

**MINUTES**

**MONTANA HOUSE OF REPRESENTATIVES  
54th LEGISLATURE - REGULAR SESSION**

**COMMITTEE ON TAXATION**

**Call to Order:** By **CHAIRMAN CHASE HIBBARD**, on April 4, 1995, at  
4:00 P.M.

**ROLL CALL**

**Members Present:**

Rep. Chase Hibbard, Chairman (R)  
Rep. Marian W. Hanson, Vice Chairman (Majority) (R)  
Rep. Robert R. "Bob" Ream, Vice Chairman (Minority) (D)  
Rep. Peggy Arnott (R)  
Rep. John C. Bohlinger (R)  
Rep. Jim Elliott (D)  
Rep. Daniel C. Fuchs (R)  
Rep. Hal Harper (D)  
Rep. Rick Jore (R)  
Rep. Judy Murdock (R)  
Rep. Thomas E. Nelson (R)  
Rep. Scott J. Orr (R)  
Rep. Bob Raney (D)  
Rep. John "Sam" Rose (R)  
Rep. William M. "Bill" Ryan (D)  
Rep. Roger Somerville (R)  
Rep. Robert R. Story, Jr. (R)  
Rep. Emily Swanson (D)  
Rep. Jack Wells (R)  
Rep. Kenneth Wennemar (D)

**Members Excused:** None.

**Members Absent:** None.

**Staff Present:** Lee Heiman, Legislative Council  
Donna Grace, Committee Secretary

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

**Committee Business Summary:**

Hearing: None.  
Executive Action: SB 161 - Concurred in as Amended  
SB 219 - Concurred in  
SB 336 - Tabled  
SB 97 - Tabled  
SB 390 - Tabled

EXECUTIVE ACTION ON SB 161

Motion:

REP. RANEY MOVED SB 161 BE CONCURRED IN.

Motion:

REP. STORY MOVED AMENDMENTS TO SB 161.

Discussion:

REP. STORY explained that the amendments corrected the discrepancy between motorcycles in the first and second size classifications by adding another classification and changed the rates on large bikes. EXHIBIT 1.

CHAIRMAN HIBBARD asked for the reason for changing the rates.

REP. STORY said explained that it was to make the rates more equitable.

REP. WENNEMAR said he agreed with the amendment because it provided a more logical breakdown of categories.

REP. RYAN said he would resist the motion because it had not been discussed with the sponsor of the bill or the motorcycle organizations.

CHAIRMAN HIBBARD postponed further action until contact could be made with either the sponsor or the lobbyist for the motorcycle organizations.

EXECUTIVE ACTION ON SB 219

Motion:

REP. WENNEMAR MOVED THAT SB 219 BE CONCURRED IN.

Discussion:

REP. ORR spoke in opposition to the motion because the DOR indicates on the fiscal note that the Supreme Court had ruled that collection of tax on dangerous drugs was unconstitutional. This bill does not answer the question and would probably be challenged.

REP. WENNEMAR said the sponsor had addressed that issue and the fiscal note would no longer be applicable after the Senate's action on the bill.

REP. HARPER asked what the position would be of a physician who could prescribe some of the drugs listed in the bill for medicinal reasons.

Lee Heiman said physicians are exempted from punishment and fines under Chapter 45, Part 1. He clarified that before an individual could be fined under SB 219, it would be necessary for that individual to have been found guilty of possession.

Vote:

On a voice vote, the motion passed unanimously.

EXECUTIVE ACTION ON SB 161

Discussion:

REP. RANEY distributed copies of a document entitled, "Taxation on Motorcycles" prepared by the Department of Revenue (DOR) in response to questions from Committee Members during the hearing on SB 161. EXHIBIT 2. He said he had talked with the lobbyist for the motorcycle organization and there are no objections to the amendments.

REP. REAM said he would support the amendment. He noted that the lowest category would be lower than it would be under the bill as drafted. There are a lot of small bikes that should not be included with the 250 cc and larger bikes.

Vote:

On a voice vote, the amendments passed, 19 - 1.

Discussion:

CHAIRMAN HIBBARD reminded the Committee that SB 161 had been amended during previous executive action. Mr. Heiman said the previous amendment would not be applicable following the amendment just adopted.

REP. ARNOTT said she objected to the bill because the motorcyclists had recently appeared before the Committee requesting a fee increase and now they want fees decreased.

REP. RYAN said there were two different issues. This bill deals with tax fairness.

REP. RANEY said the first bill was a \$2.50 increase on their drivers' license for education purposes.

REP. HARPER said the reason they are interested in safety programs is that it is the only way they have of keeping the federal government from mandating helmet laws.

Motion/Vote:

REP. RANEY MOVED THAT SB 161 AS CONCURRED IN DO PASS. The motion passed unanimously.

EXECUTIVE ACTION ON SB 336Motion:

REP. STORY MOVED THAT SB 336 BE CONCURRED IN.

Motion:

REP. STORY MOVED TO ADOPT THE AMENDMENTS TO SB 336.

Discussion:

CHAIRMAN HIBBARD explained that the amendments would turn the bill into the gray bill discussed at the hearing. EXHIBIT 3.

Vote:

On a voice vote, the motion passed, 19 - 1.

Discussion:

REP. BOHLINGER said some important questions should be answered before there was any action on the bill. He said the proponents of the bill had said the legislation would provide for better stewardship of state land. He also had questions about what would be best for the trust in long-term commitments, realizing that the return on trust lands should be optimized.

REP. HARPER referred to the technical note on the fiscal note which talks about the constitutional direction to obtain full market value. He said the technical flaw cannot be fixed by this bill. REP. HARPER said he could not imagine that anyone who leased state land would allow the Legislature to have this much control over their livelihood.

REP. ROSE said the bill was bad legislation and there wasn't anything the Committee could do to fix it.

CHAIRMAN HIBBARD said Rep. Bohlinger's question was a good one. In providing some background history on the original bill, he said there was a lot of sentiment that fair market value was not being paid by a lot of users of state land. A study (the Duffield Study) on fair market value was commissioned prior to the last legislative session and the results were not readily accepted. The process pointed out that the legislative structure didn't work well in arriving at fair market value. As the study was presented, the Legislature ended up trying to deal with the issue and, in that process, Sen. Blaylock introduced a bill which

would set up an advisory council which would be a better vehicle for arriving at fair market value for all uses of state land.

The Stockgrowers were behind the bill at the time and Sen.

Mesaros testified with a strong endorsement for the bill.

**CHAIRMAN HIBBARD** said he had carried the bill on the House floor.

He said they thought they had a vehicle in place to deal with fair market value for all uses of state land. He stated that, quite frankly, the process had not had enough time to work.

There may have been some breakdowns in the process. In all fairness to the process that was agreed on two years ago, it should be allowed to work for a little longer before an effort is made to change it. Having the Legislature involved in setting rates is probably not the best thing to do.

**Motion/Vote:**

REP. ROSE MOVED TO TABLE SB 336. The motion passed 17 - 3.

*{Tape: 1; Side: B.}*

**EXECUTIVE ACTION ON SB 97**

**Motion:**

REP. ELLIOTT MOVED THAT SB 97 BE CONCURRED IN.

**Discussion:**

REP. ELLIOTT presented amendments to the bill which would eliminate the tax credit for child and dependent care and create increased availability of the tax deduction for child and dependent care. EXHIBIT 4. He said the problem with the bill was that the price, \$3 million, would be too high. The amendments would lower the cost. As originally written, the bill would take 25% of the federal tax credit as a non-refundable income tax credit. One of the reasons people were not taking advantage of the deduction was because the limitation was "eaten up" by inflation. He explained the formula in the amendments. He said the options available are to leave the law as it is, index the formula for inflation to bring it up to 1994 dollars or leave it as a credit in the bill and lower the amount. He said the child care deduction/credit is important to get women with children back into the job market.

**Bob Turner, DOR,** explained how the present law works and why the deduction is taken by so few people because of income limitations.

REP. ELLIOTT said he was beginning to think that going to a deduction might be more complex and a credit would be simpler. He said income tax credits are a powerful form of tax offset and if the Committee would prefer the credit over the deduction, he would have no objection.

REP. REAM said he felt just the opposite. The idea of a deduction is a better way to go because it is already in the statutes and would be easier to administer.

REP. ROSE asked where the money would come from to fund the bill. CHAIRMAN HIBBARD said the bill had a contingent voidness amendment on it so, if the bill is passed, it would be contingent on finding the money to fund it.

REP. BOHLINGER said the bill was important because it would keep women working as opposed to staying home and living on AFDC.

REP. SWANSON asked if it would be possible to scale the bill back to something that would be affordable.

CHAIRMAN HIBBARD said the first thing the Committee had to do was determine whether it preferred a credit or a deduction. On a show of hands, the committee chose the deduction.

Mr. Turner responded to questions related to administration under current law and how they developed their assumptions.

REP. STORY asked if the bill contained a maximum deduction. REP. ELLIOTT said the income limitation puts a cap on the deduction.

REP. STORY suggested a cap where, no matter what the income, only so much could be deducted.

REP. ELLIOTT said there was a cap of \$2,400 for one child and \$3,600 for two in present law.

REP. SWANSON suggested that an approach that could be taken would be to decide how much money the Committee wanted to spend on the legislation and let the DOR determine the variables.

REP. REAM said the Legislature had adjusted a lot of other things in the income tax code to account for inflation, therefore, he would strongly support this adjustment.

CHAIRMAN HIBBARD said the original bill had a cost of \$1.6 million per year and, under Rep. Elliott's amendments, with 50% compliance, the cost would be \$1.075 million per year. If a 25% compliance is assumed, the cost would be \$412 thousand. He said there was no control over compliance so the cost could be anywhere over a large range.

{Tape: 2; Side: A.}

Motion:

REP. ELLIOTT MOVED TO LIMIT THE FISCAL NOTE TO \$1 MILLION PER YEAR.

Discussion:

REP. ELLIOTT said the fiscal note on the bill as introduced was \$3.2 per biennium.

REP. ARNOTT asked why so few people used the deduction. Mr. Turner explained that there were two reasons. The first reason was that they must itemize deductions but the largest reason is the income limitation.

Vote:

On a voice vote, the amendment was adopted, 17 - 3.

Motion:

REP. REAM MOVED THAT SB 97 AS AMENDED BE CONCURRED IN.

Discussion:

REP. ROSE said he didn't think the bill with limitations would help anyone.

REP. JORE opposed the bill because he did not like either tax credits or deductions and the tax code and policy is used too often to manipulate social issues. He said he was cautious of child care subsidies because he would prefer to see the children at home with their mothers.

REP. ELLIOTT said he thought the mothers would rather be at home with their children but, in today's society, that sometimes is not possible and the bill would help those who must work.

Vote:

On a roll call vote, the motion failed on a tie vote, 10 - 10.

Motion:

REP. HANSON MOVED TO TABLE SB 97. The motion passed 16 - 4.

EXECUTIVE ACTION ON SB 390

Motion:

REP. WELLS MOVED THAT SB 390 BE NOT CONCURRED IN.

Discussion:

REP. WELLS said he felt there were safety issues in issuing eight-year driver licenses. He said he also did not approved of the fee being set at \$24 because \$4 a year is not much to pay for

a license. Most people who can afford to drive a car can afford \$32 for the license.

REP. BOHLINGER said he was supportive of the do not pass motion because there is a safety factor to be considered.

REP. RYAN spoke in opposition to the motion because he was in favor of cutting the fee.

REP. HARPER said he had similar safety concerns but there are ways to take care of them.

CHAIRMAN HIBBARD clarified that the eight-year license was not a part of SB 390. The bill would reduce the license fee from \$32 to \$24.

Vote:

On a voice vote, the motion passed, 17 - 3.

Motion/Vote:

REP. HANSON MOVED TO TABLE SB 390. The motion passed, 17 - 3.



ADJOURNMENT

Adjournment: 6:00 p.m.



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CHASE HIBBARD, Chairman



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DONNA GRACE, Secretary

CH/dg

# HOUSE OF REPRESENTATIVES

Taxation

*Second Meeting*  
DATE April 4, 1995

ROLL CALL

NAME	PRESENT	ABSENT	EXCUSED
Rep. Chase Hibbard, Chairman			
Rep. Marian Hanson, Vice Chairman, Majority			
Rep. Bob Ream, Vice Chairman, Minority			
Rep. Peggy Arnott			
Rep. John Bohlinger			
Rep. Jim Elliott			
Rep. Daniel Fuchs			
Rep. Hal Harper			
Rep. Rick Jore			
Rep. Judy Rice Murdock			
Rep. Tom Nelson			
Rep. Scott Orr			
Rep. Bob Raney			
Rep. Sam Rose			
Rep. Bill Ryan			
Rep. Roger Somerville			
Rep. Robert Story			
Rep. Emily Swanson			
Rep. Jack Wells			
Rep. Ken Wennemar			

*all present*



## HOUSE STANDING COMMITTEE REPORT

April 5, 1995

Page 1 of 2

Mr. Speaker: We, the committee on Taxation report that **Senate Bill 161** (third reading copy -- blue) be concurred in as amended.

Signed: \_\_\_\_\_

A handwritten signature in cursive script, appearing to read "Chase Hibbard".

*Chase Hibbard, Chair*

**Carried by: Rep. Raney**

And, that such amendments read:

1. Page 1.

Following: line 16

Insert: "(a) The fee schedule for a motorcycle with an engine that measures 250 cubic centimeters or less is as follows:

(i) less than 2 years old, \$25;

(ii) 2 years old and less than 5 years old, \$20;

(iii) 5 years old and less than 11 years old, \$15; and

(iv) 11 years old and older, \$10."

Renumber: subsequent subsections

2. Page 1, line 17.

Strike: "1"

Insert: "251"

Strike: "centimeter"

Insert: "centimeters"

3. Page 1, line 19.

Strike: "\$30"

Insert: "\$50"

4. Page 1, line 20.

Strike: "\$25"

Insert: "\$40"

Committee Vote:

Yes 20, No 0.

781303SC.Hbk

5. Page 1, line 21.  
Strike: "\$15"  
Insert: "\$25"

6. Page 1, line 22.  
Strike: "\$10"  
Insert: "\$15"

-END-



## HOUSE STANDING COMMITTEE REPORT

April 5, 1995

Page 1 of 1

Mr. Speaker: We, the committee on Taxation report that **Senate Bill 219** (third reading copy -- blue) be concurred in.

Signed: \_\_\_\_\_

A handwritten signature in cursive script, appearing to read "Chase Hibbard", written over a horizontal line.

*Chase Hibbard, Chair*

**Carried by: Rep. Ryan**

Committee Vote:  
Yes 20, No 0.

781307SC.Hbk

# HOUSE OF REPRESENTATIVES

## ROLL CALL VOTE

DATE 4/4/95 BILL NO. SB 97 NUMBER       

MOTION: Concur as Amended

NAME	YES	NO
Vice Chairman Marian Hanson		✓
Vice Chairman Bob Ream	✓	
Rep. Peggy Arnott		✓
Rep. John Bohlinger	✓	
Rep. Jim Elliott	✓	
Rep. Daniel Fuchs		✓
Rep. Hal Harper	✓	
Rep. Rick Jore		✓
Rep. Judy Rice Murdock		✓
Rep. Tom Nelson	✓	
Rep. Scott Orr		✓
Rep. Bob Raney	✓	
Rep. Sam Rose		✓
Rep. Bill Ryan	✓	
Rep. Roger Somerville		✓
Rep. Robert Story	<del>✓</del>	✓
Rep. Emily Swanson	✓	
Rep. Jack Wells		✓
Rep. Ken Wennemar	✓	
Chairman Chase Hibbard	✓	

10                  10

*Table TP 16 of*

EXHIBIT 1  
DATE 4/4/95  
~~H~~ SB 161

Amendments to Senate Bill No. 161  
Third Reading Copy

Requested by Rep. Story  
For the Committee on Taxation

Prepared by Lee Heiman  
April 3, 1995

1. Page 1.

Following: line 16

Insert: "(a) The fee schedule for a motorcycle with an engine that measures 250 cubic centimeters or less is as follows:  
(i) less than 2 years old, \$25;  
(ii) 2 years old and less than 5 years old, \$20;  
(iii) 5 years old and less than 11 years old, \$15; and  
(iv) 11 years old and older, \$10."

Renumber: subsequent subsections

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Insert: "251"

Strike: "centimeter"

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Insert: "\$50"

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Strike: "\$25"

Insert: "\$40"

5. Page 1, line 21.

Strike: "\$15"

Insert: "\$25"

6. Page 1, line 22.

Strike: "\$10"

Insert: "\$15"

Ex 1

EXHIBIT 2  
DATE 4/4/95  
~~FB~~ SB161

**TAXATION OF MOTORCYCLES**

**First year:** Under the current system and both bills presently under consideration (SB161 & HB363) a motorcycle is subject to the sales tax on new motor vehicles which is computed as 1.5% of the f.o.b. factory list price.

**Current System:**

Under the current statute, the assessed valuation of a motorcycle is the greater of the following:

- 1) the "CLEAN TRADE-IN WHOLESALE" value as listed in the January through April NADA Motorcycle/Moped/ATV Appraisal Guide;
- 2) or \$250.

The taxes are computed as 2% (plus .5% local option, if applicable) of the assessed value

**Senate Bill 161:**

Under SB161, the fee in lieu of property tax for registering a motorcycle would be based on the age and size of the motorcycle.

	<u>Engine size</u>		
	<u>1-600cc</u>	<u>601-1000cc</u>	<u>&gt;1001cc</u>
less than 2yrs	\$30	\$70	\$110
2yrs to 4yrs	\$25	\$55	\$90
5yrs to 10 yrs	\$15	\$40	\$65
11yrs and older	\$10	\$30	\$40

**House Bill 363:**

Under HB363, the assessed valuation of a motorcycle would be the greater of the following:

- 1) the depreciated value of the manufacturer's suggested retail price; under this bill, the following depreciation percentages would be utilized:

<u>Age of the motorcycle (in years)</u>	<u>Depreciation Percentage</u>
-1	100%
0	75%
1	75%
2	69%
3	64%
4	58%
5	48%
6	37%
7	26%
8	15%
9 or more	10%

- 2) or \$250.

The taxes are computed as 2% (plus .5% local option, if applicable) of the assessed value.



## TAXATION OF MOTOR CYCLES

### Example:

The 1995 taxes for the following list of motorcycles under the three different systems:

	<u>Current (2%)</u>	<u>HB363 (2%)</u>	<u>SB161</u>
1994 Kawasaki (Model KX80R4, 82cc)	\$26.20	\$36.73	\$30.00
1994 Kawasaki (Model KLX650C2, 651cc)	\$55.00	\$76.48	\$70.00
1994 Kawasaki (Model ZX1100D2, 1098cc)	\$130.80	\$143.98	\$110.00
1991 Suzuki (Model DS80M, 79cc)	\$12.50	\$15.53	\$25.00
1991 Suzuki (Model VX800M, 805cc)	\$52.50	\$54.50	\$55.00
1991 Suzuki (Model GSX1100FM, 1127cc)	\$71.40	\$78.86	\$90.00
1987 Honda (Model CR80RH, 82cc)	\$7.40	\$5.00	\$15.00
1987 Honda (Model VT700CH, 694cc)	\$52.40	\$14.69	\$40.00
1987 Honda (Model GL1200IH, 1182cc)	\$82.20	\$20.09	\$65.00
1981 Yamaha (Model IT250H, 246cc)	\$5.00	\$5.00	\$10.00
1981 Yamaha (Model XV750H, 748cc)	\$20.70	\$5.90	\$30.00
1981 Yamaha (Model XS1100SH, 1101cc)	\$21.11	\$7.40	\$40.00

Amendments to Senate Bill No. 336  
Third Reading Copy

Requested by Sen. Beck  
For the Committee on Taxation

Prepared by Doug Sternberg  
March 29, 1995

1. Title, line 4.

Strike: "SETTING"

Insert: "REQUIRING THAT ANY CHANGE IN CERTAIN"

2. Title, line 5.

Following: "LANDS"

Strike: "BY STATUTE, RATHER THAN BY RULE OF THE BOARD OF LAND  
COMMISSIONERS"

Insert: "BE APPROVED BY THE LEGISLATURE PRIOR TO IMPLEMENTATION"

3. Title, line 6.

Strike: "ESTABLISHING" through "LEVELS;"

4. Title, line 7.

Following: "SECTIONS"

Insert: "77-1-106,"

5. Title, line 8.

Strike: "77-6-302, 77-6-305, 77-6-306,"

6. Title, line 9.

Strike: "SECTIONS 77-1-106, AND"

Insert: "SECTION"

7. Page 1, line 13.

Insert: "Section 1. Section 77-1-106, MCA, is amended to read:

"77-1-106. Setting Recommendation of rates or fees —  
~~rules.~~ (1) In setting recommending to the legislature the lease  
rental rates or fees for the use of state lands and cabin sites,  
the board shall consider the impact of the uses on the school  
trust asset, lessee expenses for management, water development,  
weed control, fire control, the term of the lease, the production  
capabilities, the conditions on the lease payment, and any other  
required expenses reasonably borne by the lessee. In setting  
recommending cabin site lease rates, the board shall consider  
expenses that are commonly incurred by the lessees to preserve  
the value of the state land or to provide services commonly  
provided by private lessors in the area.

(2) All lease rental rates and fees established recommended  
by the board under 77-1-208, 77-1-802, ~~77-6-202,~~ 77-6-501,  
77-6-502, and 77-6-507 must consider the trust asset and be in  
the best interests of the state with regard to the long-term  
productivity of the school trust lands, while optimizing the  
return to the school trust.

(3) ~~The board shall comply with Title 2, chapter 4, part 3,~~  
~~in setting~~ Recommendations for changes in rental rates and

license fees pursuant to 77-1-208, 77-1-802, ~~77-6-202~~, 77-6-501, 77-6-502, and 77-6-507 are subject to the approval of the legislature after consideration of rate and fee recommendations by the board. If a recommended rate or fee change is approved by the legislature, the rate or fee is considered to be adopted and the change is effective beginning with the following lease year. If a recommended rate or fee change is rejected by the legislature, the rate or fee is considered not adopted and remains at the level set prior to the proposed change."

Renumber: subsequent sections

8. Page 1, line 16.

Following: "~~council,~~"

Strike: "set"

Insert: "establish, pursuant to 77-1-106(3),"

9. Page 1, line 17.

Following: "~~value~~"

Insert: "based on full market value"

Following: "site"

Strike: "subject to a license or lease in effect on January 1, 1988,"

Following: "and"

Insert: "and"

10. Page 1, line 19.

Strike: "be 3.5% of the"

Insert: "attain full market value based on"

11. Page 1, line 20.

Strike: "or \$150, whichever is greater"

12. Page 1, line 25.

Following: "shall"

Strike: "set"

Insert: "establish, pursuant to 77-1-106(3),"

13. Page 2, line 11.

Following: "~~appeal.~~"

Insert: "The recommendation procedure set forth in 77-1-106(3) should establish provisions for notice, public comment, and public hearing."

14. Page 2, lines 15 through 19.

Following: "~~value~~" on line 15

Strike: remainder of line 15 through "77-1-808" on line 19

Insert: "must attain full market value and be established pursuant to 77-1-106"

15. Page 2, line 22.

Strike: "Proceeds collected under subsection (1)(a)"

Insert: "Except as provided in subsection (2)(b), license fees"

16. Page 2, lines 26 and 27.

Strike: "Proceeds" on line 26 through "dealers," on line 27

Insert: "Two dollars from the fee for each license, less 50 cents to be returned to the license dealer as a commission,"

17. Page 2, lines 28 and 29.

Following: "77-1-808" on line 28

Strike: "remainder of line 28 through "use" on line 29

18. Page 3, line 6.

Following: "~~required~~"

Insert: "-- full market value required"

19. Page 3, line 10.

Following: "~~council~~."

Insert: "The board shall establish a minimum bid at the rate applicable for lease renewals pursuant to 77-6-205(1)."

20. Page 3, line 24.

Strike: "provided by law"

Insert: "recommended by the board and approved by the legislature"

21. Page 4, line 17 through page 5, line 25.

Strike: sections 6 through 8 in their entirety

Re-number: subsequent sections

22. Page 6, line 1.

Strike: "raises"

Insert: "approves a raise in"

23. Page 6, line 14.

Strike: "six"

Insert: "a factor recommended by the board and approved by the legislature"

24. Page 6, line 22.

Following: "~~77-1-106~~."

Insert: "(5) In recommending the rental rate described in subsection (2), the board shall consider applicable elements that include but are not limited to those set forth in 77-1-106."

25. Page 6, line 30.

Following: "[Section"

Strike: "1"

Insert: "2"

26. Page 7, line 3.

Strike: "2"

Insert: "4"

27. Page 7, line 5.

Insert: "(4) Until the rate changes are adopted pursuant to [section 1], the board shall renew grazing leases that are not competitively bid and cabin site leases at the rate provided in Rule 26.3.166, Administrative Rules of Montana,

as it existed on [the effective date of this act]."

28. Page 7, line 4.

Strike: "9"

Insert: "5"

Strike: "10"

Insert: "6"

29. Page 7, line 6.

Strike: "Sections 77-1-106 and"

Insert: "Section"

EXHIBIT 4  
DATE 4/4/95  
~~H3~~ SB 97

Amendments to Senate Bill 97  
Second Reading Copy.

Prepared by Department of Revenue  
4/ 4/95 9:25am

EXPLANATION

This amendment eliminates the tax credit for child and dependent care and creates increase availability of the tax deduction for child and dependent care.

AMENDMENTS

1. Page 1, line 4.  
Following: "ACT"  
Strike: "ALLOWING AN"  
Insert: "AMENDING THE"

2. Page 1, line 4.  
Following: "TAX"  
Strike: "CREDIT"  
Insert: "DEDUCTION"

3. Page 1, line 5.  
Following: "SERVICES"  
Strike: "BASED ON THE INTERNAL REVENUE CODE; ALLOWING A SIMILAR CREDIT FOR EMPLOYMENT-RELATED EXPENSES CONSIDERED TO HAVE BEEN PAID FOR A CHILD CARE FOR AT A LICENSED DAY-CARE HOME OPERATED BY THE CHILD'S PARENT"

2. Page 1.  
Following: line 12  
Strike: Sections 1 and 2 in their entirety.  
Insert: "NEW SECTION. Section 1. Section 15-30-121, MCA, is amended to read:

**15-30-121. Deductions allowed in computing net income.** In computing net income, there are allowed as deductions:

(1) the items referred to in sections 161, including the contributions referred to in 33-15-201(5)(b), and 211 of the Internal Revenue Code of 1954, or as sections 161 and 211 are labeled or amended, subject to the following exceptions which are not deductible:

(a) items provided for in 15-30-123;  
(b) state income tax paid;

(2) federal income tax paid within the ~~taxable~~ tax year;  
(3) expenses of household and dependent care services as outlined in subsections (3)(a) through (3)(c) and (9) and subject to the limitations and rules as set out in subsections (3)(d) through (3)(f) as follows:

(a) expenses for household and dependent care services

necessary for gainful employment incurred for:

(i) a dependent under 15 years of age for whom an exemption can be claimed;

(ii) a dependent as allowable under 15-30-112(5), except that the limitations for age and gross income do not apply, who is unable to provide self-care because of physical or mental illness; and

(iii) a spouse who is unable to provide self-care because of physical or mental illness;

(b) employment-related expenses incurred for the following services, but only if such expenses are incurred to enable the taxpayer to be gainfully employed:

(i) household services which are attributable to the care of the qualifying individual; and

(ii) care of an individual who qualifies under subsection (3) (a);

(c) expenses incurred in maintaining a household if over half of the cost of maintaining the household is furnished by an individual or, if the individual is married during the applicable period, is furnished by the individual and the individual's spouse;

(d) the amounts deductible in subsection (3) (a) through (3) (c) are subject to the following limitations:

(i) a deduction is allowed under subsection (3) (a) for employment-related expenses incurred during the year only to the extent the expenses do not exceed \$4,800;

(ii) expenses for services in the household are deductible under subsection (3) (a) for employment-related expenses only if they are incurred for services in the taxpayer's household, except that employment-related expenses incurred for services outside the taxpayer's household are deductible, but only if incurred for the care of a qualifying individual described in subsection (3) (a) (i) and only to the extent the expenses incurred during the year do not exceed:

(A) \$2,400 in the case of one qualifying individual;

(B) \$3,600 in the case of two qualifying individuals; and

(C) \$4,800 in the case of three or more qualifying individuals;

(e) if the combined adjusted gross income of the taxpayers exceeds ~~\$18,000~~ \$32,230 for the taxable year during which the expenses are incurred, the amount of the employment-related expenses incurred must be reduced by one-half of the excess of the combined adjusted gross income over ~~\$18,000~~ \$32,230; by November 1 of each year the department shall multiply the limitations in this subsection and subsection (d) by the inflation factor for the taxable year and round the product to the nearest \$10;

(f) for purposes of this subsection (3):

(i) married couples shall file a joint return or file separately on the same form;

(ii) if the taxpayer is married during any period of the

taxable year, employment-related expenses incurred are deductible only if:

(A) both spouses are gainfully employed, in which case the expenses are deductible only to the extent that they are a direct result of the employment; or

(B) the spouse is a qualifying individual described in subsection (3)(a)(iii);

(iii) an individual legally separated from the individual's spouse under a decree of divorce or of separate maintenance may not be considered as married;

(iv) the deduction for employment-related expenses must be divided equally between the spouses when filing separately on the same form;

(v) payment made to a child of the taxpayer who is under 19 years of age at the close of the taxable year and payments made to an individual with respect to whom a deduction is allowable under 15-30-112(5) are not deductible as employment-related expenses;

(4) in the case of an individual, political contributions determined in accordance with the provisions of section 218(a) and (b) of the Internal Revenue Code that were in effect for the taxable year ended December 31, 1978;

(5) that portion of expenses for organic fertilizer allowed as a deduction under 15-32-303 which was not otherwise deducted in computing taxable income;

(6) contributions to the child abuse and neglect prevention program provided for in 41-3-701, subject to the conditions set forth in 15-30-156;

(7) premium payments for long-term care insurance with benefits that meet or exceed the minimum standards as established by the state insurance commissioner; and

(8) contributions to the Montana drug abuse resistance education program provided for in 44-2-702, subject to the conditions set forth in 15-30-159.

(9) (a) Subject to the conditions of subsection (3), a taxpayer who operates a family day-care home or a group day-care home, as these terms are defined in 52-2-703, and who cares for the taxpayer's own child and at least one unrelated child in the ordinary course of business may deduct employment-related expenses considered to have been paid for the care of the child.

(b) The amount of employment-related expenses considered to have been paid by the taxpayer is equal to the amount the taxpayer charges for the care of a child of the same age for the same number of hours of care. The employment-related expenses apply regardless of whether any expenses actually have been paid. Employment-related expenses may not exceed the amounts specified in subsection (3)(d)(ii).

(c) Only a day-care operator who is licensed and registered as required in 52-2-721 is allowed the deduction under this subsection (9).