

MINUTES

MONTANA SENATE 53rd LEGISLATURE - SPECIAL SESSION

COMMITTEE ON TAXATION

Call to Order: By Senator Halligan, Chair, on December 17, 1993,
at 10:00 a.m.

ROLL CALL

Members Present:

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

Members Excused: Senators Brown, Gage, and Stang

Members Absent: None.

Staff Present: Jeff Martin, Legislative Council
Beth Satre, Committee Secretary

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

Committee Business Summary:

Hearing: None.

Executive Action: SB 52, HB 45, HB 50, HB 60, SB 40, HB 29

EXECUTIVE ACTION ON SENATE BILL 52

Discussion:

Senator Weeding, Senate District 14, handed the Committee a set of amendments the Legislative Fiscal Analyst (LFA) had prepared for SB 52 and explained their purpose (Exhibit #1). He noted the Department of Transportation (DOT) was preparing another set of amendments which would cause the funds to revert to the Highway Special Revenue Account.

Chair Halligan asked **Senator Weeding** if he had seen the amendments prepared by **Greg Petesch, Legislative Council,** for SB 52 (Exhibit #2). **Senator Weeding** replied yes. He noted those amendments contained the term "suspense account" whereas the

reference should be to the "Highway Trust Account". He said those amendments were otherwise identical to those being prepared by DOT.

Chair Halligan asked if that amendment could be made on the Senate floor. Senator Weeding replied yes. He requested that the Committee adopt the LFA amendments because they were necessary to make SB 52 comply with his original intent.

Senator Towe asked Senator Weeding what financial impact SB 52 would have. Senator Weeding asked if William Salisbury, Administrator, Administration Division, DOT, could respond.

Mr. Salisbury informed the Committee that the net effect of SB 52 prior to Senator Weeding's amendment (Exhibit #1) would be to put \$123,484 in Fiscal Year(FY) 1994 and \$133,427 in FY95 into the highway fund. He said he did not know what the remaining balance would be in that account after all expenditures if the amendments were adopted.

Senator Towe asked if it would represent a savings to the highway trust. Mr. Salisbury replied yes.

Senator Eck noted the Committee could simply change all references to the "suspense account" in the set of amendments prepared by Greg Petesch to the "highway trust account" and save a floor amendment (Exhibit #2).

Motion/Vote:

Senator Eck moved to AMEND SB 52 in that manner. The MOTION CARRIED UNANIMOUSLY.

Motion/Vote:

Senator Towe moved to AMEND SB 52 (Exhibit #1). The MOTION CARRIED UNANIMOUSLY.

Motion/Vote:

Senator Towe moved SB 52 DO PASS AS AMENDED. The MOTION CARRIED UNANIMOUSLY.

EXECUTIVE ACTION ON HOUSE BILL 45

Discussion:

Senator Van Valkenburg said a lot of people in attendance were very concerned about the impact of the two percent across the board cuts in HB 45. He assured those people that he did not think an across-the-board cut was an appropriate source of revenue for property tax relief.

Motion:

Senator Van Valkenburg moved to AMEND HB 45 BY DELETING SECTION SIX.

Discussion:

Senator Harp noted that **Senator Brown** was currently in the free conference committee on HB 22 and had left no indication of how he would vote on such a motion. He said **Senator Gage** was excused and had left a proxy vote.

Chair Halligan stated **Senator Gage** had informed the Chair that he wanted to vote NO on HB 45. **Senator Harp** said **Senator Gage** had indicated that he would oppose HB 45 as long as it contained the \$4.5 million personal property reimbursement.

Senator Harp said he had a set of amendments for HB 45 which contained a counter offer to the provisions HB 45 currently contained. He explained the amendments would provide for a one percent across-the-board cut and a \$4 million transfer from the Cultural and Aesthetic Projects Trust Fund (Arts Trust) to the General Fund, while restoring the coal severance flow to the arts council from a special revenue account rather than from the trust itself. He noted **Steve Bender, Office of Budget and Program Planning (OBPP)**, had formulated the amendments.

Chair Halligan suggested that the amendments be distributed (Exhibit #3). He reminded the Committee that **Senator Van Valkenburg's** motion was still pending.

Senator Harp stated he had hoped the Committee could discuss how to fit property tax relief and its funding mechanism into HB 45. He said he would oppose using no reductions in general spending for the funding mechanism, and was against the motion.

Chair Halligan noted that **Senator Harp** could make a substitute motion.

Senator Van Valkenburg stated he had moved to strike section six from HB 45 because the Legislature had already reduced General Fund spending close to \$40 million in HB 2. He stated he was particularly concerned about the loss of further appropriations to the university system (U-system), which had "already ponied up more than its share of cuts" to balance the budget. He added he was also seriously concerned about the impact of further cuts on the Department of Revenue (DOR) and other agencies; to reduce their budgets further, he said, would be "penny-wise and pound-foolish". **Senator Van Valkenburg** stated the budgets of state agencies' had really been reduced, and said the provisions currently in HB 45 represented a political move on the House floor to pass HB 45. He emphasized he was not foreclosing the idea of providing property tax relief; the Legislature, he state, could still find money to provide property tax relief. He

repeated, however, that HB 45 was not the right way to provide that relief. He expressed hope that there could be bipartisan agreement on that issue.

Vote:

The MOTION TO STRIKE SECTION SIX FROM HB 45 CARRIED with **Senators Grosfield** and **Harp** voting NO. Of those excused, **Senator Stang** left a proxy vote in favor of the motion, and it was unclear how **Senators Brown** or **Gage** would have voted.

Discussion:

Chair Halligan informed those present that the Committee's action had removed the two percent cuts from HB 45.

Senator Harp asked if the Committee would consider the possibility of transferring \$4 million from the Arts Trust to the General Fund. He asked **Steve Bender** to explain how that money would be restored to the arts council and how that program would not be affected as severely as by the original version of HB 45.

Steve Bender said in the last FY, the Arts Trust had \$6.8 million, and **Senator Harp's** proposed amendment would use \$4 million of that total. **Mr. Bender** explained that the amendment would restore the Arts Trust through three mechanisms: one, the interest earnings on the remaining \$2.8 million; two, coal severance taxes would flow into the state special revenue account instead of into the trust directly, which would amount to about \$250,000 per year; and three, .05 percent of the coal trust interest earnings would be tapped to make that account whole and provide roughly \$100,000 per year more than received it under current law.

Senator Doherty noted that the coal trust interest earnings currently flow into the General Fund, and asked how much that .05 percent would be. **Mr. Bender** replied it would amount to about \$500,000 per biennium.

Senator Doherty asked what the actual loss of revenue to the General Fund would be. **Steve Bender** replied it would be \$500,000, which would be taken from the General Fund in order to make-up for the loss of funding for the arts council's state special revenue account.

Senator Doherty asked if those calculations included the loss of interest. **Steve Bender** replied the lost interest earnings on the \$4 million removed from the Arts Trust would be restored.

Motion:

Senator Harp MOVED TO AMEND HB 45 WITH THE AMENDMENTS THAT APPLIED TO THE CULTURAL AND AESTHETIC PROJECTS TRUST FUND (Exhibit #3, excluding those provisions for across-the-board cuts for state government).

Discussion:

Senator Harp said his motion was a fair proposal and would not harm the arts council over the long-run. He noted, in fact, that the motion might put the arts council in a position where it could benefit during the coming budget constraints in the 1995 biennium. He stated he was trying to find a credible way to finance some type of property tax relief. He noted that the numbers had not yet started to add up.

Senator Van Valkenburg said he considered it a contradiction in terms to say that taking money away from a trust fund was a way to guarantee people would be better off in the future. He stated if the people in the arts community were to come forward, support the provision, and testify that it would ensure better treatment for the arts in the future, he might be persuaded otherwise. He noted, however, he believed that such a provision was a way of "stealing money and then trying to mollify any critics"; in the long-run, he stated, it would seriously harm a very important part of Montana.

Senator Harp stated in past sessions when there had been deficits and problems with funding, the Legislature had taken entire amounts of monies from trusts; the educational trust which was part of the coal tax trust fund was completely eliminated and never really restored. He stated his motion offered the ability to restore that money while, at the same time, recognizing that there are only so many dollars to go around. He stated he thought property tax relief a very high priority issue and added he was trying to find some middle ground.

Senator Van Valkenburg responded he did not disagree that property tax was a high priority. He stated, in fact, he was determined to find a way to provide some property tax relief, but did not think that **Senator Harp's** motion was the right way.

Vote:

The MOTION FAILED with **Senators Grosfield** and **Harp** voting YES and **Senators Doherty, Eck, Halligan, Towe, Van Valkenburg,** and **Yellowtail** voting NO. **Senator Stang** voted NO by proxy and **Senators Brown** and **Gage** had left no proxy.

Motion:

Senator Van Valkenburg moved HB 45 BE TABLED.

Discussion:

Senator Van Valkenburg stated HB 45 did not need to be the vehicle for property tax relief. He noted, however, that the Committee should maintain the option to use HB 45 if it became necessary. He stated putting HB 45 on the table would allow committee members to move on and discuss other bills that might provide a greater opportunity for resolving the problems facing the Legislature.

Vote:

The MOTION TO TABLE HB 45 CARRIED with Senators Doherty, Gage, Eck, Halligan, Stang, Towe, Van Valkenburg, and Yellowtail voting YES. Senators Grosfield and Harp voted NO and Senator Brown had left no proxy vote.

EXECUTIVE ACTION ON HOUSE BILL 50**Discussion:**

Senator Van Valkenburg noted that HB 50 was important for the budget balancing package and had no problems associated with it.

Chair Halligan said Representative Swanson had introduced some necessary technical amendments for HB 50 at the hearing (Exhibits #4 and #5).

Motion/Vote:

Senator Van Valkenburg moved HB 50 BE AMENDED (Exhibit #4 and #5). The MOTION CARRIED UNANIMOUSLY.

Motion/Vote:

Senator Van Valkenburg moved HB 50 BE CONCURRED IN AS AMENDED. The MOTION CARRIED with Senator Stang voting NO.

EXECUTIVE ACTION ON HOUSE BILL 60**Motion:**

Senator Towe moved to AMEND HB 60 (Exhibit #6).

Discussion:

Senator Towe explained that HB 60 without his proposed amendments would completely eliminate the clean coal technology program. He said the amendments would remove the Department of Natural Resources (DNRC) statutory requirements associated with the Clean Coal Technology Demonstration Program while allowing the program

itself to remain "on the books". This approach, he said, would make it possible to apply for another federal grant in one of the next two grant cycles. **Senator Towe** assured the Committee that his proposed amendments would not interfere with the money being invested in the permanent trust, and added that DNRC had no objections to his amendments.

Vote:

The MOTION TO AMEND HB 60 CARRIED UNANIMOUSLY.

Motion/Vote:

Senator Towe moved HB 60 BE CONCURRED IN AS AMENDED. The MOTION CARRIED UNANIMOUSLY.

EXECUTIVE ACTION ON SENATE BILL 40

Motion:

Senator Eck moved to TABLE HB 40.

Discussion:

Senator Eck stated the concept in HB 40 was good but unnecessary at the present time.

Vote:

The MOTION TO TABLE HB 40 CARRIED with **Senators Doherty, Halligan** and **Harp** voting NO.

EXECUTIVE ACTION ON HOUSE BILL 29

Discussion:

Senator Van Valkenburg outlined the action the House of Representatives had taken on SB 42 the previous night. He said the House had basically stripped everything from SB 42 then added the House version of property tax relief and the substantive provisions for the extension of the property tax reduction for low income individuals that had been in SB 25. He stated that action had been taken outside of committee and without any consultation or effort to recognize the Senate's desire to address the effects of increasing property taxes on low income individuals. He suggested that the Committee consider some amendments to HB 29 in an effort both to bring the Senate together on this issue and to signal the Senate's willingness to work with the House on a property tax relief program.

Senator Van Valkenburg informed committee members he thought it possible to wed the House concept of providing property tax relief for people who have had substantial property tax increases with the Senate's approach of tying relief to people's ability to pay property taxes. He said he had requested and was still waiting for information from the Department of Revenue (DOR) on the fiscal impacts of providing relief to property tax payers who had experienced an increase of greater than 25 percent in their property taxes but limiting the amount of relief to a maximum of 25 percent of the amount over the initial 25 percent increase. He noted those parameters would cover those cases most often cited of people who have huge increases in their property taxes. **Senator Van Valkenburg** stated he would like the Committee to discuss the matter and have the fiscal information before drafting and offering concrete amendments to HB 29. He noted other possibilities existed as well.

Senator Towe said that the Senate's version of SB 42 had contained a cap and an income test and had also addressed renters. He stated the income test was not an income qualification, but made it mandatory for an individual to pay a certain percentage of income in property taxes before becoming eligible. He noted that concept and the idea of a cap could easily be dovetailed with **Senator Van Valkenburg's** suggestion. **Senator Towe** stated the Committee should also consider renters, but added it would be possible to make the eligibility requirements more stringent and the actual percentage of the excess they receive in relief lower.

Senator Van Valkenburg expressed his hope that **Senators Harp** or **Grosfield** could respond to his suggestion. He noted that traditionally senators from both parties had been able to work together on such issues. He stated he honestly thought his suggestion transmitted a "pretty strong signal" of willingness to work on the issues that the Senate Republicans and others had raised concerning the impact of property taxes on those people who have experienced very high increases in the past year. He asked whether **Senators Harp** or **Grosfield** saw some possibility of working toward some amendments which their caucus members could support.

Senator Grosfield said HB 29 in its current form contained \$13,250,000 of tax relief. He noted that amount reflected relief calculated at 75 percent of those property taxes above a 10 percent increase in property taxes. He said a proposal which would calculate relief at 25 percent of anything over 25 percent with \$500 cap would provide total relief closer to \$2 million than \$13 million. He stated that amount would not be significant enough to address the problem in the necessary manner. **Senator Grosfield** expressed his appreciation that the Committee was starting to consider some of the Republicans' concerns, but reiterated that he would have to see some comparisons and numbers on how many would be affected and the dollar amounts. He noted the circuit breaker concept would be tough to deal with, but

stated the Committee and the Senate needed to "come up with and get together on something".

Senator Harp noted that both sides needed to reach some agreement on the issue of property tax relief. He explained that the Republican's position was that those people who had experienced the largest increases in property taxes should be the people who receive the relief. He stated that changing the percentages of the House version would cause some of those people who Republicans felt needed relief to receive none, and the \$500 cap would further reduce that coverage. **Senator Harp** said he honestly thought the Legislature would miss the target by tying relief to some type of income means; he stated there really was no connection between property tax and income unless the goal was a redistribution of wealth. He stated he thought \$14 million in property tax relief was a realistic and appropriate figure. He noted that SB 42 as it had left the House, contained the principles of SB 25 and \$13 million for a rebate program to refund 75 percent of any property tax increases greater than 10 percent. **Senator Harp** suggested that a possible agreement might be to refund only 50 percent of increases greater than 10 percent. He noted, however, that **Senator Van Valkenburg's** proposal that relief be calculated only on increases greater than 25 percent would be "tough to swallow", especially if that relief were also capped at \$500.

Senator Towe commented that **Senator Van Valkenburg's** proposal represented a willingness to recognize and try to accommodate Republican concerns about people whose property taxes increased substantially. He asked that the Republicans recognize the democratic position that it was critical that property tax relief not just be handed out to every single person simply because their property taxes went up by ten percent or more. He stated that the circuit breaker would ensure that those relief dollars are fairly targeted to those people who really needed the money to pay their taxes. He noted that if the Republicans indicated that they might accept some sort of a circuit breaker, the percentages and other items could be discussed. **Senator Towe** stated he would personally like to limit relief to property tax increases caused by increases in property valuations, not mill levies. He noted that voted mill levies had already been excluded in most of the property tax proposals, and said the Committee should discuss excluding the other mill levies.

Senator Eck agreed that the Committee should consider the possibility of excluding all mill levies from property tax relief. She noted, however, that all the committee members needed to decide what kind of information the Committee would need from DOR in order to make any decisions. She said DOR had indicated that one-half of property tax increases came from increased millage, but added a lot of those increases would be seen at lower income levels. **Senator Eck** said she would like to be able to compare property tax increases that had occurred over the last two or three assessment cycles. She stated there was a

lot of room to give on this issue and no other group would be better able to "hammer out something like this then this Committee".

Senator Doherty agreed that the Committee had a lot of variables to work with and to adjust in order to figure out how to best approach the issue. He supported the suggestion that the mill levies portion be separated from property valuations because it is important for taxpayers to understand what role local government plays in property taxation. He stated such a provision would send a direct message to county governments and would also reduce potential cost by limiting the amount of relief thus creating more flexibility for the other numbers. He stated it would be necessary to have DOR calculate the costs of various options so that the Committee could get together and figure out how much money to spend.

Chair Halligan asked **Judy Paynter**, DOR, how much time would it take to put together information that committee members might request.

Senator Van Valkenburg said he had asked **Rick Hill**, Governor's Office, to get the fiscal information on the proposal he had just presented. He asked **Mr. Hill** how long it would be before that information was available and noted there might be other information that committee members would like from DOR.


Rick Hill said **Larry Finch**, Program Manager, Office of Research and Information, DOR, had indicated it would take about one hour because the requested information had to be run on the main frame. He added DOR could not merge the income tax and property tax data bases and so could not provide the Committee with numbers showing what would happen with means testing.

Senators Doherty, Eck, Harp, and Towe requested further data from DOR and **Judy Paynter** agreed to facilitate the processing of that information.

Chair Halligan stated the Committee would meet again before the Senate floor session to review and discuss the information requested by committee members. He said after the floor session, the Committee would meet again to take executive action.

ADJOURNMENT

Adjournment: 11:00



SENATOR MIKE HALLIGAN, Chair

BETH E. SATRE, Secretary

MH/bs

ROLL CALL

SENATE COMMITTEE TAXATION

DATE December 17, 1993
10:00 am

[illegible]

FC8


Attach to each day's minutes

SENATE STANDING COMMITTEE REPORT

Page 1 of 1
December 17, 1993

MR. PRESIDENT:

We, your committee on Taxation having had under consideration House Bill No. 50 (third reading copy -- blue), respectfully report that House Bill No. 50 be amended as follows and as so amended be concurred in.

Signed: 
Senator Mike Halligan, Chair

That such amendments read:

1. Page 6, line 23.

Strike: "TO A LOCAL TAXING JURISDICTION"

2. Page 6, line 24.

Following: "BASE"

Insert: "to a local taxing jurisdiction"

3. Page 6, line 25.

Following: "FUNCTIONS"

Insert: "or to an individual taxpayer concerning the taxpayer's property"

4. Page 184, line 19.

Following: "~~170~~"

Insert: "126, 128 through"

5. Page 184, line 22.

Following: line 21

Insert: "127,"

Following: "~~169~~"

Insert: ", "

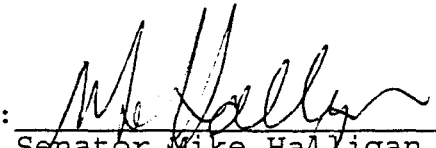
-END-

SENATE STANDING COMMITTEE REPORT

Page 1 of 2
December 17, 1993

MR. PRESIDENT:

We, your committee on Taxation having had under consideration House Bill No. 60 (third reading copy -- blue), respectfully report that House Bill No. 60 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: "THE"

Insert: "RESPONSIBILITIES OF THE DEPARTMENT OF NATURAL RESOURCES
AND CONSERVATION TO PRESCRIBE THE CONTENT OF AND REVIEW OF"

2. Title, line 7.

Strike: "FUND"

Insert: "LOAN APPLICATIONS"

Following: "ELIMINATING"

Insert: "FUND TRANSFERS TO"

3. Title, line 8.

Strike: "SECTION 17-5-703"

Insert: "SECTIONS 90-4-904 AND 90-4-905"

4. Title, lines 9 and 10.

Following: "REPEALING"

Strike: remainder of line 9 through "AND" on line 10

Insert: "SECTION"

5. Page 1, line 16 through page 4, line 1.

Strike: section 1 in its entirety

Insert: "Section 1. Section 90-4-904, MCA, is amended to read:

"90-4-904. Applications for clean coal technology demonstration loans. A person may apply for a clean coal technology demonstration loan for a clean coal technology project to be conducted in Montana. An application for a loan must ~~be in a form prescribed by the department and~~ contain or be accompanied by any information necessary to adequately describe the proposed project and necessary to evaluate the proposed project. An application for a project must be submitted to the department prior to the convening of a legislative session."

Section 2. Section 90-4-905, MCA, is amended to read:

"90-4-905. Eligibility for loan -- clean coal technology project designation. (1) In order for a project to be eligible for a clean coal technology demonstration loan, ~~the department shall designate the project as a clean coal technology project. The department shall ensure, based on the application and the department's investigation and evaluation of the proposal, that~~ the project loan will must be:

(a) used for a clean coal technology project in a commercial testing, pilot plant, or initial commercialization phase; and

(b) matched on at least a 4 to 1 basis from federal or private sources.

(2) Loans may not be ~~recommended~~ made for early stage planning or basic research activities."

Renumber: subsequent sections

6. Page 4, lines 2 through 4.

Following: "Repealer." on line 2

Strike: remainder of line 2 through "and" on line 4

Insert: "Section"

-END-

SENATE STANDING COMMITTEE REPORT

Page 1 of 2
December 17, 1993

MR. PRESIDENT:

We, your committee on Taxation having had under consideration Senate Bill No. 52 (first reading copy -- white), respectfully report that Senate Bill No. 52 be amended as follows and as so amended do pass.

Signed: 
Senator Mike Halligan, Chair

That such amendments read:

1. Title, line 6.

Following: "DEPOSITED;"

Insert: "TRANSFERRING THE FUND BALANCE OF THE ACCOUNTS TO THE
HIGHWAY TRUST ACCOUNT;"

2. Title, line 7.

Following: "DATE"

Insert: "AND A TERMINATION DATE"

3. Page 1, line 24 through page 2, line 9.

Strike: line 24 on page 1 through line 9 on page 2 in their
entirety.

Insert: "(a) 9/10 of 1% of all money except those amounts paid
out of the department of transportation's suspense account
for gasoline tax refunds, minus the amount attributable to
refunds for use in propelling boats, must be deposited in
the state park account;

(b) 1/2 of 1% of all money except those amounts paid
out of the department of transportation's suspense account
for gasoline tax refunds, minus the amount attributable to
refunds for use in propelling snowmobiles, must be deposited
in a snowmobile account in the state special revenue fund;

(c) 1/8 of 1% of all money except those amounts paid
out of the department of transportation's suspense account
for gasoline tax refunds, minus the amount attributable to
refunds for use in propelling off-highway vehicles, must be
deposited in an off-highway vehicle account in the state
special revenue fund; and"

4. Page 3, line 4.

Strike: "Money"

Insert: "Subject to [section 2], money"

5. Page 3, line 12.

Strike: "Money"

Insert: "Subject to [section 2], money"

6. Page 3, line 21.

Strike: "Money"

Insert: "Subject to [section 2], money"

7. Page 4, line 18.

Following: line 17

Insert: "NEW SECTION. Section 2. Fund transfers. On the date that the accounts provided for in 60-3-201(4) through (6) are closed for fiscal year 1995, the balance of each account must be transferred to the highway trust account, to be used as provided in 60-3-201(1)(e).

NEW SECTION. Section 3. Termination. The amendments to 60-3-201(4) through (6) and [section 2] terminate January 1, 1996."

Renumber: subsequent section

-END-

Amendments to Senate Bill No. 52
First Reading Copy

Requested by Senator Weeding
For the Senate Committee on Taxation

Prepared by Roger Lloyd
December 16, 1993

SENATE TAXATION

EXHIBIT NO. 1

DATE December 17, 1993

FILE NO. SB 52

1. Page 1, line 24 through page 2, line 9.

Strike: line 24 on page 1 through line 9 on page 2 in their entirety.

Insert: "(a) 9/10 of 1% of all money except those amounts paid out of the department of transportation's suspense account for gasoline tax refunds, minus the amount attributable to refunds for use in propelling boats, must be deposited in the state park account;
 (b) 1/2 of 1% of all money except those amounts paid out of the department of transportation's suspense account for gasoline tax refunds, minus the amount attributable to refunds for use in propelling snowmobiles, must be deposited in a snowmobile account in the state special revenue fund;
 (c) 1/8 of 1% of all money except those amounts paid out of the department of transportation's suspense account for gasoline tax refunds, minus the amount attributable to refunds for use in propelling off-highway vehicles, must be deposited in an off-highway vehicle account in the state special revenue fund; and

{ Office of Legislative Fiscal Analyst

444-2986}

Amendments to Senate Bill No. 52
First Reading Copy

Requested by Senator Weeding
For the Committee on Taxation

Prepared by Greg Petesch
December 17, 1993

SENATE TAXATION

EXHIBIT NO. 2

DATE December 17, 1993

BILL NO. SB 52

1. Title, line 6.

Following: "DEPOSITED;"

Insert: "TRANSFERRING THE FUND BALANCE OF THE ACCOUNTS TO THE
SUSPENSE ACCOUNT;"

2. Title, line 7.

Following: "DATE"

Insert: "AND A TERMINATION DATE"

3. Page 3, line 4.

Strike: "Money"

Insert: "Subject to [section 2], money"

4. Page 3, line 12.

Strike: "Money"

Insert: "Subject to [section 2], money"

5. Page 3, line 21.

Strike: "Money"

Insert: "Subject to [section 2], money"

6. Page 4, line 18.

Following: line 17

Insert: "NEW SECTION. Section 2. Fund transfers. On the date
that the accounts provided for in 61-3-201(4) through (6)
are closed for fiscal year 1995, the balance of each account
must be transferred to the suspense account provided for in
61-3-201(1), to be used as provided in 61-3-201(1)(e)."

NEW SECTION. Section 3. Termination. The amendments to
61-3-201(4) through (6) made by [section 1] and [section 2]
terminate January 1, 1996."

Renumber: subsequent section

Amendment for House Bill No. 45
Third Reading (blue)

Requested by Senator Harp
Prepared by Office of Budget and Program Planning
December 16, 1993

SENATE TAXATION

EXHIBIT NO. 3

DATE December 17, 1993

BILL NO. HB 45

1. Title, line 12.
Following: "OR INCOME TAXES;"
Insert: "TRANSFERRING \$4 MILLION FROM THE CULTURAL AND AESTHETIC PROJECTS TRUST FUND TO THE GENERAL FUND; REVISING THE ALLOCATION OF EARNINGS FROM THE COAL SEVERANCE TAX TRUST FUND AND COAL SEVERANCE TAX;"
2. Title, line 24.
Following: "APPROPRIATIONS BY"
Strike: "2"
Insert: "1"
3. Title, line 24.
Following: "AMENDING"
Strike: "SECTION"
Insert: "SECTIONS"
4. Title, line 25.
Following: "15-1-111,"
Insert: "15-35-108, AND 17-5-104"
5. Title, line 1 on page 2.
Following: "AND PROVIDING"
Strike: "AN IMMEDIATE EFFECTIVE DATE"
Insert: "EFFECTIVE DATES, A TERMINATION DATE, AND A RETROACTIVE APPLICABILITY DATE"
6. Page 22, following line 9.
Insert: NEW SECTION. Section 5. Fund transfer. \$4 million from the balance in the cultural and aesthetic projects trust fund is transferred to the general fund.

Section 6. Section 17-5-704, MCA, is amended to read:

"17-5-704. Investment of funds. Money in the coal severance tax bond fund, the coal severance tax permanent fund, the coal severance tax income fund, and the coal severance tax school bond contingency loan fund must be invested in accordance with the investment standards for coal severance tax funds. Income and earnings from all funds are statutorily

appropriated, as provided in 17-7-502, as follows:

- (1) 15% to the state equalization aid account; ~~and~~
- (2) ~~85%~~ 84.5% to the state general fund; ~~and~~
- (3) 0.5% to the cultural and aesthetic projects state special revenue fund.

Section 7. Section 17-5-704, MCA, is amended to read:

"17-5-704. Investment of funds. Money in the coal severance tax bond fund, the coal severance tax permanent fund, the coal severance tax income fund, and the coal severance tax school bond contingency loan fund must be invested in accordance with the investment standards for coal severance tax funds. Income and earnings from all funds are statutorily appropriated, as provided in 17-7-502, as follows:

- ~~(1) 15% to the state equalization aid account; and~~
- ~~(2) 85% 99.5% to the state general fund; and~~
- (3) 0.5% to the cultural and aesthetic projects state special revenue fund.

Section 8. Section 15-35-0108, MCA, is amended to read:

"15-35-108. (Temporary) Disposal of severance taxes. Severance taxes collected under this chapter must, in accordance with the provisions of 15-1-501(6), be allocated as follows:

(1) To the trust fund created by Article IX, section 5, of the Montana constitution, 50% of total coal severance tax collections. The trust fund money must be deposited in the fund established under 17-6-203(6) and invested by the board of investments as provided by law.

(2) Starting July 1, 1987, and ending June 30, 2003, 12% of coal severance tax collections are allocated to the highway reconstruction trust fund account in the state special revenue fund.

(3) Coal severance tax collections remaining after allocation to the trust fund under subsection (1) are allocated in the following percentages of the remaining balance:

(a) 17½% to the credit of the local impact account. Unencumbered funds remaining in the local impact account at the end of each biennium are allocated to the state special revenue fund for state equalization aid to public schools of the state.

(b) 30% to the state special revenue fund for state equalization aid to public schools of the state;

(c) 1% to the state special revenue fund to the credit of the county land planning account;

(d) 1¼% to the credit of the renewable resource development bond fund;

(e) 0% to a nonexpendable trust fund for the purpose of parks acquisition or management. Income from this trust fund must be appropriated for the acquisition, development, operation, and maintenance of any sites and areas described in 23-1-102.

(f) 1% to the state special revenue fund to the credit of the state library commission for the purposes of providing basic library services for the residents of all counties through library federations and for payment of the

costs of participating in regional and national networking;

(g) 1/2 of 1% to the state special revenue fund for conservation districts;

(h) 1 1/4 % to the debt service fund type to the credit of the renewable resource loan debt service fund;

(i) 2% to the state special revenue fund for the Montana Growth Through Agriculture Act;

(j) 1 2/3 % to a ~~nonexpendable trust~~ fund for the purpose of protection of works of art in the state capitol and for other cultural and aesthetic projects. ~~Income from this trust fund shall be appropriated for protection of works of art in the state capitol and other cultural and aesthetic projects.~~

(k) beginning July 1, 1993, and ending June 30, 1995, 3 1/3% to a special revenue account to be used by the department of fish, wildlife, and parks for the stabilization and preservation of historic and cultural sites within the state park system;

(l) all other revenues from severance taxes collected under the provisions of this chapter to the credit of the general fund of the state. (Terminates June 30, 1995--sec. 4, Ch. 536, L. 1993.)

15-35-108. (Effective July 1, 1995) Disposal of severance taxes.

Severance taxes collected under this chapter must, in accordance with the provisions of 15-1-501(6), be allocated as follows:

(1) To the trust fund created by Article IX, section 5, of the Montana constitution, 50% of total coal severance tax collections. The trust fund money must be deposited in the fund established under 17-6-203(6) and invested by the board of investments as provided by law.

(2) Starting July 1, 1987, and ending June 30, 2003, 12% of coal severance tax collections are allocated to the highway reconstruction trust fund account in the state special revenue fund.

(3) Coal severance tax collections remaining after allocation to the trust fund under subsection (1) are allocated in the following percentages of the remaining balance:

(a) 17 1/2 % to the credit of the local impact account. Unencumbered funds remaining in the local impact account at the end of each biennium are allocated to the state special revenue fund for state equalization aid to public schools of the state.

(b) 30% to the state special revenue fund for state equalization aid to public schools of the state;

(c) 1% to the state special revenue fund to the credit of the county land planning account;

(d) 1 1/4 % to the credit of the renewable resource development bond fund;

(e) 3 1/3 % to a nonexpendable trust fund for the purpose of parks acquisition or management. Income from this trust fund must be appropriated for the acquisition, development, operation, and maintenance of any sites and areas described in 23-1-102.

(f) 1% to the state special revenue fund to the credit of the state library commission for the purposes of providing basic library services for the residents of all counties through library federations and for payment of the costs of participating in regional and national networking;

(g) 1/2 of 1% to the state special revenue fund for conservation districts;

(h) 1 1/4 % to the debt service fund type to the credit of the renewable resource loan debt service fund;

(i) 2% to the state special revenue fund for the Montana Growth Through Agriculture Act;

(j) 1 2/3 % to a ~~nonexpendable trust~~ fund for the purpose of protection of works of art in the state capitol and for other cultural and aesthetic projects. ~~Income from this trust fund shall be appropriated for protection of works of art in the state capitol and other cultural and aesthetic projects.~~

(k) all other revenues from severance taxes collected under the provisions of this chapter to the credit of the general fund of the state. (Terminates July 1, 2003--sec. 4, Ch. 191, L. 1991.)

15-35-108. (Effective July 1, 2003) Disposal of severance taxes. Severance taxes collected under this chapter must, in accordance with the provisions of 15-1-501(6), be allocated as follows:

(1) To the trust fund created by Article IX, section 5, of the Montana constitution, 50% of total coal severance tax collections. The trust fund money must be deposited in the fund established under 17-6-203(6) and invested by the board of investments as provided by law.

(2) Coal severance tax collections remaining after allocation to the trust fund under subsection (1) are allocated in the following percentages of the remaining balance:

(a) 17 1/2 % to the credit of the local impact account. Unencumbered funds remaining in the local impact account at the end of each biennium are allocated to the state special revenue fund for state equalization aid to public schools of the state.

(b) 30% to the state special revenue fund for state equalization aid to public schools of the state;

(c) 1% to the state special revenue fund to the credit of the county land planning account;

(d) 1 1/4 % to the credit of the renewable resource development bond fund;

(e) 3 1/3 % to a nonexpendable trust fund for the purpose of parks acquisition or management. Income from this trust fund must be appropriated for the acquisition, development, operation, and maintenance of any sites and areas described in 23-1-102.

(f) 1% to the state special revenue fund to the credit of the state library commission for the purposes of providing basic library services for the residents of all counties through library federations and for payment of the costs of participating in regional and national networking;

(g) 1/2 of 1% to the state special revenue fund for conservation districts;

(h) 1 1/4 % to the debt service fund type to the credit of the renewable resource loan debt service fund;

(i) 2% to the state special revenue fund for the Montana Growth Through Agriculture Act;

(j) 1 2/3 % to a ~~nonexpendable trust~~ fund for the purpose of protection of works of art in the state capitol and for other cultural and

aesthetic projects. ~~Income from this trust fund shall be appropriated for protection of works of art in the state capitol and other cultural and aesthetic projects.~~

(k) all other revenues from severance taxes collected under the provisions of this chapter to the credit of the general fund of the state."

Renumber: subsequent sections

7. Page 23, beginning on line 7.
Strike: "\$900,000"
Insert: "\$450,000"
8. Page 23, line 11.
Following: "GENERAL FUND"
Strike: "17,600"
Insert: "8,800"
9. Page 23, line 19.
Following: "ARE REDUCED BY"
Strike: "2"
Insert: "1"
10. Page 24, line 11.
Following: "IS REDUCED BY"
Strike: "2"
Insert: "1"
11. Page 25, line 15.
Following: "Effective"
Strike: "DATE"
Insert: "Dates"
12. Page 25, beginning on line 17.
Strike: "[THIS ACT] IS"
Insert: "[Sections 1 through 6 and 8 through 14 and this section] are"
13. Page 25, following line 18.
Insert: "[Section 7] is effective July 1, 1994."
14. Page 25, following line 19.
Insert: "NEW SECTION. Section 13. Retroactive applicability. [Section 6] applies retroactively, within the meaning of 1-2-109, to July 1, 1993."
15. Page 25, following line 19.
Insert: "NEW SECTION. Section 14. Termination. [Section 6] terminates July 1, 1994."

Explanation:

This amendment reduces the across the board general fund reductions in the general appropriations act from 2% to 1%. The contingency appropriations are reduced by 50%. \$4 million is transferred to the general fund from the arts trust. Funding is restored for the arts council by changing the coal severance tax flow to the arts council special revenue account rather than to the trust and the allocation of coal trust earnings to the art council special revenue account.

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Amendments to House Bill No. 50
Third Reading Copy

Requested by Representative Swanson
For the Committee on

Prepared by Greg Petesch
December 13, 1993

4
SENATE TAXATION

EXHIBIT NO. 4

DATE December 17, 1993

BILL NO. HB 50

1. Page 6, line 23.

Strike: "TO A LOCAL TAXING JURISDICTION"

2. Page 6, line 24.

Following: "BASE"

Insert: "to a local taxing jurisdiction"

3. Page 6, line 25.

Following: "FUNCTIONS"

Insert: "or to an individual taxpayer concerning the taxpayer's
property"

SENATE TAXATION

EXHIBIT NO. 5DATE December 17, 1993BILL NO. HB 50

Amendments to House Bill 50
Third Reading Copy

Prepared by Department of Revenue
12/14/93 2:52pm

1. Page 184, line 19.
Following: "~~170~~"
Insert: "126, 128 through".

2. Page 184, line 21.
Following: "~~173~~"
Insert: "127,"

REASON FOR AMENDMENT:

This is a technical amendment. The early retirement option for county assessors and their deputies must be made effective on passage and approval since the window of opportunity for this early retirement will expire after December 31, 1993.

Amendments to House Bill No. 60
First Reading CopyRequested by Senator Towe
For the Committee on AppropriationsPrepared by Greg Petesch
December 7, 1993

1. Title, line 6.

Following: "THE"

Insert: "RESPONSIBILITIES OF THE DEPARTMENT OF NATURAL RESOURCES
AND CONSERVATION TO PRESCRIBE THE CONTENT OF AND REVIEW OF"

2. Title, line 7.

Strike: "FUND"

Insert: "LOAN APPLICATIONS"

Following: "ELIMINATING"

Insert: "FUND TRANSFERS TO"

3. Title, line 8.

Strike: "SECTION 17-5-703"

Insert: "SECTIONS 90-4-904 AND 90-4-905"

4. Title, lines 9 and 10.

Following: "REPEALING"

Strike: remainder of line 9 through "AND" on line 10

Insert: "SECTION"

5. Page 1, line 16 through page 4, line 1.

Strike: section 1 in its entirety

Insert: "Section 1. Section 90-4-904, MCA, is amended to read:

"90-4-904. Applications for clean coal technology demonstration loans. A person may apply for a clean coal technology demonstration loan for a clean coal technology project to be conducted in Montana. An application for a loan must be in a form prescribed by the department and contain or be accompanied by any information necessary to adequately describe the proposed project and necessary to evaluate the proposed project. An application for a project must be submitted to the department prior to the convening of a legislative session."

Section 2. Section 90-4-905, MCA, is amended to read:

"90-4-905. Eligibility for loan -- clean coal technology project designation. (1) In order for a project to be eligible for a clean coal technology demonstration loan, ~~the department shall designate the project as a clean coal technology project. The department shall ensure, based on the application and the department's investigation and evaluation of the proposal, that the project loan will~~ must be:

(a) used for a clean coal technology project in a commercial testing, pilot plant, or initial commercialization phase; and

(b) matched on at least a 4 to 1 basis from federal or

private sources.

(2) Loans may not be ~~recommended~~ made for early stage planning or basic research activities.""

Renumber: subsequent sections

6. Page 4, lines 2 through 4.

Following: "Repealer." on line 2

Strike: remainder of line 2 through "and" on line 4

Insert: "Section"