

MINUTES

**MONTANA HOUSE OF REPRESENTATIVES
53rd LEGISLATURE - SPECIAL SESSION**

COMMITTEE ON TAXATION

Call to Order: By **CHAIRMAN BOB GILBERT**, on December 9, 1993, at
8:30 a.m.

ROLL CALL

Members Present:

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

Members Excused: Rep. Hal Harper (D)

Members Absent: None

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

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

Committee Business Summary:

Hearing: HB 65, HJR 3
Executive Action: SB 8 Do Pass As Amended, HJR 3 Do Pass

HEARING ON HOUSE BILL 65

Opening Statement by Sponsor: REP. RUSSELL FAGG, HD 89, Billings, said HB 65 adopts two recommendations by the Governor's Property Tax Advisory Committee. It expands the elderly homeowners/rent credit and the Class 4 low income programs instead of creating a new system. It is proposed as an alternative to be considered should the two large property tax bills not pass. The bill increases the elderly homeowners/rent maximum credit from \$400 to \$1000. The taxpayer must be 62 years old and a Montana resident for nine months of the year. Last year 17,000 residents utilized the program for a total of \$4 million worth of credits at an average credit of \$237.

The Class 4 low income provisions in HB 65 increase the maximum market value of a home from \$80,000 to \$100,000 and maximum income level for households to \$16,000 for single taxpayers and \$20,000 for married couples. It also changes the application deadline for the program from March 1 to April 15.

The bill applies to primary residences only. It utilizes two programs currently in existence and expands their provisions in order to give some property tax relief to elderly and low income property taxpayers. It does not change the current market value system and is constitutionally sound. REP. FAGG suggested the bill be amended, if passed, to coordinate it with HB 29 and HB 45 and other similar bills so they would have precedence upon passage.

Proponents' Testimony:

Kevin Bryant, Yellowstone County Treasurer and President of the Montana County Treasurers, said the bill is motivated by a need to help those who are most affected and the least able to pay, the elderly and the low income taxpayers. He said this is not a budget buster as it requires no funding to implement and administer. It would also benefit middle income taxpayers if their tax liability is high enough. He said the bill would require a little more work for local governments, but the help it offers outweighs the added responsibility.

Bill Kennedy, Yellowstone County Commissioner, said he has been an advocate for low income and elderly persons for years. He said there is a large number of elderly people living on fixed incomes in Billings. Raising the income and credit levels would provide sorely needed help to that population.

Opponents' Testimony: There were no opponents.

Questions From Committee Members and Responses:

REP. McCARTHY asked for an explanation of the notice provision in Section 3.

REP. FAGG said it is important to educate the public about the expanded programs. He suggested a letter could be sent to the 3000 tax preparers in the state as one method of notification.

REP. McCARTHY suggested adding information as to where the taxpayers could pick up application forms.

REP. ELLIOTT asked if there was any estimate of fiscal impact as the fiscal note had not accompanied the bill.

Mick Robinson, Director, Department of Revenue (DOR), said he had unofficial fiscal figures which indicate a \$1.9 million impact on the state in 1994 due to the change in property taxes. The local government impact would be \$5.6 million in fiscal year 1995 only. There is an estimated decrease of \$400,000 in the elderly tax credit portion.

Closing by Sponsor: REP. FAGG emphasized that this is a back-up bill intended to serve as an option if other bills now being considered are rejected. It is a reasonable bill that provides tax relief at a relatively small cost for those who most need it.

HEARING ON HOUSE JOINT RESOLUTION 3

Opening Statement by Sponsor: REP. VICKI COCCHIARELLA, HD 59, Missoula, said this is a study resolution that would lead to development of a residents protection act and has no associated cost. The purpose is twofold: 1) to catch hunters and fishers who are illegally pursuing hunting and fishing activities, and 2) taking away legal residents' opportunities and to collect income tax from those who claim residency but are not paying. The Department of Fish, Wildlife and Parks (FWP) and the Department of Revenue (DOR) would cooperate in investigation of fraud perpetrated on true residents of Montana. The goal of the resolution is to come back to the Legislature with figures defining how much can be collected from people who claim to be residents but do not pay income taxes in the state.

Proponents' Testimony:

Steve Vinnedge, Game Warden, Great Falls, said that in 1987 a computer program was designed to catch people who were buying resident licenses but who, in fact, were not Montana residents. Legislation in 1989 created a yes or no answer on tax forms regarding residency and established a two year statute of limitation on residency limits. FWP also designed a sportsmen's data base which gave computerized access to license archives.

The number of violations uncovered after the implementation of those programs increased dramatically. In 1991 the Legislature tightened the residency qualifiers for hunting and fishing licenses even further. The resolution would systematize the various regulations and methods for tracking residency status and allow FWP and DOR to exchange and cross reference pertinent residency, tax, and license information.

Carl Brooks, Game Warden, Missoula, said the resolution would lead to the creation of an efficient and cost effective procedure for apprehending non-residents who are creating fraud against Montana residents. He submitted a graph depicting the resident sportsman's database operation (Exhibit #1). He said the information collected will enable FWP and DOR to more easily determine residency, increase tax collections in many cases, expedite apprehensions, as well as educate the public.

Jeff Miller, Administrator, Income and Miscellaneous Tax Division, Department of Revenue, said this is a welcome opportunity to tighten regulations and streamline information exchanges between FWP and DOR in an effort to apprehend and stop residency fraud.

Opponents' Testimony: There were no opponents.

Questions From Committee Members and Responses:

REP. ANDERSON asked if the resolution simply directs FWP and DOR to do what they are already doing.

Mr. Miller said the resolution directs the agencies to prioritize, quantify, and report their findings. They have the resources to accomplish some of the investigations now; however, the resolution would cause both agencies to work to together to develop a system and to report their findings back to the legislature.

REP. ANDERSON asked if this is the most important area of fraud investigations or if direction is needed to investigate other areas of fraud.

Mr. Miller said there is unlimited compliance work to be done in many areas.

REP. ANDERSON asked if the Departments needed the Legislature to tell them to conduct the investigations or if they can pursue them on their own.

Mr. Miller said they can pursue the investigations on their own.

REP. HIBBARD asked how much FWP will benefit from the resolution.

REP. COCCHIARELLA replied that the citizens of the state and sportsmen will benefit. It is important to keep track of residency information and to have the information which justifies an FTE or two who could investigate and recapture taxes and fees and stop some of the fraud.

REP. BOHLINGER asked if there is an estimate of revenue that could be generated.

REP. COCCHIARELLA said the average recapture on licenses or penalties is \$500. One case alone generated \$250,000. She estimated anywhere from \$5 million to \$20 million could ultimately be realized. DOR collected an average of \$660 per referral from FWP with over 200 cases being investigated this past year.

Closing by Sponsor: REP. COCCHIARELLA said stories of fraud are rife. The Departments need to develop solid numbers and cases to report to the next session in order to enact permanent legislation.

EXECUTIVE ACTION ON SENATE BILL 8

Motion: REP. MCCARTHY MOVED SB 8 BE CONCURRED IN.

Motion/Vote: REP. MCCARTHY MOVED TO ADOPT THE AMENDMENTS AS PROPOSED IN EXHIBIT #2 AND THE ATTACHED STANDING COMMITTEE REPORT. The motion carried unanimously.

Vote: Motion that SB 8 Be Concurred in As Amended carried 16 - 4 with Reps. Gilbert, Anderson, Feland, and Foster voting no.

EXECUTIVE ACTION ON HOUSE JOINT RESOLUTION 3

Motion: REP. DRISCOLL MOVED HJR 3 DO PASS.

Discussion:

REP. ANDERSON said he has problems with prioritizing DOR's efforts to pursue fraudulent license and tax schemes in this one area. He said the Legislature should not be telling DOR to pursue this area if there are other areas needing more focus. If DOR is already pursuing these violations with the assistance of FWP, it needs no further direction from the Legislature.

REP. TUNBY said he felt the priority had already been established, but the Departments needed more authority to continue their investigations.

REP. MCCARTHY said the information would be important to the next legislative session and it would be beneficial to understand the fraud implications for both FWP and DOR.

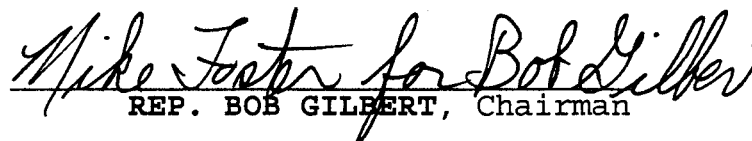
REP. NELSON said if FWP wants the program and DOR is cooperating it should have the authority to continue.

REP. REAM said if a half time employee generated \$300,000 a year in fees and fines, it would be worth adopting the resolution. The higher the priority in the Department, the more money that will be generated.

Vote: Motion that HJR 3 Do Pass carried 16-4 with Reps. Anderson, Foster, Feland, and Keller voting no.

ADJOURNMENT

Adjournment: The meeting adjourned at 10:45 a.m.


REP. BOB GILBERT, Chairman


JILL ROHYANS, Secretary

BG/jdr

HOUSE OF REPRESENTATIVES

TAXATION

COMMITTEE

ROLL CALL

DATE

12/9/93

NAME	PRESENT	ABSENT	EXCUSED
REP. GILBERT, CHAIRMAN	✓		
REP. FOSTER	✓		
REP. HARRINGTON	✓		
REP. ANDERSON	✓		
REP. BOHLINGER	✓		
REP. DOLEZAL			
REP. DRISCOLL	✓		
REP. ELLIOTT	✓		
REP. FELAND	✓		
REP. HANSON	✓		
REP. HARPER			✓
REP. HIBBARD	✓		
REP. KELLER	✓		
REP. McCAFFREE	✓		
REP. MCCARTHY	✓		
REP. NELSON	✓		
REP. ORR	✓		
REP. PANEY	✓		
REP. REAM	✓		
REP. TUNBY	✓		



HOUSE STANDING COMMITTEE REPORT

December 9, 1993

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Mr. Speaker: We, the committee on Taxation report that House Joint Resolution 3 (first reading copy -- white) do pass.

Signed: Robert A. Gilbert
Bob Gilbert, Chair

Committee Vote:
Yes 16, No 4.

101110SC.Hcr



HOUSE STANDING COMMITTEE REPORT

December 9, 1993

Page 1 of 2

Mr. Speaker: We, the committee on Taxation report that Senate Bill 8 (third reading copy - blue) be concurred in as amended.

Signed: Bob Gilbert
Bob Gilbert, Chair

And, that such amendments read:

Carried by: Rep. Ewer

1. Title, line 13.

Following: "17-4-105,"

Insert: "AND"

Strike: ", 15-16-113, AND 15-16-301,"

2. Page 9, line 15 through page 12, line 11.

Strike: sections 6 and 7 in their entirety

Insert: "NEW SECTION. Section 6. Collection of delinquent taxes by state auditor. (1) The board of county commissioners may use the debt collection services of the state auditor under Title 17, chapter 4, to collect delinquent taxes, other than taxes on real property and improvements, that would otherwise be collected by the county treasurer.

(2) Before using the debt collection services, the board of county commissioners shall:

(a) ensure that the county treasurer has made a reasonable effort to collect the delinquent taxes; and

(b) attempt to notify the delinquent taxpayer of the intent to use the state auditor's debt collection services. The notification must be by first-class mail addressed to the taxpayer's last-known address.

(3) If the taxes remain delinquent 30 days after the notification, the board of county commissioners shall certify to the state auditor the amount of the delinquent tax, including penalty, interest, and costs, as accurately as can be determined.

(4) The debt collection services under Title 17,

Committee Vote:

Yes 16, No 4.

101305SC.Hcr

December 9, 1993

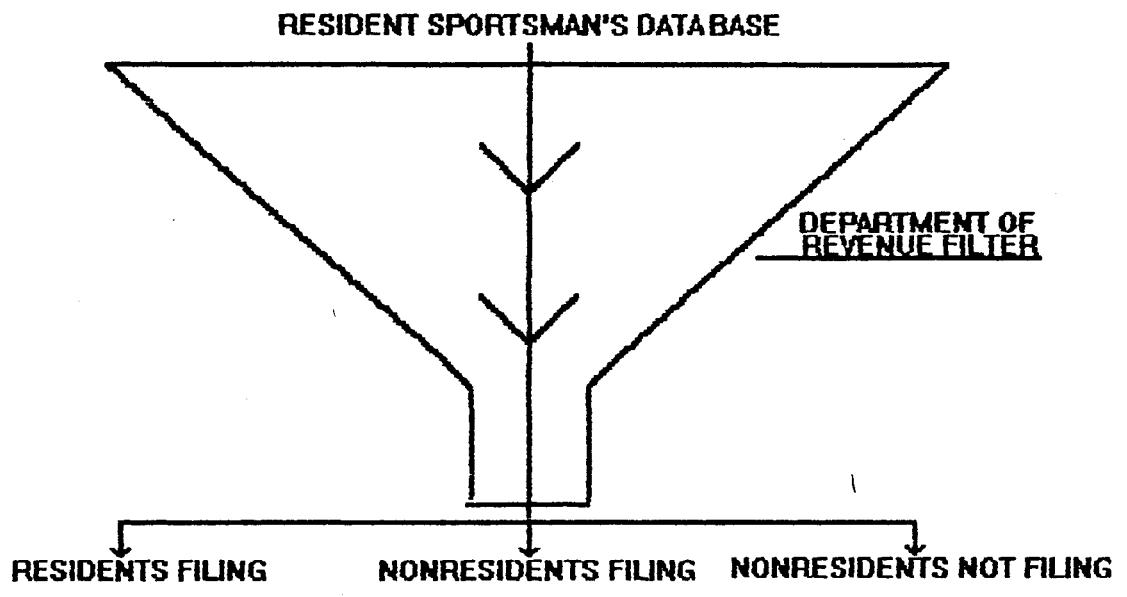
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chapter 4, may be used even if the delinquent taxes have been suspended, declared to be uncollectible, or stricken from the tax records.

NEW SECTION. Section 7. Codification instruction.

[Section 6] is intended to be codified as an integral part of Title 7, chapter 6, part 21, and the provisions of Title 7, chapter 6, part 21, apply to [section 6]."

-END-



Amendments to Senate Bill No. 8
Third Reading Copy

EXHIBIT 2
DATE 12/9/93
SB 5A 8

Requested by Rep. Driscoll
For the Committee on Taxation

Prepared by Lee Heiman
December 8, 1993

1. Title, line 13.

Following: "17-4-105,"

Insert: "AND"

Strike: ", 15-16-113, AND 15-16-301,"

2. Page 9, line 15 through page 12, line 11.

Strike: sections 6 and 7 in their entirety

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(3) If the taxes remain delinquent 30 days after the notification, the board of county commissioners shall certify to the state auditor the amount of the delinquent tax, including penalty, interest, and costs, as accurately as can be determined.

(4) The debt collection services under Title 17, chapter 4, may be used even if the delinquent taxes have been suspended, declared to be uncollectible, or stricken from the tax records.

NEW SECTION. Section 7. {standard} Codification instruction. [Section 6] is intended to be codified as an integral part of Title 7, chapter 6, part 21, and the provisions of Title 7, chapter 6, part 21, apply to [section 6]."

HOUSE OF REPRESENTATIVES

VISITOR'S REGISTER

House Operation COMMITTEE BILL NO. HB65
12/9/93 DATE SPONSOR(S) COLCHIARELLA, FAGG HR3

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NAME AND ADDRESS	REPRESENTING	BILL	OPPOSE	SUPPORT
Gordon Morris	MA Co	HB65		✓
Steve Vinnygo		HR-3		
Kent Brock		HSR		
Terry Hill		HB65		
Alvin B. Swadlow		HB65		✓
Debbie Bailey		HR3		
Kewan Bryan	Yellowstone Ctx	HB65		✓

PLEASE LEAVE PREPARED TESTIMONY WITH SECRETARY. WITNESS STATEMENT FORMS ARE AVAILABLE IF YOU CARE TO SUBMIT WRITTEN TESTIMONY.