

**MINUTES**

**MONTANA SENATE  
53rd LEGISLATURE - REGULAR SESSION**

**COMMITTEE ON TAXATION**

**Call to Order:** By Chairman Mike Halligan, on March 15, 1993, at 9:00 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)  
Sen. Bill Yellowtail (D)

**Members Excused:** None.

**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: None.  
Executive Action: SB 239, SB 283, SB 289, SB 374, SB 378,  
SB 382, SB 410, SB 422  
Discussion: SB 235

**EXECUTIVE ACTION ON SB 382**

**MOTION/VOTE:**

Senator Stang moved SB 382 be TABLED. The motion CARRIED UNANIMOUSLY on oral vote.

**EXECUTIVE ACTION ON SB 422**

**MOTION/VOTE:**

Senator Gage moved SB 422 be TABLED. The motion CARRIED on oral vote with Senator Doherty voting "NO".

**EXECUTIVE ACTION ON SB 289**

**MOTION:**

Senator Harp moved SB 289 DO PASS.

**DISCUSSION:**

Senator Harp said Governor Racicot sees this bill as a companion to the sales tax bill to tell people that the cap will not allow the sales tax to increase beyond 4%, and it will be put on the ballot for public vote the same as the general sales tax.

Senator Van Valkenburg said if this becomes law and there is a constitutional limit on the rate, when it becomes necessary in the future to get additional revenue, legislators will go after the low income credit and the homestead exemption. The regressivity in the sales tax would climb substantially and the benefits in SB 235 will begin to dissipate. The alternative is that, instead of using sales tax revenue for potential needs, the Legislature will start raising income tax and property tax, and won't look at the sales tax as a potential source of additional funds. Senator Van Valkenburg said there are no limits on income tax and property tax in the Constitution, and he doesn't think there should be limits on the sales tax in the Constitution.

**AMENDMENT:**

Senator Eck moved to amend SB 289, by deleting "exceed 4%" on line 17, and add, following line 16, "be imposed or its rate increased without an affirmative vote of the people". This would result in a change in the title, and a change in line 25 to read, "FOR requiring an affirmative vote of the people to impose a sales or use tax or to increase the rate of the sales or use tax".

**VOTE ON AMENDMENT:**

The motion to AMEND SB 289 FAILED 7-2 on Roll Call Vote (#1).

**VOTE ON ORIGINAL MOTION:**

The motion to DO PASS SB 289 CARRIED 7-4 on roll call vote (#2).

**EXECUTIVE ACTION ON SB 410**

**MOTION:**

Senator Harp moved to TABLE SB 410.

**DISCUSSION:**

Senator Grosfield suggested an alternative to funding the Sheriffs' Retirement System through a 1.5% tax on the Video Gambling Taxes is to not fund it and let the Sheriffs' Association worry about finding funding someplace else.

Senator Eck said she thinks the major problem is that it is the first step to increasing all of those retirement systems, and that should be done in a coordinated way.

**SUBSTITUTE MOTION:**

Senator Gage moved a SUBSTITUTE MOTION to substitute Beer Tax for the Video Gambling Tax.

**DISCUSSION ON SUBSTITUTE MOTION:**

Senator Brown said this is not a bad idea because Beer Taxes are very low in Montana; however, he thinks that we might want to hold a hearing, since this would be a totally new interest group involved in funding through an increase in the Beer Tax.

Jeff Martin, Legislative Council Staff, explained that the Beer Tax would go from \$3.00 to \$4.15 per barrel, raising the total tax on beer to \$5.45 per barrel. Of the \$1.30 tax already imposed on beer, 30 cents goes to General Fund, and \$1.00 goes to alcohol-related programs. This increase would amount to less than 2 cents per can of beer.

**VOTE ON SUBSTITUTE MOTION:**

The substitute motion on SB 410 FAILED 6-4 on Roll Call Vote (#3).

**VOTE ON ORIGINAL MOTION:**

The motion to TABLE SB 410 CARRIED 8-3 on Roll Call Vote (#4). (See further action on SB 410 in the March 25, 1993, minutes.)

**EXECUTIVE ACTION ON SB 378**

**MOTION:**

Senator Van Valkenburg moved to TABLE SB 378.

**DISCUSSION:**

Senator Grosfield said he is working on several amendments to SB 378 and asked that no action be taken on this bill at this time.

Senator Gage said he believes these earmarked funds would receive greater scrutiny if they were part of the General Fund than they presently get in special revenue accounts.

Senator Van Valkenburg said money that has essentially been raised for a particular purpose should not be thrown into the General Fund so that anybody can get at the funds. He believes that if these earmarked revenues came into existence because people were willing to pay taxes for a specific purpose, these same people won't want the Legislature to have total discretion over the monies.

Senator Eck suggested looking at the list of earmarked funds and pulling out the funds which aren't being used now. She is not sure that this is the proper time for a study and thinks these funds may need some protection.

Senator Towe said Senator Grosfield should be allowed to decide which accounts he thinks should be eliminated.

**ACTION ON MOTION:**

Senator Van Valkenburg withdrew his motion.

**EXECUTIVE ACTION ON SB 283****MOTION:**

Senator Towe moved SB 283 be TABLED.

**DISCUSSION:**

Senator Harp suggested waiting to see if SB 235 is passed on second reading in the Senate today before taking any action on SB 283.

**ACTION ON MOTION:**

Senator Towe withdrew his motion.

**EXECUTIVE ACTION ON SB 239**

**MOTION/VOTE:**

Senator Harp moved SB 239 be TABLED. The motion CARRIED on oral vote with Senators Van Valkenburg, Doherty, Stang, and Halligan voting "NO".

**EXECUTIVE ACTION ON SB 374**

**DISCUSSION:**

Exhibit No. 1 to these minutes, Amendments requested by Senator Grosfield, dated March 14, 1993, were distributed and explained by Jeff Martin. Mr. Martin said these amendments would insure that the American Ethanol plant would not take up all the reservations in any particular year. The amendments would limit each alcohol producer to \$1.5 million per year unless there was an excess left over after all the other producers had been paid within the year. Amendment #2 addresses this issue.

**MOTION/VOTE ON AMENDMENTS #1 AND #3:**

Senator Van Valkenburg moved to ADOPT amendments #1 and #3. The motion CARRIED on oral vote.

**MOTION ON AMENDMENT #2:**

Senator Grosfield moved to ADOPT amendment #2.

**DISCUSSION:**

Senator Grosfield asked if we had more than one plant was operating over \$1.5 million and \$5.5 million would be used to subsidize those plants, how would the balance of \$500,000 be divided? Mr. Martin explained it would be prorated between the plants, based on production.

Senator Towe said American Ethanol needed this amendment so they could get more funding. If this amendment is adopted, the uncertainty of someone else coming in and taking the funds would destroy the certainty that American Ethanol needed. Senator Grosfield said this was discussed at the hearing, and American Ethanol's answer was that there would probably be no other plants built in the next couple of years so they didn't see it as a problem. Senator Grosfield discussed this with American Ethanol, and American Ethanol said if anyone else qualified, they knew they would not be able to receive the funds.

**VOTE ON AMENDMENT #2:**

The motion to ADOPT amendment #2 CARRIED on oral vote with Senator Gage voting "NO".

**MOTION/VOTE TO AMEND:**

Senator Grosfield moved to amend Line 8, Page 4, to re-insert "reserved or". The motion CARRIED on oral vote.

**MOTION:**

Senator Doherty moved SB 374 DO PASS AS AMENDED.

**DISCUSSION:**

Senator Towe said that even though the money is already earmarked, he has some problems making such an enormous subsidy to one company.

Senator Stang agreed with Senator Towe, and further said he didn't see how this would help the Montana wheat industry, as reported by American Ethanol, because with the Free Trade Agreement with Canada, he thinks this appears to be another place for Canada to sell their grain. He doesn't want to give highway money to Canadian trucks to tear up Interstate 15 hauling Canadian grain to the American Ethanol plant in Great Falls.

Senator Grosfield said he has this same concern but believes this is addressed on Page 1, Lines 17 and 18, that says "when Montana products are not available", and asked if there are any teeth in that language.

Senator Harp said the 1987 Legislature amended this law, and at some point the Legislature thought there would be no more incentives; SB 374 will extend the incentives to 2001. Senator Harp expressed concern over what point this industry would no longer continue to receive subsidies and what this would do to the earmarked account.

Senator Eck expressed concern about Line 20 where it says, "was blended with gasoline for sale as gasohol in Montana". The one plant they had in Senator Eck's area went out of business because they were not being allowed a subsidy if they sold gasohol outside Montana.

Senator Gage said he has the same problem as Senator Eck, because we would be subsidizing a product to be consumed outside the state of Montana to solve the problems of other states.

Senator Van Valkenburg said the bill is here for the American Ethanol plant outside Great Falls to "make it or break it" in terms of financial aspect. It is potential for lots of jobs in the state of Montana, and he thinks there is a good likelihood that it would involve the use of Montana grain. He recognizes that by supporting SB 374, it is likely that the fuel tax will be drawn down and Montanans would have to pay for this subsidy with higher gasoline taxes.

**VOTE:**

The motion to DO PASS SB 374 AS AMENDED FAILED on Roll Call Vote (#5).


No further executive action was taken on SB 374.

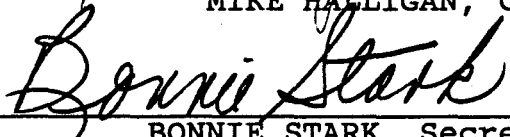
**DISCUSSION ON SB 235**

Chairman Halligan asked Mick Robinson, Director of the Department of Revenue (DOR), to explain the hand-out on SB 235 distributed on March 12th. Mr. Robinson said with the amendments on advertising and stocks and bonds being exempted, the total revenue went to \$92.03 million. Director Robinson said the only item not considered in DOR discussions when talking about the \$100 million anticipated revenue were the amendments regarding the advertising exemption and the securities exemption. Those exemptions account for an approximate \$10 million decrease in the sales tax revenue: \$9 million for the newspapers and \$1 million for securities.

**ADJOURNMENT**

**Adjournment:** The meeting adjourned at 10:00 a.m.

  
\_\_\_\_\_  
MIKE HALLIGAN, Chair

  
\_\_\_\_\_  
BONNIE STARK, Secretary

MH/bjs

# ROLL CALL

SENATE COMMITTEE TAXATION

DATE 3-15-93

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	✓		




SENATE STANDING COMMITTEE REPORT

Page 1 of 1  
March 15, 1993

MR. PRESIDENT:

We, your committee on Taxation having had under consideration Senate Bill No. 289 (first reading copy -- white), respectfully report that Senate Bill No. 289 do pass.

Signed: 

Senator Mike Halligan, Chair

ROLL CALL VOTE #1

SENATE COMMITTEE

TAXATION

BILL NO. 289

DATE 3-15-93

TIME 9:45 A.M. P.M.

A.M. P.M.

NAME \_\_\_\_\_

YES NO

[illegible]

Bonnie Stark  
SECRETARY

Mike Helligan  
CHAIR

MOTION: Amendment - Failed 7-2



ROLL CALL VOTE #3

SENATE COMMITTEE

## TAXATION

BILL NO.

4/10

DATE \_\_\_\_\_

3-15-93

# TIME

9:00

A.M.

P.M.

NAME \_\_\_\_\_

YES

NO

[illegible]

*Louise Stark*  
SECRETARY

Mike Hallgren  
CHAIR

MOTION: Substitute Motion

Failed 6-4



ROLL CALL VOTE #5

SENATE COMMITTEE TAXATION BILL NO. 374

DATE 3-15-93 TIME 9:00 A.M. P.M.

YES NO

[illegible]

*Louise Stark*  
SECRETARY

Mike Halligan  
CHAIR

MOTION: Do Pass As Amended

Failed 6-5

Amendments to Senate Bill No. 374  
First Reading Copy

Requested by Senator Grosfield  
For the Committee on Taxation

Prepared by Jeff Martin  
March 14, 1993

SENATE TAXATION

EXHIBIT NO. 1

DATE 3-15-93

BILL NO. SB 374

1. Page 1, line 24.  
Following: "ethyl"  
Insert: "tertiary"

2. Page 2, lines 15 through 24.

Strike: subsection (4) in its entirety

Insert: "(4)(a) Except as provided in subsection (4)(b), an alcohol distributor may not receive tax incentive payments under subsection (2) that exceed \$1.5 million in any consecutive 12-month period, beginning April 1, 1985.

(b) Except as provided in subsection (4)(c), alcohol distributors with plants that have production that would qualify them for more than \$1.5 million in payments are entitled to the fiscal yearend unexpended balance of the amount specified in subsection (3). The additional payments must be based on the tax incentive provided for in subsection (2) and must be prorated according to the actual production of alcohol of each distributor that is entitled to an additional payment under this subsection (b).

(c) Additional payments under subsection (4)(b) may not be made until all alcohol distributors that qualify for the tax incentive under subsections (5) through (7) have received the tax incentive payment to which they are entitled under subsection (2)."

3. Page 3, lines 9, 11, and 13.

Strike: "gasohol"

Insert: "alcohol"