

MINUTES

**MONTANA SENATE
54th LEGISLATURE - REGULAR SESSION**

COMMITTEE ON TAXATION

Call to Order: By **CHAIRMAN GERRY DEVLIN**, on January 4, 1995, at
8:00 a.m.

ROLL CALL

Members Present:

Sen. Gerry Devlin, Chairman (R)
Sen. Mike Foster, Vice Chairman (R)
Sen. Mack Cole (R)
Sen. Delwyn Gage (R)
Sen. Lorents Grosfield (R)
Sen. John G. Harp (R)
Sen. Dorothy Eck (D)
Sen. Barry "Spook" Stang (D)
Sen. Fred R. Van Valkenburg (D)

Members Excused: None

Members Absent: None

Staff Present: Jeff Martin, Legislative Council
Rene'e Podell, Committee Secretary

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

Committee Business Summary:

Hearing: SB 14
Executive Action: None

HEARING ON SB 14

Opening Statement by Sponsor:

SEN. DELWYN GAGE, SD 43, Cutbank, stated that this bill is presented at the request of the Department of Administration. He noted that periodically there are changes made by the Accounting Standards Board of the United States. He said that the board has a system in place on a national basis called "Generally Accepted Accounting Principles" referred to as GAAP. He noted that this bill is an attempt to standardize accounting practices throughout the United States. He explained that this bill deals with the suggested change to governmental accounting and simply says rather than put escheat property in an agency fund use an expendable trust fund. **SEN. GAGE** stated that escheat property can range from lost dividend checks that no one has claimed,

royalty checks that no one has claimed, paychecks belonging to deceased persons, and estates that have been created that heirs can not be located. He announced that a proposed amendment from the Department of Revenue will be presented.

Proponents' Testimony:

Connie L. Griffith, Administrator for the Accounting and Management Support Division for the Department of Administration, explained that the Department of Administration essentially sets accounting policy and GAAP for the State of Montana. **Ms. Griffith** noted that the Departments of Administration, Labor and Revenue, and the State Auditor's Office will be affected by this bill and that they have agreed to the proposed changes. She stated that the proposed change is a housekeeping type change and that there will be no fiscal effect. **Ms. Griffith** urged support for this bill.

Neil Peterson, Bureau Chief in the Income Tax Division of the Department of Revenue, presented an amendment to the bill **EXHIBIT 1**. He explained that the present amount permitted to be retained in the agency fund for the payment of claims is insufficient. **Mr. Peterson** stated that currently refunds are averaging \$45,000 a month to claimants of abandoned property. He stated that it causes a great deal of extra work to consistently monitor the expendable trust fund balance. He requested a favorable consideration of the presented amendment.
{Tape: 1; Side: A; Approx. Counter: 9.9.}

Opponents' Testimony:

None

Informational Testimony:

None

Questions From Committee Members and Responses:

SEN. LORENTS GROSFIELD asked Mr. Peterson what kinds of refunds he was referring to. **Mr. Peterson** answered that in FY '94, \$544,000 in refunds were issued and that in July of 1993, \$102,000 was issued just in that one month.

SEN. MIKE FOSTER questioned Mr. Peterson on how he arrived at the \$100,000 amount as opposed to \$50,000 or \$75,000. **Mr. Peterson** stated that he reviewed the averages from FY '93 and '94 and anticipates an increase when they make the change over to an automated system for tracking unclaimed property.

SEN. MACK COLE asked Mr. Peterson if the department monitors activity from all over the state. **Mr. Peterson** explained that unclaimed property is received from several sources including the national level and some from other states. He pointed out that

everyone is required to report unclaimed property.

SEN. GROSFIELD asked Mr. Peterson why money would be placed in the expendable trust fund rather than in the general fund. **Mr. Peterson** stated that it is a perpetual trust fund and it is statutory.

{Tape: 1; Side: A; Approx. Counter: 14.4.}

Closing by Sponsor:

SEN. GAGE closed stating that he was curious about why the State of Montana decided to go with GAAP. He said that he questioned many of the senior members and was told that GAAP fits with a lot of the jargon that we currently have, and the gap's that we have in state government. He noted that one person called the difference between receipts and expenditures, a gap, and the difference between Republican and Democrat philosophy, a gap. He also stated that the difference of what the taxpayers want, and what they get, is a gap. **SEN. GAGE** humorously commented that he discussed GAAP with **SEN. FRED VAN VALKENBURG** and they concluded that the difference between the information that you ask for from the Department of Revenue, and what you get, is a gap. He urged passage of the this bill with the amendment as presented.

CHAIRMAN GERRY DEVLIN stated that executive action would not be taken on this bill on this date because there is an amendment to consider.

ADJOURNMENT

Adjournment: 8:19 a.m.


SEN. GERRY DEVLIN, CHAIRMAN


RENEE J. PODELL, Secretary

GD/rp

MONTANA SENATE
1995 LEGISLATURE
TAXATION COMMITTEE

ROLL CALL

DATE _____

1-4-95

[illegible]

SEN:1995
wp.rollcall.man
CS-09

EXHIBIT 1

EXHIBIT 1

DATE 1-4-95

SB 14

Amendments to Senate Bill 14
Introduction Reading Copy

Prepared by Department of Revenue
1/ 3/95 5:07pm

1. Title, line 7.

Following: "PRINCIPLES;"

Insert: "INCREASING TO \$100,000 THE MAXIMUM AMOUNT ALLOWED TO BE
RETAINED FOR PAYMENT OF CLAIMS;"

2. Page 2, line 16.

Following: "exceeding"

Strike: "\$25,000"

Insert: "\$100,00"

REASON FOR AMENDMENT: The present amount permitted to be retained
in the agency fund for the payment of claims is insufficient.

DATE _____

SENATE COMMITTEE ON

BILLS BEING HEARD TODAY:

 $\langle \quad \blacksquare \quad \rangle$

PLEASE PRINT

 $\langle \square \rangle$

Check One

[illegible]

VISITOR REGISTER

PLEASE LEAVE PREPARED STATEMENT WITH COMMITTEE SECRETARY