MINUTES

MONTANA SENATE
53rd LEGISLATURE - REGULAR SESSION

COMMITTEE ON TAXATION

Call to Order: By Chairman Mike Halligan, on April 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)
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: HB 219, HB 591, HB 643, HB 651, HB 671
Executive Action: HB 219

HEARING ON HB 671

Opening Statement by Sponsor:

Rep. Bob Gilbert, House District #22, presented HB 671, which is the bi-partisan income tax bill coming out of the House of Representatives. Rep. Gilbert said this tax bill is designed to raise the money needed to fund state government for the next biennium. This bill is a flat-tax of 7.2% for each year in 1994 and 1995. It will raise approximately $71.5 million; $5.3 million is from corporate tax, and the balance is from personal income taxes. HB 671 will close some loop holes in the law a lot of people are concerned about. Rep. Gilbert said for people in the upper-middle income, and upper income, who have been able to avoid paying Montana State taxes, those loop holes are gone. HB 671 waives Federal deductibility, and there will no longer be capital gains. There is a portion called one-time big income exemption. This is put in primarily for the small business owners where their business is their retirement, or for farmers whose farm and ranching operation is their retirement, because they don't have pension plans. This is a one-time only exemption for Montana residents, and the business (or farming operation) must have been owned for at least 15 years.

Rep. Jim Elliott, House District #51, presented further opening statements on HB 671. He called this bill a back-up to SB 235, the sales tax bill. He compared likenesses and differences between HB 671 and SB 235. He said both bills eliminate itemized deductions and the Federal deductibility. As Federal taxation increases, there will be a net decrease in Montana taxes.

Rep. Elliott addressed the fact that 64,000 more people, than under current law, will drop off the tax rolls with HB 671. He said it is important to point out that SB 235 also drops people off the tax rolls, and gives about 100,000 people a negative income tax, or a refund on the sales tax and property taxes they have paid. Both bills also significantly lower taxes on about 200,000 taxpayers in Montana.

One of the significant differences between the sales tax and an income tax is the ability of the taxpayer to deduct the income tax from his/her Federal taxes and not be able to deduct the sales tax. Because of this feature, there is a nominal Federal offset. HB 671 raises $28.25 million in revenue in calendar year 1993, but it costs the Montana taxpayer only $19.38 million. That means there is a Federal offset of $8.8 million, or 31.4%. This means that nearly 1/3 of the proposed income tax increase in HB 671 is exported to taxpayers in other states. This could be coupled to the $4.2 million increase in Federal taxation that SB 235 will cost the Montana taxpayers.

Rep. Elliott said Montana has traditionally gone to the middle-income taxpayer to pay the bills in the state. He feels it is opportune, fair and just, to give the middle-income taxpayer some kind of respite from this trend in taxation. He pointed out the growing income inequality in the United States, and said it is especially true in Montana where the bottom 20% of the residents are 6th in the nation in income inequality.

Rep. Elliott presented Exhibit No. 1 to these minutes. He pointed out the standard deduction in HB 671 is changed to 30% of the Montana adjusted gross income, and he reviewed the minimum and maximum deductions. He said corporations with taxable incomes of over $.5 million will see a 1/2% increase in corporate taxes from 6.75% to 7.25%.

Proponents' Testimony:

Senator Towe appeared as a proponent to HB 671, although he thinks it should be more comprehensive. Senator Towe presented Exhibits No. 2 and No. 3 to these minutes, which he called an alternative tax plan for the state. He said his tax plan is very similar to what is presented in HB 671. The Senator reviewed his alternative tax plan further, and said it proposes a graduating tax of 6% on the first $30,000 of income; 7% on the next $10,000; and 8% on any income over $40,000. His proposal called for a corporate license tax of 7.75%, which is similar to the National average of 7.67%.

Opponents' Testimony:

Dennis Burr, representing the Montana Taxpayers Association (MTA), spoke in opposition to HB 671, saying Montana needs to expand its tax base and this bill will significantly narrow the tax base. His organization feels HB 671 goes further in reforming income tax than is needed to meet the current problem. Eliminating itemized deductions and going to a flat tax is a significant measure of tax reform. The MTA feels eliminating 64,000 people from the income tax rolls at this time is the wrong direction to go. Passage of HB 671 will be asking more than 20% fewer taxpayers to pay a total increase in income taxes of 100%.

Informational Testimony:

None.

Questions From Committee Members and Responses:

Senator Doherty asked Rep. Gilbert if HB 671 is proposed as an alternative to the sales tax. Rep. Gilbert said this bill is part of the tax package that the House drafted to address the $215 million deficit and try to balance the budget for the next biennium. Rep. Elliott responded similarly, saying HB 671 is the money bill in the House's proposal, and should provide the revenue to balance the budget for the upcoming biennium.

Senator Van Valkenburg said in considering the income tax portions of SB 235, this Committee concluded that with a single tax rate, as opposed to a graduated tax rate, it was more appropriate to do away with indexing in its entirety in the future. The proposal in HB 671 modifies indexing, but still includes indexing as a part of the income tax proposal. The Senator asked the sponsors of HB 671 why they feel a need to have indexing if there is a single tax rate. Rep. Elliott said the indexing modification is there because this is a compromise bill. He said the standard deduction and personal exemption is still left to index. Senator Van Valkenburg said this Committee's conclusion is that it is not necessary to index the standard deduction and personal exemption because those are obviously important elements of indexing in our current system. If a future Legislature determines that it's appropriate to raise the standard deduction, or the personal exemption, it can do so. However, the inherent bracket creep that occurred in the previous system no longer occurs because of not moving up to a higher tax rate. Rep. Elliott said he agrees with this argument for non-indexing. He pointed out that because of the increase in the standard deduction and exemption over the current law, indexing will exacerbate the effects that these will be a loss of revenue to the state. Rep. Gilbert said one of the basic differences is that HB 671 is an income tax bill as opposed to a tax reform package. The bill sponsors wanted to make sure they didn't negatively affect any one group, so they indexed on curves. The other consideration is that the people of Montana said, by initiative, they wanted to index income taxes. He thinks SB 235 has other elements to reduce taxes so that elimination of the indexing is not so meaningful.

Senator Gage said Page 14, single joint returns, refers to just wages and salaries. He assumes that if two people are in business and file jointly, they will get no credit and no deductions as far as the $3,000 is concerned. Rep. Elliott said this may depend on whether they are incorporated and if so, whether they take their income in the form of wages. He thinks Senator Gage is correct in his assumptions.

Senator Gage said on Page 22, single joint returns, the minimum of $4,000 is not double the minimum for singles, but the maximum of $10,000 is double the maximum for singles. He asked the purpose of that. Rep. Elliott said that is a compromise worked out between the Governor's office, Rep. Gilbert, and himself. The effect of this bill is more severe on singles than it is for any other taxpayer class in Montana. Senator Gage asked what the impact would be to raise the $4,000 figure to $5,000 for the single joint return. Rep. Elliott said married people filing jointly do extraordinarily well under HB 671; there will be basically a decrease in taxes for married couples filing jointly, below $45,000 to $50,000 income.

Senator Gage asked about striking "one-half" on Line 7, Page 28, and just give married individuals filing jointly the full amount of the standard deduction and exemptions. Rep. Elliott thinks the purpose of that language is to eliminate the incentive for married couples filing separately.

Senator Grosfield asked how much of a chance they had to review the Towe tax alternative plan, and how friendly they are towards that tax proposal. Rep. Gilbert said that proposal was handed to him within minutes of this hearing, and he has not had a chance to review it; however, he sees it as a attempt to insert a separate tax bill into a compromise bill agreed to in the House. He thinks it jeopardizes the standing of HB 671.

Senator Harp asked Rep. Elliott to identify the high-income class of people in Montana. Rep. Elliott said they would be those above $250,000 in annual income. He estimated between 500 and 1,000 people are in that income bracket in the state.

In response to questions Senator Harp asked about the upper 10% income tax bracket under the current law, Rep. Elliott said those people are paying a substantial amount of income tax because they have the substantial amount of the money in the state. Nation-wide, the top 1% of the income earners have in the aggregate more income than the middle 20% of the income earners. Senator Harp asked what percent of the income tax the upper 10% income taxpayers currently are paying and what will they be paying with the change in law if HB 671 passes. Rep. Elliott said the top 10% of the income earners in the state, those people making above $53,000 per year, currently pay 47.76% of total state-wide revenue, and under HB 671, that would raise to 51.3%.

Senator Harp said HB 671 is supposed to generate about 10% more from income tax, but over 20% of the taxpayers have been dropped. He asked about this compromise and how the House arrived at this major tax shift. Rep. Elliott responded that the 64,000 people dropped from the tax rolls are people with low incomes. Those people over the past 10 years have seen a significant net decrease in their purchasing power, relative to the upper 20% of Montanans. He pointed out that the income tax provision in SB 235 drops a greater number of people off the tax rolls.

Senator Harp questioned penalizing the entrepreneurs, the risk-takers, under HB 671. Rep. Elliott said there is no effort to penalize the risk-takers.

Senator Gage asked if either of the sponsors have an opinion on what will happen with the upper income people in changing residency, under both HB 671 and SB 235. Rep. Gilbert said he has not formed an opinion as to a comparison.

Senator Halligan asked Rep. Gilbert about the corporate license tax portion of HB 671. It appears that in 1993, the tax goes from 6.75% to 7.08% with commensurate increases in the above-$500,000 income, but in 1994, it decreases. Rep. Gilbert said the dollar amount decreases, but the percentage will remain. This is an attempt to ease the burden on small businesses in the state.

Senator Van Valkenburg asked the Department of Revenue (DOR) what the estimated cost is of the credit for one-time gain from the sale of businesses held for more than 15 years. Larry Finch said the DOR has no way of looking at those impact revenues.

Senator Van Valkenburg asked if this was a DOR proposal that may have been gathered from another state. Mr. Finch said this particular proposal in HB 671 came from the House tax committee.

There was a concern about the loss of the Federal deductibility to offset and mitigate the impact on Montana taxes, so the DOR will give this one-time credit to mitigate that unusual, one-time circumstance.

Senator Van Valkenburg asked Dennis Burr to explain his comment about the budget that came from the House having a $30 million to $40 million local property tax increase. Mr. Burr said it is his understanding that in reducing state support to the school foundation program, and at the same time, under current law, the schools are allowed to increase their budgets by 4% a year, it would appear that savings to the state budget will be translated into increased local property taxes.

Closing by Sponsor:

Rep. Gilbert said HB 671 is a good compromise bill. The purpose of the bill was not to raise money, but to balance the budget in the next biennium.

Rep. Elliott commented that HB 671 proposes the tax on incomes of $150,000 or more will raise from 4.48% to 5.12% with the Federal offset; SB 235 proposes the over-all tax burden on people with incomes over $50,000 will raise from 7.1% to 7.54%. The people of Montana have asked the Legislators to close loop holes, and make the income tax fair. He believes HB 671 does that, as does the income tax portion of SB 235. HB 671 will raise less money than SB 235, but HB 671 is cheaper for the Montana taxpayer.

HEARING ON HB 591

Opening Statement by Sponsor:

Rep. Norm Wallin, House District #78, presented HB 591, which is a bill to increase the accommodations tax from 4% to 5%. Rep. Wallin said this tax is an easy tax to collect and administer and it has justification. A portion of the revenue collected will be diverted to cities and counties to help defray costs associated with the tourism industry, including increased crime protection and fire protection. It is estimated that each 1% brings in approximately $2 million per year. This bill originally started out to be an increase to 7%, but was amended in the House back to 5%, and a compromise was worked out on the distribution of revenue received. As it now reads, .5% will be returned to local governments. If the sales tax is approved, this act is void. Rep. Wallin presented Exhibit No. 4 to these minutes, which is a letter in favor of HB 591.

Proponents' Testimony:

Larry Gallagher, Economic and Community Development Director for the City of Kalispell, expressed his city's support for HB 591. He said Kalispell has benefitted from the tourist business in the state; however, there is a consequence by being called upon to provide public services to tourists without any financial assistance. During the peak tourist season, Kalispell's public safety personnel are kept busy almost exclusively working on tourist-related problems. The original tax of 4% has grown from $3 million to over $7 million each year and not one cent has found its way to local government, which must provide the public services consumed by the tourists. Mr. Gallagher believes the objective of the original lodging tax legislation has been fulfilled. He urges support of HB 591.

Exhibit No. 5 to these minutes is a letter in support of HB 591 from Bruce Williams, City Manager, City of Kalispell.

Miral Gamradt, Finance Director, City of Bozeman, said the existing 4% accommodations tax has not adversely affected the tourism or lodging industry, and tourism has expanded greatly since the enactment of this tax. These tourists do not contribute to the local services provided by the cities and towns, primarily involving police and fire services and streets. The allocation under the proposed increase will offset costs incurred by the local governments, and Mr. Gamradt strongly urges support of HB 591.

Tim Bergstrom, President of Montana State Council of Professional Fire Fighters, and an on-duty firefighter for the City of Billings for the past 18 years, spoke in favor of HB 591. During the past three years, the Billings Firefighters responded to 461 emergency calls at local hotels and motels. These calls involved smoke, electrical fires, incendiary fires, fires with normal combustibles, natural gas leaks, and emergency medical assistance. Each call requires response anticipating major casualty and/or evacuation operations. Many lodging facilities are high-rise buildings which require specialized aerial ladder trucks and additional manpower. One emergency at a local motel required approximately $15,000 in unanticipated costs due to call-backs of off-duty personnel and extensive investigations. Mr. Bergstrom said it costs $180,000 to $250,000 for a stripped-down fire pumper truck, and an aerial ladder truck costs between $450,000 and $500,000. An additional cost is annual on-site inspections of tourist facilities required by state law. Mr. Bergstrom said HB 591, while not directly earmarking funds for public safety services, will certainly help local governments maintain adequate emergency response capabilities. He urges support of HB 591.

Shelly Laine, Director of Administrative Services, City of Helena, said the Helena City Commission supports HB 591. The increase in tourism is a benefit for this community; however, along with the increase comes an increase in demands of local services, parks and recreation, police, fire, streets, and emergency medical calls. The increase in the accommodations tax, along with the distribution to local governments, will help meet these costs.

Tim Magee, Finance Director, City of Great Falls, spoke in support of HB 591. Great Falls offers many benefits for tourists; however, none of the tourism dollar comes to the city to help defray additional expenses associated with the tourism industry.

Mark Watson, City Administrator, City of Billings, said HB 591 is one of a critical nature for Billings, and he thinks the increase to 5% is very reasonable. He said Billings has medical-facility centers which attract people from many other areas who use tourist facilities while in the area. Also, the film-making industry is planning another film in the area this summer. Mr. Watson said it is important for cities to be able to provide services that the users, visitors and tourists, need; he urges support of HB 591.

Chuck Stearns, Finance Officer and City Clerk for the City of Missoula, spoke in favor of HB 591 because it will provide additional funding for both local governments and state government. He presented Exhibit No. 9 to these minutes.

Alec Hansen, Executive Director of Montana League of Cities and Towns, presented Exhibit No. 10 to these minutes, listing 10 reasons the League is in favor of HB 591. He said HB 591 is a very fair proposal, and will help maintain Montana's competitive advantage. He said HB 591 will put some equity into the system through a partnership. Cities value the economic benefits from tourists, but are having a difficult time providing services the tourists have a right to expect.

__Opponents' Testimony__:

Exhibits 6, 7, and 8, to these minutes are letters in opposition to HB 591.

Keith Colbo, Montana Tourism Coalition, presented Exhibit No. 11 to these minutes, and spoke in opposition to HB 591. Mr. Colbo said the 1% increase for distribution to the state's General Fund is too narrow a tax base and may prove to have a negative impact on a competitive tourist industry. He is in opposition to a portion of the tax's current uses being diverted to county general funds. He urged the committee to vote against HB 591.

Stuart Doggett, representing the Montana Innkeepers Association, spoke in opposition to HB 591. He said this bill breaks the precedence on which the Innkeepers helped bring forth the bed tax in 1987. They understood and supported the bill then and the funds were to be used to promote tourism and related efforts. HB 591 is a serious change in the level and structure of the bed tax. He feels the amount to be diverted to local governments will do little to remedy their objectives while decimating regional and state-wide promotion efforts. Mr. Doggett presented Exhibit No. 13 to these minutes which is a proposed amendment to HB 591. He asked the committee to resist HB 591.

David Owen, representing the Montana Chamber of Commerce, presented Exhibit No. 12 to these minutes, and spoke in opposition to HB 591. He said this bill will affect local Chambers in their promotional efforts to answer specific questions about communities; this will mean an approximate 17% decrease in their expected budget amounts, while the increase to local governments will be a very small percentage of their budgets. An increase in this type of tax will have an affect on the ability of individual tourist businesses to increase their prices and will affect their ability to be profitable.

Dan Erving, representing the Montana Association of Theater Owners and the Montana Video Software Dealers Association, said the State Department of Commerce (DOC), through its marketing efforts with out-of-state film production companies, helped generate between $10 million and $15 million per year to Montana's economy. He said both the Associations he represents are opposed to any DOC budget reductions. Mr. Erving said HB 591 will hinder the efforts of the DOC in making Montana more competitive with other states in promoting film production here.

David Hemion, Executive Vice President of the Helena Chamber of Commerce, said the Chamber also operates the Convention Visitor's Bureau, and is opposed to HB 591 because of its change to use the bed tax as a source of General Fund revenue. Mr. Hemion said it is a diversion of marketing monies that are needed by the tourism industry.

Greg Bryan, President of the Montana Tourism Coalition, and Entrepreneurs of Montana, said the tourism industry is working hard to provide jobs and employment. He opposes HB 591, calling it piece-meal legislation for a broad-based tax reform, and he feels it will decimate an existing successful marketing program. Mr. Bryan maintains cities presently benefit in increased water and sewer service fees, gaming taxes, liquor taxes, and gasoline taxes as well as property taxes paid by the tourist industry. Tourism provides a growing employment and tax base where other industries may be dwindling. He said HB 591 is counter-productive and asked for defeat of the bill.

Mel Shamblen of the Shilo Inn, said he is a member of the Chamber of Commerce and the Montana Innkeepers Association, and is opposed to HB 519.

Rorie Hanrahan, representing the Park Plaza Hotel, asked to go on record in support of the position of the Montana Innkeepers Association. She is also a member of the Marketing Task Force for the Convention Visitors' Bureau for the City of Helena. She said at their last meeting they looked at the havoc this bill would wreak on the marketing efforts to bring tourists into Helena. She urged the Committee to oppose HB 591.

Informational Testimony:

None.

Questions From Committee Members and Responses:

Senator Towe asked Keith Colbo if HB 591 did not take any money out of the allocations to tourism, would that make a difference in their position or would they still oppose the bill. Mr. Colbo said the position of the Montana Tourism Coalition has been, and still is, that they will oppose the bill.

Senator Towe asked Mr. Colbo for clarification of inconsistencies in their position that if all of the tourism allocations are preserved, they would oppose an additional 1% for cities, counties, and the State General Fund, in HB 591, yet they did not oppose an additional 4% in SB 235, the general sales tax bill. Mr. Colbo said these are not inconsistencies; they believe in a comprehensive tax reform.

Senator Harp asked Larry Gallagher about the revenue benefits Kalispell has received from tourism dollars. Mr. Gallagher acknowledged that Kalispell received substantial income from the gambling tax revenues but nothing from the bed tax. According to city management and the city council's analysis, the increased costs of providing public services, particularly fire and police protection, is creating a tremendous burden on the City of Kalispell, and that is the reason for their advocating passage of HB 591.

Senator Doherty asked Alec Hansen his opinion if HB 591 did not pass, and the bed tax remained at 4%. Mr. Hansen said the purpose of the League of Cities and Towns is not to wear down the travel and promotion operation in the state; its purpose is to try to deal with some of the problems the local government has in generating some additional money. The League would be satisfied if this committee can find a way to put some money into city services and maintain the travel and promotion set-up. They are in favor of having some balance.

Senator Doherty asked Keith Colbo, if the 4% sales tax is not passed, and if the travel and promotion bureau needs to stay intact, why the Montana Tourism Coalition continues to oppose the 1% increase in HB 591. Mr. Colbo said the accommodations tax program has been very successful and the amount to be diverted to local governments in HB 591 will not solve any of their problems. He said the Coalition was willing to look at HB 642 because it called for maintaining state parks from bed tax funds; they feel that is an important infrastructure and culture to be maintained and it is a priority of the Montana Tourism Coalition.

Senator Stang asked Mr. Colbo about saturating the market with advertising and at what time it proves fruitless. Mr. Colbo said he does not believe money is being thrown away. He said the tourism industry is a very competitive industry and in order to remain in a relative position with regard to other states, he believes Montana needs to stay vigilant. He doesn't think Montana has reached the stage of saturating the market.

Senator Brown asked Larry Gallagher if he is arguing that there has been a corresponding increase in the level of services necessary to provide for the increase in tourism, and that local govern-ments ought to share in the impact of tourism. Mr. Gallagher said a bad experience on the part of a tourist in a community will drive them away and keep them from visiting again. He said Kalispell believes in providing a safe city with good police enforcement, and believes a clean city with landscaping and parks will do more to promote tourism and bring tourists back for a second visit, than TV commercials. Senator Brown asked if Mr. Gallagher thinks there is sufficient revenue in HB 591 to significantly help Kalispell accomplish those purposes. Mr. Gallagher responded that any revenue at all will help them accomplish those purposes, and could provide an additional law enforcement officer on weekends and evenings during peak periods.

Senator Gage asked Alec Hansen about his testimony that 50% of the bed tax in other states on an average goes to local governments, and how those states apportion their gaming revenue. Mr. Hansen said every state is different. He doesn't know exactly what each state is doing, but in inquiries he has had from other states, those states have indicated that what is being done in Montana is fair. However, those other states are allowing a much broader taxing discretion to local governments. He asked the Committee to refer to his Exhibit No. 10 which has some comparisons between Montana and neighboring states. When looking at all states statistically, Montana ranks close to the bottom in terms of financial discretion and the ability to impose taxes, and ranks near the top with regard to I-105, one of the most restrictive tax limitations in the country. Mr. Hansen said the people at this hearing who are representing cities will all agree that the money diverted to cities under HB 591 will really help their city finances.

Closing by Sponsor:

Rep. Wallin said some of the people protesting here are some of the same people who opposed the bed tax when it first was introduced, saying they thought it would kill tourism; however, it has done nothing but help the tourism industry. Rep. Wallin said this increase will not kill tourism either, and will provide an additional $4 million that an increase in income taxes won't have to take care of. If HB 591 passes, it will take approximately four years for the difference in growth to take care of what is being diverted to the local governments. He called HB 591 a good, modest bill, which will help local governments and help the General Fund without taxing higher income taxes on the people of Montana. He said HB 591 is a painless way of collecting this revenue, and urged the Committee's support.

HEARING ON HB 651

Opening Statement by Sponsor:

Rep. Dave Wanzenried, House District #7, presented HB 651, a bill presented at the request of the Department of Transportation (DOT). HB 651 will bring Montana into compliance with the International Registration Plan (IRP), along with 48 other states; California is the only other state currently not within this plan. Since 1974, Montana has indicated it was going to change its method of taxing trailers to come into compliance, but has not done so. HB 651 will restructure the GVW fees in the state. This restructuring is a result of a study conducted by the Civil and Agricultural Engineering Department at Montana State University. A copy of that study is attached as Exhibit No. 14 to these minutes. Under this study, it was clear that heavy trucks, 26,000 pounds and above, currently paid more than their share; they have a ratio of 1.07 -- 1 being a fair share. Lighter trucks, 26,000 pounds down to 10,000 pounds have a use-ratio of 1.11, and cars and light trucks under 10,000 pounds are .96. If HB 651 is enacted by the Legislature, all of the users will be moved closer to 1, which will mean they will all be paying closer to the amount of use they inflict on the highway system. Cars and light trucks will be at .99, trucks between 10,000 and 26,000 pounds will be 1.03, and semi-trucks above 26,000 pounds will be at 1.

Rep. Wanzenried said a question arose in the House on how this would affect agricultural users. Under the current system, there is a GVW fee structure higher than it should be for agricultural users, who pay approximately 16% of the full GVW fee. Under HB 651, that percentage will be lowered. HB 651 continues to welcome monthly registration.

Proponents' Testimony:

Dave Galt, Administrator of Motor Carrier Services Division, DOT, distributed Exhibit No. 15 to these minutes, which is the second part of the MSU study, and Exhibit No. 16, which is a summary sheet. Mr. Galt said the DOT supports HB 651 for two reasons: (1) It addresses inequities discovered in the cost responsibility study by MSU, and (2) This bill will allow Montana to come into compliance with the International Registration Planned Agreement for the purpose of licensing interstate vehicles. He said he has received over 26 letters from various state licensing agencies telling of the difficulties they have encountered in licensing trucks through Montana, and they all support the endeavors in this bill.

Mr. Galt said Montana entered into the IRP agreement in 1974 on the condition we would work to eliminate trailer registration. Twenty years later, our registration system is the same. In the last two years, there has been increasing pressure on Montana to address the trailer problem. Other states can have Montana expelled from the IRP, which would devastate our interstate trucking business. Mr. Galt feels that is an unlikely occurrence, but there is an option the IRP has presented that is very likely. That option is for Montana to bill every trailer in the United States; each state would send copies of every trailer registered in their state and we would have to turn around and bill each carrier separately. That would be a lot of work and would cost the state at least an additional 5 full-time employees to revise the computer system if that were to happen.

From several options suggested in the MSU study, the DOT chose to increase gas and diesel fuel at the same rate, and lower GVW fees by 25%.

Mr. Galt said HB 651 had originally contained a 3/4 cent tax increase on gas and diesel, but that was taken off in the House. This left a $3.1 million hole in the special revenue fund for the highway department. Mr. Galt submitted Exhibit No. 17 for the Committee's consideration, which is an amendment that addresses that deficit. Mr. Galt said another bill which has passed the House and is in the Senate Highways Committee will permit GVW to raise fees for overweight vehicles, and will generate approximately $3 million in revenue, but the appropriations will go into the General Fund. The DOT will attempt to insure that those funds, after two years, will be reverted back to the Highway Trust Fund. This amendment (Exhibit No. 17) would place the passage of HB 651 contingent upon passage of HB 572. Mr. Galt urged support of HB 651 and the amendment.

Ben Havdahl, representing the Montana Motor Carriers Association (MMCA), went on record in support of HB 651, and presented his written testimony in Exhibit No. 18.

Dan Wireak, representing Mergenthal Transfer & Storage Company, and United Van Lines, said these businesses support HB 651. Mr. Wireak said when they are licensed in each state, they have to deal with the Public Service Commission, and people in the GVW division, the fuel tax department, and special permits departments. He said there is a great deal of confusion associated with dealing with each of these agencies and he believes HB 651 will simplify that licensing process.

Cort Harrington, representing the Montana County Treasurer's Association, said the County Treasurers support HB 651.

<u>Opponents' Testimony</u>:

None.

<u>Informational Testimony</u>:

None.

Questions From Committee Members and Responses:

Senator Harp asked Dave Galt if there was any mention of coordination language to be proposed dealing with money that would go to HB 572, and then be directed back to the highway department earmarked account. Mr. Galt said he did discuss the idea of getting that language in HB 2, to revert the money back into the highway fund, and Dave Lewis, the Budget Director, said they would prepare some amendments for the Senate floor.

Senator Eck commented that the vehicle speed factor has entered into previous discussions in relation to wear and tear on roads; she asked if it was no longer considered significant. Mr. Galt said most pavement damage is caused by axle weight; increased axle weights cause increased pavement damage. When dealing with speed to prevent road damage, it is usually during spring break-up conditions when the roads are extremely vulnerable. Special speed restrictions are then placed on certain roads and are enforced. However, HB 651 does not deal with that problem.

Senator Eck asked if it is just overweight vehicles that are restricted during spring break-up season, or if all heavy vehicles are restricted during that time. Mr. Galt said 600 pounds is allowed per inch of tire width weight on all highways in the state on all trucks. When a load limit goes into effect, the DOT reduces that inch/tire width weight, starting at 400 pounds, which affects all trucks. If the roads continue to break up, DOT continues to drop that allowable weight. Speed restrictions are also put on in the distressed areas of the highways, but they feel that the posted year-round speed is generally adequate.

Senator Gage asked what the affect the 45 mills levied on trucks over 26,000 pounds will have on the distribution of the other non-mill revenue. Mr. Galt said the 45 mills were placed on these trucks in order to reimburse the counties exactly the same way they are reimbursed now. It will not affect any other revenue brought in through licensing of trucks. There is one exception in HB 651. For example, on a truck licensed in Montana, the base plate in Montana is accepted in North Dakota; they don't have to pay any additional fees for that trailer in North Dakota. In turn, Montana would not expect the non-resident trailers to pay that $15 registration fee, and would accept the non-resident trailer plate in Montana. This, alone, amounts to a loss of $65,000 to the county road fund, and $32,000 to the General Fund, which is not made up in this bill.

Senator Gage asked why we don't just say we are going to put a 4.5% tax on them, which would have the same affect. Mr. Galt said this is the most profitable, easy way to take the money and get it back to the counties right away. This method is also accepted by the Department of Revenue.

Closing by Sponsor:

Rep. Wanzenried said HB 651 is an important bill that brings Montana into compliance with the IRP regulations and to bring about a greater degree of equity between the use of the highway system. He recommends concurrence in HB 651.

HEARING ON HB 219

Opening Statement by Sponsor:

Rep. Bob Gilbert, House District 22, presented HB 219 which allows a tax credit for converting a motor vehicle to an alternative fuel. He said this bill defines alternative fuel as natural gas, liquefied petroleum gas, liquefied natural gas, hydrogen, and electricity. It allows a business, partnership, corporation, or individual consumer to get a tax credit for the installation of the equipment necessary to consume these fuels. Rep. Gilbert said the bill will encourage people to make those conversions, and will help cut down on pollution by burning cleaner fuels. It costs approximately $1600 to $3500 per vehicle to make the conversion to burn alternative fuels. The maximum credit allowed the taxpayer to claim in a year is $3,000 for converting a vehicle of 10,000 pounds or less, or $5,000 for converting a vehicle over 10,000 pounds.

Proponents' Testimony:

Exhibit No. 19 to these minutes is a letter is support of HB 219, from the Missoula City-County Health Department.

John O'Donnell, Director of Commercial Energy Services, Montana Power Company, spoke in favor of HB 219, saying air pollution is one of the greatest threats to public health in Montana. The emissions produced by burning fossil fuels have been identified as the single greatest source of air pollution, and about half of these emissions emanate from motor vehicles. Each of the alternative fuels included in HB 219 are acceptable because of direct fuel costs, vehicle cost premium, range, and safety, in addition to emissions reductions. Mr. O'Donnell presented Exhibit No. 20 to these minutes, which is his written testimony.

John Alke, Helena attorney, appeared on behalf of the Montana Dakota Utilities Company. Mr. Alke said MDU supports HB 219 for the same reasons mentioned by Mr. O'Donnell. He said natural gas, as opposed to standard gasoline, will reduce carbon monoxide by about 90%, reduce reactive hydrocarbons by 85%, decrease nitrous oxide by 30%, and almost totally eliminate particulates. These are the fuels of the future; however, most people cannot afford to convert their automobiles to natural gas without some sort of tax credit.

Rep. Sheila Rice, House District 36, spoke in favor of HB 219 as a representative of the Great Falls Gas Company.

Van Jamison, Administrator of the Energy Division of the Department of Natural Resources and Conservation (DNRC), said the DNRC supports HB 219, saying it is very consistent with many recently-enacted provisions of the National Energy Policy Act. He said the state is confronted with requirements in the policy act and this bill will put the state in good step with those conditions. In 1996, the State of Montana will be required to purchase 10% of its vehicle fleet capable of using alternative fuels, and the infrastructure will be in place, provided by HB 219.

Opponents' Testimony:

None.

Informational Testimony:

None.

Questions From Committee Members and Responses:

Senator Halligan said $3,000 seems like a massive credit to allow for the conversion. Rep. Gilbert said the intent is not for an individual vehicle, but for an accumulation of vehicles, such as a delivery business which has several vehicles. He thinks the average conversion cost is fairly close to $3,000 per vehicle.

Senator Doherty asked how much this will cost the state. Rep. Gilbert said it is estimated between $30,000 and $50,000; he said the revised fiscal note is forthcoming.

Senator Van Valkenburg asked Rep. Gilbert why HB 219 is designed to take money from the General Fund instead of the highway account. Rep. Gilbert responded that they are trying to encourage individuals to convert their vehicles, and the easiest way to do that is to allow an income tax credit. To take funds from the highway account might be difficult.

Senator Halligan asked if a sunset clause of five years was discussed in order to give the industry some incentive to initiate the conversions faster. Rep. Gilbert said a sunset clause was not discussed, although he would have no objection.

Senator Gage asked a hypothetical question about someone who might order a vehicle with the conversion in place, and could that additional cost qualify for this particular credit. Rep. Gilbert said at the present time major manufacturers are not installing this equipment; however, it is his understanding cars can be purchased without the fuel injection equipment and a secondary manufacturer will install the conversion equipment. He does not know if one could pass along the credit, but he doesn't think so. He believes it is for conversion only, and if the vehicle came from the factory with the equipment on the vehicle, the credit would not be allowed.

Senator Eck asked if individuals were allowed $3,000 for conversion of their car, and there is a fiscal note of only $30,000, this would cover only 10 cars. Rep. Gilbert said there are approximately 20-30 cars converted, with around 10 being converted over this past year. There is no incentive now; this bill is drafted to help with the cost of the installation and get interest in converting more cars. Once the interest is there, the incentive would no longer be offered. Senator Eck said this incentive would basically pay for the whole cost of the conversion and it might be more appropriate to pay just a share of the conversion and have more people participate. Rep. Gilbert said there needs to be a large enough incentive for people to want to convert their cars from the fossil fuels which create more air pollution to the fuels which do not produce as much pollution.

Closing by Sponsor:

Rep. Gilbert said HB 219 is an effort to help clean up the environment, and he asks the Committee's support in the bill.

HEARING ON HB 643

Opening Statement by Sponsor:

Rep. Bob Gilbert, House District 22, presented HB 643 which is a green belt law worked up in the House, requiring that parcels of land less than 160 acres must be used primarily for raising agricultural produce in order to be classified as ag land for property tax purposes. He used a 21-acre tract of land as an example, saying a house and one acre is exempted from the grazing rate and is taxed as improved property. That leaves 20 acres taxed at approximately 34 cents an acre, or $6.80 per year. When drafting this bill, he looked at what the land was producing when it was taken out of production. For the most part this was grazing land. With information from the DOR, he took a 7-year market average for cattle, and came up with $500; 4% (ag tax) of this is $20. Applying the 280 state-wide average mills, he determined that a cow was bringing in $5.71 a year off 20 acres of grazing land. In some areas 6 head of cattle can be grazed on 20 acres; in other areas, one animal unit is allowed per 116 acres. This comes to just over $12.00 per year. Rep. Gilbert said the people living on the 20 acre mini-ranches have created additional costs for local government in schools, school buses, emergency services from the sheriff and fire departments, and other miscellaneous expenses. He tried to figure what 20-acre parcel owners should realistically and fairly be paying for taxes, and determined to move the number to 7 times the current cost of $6.80. This would be a 700 percent increase in their property taxes, to $47.60 per year for 20 acres.

Rep. Gilbert said most of the people on 20 acre tracts of land are not out-of-state owners, but are couples with a young family who want to have a few acres and some horses for the kids, or are retired people on fixed incomes. He feels the taxes on these parcels of land should not raise so much that people would be forced to sell their land.

Proponents' Testimony:

John Bloomquist, Montana Stockgrowers Association, spoke in favor of HB 643, saying it appears to strike a balance in what is listed as agricultural land but is primarily used for grazing. He asked for clarification of the language on Page 5, Lines 9-13. Mr. Bloomquist said HB 643 is the proper vehicle to address this issue of taxing on 20-acre parcels.

Opponents' Testimony:

None.

Informational Testimony:

None.

Questions From Committee Members and Responses:

Sen. Doherty asked John Bloomquist which bill the stockgrowers preferred, this bill or SB 435, Senator Grosfield's bill that was passed out of Committee on March 26th. Mr. Bloomquist replied that HB 643 would be the bill that would have less questions; Senator Grosfield's bill had a means test applied. The House put amendments on SB 435, but he does not know if they have been approved. HB 643 appears to have less problems at this time.

Senator Eck asked Rep. Gilbert to respond to the language on Page 5 questioned by Mr. Bloomquist. Rep. Gilbert said the intent of this section is to keep people from claiming that their land is agricultural when the predominant use of the land is something else; for instance, someone who owns a ski resort and then grazes the land in the summer. They are concerned about an owner who primarily uses the land for purposes other than agriculture and then claims it to be agricultural land for tax purposes.

Senator Eck asked if this law would apply to dude ranches or land that is used for hunting. Rep. Gilbert said those uses would get into a completely different area for tax purposes. In that instance, the hunting/outfitter portion would be taxed on income outside of agriculture rather than being included in an agricultural operation. He thinks that would stray away completely from the intent of HB 643. The intent of this bill is to look at land that people are living on and that is not really agricultural land, but is taxed as agricultural land.

Senator Eck said it appears there are some sizeable ranches in the state where the cattle have been removed, and the machinery has been removed, and the taxable value is less than $1.00 an acre, and yet the owners would be unaffected by this bill. Rep. Gilbert said this is correct. He was trying to look at the parcels between 20 and 160 acres that people are using primarily for residences, but may be grazing 2 or 3 horses, so a fair tax can be assessed against this property. The problems he saw with SB 435 was the need for yearly review of receipts in order to prove a true agricultural land use.

Senator Gage asked the DOR what will be done if both HB 643 and SB 435 pass. Ken Morrison, Administrator of the Property Assessment Division, DOR, said there would be serious problems in overlapping areas, and they would have some difficulty administering both bills at the same time.

Senator Grosfield said HB 643 does not have an income test in it, and it calls for use of the land for raising agricultural products. As long as someone can demonstrate that they produce $10 or $50 in agricultural products, then they can qualify as agricultural land under HB 643. Rep. Gilbert said the intent is that the DOR would lay the rules that would define primary use for agriculture purposes. The DOR has assured him that someone who makes $10 income on 30 acres or 160 acres would not qualify for agricultural use. However, if there is 160 acres of bad ground, and someone is trying to farm it and not making a large amount of money, they would fail under the test proposed by SB 435. If they can prove they are primarily using the land for agricultural purposes, they should be given some consideration.

Senator Grosfield asked the DOR how it will determine use of ground if someone has a 22-acre tract adjacent to another ranch, and the 22-acre parcel is leased for a nominal fee, and there is a cow or two raised on it. Mr. Morrison said he doesn't think he can answer this question. The DOR would prefer to have more guidance from the Legislature so they don't have to make a total judgment call. Without that, it will be determined through promulgating their rules.

<u>Closing by Sponsor</u>:

Rep. Gilbert said he has looked at other similar bills and believes some of them try to set social policy and raise money rather than tax fairly. It is his intent to raise the additional money when the people aren't paying their fair tax, and to bring the property to a fair tax. The formula he has used is about as fair as he can determine for a tax for services received. There are concerns in the rule-making area, and if there are attempts to come up with a workable formula that is not punitive, with no great amount of book work required by the owner or the DOR, he would be amenable to that. He believes HB 643 is an honest attempt to tax fairly.

EXECUTIVE ACTION ON HB 219

MOTION:

Senator Eck moved to AMEND HB 219 as shown on Amendments dated April 5, 1993, which would basically allow a taxpayer up to 50% of the equipment and labor costs incurred with a credit limit of $1,500 on motor vehicles under 10,000 GVW and $2,500 for motor vehicles over 10,000 GVW. (hb021901.ajm)

DISCUSSION:

Senator Grosfield said the fiscal note indicates that it costs approximately $2000 to convert a gasoline powered vehicle under 10,000 pounds to optional compressed natural gas.

AMENDMENT TO MOTION:

Senator Eck amended her motion that the credit limit be $1,000 for vehicles under 10,000 GVW, and $2,500 for those over 10,000 GVW.

DISCUSSION:

Senator Gage said he would rather see a maximum amount per vehicle and leave the $3,000 figure there to encourage more people, and have a figure of $375 for conversion to LP gas.

Senator Van Valkenburg said the problem with this bill is that it is mixing income tax credits which can be provided to an individual, with social policy regarding vehicles and clean air. He questions why the credit is not correlated to the highway account where there is a more direct relationship between the benefit of the clean air and the connection to motor vehicles rather than individual income tax situations. He would be more inclined to tie the credit that can be claimed to the vehicle owned by the income tax filer and substantially reduce the amount of credit per vehicle. Senator Van Valkenburg believes a $1,000 credit per vehicle is too much.

VOTE:

The amended motion CARRIED on oral vote with Senators Van Valkenburg and Gage voting "NO".

MOTION:

Senator Doherty moved for adoption of the amendment in Exhibit No. 21 to these minutes.

DISCUSSION:

Van Jamison, DNRC, explained the purpose of this amendment is to permit vehicles modified to use vegetable oils as bio-diesel to be able to get the income tax credit. The State of Montana uses about twice as much diesel fuel, per capita, as any other state in the union. Bio-diesels are a way of re-mediating the shortage of diesel fuel, and several strains of safflower oil are currently being tested for use. For high-speed diesels, like the ones operating in the state's trucks and cars, there will need to be some modifications necessary.

VOTE:

The motion CARRIED on oral vote with Senator Van Valkenburg voting "NO".

MOTION/VOTE:

Senator Doherty moved HB 219 BE CONCURRED IN AS AMENDED. (hb021901.ajm) The motion CARRIED on oral vote with Senators Van Valkenburg, Gage, and Stang voting "NO". (761539SC.San)

ADJOURNMENT

Adjournment: The meeting adjourned at 11:45 a.m.

MIKE HALLIGAN, Chair

Bonnie Stark

BONNIE STARK, Secretary

MH/bjs

ROLL CALL

SENATE COMMITTEE TAXATION DATE 4-5-93

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

April 5, 1993

MR. PRESIDENT:
We, your committee on Taxation having had under consideration House Bill No. 219 (third reading copy -- blue), respectfully report that House Bill No. 219 be amended as follows and as so amended be concurred in.

Signed: ______________________
Senator Mike Halligan, Chair

That such amendments read:

1. Page 1, line 24.
Following: "section"
Insert: "is an amount equal to 50% of the equipment and labor costs incurred but the credit"

2. Page 1, line 25.
Strike: "$3,000"
Insert: "$1,000"

3. Page 2, line 2.
Strike: "$5,000"
Insert: "$2,500"

4. Page 2, line 25.
Strike: "or"
Following: line 25
Insert: "(f) any fuel that contains at least 20% vegetable oil, animal oil, or a derivative of vegetable oil or animal oil; or"
Renumber: subsequent subsection

-END-

Amd. Coord.
Sec. of Senate

Doherty
Senator Carrying Bill

761539SC.San

SENATE TAXATION
EXHIBIT NO. 1
DATE 4-5-93
BILL NO. HB 671

HB671 - As Amended on House Floor March 22, 1993
Components of the Proposal

Inflation Factor: *"Montana CPI" (half of CPI)*

Tax Year:	1993	1994	1995
% Change in CPI (HJR3)	-	3.93%	4.11%
Change in Montana CPI	-	1.97%	2.06%

Proposal Parameters

Tax Year:	1993	1994	1995
Tax Rates:	7.2%	7.2%	7.3%
Exemption Level	$3,500	$3,570	$3,640

The standard deduction is set at 30% of MAGI with the following minima and maxima:

Standard Deduction Minima			
- Single Filers	$2,500	$2,550	$2,600
- Heads of Households	3,000	3,060	3,120
- Married Couples	4,000	4,080	4,160
Standard Deduction Maxima			
- Single Filers	$ 5,000	$ 5,100	$ 5,200
- Heads of Households	7,500	7,650	7,800
- Married Couples	10,000	10,200	10,400

Phaseout Range: The exemption and standard deduction amounts are phased out for households having federal adjusted gross incomes (FAGI) between $150,000 and $200,000.

Two-Earner Deduction: Married couples where both are wage earners are allowed a two-earner deduction equal to 10% of the lower earners wages and salary, up to a maximum deduction of $3,000

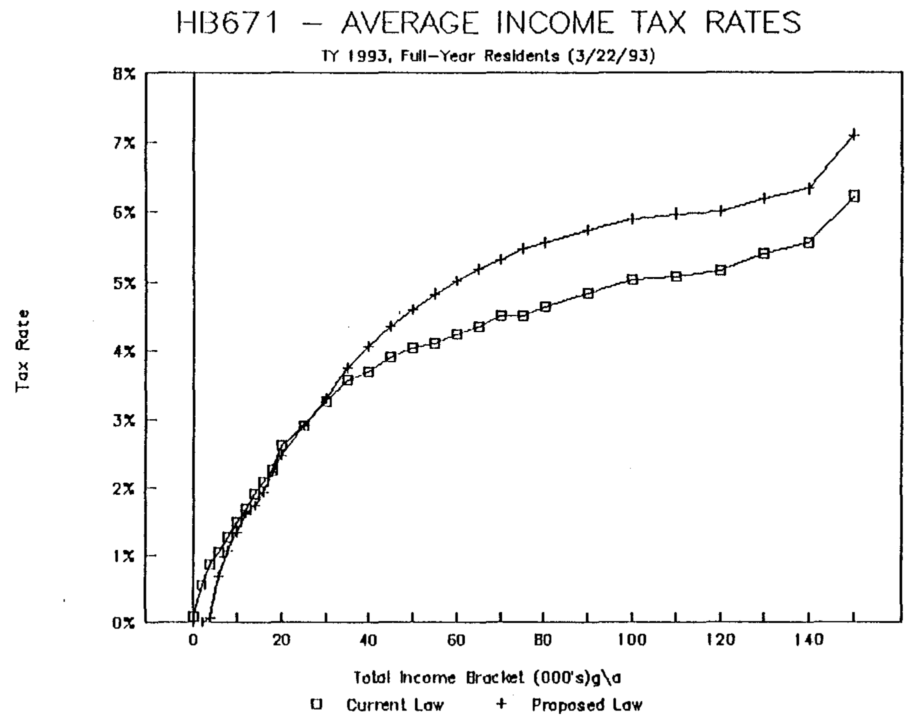

HB671 – AVERAGE INCOME TAX RATES
TY 1993, Full-Year Residents (3/22/93)
Tax Rate
8%
7%
6%
5%
4%
3%
2%
1%
0%
0
20
40
60
80
100
120
140
Total Income Bracket (000's)g\a
Current Law
Proposed Law

EXHIBIT 1
DATE 4-5-93
HB-671

HB671, As Amended on the House Floor
March 22, 1993
Tax Year 1993, Full-Year Residents

Income Brckt.	Total Income	No. of Hshlds.	CL Tax	PL Tax	Difference	Tax Rates: CL Tax Rate	Tax Rates: PL Tax Rate
<0	(177,674,310)	5,184	0	0	0		
0	23,447,880	20,088	19,232	0	(19,232)	0.08%	0.00%
2	64,597,176	21,546	354,476	0	(354,476)	0.55%	0.00%
4	91,868,580	18,468	790,733	61,621	(729,112)	0.86%	0.07%
6	118,638,918	17,010	1,243,131	822,100	(421,031)	1.05%	0.69%
8	168,044,544	18,630	2,114,651	1,803,034	(311,617)	1.26%	1.07%
10	177,124,148	16,080	2,620,894	2,347,618	(273,276)	1.48%	1.33%
12	185,140,662	14,286	3,106,182	3,008,304	(97,878)	1.68%	1.62%
14	210,896,380	14,056	4,018,768	3,664,572	(354,196)	1.91%	1.74%
16	222,094,204	13,088	4,634,040	4,302,765	(331,275)	2.09%	1.94%
18	229,927,114	12,170	5,173,542	5,098,501	(75,041)	2.25%	2.22%
20	593,473,538	26,368	15,470,682	14,620,294	(850,388)	2.61%	2.46%
25	624,388,966	22,800	18,125,786	18,098,452	(27,334)	2.90%	2.90%
30	598,717,404	18,468	19,507,246	19,782,020	274,774	3.26%	3.30%
35	594,872,990	15,890	21,311,526	22,340,897	1,029,371	3.58%	3.76%
40	609,335,472	14,368	22,467,884	24,679,961	2,212,077	3.69%	4.05%
45	548,067,225	11,559	21,385,542	23,767,471	2,381,929	3.90%	4.34%
50	487,935,610	9,300	19,726,673	22,372,828	2,646,155	4.04%	4.59%
55	352,685,907	6,146	14,444,387	17,021,265	2,576,878	4.10%	4.83%
60	322,605,008	5,178	13,681,746	16,170,929	2,489,183	4.24%	5.01%
65	236,497,873	3,508	10,265,345	12,268,157	2,002,812	4.34%	5.19%
70	182,095,246	2,516	8,192,697	9,709,033	1,516,336	4.50%	5.33%
75	143,952,442	1,862	6,471,111	7,877,790	1,406,679	4.50%	5.47%
80	210,822,610	2,496	9,788,614	11,756,633	1,968,019	4.64%	5.58%
90	149,339,708	1,579	7,216,387	8,570,101	1,353,714	4.83%	5.74%
100	109,524,438	1,045	5,516,416	6,473,115	956,699	5.04%	5.91%
110	87,782,390	765	4,462,671	5,246,571	783,900	5.08%	5.98%
120	76,534,589	613	3,954,002	4,597,581	643,579	5.17%	6.01%
130	60,543,348	449	3,274,359	3,746,032	471,673	5.41%	6.19%
140	52,931,376	366	2,943,886	3,353,069	409,183	5.56%	6.33%
150	785,647,268	2,526	48,882,946	55,846,671	6,963,725	6.22%	7.11%
Totals	8,141,858,704	318,408	301,165,555	329,407,385	28,241,830	3.70%	4.05%

Impact of HB671, As Amended on the House Floor
Assumes 1993 Surtax is Repealed

3/22/93

Surtax Revenue Loss:	14,179,418

HB671 As Drafted

Tax Year	1993	1994	1995
Tax Rate	7.20%	7.20%	7.30%
CL Tax	301,165,557	318,451,181	335,064,103
PL Tax	329,407,387	346,536,707	375,332,700
Change	28,241,830	28,085,526	40,268,597
All Filers	29,653,922	29,489,802	42,282,027
Biennial Increase in Income Tax:			66,105,319

1
4-5-93
HB-671

Impact of HB671, As Amended on the House Floor (3/22/93)

A. CURRENT LAW – HJR3.	1992	1993	1994	1995
Tax Year Liability, Before Surtax	287,948,629	301,689,753	318,945,476	337,375,284
Surtax Rate	2.30%	4.70%	0.00%	0.00%
Surtax Amount	6,622,818	14,179,418	0	0
Total Tax Year Liability	294,571,447	315,869,171	318,945,476	337,375,284
Fiscal Year Revenue, Before Adjustments		294,819,191	310,317,615	328,160,380
Surtax Adjustment		13,712,528	7,089,709	
Other Adjustments		43,407,000	11,536,000	11,536,000
Total Fiscal Year Revenue		351,938,719	328,943,324	339,696,380
Allocation to:				
– General Fund		221,017,515	195,721,278	202,119,346
– School Equalization		100,302,535	104,603,977	108,023,449
– Long-Range Building, Debt Service		30,618,669	28,618,069	29,553,585
Total Biennium Individual Income Tax				668,639,704

B. HB671, AS AMENDED	1992	1993	1994	1995
Tax Year Liability, Before Surtax	287,948,629	301,689,753	318,945,476	337,375,284
Increase in Liability Due to HB671	0	29,653,922	29,489,802	42,282,027
Surtax Rate	2.30%	0.00%	0.00%	0.00%
Surtax Amount	6,622,818	0	0	0
Total Tax Year Liability	294,571,447	331,343,675	348,435,278	379,657,311
Fiscal Year Revenue, Before Adjustments		294,819,191	354,716,438	364,046,295
Surtax Adjustment		13,712,528	(7,089,710)	
Other Adjustments		43,407,000	11,536,000	11,536,000
Total Fiscal Year Revenue		351,938,719	359,162,728	375,582,295
Increase in Revenue, Fiscal Year		0	30,219,404	35,885,915
Allocation to:				
– General Fund		221,017,516	213,701,823	223,471,465
– School Equalization		100,302,535	114,213,747	119,435,170
– Long-Range Building, Debt Service		30,618,669	31,247,157	32,675,660
Total Biennium Individual Income Tax				734,745,022
Increase Over Biennium				66,105,319

House Tax Income Tax Proposal -- All Households -- Calendar Year 1993

Income Bracket			Current Law		Proposed Law		Current to Proposed Law			No Tax Liability		Percentage of		Effective Tax Rates (After Federal Offset)		Percent of Total State Liability		Dollar
Income Bracket	Number of Households	Total Income	Tax	Tax After Fed. Offset	Tax	Tax After Fed. Offset	Number of Gainers	Number of Losers	No Change	Current Law	Proposed Law	Gainers	Losers	Current Law	Proposed Law	Current Law	Proposed Law	Change in Avg. Liability
0 - 2,000	20,088	23,447,880	19,232	19,232	0	0	648	0	19,440	15,228	20,088	3.23%	0.00%	0.08%	0.00%	0.01%	0.00%	(1)
2,000 - 4,000	21,546	64,597,176	354,476	354,476	0	0	15,228	0	6,318	5,346	21,546	70.68%	0.00%	0.55%	0.00%	0.12%	0.00%	(16)
4,000 - 6,000	18,468	91,868,580	790,733	790,733	61,621	61,621	13,284	0	5,184	5,022	16,362	71.93%	0.00%	0.86%	0.07%	0.26%	0.02%	(39)
6,000 - 8,000	17,010	118,638,918	1,243,131	1,243,131	822,100	822,100	10,206	1,296	5,508	4,698	9,558	60.00%	7.62%	1.05%	0.69%	0.41%	0.25%	(25)
8,000 - 10,000	18,630	168,044,544	2,114,651	2,113,860	1,803,034	1,798,317	7,938	7,128	3,564	3,240	9,396	42.61%	38.26%	1.26%	1.07%	0.70%	0.55%	(17)
10,000 - 12,000	16,080	177,124,148	2,620,894	2,608,598	2,347,618	2,319,185	7,726	6,332	2,022	1,818	6,814	48.05%	39.38%	1.47%	1.31%	0.87%	0.71%	(17)
12,000 - 14,000	14,286	185,140,662	3,106,182	3,086,178	3,008,304	2,971,729	6,462	6,370	1,454	1,616	5,194	45.23%	44.59%	1.67%	1.61%	1.03%	0.91%	(7)
14,000 - 16,000	14,056	210,896,380	4,018,768	3,986,730	3,664,572	3,612,725	7,048	6,002	1,006	1,126	4,492	50.14%	42.70%	1.89%	1.71%	1.33%	1.11%	(25)
16,000 - 18,000	13,088	222,094,204	4,634,040	4,573,288	4,302,765	4,203,653	6,562	5,440	1,086	1,046	4,008	50.14%	41.56%	2.06%	1.89%	1.54%	1.31%	(25)
18,000 - 20,000	12,170	229,927,114	5,173,542	5,081,126	5,098,501	4,948,551	5,686	5,800	684	644	3,090	46.72%	47.66%	2.21%	2.15%	1.72%	1.55%	(6)
20,000 - 25,000	26,368	593,473,538	15,470,682	15,115,773	14,620,294	14,110,933	14,002	11,440	926	1,006	3,768	53.10%	43.39%	2.55%	2.38%	5.14%	4.44%	(32)
25,000 - 30,000	22,800	624,388,966	18,125,786	17,452,590	18,098,452	17,160,605	11,702	10,176	922	792	1,594	51.32%	44.63%	2.80%	2.75%	6.02%	5.49%	(1)
30,000 - 35,000	18,468	598,717,404	19,507,246	18,168,662	19,782,020	18,068,829	9,376	8,736	356	434	436	50.77%	47.30%	3.03%	3.02%	6.48%	6.01%	15
35,000 - 40,000	15,890	594,872,990	21,311,526	19,649,943	22,340,897	20,288,833	7,050	8,524	316	184	202	44.37%	53.64%	3.30%	3.41%	7.08%	6.78%	65
40,000 - 45,000	14,368	609,335,472	22,467,884	20,555,122	24,679,961	22,319,927	5,462	8,502	404	294	242	38.02%	59.17%	3.37%	3.66%	7.46%	7.49%	154
45,000 - 50,000	11,559	548,067,225	21,385,542	18,999,819	23,767,471	20,914,241	3,582	7,711	266	162	202	30.99%	66.71%	3.47%	3.82%	7.10%	7.22%	206
50,000 - 55,000	9,300	487,935,610	19,726,673	16,485,426	22,372,828	18,524,060	2,491	6,794	15	37	0	26.78%	73.05%	3.38%	3.80%	6.55%	6.79%	285
55,000 - 60,000	6,146	352,685,907	14,444,387	11,696,520	17,021,265	13,654,466	1,329	4,787	30	22	0	21.62%	77.89%	3.32%	3.87%	4.80%	5.17%	419
60,000 - 65,000	5,178	322,605,008	13,681,746	10,874,804	16,170,929	12,788,437	825	4,338	15	0	0	15.93%	83.78%	3.37%	3.96%	4.54%	4.91%	481
65,000 - 70,000	3,508	236,497,873	10,265,345	8,032,187	12,268,157	9,539,899	486	3,008	14	44	0	13.85%	85.75%	3.40%	4.03%	3.41%	3.72%	571
70,000 - 75,000	2,516	182,095,246	8,192,697	6,458,406	9,709,033	7,591,835	389	2,122	5	4	0	15.46%	84.34%	3.55%	4.17%	2.72%	2.95%	603
75,000 - 80,000	1,862	143,952,442	6,471,111	5,070,681	7,877,790	6,161,629	230	1,624	8	0	0	12.35%	87.22%	3.52%	4.28%	2.15%	2.39%	755
80,000 - 90,000	2,496	210,822,610	9,788,614	7,607,038	11,756,633	9,084,823	367	2,119	10	5	0	14.70%	84.90%	3.61%	4.31%	3.25%	3.57%	788
90,000 - 100,000	1,579	149,339,708	7,216,387	5,620,890	8,570,101	6,642,700	226	1,350	3	5	0	14.31%	85.50%	3.76%	4.45%	2.40%	2.60%	857
100,000 - 110,000	1,045	109,524,438	5,516,416	4,187,388	6,473,115	4,894,952	169	875	1	1	0	16.17%	83.73%	3.82%	4.47%	1.83%	1.97%	916
110,000 - 120,000	765	87,782,390	4,462,671	3,337,961	5,246,571	3,920,578	135	627	3	2	0	17.65%	81.96%	3.80%	4.47%	1.48%	1.59%	1,025
120,000 - 130,000	613	76,534,589	3,954,002	2,947,661	4,597,581	3,429,148	118	495	0	4	0	19.25%	80.75%	3.85%	4.48%	1.31%	1.40%	1,050
130,000 - 140,000	449	60,543,348	3,274,359	2,404,823	3,746,032	2,752,117	84	364	1	1	0	18.71%	81.07%	3.97%	4.55%	1.09%	1.14%	1,050
140,000 - 150,000	366	52,931,376	2,943,886	2,208,194	3,353,069	2,514,427	69	295	2	2	0	18.85%	80.60%	4.17%	4.75%	0.98%	1.02%	1,118
150,000 - & Above	2,526	785,647,268	48,882,946	35,224,031	55,846,671	40,232,225	309	2,216	1	31	0	12.23%	87.73%	4.48%	5.12%	16.23%	16.95%	2,757
TOTALS	313,224	8,319,533,014	301,165,555	255,956,271	329,407,385	275,332,545	139,189	124,471	49,564	42,814	106,992	44.44%	39.74%	3.08%	3.31%	100.00%	100.00%	90

Decile Group			Current Law		Proposed Law		Current to Proposed Law			No Tax Liability		Percentage of		Effective Tax Rates (After Federal Offset)		Percent of Total State Liability		Dollar
Decile Group	Number of Households	Total Income	Tax	Tax After Fed. Offset	Tax	Tax After Fed. Offset	Number of Gainers	Number of Losers	No Change	Current Law	Proposed Law	Gainers	Losers	Current Law	Proposed Law	Current Law	Proposed Law	Change in Avg. Liability
1	31,590	52,974,162	164,224	164,224	0	0	9,072	0	22,518	17,820	31,590	28.72%	0.00%	0.31%	0.00%	0.05%	0.00%	(5)
2	30,942	142,008,876	1,173,220	1,173,220	128,746	128,746	22,194	0	8,748	8,100	27,702	71.73%	0.00%	0.83%	0.09%	0.39%	0.04%	(34)
3	31,428	253,979,388	2,952,750	2,951,959	2,404,931	2,400,213	14,904	7,938	8,586	7,452	16,848	47.42%	25.26%	1.16%	0.95%	0.98%	0.73%	(17)
4	31,386	369,274,730	5,857,429	5,825,453	5,393,014	5,330,206	15,082	12,908	3,396	3,314	12,416	48.05%	41.13%	1.58%	1.44%	1.94%	1.64%	(15)
5	31,308	505,573,432	10,175,881	10,051,816	9,507,331	9,304,665	15,412	13,482	2,414	2,494	9,704	49.23%	43.06%	1.99%	1.84%	3.38%	2.89%	(21)
6	31,376	668,710,916	16,669,766	16,325,027	15,853,319	15,341,497	16,006	13,880	1,490	1,570	5,896	51.01%	44.24%	2.44%	2.29%	5.54%	4.81%	(26)
7	31,444	866,668,314	25,576,234	24,500,814	25,604,283	24,122,841	16,234	14,186	1,024	854	1,820	51.63%	45.12%	2.83%	2.78%	8.49%	7.77%	1
8	31,256	1,115,832,074	38,512,249	35,627,505	39,941,483	36,350,472	14,718	15,906	632	596	572	47.09%	50.89%	3.19%	3.26%	12.79%	12.13%	46
9	31,348	1,459,458,992	56,260,101	49,805,763	62,466,370	54,712,765	10,375	20,310	663	493	444	33.10%	64.79%	3.41%	3.75%	18.68%	18.96%	198
10	31,146	2,885,052,130	143,823,703	109,530,489	168,107,910	127,641,141	5,192	25,861	93	121	0	16.67%	83.03%	3.80%	4.42%	47.76%	51.03%	780
10A	10,603	610,569,511	25,190,709	20,334,987	29,579,337	23,680,920	2,220	8,338	45	22	0	20.94%	78.64%	3.33%	3.88%	8.36%	8.98%	414
10B	10,216	702,702,414	30,827,143	24,281,253	36,812,757	28,841,114	1,436	8,755	25	48	0	14.06%	85.70%	3.46%	4.10%	10.24%	11.18%	586
10C	10,327	1,571,780,205	87,805,851	64,914,249	101,715,816	75,119,107	1,536	8,768	23	51	0	14.87%	84.90%	4.13%	4.78%	29.16%	30.88%	1,347
TOTAL	313,224	8,319,533,014	301,165,557	255,956,270	329,407,387	275,332,546	139,189	124,471	49,564	42,814	106,992	44.44%	39.74%	3.08%	3.31%	100.00%	100.00%	90

EXHIBIT 1
DATE 4-5-93
HB-671

23-Mar-93

House Tax Income Tax Proposal -- Single Filers -- Calendar Year 1993

Income Bracket	Number of Households	Total Income	Current Law: Tax	Current Law: Tax After Fed. Offset	Proposed Law: Tax	Proposed Law: Tax After Fed. Offset	Current to Proposed Law: Number of Gainers	Current to Proposed Law: Number of Losers	Current to Proposed Law: No Change	No Tax Liability: Current Law	No Tax Liability: Proposed Law	Percentage of: Gainers	Percentage of: Losers	Effective Tax Rates (After Federal Offset): Current Law	Effective Tax Rates (After Federal Offset): Proposed Law	Percent of Total State Liability: Current Law	Percent of Total State Liability: Proposed Law	Dollar Change in Avg. Liability
0 - 2,000	17,820	21,031,326	13,435	13,435	0	0	486	0	17,334	13,122	17,820	2.73%	0.00%	0.06%	0.00%	0.02%	0.00%	(1)
2,000 - 4,000	17,658	52,053,030	329,613	329,613	0	0	14,256	0	3,402	2,754	17,658	80.73%	0.00%	0.63%	0.00%	0.60%	0.00%	(19)
4,000 - 6,000	14,580	72,053,388	721,663	721,663	61,621	61,621	11,502	0	3,078	2,916	12,474	78.89%	0.00%	1.00%	0.09%	1.31%	0.09%	(45)
6,000 - 8,000	11,016	77,302,836	1,066,233	1,066,233	802,156	802,156	7,290	1,296	2,430	1,782	3,726	66.18%	11.76%	1.38%	1.04%	1.93%	1.22%	(24)
8,000 - 10,000	10,368	93,268,584	1,582,857	1,582,066	1,749,454	1,744,736	2,268	6,966	1,134	810	2,268	21.88%	67.19%	1.70%	1.87%	2.87%	2.66%	16
10,000 - 12,000	9,164	100,614,730	1,895,937	1,883,765	2,110,963	2,082,966	2,746	5,892	526	444	1,902	29.97%	64.30%	1.87%	2.07%	3.43%	3.21%	23
12,000 - 14,000	7,420	95,680,432	2,060,635	2,044,298	2,428,235	2,399,966	1,246	5,730	444	606	810	16.79%	77.22%	2.14%	2.51%	3.73%	3.69%	50
14,000 - 16,000	6,244	93,453,242	2,455,735	2,435,491	2,720,054	2,683,315	1,322	4,802	120	160	200	21.17%	76.91%	2.61%	2.87%	4.45%	4.13%	42
16,000 - 18,000	4,962	83,895,316	2,420,400	2,379,144	2,865,035	2,793,332	680	4,080	202	242	162	13.70%	82.22%	2.84%	3.33%	4.38%	4.35%	90
18,000 - 20,000	5,244	98,986,964	3,072,463	3,007,029	3,630,384	3,515,869	642	4,360	242	242	324	12.24%	83.14%	3.04%	3.55%	5.57%	5.51%	106
20,000 - 25,000	8,764	196,727,380	6,950,163	6,781,203	8,376,404	8,083,179	760	7,600	404	444	324	8.67%	86.72%	3.45%	4.11%	12.59%	12.72%	163
25,000 - 30,000	5,846	159,936,414	6,170,345	5,845,482	7,892,963	7,370,748	798	4,960	88	84	0	13.65%	84.84%	3.65%	4.61%	11.18%	11.99%	295
30,000 - 35,000	3,982	128,273,950	5,072,959	4,376,942	6,729,807	5,721,460	484	3,336	162	228	162	12.15%	83.78%	3.41%	4.46%	9.19%	10.22%	416
35,000 - 40,000	2,424	89,719,992	3,710,592	3,171,756	4,822,386	4,052,289	220	2,042	162	184	162	9.08%	84.24%	3.54%	4.52%	6.72%	7.32%	459
40,000 - 45,000	1,474	62,590,352	2,787,470	2,408,172	3,638,305	3,080,489	176	1,298	0	0	0	11.94%	88.06%	3.85%	4.92%	5.05%	5.53%	577
45,000 - 50,000	775	36,656,444	1,710,021	1,419,867	2,197,368	1,810,130	30	723	22	0	0	3.87%	93.29%	3.87%	4.94%	3.10%	3.34%	629
50,000 - 55,000	726	38,020,259	1,912,916	1,610,610	2,309,968	1,931,578	97	629	0	15	0	13.36%	86.64%	4.24%	5.08%	3.47%	3.51%	547
55,000 - 60,000	352	20,225,517	987,665	787,216	1,229,874	976,492	30	322	0	0	0	8.52%	91.48%	3.89%	4.83%	1.79%	1.87%	688
60,000 - 65,000	255	15,915,405	716,024	570,062	936,613	747,505	0	255	0	0	0	0.00%	**********	3.58%	4.70%	1.30%	1.42%	865
65,000 - 70,000	202	13,627,910	742,990	620,951	879,792	727,804	7	195	0	1	0	3.47%	96.53%	4.56%	5.34%	1.35%	1.34%	677
70,000 - 75,000	167	12,185,033	588,696	464,179	772,029	605,244	6	161	0	0	0	3.59%	96.41%	3.81%	4.97%	1.07%	1.17%	1,098
75,000 - 80,000	104	8,038,073	439,894	355,394	530,587	425,275	9	94	1	0	0	8.65%	90.38%	4.42%	5.29%	0.80%	0.81%	872
80,000 - 90,000	210	17,874,522	875,857	682,535	1,063,187	817,211	39	171	0	1	0	18.57%	81.43%	3.82%	4.57%	1.59%	1.61%	892
90,000 - 100,000	119	11,312,956	592,312	471,921	734,021	577,686	12	107	0	2	0	10.08%	89.92%	4.17%	5.11%	1.07%	1.11%	1,191
100,000 - 110,000	91	9,474,811	504,913	395,827	614,095	477,280	7	84	0	0	0	7.69%	92.31%	4.18%	5.04%	0.91%	0.93%	1,200
110,000 - 120,000	47	5,373,821	295,021	221,830	343,858	255,805	8	39	0	0	0	17.02%	82.98%	4.13%	4.76%	0.53%	0.52%	1,039
120,000 - 130,000	54	6,744,153	373,318	279,997	441,559	329,312	5	49	0	0	0	9.26%	90.74%	4.15%	4.88%	0.68%	0.67%	1,264
130,000 - 140,000	48	6,485,579	347,704	263,622	418,269	316,949	8	40	0	1	0	16.67%	83.33%	4.06%	4.89%	0.63%	0.64%	1,470
140,000 - 150,000	34	4,920,355	268,986	208,294	334,632	260,777	3	31	0	2	0	8.82%	91.18%	4.23%	5.30%	0.49%	0.51%	1,931
150,000 - & Above	259	77,253,501	4,532,064	3,289,137	5,212,119	3,771,036	52	207	0	25	0	20.08%	79.92%	4.26%	4.88%	8.21%	7.92%	2,626
TOTALS	130,409	1,709,696,275	55,198,881	49,687,734	65,845,738	58,422,210	45,189	55,469	29,751	24,065	57,992	34.65%	42.53%	2.91%	3.42%	100.00%	100.00%	82

Decile Group	Number of Households	Total Income	Current Law: Tax	Current Law: Tax After Fed. Offset	Proposed Law: Tax	Proposed Law: Tax After Fed. Offset	Current to Proposed Law: Number of Gainers	Current to Proposed Law: Number of Losers	Current to Proposed Law: No Change	No Tax Liability: Current Law	No Tax Liability: Proposed Law	Percentage of: Gainers	Percentage of: Losers	Effective Tax Rates (After Federal Offset): Current Law	Effective Tax Rates (After Federal Offset): Proposed Law	Percent of Total State Liability: Current Law	Percent of Total State Liability: Proposed Law	Dollar Change in Avg. Liability
1	27,702	46,280,322	152,881	152,881	0	0	8,586	0	19,116	14,580	27,702	30.99%	0.00%	0.33%	0.00%	0.28%	0.00%	(6)
2	23,976	108,910,980	1,054,536	1,054,536	128,746	128,746	19,116	0	4,860	4,374	20,736	79.73%	0.00%	0.97%	0.12%	1.91%	0.20%	(39)
3	19,116	154,126,800	2,384,619	2,383,827	2,347,381	2,342,664	7,938	7,776	3,402	2,430	5,508	41.53%	40.68%	1.55%	1.52%	4.32%	3.56%	(2)
4	17,032	199,893,664	4,031,514	4,003,244	4,611,618	4,556,296	4,154	11,908	970	1,010	2,712	24.39%	69.92%	2.00%	2.28%	7.30%	7.00%	34
5	12,966	208,607,518	5,889,252	5,805,873	6,796,954	6,648,899	2,122	10,522	322	442	362	16.37%	81.15%	2.78%	3.19%	10.67%	10.32%	70
6	11,248	237,635,104	7,912,995	7,730,956	9,453,059	9,139,620	1,202	9,400	646	646	648	10.69%	83.57%	3.25%	3.85%	14.34%	14.36%	137
7	8,208	225,101,886	8,707,915	8,148,283	11,183,110	10,313,321	966	7,154	88	146	0	11.77%	87.16%	3.62%	4.58%	15.78%	16.98%	302
8	5,420	189,555,054	7,696,026	6,641,996	10,084,799	8,560,891	638	4,458	324	390	324	11.77%	82.25%	3.50%	4.52%	13.94%	15.32%	441
9	2,642	121,629,339	5,718,384	4,836,242	7,249,053	6,055,186	244	2,376	22	15	0	9.24%	89.93%	3.98%	4.98%	10.36%	11.01%	579
10	2,099	217,955,608	11,650,749	8,929,897	13,991,020	10,676,590	223	1,875	1	32	0	10.62%	89.33%	4.10%	4.90%	21.11%	21.25%	1,115
10A	614	35,132,424	1,635,863	1,292,482	2,081,111	1,632,058	67	547	0	0	0	10.91%	89.09%	3.68%	4.65%	2.96%	3.16%	725
10B	600	41,560,755	2,122,184	1,742,326	2,628,068	2,142,241	20	579	1	1	0	3.33%	96.50%	4.19%	5.15%	3.84%	3.99%	843
10C	885	141,262,429	7,892,702	5,895,089	9,281,841	6,902,291	136	749	0	31	0	15.37%	84.63%	4.17%	4.89%	14.30%	14.10%	1,570
TOTAL	130,409	1,709,696,275	55,198,881	49,687,735	65,845,740	58,422,213	45,189	55,469	29,751	24,065	57,992	34.65%	42.53%	2.91%	3.42%	100.00%	100.00%	82

House Tax Income Tax Proposal -- Head of Household -- Calendar Year 1993

Income Bracket	Number of Households	Total Income	Current Law Tax	Current Law Tax After Fed. Offset	Proposed Law Tax	Proposed Law Tax After Fed. Offset	Current to Proposed Law Number of Gainers	Number of Losers	No Change	No Tax Liability Current Law	No Tax Liability Proposed Law	Percentage of Gainers	Percentage of Losers	Effective Tax Rates (After Federal Offset) Current Law	Effective Tax Rates Proposed Law	Percent of Total State Liability Current Law	Percent of Total State Liability Proposed Law	Dollar Change in Avg. Liability
0 - 2,000	810	1,142,262	0	0	0	0	0	0	810	810	810	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0
2,000 - 4,000	648	1,863,000	2,824	2,824	0	0	162	0	486	486	648	25.00%	0.00%	0.15%	0.00%	0.02%	0.00%	(4)
4,000 - 6,000	1,296	6,445,656	26,323	26,323	0	0	972	0	324	324	1,296	75.00%	0.00%	0.41%	0.00%	0.22%	0.00%	(20)
6,000 - 8,000	1,620	10,967,724	105,603	105,603	19,944	19,944	1,296	0	324	324	1,458	80.00%	0.00%	0.96%	0.18%	0.89%	0.18%	(53)
8,000 - 10,000	2,258	20,604,132	263,259	263,259	24,923	24,923	2,106	0	162	162	1,458	92.86%	0.00%	1.28%	0.12%	2.22%	0.22%	(105)
10,000 - 12,000	1,968	21,936,924	323,164	323,164	108,817	108,817	1,848	80	40	40	966	93.90%	4.07%	1.47%	0.50%	2.73%	0.98%	(109)
12,000 - 14,000	1,080	14,259,800	293,015	293,015	212,821	212,821	880	160	40	40	240	81.48%	14.81%	2.05%	1.49%	2.47%	1.91%	(74)
14,000 - 16,000	1,280	18,885,280	386,026	381,108	282,708	276,127	920	360	0	0	160	71.88%	28.13%	2.02%	1.46%	3.26%	2.54%	(81)
16,000 - 18,000	1,440	24,544,320	628,251	620,966	535,575	525,491	1,120	320	0	0	80	77.78%	22.22%	2.53%	2.14%	5.30%	4.80%	(64)
18,000 - 20,000	920	17,549,520	401,048	394,438	357,425	344,819	640	280	0	0	0	69.57%	30.43%	2.25%	1.96%	3.38%	3.21%	(47)
20,000 - 25,000	2,442	54,447,344	1,526,784	1,480,382	1,395,965	1,337,964	1,580	600	162	162	282	68.80%	24.57%	2.72%	2.46%	12.88%	12.52%	(54)
25,000 - 30,000	1,766	47,950,898	1,605,144	1,550,798	1,541,995	1,475,252	1,000	604	162	162	162	56.63%	34.20%	3.23%	3.08%	13.54%	13.83%	(36)
30,000 - 35,000	836	26,523,750	1,104,291	1,047,969	1,085,084	1,021,462	462	374	0	0	0	55.26%	44.74%	3.95%	3.85%	9.31%	9.73%	(23)
35,000 - 40,000	638	23,833,678	1,094,399	995,171	1,115,781	1,002,567	330	308	0	0	0	51.72%	48.28%	4.18%	4.21%	9.23%	10.01%	34
40,000 - 45,000	330	13,850,892	634,774	546,773	698,462	594,665	88	242	0	0	0	26.67%	73.33%	3.95%	4.29%	5.35%	6.27%	193
45,000 - 50,000	284	13,372,342	648,797	521,554	703,899	562,292	105	179	0	0	0	36.97%	63.03%	3.90%	4.20%	5.47%	6.32%	194
50,000 - 55,000	97	5,121,065	242,041	191,597	267,627	210,837	15	82	0	0	0	15.46%	84.54%	3.74%	4.12%	2.04%	2.40%	264
55,000 - 60,000	45	2,553,240	139,510	116,538	152,742	125,178	15	30	0	0	0	33.33%	66.67%	4.56%	4.90%	1.18%	1.37%	294
60,000 - 65,000	37	2,324,380	39,878	32,717	71,857	56,848	0	37	0	0	0	0.00%	**********	1.41%	2.45%	0.34%	0.64%	864
65,000 - 70,000	35	2,343,941	107,300	81,577	131,073	99,301	3	31	1	0	0	8.57%	88.57%	3.48%	4.24%	0.90%	1.18%	679
70,000 - 75,000	22	1,590,275	92,176	75,492	99,332	80,209	6	15	1	0	0	27.27%	68.18%	4.75%	5.04%	0.78%	0.89%	325
75,000 - 80,000	12	929,519	46,166	33,247	57,760	42,901	1	11	0	0	0	8.33%	91.67%	3.58%	4.62%	0.39%	0.52%	966
80,000 - 90,000	38	3,208,712	187,408	151,209	199,958	157,999	12	25	1	1	0	31.58%	65.79%	4.71%	4.92%	1.58%	1.79%	330
90,000 - 100,000	21	1,963,182	109,681	80,734	122,598	90,020	3	18	0	0	0	14.29%	85.71%	4.11%	4.59%	0.93%	1.10%	615
100,000 - 110,000	18	1,876,762	109,570	78,447	119,371	85,385	7	11	0	0	0	38.89%	61.11%	4.18%	4.55%	0.92%	1.07%	545
110,000 - 120,000	16	1,822,921	98,859	70,242	116,964	83,347	3	13	0	0	0	18.75%	81.25%	3.85%	4.57%	0.83%	1.05%	1,132
120,000 - 130,000	12	1,495,032	80,912	58,271	89,143	64,112	4	8	0	0	0	33.33%	66.67%	3.90%	4.29%	0.68%	0.80%	686
130,000 - 140,000	10	1,335,747	76,011	52,448	81,349	56,131	2	8	0	0	0	20.00%	80.00%	3.93%	4.20%	0.64%	0.73%	534
140,000 - 150,000	8	1,155,294	63,713	48,040	73,257	55,472	1	7	0	0	0	12.50%	87.50%	4.16%	4.80%	0.54%	0.66%	1,193
150,000 - & Above	52	19,676,499	1,419,446	999,453	1,479,874	1,038,989	14	38	0	0	0	26.92%	73.08%	5.08%	5.28%	11.97%	13.28%	1,162
TOTALS	20,049	365,574,091	11,856,373	10,623,359	11,146,304	9,753,873	13,695	3,841	2,513	2,511	7,560	68.31%	19.16%	2.91%	2.67%	100.00%	100.00%	(35)

Decile Group	Number of Households	Total Income	Current Law Tax	Current Law Tax After Fed. Offset	Proposed Law Tax	Proposed Law Tax After Fed. Offset	Current to Proposed Law Number of Gainers	Number of Losers	No Change	No Tax Liability Current Law	No Tax Liability Proposed Law	Percentage of Gainers	Percentage of Losers	Effective Tax Rates (After Federal Offset) Current Law	Effective Tax Rates Proposed Law	Percent of Total State Liability Current Law	Percent of Total State Liability Proposed Law	Dollar Change in Avg. Liability
1	1,296	2,389,824	2,824	2,824	0	0	162	0	1,134	1,134	1,296	12.50%	0.00%	0.12%	0.00%	0.02%	0.00%	(2)
2	1,782	9,074,430	52,329	52,329	0	0	1,296	0	486	486	1,782	72.73%	0.00%	0.58%	0.00%	0.44%	0.00%	(29)
3	3,078	24,744,204	261,453	251,453	28,893	28,893	2,592	0	486	486	2,430	84.21%	0.00%	1.06%	0.12%	2.21%	0.26%	(76)
4	3,374	38,776,600	657,560	657,560	294,682	294,682	3,134	200	40	40	1,328	92.89%	5.93%	1.70%	0.76%	5.55%	2.64%	(108)
5	3,120	50,048,880	1,152,506	1,140,302	935,869	919,203	2,280	800	40	40	280	73.08%	25.64%	2.28%	1.84%	9.72%	8.40%	(69)
6	2,642	55,766,824	1,462,892	1,422,125	1,352,319	1,293,380	1,800	680	162	162	242	68.13%	25.74%	2.55%	2.32%	12.34%	12.13%	(42)
7	2,708	73,967,816	2,529,998	2,427,491	2,416,937	2,297,976	1,624	922	162	162	202	59.97%	34.05%	3.28%	3.11%	21.34%	21.68%	(42)
8	1,078	38,846,610	1,768,859	1,645,277	1,786,863	1,643,758	572	506	0	0	0	53.06%	46.94%	4.24%	4.23%	14.92%	16.03%	17
9	600	27,232,174	1,275,703	1,030,688	1,402,088	1,125,911	149	451	0	0	0	24.83%	75.17%	3.78%	4.13%	10.76%	12.58%	211
10	371	44,726,729	2,692,251	1,983,309	2,928,656	2,150,069	86	282	3	1	0	23.18%	76.01%	4.43%	4.81%	22.71%	26.27%	637
10A	90	5,004,465	261,130	221,432	286,120	239,356	30	60	0	0	0	33.33%	66.67%	4.42%	4.78%	2.20%	2.57%	278
10B	102	6,870,550	268,699	210,922	339,407	264,415	10	90	2	0	0	9.80%	88.24%	3.07%	3.85%	2.27%	3.05%	693
10C	179	32,851,714	2,162,422	1,550,955	2,303,129	1,646,298	46	132	1	1	0	25.70%	73.74%	4.72%	5.01%	18.24%	20.56%	786
TOTAL	20,049	365,574,091	11,856,375	10,623,358	11,146,307	9,753,872	13,695	3,841	2,513	2,511	7,560	68.31%	19.16%	2.91%	2.67%	100.00%	100.00%	(35)

23-Mar-93

House Tax Income Tax Proposal -- Married Filing Joint -- Calendar Year 1993

Income Bracket	Number of Households	Total Income	Current Law: Tax	Current Law: Tax After Fed. Offset	Proposed Law: Tax	Proposed Law: Tax After Fed. Offset	Current to Proposed Law: Number of Gainers	Current to Proposed Law: Number of Losers	Current to Proposed Law: No Change	No Tax Liability: Current Law	No Tax Liability: Proposed Law	Percentage of: Gainers	Percentage of: Losers	Effective Tax Rates (After Federal Offset): Current Law	Effective Tax Rates (After Federal Offset): Proposed Law	Percent of Total State Liability: Current Law	Percent of Total State Liability: Proposed Law	Dollar Change in Avg. Liability
0 - 2,000	1,296	1,120,554	5,797	5,797	0	0	162	0	1,134	1,134	1,296	12.50%	0.00%	0.52%	0.00%	0.01%	0.00%	(4)
2,000 - 4,000	2,430	8,143,092	6,006	6,006	0	0	324	0	2,106	1,944	2,430	13.33%	0.00%	0.07%	0.00%	0.01%	0.00%	(2)
4,000 - 6,000	2,106	10,836,504	4,139	4,139	0	0	324	0	1,782	1,782	2,106	15.38%	0.00%	0.04%	0.00%	0.01%	0.00%	(2)
6,000 - 8,000	4,050	28,115,586	55,778	55,778	0	0	1,296	0	2,754	2,592	4,050	32.00%	0.00%	0.20%	0.00%	0.08%	0.00%	(14)
8,000 - 10,000	5,346	48,723,768	212,277	212,277	3,591	3,591	3,240	162	1,944	2,106	5,184	60.61%	3.03%	0.44%	0.01%	0.31%	0.01%	(39)
10,000 - 12,000	3,742	41,247,504	275,699	275,699	34,146	34,146	2,692	30	970	848	3,180	71.94%	2.14%	0.67%	0.08%	0.40%	0.05%	(65)
12,000 - 14,000	4,218	54,774,940	478,191	474,752	158,781	153,104	3,088	200	930	930	3,298	73.21%	4.74%	0.87%	0.28%	0.69%	0.25%	(76)
14,000 - 16,000	4,650	70,218,954	748,092	742,211	339,051	332,469	3,364	440	846	886	3,170	72.34%	9.46%	1.06%	0.47%	1.08%	0.53%	(88)
16,000 - 18,000	4,366	74,162,968	899,166	892,999	376,139	367,648	3,282	280	804	764	2,926	75.17%	6.41%	1.20%	0.50%	1.30%	0.59%	(120)
18,000 - 20,000	3,764	71,050,094	1,066,295	1,051,822	615,985	601,799	2,842	520	402	362	1,844	75.50%	13.82%	1.48%	0.85%	1.54%	0.97%	(120)
20,000 - 25,000	8,002	180,188,854	3,849,464	3,769,137	2,447,490	2,354,835	6,482	1,240	280	400	1,762	81.00%	15.50%	2.09%	1.31%	5.56%	3.84%	(175)
25,000 - 30,000	6,978	190,040,060	4,883,913	4,725,250	3,798,855	3,619,642	4,704	1,646	628	546	884	67.41%	23.59%	2.49%	1.90%	7.05%	5.96%	(155)
30,000 - 35,000	5,156	166,941,352	5,458,615	5,196,881	4,297,610	4,046,164	3,940	1,176	40	206	146	76.42%	22.81%	3.11%	2.42%	7.88%	6.75%	(225)
35,000 - 40,000	4,062	151,787,576	6,071,257	5,657,048	5,143,955	4,728,492	3,094	968	0	0	40	76.17%	23.83%	3.73%	3.12%	8.76%	8.08%	(228)
40,000 - 45,000	3,772	160,011,478	6,320,551	5,804,137	5,760,609	5,248,021	2,602	920	250	272	242	68.98%	24.39%	3.63%	3.28%	9.12%	9.04%	(148)
45,000 - 50,000	2,418	114,576,618	5,090,411	4,605,539	4,502,137	4,028,208	1,651	568	199	162	202	68.28%	23.49%	4.02%	3.52%	7.35%	7.07%	(243)
50,000 - 55,000	1,362	71,450,209	3,445,752	2,864,879	3,369,170	2,778,045	861	501	0	0	0	63.22%	36.78%	4.01%	3.89%	4.97%	5.29%	(56)
55,000 - 60,000	1,133	65,027,491	3,014,626	2,432,139	2,927,064	2,339,244	602	501	30	22	0	53.13%	44.22%	3.74%	3.60%	4.35%	4.60%	(77)
60,000 - 65,000	922	57,482,777	2,941,557	2,291,938	2,912,672	2,252,770	540	367	15	0	0	58.57%	39.80%	3.99%	3.92%	4.25%	4.57%	(31)
65,000 - 70,000	724	48,712,101	2,224,128	1,714,061	2,394,514	1,837,870	276	444	4	41	0	38.12%	61.33%	3.52%	3.77%	3.21%	3.76%	235
70,000 - 75,000	401	28,981,403	1,506,776	1,193,152	1,568,379	1,227,053	180	219	2	4	0	44.89%	54.61%	4.12%	4.23%	2.17%	2.46%	154
75,000 - 80,000	344	26,539,823	1,335,991	1,041,021	1,450,607	1,128,381	133	205	6	0	0	38.66%	59.59%	3.92%	4.25%	1.93%	2.28%	333
80,000 - 90,000	458	38,660,560	1,973,180	1,490,150	2,169,615	1,633,106	160	289	9	2	0	34.93%	63.10%	3.85%	4.22%	2.85%	3.41%	429
90,000 - 100,000	329	31,049,157	1,613,944	1,235,732	1,718,888	1,307,621	113	216	0	3	0	34.35%	65.65%	3.98%	4.21%	2.33%	2.70%	319
100,000 - 110,000	227	23,773,286	1,350,073	1,009,939	1,425,150	1,063,660	93	133	1	1	0	40.97%	58.59%	4.25%	4.47%	1.95%	2.24%	331
110,000 - 120,000	180	20,687,042	1,163,117	834,404	1,278,719	919,620	62	117	1	2	0	34.44%	65.00%	4.03%	4.45%	1.68%	2.01%	642
120,000 - 130,000	136	16,917,649	960,928	697,820	1,039,714	755,006	57	79	0	4	0	41.91%	58.09%	4.12%	4.46%	1.39%	1.63%	579
130,000 - 140,000	109	14,705,403	864,880	612,072	929,781	656,357	42	66	1	0	0	38.53%	60.55%	4.16%	4.46%	1.25%	1.46%	595
140,000 - 150,000	96	13,894,934	847,701	622,677	891,285	651,721	34	61	1	0	0	35.42%	63.54%	4.48%	4.69%	1.22%	1.40%	454
150,000 - & Above	601	166,573,104	10,617,410	7,526,600	12,144,740	8,608,967	107	494	0	4	0	17.80%	82.20%	4.52%	5.17%	15.32%	19.07%	2,541
TOTALS	73,378	1,996,394,841	69,285,714	59,046,056	63,698,647	52,677,540	46,347	11,892	15,139	15,017	32,760	63.16%	16.21%	2.96%	2.64%	100.00%	100.00%	(76)

Decile Group	Number of Households	Total Income	Current Law: Tax	Current Law: Tax After Fed. Offset	Proposed Law: Tax	Proposed Law: Tax After Fed. Offset	Current to Proposed Law: Number of Gainers	Current to Proposed Law: Number of Losers	Current to Proposed Law: No Change	No Tax Liability: Current Law	No Tax Liability: Proposed Law	Percentage of: Gainers	Percentage of: Losers	Effective Tax Rates (After Federal Offset): Current Law	Effective Tax Rates (After Federal Offset): Proposed Law	Percent of Total State Liability: Current Law	Percent of Total State Liability: Proposed Law	Dollar Change in Avg. Liability
1	1,944	2,858,328	5,797	5,797	0	0	162	0	1,782	1,782	1,944	8.33%	0.00%	0.20%	0.00%	0.01%	0.00%	(3)
2	4,374	20,244,330	14,436	14,436	0	0	972	0	3,402	3,240	4,374	22.22%	0.00%	0.07%	0.00%	0.02%	0.00%	(3)
3	8,262	67,407,552	234,904	234,904	3,591	3,591	3,726	162	4,374	4,374	8,100	45.10%	1.96%	0.35%	0.01%	0.34%	0.01%	(28)
4	8,206	96,853,986	767,919	764,567	184,555	180,134	6,106	240	1,860	1,738	6,764	74.41%	2.92%	0.79%	0.19%	1.11%	0.29%	(71)
5	10,418	168,180,954	1,900,707	1,881,283	874,219	848,938	7,606	920	1,892	1,892	6,938	73.01%	8.83%	1.12%	0.50%	2.74%	1.37%	(99)
6	9,846	210,348,708	4,118,130	4,042,284	2,575,466	2,485,283	7,684	1,520	642	722	3,046	78.04%	15.44%	1.92%	1.18%	5.94%	4.04%	(157)
7	9,304	255,753,306	6,771,010	6,561,512	5,262,801	5,028,442	6,420	2,216	668	546	1,008	69.00%	23.82%	2.57%	1.97%	9.77%	8.26%	(162)
8	8,186	290,772,926	10,816,572	10,112,300	8,843,599	8,162,449	6,466	1,698	22	206	142	78.99%	20.74%	3.48%	2.81%	15.61%	13.88%	(241)
9	6,819	311,444,611	13,324,197	11,992,266	12,139,379	10,817,083	4,627	1,765	427	434	444	67.85%	25.88%	3.85%	3.47%	19.23%	19.06%	(174)
10	6,019	572,530,140	31,332,039	23,436,707	33,815,039	25,151,620	2,578	3,371	70	83	0	42.83%	56.01%	4.09%	4.39%	45.22%	53.09%	413
10A	1,904	109,610,733	5,243,208	4,202,596	5,159,425	4,099,128	1,081	778	45	22	0	56.78%	40.86%	3.83%	3.74%	7.57%	8.10%	(44)
10B	1,906	130,875,541	6,377,706	4,958,969	6,729,667	5,206,390	794	1,102	10	45	0	41.66%	57.82%	3.79%	3.98%	9.20%	10.56%	185
10C	2,209	332,043,866	19,711,125	14,275,142	21,925,947	15,846,102	703	1,491	15	16	0	31.82%	67.50%	4.30%	4.77%	28.45%	34.42%	1,003
TOTAL	73,378	1,996,394,841	69,285,711	59,046,056	63,698,649	52,677,540	46,347	11,892	15,139	15,017	32,760	63.16%	16.21%	2.96%	2.64%	100.00%	100.00%	(76)

23-Mar-93

4-5-93
HB 671

House Tax Income Tax Proposal -- Married Filing Separate -- Calendar Year 1993

Income Bracket

Income Bracket	Number of Households	Total Income	Current Law: Tax	Current Law: Tax After Fed. Offset	Proposed Law: Tax	Proposed Law: Tax After Fed. Offset	Current to Proposed Law: Number of Gainers	Current to Proposed Law: Number of Losers	Current to Proposed Law: No Change	No Tax Liability: Current Law	No Tax Liability: Proposed Law	Percentage of: Gainers	Percentage of: Losers	Effective Tax Rates (After Federal Offset): Current Law	Effective Tax Rates (After Federal Offset): Proposed Law	Percent of Total State Liability: Current Law	Percent of Total State Liability: Proposed Law	Dollar Change in Avg. Liability
0 - 2,000	162	153,738	0	0	0	0	0	0	162	162	162	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0
2,000 - 4,000	810	2,538,054	16,033	16,033	0	0	486	0	324	162	810	60.00%	0.00%	0.63%	0.00%	0.01%	0.00%	(20)
4,000 - 6,000	486	2,533,032	38,607	38,607	0	0	486	0	0	0	486	-------	0.00%	1.52%	0.00%	0.02%	0.00%	(79)
6,000 - 8,000	324	2,252,772	15,518	15,518	0	0	324	0	0	0	324	-------	0.00%	0.69%	0.00%	0.01%	0.00%	(48)
8,000 - 10,000	648	5,448,060	56,257	56,257	25,065	25,065	324	0	324	162	486	50.00%	0.00%	1.03%	0.46%	0.03%	0.01%	(48)
10,000 - 12,000	1,206	13,324,990	126,094	125,970	93,693	93,256	440	280	486	486	766	36.48%	23.22%	0.95%	0.70%	0.08%	0.05%	(27)
12,000 - 14,000	1,568	20,425,490	274,342	274,113	208,467	205,838	1,248	280	40	40	846	79.59%	17.86%	1.34%	1.01%	0.17%	0.11%	(42)
14,000 - 16,000	1,882	28,338,904	428,914	427,919	322,758	320,814	1,442	400	40	80	962	76.62%	21.25%	1.51%	1.13%	0.26%	0.17%	(56)
16,000 - 18,000	2,320	39,491,600	686,223	680,179	526,015	517,182	1,480	760	80	40	840	63.79%	32.76%	1.72%	1.31%	0.42%	0.28%	(69)
18,000 - 20,000	2,242	42,340,536	633,735	627,837	494,707	486,063	1,562	640	40	40	922	69.67%	28.55%	1.48%	1.15%	0.38%	0.26%	(62)
20,000 - 25,000	7,160	162,109,960	3,144,271	3,086,052	2,400,435	2,334,955	5,080	2,000	80	0	1,400	70.95%	27.93%	1.90%	1.44%	1.91%	1.27%	(104)
25,000 - 30,000	8,210	226,461,594	5,466,384	5,331,061	4,864,639	4,694,964	5,200	2,966	44	0	548	63.34%	36.13%	2.35%	2.07%	3.32%	2.58%	(73)
30,000 - 35,000	8,494	276,978,352	7,871,380	7,546,870	7,669,518	7,279,743	4,490	3,850	154	0	128	52.86%	45.33%	2.72%	2.63%	4.78%	4.06%	(24)
35,000 - 40,000	8,766	329,531,744	10,435,278	9,825,967	11,258,775	10,505,486	3,406	5,206	154	0	0	38.85%	59.39%	2.98%	3.19%	6.33%	5.97%	94
40,000 - 45,000	8,792	372,882,750	12,725,089	11,796,041	14,582,585	13,396,752	2,596	6,042	154	22	0	29.53%	68.72%	3.16%	3.59%	7.72%	7.73%	211
45,000 - 50,000	8,082	383,461,821	13,936,313	12,452,860	16,364,067	14,513,611	1,796	6,241	45	0	0	22.22%	77.22%	3.25%	3.78%	8.46%	8.67%	300
50,000 - 55,000	7,115	373,344,077	14,125,964	11,818,340	16,426,063	13,603,600	1,518	5,582	15	22	0	21.34%	78.45%	3.17%	3.64%	8.57%	8.70%	323
55,000 - 60,000	4,616	264,879,659	10,302,586	8,360,627	12,711,585	10,213,552	682	3,934	0	0	0	14.77%	85.23%	3.16%	3.86%	6.25%	6.74%	522
60,000 - 65,000	3,964	246,882,446	9,984,286	7,980,087	12,249,788	9,731,314	285	3,679	0	0	0	7.19%	92.81%	3.23%	3.94%	6.06%	6.49%	572
65,000 - 70,000	2,547	171,813,921	7,190,928	5,615,598	8,862,777	6,874,924	200	2,338	9	2	0	7.85%	91.79%	3.27%	4.00%	4.36%	4.70%	656
70,000 - 75,000	1,926	139,338,535	6,005,049	4,725,584	7,269,292	5,679,329	197	1,727	2	0	0	10.23%	89.67%	3.39%	4.08%	3.64%	3.85%	656
75,000 - 80,000	1,402	108,445,027	4,649,060	3,641,018	5,838,836	4,565,073	87	1,314	1	0	0	6.21%	93.72%	3.36%	4.21%	2.82%	3.09%	849
80,000 - 90,000	1,790	151,078,816	6,752,169	5,283,144	8,323,873	6,476,507	156	1,634	0	1	0	8.72%	91.28%	3.50%	4.29%	4.10%	4.41%	878
90,000 - 100,000	1,110	105,014,413	4,900,449	3,832,503	5,994,594	4,667,373	98	1,009	3	0	0	8.83%	90.90%	3.65%	4.44%	2.97%	3.18%	986
100,000 - 110,000	709	74,399,579	3,551,860	2,703,175	4,314,500	3,268,627	62	647	0	0	0	8.74%	91.26%	3.63%	4.39%	2.15%	2.29%	1,076
110,000 - 120,000	522	59,898,606	2,905,675	2,211,485	3,507,030	2,661,805	62	458	2	0	0	11.88%	87.74%	3.69%	4.44%	1.76%	1.86%	1,152
120,000 - 130,000	411	51,377,755	2,538,844	1,911,573	3,027,166	2,280,719	52	359	0	0	0	12.65%	87.35%	3.72%	4.44%	1.54%	1.60%	1,188
130,000 - 140,000	282	38,016,619	1,985,764	1,476,681	2,316,632	1,722,679	32	250	0	0	0	11.35%	88.65%	3.88%	4.53%	1.20%	1.23%	1,173
140,000 - 150,000	228	32,960,793	1,763,487	1,329,182	2,053,896	1,546,457	31	196	1	0	0	13.60%	85.96%	4.03%	4.69%	1.07%	1.09%	1,274
150,000 - & Above	1,614	522,144,164	32,314,026	23,408,840	37,009,938	26,813,232	136	1,477	1	2	0	8.43%	91.51%	4.48%	5.14%	19.61%	19.61%	2,909
TOTALS	89,388	4,247,867,807	164,824,585	136,599,121	188,716,694	154,478,920	33,958	53,269	2,161	1,221	8,680	37.99%	59.59%	3.22%	3.64%	100.00%	100.00%	267

Decile Group

Decile Group	Number of Households	Total Income	Current Law: Tax	Current Law: Tax After Fed. Offset	Proposed Law: Tax	Proposed Law: Tax After Fed. Offset	Current to Proposed Law: Number of Gainers	Current to Proposed Law: Number of Losers	Current to Proposed Law: No Change	No Tax Liability: Current Law	No Tax Liability: Proposed Law	Percentage of: Gainers	Percentage of: Losers	Effective Tax Rates (After Federal Offset): Current Law	Effective Tax Rates (After Federal Offset): Proposed Law	Percent of Total State Liability: Current Law	Percent of Total State Liability: Proposed Law	Dollar Change in Avg. Liability
1	648	1,445,688	2,722	2,722	0	0	162	0	486	324	648	25.00%	0.00%	0.19%	0.00%	0.00%	0.00%	(4)
2	810	3,779,136	51,919	51,919	0	0	810	0	0	0	810	-------	0.00%	1.37%	0.00%	0.03%	0.00%	(64)
3	972	7,700,832	71,775	71,775	25,065	25,065	648	0	324	162	810	66.67%	0.00%	0.93%	0.33%	0.04%	0.01%	(48)
4	2,774	33,750,480	400,436	400,082	302,160	299,094	1,688	560	526	526	1,612	60.85%	20.19%	1.19%	0.89%	0.24%	0.16%	(35)
5	4,804	78,736,080	1,233,406	1,224,358	900,288	887,626	3,404	1,240	160	120	2,124	70.86%	25.81%	1.56%	1.13%	0.75%	0.48%	(69)
6	7,640	164,960,280	3,175,748	3,129,662	2,472,476	2,423,214	5,320	2,280	40	40	1,960	69.63%	29.84%	1.90%	1.47%	1.93%	1.31%	(92)
7	11,224	311,845,306	7,567,312	7,363,528	6,741,435	6,483,102	7,224	3,894	106	0	610	64.36%	34.69%	2.36%	2.08%	4.59%	3.57%	(74)
8	16,572	596,657,484	18,230,791	17,227,932	19,226,223	17,983,374	7,042	9,244	286	0	106	42.49%	55.78%	2.89%	3.01%	11.06%	10.19%	60
9	21,287	999,152,868	35,941,817	31,946,567	41,675,851	36,714,585	5,355	15,718	214	44	0	25.16%	73.84%	3.20%	3.67%	21.81%	22.08%	269
10	22,657	2,049,839,653	98,148,661	75,180,576	117,373,195	89,662,863	2,305	20,333	19	5	0	10.17%	89.74%	3.67%	4.37%	59.55%	62.20%	849
10A	7,995	460,821,889	18,050,507	14,618,478	22,052,680	17,710,378	1,042	6,953	0	0	0	13.03%	86.97%	3.17%	3.84%	10.95%	11.69%	501
10B	7,608	523,395,568	22,058,553	17,369,035	27,115,616	21,228,069	612	6,984	12	2	0	8.04%	91.80%	3.32%	4.06%	13.38%	14.37%	665
10C	7,054	1,065,622,196	58,039,601	43,193,063	68,204,899	50,724,416	651	6,396	7	3	0	9.23%	90.67%	4.05%	4.76%	35.21%	36.14%	1,441
TOTAL	89,388	4,247,867,807	164,824,587	136,599,121	188,716,693	154,478,923	33,958	53,269	2,161	1,221	8,680	37.99%	59.59%	3.22%	3.64%	100.00%	100.00%	267

SENATE TAXATION
EXHIBIT NO. 2
DATE 4-5-93
BILL NO. HB 671

Thomas E. Towe
April 5, 1993

ALTERNATIVE TAX PLAN

REVENUE

		(In millions) Annual	Biennium
1)	Income tax - SB 235 modified: - Graduated rate - 6% on the first $30,000 7% up to $40,000 8% on incomes over $40,000. - Standard Deduction - $9,000 married couple - $4,500 single filing - $6,750 head of household. - Personal Exemption - $2,300 instead of $3,500. - Phase out of Standard Deduction and Personal Exemption at $70,000 to $100,000 of MAGI. - Homestead rebate - refund of the property tax paid on the first $4,000 of your personal residence. Net new revenue	$38.4	$76.8
2)	Corporate License Tax - 7.75% instead of 6.75% (National average is 7.67%) Net new revenue	8.0	16.0
3)	Property Tax - - Class 3 - from 3.86% to 4.88% - Class 4 - from 3.86% to 4.88% - Class 8 - from 9% to 4.88% - Class 11 - from 3.088 to 4.88% - Homestead exemption on the first $13,500 of each home. When combined with homestead rebate = $17,500 of each home is tax free. - All homes under $83,725 would have a tax reduction. - Commercial building exemption of $4,000. - Agricultural land exemption - 10% of assessed value. Net revenue loss	-.9	-1.8
4)	Rail Car Tax - HB 640 - One time revenue of $5.8 Net new revenue	3.2	6.4
5)	Timber Sales from State Lands - HB 667 Net new revenue	3.05	7.1
6)	Coal Board Funds - HB 350 Net new revenue	1.65	3.3
	TOTAL	53.4	106.8

EXPENDITURES

		(In millions) Biennium
1)	HB 2 - General Appropriations	$71.645
2)	HB 3 - Supplementals (Change)	6.474
3)	HB 1 - Feed Bill (Change)	.126
4)	School Equalization Account (HB 2, etc.)	35.745
5)	Adjustments (Coal Tax Accrual & SRS Account)	2.647
	Total under current level	116.637
	Plus additional revenue (first page)	106.8
	Total Fund Balance	$217.437
	Fund Balance Deficit	168.869
	Ending Fund Balance	$ 48.568

CASH FLOW

Total Cash Available (from above)	$217.437
Plus Clark Fork Damage Claim - HB 401	5.175
Total Cash Balance	222.612
Projected Cash Deficit	215.640
Cash Flow Cushion	$ 6.972

IMPACT ON AGRICULTURE

Current law: (Based on state wide average farm or ranch)

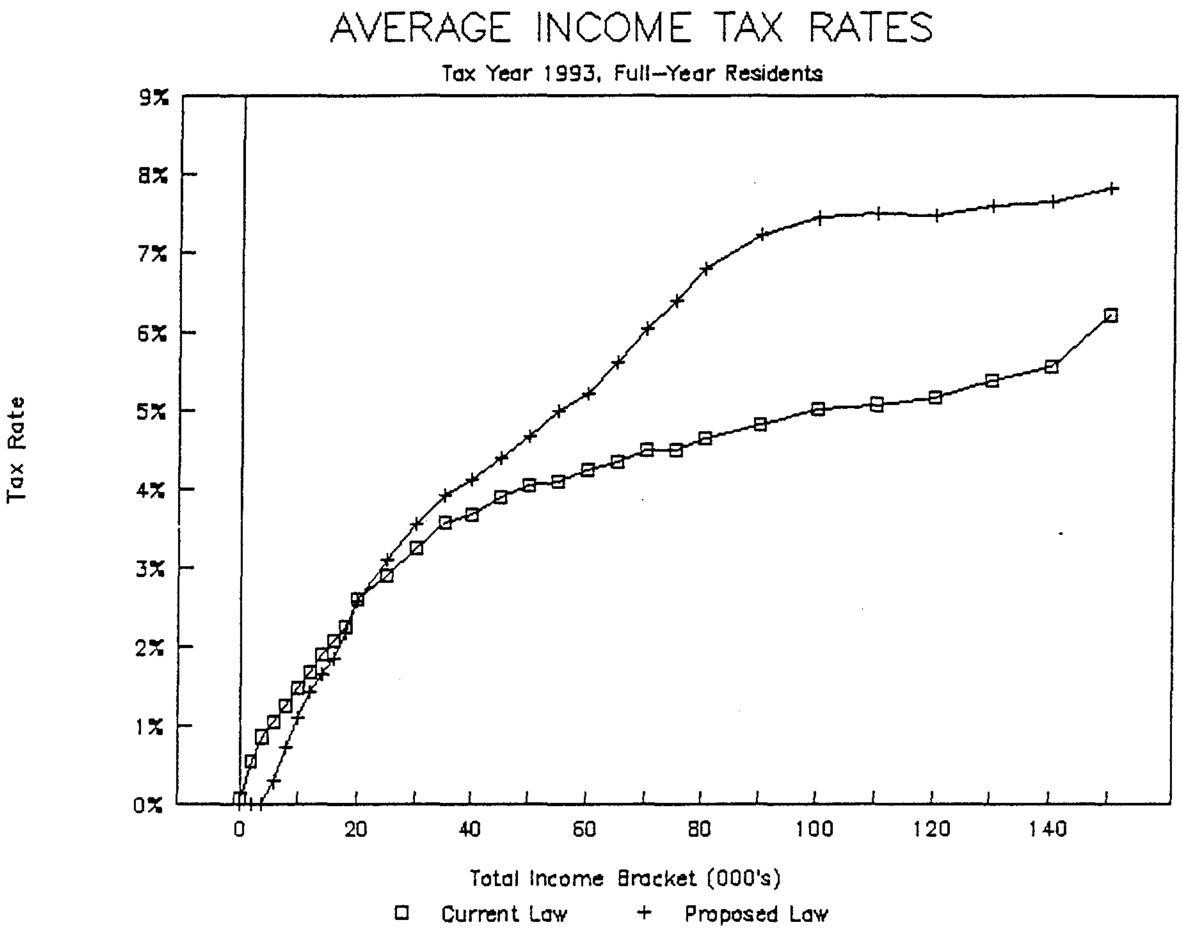
Land - 2041 taxable acres x $9.33 = $19,042.53 assessed value x 30% x 300 mills =	$1,713.83 tax
Machinery - $24,500 x 9% x 300 mills =	661.50 tax
Farmstead (Buildings and 1 acre) - $78,768 fair market value x 3.088 % x 300 mills =	729.70 tax
Total Tax	$3,105.03 tax

Proposed law: (Based on state wide average farm or ranch)

Land - 2041 acres x $72.54 (under SB 168) = $148,051.81 less 10% = $133,246.63 x 4.88% x 300 mills	$1,950.73 tax
Machinery - $24,500 x 4.88% x 300 mills	358.68 tax
Farmstead - $78,768 x 4.88% x 300 mills	896.96 tax
Total Tax	$3,206.37
Amount under SB 168:	3,288.07
Total Tax Savings	$ 81.70

Proposed Law: (Second example)

Land - 1000 acres x $72.54 = $72, 540 less $4,000 x 4.88% x 300 mills =	$1,003.42
Machinery - $20,000 x 4.88% x 300 mills =	292.80
Farmstead - $60,000 x 4.88% x 300 mills =	622.20
Total Tax	$1,918.42
Amount under SB 168:	2,074.81
Total Tax Savings - from Current Law =	17.39
Total Tax Savings - from SB 168 =	156.39


AVERAGE INCOME TAX RATES
Tax Year 1993, Full-Year Residents
9%
8%
7%
6%
5%
4%
3%
2%
1%
0%
Tax Rate
0
20
40
60
80
100
120
140
Total Income Bracket (000's)
Current Law
Proposed Law

DATE 4-5-93
HB-691

Senator Towe Information Request
Individual Income Tax Reform Proposal
March 19, 1993

Income Brckt.	Total Income	No. of Hshlds.	CL Tax	PL Tax	Difference	CL Tax Rate	PL Tax Rate
<0	(177,674,310)	5,184	0	0	0		
0	23,447,880	20,088	19,232	0	(19,232)	0.08%	0.00%
2	64,597,176	21,546	354,476	0	(354,476)	0.55%	0.00%
4	91,868,580	18,468	790,733	0	(790,733)	0.86%	0.00%
6	118,638,918	17,010	1,243,131	340,539	(902,592)	1.05%	0.29%
8	168,044,544	18,630	2,114,651	1,234,997	(879,654)	1.26%	0.73%
10	177,124,148	16,080	2,620,894	1,967,513	(653,381)	1.48%	1.11%
12	185,140,662	14,286	3,106,182	2,658,401	(447,781)	1.68%	1.44%
14	210,896,380	14,056	4,018,768	3,472,382	(546,386)	1.91%	1.65%
16	222,094,204	13,088	4,634,040	4,118,659	(515,381)	2.09%	1.85%
18	229,927,114	12,170	5,173,542	5,014,315	(159,227)	2.25%	2.18%
20	593,473,538	26,368	15,470,682	15,254,533	(216,149)	2.61%	2.57%
25	624,388,966	22,800	18,125,786	19,316,734	1,190,948	2.90%	3.09%
30	598,717,404	18,468	19,507,246	21,249,247	1,742,001	3.26%	3.55%
35	594,872,990	15,890	21,311,526	23,345,671	2,034,145	3.58%	3.92%
40	609,335,472	14,368	22,467,884	25,129,596	2,661,712	3.69%	4.12%
45	548,067,225	11,559	21,385,542	24,117,723	2,732,181	3.90%	4.40%
50	487,935,610	9,300	19,726,673	22,862,596	3,135,923	4.04%	4.69%
55	352,685,907	6,146	14,444,387	17,620,869	3,176,482	4.10%	5.00%
60	322,605,008	5,178	13,681,746	16,890,617	3,208,871	4.24%	5.24%
65	236,497,873	3,508	10,265,345	13,277,878	3,012,533	4.34%	5.61%
70	182,095,246	2,516	8,192,697	11,020,054	2,827,357	4.50%	6.05%
75	143,952,442	1,862	6,471,111	9,221,959	2,750,848	4.50%	6.41%
80	210,822,610	2,496	9,788,614	14,323,843	4,535,229	4.64%	6.79%
90	149,339,708	1,579	7,216,387	10,803,612	3,587,225	4.83%	7.23%
100	109,524,438	1,045	5,516,416	8,147,568	2,631,152	5.04%	7.44%
110	87,782,390	765	4,462,671	6,574,921	2,112,250	5.08%	7.49%
120	76,534,589	613	3,954,002	5,716,456	1,762,454	5.17%	7.47%
130	60,543,348	449	3,274,359	4,606,912	1,332,553	5.41%	7.61%
140	52,931,376	366	2,943,886	4,051,300	1,107,414	5.56%	7.65%
150	785,647,268	2,526	48,882,946	61,358,320	12,475,374	6.22%	7.81%
Totals	8,141,858,704	318,408	301,165,555	353,697,215	52,531,660	3.70%	4.34%

SENATE TAXATION
EXHIBIT NO. 3
DATE 4-5-93
BILL NO. HB 671

OFFICE OF LEGISLATIVE FISCAL ANALYST

CLASS 3 RATE	4.88%
CLASS 4 RATE /	4.88%
CLASS 3 RATE (	4.88%
CLASS 8 RATE (	4.88%
CLASS 11 RATE	4.88%
CLASS 12 CALC	7.06%

03-Apr-93 11:45 AM

	RESULT OF RATE CHGE REVENUE/YEAR	BUS RELIEF @ $4,000 0.4	HOMESTED RELIEF $13,500	AG LAND EXEMPTION $4,000	TOTAL REVENUE CHANGE	HOMESTEAD CREDIT $4,000	STATE REVENUE LOSS
6 MILLS	812,976	(46,155)	(725,013)	(97,314)	(55,505)	(14,152,239)	(15,086,574)
95 MILLS	12,872,125	(730,782)	(11,479,371)	(1,540,803)	(878,830)		
COUNTIES	11,113,102	(607,995)	(9,666,564)	(1,086,520)	(247,977)		
SCHOOLS	19,700,201	(903,804)	(16,396,629)	(1,816,676)	583,092		
CITIES & TOWNS	7,758,261	(527,785)	(6,151,275)	0	1,079,201		
TOTAL	52,256,666	(2,816,520)	(44,418,852)	(4,541,313)	479,981		

CHANGE IN REVENUE RELATIVE TO CURRENT LAW
ASSUMES MILLS DON'T CHANGE FROM FY93 LEVELS

JIM STANDAERT
X-5389

BREAKEVEN HOME PRICE	$83,725
FARMSTEAD BREAKEVEN	47,656

SENATE TAXATION
EXHIBIT NO. 4
DATE 4-5-93
BILL NO. HB 591

P.O Box 405
Bigfork MT 59911
2/26/93

Rep. Norm Rollin
Re;HB 517.
Dear Sir,

I support this bill.

An additional 3% on the bed tax is not targeting tourists. You and I pay the bed tax in this state and in neighbouring states where it is higher.

3% is a reasonable addition to a tax that has generated $5 million for the tourist board to advertise this state worldwide. It makes me shudder to think of the cost of a two page Montana advertisement in the February McCalls magazine.

The idea that an increase in the accommodation tax will cut down on the flow of tourists to this state is ridiculous.

Tourists use our roads, parks, rivers, lakes, the services of our highway patrol and many other public services. The burden to support these services is shouldered by the tax-paying residents. I begrudge this. This state seems to have adopted the slogan, "Cater to the Tourist".

A percentage of this tax, regardless of what it is, should be alloted to counties where tourism is heavy. Flathead County is a mess during the summer. Overcrowded parking lots, bumper to bumper traffic, dust clouds roll and parks are filled to the brim. I curtail my travelling as much as possible during the summer to avoid the congestion.

This beautiful state will not be a wonderland for anyone if money isn't pumped back into it to compensate for the wear and tear caused by millions of tourist.

Good luck with HB 517.

Sincerely,

Barbara E Strate

Barbara E Strate

SENATE TAXATION
EXHIBIT NO. 5
DATE 4-5-93
BILL NO. HB 591

April 2, 1993

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

Dear Senator Halligan and Honorable Members of the Senate Taxation Committee:

I am writing you to express the City of Kalispell's support of HB #591, an act that would increase the accommodation tax from 4% to 5% with an adjustment to the distribution formula, channeling approximately $2.5 million to local governments over the next two years.

It is our opinion as local government officials that the intent of the original Lodging Facility Tax has far exceeded its primary purpose of promoting Montana as a beautiful, wonderful place to visit. As a result of all this success, communities like Kalispell have benefitted from the tourist as an industry. However, we in local government as a consequence of this benefit, have been called upon to provide public services to this ever-growing population of tourists without any financial assistance from them.

For example, each year over 3 million tourists visit this part of the state, use our services and do not contribute one cent toward the cost of providing these services. During the peak tourist season, our public safety personnel are kept busy almost exclusively working on tourist related problems.

I mentioned earlier that the objective of the original lodging tax legislation has been fulfilled. I failed to mention that the original 4% tax on lodging has grown from three million dollars to over seven million dollars each year. Not one cent of this money has found its way to local governments who must provide public services consumed by the tourist.

We are, therefore, urging your support of HB #591 as we see it as a means of addressing a current inequity that places the total cost of providing public services to the tourist squarely on the back of local residents. HB #591 will go a long way at improving this inequity.

Sincerely,

Bruce Williams
City Manager

SENATE TAXATION
EXHIBIT NO. 6
DATE 4-5-93
BILL NO. HB 591

Dear (Senator/Representative) Mike Halligan,

I just wanted you to know that I support broad based tax reform, and strongly <u>oppose any increase in the Bed Tax</u> for Band-aid solutions. The last election clearly indicated Montanans want tax reform NOW. Please let me know how you will vote on these issues.

Thank you for being there to represent me.

I am a small business owner in Missoula and am opposed to H.B. 591 and 647. The bed tax money should continue to promote tourism for the State of Montana. At best the State of Montana remains 36th in the nation for monies spent for advertising & if we cut back on advertising this great State & what we have to offer - the Tourism industry could decline effecting thousands of businesses & people depending on this industry for their livelihood.

My Name ______________________

Address Thelma M. Bates
1009 East Broadway
Missoula, MT. 59802

cc Please make copies & distribute to committee

PLEASE MAKE COPIES AND DISTRIBUTE TO OTHER TAXATION COMMITTEE MEMBERS

THANK YOU

Helen Maxwell
Southgate Inn
3530 Brooks St
Missoula, MT 59801

SENATE TAXATION
EXHIBIT NO. 17
DATE 4-5-93
BILL NO. HB591

Dear (Senator/Representative) SEN HALLIGAN,

I just wanted you to know that I support broad based tax reform, and strongly <u>oppose any increase in the Bed Tax</u> for Band-aid solutions. The last election clearly indicated Montanans want tax reform NOW. Please let me know how you will vote on these issues.

Thank you for being there to represent me.

HB 591 (WALLIN) AND HB642 (RANEY) ARE OF GREAT CONCERN TO ME. IT IS UNREALISTIC AND UNFAIR TO EXPECT ONE INDUSTRY TO UNDERWRITE THE STATE. THE LODGING INDUSTRY RECEIVES ONLY 17% OF THE TOURIST DOLLAR WHILE GAS, FOOD AND SHOPPING REAP CONSIDERABLY MORE. AT BEST ANY FURTHUR INCREASE IN THE BED TAX IS IN-

My Name ______________________

Address ______________________

____

____

ADEQUATE AND MAKE SHIFT. TO COME INTO THE 20TH CENTURY THE TAX STRUCTURE NEEDS TO BE BROAD BASED.

NOT ONLY DO MOTELS AND HOTELS PAY FOR THE PREPARATION AND SUBMISSION OF THE BED TAX BUT NOW WE ARE BEING ASKED TO CARRY MORE THAN OUR FAIR SHARE. <u>THIS IS NOT TAX REFORM</u>. WE WILL BE [illegible] PENALIZED AS WE WILL NOT BE ABLE TO INCR[illegible]

[illegible]

MAR-29-1993 14:01 FROM G F CHAMBER

RUSSELL COUNTRY
M·O·N·T·A·N·A

SENATE TAXATION
EXHIBIT NO. 8
DATE 4-5-93
BILL NO. HB 591

P.O. Box 3166
Great Falls, MT 59403-3166
406-761-5036
Toll Free 1-800-527-5348

A tourism region uniting these Montana counties: Blaine, Cascade, Chouteau, Fergus, Hill, Judith Basin, Liberty, Meagher, Petroleum, Pondera, Teton, Toole & Wheatland

March 29, 1993

TO: Senate Taxation Committee
Mike Halligan
Dorothy Eck
Bob Brown
Steve Doherty
Delwyn Gage
Lorents Grosfield
John Harp
Spook Stang
Tom Towe
Fred Van Valkenburg
Bill Yellowtail

We urge your opposition to HB 591. It accomplishes very little in solving the State's general fund crisis or the cities and towns' infrastructure problems. What it would do, if passed, is dilute the effort of what has begun to work - the successful promotion of tourism using accommodations tax funds.

As you are aware, tourism is on the increase. Marketing efforts of Travel Montana, the tourism regions and visitor bureaus have been effective. Passage of this bill would not offer a solution, it would only create another problem.

Please vote against HB591.

Sincerely,

George S Willett / gf

George S. Willett
President

gf

MISSOULA
FINANCE/CITY CLERK OFFICE
435 RYMAN ST. • MISSOULA, MT 59802-4297 • (406) 523-4700
FAX (406) 728-6690
FINANCE AND DEBT MANAGEMENT
BUDGET AND ANALYSIS
ACCOUNTING
CITY CLERK
UTILITY BILLING
RISK MANAGEMENT
GRANT ADMINISTRATION

SENATE TAXATION
EXHIBIT NO. 9
DATE 4-5-93
BILL NO. HB 591

CITY OF MISSOULA

CHUCK STEARNS TESTIMONY ON HOUSE BILL 591
April 5, 1993

The City of Missoula supports House Bill 591 as a fair way to help pay for some of the impacts that the tourism sector imposes on local governments. Local taxes on transient lodging are found in more states (43 states) than any other selective excise tax.[1] Also, as shown in the article from a recent issue of ***City and State*** on the back of this page, in the most recent survey of tourism association members, 86.9% of the respondents said that there was a lodging tax levied in their jurisdiction and **"50.4% of the proceeds went to general city operations."** The reason for this wide imposition of the tax is the recognition that tourists do impose service costs on local governments during their stay in the town.

While accommodations industry representatives rightly argue that they already pay property taxes, please remember that, unlike most commercial establishments, hotels, motels, resorts, and convention centers present 24 hour occupancies and risks, so that they account for more than their proportionate share of public safety calls. Also, the occupancy density and often high rise structures present some of our greatest fire risks. Hotels and motels are often havens for drug transactions and Missoula's only homicide in 1987 occurred in a motel room.

Perhaps an overlooked impact on local governments is the trend whereby tourists are attracted to visit Montana, they see the relatively low land prices compared to where they live, and they come to buy raw acreage for development or subdivision. I am not sure if the subdivision bills in this year's Legislature would be commanding such attention were it not for the carving up of Montana that is currently going on around the tourism centers of the state.

There has also been a dramatic increase in special interest groups tied to preserving themselves as the sole beneficiaries of the accommodations tax. When a lodging tax for local government was first proposed in the 1980's, it seemed as if the opposing parties were local governments and the Montana Innkeepers Association. Now we are told that the Montana Tourism Coalition represents 35 associations organized to preserve themselves as the beneficiaries of tourism promotion. In the last few years we have seen new interest groups, such as a state Bed and Breakfast Association, spring up to preserve this financial fiefdom. I ask you to consider all of the opponents to this bill now and honestly ask yourself, "To whom is the benefit of the accommodations tax going and who is bearing the brunt of the impacts?" I believe you will agree that it is time for state and local taxpayers to be spared from paying for the impacts that out of state tourists impose on our respective governmental budgets.

We encourage your support of HB591 as a way to repay the state and local governments for the costs of tourism impacts.

---

[1] John H. Bowman and John L. Mikesell, *Local Government Tax Authority and Use*, (Washington, D.C.: National League of Cities, 1987), p. 96.

SPECIAL REPORT
MARKETING

Selling the cities
Tourism as boost to development

By ELLEN SHUBART

Call them the Rodney Dangerfields of economic development. It's not just that convention and tourism bureau officials haven't gotten respect — all too often, they say they haven't gotten the funding due them, either.

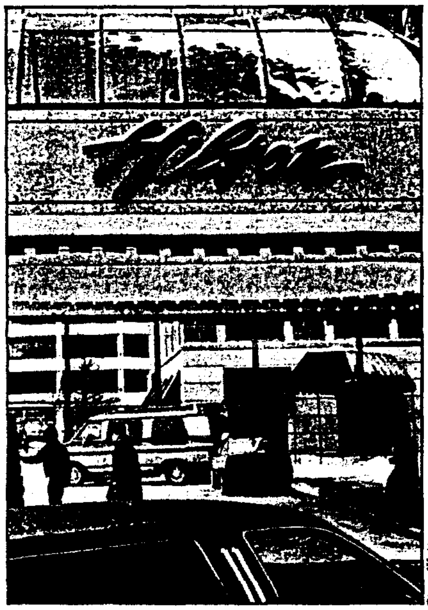
Still, it's finally being understood by city officials that the convention and tourism trade is one of the legs of the economic development stool, said Richard J. Newman, executive director and chief executive officer of the International Association of Convention & Visitors Bureaus, Springfield, Ill.

The tourism and meeting business hauls in $42 billion in taxes annually and generates a whopping $2 billion in economic activity *per day*. And, it is not a cyclical business. Those revenues keep on coming.

It is also a less risky business. If an economic development effort to land a factory doesn't happen, the local economy may be adversely affected for years, Mr. Newman pointed out. But if a community doesn't land a convention or lure tourists this year, there will be tourists to grab for next year and conventions to book for any of the next 6.8 years, the average time frame for meetings bookings.

It's not just those in the industry or in public office who see the viability of tourism business. The authors of a soon-to-be published book called "Marketing Places: Attracting Investments, Industry and Tourism to Cities, States and Regions," point out that "Tourism and the business hospitality market have emerged as viable place development strategies on a footing equal to business retention, business attraction, grow your own businesses and export-development/reverse investment."

The authors, Philip Kotler, Donald Haider and Irving Rein, all of Northwestern University, Evanston, Ill., add that "In a service-driven economy of aging population, (tourism and meetings) are generally expected to grow at rates ahead of the national economy."



Steve Woit

Room service: The 816-bed Minneapolis Hilton and Towers is partially owned by the city, a direct investment in economic development via tourism.

Just as the importance of convention and tourism business has evolved, so have the convention and visitors bureaus that serve the industry.

The International Association of Convention & Visitors Bureaus was formed 78 years ago with five cities as members. In 1975, the number had grown to 88. Today, the association boasts 398 members, an indication of the increasing recognition of the economic importance of conventions and tourism.

"Sometimes government officials don't understand that a convention and visitors bureau is economic development. They think of economic development in terms of brick and mortar only. Yet the largest import in the U.S. today is tourism, bringing in yen and francs," Mr. Newman said.

Dale R. Finley, 1992-93 president of the international association and president of the Convention & Visitors Bureau of Greater Cleveland, as well as a former mayor of Strongsville, Ohio, agrees. "Practically, mayors are only interested in the next election. The nature of the job is short-sighted, with them worrying about what happens 'on my watch.'

"But the value of tourism money is just being recognized by public officials. It is 100% usable, while tax money from taxpayers has to be returned to them."

Mr. Newman easily ticks off the benefits of convention and tourism business for economic development:

- An increase in the number of jobs; even if some are low-level or menial jobs, they are filled by those who leave welfare rolls.
- A healthier local economy, bringing with it an increased tax base from "quality" properties.
- An increase in the quality of life through improved infrastructure, including parks.
- An increase in taxes paid.

The latter is one area in which convention and tourist bureaus think they get less than their share of respect. Too often, Mr. Newman said, cities institute "bed" taxes, or taxes on hotel and motel rooms, but instead of plowing the money back into the tourism business, appropriate the funds for other purposes, ranging from fire equipment to school services.

'Sometimes government officials don't understand that a convention and visitors bureau is economic development.'
Richard J. Newman
Executive Director
International Association of Convention & Visitors Bureaus

'The value of tourism money is just being recognized by public officials. It is 100% usable, while tax money from taxpayers has to be returned to them.'
Dale R. Finley
President
Convention & Visitors Bureau of Greater Cleveland

According to the most recent survey of tourism association members in 1991, 86.9% of respondents have a room tax charged in area hotel and motel rooms, raising $1.1 billion. Of that, 50.4% went to general city operations, while only 26.4% went to tourism development operations. The remaining funds went for convention center construction, debt service or operations.

Fifteen years ago, only 20 cities could hold the largest shows, Mr. Newman said. Today, 50 cities compete with one another for the larger trade shows, and cities like Chicago, San Francisco and Orlando are doubling or even tripling their convention centers to draw more and larger gatherings.

The second-tier cities — th[e] smaller cities without the mamm[oth] convention center capacities — a[lso] benefit from the travel industry, at a lower level. The average attendance at a meeting anywhere is only 200, utilizing one hotel. With m[ore] choices comes more competit[ion] among all sizes of cities for the [ma]jority of the meetings.

Most convention bureaus are private, not-for-profit corporations, supported by the room tax, gove[rn]ment allocations, private memb[er]ship or a combination of any or [the] three. While the association maintains that the entirety of a room tax should be reinvested in tourism promotion, often bureaus only g[et a] portion of that tax.

Some 32 bureaus reported in [a] 1991 survey having either a city, county or state restaurant tax, with collections equalling $148 million.

See **Conventions** *on Page*

Montana League of Cities and Towns

April 5, 1993

SENATE TAXATION
EXHIBIT NO. 10
DATE 4-5-93
BILL NO. HB 591

Senator Mike Halligan, Chairman
Senate Taxation Committee
State Capitol
Helena, MT 59624

Dear Senator Halligan:

The Montana League of Cities and Towns supports House Bill 591 for the following reasons:

1. This bill provides for a reasonable distribution of lodging tax revenues. Lodging taxes are imposed in almost 90 percent of the America`s cities, and approximately 50 percent of these revenues are allocated to fund public safety and other local services. Under HB-591, 12.7 percent of lodging tax revenue will go local governments, which is far below the national average but still recognizes the fact that travelers exert tremendous pressures on city and county services.

2. The additional money raised by this bill is desperately needed by both local and state governments. Cities and counties have been operating under one of the most suffocating tax limitation measures in the country for the last six years, and this session of the legislature is struggling to balance a state budget that is more than $200 million in the hole.

3. With the increase provided by this bill, Montana will still have an edge in the competion for the travel business, because the rate of the lodging tax in this state will continue to be below the regional average.

4. During the six years since the lodging tax was imposed, Montana spent an average of $5.6 million on travel promotion and advertising. If this bill is approved, more than $12 million will be spent for these purposes in the next biennium. Lodging tax revenues have ballooned 115 percent since 1987, and the purpose of this bill is to redirect some of this additional revenue, while maintaining promotion and advertising budgets at consistent levels.

5. No government program or agency should have limitless, unquestioned, self perpetuating budget authority, and this bill allows the legislature to decide the appropriate amount that our state should spend on travel promotion and advertising.

6. Under current law, public funds, specifically lodging tax revenues, are being used to promote private businesses, while the costs of city and county services used by tourists and other travelers are subsidized by local taxpayers.

P.O. Box 1704 • Helena, Montana 59624 • Telephone (406) 442-8768

7. This bill recognizes the undeniable fact that people, both residents and outsiders, exert pressure on streets, roads, police fire, emergency medical and other local services. The intent of the legislation is to establish a logical link between the costs and benefits of these services, which is totally consistent with the principles of fair tax policy.

8. Travel and recreation businesses have paid economic dividends for Montana, but we may have reached the point of diminishing returns. Both national parks are over booked, Montanans are being crowded out of recreation areas, traffic and congestion in the Flathead Valley and other prime tourist areas are becoming serious problems, and it is legitimate to ask whether this state should continue to spend $10 per capita on advertising.

9. This bill will return money to Montana cities, towns and counties, where it will be used to fund necessary services and ease the pressures on local property taxes.

10. No agency, program or cause has a exclusive right to claim the proceeds of the lodging tax. Travel businesses supported the four percent tax in 1987, but this agreement is not sacred and it does not prevent the legislature from reallocating these revenues for public purposes.

I thank you and the members of the committee for considering these arguments, and ask you to support this fair, logical and necessary legislation.

Best wishes,

Alec Hansen
Executive Director

Montana League of Cities and Towns

ACCOMMODATIONS TAX REVENUE
AVAILABLE FOR
REGIONAL TOURISM PROMOTION

	CURRENT LAW	PROPOSED LAW (HB-591)	
FY 88	$822,000		
FY 89	1,223,000		
FY 90	1,338,000		
FY 91	1,520,000		
FY 92	1,735,000		
*FY 93	1,767,000		
*FY 94	1,801,000	1,497,000	(304,000)
*FY 95	1,842,000	1,530,000	(312,000)

MONEY AVAILABLE FOR REGIONAL TRAVEL PROMOTION WILL DECLINE SLIGHTLY UNDER THE PROVISIONS OF HOUSE BILL 591. IT IS IMPORTANT TO UNDERSTAND, HOWEVER, THAT FUNDS AVAILABLE FOR REGIONAL PROMOTION HAVE INCREASED 115 PERCENT SINCE THE ACCOMMODATIONS TAX WAS IMPOSED AT THE BEGINNING OF FISCAL YEAR 1988. THIS BILL DOES REDIRECT REVENUE TO THE STATE GENERAL FUND AND LOCAL GOVERNMENTS, BUT IT PRESERVES FUNDING FOR REGIONAL PROMOTION AT THE AMOUNT THAT WAS AVAILABLE IN FISCAL YEAR 1991. IT WILL ALSO PROVIDES THAT FUNDING FOR THIS PURPOSE WILL BE AUGMENTED AT A RATE CONSISTENT WITH FUTURE INCREASES IN ACCOMMODATIONS TAX COLLECTIONS.

* ESTIMATED

P.O. Box 1704 • Helena, Montana 59624 • Telephone (406) 442-8768

Quick Facts

Wyoming

Population: 453,600

Area: 97,914 Sq. Miles (253,597 Sq. KM)

Capital: Cheyenne

Highest Point: 13,804 Ft. Gannett Peak (4207 M)

Lowest Point: 3,100 Ft. Belle Fourche River (945 M)

Time Zones: Mountain. DST.

Minimum Age For Drivers: 16

Alcoholic Beverage Laws: Liquor sold by package and drink in any type of licensed store or establishment. Sunday sales noon – 10 p.m. by local option. Interstate import limit 3 quarts. Legal age 21.

Local Taxes: Wyoming's statewide sales tax is 3 percent, with local options for an additional increment up to 2 percent. Localities may also impose lodging taxes up to 4 percent.

Quick Facts

Idaho

Population: 1,006,700

Area: 83,557 Sq. miles (216,413 Sq. KM)

Capital: Boise

Highest Point: 12,662 Ft Borah Peak (3859 M)

Lowest Point: 710 Ft. Snake River (216 M)

Time Zones: Mountain/Pacific. DST.

Minimum Age For Drivers: 16

Alcoholic Beverage Laws: Liquor sold by package in state liquor stores and by the drink at any licensed establishment. No sales by drink 1 a.m. Sunday to 10 a.m. Monday. Legal age 21. Interstate import limit 2 quarts per person.

Local Taxes: Statewide sales tax is 5 percent. There is a 2 percent Travel and Convention Tax on lodgings, with local options to levy up to an additional 5 percent.

Quick Facts

South Dakota

Population: 696,000

Area: 77,047 Sq. Miles (199,551 Sq. KM)

Capital: Pierre

Highest Point: 7,242 Ft., (2207 M) Harney Peak

Lowest Point: 962 Ft. (293 M) Big Stone Lake

Time Zones: Central/Mountain. DST.

Minimum Age For Drivers: 16

Alcoholic Beverage Laws: Liquor sold by package and drink at any store or establishment with a license. Some sales Sunday. Legal age 21. Interstate import limit 1 gallon for persons 21 or older.

Gambling: Minimum age 21. Maximum bet $5, except where otherwise noted.

Local Taxes: South Dakota's statewide sales tax is 4 percent, with local options for for an additional 2 percent. Certain localities may impose another 1 percent on lodgings, admissions, food and alcoholic beverages.

Quick Facts

Montana

Population: 799,100

Area: 147,138 Sq. Miles (381,087 Sq. KM)

Capital: Helena

Highest Point: 12,799 Ft. (3901 M) Granite Peak

Lowest Point: 1,862 Ft. (568 M) Kootenai River

Time Zones: Mountain. DST.

Minimum Age For Drivers: 16

Alcoholic Beverage Laws: Liquor sold by package in state liquor stores and by drink at any type of establishment with a license. Legal age 21. Interstate import limit 3 gallons.

Gambling: Limited.

Local Taxes: Montana does not have a statewide sales tax. Designated resort communities may enact a Resort Tax of up to 3 percent for goods and services. There is a 4 percent statewide lodging tax.

SENATE TAXATION
EXHIBIT NO. 11
DATE 4-5-93
BILL NO. HB591

For the past 3 years, it has cost the state 40 cents in advertising to attract each non-resident tourist. Assuming that this ratio remains unchanged, HB541 would reduce the advertising budget by approximately $529,000 resulting in a loss of 56,000 inquries. Historically, inquiries have been 7% of total visitation. Therefore, we would assume that non-resident visitation would decline by about 1 million to 5.4 million visitors, which is equivalent to our 1989 total.

Each non-residents spends an average of $140 while they are in Montana. A reduction of visitor counts would result in a loss of over $140 million in expenditures. Even a conservative estimate of decline in visitation of only 500,000 still means a $70 million impact to Montana businesses.

RATIOS TO MEASURE IMPACT OF HB591 ON TOURISM

	1990	1991	1992	*HB591 Projected 1994*
Total budget	5,672,643	5,982,670	7,269,684	*5,600,271*
Advertising budget	2,200,457	2,365,972	2,680,576	*2,150,712*
Inquiries fulfilled	416,123	426,468	435,890	*379,862*
$ Spent by visitors	760,000,000	828,000,000	900,000,000	*747,501,677*
# of visitors	5,800,000	5,900,000	6,500,000	*5,398,623*
				3 year avg.
Ad % of budget	38.79%	39.55%	36.87%	*38.40%*
Cost to attract visitor	$0.38	$0.40	$0.41	*$0.40*
$ spent/visitor	$131.03	$140.34	$138.46	*$136.61*
Inquire/# of visitors	7.17%	7.23%	6.71%	*7.04%*

SUMMARY

-For every 40 cents spent in advertising, Montana attracts one visitor.

-Each visitor averages $140 in expenditures in Montana.

-HB591 will probably result in a reduction of $500,000 or more in advertising.

-We anticipate a drop in visitation between 500,000-1 million people.

-Expenditures will decline between $70-140 million.

-Gas tax collections from tourists will decline $1-2 million based on present tax rates.

-Taxes derived from legal gambling revenues will decline.

-General fund revenues will decline $3-7 million from wages, taxes paid by employment and taxes on business profits directly derived from visiting tourists.

SENATE TAXATION
EXHIBIT NO. 12
DATE 4-5-93
BILL NO. HB 591

	PROPOSED LEGISLATION REGARD BED TAX			
	Base is calculated at FY94 estimated collection			
	EXISTING LAW	**HB642 PARKS**	**HB591 DIVERSION**	**HB642/591 COMBO**
Tax rate	4%	4%	5%	5%
Total Collected	7,652,000	7,652,000	9,565,000	9,565,000
Dept. of Revenue	(181,006)	(181,006)	(206,258)	(206,258)
Total Funds Available	7,470,994	7,470,994	9,358,742	9,358,742
Distribution				
Historical Society	74,710	74,710	74,870	74,870
University System	186,775	186,775	187,175	187,175
Travel Montana	5,407,131	5,042,921	4,492,196	3,992,065
Tourism Regions	1,802,377	1,680,974	1,497,399	1,497,399
State Parks	0	485,615	0	500,131
Cities/Counties	0	0	1,188,560	1,188,560
General Fund	0	0	1,918,542	1,918,542
Glacier Country	395,892	369,226	328,904	328,904
Gold West Country	154,986	144,547	128,761	128,761
Russell Country	159,853	149,086	132,804	132,804
Yellowstone Country	313,289	292,187	260,278	260,278
Missouri River Country	41,563	38,763	34,530	34,530
Custer Country	204,191	190,438	169,640	169,640
Whitefish	27,811	25,937	23,105	23,105
Kalispell	49,259	45,941	40,924	40,924
Missoula	80,476	75,055	66,859	66,859
Butte	47,763	44,546	39,681	39,681
Helena	43,095	40,192	35,803	35,803
Great Falls	75,303	70,231	62,561	62,561
Bozeman	52,972	49,404	44,009	44,009
West Yellowstone	43,167	40,259	35,863	35,863
Billings	112,703	105,111	93,632	93,632

Montana Chamber of Commerce

Distribution of funds to cities/counties as required by HB591
Estimate based on FY94 total of $1.188.560 available

Distribution based on ratio of collection in 1992

COUNTIES LISTED BY TOURSIM COUNTRY

CUSTER COUNTRY	
Big Horn	$8.082
Carter/G.V./Treas.	$387
Custer	$14.527
Dawson	$10.484
Fallon	$1.444
Musselshell	$1.070
Powder River	$1.293
Praire/Wibaux	$856
Rosebud	$4.359
Yellowstone	$158.192

GLACIER COUNTRY	
*Flathead	$162.164
Glacier	$43.971
Lake	$11.859
Lincoln	$10.771
Mineral	$6.905
*Missoula	$121.098
Ravalli	$10.919
Sanders	$3.093

GOLD WEST COUNTRY	
Beaverhead	$15.238
Broadwater	$1.225
Deer Lodge	$2.155
Granite	$1.611
Jefferson	$2.387
*Lewis & Clark	$62.180
Madison	$10.183
Powell	$5.826
*Silver Bow	$64.773

RUSSELL COUNTRY	
Blaine	$2.790
*Cascade	$101.089
Choteau	$734
Fergus	$11.791
Hill	$15.043
Judith/Liberty/Petrc	$969
Meagher	$4.260
Pondera	$2.553
Teton	$1.869
Toole	$7.717
Wheatland	$942

MISSOURI RIVER CO.	
Daniels	$1.028
Garfield/McC	$1.116
Phillips	$4.644
Richland	$4.250
Roosevelt	$3.718
Sheridan	$2.155
Valley	$9.029

YELLOWSTONE CO.	
Carbon	$15.334
*Gallatin	$208.738
Park	$46.183
Stillwater	$4.458
Sweet Grass	$3.295

Note- the total money diverted to cities, towns and counties is $1,188,560. Eight cities will receive 61% ($721,530) leaving $467,030 for all other cities, towns and counties. The MONTANA CHAMBER can see that the few cities receiving approximately $90,000 realize a benefit (it increases budgets less than 1%) but questions if the small amount of money for the rest of the local governments justifies a huge 25% decrease in tourism marketing.

Montana Chamber of Commerce

EXHIBIT 12
DATE 4-5-93
HB-591

Motel

Real property mkt value: 2.7 million
Personal propery mkt value: 340,000

		Current Law	W/tax reform	Difference
Real prop. tax		(415.12 mills)	(381.12 mills)	
Mkt value: 2,700,000				
Taxable: 104,220				
		43,263	39,720	-3,543
Personal prop. tax		(415.12 mills)	(381.12 mills)	
Mkt value: 340,000		9% taxable:	4.5% taxable	
		30,600	15,300	
		12,702	5,831	-6,870
Sales tax				
Budget				-10,413 reduct
utilities	110,000			
phone	27,000			
repairs	15,000			
capital purchase	35,000			
prof. services	50,000			
cleaning, etc.	15,000			
office supplies	9,000			
TOTAL	261,000	0	x 4%	10,440
			Net:	27

HB 591

Amendment to Coordination Instructions
April 5, 1993

Amendment:
Page 6, Section 4.
Strike After "1993" on line 14 through "collections" on line 18.

3rd Reading
(See ~~attached~~ bill)

SENATE TAXATION
EXHIBIT NO. 13
DATE 4-5-93
BILL NO. HB 591

SENATE TAXATION
EXHIBIT NO. 14
DATE 4-5-93
BILL NO. HB 651

COST ALLOCATION STUDY

for the

MONTANA STATE HIGHWAY SYSTEM

Prepared by

Jerry Stephens
Department of Civil and Agricultural Engineering
Montana State University
Bozeman, Montana

and

Tim Barth and William Cloud
Montana Department of Transportation
Helena, Montana

Prepared for
STATE OF MONTANA
DEPARTMENT OF HIGHWAYS
RESEARCH PROGRAM
in cooperation with the
U.S. DEPARTMENT OF TRANSPORTATION
FEDERAL HIGHWAY ADMINISTRATION

July 1992

EXHIBIT 15
DATE 4-5-93
HB-651

EXHIBIT
DATE

Senate Taxation

FINANCING

THE

MONTANA STATE HIGHWAY SYSTEM

Prepared by

Jerry Stephens
Department of Civil and Agricultural Engineering
Montana State University
Bozeman, Montana

Prepared for
STATE OF MONTANA
DEPARTMENT OF HIGHWAYS
RESEARCH PROGRAM
in cooperation with the
U.S. DEPARTMENT OF TRANSPORTATION
FEDERAL HIGHWAY ADMINISTRATION

December 1992

HB 651 LEGISLATIVE INFORMATION BULLETIN

Montana Department of Transportation - 2701 Prospect Avenue - Helena, MT 59620-1001

Major Provisions - Summarized of HB 651

HB651 includes the recommendations for modifying Gross Vehicle Weight fees to bring fee schedules and procedures into compliance with the International Registration Plan. The bill's restructure of the GVW fees also modifies the highway financing of Montana's highway system in accordance with the recommendations of the Legislative mandated Montana Highway Cost Responsibility Study.

The study was conducted by the MSU under a contract with the MT DOT. The study identified inequities in assessing highway user fees among the three classes of vehicles studied. It concluded that basic vehicles (cars, vans and pickups) are under paying with a .96 equity ratio, intermediate vehicles (trucks less than 26,000 pounds) with a 1.11% equity ratio and heavy vehicles (trucks more than 26,000 pounds) with a 1.07% equity ratio. These ratios are the amount of revenue paid compared to highway expenditures attributed to these classes of users.

HB 651 also modifies special discounted gross weight fees available to particular types of vehicles engaged in certain activities with discounted GVW fees. These fees are adjusted to make 100%, the discounts granted some of the GVW fees and to increase the percentage of certain other discounts now granted other GVW fees.

HB 651's major features and provisions are as follows:

(1) Restructures GVW fees, combining separate tractor and trailer fees into one schedule in accordance with recommendations made by the International Registration Plan and the Highway Cost Responsibility Study;

(2) Eliminates the property tax on trailers/semi trailers, 26,000# or more;

(3) Increases the 75% discounted GVW fees now allowed for vehicles transporting livestock, logs, poles, low boy trailers to 100%; increases 55% fee on ready mix and fertilizer vehicles to 95%; and increases 16% fees on farm vehicles to 35%, however because of fee structure changes, the increase to agriculture users will be minimal.

(4) Assesses a 45 mill property tax on the tractor and/or truck to replace lost revenue from eliminating trailer property tax;

(5) Distributes property tax revenue to counties in the same manner and levels as now;

(6) Increases the fuel tax on gasoline and diesel by three quarters of one cent to make the bill revenue neutral. The House amended HB651 removing the three quarters of one cent per gallon gasoline tax but leaving the diesel tax increase.

(7) Places fertilizer spreaders in the agriculture fee class.

EXHIBIT
DATE 4-5-93
HB 651

SENATE TAXATION
EXHIBIT NO. 17
DATE 4-5-93
BILL NO. HB 651

Amendment to HB 651

1. Page 41
   Following: line 18
   Insert: "<u>NEW SECTION</u>. Section 23, If House Bill No. 572 is not passed and approved, then this act is void."
   Renumber: subsequent section

DAG:D:MCS:15.mb

SENATE TAXATION
EXHIBIT NO. 18
DATE 4-5-93
BILL NO. HB 651

April 5, 1993
House Bill 651
Senate Taxation Committee
Statement by Montana Motor Carriers Association

Mr. Chairman. Members of the Committee. For the record my name is Ben Havdahl representing the Montana Motor Carriers Association. MMCA would like to go on record in support of HB 651.

We have carefully reviewed the fairly numerous and varied provisions of House Bill 651 that appear to make it a complicated looking piece of legislation. However, the bill has come together quite well to do the what has to be done in an effective and well thought out manner.

We would like to express appreciation to the DOT for their effort in communicating with the industry throughout the formulation of this bill.

To assist our members in their understanding of what the bill does, we prepared a detailed analysis of the bill's provisions with a brief explanation of what they do and why. I have taken the liberty of attaching a copy of that explanation to this statement for the benefit of the committee members.

Representative Wanzenried and Dave Galt of the DOT have laid out the provisions and the bill's effect and purpose to the committee very well. MMCA does not have a great deal to add to the explanation.

We want to confirm the fact that MMCA fully supports the impact on and the importance of Montana continuing its participation in the International Registration Plan.

Upwards of 95% or more of the MMCA motor carrier members operate extensively in interstate commerce running equipment in most of the 48 states and Canadian Provinces. Some in all 48 states.

The importance of the International Registration Plan to Montana based motor carriers cannot be over stressed.

We are in support of necessary changes in the statute to allow complete compliance with the requirements of the IRP compact terms regarding power unit registration of vehicles.

It is a little difficult to stand before this committee and acquiesce support for any kind of tax increase on the trucking industry.
MMCA's support of this bill is given with thought in mind regarding the increase in diesel fuel tax by three quarters of one cent per gallon to make the bill equitable and revenue neutral.

HB651 was heralded by the press as a tax break for big trucks when it was passed by the House. I would like to correct an impression that the trucking industry is getting a tax break in this session.

The bill does reduce the GVW fees and that recommendation is consistent with the results of the Highway Cost Responsibility Study conclusions that you have heard about in previous testimony.

For example, under the current schedule, an 80,000 pound, five axle, tractor semitrailer combination, now pays $987.50 per year in GVW fees. Under the revised schedule in HB 651, that unit will pay an annual $750.00 GVW fee assessed only on the tractor. That is a difference of $237.50.

However that same unit, averaging a conservative 100,000 miles per year, will pay an additional $150.00, or more, for the three quarter cent per gallon increase in the diesel fuel tax under the bill. That is a net difference of $87.50 per year.

MMCA testified extensively before this Committee on SB257, the bill to increase fuel taxes 4¢ per gallon in 1993 and 3¢ per gallon in 1994.

That bill was passed by the Senate, as you know, and will cost that same truck combination, which now pays $4,000 a year in state diesel fuel taxes, an additional $1,400 per year under SB257.

So, assuming the passage of HB651 and for this Legislature to give that truck combination unit a net savings of $87.50 on GVW fees under the bill and than take back an additional $1,400.00 under SB257, does not seem to me to be any kind of a tax break.

I would hope that this explanation would allay any allegations of a "tax break for big trucks' coming out of this session.

MMCA appreciates the opportunity to comment and express our position on this legislation. We would urge this committee to report the bill favorably.

Thank you.

EXHIBIT 18
DATE 4-5-93
HB 651

MONTANA MOTOR CARRIERS ASSOCIATION INC.

B.G. HAVDAHL, EXECUTIVE VICE PRESIDENT
501 NORTH SANDERS
P.O. BOX 1714, HELENA, MONTANA 59624
TELEPHONE: AREA CODE 406 442-6600

TO: MMCA Members

FROM: B. G. Havdahl, Executive Vice President

Major Provisions - HB 651 Summarized

(1) Restructures GVW fee, combines separate tractor and trailer fees into one schedule in accordance with recommendations made by the International Registration Plan and the Highway Cost Responsibility Study.

(The study concluded that basic vehicles (cars, vans and pickups) are under paying with a .96 equity ratio, intermediate vehicles (trucks less than 26,000 pounds) with a 1.11% equity ratio and heavy vehicles (trucks more than 26,000 pounds) with a 1.07% equity ratio.)

(2) Eliminates the property tax on trailers/semi trailers, 26,000# or more;

(3) Increases the 75% discounted GVW fees now allowed for vehicles transporting livestock, logs, poles, low boy trailers to 100%, increases 55% on ready mix and fertilizer vehicles to 95% and increases 16% fees on farm vehicles vehicles to 35%;

(4) Assesses a 45 mill property tax on the tractor and/or truck to replace lost revenue from eliminating trailer property tax;

(5) Distributes property tax revenue to counties;

(6) Increases the motor fuel tax on gasoline and diesel by three quarters of one cent to make up the revenue loss to the highway fund; (House removed gasoline tax increase from this bill.)

(7) Assesses GVW fees on buses based on gross weight instead of by number of seats; and

(8) Places fertilizer spreaders in the agriculture fee class.

Repealed Provisions

HB 651 repeals section 61-10-202 of law that establishes a separate title, Title II, for GVW fees that apply to trailers and semi trailers other than house trailers.

HB 651 repeals the sections of the law that grants discounts in the GVW fees to certain classes of vehicles: 61-10-204, fees of 75% for lowboys, livestock, log and pole trailers; 61-10-205, fees of 55% for ready mix trucks; 61-10-207, fee of $7 per seat (not first seven rows) for buses; and 61-10-208, fee for house trailers at .75 per foot.

HB 651 also repeals 61-10-210 providing for a three unit combination fee in lieu of gross weight fees. It is not clear how statute was applied and why.

Section by Section Description of HB 651

Section 1 amends the personal property tax section 15-6-138 to provide that trailers and semi trailers are exempt from the personal property tax now assessed at 9% as per Section 15-6-201 (1) (v). Section 15-6-201 is the personal property tax exemption statute.

Section 2 amends 15-6-201, which establishes the exempt categories from personal property tax and specifically, in sub paragraph (1) (v), provides that all trailers and semi trailers with a licensed gross weight of 26,000 pounds or more are to be exempt from personal property taxes.

Section 3 amends 15-70-204 raising the tax on gasoline (not aviation gasoline) from 20 cents per gallon to 20 and 3/4 cents per gallon. This is to provide $3 million the lost revenue to the highway fund, estimated at $4 million per year because the bill discounts, by 25%, the new single, tractor only GVW fees, as per recommendation of the Highway Cost Responsibility Study.

Section 5 amends 15-70-321 raises the tax on special fuel (diesel) from 20 cents per gallon to 20 and 3/4 cents per gallon to provide an additional $1 million per year to the highway fund to replace lost revenue by discounting GVW fees by 25%.

Section 7 amends 61-1-134, the definition section defining what is and what is not a commercial vehicle. Amends what is not a commercial vehicle to be a vehicle that pays 35% GVW fee, currently 16% GVW fee, under 61-10-206. This amendment establishes that a farm vehicle is still exempt as a commercial vehicle notwithstanding that the GVW fee is changed from a rate of 16% of commercial GVW fee to 35% of the GVW fee.

Section 9 NEW SECTION - levies a 45 mill property tax on trucks and truck tractors over 26,000 pounds in addition to all over levies, the average statewide mill levy used under the IRP or the county mill levy.

The 45 mills is to offset the decrease in the amount of property tax caused by the exemption of trailers and semi trailers under 15-6-201 (1) (v). The amendment requires the distribution of the funds in relative proportion to all involved levels of local government.

EXHIBIT 18
DATE 4-5-93
SB HB-651

Section 14 is the heart of the bill. It amends 61-10-201 the section setting out the revised schedule for truck and/or tractor only GVW fees. It, in effect, combines the current schedule for trailers and semi trailers in 61-10-202 and trucks and truck tractors in 61-10-201 into one schedule. 61-10-202, the trailer GVW section, is repealed by the bill. The amended section also assesses the single fee on buses.

Section 16 amends section 61-10-206 which sets out "special fees" for certain farm vehicles to be a fee equal to 16% of the currently assessed fees in Schedules I on truck tractors and in Schedule II on trailers. The bill amends the amount of the percentage from the 16% amount to 35%. This amount is in accordance with the recommendations of the Montana Highway Cost Responsibility Study ordered by the 1991 Legislature.

This section is further amended by including fertilizer spreader trucks and spreaders trailers in the same special fee category as other farm vehicles to be assessed at 35% under this bill provided they are used exclusively to transport and apply fertilizers to fields

Section 17 amends section 61-10-209, now authorizing monthly or quarterly payments of the GVW fees for vehicles exceeding 24,000#, to exclude trailers, pole trailers, and semi trailers and to include buses. This amendment is necessary because of the repeal of GVW fees on trailers and the change in assessing GVW fees on buses from number of seats to gross weight.

MISSOULA COUNTY
MISSOULA

CITY-COUNTY HEALTH DEPARTMENT
301 W. ALDER
MISSOULA, MONTANA 59802
(406) 721-5700

SENATE TAXATION
EXHIBIT NO. 19
DATE 4-5-93
BILL NO. HB 219

April 2, 1993

Senator Mike Halligan, Chair
Senate Taxation Committee
Montana Legislature
Capitol
Helena, MT 59620

Dear Senator Halligan:

I write in SUPPORT of HB 219, "An Act allowing a tax credit for conversion of a motor vehicle to alternative fuel; and providing an immediate effective date and a retroactive applicability date."

Senator, as you are well aware, a tremendous amount of effort is spent combating the air pollution troubling some of Montana's largest communities. The growth rates in these same communities will demand even more effort in this respect. As the local official responsible for improving conditions in Missoula's non-attainment airshed, I have hard-earned firsthand experience with the relative costs and effectiveness of these efforts. In the long run, I believe that incentives and alternatives can bring about change more effectively and inexpensively than any amount of costly enforcement.

Unfortunately, there is a lack of incentives and alternatives, particularly in the arena of transportation. Not because the technology does not exist, but because it is not economically accessible to the public.

In HB 219, the legislature is being offered an opportunity to stimulate consumer demand for a cleaner form of transportation. For communities that are not yet in violation of federal air quality standards, HB 219 presents one opportunity to address problems before EPA steps in and mandates away choices. Being so familiar with the tribulations of the stick, I urge you to vote for the carrot.

Sincerely,

E Leahy

Ellen Leahy
Director

cc Committee members

SENATE TAXATION
EXHIBIT NO. 20
DATE 4-5-93
BILL NO. HB 219

Remarks on Behalf of House Bill 219
April 5, 1993

by John O'Donnell,
Director of Commercial Energy Services
The Montana Power Company
40 East Broadway Street
Butte, Montana

Air pollution is one of the greatest threats to public health we now face. For years, we've heard about smog in the L. A. Basin, but the problem is more pervasive than that. It also affects cities in Montana. The Missoula greater urban area has recently been identified as a "nonattainment area" for carbon monoxide under the 1990 Federal Clean Air Act. The Environmental Protection Agency currently mandates an air mitigation program for all gasoline-fueled vehicles in Missoula. The leaders of several other Montana communities find they must evaluate total airshed pollutant loads when considering potential business expansions.

The emissions produced by burning fossil fuels have been identified as the single greatest source of air pollution. About half of those fossil fuel emissions come from motor vehicles. Motor vehicles and people go together. People drive cars, trucks and buses, and they drive them where other people work and live.

Vehicle emissions generally contain a few common ingredients: carbon monoxide, carbon dioxide, reactive hydrocarbons, nitrogen oxides, particulates, heat, and water. Four have been identified as the most common and pervasive fossil fuel pollutants:

- Carbon monoxide reduces the blood's oxygen level, inducing physical sluggishness and endangering people with heart and circulatory problems.

- Reactive hydrocarbons and nitrogen oxides react with sunlight to form ground-level ozone, which has been identified as a cause of respiratory distress, particularly in asthmatics, children and older people. Reactive hydrocarbons are suspected carcinogens.

- Particulates are emitted in large quantities by most diesel-fueled vehicles. This particulate matter, often black carbon soot, can cause eye, throat and respiratory problems.

Social, economic and health concerns have sparked intense interest in the promotion and use of cleaner burning alternative fuels for Montana transportation. Natural gas, propane, hydrogen, ethanol, methanol, and electricity are recognized alternatives to conventional gasoline and diesel fuels. Each of these cleaner fuels has its various positive attributes. A matrix comparing these alternative fuels with gasoline is attached. It can be seen that many factors can

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HB 219

affect the selection of a single fuel: direct fuel costs, vehicle cost premium, range and safety in addition to emissions reductions.

With these possibilities and the increased public interest in doing something about pollution, we might ask why we are still struggling to make even one viable clean-fuel alternative available.

One major roadblock is the absence of developed clean-fuel servicing and refueling stations in the state, and the relatively high cost and risk of investing in such infrastructure. The automotive industry will not produce an alternatively fueled car that nobody will buy, and nobody will buy a car that they can't refuel.

A second major stumbling-block may involve a basic human characteristic - resistance to change. In the absence of incentives, the average citizen will most likely opt to use conventional gasoline and diesel fuels over alternative clean-fuels. The greatest number of us are generally not willing to make significant personal sacrifices in the cost, performance, or use of the vehicle we drive without some kind of incentive. I believe this holds even when we perceive that the change we might have made could have been in society's best interest.

Federal lawmakers have recently given attention to the issues of assisting the development of alternative fueling infrastructure and reducing investment risk. Tax deductions will be allowed after July 1, 1993 for investments in clean-fuel stations and clean-fuel vehicle conversions and purchases. Certain mandates regarding clean-fuel federal fleet purchases in the future should also encourage more development of the nation's clean-fuel infrastructure.

Many of Montana's citizens, interested in the clean-fuel options, have contacted our company to inquire about the various technologies and the possibility of any incentives offered. A number of commercial fleet operators and several petroleum distributors have suggested that they are considering the economics of natural gas. Several State institutions, including the University of Montana and Montana State University, have expressed interest in the potential of converting their motor pools to natural gas.

I believe that the positive incentive a tax credit will send a signal to Montanans that the issue of cleaner air, with its positive impacts on quality of life, health and the economy is one of merit, and will encourage them to follow through with the conversion of their vehicles to a cleaner alternative fuel.

Issue
Fuel Supply
Fuel Cost[18]
Maintenance C
Vehicle Cost Pı
Range[31]
Emissions
Safety

SENATE TAXATION
EXHIBIT NO. 21
DATE 4-5-93
BILL NO. HB 219

PROPOSED AMENDMENT
HOUSE BILL 219
INTRODUCED BILL

1. Page 2, line 22.
Following: "electricity"
Insert: "(f) any fuel that contains at least 20% vegetable oil, animal oil, or a derivative of vegetable oil or animal oil"

Reletter subsequent section

DATE 4-5-93

SENATE COMMITTEE ON Taxation

BILLS BEING HEARD TODAY: H.B 591 Wallin
HB 651, 219, 643, H.B 571 Gilbert

Name	Representing	Bill No.	Check One: Support	Check One: Oppose
Tim Magee	City of Great Falls	591	X	
Larry Gallagher	City of Kalispell	591	X	
Shelly Laine	City of Helena	591	X	
Tim Bergstrom	MT. State Council of Prof. Fire Fighters	591	X	
~~Brenda Wahler~~				
Miral Gamradt	City of Bozeman	591	X	
David Hemion	Helena Chamber	591		X
Stuart Doggett	MT Innkeepers	591		X
Chuck Stearns	City of Missoula	HB 591	ı	
Dan Ervin	MT Assn. Theatre Owners MT Video Software Dealers			X
~~Nancy Lundwall~~	~~Vocational~~			
Rorie Hanrahan	Park Plaza Htl	591		X
Keith L. Colbo	MT Tourism Coalition	591		X
Gene Vuckovich	Anaconda/Deer Lodge Co	591	X	
Alec Hansen	MLCT	591	X	
Mel Shamblen	Shilo Inn	591		X

VISITOR REGISTER

PLEASE LEAVE PREPARED STATEMENT WITH COMMITTEE SECRETARY

F10

DATE ______________________

SENATE COMMITTEE ON ______________________

BILLS BEING HEARD TODAY: ______________________

Name	Representing	Bill No.	Support	Oppose
MARK WATSON	CITY OF BILLINGS	591	✓	
DAVE GALT	MDT	651	✓	
Cal Harrington	Mt. County Treasurer Assn	651	✓	
Dan Wirak	Morgenthaler T&S	651	✓	
John O'Donnell	MPC	HB219	✓	
John Alke	MDU	HB 219	✓	
Greg Bryan	MONTANA TOURISM COALITION	HB591		✓

VISITOR REGISTER

PLEASE LEAVE PREPARED STATEMENT WITH COMMITTEE SECRETARY

F10

Amendments to House Bill No. 219
Third Reading Copy

For the Committee on Taxation

Prepared by Jeff Martin
April 5, 1993

1. Page 1, line 24.
Following: "section"
Insert: "is an amount equal to 50% of the equipment and labor costs incurred but the credit"

2. Page 1, line 25.
Strike: "$3,000"
Insert: "$1,000"

3. Page 2, line 2.
Strike: "$5,000"
Insert: "$2,500"

4. Page 2, line 25.
Strike: "or"
Following: line 25
Insert: "(f) any fuel that contains at least 20% vegetable oil, animal oil, or a derivative of vegetable oil or animal oil; or"
Renumber: subsequent subsection

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