

## MINUTES

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

#### COMMITTEE ON TAXATION

**Call to Order:** By **CHAIRMAN CHASE HIBBARD**, on February 28, 1995,  
at 8:00 a.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: HB 497  
HB 545  
HB 525  
HB 550

Executive Action: HB 525 - Tabled  
HB 550 - Do Pass  
HB 127 - Tabled

{Tape: 1; Side: A.}

HEARING ON HB 550

Opening Statement by Sponsor:

**REP. BETTY LOU KASTEN**, House District 99, said HB 550 will prove that departments of state government can work together to do a better job. The bill would provide a service to businesses by simplifying the reporting of withholding, unemployment and old fund liability taxes.

Proponents' Testimony:

**Rod Sager**, Administrator, Unemployment Insurance Division, Department of Labor and Industry, said that in August, 1993, Governor Racicot asked the Department of Labor and the Department of Revenue to explore avenues for enhancing service to Montana employers and consolidating services where possible. The two Departments formed a task force to accomplish that goal. The task force published a report in November, 1994, which included a recommendation that the common employer functions of registration, wage reporting, enforcement, audit and appeals resolution be integrated into a single entity in order to provide the best service to the taxpayers and employers of Montana. The report also included a recommendation to implement the changes in three phases. Legislation would not be required to implement combined registration by the end of 1995. Mr. Sager's comments and supporting documentation are attached as EXHIBIT 1.

**Jeff Miller**, Department of Revenue, stated that he was representing Director Robinson in support of HB 550. In addition to Mr. Sager's comments, Mr. Miller advised that an extensive cost/benefit analysis would be conducted. Mr. Miller then reviewed the bill, section by section, in order to provide a better understanding of the legislation for the benefit of Committee Members. EXHIBIT 2. The Department of Labor and the Department of Revenue will each provide one-half of the \$250,000 necessary to fund the cost/benefit analysis to be conducted by an independent consultant. Mr. Miller requested the Committee's favorable support of HB 550.

{Tape: 1; Side: B.}

**Laurie Ekanger**, Governor's Office, said a goal of the Governor's Office is to make working with government a little easier. She strongly encouraged the Committee's support of HB 550.

**Dennis Burr**, Montana Taxpayers Association, said he supported the concept in the bill. He suggested that it would be more appropriate to fund the project from the unemployment account rather than from the workers' comp and general fund.

**Mary Craig, C.P.A., Montana Society of Certified Public Accountants**, testified in support of the bill because it would provide simplification for employers.

**David Owen, Montana Chamber of Commerce**, testified in support of the bill.

**Riley Johnson, National Federation of Independent Business**, rose in support of the bill.

**Opponents' Testimony:**

None.

**Questions From Committee Members and Responses:**

**REP. SWANSON** asked Mr. Miller to comment on the funding suggestion made by Mr. Burr. **Mr. Miller** said the agencies were "in this together" and they thought it would be appropriate to share costs. The old fund liability tax will be an integral part of the consolidation and should be responsible for a portion of the costs.

**REP. STORY** asked if the Department of Revenue had established a time frame for the collection of liens. **Mr. Miller** said it is a period of ten years, with six years of active enforcement and they must then go back to the court to get a four-year extension. The bill would eliminate that step and put both departments on the same footing without having to go back to the court.

**REP. STORY** asked what the purpose of the coordination clause was. **Mr. Sager** said HB 100 is the session's housekeeping bill for unemployment insurance and this bill would have to be coordinated.

**REP. ROSE** asked if other departments would be included in the integrated system. **Mr. Miller** said the system to be developed would be friendly to further integration, specifically as related to employer wage-based functions. He said they have held discussions with the Department of Commerce and the Secretary of State's Office and they would be interested once the system is developed.

**CHAIRMAN HIBBARD** asked Mr. Miller how much of each phase could be implemented prior to receiving the results of the cost/benefit analysis. **Mr. Miller** said the single point of registration, referred to in Phase I, would be implemented by the fall of 1995 and would be located in unemployment insurance and will be supported by both agencies. They will be developing coordinated audit and collection efforts during the next year and a half, and by July, 1996, the single point of dispute resolution will be in place to resolve all issues of independent contractors and employee-employer relationships. **CHAIRMAN HIBBARD** said he understood that Phase I would be implemented within the current

level of funding and Phase II and II would be dependent on the results of the cost/benefit analysis. **Mr. Miller** said that was correct, except that Phase I includes the cost/benefit analysis which must be funded separately.

**REP. ARNOTT** asked Mr. Miller if he had any estimate of costs to be presented to the 1997 Legislature for the implementation of Phase II and III. **Mr. Miller** said he did not, but the cost will be significant. For that reason, they need the information that will be provided by the cost/benefit analysis to aid them in making good recommendations. This is an expensive venture that will pay in the long run in savings and efficiencies.

**Closing by Sponsor:**

In closing, **REP. KASTEN** said she hoped the Committee would give the bill a do pass recommendation.

{Tape: 2; Side: A: 1.}

**HEARING ON HB 525**

**Opening Statement by Sponsor:**

**REP. BOB PAVLOVICH**, House District 37, Butte, said HB 525 was a gambling bill and he would support an amendment proposed by the Department of Justice. EXHIBIT 3. The bill originally proposed eliminating the \$1 tax on sport tab games and the amendment would put the tax back in because they would be illegal without the tax. Therefore, all the bill does is reduce the amount the winners of a sports tab games must receive from 90% to 80%. The five or six operators in the state who run these games would retain 20% for administration and other expenses.

**Proponents' Testimony:**

**Ellen Engsted, Don't Gamble With the Future**, said the amendment took away the problems she had with the bill because the tax would still be there to provide funds for regulation of the gambling industry.

**Opponents' Testimony:**

None.

**Questions From Committee Members and Responses:**

**REP. RANEY** asked what the advantage would be to the tavern owner. **REP. PAVLOVICH** said the tabs sell fast and can be run every day and, if all the tabs are sold at \$1 each, the tavern owner makes \$20 minus the \$2.50 for the price of the tabs and the \$1 tax. It is primarily a trade stimulator and there is not much profit and that is the reason they are asking for a 10% increase. **REP. PAVLOVICH** said the tabs have not "caught on" throughout the state

and during the past four years since the tabs were legalized, the \$1 tax has brought in only \$14,000.

Closing by Sponsor:

REP. PAVLOVICH said he had closed.

HEARING ON HB 545

Opening Statement by Sponsor:

REP. JUDY MURDOCK, House District 6, presented for the Committee's consideration a bill which would exempt from property tax the value of improvements made to existing commercial buildings that remove barriers to persons with disabilities.

Proponents' Testimony:

Dennis Burr, Montana Taxpayers Association, said that businesses in Montana are mandated to comply with the American Disability Act and an individual's taxes should not be increased for providing better access. He explained that the legislation would apply to retrofitting an existing building and would not apply to new construction. Mr. Burr commented on the fiscal note which indicates that the DOR would need 25 appraisers and 12 clerks to administer this bill for a year. He said this was ridiculous. The only way the DOR would be affected is when a business owner applies for the exemption. The only cost he was able to identify was for preparation of a form to be used by the property owner. He said the bill would be a signal to the business community that they are appreciated for making the modifications and taxes should not be increased because of the modification.

David Owen, Montana Chamber of Commerce, said the bill was presented to Chamber members in 21 cities in Montana. There was a strong positive reaction.

Lance Parks, Montana Association of Realtors, testified in favor of the bill.

Opponents' Testimony:

None.

Questions From Committee Members and Responses:

REP. ELLIOTT said that under Montana law, adding improvements to a building, whether mandated or not, increases the worth of the building, and should be taxed. He asked Mr. Owen to comment on this philosophy. Mr. Owen pointed out that the mandate to retrofit will not necessarily increase sales or income, even though it might increase the resale value of the building, and in the interim the increase should be excused because it represents

a burden. **REP. ELLIOTT** asked how much it would cost to add handicap access and restrooms to an existing building. **Mr. Parks** said it could be anywhere from \$5,000 to \$20,000, depending on the facility. **REP. ELLIOTT** asked if that money could be recovered when the building is sold. **Colin Bangs, Realtor from Missoula**, said some of the costs probably would be recovered but not all of them, depending upon how important they would be to the new owner of the building who might not need the accessibility and would not be willing to pay the extra cost.

{Tape: 2; Side: B.}

**REP. ROSE** asked the DOR to comment on the fiscal note. **Ms. Paynter, Tax Administrator, DOR**, said there is more to the actual appraisal than most people realize. In this case it would be necessary to go back through five years of tax records and determine if there had been "added value." She explained that the amount of money spent does not always equate with the amount of value that is added. There would be at least two adjustments that would have to be made because there would be the original valuation and the reappraisal value and this would all require a lot of staff time.

**REP. REAM** understood that the idea behind the bill would be to reward the people who have improved their buildings to provide handicap access. When the property changes hands, he assumed that would be part of the value of the property and the exemption should go away, although this is not provided for in the bill. **Mr. Owen** said he was not a technical expert but he thought the bill could be amended to assure that the exemption would be dropped when the building was sold.

**REP. REAM** asked if the cost involved in the workload related to the retroactive feature in the bill. **Ms. Paynter** said that was correct because it makes it much more difficult and more expensive. **REP. REAM** said that when the fiscal note is done over, the costs should be broken down to show the difference between retroactive costs and future costs. **Ms. Paynter** said the future costs would be minimal.

**REP. SWANSON** asked if the intent of the bill was to exempt the cost of the improvement or the added taxable value of the improvement. **Ms. Burr** said it was the taxable value, and if the DOR had picked up the improvement, all they would have to do would be to remove it. **REP. SWANSON** asked if the bill could be simplified if it was based on costs the owner could verify. **Mr. Burr** said the only problem he could see would be if the Department had added value that was less than the actual cost. He said he was dumbfounded by the problems outlined by the Department to what he thought was a fairly simple bill.

**REP. ELLIOTT** asked if several improvements were made at the same time, if they would be broken out individually and entered into the computer. **Ms. Paynter** said that, depending on the project,

they might or might not be. For instance, she said that building a ramp, painting, widening a doorway and adding carpet might all be considered one improvement.

**CHAIRMAN HIBBARD** asked if a form could be mailed to taxpayers requesting a list of improvements, together with the cost, that had been made to the building to promote accessibility of the handicapped. **Ms. Paynter** said she would consult with her staff to see if they had suggestions for reducing the cost.

**Closing by Sponsor:**

**REP. MURDOCK** said the bill would cover only the years 1990 - 1996. She said there are many ways to obtain the necessary information and would not necessarily require an on-site visit. She asked for the Committee's positive action on the bill.

**HEARING ON HB 497**

**Opening Statement by Sponsor:**

**REP. JOHN BOHLINGER, House District 14, Billings,** said HB 497 has a price tag of \$3 million and would provide a benefit to low and moderate income individuals. During his campaign he discovered that 70 percent of the homes in his district had a value of less than \$79,000, 40% have incomes of less than \$15,000 a year, and 21% have incomes between \$15,000 and \$24,000. Many of these people are retired and live on Social Security and are having a difficult time financially in meeting the increased cost of living. HB 497 would accomplish several things which would be a benefit to low and moderate income taxpayers. The bill provides that any tax increase over the previous year would be paid on the second tax installment to allow individuals time to arrange for payment.

*{Tape: 3; Side: A.}*

The bill also adjusts for inflation to a more realistic level. It will raise the income limits for a single person from \$13,500 to \$15,000 and from \$16,214 to \$20,000 for a married person or head of household. These figures are not in the bill so an amendment will be drafted to correct the figures. Provisions of the bill which have not been changed are that it must be the principle place of residence and must be occupied for ten months of the year and must not be located on more than five acres of land. Under the current law, 42,396 households would be eligible for the program and, of these, only 9,695 participate in the program. The average benefit has been \$222. The existing program costs \$2,152,290. House Bill 497 would increase the eligible households to 62,621 and it is estimated that 15,655 will participate. It is also anticipated that the average benefit would be \$250. Total program cost for this benefit would be \$3,913,750. The bill changes the elderly homeowner/renter

credit circuit breaker from \$400 to \$1,000. There are 19,070 people using this program with a current cost projected to be \$6 million. In FY 96 the cost would be \$6 million and in FY 97 the cost would be \$6.5 million. By increasing the maximum credit from \$400 to \$1,000, the average benefit would increase the cost of the program to \$6,600,000 in 1996 and to \$7,215,000 in 1997. HB 497 would reduce individual income tax collections and general fund revenues. The bill would provide more direct assistance to low and moderate income and elderly people and represent an act of fairness. **REP. BOHLINGER** emphasized that there would be no additional administrative costs and the bill is constitutionally sound. The bill would also encourage more Montanans to take advantage of current programs.

**Proponents' Testimony:**

**REP. JIM ELLIOTT, House District 51, Trout Creek,** said th bill would provide tax relief targeted at the people who deserve it -- the working poor and the elderly and the people most in fear of increasing taxes. Shelter should not be a luxury and it is up to the Legislature to protect the roof over their heads.

**Dennis Burr** said he represented the **Montana Taxpayers Association** in support of HB 497. He said that adding increases to the second payment would balance the payments because annual fees for garbage and other services are often added to the first payment. He said he specifically supported the portion of the bill dealing with tax relief for low income and elderly taxpayers. **Mr. Burr** said that single, married and head of household are all low income and he did not think it would be necessary to have three formulas. Therefore, he suggested a single formula based on income. EXHIBIT 4.

**Colin Bangs, Montana Association of Realtors,** spoke in favor of the bill. There is a problem with affordable housing in Montana and in many areas the price of a house has doubled in the last seven or eight years. This bill would not help people trying to buy a home but it would help those who have had their homes for a long time and want to be able to keep them.

**Nathan Tooragon, Director of Finance and Administrative Services, City of Billings,** said he was neutral on the bill but did want to provide some information. He said the bill would cost the City of Billings \$30,000.

**Opponents' Testimony:**

**Michael Keating, Montana School Boards Association,** said he could appreciate Rep. Bohlinger's efforts to provide what sounds like much-needed tax relief for elderly and low-income people. Therefore, he said it was with some reservation that he would rise as a nominal opponent to the bill. However, he said he had an obligation to sound the alarm because it appears that there would be a significant financial loss to local public schools as



a result of the bill. The amendment that has been proposed would increase the cost and schools can ill afford to lose the funds they have.

**Questions From Committee Members and Responses:**

REP. SOMERVILLE asked the sponsor why he had chosen the ten-month period of residency. REP. BOHLINGER said it is in the current statute. He would not have any objection to changing it to seven months but he would want to make sure that it would apply specifically to Montana residents and not just those who choose to live in the state during the nice weather. REP. SOMERVILLE said he would like to make sure that Montana residents who are able to travel during the winter would get the benefit. REP. BOHLINGER said he would be happy to negotiate the time period.

REP. ELLIOTT said that in his conversations with county treasurers, they had indicated that placing the increase on the second installment would be unworkable. Mr. Harrington said the concern involves interpretation of the statute and there are some legitimate concerns. In instances where there is an increase in tax because of a new sub-division with SIDs, or if the local government approved a significant bond issue, the question for the treasurers would be how to distribute the revenue.

{Tape: 3; Side: B.}

**Closing by Sponsor:**

REP. BOHLINGER thanked the proponents for their testimony and also those representing the concerns of local governments. He said it was nice that Montana has an expanding economy that is providing opportunities. This translates into increased revenues. He said he brought the bill forward as a consideration of how tax dollars could be disposed of and his concerns are for the working poor, the elderly -- those people with limited resources to pay increases in taxes. The bill would provide opportunities for them to save some money and have a little more to live on. He said he would appreciate a do pass recommendation.

**EXECUTIVE ACTION ON HB 550**

**Motion:**

REP. HARPER MOVED THAT HB 550 DO PASS.

**Discussion:**

REP. RYAN said it looked like they had already done a lot of study because they were ready to start on Phase I. He questioned the need for a \$250,000 study.

**REP. STORY** said he thought Rep. Ryan was partially correct, but the money would be used to determine how the data bases could be coordinated.

**REP. SWANSON** said that if the Committee endorses the bill, it simply confirms that the study would be a good thing to do and the amount of money to be expended would be up to Appropriations.

**REP. HARPER** said he did not think it was appropriate to take \$125,000 from the unemployment insurance penalty and interest account.

**REP. RYAN** said this would earmark money for the study and the discussion had already taken place on the Floor of the House to put the penalty and interest revenue in the general fund.

**REP. REAM** said that item 7 on the fiscal note addresses earmarking by reducing the amount deposited in the general fund from the payment of penalties and interest by \$125,000.

**CHAIRMAN HIBBARD** said that he agreed with Rep. Swanson and, if the bill is passed and the DOR is authorized to begin Phase I, the bill should go to Appropriations to determine where the funding would come from. He said the Taxation Committee's responsibility would be to determine whether the consolidation of functions is a good idea.

**REP. MURDOCK** said it was her opinion that the compatibility of computers seemed to be a major roadblock in everything the Committee was trying to do.

**REP. NELSON** said that the computers are compatible but the software must be written to make them communicate.

**Mr. Heiman** advised that all programs are running on the same computer. The difference is that software has been written by each agency to handle specific problems.

**REP. RYAN** said this is a good bill and he would support it with an amendment.

**Motion:**

**REP. RYAN MOVED THAT HB 550 BE AMENDED BY STRIKING SECTION 14 IN ITS ENTIRETY.**

**Discussion:**

**REP. RYAN** said the amendment would insure that the bill would go to Appropriations to determine the funding.

**REP. REAM** said the bill could be sent to Appropriations without any amendment.

REP. HARPER said Rep. Ryan's amendment was a good one and he suggested a modification to provide for funding of \$250,000 from the general fund.

**REP. RYAN AGREED TO THE MODIFICATION OF THE AMENDMENT.**

REP. ORR said this was to be a joint project and he questioned whether the entire \$250,000 should come from the general fund. He suggested that the DOR could contribute \$125,000. Section 14 of the bill would then be left as it was except for striking "penalty and interest fund" and inserting "general fund." REP. ORR said the suggestion was for discussion purposes only and was not a motion.

REP. SWANSON asked if half the appropriation from the general fund would be appropriated to each agency.

REP. ELLIOTT spoke against the amendment because the funding language was inserted so that the users of each of the departments would be paying the costs. If the funding is transferred to the general fund, everyone in the state who pays income tax would be funding the project.

REP. SWANSON said she thought the entire appropriation should go to one agency who would be in charge of the project.

REP. ARNOTT asked if it was necessary to have the appropriation in the bill.

REP. REAM replied that there are often statutory appropriations in bills and, if so, they automatically go to the Appropriations Committee. REP. REAM said he did not like the language that said the general fund would be offset by the penalty and interest money.

**Substitute Motion:**

**REP. REAM MOVED TO STRIKE 1(b) OF SECTION 14.**

**Discussion:**

REP. REAM said this would mean that it would be up to the Appropriations Committee to determine funding.

CHAIRMAN HIBBARD summarized that the amendment would provide that \$68,750 would come from the general fund and \$56,250 would come from the old fund liability fund for the Department of Revenue, and \$125,000 would come from unemployment insurance for the Department of Labor. This would eliminate the general fund offset of penalty and interest money.

*{Tape: 4; Side: A.}*

REP. HARPER said he was in favor of sending the bill to Appropriations but wanted to be sure that they would act on the bill and not just approve what the Taxation Committee had done on the funding issue.

Substitute Motion for All Motions:

REP. HARPER MOVED HB 497 BE AMENDED TO APPROPRIATE \$125,000 TO THE DEPARTMENT OF LABOR AND \$125,000 TO THE DEPARTMENT OF REVENUE TO CONDUCT A STUDY.

Discussion:

REP. HARPER said this would leave it up to the Appropriations Committee to decide where the funding would come from.

Vote:

On a roll call vote, the motion to amend failed, 13 - 6.

Vote:

On a roll call vote, the do pass motion on HB 550 passed, 12 - 6.

EXECUTIVE ACTION ON HB 525

Motion:

REP. HARPER MOVED THAT HB 525 DO PASS.

REP. HARPER MOVED THAT THE PAVLOVICH AMENDMENT TO HB 525 DO PASS.

Discussion:

Mr. Heiman explained that the amendment would reinstate the \$1 tax into the statute and amend the title to correspond with the bill.

Vote:

On a voice vote, the amendment passed, 16 - 4.

Motion:

REP. HANSON MOVED THAT HB 525 AS AMENDED DO PASS.

Discussion:

REP. RANEY said he was not speaking for or against the bill but he thought 20% was a substantial amount to withhold from the pool.

REP. RYAN said that Rep. Pavlovich has specified that when a board is sold, 100% of the money would be collected; however, with the sports tab, all of the tabs may not have been sold and the tavern operator would still be responsible for the entire amount.

REP. RANEY said it could work the opposite. If only half of the tabs are sold, the winning numbers might not have been pulled and the operator pockets the money in the pool; however, it could be that all the winners have been pulled and the tavern operator would still have to pay the full amount out. Rep. Pavlovich testified that at 90% they are breaking even and at 80% there might be a small profit.

REP. ORR pointed out that the bill would make it more profitable for the bar owner and they will support the sports tab games more so it would represent an expansion of gambling; therefore, he would vote against the bill.

Vote:

On a roll call vote the do pass as amended motion failed, 6 - 14.

Motion/Vote:

REP. REAM MOVED TO TABLE HB 525. The motion passed unanimously.

EXECUTIVE ACTION ON HB 127

Discussion:

CHAIRMAN HIBBARD said there was an amendment to HB 127 proposed by Rep. Larson. He asked if anyone could explain the bill as amended. EXHIBIT 5.

REP. ORR said he would speak against the bill because it opens up I-105. The bill in its original form limited the levy to a 2-mill tax but, as amended, it could be any amount. The bill gives county commissioners the ability to overrule the districts. Districts must vote on levies, but this bill would allow only the commissioners to vote on the levy. REP. ORR said, in his opinion, the bill represents bad tax policy.

REP. STORY said he opposed the bill because of the effect it would have on shifting the costs of financing in predominantly rural areas.

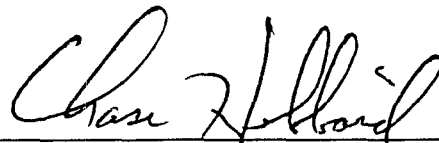
REP. ELLIOTT said the bill would set rates according to how much land a person owns rather than how much garbage is generated.

Motion/Vote:

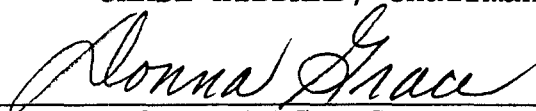
REP. ELLIOTT MOVED TO TABLE HB 127. The motion passed 19 - 1.

ADJOURNMENT

Adjournment: 11:45 A.M.



CHASE HIBBARD, Chairman



DONNA GRACE, Secretary

CH/dg

# HOUSE OF REPRESENTATIVES

## Taxation

ROLL CALL

DATE 2/28/95

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	✓		



## HOUSE STANDING COMMITTEE REPORT

February 28, 1995

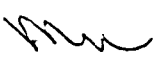
Page 1 of 1

Mr. Speaker: We, the committee on **Taxation** report that **House Bill 550** (first reading copy -- white) **do pass**.

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

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

*Chase Hibbard, Chair*

  
Committee Vote:  
Yes 13, No 6.

471400SC.Hbk



# HOUSE OF REPRESENTATIVES

## ROLL CALL VOTE

DATE 2/28/95 BILL NO. 550 <sup>Amendment</sup> NUMBER 1

MOTION: Harper to split obligation  
1/2 to DOL and 1/2 to DOR

NAME	YES	NO
Vice Chairman Marian Hanson		✓
Vice Hairman 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		✓
Rep. Emily Swanson		✓
Rep. Jack Wells		✓
Rep. Ken Wennemar	✓	
Chairman Chase Hibbard		✓

# HOUSE OF REPRESENTATIVES

## ROLL CALL VOTE

DATE 2/28/95 BILL NO. 550 NUMBER       

MOTION: Do Pass

NAME	YES	NO
Vice Chairman Marian Hanson	✓	
Vice Hairman 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		✓
Rep. Emily Swanson	✓	
Rep. Jack Wells		✓
Rep. Ken Wennemar	✓	
Chairman Chase Hibbard	✓	

12

6

# HOUSE OF REPRESENTATIVES

## ROLL CALL VOTE

DATE 2/28 BILL NO. 525 NUMBER       

MOTION: Do Pass as Amended

NAME	YES	NO
Vice Chairman Marian Hanson	✓	
Vice Hairman 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		✓
Rep. Emily Swanson		✓
Rep. Jack Wells		✓
Rep. Ken Wennemar		✓
Chairman Chase Hibbard	✓	

6

14

## Introduction

In August 1993, Governor Marc Racicot requested the Department of Labor and Industry and the Department of Revenue to explore avenues for enhancing service to Montana employers and consolidate functions where possible.

In November 1993, the two Departments formed the Department of Labor and Industry and Department of Revenue Partnership Task Force to **"provide improved customer service to businesses by streamlining and simplifying wage-based employer reporting and related functions."** The Partnership Task Force formed five work groups composed of management and support personnel in the areas of:

- Employer Registration
- Wage Reporting and Report Processing
- Enforcement - Collection of Past Due Money and Reports
- Audit and Examination
- Appeals and Dispute Resolution

The Partnership Task Force solicited and evaluated ideas to improve service to employers and taxpayers. This report summarizes the final recommendations.

## Recommendation

**The Partnership Task Force recommends integrating the following functions into a single agency: employer registration, wage reporting, enforcement, audit, and appeals resolution. We further recommend a phased approach.**

### Phase I

**Phase I** includes steps over the next two years to eliminate duplication and streamline operations that move toward the goal of integration. The areas of **registration, appeals resolution, auditing, and cooperative enforcement** are the primary focus in this phase. Implementation of Phase I include:

#### **Integrate Employer Registration**

Consolidating the registration process for Unemployment Insurance and the Department of Revenue is a crucial step to total integration. It provides improved customer service, operating efficiency, and consistency. Key elements are:

- ☐ One employer registration form
- ☐ One employer information packet including workers' compensation compliance information

HOUSE BILL 550

PHASED-IN INTEGRATION OF PAYROLL TAX FUNCTIONS

The Departments of Revenue and Labor and Industry have developed a well-thought out plan to improve customer service to businesses by streamlining and simplifying wage-based employer reporting and related functions. The plan is based on input from our customers and staff. This legislation addresses Phase I of the plan.

Of great concern to our customers and the agencies are the common issues related to independent contractors, duplication in the registration and audit areas, and confusion created by differing requirements and laws in the collection area. The plan envisions implementation of combined registration by the end of 1995. Legislation is not required. To immediately respond to remaining concerns, Phase I legislation addresses three areas: independent contractor issues; confidentiality; and, collection/enforcement.

In addition, the legislation addresses the costs of Phase I and suggested funding sources.

**SECTION 1.** Amends Department of Revenue (DOR) laws to adopt Unemployment Insurance (UI) independent contractor definition.

**SECTIONS 2, 3 & 4.** Establishes one route of appeal of independent contractor determinations to the Board of Labor Appeals in the Department of Labor and Industry. The sections amend 3 DOR statutes dealing with appeals.

**SECTIONS 5 & 6.** Amends DOR state income tax withholding and old fund liability tax statutes to allow sharing of information needed to resolve independent contractor issues.

**SECTIONS 7 & 8.** Amends DOR collection statutes to align DOR lien laws with UI laws.

**SECTION 9 & 10.** Amends UI collection statutes to align UI lien and individual liability statutes with DOR provisions.

**SECTION 11.** Amends DOR collection statutes to align DOR with UI statutes related to uncollectible accounts referred to the State Auditor.

**SECTION 12.** Aligns UI with DOR collection provisions related to corporate officer liability for employment taxes. UI adopts both DOR statute and rules detailing the liability. (Limited liability company employers are also addressed in the UI amendment to maintain consistency between this bill and UI's housekeeping bill.)

**SECTION  
13.**

UI Adopts DOR offset provisions for collection purposes.

**SECTION  
14.**

Addresses the appropriation needed to fund a cost benefit analysis to determine the feasibility of total integration of the wage reporting and related payroll tax functions.

**SECTIONS  
15, 16 & 17.**

Address codification, applicability and effective dates.

EXHIBIT 3  
DATE 2/28/95  
HB 525

Amendment to House Bill 525  
First Reading Copy

Requested by Representative Pavlovich  
Prepared by  
Beth Baker, Department of Justice

1. Title, line 4.  
Strike: "ELIMINATING" through remainder of line 4.
2. Page 1, line 11.  
Strike: Section 1 in its entirety.  
Renumber subsequent section.

EXHIBIT 4  
DATE 2/28/95  
HB 497

(b)(i) Property described in subsection (1)(c) is taxed at 3.86% of its market value multiplied by a percentage figure based on income and determined from the following table:

Income	Percentage Multiplier
\$ 0 - \$ 8,000	20%
8,000 - 14,000	50%
14,000 - 20,000	70%



EXHIBIT 5  
DATE 2/28/95  
HB 127

Amendments to House Bill No. 127  
First Reading Copy

Requested by Rep. Larson

Prepared by Bart Campbell  
February 8, 1995

1. Title, line 4.  
Strike: "A 2-MILL TAX"  
Insert: "AN ASSESSMENT"
2. Title, line 5.  
Strike: "AND IMPROVEMENTS"
3. Title, line 6.  
Following: "IMPROVEMENTS"  
Insert: "; AND AMENDING SECTION 7-13-326, MCA"
4. Page 1, lines 10 through 21.  
Strike: Sections 1 and 2 in their entirety
5. Page 1, line 22.  
Insert: "

**Section 1.** Section 7-13-236, MCA, is amended to read:  
**"7-13-236. Revenue bonds and obligations.** (1) The commissioners may issue revenue bonds, including refunding bonds, or borrow money for the acquisition of property, construction of improvements, or purchase of equipment or to pay costs related to planning, designing, and financing a solid waste management system.

(2) Revenue bonds may be issued in a form and upon terms as provided in 7-7-2501.

(3) Bonds or loans may be payable from any revenue of the solid waste management district, including revenue from:

- (a) service charges authorized in 7-13-233;
- (b) grants or contributions from the state or federal government; or

(c) an assessment on each lot or parcel of land in the district based on the area of each lot or parcel in relation to the total area of all lands to be assessed; or

~~(c)~~(d) other sources."

## HOUSE OF REPRESENTATIVES

## VISITOR'S REGISTER

Location \_\_\_\_\_ COMMITTEE \_\_\_\_\_ BILL NO. HB497  
DATE 2/28/95 SPONSOR(S) Rep. Bohlinger

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NAME AND ADDRESS	REPRESENTING	BILL	OPPOSE	SUPPORT
DENNIS BURR	MONTANA			✓
COLLIN BANGS	REALTORS			✓
Michael Keady	MSBA		X	

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

HOUSE OF REPRESENTATIVES

VISITOR'S REGISTER

Taxation COMMITTEE BILL NO. HB 545  
 DATE 2/28/95 SPONSOR(S) Rep. Murdoch

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NAME AND ADDRESS	REPRESENTING	BILL	OPPOSE	SUPPORT
Dennis Burk	MON TAX			✓
Lane Clark	MT Assoc. REALTOR (K)			✓
David Owen	MT Chamber			✓

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HOUSE OF REPRESENTATIVES

VISITOR'S REGISTER

Location \_\_\_\_\_ COMMITTEE \_\_\_\_\_ BILL NO. HB 525  
 DATE 2/28/95 SPONSOR(S) Rep. Pavlovich

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NAME AND ADDRESS	REPRESENTING	BILL	OPPOSE	SUPPORT
ELLEN SUGSTAD	Don't Gamble With Her Future	5 2 3		✓

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## HOUSE OF REPRESENTATIVES

## VISITOR'S REGISTER

Taxation COMMITTEE BILL NO. HB 550  
 DATE 2/28/95 SPONSOR(S) Rep. Kasten

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NAME AND ADDRESS	REPRESENTING	BILL	OPPOSE	SUPPORT
Jeff Miller	DOR	HB550		✓
✓ Rod SAGER	DEPT. OF LABOR + INDUSTRY	HB550		✓
Dennis Burr	MONTANA			✓
Mary L Craig	Mont Soc. CPAs	HB550		✓
<del>Steve</del>				
Riley Johnson	NFIB	HB550		✓
Laurie Ekanger	Governors Office	HB550		✓
David Owen	MT Chamber	HB550		✓

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