

MINUTES

MONTANA SENATE 53rd LEGISLATURE - REGULAR SESSION

FREE CONFERENCE COMMITTEE ON SENATE BILL 235

Call to Order: By Chairman Mike Halligan, on April 23, 1993, at 9:00 a.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
Lee B. Heiman, Jr., Legislative Council
Greg Petesch, Legislative Council
Bonnie Stark, Committee Secretary

Discussion:

Chairman Halligan opened the meeting by referring to the Department of Revenue (DOR) status sheet based on the House actions on SB 235. (A copy is attached to these minutes.) The Committee today will review further amendments presented on SB 235. Chairman Halligan announced he would allow limited testimony from the audience on the various amendments being offered during this meeting, so affected interests will have a chance for input into the record.

Dave Woodgerd, DOR Chief Legal Counsel, explained Exhibit No. 1 to these minutes, which is a technical amendment to SB 235 concerning the distribution of the sales and use tax money. DOR found they had not provided for distribution of sales and use tax money to a fund to allow them to reimburse local governments prior to the sales and use tax money going into the General Fund. This amendment will provide for reimbursement payment to local governments for loss of property taxes.

MOTION/VOTE:

Senator Crippen moved for adoption of the amendment to SB 235 as shown on Exhibit No. 1. The motion CARRIED UNANIMOUSLY on oral vote. (sb023585.agp)

DISCUSSION:

Rep. Hibbard presented Exhibit No. 2 to these minutes. These amendments to SB 235 were previously offered on the floor of the House and were defeated. They basically will exempt from the sales tax and use tax all newspapers sold by subscription. There are approximately 1500 youth newspaper carriers throughout the state, with 150% turnover among those carriers. They collect somewhere between \$150 and \$700 per month. Rep. Hibbard said there would be huge logistical problems in trying to collect a 4% sales tax from those youth, and they should not be turned into tax collectors for the State. People who sell newspapers at a news stand would collect the sales tax on newspapers as they would on all other items they would sell.

Rep. Ream distributed Exhibit No. 3 to these minutes. This amendment also takes the approach that persons (the newspaper industry) who contract for newspaper delivery services shall include the sales tax in the newspaper subscription price, and shall collect and pay the tax to the DOR. The contract carrier is not responsible for the collection of the sales tax and payment to the DOR.

Senator Crippen said Rep. Ream's amendment would essentially put the responsibility of collection and payment of the tax onto the newspaper businesses.

Senator Yellowtail asked what percentage of newspaper sales are subscription sales. Charles Walk, Montana Newspaper Association, said the ratio is 25% across-the-counter and vendor sales, and 75% subscription sales.

Mr. Walk said the newspaper industry would prefer the Hibbard amendment. One of the problems the industry has with the Ream amendment is that it doesn't address another problem, which is the papers that come in from outside the state. You couldn't collect from those papers because of the Commerce Clause. The Spokesman Review, USA Today, and other papers with subscriptions, approximately 9,000 coming into Montana per day, would not be collectible and would put the Montana newspapers at a disadvantage price-wise since Montana papers would have to tax their papers and they would be out of whack according to the pricing procedure.

Chairman Halligan asked if the Ream amendment was presented either on the House floor or in a House committee. Rep. Ream said it was not.

Rep. Swanson asked Mr. Walk if he had any information on how other states are handling this problem. Her information is that other states do tax subscriptions, but there wasn't any clear information delineating how that is handled. Mr. Walk said he researched information from six representative states. There are 15 states that now tax circulation in one form or another; six

states tax all forms of it, two of those are gross receipts taxes (Hawaii and New Mexico) so there is no problem there. Most of the other states, Connecticut, Kentucky, and North Carolina tax almost exactly like the Hibbard amendment. California started out with a wide-range circulation tax but has in the last two years narrowed it down so that they no longer tax weekly circulation revenues. Idaho taxes all of it at a 5% rate, but they have a 14-page administrative rule covering how they address it. The Idaho Newspaper Association and the Idaho DOR both call it a nightmare.

MOTION:

Rep. Ream moved adoption of the amendment to SB 235 as shown on Exhibit No. 3. (sb023588.alh)

DISCUSSION:

Rep. Ream asked Mr. Walk if any states tax subscriptions coming in from another state. Mr. Walk said New Mexico is trying to write language which addresses that problem through a gross receipts tax. There are some states that have tried it, but they have been challenged in both Federal Court and state courts. He knows of no state that has done it successfully.

Senator Crippen asked Mr. Walk what impact the tax would have on weekly newspapers. Mr. Walk said a study was conducted last year on just the subscription prices of newspapers, and they ranged from \$180 per year for The Billings Gazette, down to \$10 per year for The Valierian at Valier. The weeklies do not see this as a problem, except they also recognize that their mail costs have gone up 200% in the last few years and the only way they have of recovering the cost is through rising circulation. Their actual circulation costs have gone up more than the dailies' costs, and they see a 4% increase through taxation as an add-on they cannot pass along to the consumer as some of the dailies can.

Rep. Hibbard asked if anyone knows the difference in revenue between the Ream amendment and his amendment. Dave Woodgerd said the DOR estimate is that it would cost approximately \$1 million to exempt newspapers by subscription as in the Hibbard amendment.

Chairman Halligan asked for a response from the Administration's perspective whether the Ream amendment is supported or opposed. Rick Hill, a representative of Governor Racicot, said the Administration's position has been that there is an administrative problem with taxing newspaper subscriptions and for that reason they felt they could support the Hibbard amendment. They were not aware of the Ream amendment, so it has not been discussed. Their primary concern is with administration of the tax.

Rep. Rice said the House thought they had fixed this problem on the House floor, and he is wondering if someone from the DOR could explain what was wrong with the House floor amendment. Dave Woodgerd said he is not sure and cannot answer that. Rep. Hibbard said when he offered his amendment initially on the House floor, he was under the impression from what Rep. Brown said on the floor, that there were subsequent amendments coming that would address this problem, but when the Brown amendment actually came, it did not address this problem. It only dealt with The Montana Standard.

Senator Crippen said the Hibbard amendment would cost the State \$1 million. The Senator asked Mr. Walk what percentage of that \$1 million would be attributable to weeklies, or what percentage of the full circulation in Montana is attributable to weeklies. Mr. Walk said he can't give a definitive answer to that. He would estimate the circulation of the 70 or 80 weeklies in Montana would be 15% to 20% of the total circulation revenues of the dailies.

Senator Crippen said he is concerned about the weeklies because they are owned by Montanans for the most part. The Lee Newspapers are in a better position to absorb, or pass on, this tax, but the weeklies are not. The net amount would be only approximately \$100,000 to \$200,000. The Senator asked Rep. Ream if weeklies could be eliminated from his amendment. Rep. Ream said he would have no major objection to this; but his feeling would be to treat everybody the same and be consistent. This tax would amount to only 2 cents per week on a 50 cent weekly newspaper.

Senator Crippen said weeklies could be added back in at a later point in time, and his proposal would be to meet the objections half way.

Rep. Ream asked if there are any bi-weekly, or monthly, newspapers in the State. Mr. Walk said there are four newspapers in Montana--Lewistown, Glendive, Sidney, and Anaconda--that fall under the bi-weekly status by publishing twice a week. Other dailies publish five times a week instead of six or seven times a week. The states that have tried to do this juggling act say it has turned into an administrative and a legal nightmare. He knows of no state where it hasn't been challenged in court when they have tried to tax.

Rep. Foster said there is a big difference in circulation between a weekly and a paper published four or five times a week. Based on what he has heard in this discussion, he would be willing to support the Ream amendment if the weeklies were excluded.

Senator Eck said it seems there are a number of areas where this tax would have to be treated as a gross receipts tax, such as newspaper vending machines. Dave Woodgerd said the provision

in SB 235 concerning vending machines is that the requirement that the tax be separately stated does not apply to any machines. He can't answer if that turns it into a gross receipts tax, but vending machines are exempt from the provision that they have to separately state and separately pay tax in all coin operated machines. Senator Eck said she tends to agree with Rep. Ream on this amendment. She can't see the adding on of a sales tax as an overwhelming cost to these weeklies.

SUBSTITUTE MOTION:

Rep. Foster moved to amend the Ream amendment that weeklies be excluded. (Lee Heiman, Legislative Council Staff, re-phrased the substitute motion, adding Exhibit No. 2 and Exhibit No. 3 together, and the number 2 amendment [Exhibit No. 2] would be stricken, with the following language inserted: "Newspapers that are published not more than once a week are exempt from the sales tax and use tax".)

DISCUSSION:

Rep. Swanson asked Rep. Foster how he justified the exemption for newspapers published once a week versus not exempting newspapers published twice a week. Rep. Foster responded that he thinks there is a large difference in the circulation typically in the weekly versus the bi-weeklies. The weeklies have very small circulation.

Rep. Ream asked if this would apply to weeklies only that are delivered to the home. Lee Heiman said he understand this to be all weeklies, or greater, to be exempt from the sales tax. The newspapers that pay the sales tax, if they have the newspapers delivered, have to include the sales tax within their subscription price of the newspaper, and the contracted news carrier is not responsible for collecting the tax.

Rep. Ream spoke against the amendment. He thinks this will cause problems for the retailers, and it is an inconsistency the customers will not understand.

VOTE:

The substitute motion by Rep. Foster that newspapers published not more than once per week are exempt from the sales tax FAILED 9-1 on Roll Call Vote (#1).

SUBSTITUTE MOTION:

Senator Crippen moved that all newspapers that publish six days or less per week be exempt from the sales tax.

DISCUSSION:

Senator Crippen said there are some newspapers that do not publish a Saturday or Sunday edition. He is trying to make a distinction between the major newspapers of the state that he feels have a better opportunity to handle the tax and pass it on.

Senator Eck said if the tax bill comes out riddled with little exemptions, it loses a lot of support.

VOTE:

The substitute motion to exempt all newspapers that publish six days or less per week FAILED 8-2 on Roll Call Vote (#2).

Rep. Foster asked if the word "Persons" in the amendment could apply to several different people. It could be the newspaper that is contracting for the service, it could be the carrier who is contracting to provide the service, or it could be the consumer who is contracting to have the service. He asked if the language could be tightened up so it is understood "Persons" refers to the newspaper. Lee Heiman said "publisher" is a better term than "persons". There was no objection to making this technical amendment.

VOTE:

The original motion for adoption of the amendment shown on Exhibit No. 3 CARRIED 7-3 on Roll Call Vote (#3), with a technical correction to change "persons" to "publishers". (sb023588.alh)

Rep. Hibbard withdrew his amendment, Exhibit No. 2 to these minutes. (sb023588.alh)

DISCUSSION:

Rick Hill distributed Exhibit No. 4, which are amendments regarding electricity and electrical energy generated. Mr. Hill said the Administration would like this Committee to take no action on this amendment at this time.

Exhibit No. 5 was presented which is an amendment prepared at the request of Rep. John Mercer.

MOTION:

Rep. Foster moved for adoption of the amendment as shown on Exhibit No. 5. (SB023540.ADB)

DISCUSSION:

Rep. Foster said this amendment would provide that a child taking musical lessons would not be subject to the sales tax.

Rep. Rice asked if other states collect a tax from "cottage industries" such as music lessons, or is this part of the underground economy that doesn't participate in the tax. Dave Woodgerd said there aren't a lot of states that tax services such as these.

Senator Crippen asked if tuition to vocational schools is exempt. Mr. Woodgerd said they have to be an IRS 501 corporation in order to be exempt. The Senator asked if it would fall under "occasional sales". Mr. Woodgerd said if the lessons are on a regular basis, his response would be "no". The Senator asked how the State would police taxing an individual who teaches private lessons. Mr. Woodgerd said the DOR has discussed putting a line on the income tax return where people would pay a use tax on things like this. Other than that, it would be difficult, and probably not cost effective, to collect this tax in a lot of cases.

Rep. Hibbard said if tuition fees, or singing and musical instrument instructions, are exempt, perhaps fees paid for Judo lessons, ski lessons, scuba lessons, fencing lessons, etc., should also be exempt. He thinks these types of exemptions would mess up the tax, and SB 235 should be kept as simple as possible. He opposes the motion.

Rep. Foster said this amendment is representative of the problem when a sales tax is placed on services. He thinks such amendments will hurt the bill at the polls.

VOTE:

The amendment to exempt fees or tuition charged for providing instructions in singing or in playing a musical instrument FAILED 9-1 on Roll Call Vote (#4). (SB023540.ADB)

DISCUSSION:

Exhibit No. 6, an amendment to delete the House Floor amendments which exempted contraceptives, hygiene products, toilet paper and cloth diapers from the sales tax, was presented.

MOTION:

Senator Crippen moved for adoption of the amendment shown on Exhibit No. 6, which would eliminate No. 13 to the DOR's list of House Amendments.

DISCUSSION:

Senator Eck said all persons she has talked to who run a store, especially a computerized store, think these exemptions would be a real hassle and not worth the time and expense involved in exempting these items from the tax.

VOTE:

The motion CARRIED on oral vote with Senator Yellowtail and Rep. Ream voting "NO".

DISCUSSION:

Further amendments, shown on Exhibit No. 7 were presented. (sb023589.alh) Exhibits No. 8 and No. 9 explain these amendments.

Senator Crippen distributed Exhibit No. 8 to these minutes showing the Impact of Alternative Retirement Exclusion Levels. This document was requested from the DOR during the Committee meeting on April 22nd.

Rep. Swanson presented Exhibit No. 9, which shows the various deductions available to taxpayers.

Senator Crippen said as SB 235 was originally drafted, it had a blanket exclusion of \$15,000. The exclusion would deal with approximately 60% of the retirees. He thought that age should be added to this exclusion, using no less than 62 years of age, and preferably, 65 years of age, in order to qualify for this exclusion and conform with Social Security benefits. The exclusion was reduced to \$7,500 in the Senate, and the House reduced the figure further. Many organizations who represent retired people have objected to the reductions that are in SB 235. Senator Crippen thinks this exclusion is important to retired people because they are not in a position to go out and earn more money.

Rep. Swanson said the way SB 235 reads now, any person owning a qualified pension can qualify for this exclusion. Senator Crippen said that is his understanding, and that it phases out as well. Exhibit No. 9 was drawn up by Rep. Elliott and is what he sees as the way SB 235 plays out. Rep. Swanson reviewed the figures, saying a single person can initially deduct \$5,000; then gets the standard exemption of \$3,500; then gets an elderly deduction of \$3,500. They then get the additional retirement exclusion for another \$3,600, which takes them to \$15,600. They then get the elderly exempt interest income of \$800. A single, elderly retired person does not start paying taxes until they have \$16,400 in income. A married couple has a married deduction of \$10,000; two standard exemptions, \$7,000; two elderly exemptions, \$7,000; total of \$24,000 tax free. They then get two retirement exclusions of \$7,200, and two elderly exempt interest incomes of \$1,600. The retired married couple would not start paying income tax until they are at \$32,800 in income.

Rep. Ream said the above is apart from Social Security income, as well. With the other features in SB 235, i.e., the greatly increased deductions and exemptions over the current law,

and the lower rate, or flat rate, these people will receive substantial decreases in their income tax anyhow, and particularly if they are low-income pensioners. If they are above the \$32,800, without Social Security income which adds another \$12,000, he thinks these people should pay taxes.

Senator Eck asked how strongly the feeling is about this issue in the House. It would mean looking at a couple more million dollars. She is unwilling to let this amendment go.

Rep. Rice said there was a motion on the House floor about this issue to raise the retirement exclusion to \$10,000 which did not pass. He thinks the House is very fluid about this issue.

Senator Eck said her discussions with people who work with AARP is that they feel almost embarrassed by large exemptions when everything else is being cut. Their position on the sales tax was not that they wanted exemptions, it was they wanted to see enough money in the budget so the State could thrive. She thinks if the sales tax passes, and the State is in good shape, this issue could be reviewed at a later time.

Chairman Halligan asked if the Administration has a threshold they are looking at. Rick Hill said the Administration's position is that the bill was introduced with an exemption at \$15,000, and everybody realized that was pretty high. They supported the amendments in the Senate to lower the exemption to \$7,500. They did not support the amendments in the House that took it to \$3,600, although they don't necessarily find that objectionable. They do ask the Committee to look at the phase-out. As the bill was introduced, there was no phase-out over \$30,000, which was added as part of a House amendment. If it is the will of the Committee to leave the retirement exclusion at \$3,600, which is what the current law is, they ask the Committee to consider removing the phase-out so that all retirees would be treated equally with regard to retirement.

Senator Crippen said a low-income rebate would be allowed for some people which needs to be figured in the cost as far as the sales tax is concerned. The Senate decreased the \$15,000 figure presented in the original bill, to \$7,500, and he asked the rationale for this figure. Chairman Halligan explained that the Taxation Committee looked at the various constituency groups and tax incidents and where it was going to fall, and thought everybody ought to have some incentive to take a look at the tax reform package and see how it benefitted them. The Tax Committee thought \$15,000 was too high, and determined cutting that figure in half was a good starting point.

Senator Brown responded to the same question that the Tax Committee knew \$15,000 was too high, but did not know what figure would be too low. If they had seen the analysis as shown on Exhibit No. 9, the Committee might not have settled on \$7,500.

MOTION:

Senator Crippen moved to increase the \$3,600 figure to \$5,000, with the phase-out to be eliminated.

DISCUSSION:

Senator Crippen said what was done with the elimination of Amendment No. 13 (the exemption of hygiene products, etc.,) brings \$2.5 million back into the bill. That, along with the \$5,000 figure for retirement exclusions, would about break even. Dave Woodgerd said with a blanket exclusion, and no phase-out, the cost is \$7.6 million. If it is phased-out, the cost is only \$.5 million. The full cost of the exclusion, without the phase-out, is \$7.6 million, based on a \$5,000 proposed retirement exclusion. Senator Crippen asked if the cost of the proposed exclusion, with the phase-out, is zero. If a \$5,000 proposed exclusion is used, a blanket exclusion additional cost would be \$7.6 million. If \$3,600 is used as a proposed exclusion, the blanket exclusion would be \$5.9. The Senator asked if the Committee would consider keeping the phase-out in the bill, and increase the retirement exclusion.

Senator Brown asked if the Committee blanketly excludes \$5,000, is it worth the \$7.6 impact in revenue. He has mixed feelings about bumping the retirement exclusion to \$5,000 and using the phase-out concept.

Chairman Halligan suggested dividing the question and handle the phase-out separately from the proposed exclusion figure. Should the phase-out be in or out of the bill? Amendments No. 1 and 5 of Exhibit No. 7 address the phase-out.

Senator Crippen said his understanding of the phase-out is to hit the higher income retirees. The phase-out starts at \$30,000. (These are numbers 1 and 5 on Exhibit No. 7.)

VOTE:

A vote in support of elimination of the phase-out FAILED 10-0 on Roll Call Vote (#5).

DISCUSSION:

Chairman Halligan said the Committee is now dealing with numbers 2, 3, and 4, on Amendment No. 7.

Senator Crippen withdrew his previous motion.

MOTION:

Senator Crippen moved to go to \$7,500 proposed retirement exclusion with a phase-out included.

DISCUSSION:

Senator Eck said she talked to the DOR about the cost associated with limiting the retirement exclusion to those who are over 65 years of age. The DOR said they had no way of easily coming up with an amount, but she still thinks it would be appropriate to include this in, and to limit it to those who are either disabled or over 65 years of age.

VOTE:

The motion to go to \$7,500 retirement exclusion with a phase-out FAILED 9-1 on Roll Call Vote (#6).

MOTION:

Senator Brown moved to insert \$5,000 retirement exclusion into number 2 on Exhibit No. 7.

DISCUSSION:

Rep. Ream said he opposes the motion, and thinks it will anger a lot of the people. He doesn't think it is necessary to continue to increase the inequity between those who have pension incomes and those who do not. There are a lot of people who do not have a pension income. He opposes the motion.

Senator Eck agrees with Rep. Ream, and said it will take more time than this Committee has to come up with something that is really equitable.

VOTE:

The motion for a \$5,000 retirement exclusion FAILED 6-4 on Roll Call Vote (#7).

DISCUSSION:

Chairman Halligan asked if there would be any more amendments coming before this Committee.

Senator Eck said she would like to offer an amendment she offered previously in the Senate Taxation Committee which would allow itemized deductions in lieu of standard deductions for contributions and medical expenses only.

Senator Crippen said he hopes for a compromise on the Winslow amendment when this Committee next meets. (A copy of that amendment is attached to these minutes.)


Rep. Ream presented Exhibit No. 10 to these minutes. He said he and Rep. Rice were discussing the Winslow amendment and the main arguing point is number 7 in that amendment. Everybody needs to realize this is one-time only money and he thinks it

would be very difficult to put it back into property tax relief. The assumption is that in the long run, the State would be \$30 million in revenue income over what was estimated, so in Fiscal Year 1996, the Legislature coming in in January, 1995, can reduce mill levies by \$30 million if it wants to. The money will be there from the Calendar Year 1995 sales tax. There would still be a \$40 million pot that has accumulated in this biennium. He is not sure it is good policy to turn it back directly into property tax relief. There are a couple of options available. One would be to put that money into the School Trust Fund and in the long run, the interest from that Trust Fund could reduce property mill levies. Or, the money could be put into the Workers' Compensation unfunded liability as a one-time shot. Or, the money could go back to the stabilization account idea that was originally in the bill.

Exhibit No. 11 to these minutes was presented for later discussion.

ADJOURNMENT

Adjournment: The meeting adjourned at 11:00 a.m.


MIKE HALLIGAN, Chair


BONNIE STARK, Secretary

MH/bjs

ROLL CALL VOTE #1

(FREE) CONFERENCE COMMITTEE > BILL NO. SB 235

DATE 4-23-93 TIME 9:00 A.M. P.M.

YES NO

[illegible]

Bonnie Stark
SECRETARY

Mike Halligan
CHAIR

MOTION: Amendment to Amendment - by Rep.
Foster.

Failed 9-1

ROLL CALL VOTE # 2

(FREE) CONFERENCE COMMITTEE > BILL NO. SB 235

DATE 4-23-93 TIME 9:00 A.M. P.M.

YES NO

[illegible]

Louise Stark
SECRETARY

Mike Halligan
CHAIR

MOTION: Sen. Gephardt's Motion.

Filed 8-2

ROLL CALL VOTE #3

(FREE) CONFERENCE COMMITTEE > BILL NO. SB 235

DATE 4-23-93 TIME 9:00 (A.M.) P.M.

NAME _____

YES

NO

[illegible]

Louise Stark
SECRETARY

Mike Halligan
CHAIR

MOTION Re: Harris motion on Exhibit # 3

Carried 7-2

ROLL CALL VOTE # 4

(FREE) CONFERENCE COMMITTEE > BILL NO. SB 235

DATE 4-23-93 TIME 9:00 A.M. P.M.

[illegible]

Bonnie Stark
SECRETARY

Mike Halligan
CHAIR

MOTION: Removal on Ex. 5

Filed 9-1

ROLL CALL VOTE #5

(FREE) CONFERENCE COMMITTEE > BILL NO. SB 235

DATE 4-23-93 TIME 9:00 A.M. P.M.

NAME

YES

NO

[illegible]

Lonnie Stark
SECRETARY

Mike Halligan
CHAIR

MOTION: Eliminate phase-out.

7 ailed 10-0.

ROLL CALL VOTE # 6

(FREE) CONFERENCE COMMITTEE > BILL NO. SB 235

DATE 4-23-93 TIME 9:00 A.M. P.M.

NAME _____

YES

NO

[illegible]

Lonnie Stark
SECRETARY

SECRETARY

Mike Halligan
CHAIR

CHAIR

MOTION: Move to \$7,500⁰⁰ with phase-out.
Failed 9-1.

ROLL CALL VOTE # 7

(FREE) CONFERENCE COMMITTEE > BILL NO. SB 235

DATE 4-23-93 TIME 9:00 A.M. P.M.

YES

NO

[illegible]

Lowmie Stark
SECRETARY

SECRETARY

Mike Halligan
CHAIR

CHAIR

MOTION: Now exemption to \$5,000⁰⁰

Failed 6-4.

Amendments to Senate Bill No. 235
Reference Reading Copy

For the Free Conference Committee

Prepared by Greg Petesch
April 23, 1993

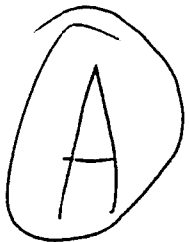

~~SENATE TAXATION~~

EXHIBIT NO. 1 *Free conf comm.*

DATE 4-23-93

BILL NO. SB 235

1. Page 61, line 17.

Strike: "(6)"

Insert: "(5) through (7) and (13) and [section 125]"

Amendments to Senate Bill No. 235
Reference Reading Copy

Requested by Representative Hibbard
For the Free Conference Committee

Prepared by Greg Petesch
April 23, 1993

B

Free Conf. Comm.
SENATE TAXATION
EXHIBIT NO. 2
DATE 4-23-93
BILL NO. SB 235

1. Page 29, line 19.

Following: line 18

Insert: "-- newspaper subscriptions"

2. Page 29, line 21.

Following: "~~tax~~."

Insert: "(1) Newspapers sold by subscription are exempt from the
sales tax and use tax."

3. Page 29, line 22.

Following: "~~(2)~~"

Insert: "(2)"

4. Page 30, line 2.

Strike: "(1)"

Insert: "(a)"

5. Page 30, line 3.

Strike: "(2)"

Insert: "(b)"

6. Page 30, line 4.

Strike: "(3)"

Insert: "(c)"

7. Page 30, line 5.

Strike: "(4)"

Insert: "(d)"

8. Page 30, line 6.


Strike: "(5)"

Insert: "(e)"

Amendments to Senate Bill No. 235
Reference Reading Copy

Requested by Rep. Ream
For the Free Conference Committee

Prepared by Lee Heiman
April 23, 1993


EXHIBIT NO. 3
DATE 4-23-93
BILL NO. SB 235

1. Page 21.

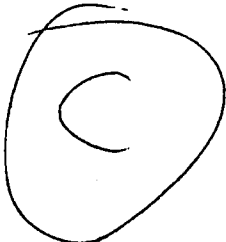
Following: line 6

Insert: "(10) Persons who contract for newspaper delivery services shall include the sales tax in the newspaper subscription price and shall collect and pay the tax to the department. The contract carrier is not responsible for collection of the sales tax and payment to the department."

Amendments to Senate Bill No. 235
Reference Reading Copy

For the Free Conference Committee

Prepared by Lee Heiman
April 23, 1993


Free Conf. Comm.
~~SENATE TAXATION~~
EXHIBIT NO. 4
DATE 4-23-93
BILL NO. SB 235

1. Page 258, line 18.
Strike: "subsection"
Insert: "subsections"
Following: "(2)"
Insert: "and (3)"

2. Page 259.
Following: line 22
Insert: "(3) The tax rate on all electricity and electrical energy generated, manufactured, or produced from a facility or from an additional generating unit of a facility that [on the effective date of this section] is engaged in the development, planning, siting, permit application process, construction, or contracting for fuel or engineering services for the purposes of producing or delivering electricity or electrical energy and that is placed in commercial operation on or before January 1, 1997, is as follows:
 (a) until December 31, 1998, the rate of tax is \$.0002;
 (b) from January 1, 1999, through December 31, 2000, the rate of tax is \$.0008;
 (c) from January 1, 2001, through December 31, 2002, the rate of tax is \$.0016; and
 (d) after December 31, 2002, the rate of tax is \$.00252."

Amendments to Senate Bill No. 235
Reference (Salmon) Copy

E

Requested by Rep. John Mercer
For the Free Conference Committee on Senate Bill No. 235

Prepared by Dave Bohyer
April 23, 1993

Free Conf. Comm.
~~SENATE TAXATION~~
EXHIBIT NO. 5
DATE 4-23-93
BILL NO. SB 235

1. Page 31, line 16.
Following: the first "TUITION"
Insert: "-- music instruction"
Following: "."
Insert: "(1)"

2. Page 31.
Following: line 19
Insert: "(2) Fees or tuition charged for providing instruction
in singing or in playing a musical instrument is exempt from
the sales tax and use tax."

AMENDMENTS TO SENATE BILL 235
REFERENCE COPY

Prepared by the Department of Revenue
For Free Conference Committee

April 23, 1993

The purpose of these amendments is to delete the House Floor amendments by Representatives Cocchiarella and Russell which exempted contraceptives, hygiene products, toilet paper and cloth diapers from the sales tax.

Free Conf. Comm.
~~SENATE CONFERENCE COMMITTEE~~

1. Page 25, lines 13 and 14.
Following: "services" on line 13
Strike: "-- HYGIENE PRODUCTS".
2. Page 25, line 15.
Following: line 14
Strike: "CONTRACEPTIVES".
3. Page 25, line 25 through Page 26, line 3.
Following: "dentist" on Page 25, line 25
Strike: ";" through "DIAPERS" on Page 26, line 3.

EXHIBIT NO. 6
DATE 4-23-93
BILL NO. SB 235

Amendments to Senate Bill No. 235
Reference Reading Copy

For the Free Conference Committee

Prepared by Lee Heiman
April 23, 1993

(F)

Free Conf Com
~~SENATE TAXATION~~

EXHIBIT NO. 7

DATE 4-23-93

BILL NO. SB 235

1. Page 235, line 21.

Strike: "(I) EXCEPT AS PROVIDED IN SUBSECTION (2) (C) (II)."

2. Page 235, line 22.

Strike: "\$3,600"

Insert: "\$ "

Strike: "ALL"

3. Page 235, line 23.

Strike: "RECEIVED"

Insert: ", "

4. Page 235, line 24.

Following: "taxpayer"

Insert: ", received by a taxpayer"

5. Page 236, lines 13 through 25.

Strike: subsection (II) in its entirety

~~SECRET~~ + all copy copies
EXHIBIT NO. 8
DATE 4-23-93
BILL NO. SB235

SB235 - Impact of Alternative Retirement Exclusion Levels

The impact of alternative retirement exclusion levels will depend on whether the exclusion is a "blanket" exclusion (all retirees receive up to the maximum exclusion regardless of income), or if the exclusion is subject to the current law phaseout provisions. Maintaining the current law phaseout provisions significantly reduces the impact of higher exclusion levels.

Cost of Proposed Exclusion		
<u>Proposed Exclusion</u>	<u>Blanket Exclusion</u>	<u>Phaseout Exclusion</u>
\$3,600	\$ 5,900,000	\$ 0
\$4,000	\$ 6,400,000	\$ 200,000
\$5,000	\$ 7,600,000	\$ 550,000
\$6,000	\$ 8,800,000	\$ 900,000
\$7,000	\$ 10,000,000	\$ 1,200,000
\$7,500	\$ 10,400,000	\$ 1,350,000
\$8,000	\$ 10,900,000	\$ 1,500,000

~~DED~~ MAR 5000

SINGLE DED 5000

" Ex 3500

ELDERLY " 3500

12,000 tx free

* RET EXCL. 3,600

15,600 tx free

ELDERLY EXEMPT INT. INC 800

16,400

MARRIED DED 10,000

2 EXEMPT 7,000

2 ELD " 7,000

24,000 Tx Free

* 2 RET. EXCL. 7,200

31,200 Tx Free

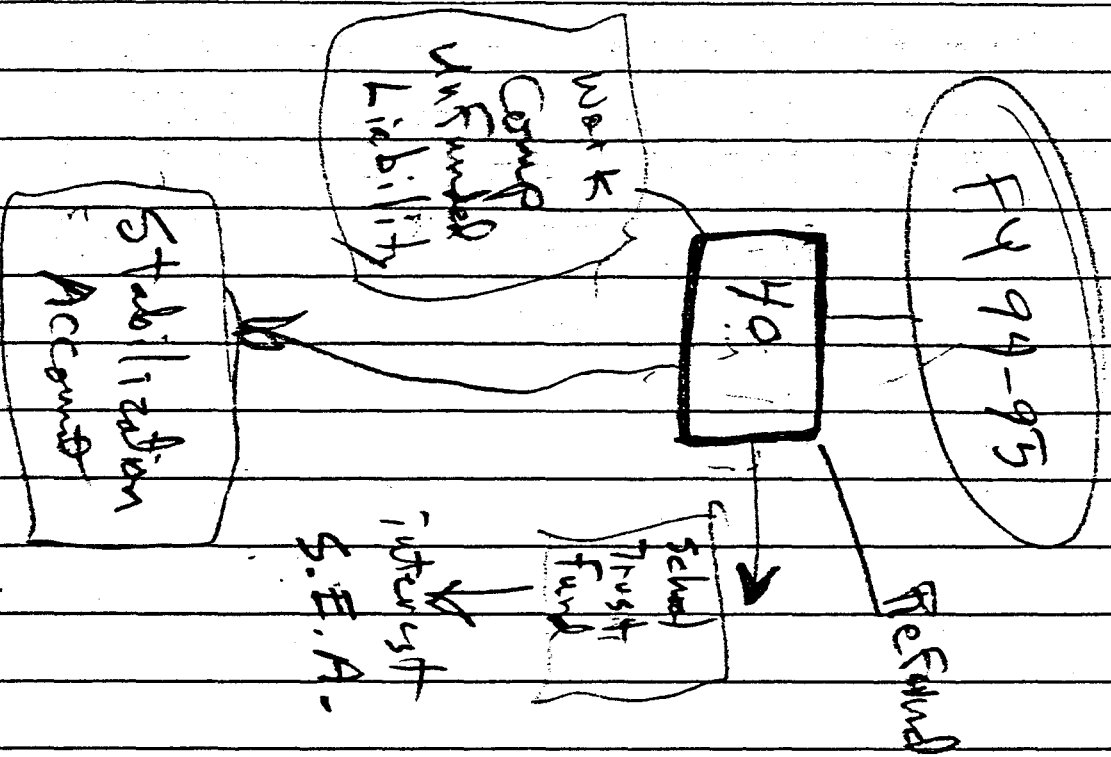
2 ELD EX. INT. INC 1,600

32,800 TX FREE

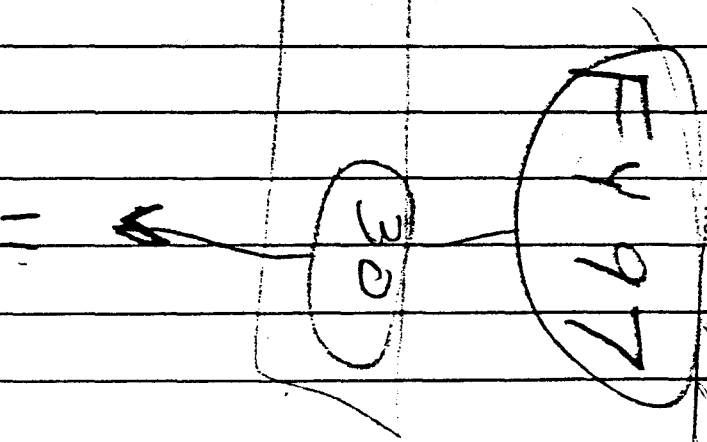
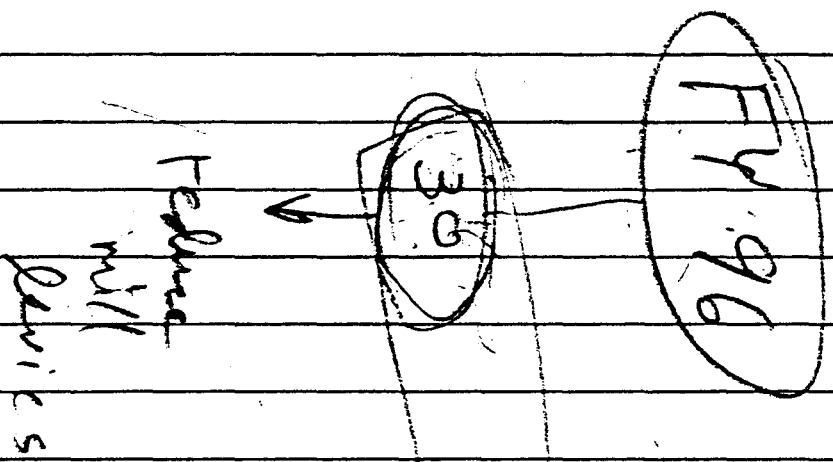
IRA, Keogh, Corp. pension plan

State Ret

Fed. Ret.



Jan 95



100
 STATE TAXATION
 EXHIBIT NO. 10
 DATE 4-23-95
 BILL NO. 213235

EXHIBIT NO. 11

DATE 4-25-93

BILL NO. SB235

SB235 - As Amended by House
23-Apr-93

TAX REFORM COMPONENT	Applicable Date	Revenue Impacts			
		FY94	FY95	FY96	FY97
Sales Tax - Gross revenue	4/1/94	63.52	265.09	273.42	280.60
- Vendor Allowances		(2.42)	(9.14)	(6.50)	(6.67)
- Administration		(4.51)	(5.68)	(5.68)	(5.68)
Sales Tax - Net Revenue		56.59	250.27	261.24	268.25
Income Tax - 6% Flat Rate	1/1/94	(14.09)	(30.59)	(27.82)	(20.69)
Low-Income Sales Tax Credit	1/1/94	0.00	(18.75)	(25.00)	(25.00)
Renter's Credit (\$150)	1/1/94	0.00	(10.57)	(14.09)	(14.09)
Fund Retirement Mills	7/1/94	0.00	(40.00)	(40.00)	(40.00)
Fund Transportation Mills	7/1/94	0.00	(8.22)	(8.22)	(8.22)
Fund Debt Service Mills	7/1/94	0.00	(7.00)	(7.00)	(7.00)
Property Tax; Cl. 8 Pers. Prop. (4.5%)	1/1/94	(10.96)	(32.54)	(32.54)	(32.54)
Property Tax; Cl. 9 Utilities (4.5%)	1/1/94	0.00	(43.29)	(43.29)	(43.29)
Property Tax; Railroads/Airlines	1/1/94	0.00	(5.37)	(5.37)	(5.37)
Homestead Exemption (\$20,000)	1/1/94	0.00	(33.12)	(44.16)	(44.16)
Elec. Energy Prod. Lic. Tax	1/1/94	25.28	50.07	50.07	50.07
Disallow Renter Credit Double Ded.	1/1/94	0.00	3.00	4.00	4.00
IMPACT OF REFORM PROPOSAL		56.82	73.89	67.82	81.96

<u>HOUSE AMENDMENTS</u>	<u>FISCAL IMPACT</u>
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

Page -2-

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

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: 
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"

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

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

ADOPT

REJECT

SB235.43

881335CW.Hsg

April 21, 1993
Page 2 of 2

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-

HOUSE

SB235

881335CW.Hsg