MINUTES

MONTANA SENATE
53rd LEGISLATURE - REGULAR SESSION

FREE CONFERENCE COMMITTEE ON SENATE BILL 235

Call to Order: By Chairman Mike Halligan, on April 22, 1993, at 8:30 p.m.

ROLL CALL

Members Present:
Senator Mike Halligan, Chairman, Senator Bob Brown, Senator Bruce Crippen, Senator Dorothy Eck, Rep. Mike Foster, Rep. Chase Hibbard, Rep. Bob Ream, Rep. Jim Rice, Rep. Emily Swanson, Senator Bill Yellowtail.

Members Excused: None.

Members Absent: None.

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

Discussion:

Chairman Halligan announced the purpose of this meeting would be to go through the amendments to SB 235 and have the Department of Revenue (DOR) indicate their concerns, if any, about the amendments, and make any presentation about the amendments. The costs associated with each amendment will be discussed.

Exhibit No. 1 to these minutes was presented and reviewed by Mick Robinson, Director of the DOR. This is a synopsis of the amendments made to SB 235 in the House Taxation Committee or on the floor of the House. The DOR has included the fiscal impact of each amendment.

Amendment No. 1 is a clarification of the exemption of vocational rehabilitation services paid for by Workers' Compensation Insurance. There is a reduction in sales tax revenue of $345,000.

Amendment No. 2 is an exemption of commercial utilities, except cable television, and has a $17,027,000 fiscal impact.

Amendment No. 3 is an exemption of membership dues to nonprofit organizations which are subject to the sales tax. There is a $3,314,000 fiscal impact.

Amendment No. 4 covers purchases by nonprofits as nontaxable transactions. There is a $10 million fiscal impact.

Amendment No. 5, the amendment to exempt insurance commissions, results in a $680,000 loss in revenue.

Amendment No. 6 exempts minerals consumed in field production, and the DOR felt the issue was covered in some of the previous actions. This is a clarification amendment, and there is no fiscal impact.

Amendment No. 7 establishes a rate of 2.5% on sales of new and used mobile or manufactured homes, and results in a $43,000 loss in revenue. This percentage is consistent with the treatment of the residential construction activity where the materials that go into residential construction would be subject to the sales tax, but the labor components would not be.

Amendment No. 8 clarifies disposal of hazardous waste as a taxable event. There is no fiscal impact for this addition, but there would be some increase. At this time, there is no such disposal taking place in the state.

Amendment No. 9 exempts construction projects that were bid before June 8, 1993, and this should have no fiscal impact.

Amendment No. 10 will increase vendor allowance to 4% the first year, and 2.5% thereafter. The same caps of $100 per month, will apply to the Federal allowance. The DOR cannot estimate how many businesses would be subject to the caps, so they use the percent as the estimate, which will be high. There will be some businesses subject to the cap, and the revenue impact is $1,900,000.

Amendment No. 11 will decrease the retirement exclusion from $7,500 to $3,600, and will increase the revenue by $10,390,000.

Amendment No. 12 will (a) reduce Class 9 utility property & gas pipelines rate from 12% to a new Class 13 rate of 4.5%, and will result in a $48,660,000 revenue loss; (b) increase the electrical energy producers tax from .002 to .00252, which will show a revenue increase of $50,070,00. This amendment results is a net increase of $1,500,000.

The above amendments were approved by the House Taxation Committee.

Amendment No. 13 will exempt hygiene products, toilet paper, cloth diapers, and contraceptives, for a revenue impact of $2,500,000.

Amendment No. 14, a removal of the commercial property tax exemption of $10,000, results in a $5,400,000 increase in revenue.

Amendment No. 15, to exempt nursing home - sales to - use by, if subject to a bed tax, has no revenue estimate.

Amendment No. 16 gives a local reimbursement, and has no fiscal impact.

Amendments No. 13 through 16 were presented on the House floor and passed on April 20th.

The following three amendments were presented and passed on the House floor on April 21st.

Amendment No. 17, the homestead exemption increase to $20,000, will result in an $8 million revenue loss.

Amendment No. 18, covering newspapers, magazines, and books subject to the sales tax results in an increase in revenue of $2,500,000.

Amendment No. 19, the excess sales tax collection to go to Income Tax and Property Tax relief has no fiscal impact.

Director Robinson said one additional amendment that is not shown on Exhibit No. 1, which was put on in the House Taxation Committee and removed on the House floor, is the excess flow into Workers' Compensation. This is included in the Winslow amendment.

Amendments 1 through 19 are the amendments that have been put into SB 235 since the bill left the Senate.

Exhibit No. 2 to these minutes is a memo from the Office of the Legislative Fiscal Analyst (LFA). DOR Director Robinson reviewed these exemptions and said some amendments listed on this exhibit are amendments that were made in the Senate. In Section 10, they refer to exempting commercial and residential utility services. The commercial exemption was placed on SB 235 in the House Taxation Committee; the residential utility services were exempted in the Senate Taxation Committee.

Section 30, exempting transportation services, was a Senate amendment.

Section 31, exempting private school tuition, and Section 32 exempting construction services, were Senate Taxation Committee amendments.

Sections 34-37 include the social services sales that were referred to in Amendment No. 3 in Exhibit No. 1. It also refers to the purchases of non-profit organizations.

Section 67 is Section 174 in SB 235, dealing with no double credit for rent paid and homeowner/renter credit and is a Senate Tax Committee amendment.

Director Robinson said the remainder of the amendments listed on Exhibit No. 2 coincide with the DOR's list of amendments on Exhibit No. 1.

Chairman Halligan asked if Director Robinson could explain to the Committee whether the Administration supports or opposes certain exemptions. Director Robinson said he has not had a chance to discuss these lists with Senator Crippen, the sponsor of SB 235.

Director Robinson said an amendment dealing with a future utility generation plant to be located in the northwestern part of the State will need some discussion by this Committee to determine whether or not that would fit into the reduction in property tax on utility companies, and the increase in the electric generation tax. He does not believe there are serious concerns on the part of the Administration regarding many of the amendments. Some may need to be discussed for clarification, such as printed materials, and whether paper carriers would become a contract employee and have to sign up and pay the sales tax.

Senator Crippen said he needs information on Amendment No. 11, the retirement exclusion. He would like to have that figured based on thousand-dollar increments. In Amendment No. 18, he asked what is being considered for paper deliveries. He understands most paper delivery people are independent contractors. Senator Crippen said when dealing with Amendment No. 19, the Committee will have to set some idea of what monies are being considered.

Senator Eck would like to have the DOR present a spread sheet showing how all of the amendments to date impact various income groups, individuals, and certain kinds of businesses. She heard that an analysis has been done on the increase in taxes, what amount is being paid by individuals, what is being exported, and what would be businesses' share. Director Robinson said the impacts the House amendments have had on the individual over-all tax burden, it is basically very insignificant. The major changes, in terms of a dollar impact, were dealing with the commercial utilities--the non-profit purchases. Those situations do not directly impact the individuals. In terms of the progressive nature of this legislation for individuals, it has not changed dramatically from when it left the Senate. As far as providing information for the businesses, the DOR does not have detailed information to calculate specifically the impact of the sales tax payments on the average business, because it is harder to find an "average business" than it would be an "average individual" in an income category. He is not sure he can provide any more information that is more specific than what they provided when SB 235 was debated in the Senate.

Regarding the electrical generation tax, Senator Eck said the amendment brought up in the House recently was for a proposed large Co-op. She had heard that there are some very small hydro plants that were going to be severely affected. She was told there was some language put into the bill that would require the wholesaler, in this case it would be Montana Power, to pay the tax for them. Director Robinson said in part of the amendment dealing with Montana Power, there was a grandfather clause for those generation plants that have a contract in place by June 30, 1993. He is not sure what, or how many, specific facilities are covered by this amendment, but if the contract is in place by that date, the grandfather clause says if the sales were being made to Montana Power, they would allow the increase in the generation tax be passed along and Montana Power would basically accept that increase. He knows it specifically covers the small Colstrip facility and the generation facility in progress in Billings, but he doesn't know how many others are covered.

Chairman Halligan asked if there are some specific amendments that the House members could give some indication, other than Amendment No. 19, that are particularly important to members of the House and might mean an impact on the loss of votes on the bill as it goes back and forth between the two houses.

Rep. Ream said he thought the House Taxation Committee talked with Director Robinson and/or Rick Hill and recalled that Amendment No. 4 accounted for Amendment No. 3. He asked if they are entirely separate, or is the $3 million a part of the $10 million. Mr. Robinson said they are entirely separate.

Senator Eck asked for some rationale for Amendments No. 3 and No. 4. Senator Crippen explained that these issues were probably discussed in some previous bills. When looking at 501C3s, there is a real morass of different types of entities. He tried to find a way to separate out the Boy Scouts, Girl Scouts, Campfire Girls, etc., but in studying those organizations, he was led into another stage until the point in time where the hospitals were also involved, and that is where the big dollars are. At first, he had some question about the hospitals because some do quite well. His correspondence from various hospitals indicated that if they were subject to the tax on some of the purchases they have, even non-medical supplies, it would cost them an additional $50,000 per year to operate, and it would put some of the smaller hospitals out of business. Senator Crippen said it is important to keep in mind that SB 235 exempts medical services on the other end. What happens then, is that a gross receipts tax is created with the hospitals, and the hospitals will have to add it on and then pass it on. That can be done except that then the cost of health care is increased. This would be contrary to what has been done with Senator Franklin's bill and Senator Yellowtail's bill, and other bills passed this session, on health care costs. Senator Crippen looked at what is being done in other states, and a couple of them had a tax on 501C3s, but the majority of them indicated they ran into the same situation he ran into in researching this issue, and they don't do it. It was for that reason, and from good public policy, that the decision was made that they ought not to be included in the bill. Senator Crippen also said that in crafting the bill, it needs to be crafted in such a way that as much money can be raised as possible, but it doesn't do any good to raise as much money as you possibly can if you can't pass it. There will need to be some fine-tuning on this legislation.

Chairman Halligan asked if the profit-making nursing homes, Amendment No. 15, were exempt. Rep. Foster said that was in response to exempting the 5013Cs. If private nursing homes aren't exempt, an unfair situation is created in attracting patients.

Rep. Hibbard spoke to Amendment No. 3, saying that amendment exempts the dues that people pay to Kiwanis Clubs, Rotary Clubs, other membership groups, political groups, labor unions, trade associations, etc. It would exempt, as well, if a non-profit museum, for instance, wanted to sell a painting, or if any of the groups held fund-raisers to sell things, such as baseball caps, etc. None of those events would be subject to the sales tax. This was not intended to exempt their purchases; if they were to buy a computer to run their offices, that would not be exempt. The dues paid to them and sales they make, as long as they are non-profits, are exempt.

Senator Eck said she had an amendment on the income tax end which also affects a lot of these charitable organizations in that the State does not allow any kind of exemption for contributions, but the Federal government does allow the deduction. A lot of these organizations felt that would stifle their efforts to raise money. Her amendment would have allowed them to take that deduction in lieu of the standard deduction. She also had the same amendment for medical expenses, because there are those individuals without insurance who have a very high medical bill well in excess of the $10,000 standard deduction. This may be something to look at which also affects the non-profits.

Rep. Rice responded to Chairman Halligan's earlier question about how the House feels on some of these amendments, he said the bill is now in a form that will pass the House, and he thinks that the less amount of tinkering the better. The House Republicans have strong feelings about Amendments No. 19, No. 2, and a very significant interest in Amendment No. 17. They come to this table feeling pretty good about the bill as it is now, and hopefully, this Committee will minimize any amendments.

Senator Crippen asked the House members on this Committee what their feelings are toward Amendment No. 13. Of all the comments he received after actions in the House, people commented more about this amendment, saying it belittled the bill. He thinks Amendment No. 13 will have to be eliminated entirely or changed in some manner.

Chairman Halligan said Amendments No. 11 and No. 18 were not among those listed by Rep. Rice, and asked if those could be discussed specifically with the House members.

Rep. Ream said Amendment No. 11 is not a retirement exclusion, it is a qualified pension exclusion. Forty percent of the retired people in Montana have no qualified pension income. That is part of the argument. Secondly, with the generous exemptions and deductions that are given in the income tax provisions in SB 235, plus if they have Social Security, retired people with qualified pension income wouldn't start paying any income tax until around $40,000. There was concern about equity as to whether those people who are relatively well off in their retirement shouldn't be paying some income tax at a lower level. All that is being done is increasing the inequity against 40% of the retirees who have no pension income.

Senator Crippen said that if the 40% figure is correct, how many of those people will receive rather substantial sums of money from selling their businesses, or farms or ranches, and will put their money into some type of a retirement program, albeit not a qualified plan. It seems to him that if the exemption could be increased, it would help the 40%. The $3600 figure in Amendment No. 11 is going back to the figure used in previous sessions. There is a good argument that it need to be increased.

Senator Eck said she remembers the promises made to the people and how difficult it has been to handle this situation over the years and have a feeling that the legislature did take something away from them that had been promised. In reality, she doesn't think the $40,000 holds because a couple who has one pension with the $7500 exclusion would be up to $24,500 before they would start paying. If you went to the $3600 figure, they would be at $20,600, which isn't a lot of difference but it will make a difference to those people.

Chairman Halligan explained that in Senate Taxation Committee meetings, it was agreed that $15,000 was too much of an exclusion, $7500 was possibly too much, and ended up by going to $5,000; it was raised to $7500 later. Rep. Ream said there was a motion on the House floor to raise it to $10,000 and that was defeated 75-22.

Rep. Ream said, speaking as one who will be in the 60% with a teacher's retirement, said he did not want that kind of a break. He does not think it is fair to the others who do not have such a pension plan. The House got forced into $3600 for Federal retirees who make up almost half of the 60%; they already have a big break by going from $360 to $3600.

Chairman Halligan called for discussion on Amendment No. 18, regarding the newspapers. Senator Crippen said advertising is not included in SB 235, which will cover the main objections by the news media. However, including all other printed material will create some uncertainty and unrest. He doesn't think paper carriers should be included in the bill and have to collect the tax. However, when you buy newspapers and printed material at a news stand, you would have to pay a sales tax, like other states charge one.

Senator Eck asked Rep. Hibbard about an amendment he offered in the House. Rep. Hibbard said that amendment would essentially tax everything but subscription newspapers so the delivery persons would not have to be tax collectors. This amendment was voted down on the House floor, but he thinks this issue could be revisited.

Senator Eck asked why insurance commissions are exempt when all kinds of other commissions aren't exempt [relating to Amendment No. 5]. Director Robinson said the concern with insurance commissions is the part of the premiums that are paid. SB 235 has been drafted to exempt insurance premiums. There is a debate regarding whether or not the insurance commission is part of the premium--whether that has been exempted. The second debate is not taxing wages and salaries, but insurance commissions are taxed, which is a form of compensation for those individuals. This became cumbersome with the insurance commissions being part of the premiums, and this can't be passed along to the purchaser of the insurance. There is a difficulty in terms of passing it on and raising the rates to accommodate the increase in the sales tax that would be levied on commissions. That amendment was proposed by Rep. Tom Nelson. Senator Crippen said other states primarily handle it the same way.

Senator Crippen asked if Amendment No. 5 reflects the increase in the premium tax. Director Robinson said it did not; it was part of an amendment drafted to compensate for the decrease in revenue by increasing the insurance tax by 1/8%. That part of the amendment was not accepted by the House Taxation Committee. Senator Crippen asked that this issue be revisited.

Rep. Foster recalled a summary made by Chairman Gilbert, House Taxation Committee, in summarizing this proposed amendment (No. 5), where he said this is income to these people and if they are not exempt, a sales tax is being placed on their income. An architect, CPA, or attorney can pass on the tax to their clients.

Chairman Halligan asked Director Robinson to explain House Amendment No. 19. Mr. Robinson distributed Exhibit No. 3 to these minutes, which is the full amendment known as Amendment No. 19. He said number 7 of this amendment by Rep. Winslow is the critical part of this amendment. The $57 million and $250 million referred to in that section are the net revenue figures included in the legislation in the House, and states any amount in excess of those amounts must remain in the account and be used for the reduction in state-wide mills and reductions in the income tax percentage rate. It is taking any excess revenues and applying them to property tax reduction or income tax rate reduction. Director Robinson explained when he uses the term "excess revenues" it means revenue in excess of the Department of Revenue's net revenue estimates; he doesn't think there are still some unappropriated dollars for FY 94-FY 95. Basically, the DOR's estimate is conservatively low, then any revenue coming in, in excess of that, would flow into tax reform relief in a later period. This is just dealing with excess net revenue that might be in the bill. There is still some bottom line revenue as the bill sits right now that could be used to cover the deficit and there may be $30-$40 million per year extra revenue that would be included there for this up-coming biennium. It is not impacting that, it is simply taking the revenue that is in excess of the DOR's estimate.

Senator Eck said going on from 1995, it would be the Revenue Estimating Committee and the Legislature that would make the estimate of what is expected. Director Robinson said once this particular reform package would be in place, it would be much easier to estimate what the revenue flow would be from the sales tax component of it. Trying to estimate it when it is not in place is more difficult; what is the probability that the dollar amount will be within 2% or 5%. The DOR has given the best estimate they can put together. In future years, that would come through the Revenue Oversight Committee.

Senator Eck asked why the language was removed from the top of Page 63 that said "Allocations may not be made from the sales tax and use tax account until appropriated". Director Robinson said the basic reason to remove that language was that, without having it removed, there was an inability to reimburse local governments for a decrease in property tax revenue. The DOR has a technical amendment to be presented that will have the ability to reimburse local governments for the decrease in property tax as a result of the tax reform within SB 235. This was done at the suggestion of Terry Johnson of the Fiscal Analyst's Office.

Rep. Swanson asked for clarification on Section 7 of the Winslow amendment. If the State takes in more than $57 million in 1994, and takes in more than $250 million in 1995, then that is considered excess. Mr. Robinson said this is correct. She then asked if once 1995 is past, this language is defunct, and somebody's estimates are the ones that will be considered then. He said this is correct, and they would probably generally be revenue estimates that the Legislature deals with, prepared by the Fiscal Analyst's office and reviewed and addressed by the Budget Office. The Revenue Oversight Committee (ROC) initially has the responsibility of adopting those at the beginning of the session.

Rep. Swanson asked if these estimates are pretty fluid and different estimates could be available at various times, and if going with these estimates, is it important to stipulate whose estimates and at what point in the process they are taken. Director Robinson said the DOR estimates are not fluid and there has been only one basic adjustment to the model that had been missed, and that was an addition of the offer of diesel fuel, which was a $7 million increase. The other changes that have been made have been made as a result of the exemption action, etc., taken by the Legislature.

Rep. Swanson asked Director Robinson if he is comfortable with the Winslow amendment. He said he was not sure he could say that. It is a critical, fragile amendment that has to be dealt with. He is not sure the dollar amounts in the amendment agree to the proper dollar amount that should be in SB 235 right now because of some of the changes that have been made. Any changes made in this Committee will cause the dollar amount to be adjusted.

Senator Crippen said he agrees with Mr. Robinson's comments, and as far as binding the future Legislatures, he thinks this cannot be done. He does think there would be a hesitancy on the part of any future Legislature to make radical changes in what has been agreed upon in this area. He has agreed with Rep. Winslow to give as much credence to her amendment as he possibly can; however, he also indicated to her that the amendment would need to be modified. He hopes to be able to maintain the flexibility in SB 235 that is needed for future Legislatures.

Rep. Ream pointed out that the Winslow amendment is really three separate amendments with number one affecting the statement of intent. He directed attention to number 3 (section 7) because this same cap was discussed in the House Taxation Committee, and determined that for this biennium, if there are any excess revenues, they should be put into the Workers' Compensation Fund. He likes that idea when dealing with an unknown entity for the coming biennium. The $250 million figure is no longer accurate because the revenue estimate has changed with the other amendments that have been offered. He has serious problems with this amendment and there are a lot of votes resting on the fact that changes need to be made in the Winslow amendment. He said the $250 million figure is $25 million less than was in SB 235 when the Senate sent the bill to the House. Besides that, there is a negative $2.6 million in the bill as a result of House floor action taken the previous day. He thinks if SB 235 is to pass on the ballot in June, this Committee needs to consider the groups that might support it on the ballot and whether or not they will support it with the amount of revenue that was taken out in the House from the version sent over from the Senate.

Rep. Rice said, in regard to the DOR revenue estimate, the Committee is more than willing to look at the numbers that may have changed because of amendments in the bill. If the bill doesn't produce the revenue figures the Legislators have been working off, the new numbers can be plugged in. SB 235 as written produces new revenue. The Winslow amendment just says that in the event we get more money than we dreamed of, that money should be set aside for the stated tax relief.

Rep. Rice asked for clarification on the question of binding future Legislatures, and stated that he doesn't think the Winslow amendment attempts to bind future Legislatures. Senator Crippen responded that future Legislatures can change whatever they want to change, and they are not bound by any previous Legislatures.

Senator Yellowtail offered his comments on the Winslow amendment and said in view of the fact that there will be structural deficits that the 54th Legislature will face, it seems to him to be premature to begin to make an assumption quite as bold as the Winslow amendment makes that there will be an excess and that if by some identified means it might be applied to these forms of tax relief named. It seems important to Senator Yellowtail to grant the 54th Legislature the prerogative to make that decision at that time, and they may very well decide to apply any fortunate overage to those purposes. He thinks the options should stay open for how best to use any revenue overage, if any, and not limit it by this amendment.

Rep. Rice said he understands that the Winslow amendment directs how excess funds should be spent in this biennium, not future bienniums. However, barring a Special Session, this Legislature would not be back in session to direct how those excess funds, if any, should be spent, so the Winslow amendment would take care of that. By the time the 54th Legislature convenes, this amendment will be over and done with.

Rep. Ream reiterated that Section 7 is one-time only money that will come in during this biennium. There is a mechanical problem in how to give back that money as property tax relief or income tax relief on an on-going basis with a one-time only source of money.

Rep. Swanson said if people either support the Winslow amendment, or do not support it, because they think it will kill the bill at the polls, they are wasting time and money. This amendment will cause a huge loss of the education constituency. This is a complex issue, but she thinks any amendments made to the Winslow amendment should be backed with those thoughts.

Senator Eck said it seems apparent that $56.8 million and $76.52 million will have to be appropriated in this biennium. She assumes the Legislature would convene prior to when money starts pouring in, in order to appropriate it. She asked if this is to be done, would a new revenue estimate be available that would include the sales tax money, because the sales tax has not been reviewed in the revenue-estimating process. Senator Eck asked Director Robinson if it is the intent of the Administration that sometime in the next few months, if the sales tax passes, that a Special Session would be called to address the appropriations. Director Robinson said it is not his expectation that the Administration would call a Special Session to deal with the revenue appropriations.

ADJOURNMENT

Adjournment: The meeting adjourned at 10:00 p.m.

Mike Halligan

MIKE HALLIGAN, Chair

Bonnie Stark

BONNIE STARK, Secretary

MH/bjs

ROLL CALL

(FREE) CONFERENCE COMMITTEE

ON ~~HOUSE~~/ SENATE BILL # 235

DATE 4-22-93 8:30 p.m.

NAME	PRESENT	ABSENT	EXCUSED
Sen. Brown	✓		
Sen. Crippen	✓		
Sen. Eck	✓		
Rep. Foster	✓		
Sen. Halligan, Chm.	✓		
Rep. Hibbard	✓		
Rep. Ream	✓		
Rep. Rice	✓		
Rep. Swanson	✓		
Sen. Yellowtail	✓		

Free Conf. Comm.
EXHIBIT NO. 1
DATE 4-22-93
BILL NO. SB235

	HOUSE AMENDMENTS	FISCAL IMPACT
1.	Exempt vocational rehabilitation services paid for by Workers' Compensation Insurance	$ (345,000)
2.	Exempt commercial utilities except cable television	(17,027,000)
3.	Exempt social services - nonprofit membership organizations including zoos and botanical gardens	(3,314,000)
4.	Provide for purchases by nonprofits as a class of nontaxable transactions	(10,000,000)
5.	Exempt insurance commissions	(680,000)
6.	Exempt minerals consumed in field production	No estimate
7.	Establish rate of 2.5% on sales of new or used mobile or manufactured homes	(43,000)
8.	Clarify disposal of hazardous waste as a taxable event	0
9.	Contractors' exemption for projects bid before June 8, 1993	No estimate
10.	Increase vendor allowance to 4% the first year - same caps - and 2.5% thereafter	(1,900,000)
11.	Decrease retirement exclusion from $7,500 to $3,600	10,390,000
12.	a. Class 9 utility property & gas pipelines rate changed from 12% to new class 13 rate of 4.5% and	(48,660,000)
	b. increase electrical energy producers tax from .0002 to .00252	50,070,000
13.	Exempt hygiene products, toilet paper, cloth diapers, and contraceptives	(2,500,000)
14.	Remove commercial property exemption of $10,000	5,400,000
15.	Exempt nursing home - sales <u>to</u> - use <u>by</u>, if subject to bed tax	No estimate

HOUSE AMENDMENTS	FISCAL IMPACT

16.	Local reimbursement technical amendment	0
17.	Homestead exemption increased to $20,000	(8,000,000)
18.	All printed material subject to sales tax - not advertising	2,500,000
19.	Excess sales tax collection to go to Income Tax & Property Tax relief	0

~~STATE TAXATION~~ ... Comm.
EXHIBIT NO. 2
DATE 4-22-93
BILL NO. SB235

STATE OF MONTANA
Office of the Legislative Fiscal Analyst
STATE CAPITOL
HELENA, MONTANA 59620
406/444-2986

TERESA OLCOTT COHEA
LEGISLATIVE FISCAL ANALYST

April 22, 1993

Senator Tom Towe
Seat No. 25
Montana State Senate
Helena, MT 59620

Dear Senator Towe:

The following provides information regarding the changes that were made to Senate Bill 235 (SB235) after it left the Senate.

SUBSTANTIVE AMENDMENTS TO SB 235
AFTER TRANSMITTAL TO HOUSE

. . . . Reference Bill, as Amended

Section	Amendment
2	Tax rate of 2.5% on mobile & manufactured homes
6	Sales tax applies to hazardous or infectious waste
10	Exempt commercial and residential utility services
13	Exempt nursing home fees
14	Exempt hygiene products, contraceptives, etc.
19	Exempt insurance commissions
25	Apply sales tax to all printed material
30	Exempt transportation services
31	Exempt private school tuition
32	Exempt construction services

33	Exempt rehabilitative services
34-37	Exempt sales by nonprofit organizations and firms
58	Change vendor allowance to lesser of 2.5% of sales or $100/mo.
67	No double credit for rent paid and homeowner/renter
72	Winslow amendment, divert collections above revenue estimate to tax relief
74	Delete credit for business rent
85	Homeowners property tax credit raised from $15,000 to $20,000
120	Alter reimbursement mechanism for property tax
121	Remove $10,000 property tax exemption for commercial real estate
124	Create class 13 from utility property in class 9 - rate = 4.5%
125	Reimbursement for change in class 9.
159	Recapture 10% of 2 percent motor vehicle fees-deposit SEA
166	Restore $3,600 retirement exemption w/ phaseout for FAGI above $30,000
178	Electrical energy producers license tax increased from .2 mill/1000 kwh to 2.52 mill/1000 kwh
184	Eliminate Cobb amendment to deposit excess in old workers comp fund
187	Purchases of goods and services fulfilling construction contracts bid prior to June 8, 1993 are exempt

Sincerely,

James E. Standaert

James E. Standaert
Associate Fiscal Analyst

JSC3:lt:st4-22.ltr

~~SENATE TAXATION~~ 7 to Comm. of Whole
EXHIBIT NO. 3
DATE 4-22-93
BILL NO. SB 235

HOUSE COMMITTEE OF THE WHOLE AMENDMENT
Senate Bill 235
Representative Winslow

April 21, 1993 1:36 pm
Page 1 of 2

Mr. Chairman: I move to amend Senate Bill 235 (third reading copy -- blue).

Signed: [signature]
Representative Winslow

And, that such amendments to Senate Bill 235 read as follows:

1. Page 2.
Following: line 16
Insert: "In consideration of the legislative action on the sales tax, it is the intent of the legislature to provide a comprehensive sales tax reform package that brings balance to the Montana tax structure and makes Montana competitive with other states.

In recognition of the uncertainty of the fiscal impact of a 4% sales tax, it is the intent of the legislature that all funds not appropriated or in excess of estimates be used exclusively for reductions in property and income taxes.

The priority for use of any excess funds will be:

(1) reduction of statewide mill levies used for school equalization; and

(2) reduction of the flat rate percentage of the income tax from 6%."

2. Page 60, line 17.
Following: "~~and~~"
Insert: "and"

3. Page 60, lines 18 through 21.
Strike: subsection (B) in its entirety
Renumber: subsequent subsection

4. Page 60, line 23.
Strike: "SUBSECTIONS"
Insert: "subsection"

Winslow

5. Page 60, line 24.
Strike: "AND (1)(B)"

6. Page 61, line 4.
Strike: "(1)(C)"
Insert: "(1)(b)"

ADOPT

REJECT

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7. Page 61.
Following: line 14
Insert: "(c) For the fiscal year ending June 30, 1994, only $57 million may be distributed from the sales tax and use tax account, and for the fiscal year ending June 30, 1995, only $250 million may be distributed from the sales and use tax account. Any amount in excess of those amounts for each fiscal year must remain in the account to be used by the 54th legislature for the reduction of statewide mill levies used for school equalization and the reduction of the flat rate percentage of the income tax from 6%."

8. Page 271, lines 5 through 18.
Strike: section 184 in its entirety
Renumber: subsequent sections

-END-

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