill that creates a money saving program for the middle class insurer.

Dr. Paul Foresch, Neurosurgeon, Great Falls, said patients would be able to make their own decisions about health care instead of being dictated to by their insurance companies. He said he would anticipate a great deal of savings in medical costs if this bill could be fully utilized.

John Cadby, Montana Bankers Association, said he has been a trade association manager for over 30 years. In that capacity, he has implemented many group insurance plans. Members would call and ask if their insurance would cover a specific treatment or procedure and, if not, they would often do without. He said this bill provides an incentive for people to take care of themselves and make the right decisions for their own health.

Dr. John Margaritis, Internal Medicine, Great Falls, said this is a wonderful plan. It gets rid of many of the unproductive administrative costs and allows for development of a comprehensive major medical insurance that pays for surgeries and other major procedures.

Bill Leary, former President, Montana Hospital Association, said he has seen many abuses of medical services from the provider, consumer, and insurer aspects. This bill establishes true health care reform and should be supported.

Dan Ritter, Montana Chamber of Commerce, expressed support for the bill.

Dr. Bob Winne, Internal Medicine, Great Falls, said he supports the bill on behalf of his patients who can make good and informed decisions about their health care. This bill would help contain costs and reform health care into a better and more streamlined system.

Opponents' Testimony: None

Informational Testimony:

John King, State Compensation Mutual Insurance Fund, said the State Fund does not have a position on the major aspects of the bill, but does have some concerns about how the bill will tie in with the Workers' Compensation system. He said there is some

ambiguity in the section regarding an injured worker paying his own costs out of his \$2000 account, even though the \$2000 might have already been spent on a prior illness. He said there is also a potential administrative problem re workers claims for non-severe injuries. He said there should be more review of those provisions for clarification purposes.

**Melissa Case, Montana People's Action, Motel Hotel Workers**, also expressed concern with the workers' compensation provisions.

**Questions From Committee Members and Responses:**

**REP. DRISCOLL**, referring to page 23, lines 18-21, said he did not understand why there should be an exemption from the workers' compensation fee schedule if there is such a big cost saving.

**REP. BOHARSKI** said he made the choice because he felt the workers' compensation fee schedule does not adequately reflect true medical costs. He said the doctor and the patient should determine the procedures and the associated costs.

**REP. HIBBARD**, referring to the \$2000 medical savings account, asked for clarification of the applicability to regular medical expenses versus workers' compensation injury expenses.

**Mr. King** replied that if a consumer had spent \$1500 of his medical insurance account and then had a workers' compensation related accident, he would be responsible for the full \$2000, i.e., the \$500 left in the account and another \$1500 of his own funds.

**REP. DOLEZAL** asked if the tax deduction based on the current Montana system would change if the Legislature adopts a flat percentage rate of the federal deductibility.

**REP. BOHARSKI** said that provision would have to be readjusted when a final decision is made. There would certainly be a change, but there is no way to predict it at this time.

**REP. DOLEZAL** asked about the portability provision.

**REP. BOHARSKI** said the Department would set up the portability conditions by rule.

Discussion about further provisions in the bill continued among the Committee members and **REP. BOHARSKI**.

**Closing by Sponsor:**

**REP. BOHARSKI** closed saying he would be available for further questions during the executive session on the bill.

EXECUTIVE ACTION ON HOUSE BILL 626

Motion: REP. FOSTER MOVED HB 626 DO PASS.

Discussion: REP. HARPER pointed out that Dennis Burr, Montana Taxpayers Association, testified that the bill would not work and that it is not in the best interest of the state to enact it.

Motion/Vote: REP. HARPER MOVED HB 626 BE TABLED. Motion carried 11-9.

EXECUTIVE ACTION ON HB 645

Motion/Vote: REP. HARRINGTON MOVED HB 645 DO PASS. Motion carried unanimously.

EXECUTIVE ACTION ON HOUSE BILL 639

Motion: REP. DRISCOLL MOVED HB 639 DO PASS.

Motion/Vote: REP. McCAFFREE MOVED ADOPTION OF THE AMENDMENTS AS PER THE ATTACHED STANDING COMMITTEE REPORT. Motion carried unanimously.

Motion: REP. DRISCOLL MOVED HB 639 DO PASS AS AMENDED.

Discussion:

REP. HARPER said there were two economic development bills. He asked if there was any conflict between them.

Evan Barrett, Butte Economic Development Corporation, said the bills are completely different and have two separate and distinct sources of revenue.

REP. FOSTER said HB 639 does not attempt to break I-105; it simply runs right over the top of it.

REP. HARPER said there are no long term solutions to the state's financial problems unless economic growth is stimulated. Economic growth will not happen without this bill. The sales tax will not spur economic growth. This bill is one way to encourage and support that growth.

**CHAIRMAN GILBERT** said the bill should be amended so that the money goes back to the community that raised the revenue by instituting the tax. He said Richland, McCone, and Dawson Counties paid the tax, but had no matching money; therefore, Billings and Helena got the revenue. He said the bill would not help cities and counties in eastern Montana.

**REP. HARPER** said it is time to look at statewide economic development instead of individual local programs.

**REP. BOHLINGER** said if jobs created in Libby will help other areas, the tax base should be expanded which would spread the tax burden more widely and fairly across the state.

**REP. DOLEZAL** pointed out he voted for the agricultural tax revaluation structure and he has no agriculture in his district. He, too, said economic development needs to be a statewide effort.

**Vote:** Motion that HB 639 Do Pass As Amended failed 11 - 8.

**Motion/Vote:** **REP. MARIAN HANSON** MOVED HB 639 BE TABLED. Motion carried 11-8.

**EXECUTIVE ACTION ON SENATE BILL 399**

**Motion/Vote:** **REP. BOHLINGER** MOVED SB 399 BE CONCURRED IN. Motion carried 14-5 with **REP. RANEY**, **REP. FELAND**, **REP. HANSON**, **REP. ELLIOTT**, AND **REP. ANDERSON** voting no.

**ADJOURNMENT**

**Adjournment:** The meeting adjourned at 11:50 a.m.



**REP. BOB GILBERT, CHAIRMAN**



**JILL ROHYANS, Secretary**

BG/jdr

HOUSE STANDING COMMITTEE REPORT

March 12, 1993

Page 1 of 1

Mr. Speaker: We, the committee on Taxation report that House Bill 505 (first reading copy -- white) do pass as amended.

Signed: Bob Gilbert  
Bob Gilbert, Chair

And, that such amendments read:

1. Page 5, line 15.

Following: "child"

Insert: "and at least one unrelated child"

-END-

Committee Vote:  
Yes 17, No 2.

561628SC.HPF

*Handwritten:* J.S. 3-12-93 5:00

HOUSE STANDING COMMITTEE REPORT

March 12, 1993

Page 1 of 2

Mr. Speaker: We, the committee on Taxation report that House Bill 592 (first reading copy -- white) do pass as amended.

Signed: Bob Gilbert  
Bob Gilbert, Chair

And, that such amendments read:

1. Page 1, line 24.  
Page 2, line 3.  
Page 7, line 2.  
Page 10, line 1.  
Strike: "operation"
2. Page 3, line 20.  
Page 3, line 24.  
Strike: "operation"
3. Page 7, line 8.  
Strike: "nonrefundable"
4. Page 7, line 7.  
Page 7, line 18.  
Page 8, line 1.  
Strike: "an operation"  
Insert: "a"
5. Page 7, line 17.  
Strike: "\$50,000"  
Insert: "\$40,000"
6. Page 7, line 19.  
Strike: "\$40,000"  
Insert: "\$50,000"
7. Page 7, line 21.  
Strike: "\$50,000"  
Insert: "\$40,000"

Committee Vote:  
Yes 16, No 3.

561631SC.Hpf

*Handwritten:* 3/12/93 5:00

8. Page 8.

Following: line 5

Insert: "(2) If, after receipt of the payment required in subsection (1)(a)(ii), the applicant notifies the department in writing of its intent to withdraw the application, the department shall return to the applicant any portion of the payment received pursuant to subsection (1)(a)(ii) in excess of the department's actual costs of permit review."

Renumber: subsequent subsection

9. Page 8, line 15.

Following: "of"

Insert: ": (a)"

10. Page 8, lines 16 and 17.

Strike: "storage, disposal, or treatment."

Insert: "management in regulated landfill units, surface impoundments, land treatment units, incinerators, boilers, or industrial furnaces; and

(b) \$4 per ton on all hazardous waste received at the facility or site for management in any regulated unit or units other than those units described in subsection (1)(a).  
(2)"

Renumber: subsequent subsections

11. Page 8, line 17.

Strike: "fee"

Insert: "fees established in subsection (1)"

12. Page 8, line 21.

Strike: "shall"

Insert: "may"

13. Page 9, line 11.

Following: "of"

Insert: "the hazardous waste provisions of"

-END-

*Handwritten:* 8/12-43  
3/5:00

HOUSE STANDING COMMITTEE REPORT

March 12, 1993

Page 1 of 1

Mr. Speaker: We, the committee on Taxation report that House Bill 645 (first reading copy -- white) do pass .

Signed: Bob Gilbert  
Bob Gilbert, Chair

*Handwritten:* 3/12/93 5:00

Committee Vote:  
Yes 19, No 0.

561633SC.Hpf