

MINUTES

MONTANA SENATE 53rd LEGISLATURE - REGULAR SESSION

COMMITTEE ON TAXATION

Call to Order: By Chairman Mike Halligan, on April 14, 1993, at 10:30 a.m.

ROLL CALL

Members Present:

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

Members Excused: None.

Members Absent: None.

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

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

Committee Business Summary:

Hearing: None.
Executive Action: HB 591
Discussion: HB 671, HJR 3

EXECUTIVE ACTION ON HB 591

DISCUSSION:

Jeff Martin, Legislative County Staff, reported on the status of HB 591 after passage of amendments on 4/13/93.

Senator Eck proposed the amendments that are Exhibit No. 1 to these minutes. She said these amendments would allow some funding for the Historical Society's state capitol tours.

MOTION/VOTE:

Senator Eck moved to AMEND HB 591 to include state capitol tours and the original Governor's Mansion. (hb059110.ajm) The motion CARRIED UNANIMOUSLY on oral vote.

DISCUSSION:

Senator Towe distributed Exhibit No. 2 to these minutes, which shows the spread sheet on this bill.

Mr. Martin said before HB 591 is acted upon, it should be coordinated with HB 642, so that all the distributions will be made appropriately.

Exhibit No. 3 to these minutes shows the distribution between cities and the General Fund, which was drafted by Matthew Cohn, Director of the International Trade Division, Department of Commerce. The right column on this exhibit shows the distribution with the amendment by Senator Yellowtail. Mr. Cohn answered questions from the Committee members.

Mr. Martin said the coordinating instruction in HB 591 would void Sections 1 and 4 in HB 642 which provides for the allocation.

MOTION/VOTE:

Senator Towe moved to AMEND HB 519, to include the coordinating instructions. (hb059110.ajm) The motion CARRIED UNANIMOUSLY on oral vote.

MOTION:

Senator Van Valkenburg moved HB 519 BE CONCURRED IN AS AMENDED.

DISCUSSION:

Senator Yellowtail said he argues in opposition to this motion because the original agreement with the 4% bed tax was that it would be dedicated to tourism promotion only.

VOTE:

The motion CARRIED 7-4 on Roll Call Vote (#1). Senator Eck will carry the bill on the Senate floor. (821556SC.San)

DISCUSSION:

Senator Van Valkenburg said it was brought to his attention by Mr. Martin that a further amendment to HB 591, Exhibit No. 6 to these minutes, should have been discussed. This amendment provides an appropriation to the DOR to implement changes.

Director Mick Robinson explained that the \$23,915 requested in this amendment is primarily to re-program the DOR's computers for the distribution of proceeds of the accommodation tax.

Senator Van Valkenburg asked if this Committee would reconsider its vote on HB 591, consider this additional amendment, and use the same votes cast by Committee members to give HB 591 another recommendation to concur as amended.

MOTION/VOTE:

Senator Van Valkenburg moved to RECONSIDER THE ACTION IN CONCURRING IN HB 591. The motion CARRIED UNANIMOUSLY on oral vote.

MOTION/VOTE:

Senator Van Valkenburg moved to AMEND HB 591. (hb059110.ajm) The motion CARRIED UNANIMOUSLY on oral vote.

MOTION/VOTE:

Senator Van Valkenburg moved HB 591 BE CONCURRED IN AS AMENDED and asked that the votes that were previously recorded be recorded in the same fashion at this time, unless some Committee member wishes to change his/her vote. (821556SC.San) The motion CARRIED UNANIMOUSLY on oral vote.

EXECUTIVE ACTION ON HB 671

Exhibit No. 4 to these minutes are amendments prepared by the Department of Revenue.

DISCUSSION:

Senator Van Valkenburg said he is reluctant at this time to make any amendments to HB 671 and suggests that this bill be left in Committee, unamended.

Senator Gage said he questioned Rep. Gilbert about what happens if someone filing income tax does not have wages, or if either of two people filing jointly do not have wages. He took Rep. Gilbert's comments to be that this Committee may want to address this part of the bill. Senator Gage said he believes the sponsor would not be opposed to these amendments.

Senator Towe asked Mick Robinson, Director, Department of Revenue (DOR), the effect of the language "equal to 10% of the wages and salary received by the spouse that earned the least amount of wages and salary....", and if literally read, there is no choice but to apply that rule only when both spouses have wages and salary. Mr. Robinson said that is the DOR's interpretation, that it would apply only to wages and salary and could not apply to other forms of earned income.

Senator Towe asked if the purpose of HB 671 is to off-set the added tax that comes when married people are filing jointly as opposed to filing separately. Mr. Robinson said this is an effort to mitigate the possible increase in tax that would be incurred by those who are presently filing separately as they move toward a joint filing.

Senator Towe asked if employee business expenses are deductible under Section 62 of the Federal Code. Bob Turner, Income and Miscellaneous Tax Division, DOR, said the Federal government moved the 2106 expenses to miscellaneous deductions in the itemized deductions. If someone is not reimbursed at the employer's level, a 2106 form can be filled out. Or, if an employer reimburses an employee a portion of his expenses, the employee would list his total expense on his tax form, show the per diem amount reimbursed by his employer, then list his additional expenses on a 2106 form; that difference would then go into his itemized deductions which are subject to a 2% limitation.

There were no further questions. No executive action was taken on HB 671 at this time.

EXECUTIVE ACTION ON HJR 3

Senator Eck asked if the Legislative Fiscal Analyst (LFA) and the Budget Office have information they could offer the Committee at this time.

Terry Johnson, Principal Fiscal Analyst, presented and reviewed Exhibit No. 5 to these minutes, which are Recommended Revenue Estimate Revisions. Mr. Johnson said this report deals with an analysis of various revenue sources going into the General Fund (GF) and School Equalization Accounts (SEA) for Fiscal Year 1993 (FY 93). He also looked at the various other economic sources of information available and tried to incorporate those assumptions, in addition to the receipt data received through the end of March. These contributed to his revised projections for FY 93, and FY 94/95. Table 1 included in Exhibit No. 5 shows the figures and percentages involved in the estimates. Mr. Johnson said he focused his attention on the larger sources of income which account for about 90% of the state's revenue.

Mr. Johnson said the non-farm employment growth rate anticipated in HJR 3, was expected to be about 1.7%. However, based on data received from the Department of Labor, that actual-number growth is 4.4%. That is over a 13,000-job increase from calendar year 1991 to calendar year 1992. He said HJR 3 used a job-increase figure of approximately 5,000 jobs. Based on figures from the Department of Commerce on employment growth, and wage and salary growth, Mr. Johnson was able to come up with a revised projection for the Individual Income Tax. Over a three-year period, the total revision is approximately \$16.4 million.

Regarding the Corporation Income Tax, Mr. Johnson used U.S. corporate profits as a proxy for Montana profits, and looked at year-to-date receipt information to forecast a \$10.2 million all-fund increase for the three-year period.

In terms of Long-range Bond Excess, Mr. Johnson said he did not adjust the revenue estimates for cigarette or tobacco taxes.

The Coal Trust Interest Income was adjusted for FY 93 because of reduced interest rates which causes a considerable amount of bond calls. The amount of bond calls anticipated under HJR 3 was about \$1.8 million for FY 93; based on data to the end of March, there is already in excess of \$6 million in bond calls. Mr. Johnson took into account those bond calls through the end of March and did not make any further adjustments to FY 94 and FY 95. That amounts to approximately \$4.2 million in FY 93 only.

The Insurance Premiums Tax shows stronger growth because of tax collections. In HJR 3, the growth rate was assumed to be approximately 5.5%; however, this year's growth is actually closer to 7.5%. Mr. Johnson used a 7.5% growth rate in 1993; and used a 5.5% anticipated growth rate for FY 94 and FY 95.

Regarding Oil Severance Tax, Mr. Johnson said production and price is slightly lower than anticipated in HJR 3. Because of the small amount, he did not revise the estimates.

Interest on Investments shows a significant downward adjustment because the interest rate actually received on the treasury cash account is lower, and the average daily balance is lower than anticipated. This results in a negative adjustment estimate of approximately \$8 million over the 3-year period.

Mr. Johnson recommends that in addition to what is shown in his report, this Committee should take some action to adjust HJR 3 for the inclusion of a TRANS issue. The House Appropriations Committee adopted a debt-service amount of \$4 million for the 94-95 Biennium. At this point in time, there is no assumption in terms of a TRANS issue size built into HJR 3.

Mr. Johnson made two adjustments regarding the Coal Severance Tax; the first deals with the price data received from various coal companies, and the second deals with Westmoreland's production for calendar year 1992 which did not come in at the anticipated level. He said they are predicting zero production for the years 1993-1995. Those two adjustments impact the General Fund just over \$1 million. Including Foundation Program impacts, it would be another \$.5 million.

The Video Gaming Net Income Tax results in a downward adjustment primarily because of year-to-date receipts through the end of March. That source's rate of growth is starting to slow down. This would result in a \$1.2 million General Fund reduction over the three-year period.

Mr. Johnson said there could be a potential \$.5 million increase adjustment in the Institutions Reimbursements.

Interest and Income in the SEA revenue source was estimated to be \$2.2 million in bond calls; what has been experienced through March is approximately \$4.2 million in actual bond calls. The additional \$2 million has been figured in FY 1993 estimates only, and Mr. Johnson is assuming there will be no change in the estimates for FY 94 and FY 95.

The final adjustment Mr. Johnson made was to US Mineral Leasing. The Coal Severance Tax price data has a direct impact on the mineral leasing revenue and resulted in a downward estimate over the next three years of approximately \$3.4 million.

Mr. Johnson said the year-to-date information regarding the State-wide Mill Levy Revenue Collection of the 40 mills and 55 mills, appears that additional revenue will be available. This could be as high as \$4 million. However, he chose not to include that in his report because the 55-mill revenue is a new source of revenue being collected by the State; it previously was collected at the local level.

Mr. Johnson said the total of these revisions amounts to an approximate \$19.3 million increase in the revenues for the 3-year period for the General Fund and School Equalization Account. This is broken down to approximately \$10.4 million in FY 93, \$5.75 million in FY 94, and \$3.2 million in FY 95. He said the higher adjustment for FY 93 is a result of bond calls based on information already available through the end of March. The further adjustments in FY 94 and FY 95 on a percentage basis are about .5% of the total revenue estimate. He said the over-all adjustment is relatively small when looking at the combined revenue sources of the General Fund.

Senator Halligan asked Steve Bender from the Legislative Budget Office if he could respond to Mr. Johnson's report.

Mr. Bender said the Budget Office would urge this Committee not to adopt any amendments to add this revenue to HJR 3. They believe it is far too premature to count on an additional \$20 million revenue for this year, let alone three years hence. Part of his responsibility is to monitor revenues. While he agrees with Mr. Johnson that revenues through March are slightly ahead of projections, he doesn't think this fact would justify the increases proposed.

Mr. Bender said some of the reasons the projected revenues may not appear for this year is that the state has collected only 60% of its income tax revenue as of today. He reminded this Committee that until the Income Tax Returns are actually filed and processed, the Budget Office does not have any information about 30%-plus of the tax base, and will not have this information available until the end of the year.

He said the LFA and the Budget Office has expressed concern about HB 14, passed in the January Special Session, that provides for quarterly-estimated income taxes. June of 1993 is the first time those payments will be made; this should amount to approximately \$30 million. If there is an error in the estimates because of non-compliance by the taxpayers, there will be a significant down-side risk.

Mr. Bender said what Mr. Johnson has suggested is only a 1% adjustment. If estimates are 1% too high, a \$20 million problem would suddenly become a \$40 million problem. If that would have to be made up in a very short time frame, it would be problematic. Mr. Bender urged the Committee to be extremely cautious and prudent in this resolution, and he would recommend that this resolution be discounted.

Senator Gage asked Mr. Bender about the 60% revenue that has been collected. Mr. Bender said that at the end of March, the state had collected 62% of the total General Fund revenue and through this morning, had collected roughly 60% of the income tax revenue. In the income tax area, \$130 million is yet to be collected over the next quarter.

Senator Gage asked if the DOR has received more estimate payments to date than they have received in past years. Mr. Robinson said that information is not available. Mr. Johnson said HB 14, passed during the Special Session, requires that estimated payments be paid on a quarterly basis versus the old law that required payments twice a year. The first payment is due on April 15th.

Senator Gage asked Mr. Johnson about the Coal Trust Income and the Interest Income on the bonds that were called, and if that is primarily because of escalating income that would have been received later had that interest been received later. Mr. Johnson said in terms of bond payments, if a bond is a callable bond, at the point that a premium is received, that is considered part of investment earnings. There is a one-time gain in revenue in FY 93, but those investments have to be turned around and re-invested at a lower rate of return. He did not make any adjustments for long-term interest rates, and the Committee may want to look at that. It would not be a significant adjustment because it is a small portion of the permanent trust compared to the entire trust; a large portion is invested in long-term securities that are at a fixed rate.

Senator Gage asked what kind of interest increases are a result of bringing the 55 mill levies directly into the State. Mr. Johnson said the first payment was received in December and there is a benefit of having the money from December through now, but in addition, the SEA account does not have sufficient cash, so they have had to borrow from the General Fund. Technically, there hasn't been any additional interest because of that.

Senator Gage asked if Mr. Johnson took the withholding tables into account in his report. He said he indirectly took them into account, but the only impact the withholding table change will have is on the cash flow. If the withholding tables are reduced, they receive that withholding, but ultimately if the tax is due, it's going to be paid when the tax return is filed. It might shift the amount of revenue from one year to the next year, but the bottom line should have no impact.

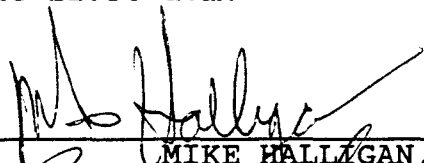
Senator Towe asked Mr. Johnson if the entire amount of Coal Trust Income is pre-payment penalty. Mr. Johnson said that is correct.

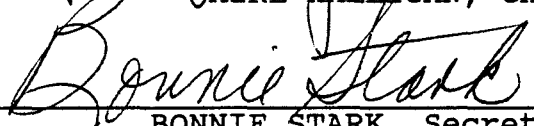
Senator Towe asked for further explanation of the TRANS issue. Mr. Johnson said TRANS issues are used to generate or fill the gap for a cash-flow deficit situation within a given fiscal year. Built into HJR 3 revenue estimates, the assumption was zero for FY 94 and FY 95. The House Appropriations Committee formally adopted a motion directing the LFA office to build \$4 million worth of debt service into its fund balance statements. By that action, that implies there will be some type of issue generated in FY 94 and FY 95. Based on this \$4 million, if there is going to be an issue, there is going to be revenue generated from that issue. For example, if \$50 million of short-term debt is issued, you have to take \$50 million times the prevailing interest rate to be received. If that rate is 5%, it would be \$2.5 million per year. In that scenario, \$2.5 million of revenue would be built in during FY 94 and FY 95, and on the expenditure side, there would be \$4 million worth of costs. The net effect is only \$1 million, but from a revenue estimate standpoint, you have to build in the \$4 million or \$5 million worth of revenue. The \$4 million is the amount of expense, the cost over a 2-year period.

There was no executive action taken on HJR 3 at this time.

ADJOURNMENT

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


MIKE HALLIGAN, Chair


BONNIE STARK, Secretary

MH/bjs

ROLL CALL

SENATE COMMITTEE

TAXATION

DATE

4-14-93

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

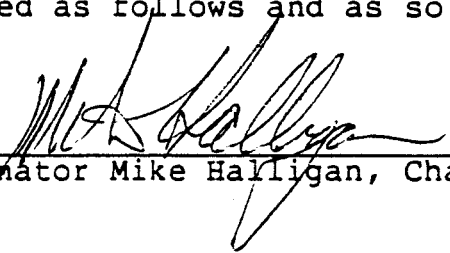
Attach to each day's minutes

SENATE STANDING COMMITTEE REPORT

Page 1 of 3
April 14, 1993

MR. PRESIDENT:

We, your committee on Taxation having had under consideration House Bill No. 591 (third reading copy -- blue), respectfully report that House Bill No. 591 be amended as follows and as so amended be concurred in.

Signed: 

Senator Mike Halligan, Chair

That such amendments read:

1. Title, line 6.

Following: "THAT"

Insert: "A PORTION OF"

2. Title, lines 7 and 8.

Strike: "DIVERTING" on line 7

Insert: "ALLOCATING"

Strike: "PROCEEDS" on line 7 through "TAX" on line 8

Insert: "INCREASED AMOUNT"

3. Title, line 10.

Following: "COLLECTIONS;"

Insert: "EXPANDING THE PERMISSIBLE USES OF THE LODGING FACILITY
USE TAX DEDICATED TO THE MONTANA HISTORICAL SOCIETY;"

4. Title, lines 11 and 12.

Following: the first "TAX" on 11

Strike: the remainder of line 11 through "COLLECTIONS" on line 12

Insert: "IS ENACTED PRIOR TO JULY 1, 1993; PROVIDING AN
APPROPRIATION"

5. Title, line 14.

Strike: the first "AN"

Strike: "DATE"

Insert: "DATES"

6. Page 3, line 9.


Following: "sites"

Insert: "and for tours of the state capitol and the original
governor's mansion"

7. Page 3, line 14.

Strike: "64%"

Insert: "76.7%"


ML

Amd. Coord.
Sec. of Senate

Van Valkenburg
Senator Carrying Bill

821556SC.San

8. Page 3, line 16.

Following: "75%"

Insert: "[68%]"

9. Page 4, line 9.

Following: "and" on line 8

Insert: "[and (D) 7% to the department of fish, wildlife, and parks for the maintenance of facilities in state parks that have both resident and nonresident use, subject to [section 2 of House Bill No. 642, regarding department maintenance of state parks];]"

10. Page 4, line 9.

Strike: "12.7%"

Insert: "10.25%"

11. Page 5, line 2.

Strike: "20.5%"

Insert: "10.25%"

12. Page 6, line 12.

Following: line 11

Insert: "NEW SECTION. Section 4. Appropriation. There is appropriated \$23,915 from the state special revenue fund, established under 15-65-121(1), to the department of revenue for fiscal year 1993 for computer costs required for the distribution of tax proceeds under [this act]."

Renumber: subsequent sections

13. Page 6, line 12.

Following: "instruction."

Insert: "(1)"

14. Page 6, lines 14 through 18.

Following: "1993," on line 14

Strike: the remainder of line 14 through "collections," on line 18

15. Page 6, line 19.

Following: line 18

Insert: "(2) If [this act] and House Bill No. 642 are both passed and approved, then [sections 1 and 4 of House Bill No. 642, amending 15-65-121 and providing a coordination instruction, respectively] are void and the bracketed language in 15-65-121(2)(c)(iii)(A) and (2)(c)(iii)(D) in [this act] is effective."

16. Page 6, line 19.

Strike: "date"

Insert: "dates"

17. Page 6, line 20.

Following: "applicability."

Insert: "(1)"

Strike: "[This act]"

Insert: "[Sections 1 through 3 and 5]"

Strike: "is"

Insert: "are"

18. Page 6.

Following: line 23

Insert: "(2) [Section 4 and this section] are effective on
passage and approval."

-END-

ROLL CALL VOTE #1

SENATE COMMITTEE

TAXATION

BILL NO. *HB 591*

DATE _____

4-14-92

TIME

1030

AM

P M

NAME _____

YES

NO

[illegible]

Bonnie Stark

SECRETARY

Mike Halligan

CHAIR

MOTION:

42341 is a new addition recorded.

Ad. ad. 5-4.

Amendments to House Bill No. 591
Third Reading Copy

Requested by Senator Eck
For the Committee on Taxation

Prepared by Jeff Martin
April 6, 1993

SENATE TAXATION

AMEND NO. 1

4-14-93

HB 591

1. Title, line 10.

Following: "COLLECTIONS;"

Insert: "EXPANDING THE PERMISSIBLE USES OF THE LODGING FACILITY
USE TAX DEDICATED TO THE MONTANA HISTORICAL SOCIETY;"

2. Page 3, line 9.

Following: "sites"

Insert: "and for state capitol tours"

	PROPOSED BED TAX LEGISLATION			
4/12/93	<i>Base is calculated at FY94 estimated collection</i>			
1:39 PM	EXISTING	HB642	HB591	HB642/591
	LAW	PARKS	DIVERSION	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
<u>Distribution</u>				
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	3,892,820
Tourism Regions	1,802,377	1,680,974	1,497,399	1,497,399
State Parks	0	485,615	0	599,376
Cities/Counties	0	0	1,188,560	1,188,560
General Fund	0	0	1,918,542	1,918,542
	Split	% increase	Increase GF	
	% increase	to cities	& cities	
	AS CO-ORDINATED WITH HB642			
Tax rate	5%	5%	6%	
Total Collected	9,565,000	9,565,000	11,478,000	
Dept. of Revenue	(206,258)	(206,258)	(231,510)	
Total Funds Available	9,358,742	9,358,742	11,246,490	
<u>Distribution</u>				
Historical Society	74,870	74,870	73,102	
University System	187,175	187,175	179,944	
Travel Montana	4,784,240	4,784,240	4,778,563	
Tourism Regions	1,794,539	1,794,539	1,792,409	
State Parks	599,376	599,376	598,665	
Cities/Counties	959,271	1,918,542	1,911,903	
General Fund	959,271	0	1,911,903	

SENATE TAXATION 2
 HOUSE NO. 4-14-93
 DATE 4-14-93
 BILL NO. HB 591

TAXATION
 DATE 4-14-93
 BILL NO. HB 591

5% WITH SPLIT BETWEEN CITIES/GENERAL FUND

Co-ordinating with HB642

Adjusting HB642 to co-ordinate
with amended HB591

	<u>FY94</u>		<u>FY94</u>
Tax rate	5%	Tax rate	5%
Total Collected (ESTIMATE)	9,565,000	Total Collected (ESTIMATE)	9,565,000
Dept. of Revenue	<u>(206,258)</u>	Dept. of Revenue	<u>(206,258)</u>
Total Funds Available	9,358,742	Total Funds Available	9,358,742

Distribution

0.8% Historical Society	74,870
2% University	187,175
10.25% Cities/Counties	959,271
10.25% General Fund	959,271
<i>76.7% Dept. of Commerce</i>	<i>7,178,155</i>
25% Regions	1,794,539
66.35% Travel Montana	4,784,240
8.35% State Parks	<u>599,376</u>
TOTAL DISTRIBUTION	9,358,742

Distribution

0.8% Historical Society	74,870
2% University	187,175
10.25% Cities/Counties	959,271
10.25% General Fund	959,271
<i>76.7% Dept. of Commerce</i>	<i>7,178,155</i>
25% Regions	1,794,539
68% Travel Montana	4,881,145
7% State Parks	<u>502,471</u>
TOTAL DISTRIBUTION	9,358,742

SENATE TAXATION

ENROLL NO. 4

DATE 4-14-93

BILL NO. HB 671

AMENDMENTS

HB 671

THIRD READING VERSION (BLUE COPY)

PREPARED BY DEPARTMENT OF REVENUE

April 14, 1993

The purpose of this amendment is to apply the two earner income exclusion to all earned income not just wage and salary income from an employer to an employee.

1. Page 14, lines 9 and 10
Following: "10% of the"
Strike: "wages and salary"
Insert: "earned income"
2. Page 14, line 11
Following: "of"
Strike: "wages and salary"
Insert: "earned income"



TERESA OLCOTT COHEA
LEGISLATIVE FISCAL ANALYST

STATE OF MONTANA
Office of the Legislative Fiscal Analyst

STATE CAPITOL
HELENA, MONTANA 59620
406/444-2986

April 12, 1993

DATE 5
4-14-93
HJR 3

TO: Legislative Leadership

FROM: Terry W. Johnson *TWJ*
Principal Fiscal Analyst

RE: Recommended Revenue Estimate Revisions

On January 5, 1993 the Revenue Oversight Committee adopted major economic assumptions for the 1995 biennium and the associated revenue estimates for fiscal years 1993, 1994, and 1995. These assumptions and corresponding revenue estimates were formally adopted when House Joint Resolution 3 (HJR3) was introduced on January 15.

Since this time, I have been monitoring revenue collections and other pertinent data on a regular basis. Monthly accounting reports through March 31 indicate revenue growth slightly stronger than anticipated under HJR3. This trend is supported by the following actual data, which is now available.

- * Three quarters of fiscal 1993 withholding data;
- * Three quarters of calendar 1992 oil severance tax price and production data;
- * Calendar 1992 coal severance tax price and production data;
- * Calendar 1992 non-farm wage and salary jobs data;
- * Three quarters of non-farm wage and salary income data;
- * Calendar 1992 U.S. consumer price index data; and
- * Wharton Econometrics March 1993 Short-Term Forecast.

Based on the above data, I am recommending the revenue estimate revisions as shown in Table 1. Since time constraints did not allow me to analyze all general fund and school equalization account (SEA) revenue sources, my emphasis was on the ten largest general fund sources and the seven largest SEA sources. For fiscal 1993, the revenue estimates for these sources account for over 90 percent of the total amount estimated.

Table 1 summarizes the recommended revisions by revenue source for the general fund and SEA. As shown in the table, the recommended revisions are \$10.4 million in fiscal 1993, \$5.7 million in fiscal 1994, and \$3.2 million in fiscal 1995. The total revision for the three year period is \$19.3 million or a 0.72 percent increase above HJR3 revenue estimates. These revisions amount to 1.12, 0.67, and 0.36 percent change from the original estimates contained in HJR3 for fiscal 1993, 1994, and 1995, respectively.

With the end of the legislative session rapidly approaching, I felt it was important to provide leadership with an update on current revenue trends and revenue estimates for the 1995 biennium. Please let me know if I can be of further assistance.

TJ3F:lt:114-12.mem

Table 1
Recommended Revenue Estimate Revisions
Figures In Millions

EXHIBIT 5
DATE 4-14-93
HB 591

	HJR 3 Fiscal 1993	Revision Fiscal 1993	Revision Fiscal 1994	Revision Fiscal 1995	Revision Total
<u>General Fund Sources Reviewed</u>					
Individual Income Tax	\$221.018	\$3.561	\$3.151	\$3.254	\$9.966
Corporation Income Tax	42.897	2.209	2.451	0.800	5.460
Long Range Bond Excess	48.121	0.874	0.883	0.614	2.371
Coal Trust Income	39.608	3.549			3.549
Insurance Premiums Tax	22.648	0.636	0.628	0.662	1.926
Oil Severance Tax	16.815				
Interest on Investments	16.475	(3.378)	(2.320)	(2.367)	(8.065)
Coal Severance Tax	14.260	(0.607)	(0.223)	(0.210)	(1.040)
Video Gaming Net Income Tax	11.019	(0.408)	(0.371)	(0.400)	(1.179)
Institutions Reimbursements	15.893				
Total GF Reviewed	\$448.754	\$6.436	\$4.199	\$2.353	\$12.988
Total General Fund	\$527.151	\$527.151	\$468.642	\$484.094	\$1,479.887
<u>School Equalization Sources Reviewed</u>					
Individual Income Tax	\$100.303	\$1.616	\$1.684	\$1.739	\$5.039
Corporation Income Tax	19.320	1.032	1.145	0.374	2.551
Coal Trust Income	6.990	0.626			0.626
Coal Severance Tax	4.713	(0.202)	(0.165)	(0.156)	(0.523)
Statewide Property Tax	202.019				
Interest & Income	39.847	1.995			1.995
US Mineral Leasing	22.040	(1.148)	(1.115)	(1.120)	(3.383)
Total SEA Reviewd	\$395.232	\$3.919	\$1.549	\$0.837	\$6.305
Total School Equalization	\$400.684	\$400.684	\$391.637	\$400.698	\$1,193.019
Total GF & SEA Reviewed	\$843.986	\$10.355	\$5.748	\$3.190	\$19.293
Total GF & SEA	\$927.835	\$927.835	\$860.279	\$884.792	\$2,672.906
Total Percent Change		1.12%	0.67%	0.36%	0.72%

AMENDMENTS
HB 591
THIRD READING VERSION (BLUE COPY)
April 7, 1993

SEN. OF PROVISION
ENACTED NO. 6
DATE 4-14-93
BILL NO. HB 591

The purpose of this amendment is to appropriate the necessary revenue for fiscal year 1993 for computer charges to service the proposed law distributions.

1. TITLE, line 14
Following: "EFFECTIVE DATE"
Insert: "; AN APPROPRIATION,"

2. Page 6, line 19
Following: line 18
Insert: "NEW SECTION. Section 5. Appropriation. There is appropriated to the department of revenue from the special revenue fund, established by 15-65-121, \$23,915 for fiscal year 1993 for the computer charges required to service the distributions provided for by this act.

Renumber: Subsequent sections

3. Page 6, line 20
Following: "applicability."
Insert: "(1)
Following: "["
Strike: "This act] is"
Insert: "Sections 1 through 4] are"
4. Page 6, line 23
Following: line 23
Insert: "(2) [Section 5 and this section] are effective on passage and approval.

Amendments to House Bill No. 591
Third Reading Copy

For the Committee on Taxation

Prepared by Jeff Martin
April 14, 1993

1. Title, line 6.

Following: "THAT"

Insert: "A PORTION OF"

2. Title, lines 7 and 8.

Strike: "DIVERTING" on line 7

Insert: "ALLOCATING"

Strike: "PROCEEDS" on line 7 through "TAX" on line 8

Insert: "INCREASED AMOUNT"

3. Title, line 10.

Following: "COLLECTIONS;"

Insert: "EXPANDING THE PERMISSIBLE USES OF THE LODGING FACILITY
USE TAX DEDICATED TO THE MONTANA HISTORICAL SOCIETY;"

4. Title, lines 11 and 12.

Following: the first "TAX" on line 11

Strike: the remainder of line 11 through "COLLECTIONS" on line 12

Insert: "IS ENACTED PRIOR TO JULY 1, 1993; PROVIDING AN
APPROPRIATION"

5. Title, line 14.

Strike: the first "AN"

Strike: "DATE"

Insert: "DATES"

6. Page 3, line 9.

Following: "sites"

Insert: "and for tours of the state capitol and the original
governor's mansion"

7. Page 3, line 14.

Strike: "64%"

Insert: "76.7%"

8. Page 3, line 16.

Following: "75%"

Insert: "[68%]"

9. Page 4, line 9.

Following: "and" on line 8

Insert: "[and (D) 7%.to the department of fish, wildlife, and
parks for the maintenance of facilities in state parks that
have both resident and nonresident use, subject to [section
2 of House Bill No. 642, regarding department maintenance of
state parks];]"

10. Page 4, line 9.

Strike: "12.7%"

Insert: "10.25%"

11. Page 5, line 2.

Strike: "20.5%"

Insert: "10.25%"

12. Page 6, line 12.

Following: line 11

Insert: "NEW SECTION. Section 4. Appropriation. There is appropriated \$23,915 from the state special revenue fund, established under 15-65-121(1), to the department of revenue for fiscal year 1993 for computer costs required for the distribution of tax proceeds under [this act]."

Renumber: subsequent sections

13. Page 6, line 12.

Following: "instruction."

Insert: "(1)"

14. Page 6, lines 14 through 18.

Following: "1993," on line 14

Strike: the remainder of line 14 through "collections," on line 18

15. Page 6, line 19.

Following: line 18

Insert: "(2) If [this act] and House Bill No. 642 are both passed and approved, then [sections 1 and 4 of House Bill No. 642, amending 15-65-121 and providing a coordination instruction, respectively] are void and the bracketed language in 15-65-121(2)(c)(iii)(A) and (2)(c)(iii)(D) in [this act] is effective."

16. Page 6, line 19.

Strike: "date"

Insert: "dates"

17. Page 6, line 20.

Following: "applicability."

Insert: "(1)"

Strike: "[This act]"

Insert: "[Sections 1 through 3 and 5]"

Strike: "is"

Insert: "are"

18. Page 6.

Following: line 23

Insert: "(2) [Section 4 and this section] are effective on passage and approval."