MINUTES

MONTANA HOUSE OF REPRESENTATIVES
54th LEGISLATURE - REGULAR SESSION

COMMITTEE ON TAXATION

Call to Order: By **CHASE HIBBARD**, on January 10, 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 85
HB 90

Executive Action: HB 67 - Do Pass

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

HEARING ON HB 90

Opening Statement by Sponsor:

REP. GARY FELAND, House District 88, Shelby, said the bill would exempt the first three barrels a day of stripper well production from the state severance tax if the average price per barrel of oil received during a calendar quarter is less than $30. He explained that in 1989 the legislature placed a $25 per barrel cap on stripper wells and when the price of oil exceeded the cap during the Gulf war, the exemption went off and there was no mechanism in the law to put it back when the price of oil fell. This bill puts the exemption back into the law. **REP. FELAND** pointed out that this exception is important to small operators because the costs for production are high. He noted the number of businesses that have gone out of business in Toole County because of high operating costs.

Proponents' Testimony:

Patrick Montalban, President, MSR, Inc., Cut Bank, and Vice President of the Northern Montana Oil and Gas Association, discussed the history of taxation on stripper wells in Montana and advised that the State of Montana currently taxes a one-barrel per day well twice the amount it would tax a thousand-barrel per day well. The text of Mr. Montalban's testimony, together with supporting documents, are attached as EXHIBIT 1. **Mr. Montalban** emphasized that the importance of this bill is jobs for the small independent producers and survival of the small service companies in Northern Montana. He urged the Committee to vote in favor of this bill which would lower the tax on one, two, and three-barrel a day wells from 10.75% or 12.75% to between 5% and 7%.

Doug Abelin, a former resident of the Toole-Glacier County area, spoke in favor of HB 90. The stripper well incentive is the biggest help the area had to keep the small operators in business.

Dennis Burr, Montana Taxpayers Association, said he did not believe it had ever been the intention of the Legislature to not restore the tax exemption once the price of oil per barrel fell below $30. **Mr. Burr** also said that once a well is plugged, it will never be opened again and it would be logical for the State of Montana to encourage the small wells to continue to produce. He asked for the Committee's favorable action.

Opponents' Testimony:

None.

<u>Questions From Committee Members and Responses</u>:

REP. ROSE asked how this affects the county tax base and how much tax delinquency this had caused. **Mr. Montalban** said he did not have the statistics but if a well closed or a company went out of business, the tax base would be lost.

REP. NELSON noted that **Mr. Montalban** had referred to horizontally drilled wells in his testimony. He asked if any had been drilled since the last session. **Mr. Montalban** replied that there have been seven in Glacier County that were all successful.

REP. BOHLINGER asked Mr. Montalban what the costs of unemployment would be for the four employees laid off by his company. Mr. Montalban said it would be approximately $8,000 per month, as these employees were at the top of the unemployment scale. **REP. BOHLINGER** then referred to the fiscal note and noted that the costs for unemployment would probably exceed the loss of revenue if the tax exemption were not imposed. **Mr. Montalban** said he did not know how many jobs it would take to recover the tax loss because many factors would be involved.

REP. SWANSON requested clarification of the taxes paid on stripper wells. **Mr. Montalban** replied that there are a total of 18 different taxes and some may be paid on one well and not on another, depending on when the well was drilled. The majority of stripper wells pay 10.7% but some pay as much as 12.7%.

REP. SWANSON asked Mr. Montalban if he had been involved in the development of legislation to be introduced later in the session which will simplify the taxation of natural resources. **Mr. Montalban** said that he had been involved; however, in the proposed legislation, the tax on stripper wells would increase unless the exemption contained in HB 90 is approved.

REP. RANEY asked why the cap was set at $30. **REP. FELAND** said that in order to show a profit and to keep a well maintained and in good repair, takes about $25. The bill refers to the price of "west Texas intermediate crude oil." **REP. FELAND** emphasized that the west Texas intermediate crude oil price is always about $4.50 more than the price being obtained in Montana. The reason this language is used is that it coincides with the language in the horizontal well legislation. **REP. RANEY** asked how these operators could stay in business since oil prices have been far below $25 in the past several years. **REP. FELAND** replied that operators are doing their own work with their own equipment and they probably have some maintenance free wells or a few wells that produce more than three barrels but less than ten.

{Tape: 1; Side: B.}

REP. ELLIOTT said that according to the fiscal note, revenues would be reduced $466,000 in FY 96, and he asked if, prior to the Gulf war when oil hit $30 a barrel, this revenue was not being paid to the State of Montana. **Don Hoffman, Department of Revenue,** said that was true, and explained that prior to the Gulf war the way the exemption worked was that the first five barrels of production from a qualified stripper well were exempt. Prices went up to $30 and the exemption went off and there was no mechanism in the law to bring it back on when prices fell.

REP. ELLIOTT asked if this affected only the state severance tax. **REP. FELAND** said that was correct.

REP. REAM said that whenever the Committee dealt with stripper well bills, he usually supported them. He then asked Rep. Feland if he would like to have the Committee postpone action on this bill until after the proposed bill dealing with the overall taxation of oil and gas production had been dealt with. **REP. FELAND** said that would not be necessary. The simplification bill would not have any impact on this bill. He explained that in the simplification bill, royalties would be taxed so there would be more or less of a "wash" if the simplification bill goes through.

REP. REAM then asked, if it were to be a "wash", who would be paying more and who would be paying less and what would the impact be on the stripper wells. **REP. FELAND** replied that there wouldn't be any impact under the simplification bill. The state will pick up extra revenue from royalties. **REP. REAM** asked why three barrels are being exempted for all strippers rather than just exempting wells producing less than three barrels. **REP. FELAND** said that when this bill was introduced in the special session, they tried to introduce it like that but the impact produced quite a different figure. This bill was written to protect the marginal producers.

REP. REAM said he assumed that Mr. Hoffman had worked on the fiscal note for this bill and he asked if he could produce figures for the wells that are producing less than three barrels a day. **Mr. Hoffman** replied that the fiscal note would not change that much because the stripper well must qualify that it is producing less than 10 barrels per day. If you qualify three and then exempt three, the price tag would not change because you still end up exempting the first three barrels per day. If another qualification is put into law for another kind of stripper, the law would be made more complicated which is what the DOR is trying to avoid. **REP. REAM** commented that he did not believe exempting all wells producing three barrels or under would be any more complex than exempting the first three barrels from all stripper wells.

REP. FELAND explained that the reason for this is that the exemption is computed on volume. Several wells may be pumping into one tank and a stripper exemption must be filed with the DOR on the average per lease.

REP. HARPER asked if that meant that there could be only a few wells that were actually strippers but when the average is computed, the entire field is classified as a stripper field. **REP. FELAND** replied that there would be history of the wells and the production must be calculated over a year to qualify as a stripper. **Mr. Abelin** explained that when a lease is set up, it costs $30,000 to $50,000, at a minimum, to set up the battery to process the production and it is too expensive to set this up for every well. This was discussed during the last session of the legislature but when the legislation was written, it was determined that the only fair and economic way to do it was to put it all in one battery and then compute the average. **REP. HARPER** said that this answered his question and he now understood that the bill dealt with leases rather than individual wells.

REP. HARPER asked if it would make sense for the Committee to hold all tax break bills and look at them all as a package in order to make a relative judgement as to their importance to the economy of the state and assist in the budget balancing effort. **REP. FELAND** replied that this bill isn't going to make more money or attract more people into the state -- it's a bill to try to keep people in business until the economy gets better. He said all they were asking for was what the legislature had already given and then, because of a quirk, taken away.

CHAIRMAN HIBBARD advised Rep. Harper that his suggestion would be taken into consideration.

REP. MURDOCK asked if this tax was simply a windfall tax because of the short-term spike in the price of oil. **REP. FELAND** said that was correct.

REP. RANEY said that was not entirely correct because at one time all oil production was taxed prior to the time the stripper wells were given a tax break. **Mr. Montalban** said it should be mentioned that there is still a stripper tax exemption for gas wells and it was only because of the one spike that no one expected that hit the one commodity that the stripper well exemption was eliminated. He also explained that the producers are regulated by the Board of Oil and Gas and they are obligated by law to sign a production report each month representing the production of each individual well. He said they were not asking for a break for ten-barrel a day wells. They are asking for a break for the wells producing three or less barrels a day so that they can hang onto jobs.

<u>Closing by Sponsor</u>:

REP. FELAND closed by thanking the Committee for a good hearing.

HEARING ON HB 85

Opening Statement by Sponsor:

Rep. Bob Raney, House District 26, Livingston, said this bill would provide for a state income tax exemption of all out-of-pocket medical and dental expenses as well as insurance premiums. Presently only expenditures over 7.5% of adjusted gross income qualify for an exemption. All across America people are saying that something must be done about the rising cost of medical care and this bill is something that can be done. There should not be a tax on the dollars used for maintenance of our own bodies. Montana previously did not tax medical and dental expenses; however, many years ago the state changed the law to follow the federal exemptions which do not allow a deduction for medical and dental care costs. **Rep. Raney** said that during the campaign before the elections last fall, he spoke with his accountant, Wayne Hirst, who told him that he did over 700 individual income tax returns each year as well as other business tax returns, and he said that one good thing that could be done for the citizens of Montana to help with their medical cost load would be to eliminate the tax on out-of-pocket medical and dental costs and insurance.

Proponents' Testimony:

George Ochenski speaking on behalf of Wayne Hirst read a prepared statement supporting the bill into the record. EXHIBIT 4

REP. TOM NELSON, House District 11, Billings, said he was appearing before the committee not only as a representative of the people of his district, but also as a citizen. As an insurance agent, he provided examples illustrating the number of dollars involved for medical costs and medical insurance premiums. EXHIBIT 5 The cost of medical insurance has "gone through the roof" because the cost of health care keeps going up. **REP. NELSON** said the first policy he sold thirty years ago cost $12.00 a month for a family of four. He explained that self-employed people cannot deduct these premiums although individuals who are employed by their own corporations are allowed the deduction. He urged the committee to look closely at this from a social point of view.

Maureen Cleary-Schwinden, Women in Farm Economics, said this organization is concerned with the viability of small family farms and they support this bill. In most cases, small family farmers do not qualify for membership in health insurance groups which can provide better rates. She urged that the committee help protect small family farms from taxation by passing this bill.

{Tape: 2, Side: A.}

Don Allen, representing the Area Agencies on Aging Association, spoke in support of the bill and provided statistics on the numbers of aging Montanans. As Montana's population ages, the need for services increases. 17.65% of Montana's population is over the age of 60 years and each day another 23 people turn 60 years of age. In 35 of Montana's 56 counties, 20% are 60 years of age or older and the fastest growing age group is age 85 and over. This bill will help keep money in the hands of people who need medical care and will promote self-sufficiency.

Dan Ritter, Montana Chamber of Commerce, said the Chamber supports this bill because it would bring some equality for sole proprietorships. He encouraged the Committee's favorable action on this bill.

Tom Hopgood, representing Health Insurance Association of America and the Montana Association of Life Underwriters, said that they had been involved in the health care reform issue and the health insurance issue during the last session. There is still a long way to go and a key component is affordability. The deductibility of medical and dental expenses, including insurance premiums, would go a long way toward making health care more affordable. He asked the Committee to endorse this important piece of legislation.

REP. BOB REAM, House District 69, referred to Rep. Nelson's handout which brings out the fact that over the years insurance premiums, as well as deductible costs, have gone up dramatically for the citizens of Montana. He said he supported this bill and, if money was to be returned to the taxpayers, this would be a good mechanism to accomplish it.

<u>Opponents' Testimony</u>:

None.

<u>Informational Testimony</u>:

None.

<u>Questions From Committee Members and Responses</u>:

REP. SWANSON asked **REP. NELSON** how a deduction on health insurance premiums would assist small businesses. He responded that premiums paid by businesses are deductible for corporations for all their employees and to partnerships and proprietorships for all employees but if you own the business you can deduct the premiums paid for employees, but not for the owner.

REP. SWANSON then asked if the bill would include an exemption for insurance premiums. **REP. RANEY** replied that an amendment would be prepared which would provide that all medical expenses would be covered, including health insurance premiums.

REP. RANEY asked **Bob Turner from the Department of Revenue** to explain some amendments he would be offering to fulfill the intent of the bill. **Mr. Turner** said that under Montana law, the threshold for exemptions is 7.5% of the adjusted gross income which is tied to the federal law. The amendment would add back the amount of the deduction that is not allowed under the federal law. If a person takes the standard deduction at the federal level, they can't itemize and so, by tying this to the Montana adjusted gross income, it will be taken care of.

Closing by Sponsor:

REP. RANEY said this bill makes a lot of sense. It will play a large part in people's ability to reduce their taxable income. The cost for the coming biennium would be $16 million, but the amount will continue to rise as the cost of medical care goes up. He said that when the sales tax was discussed, the first exemption to be given was for medical care and drugs because people shouldn't be taxed on their basic needs. This would be a tremendous policy decision for the legislature to pass back to the citizens of Montana. In conclusion, he said they were told during the last election, not only in Montana, but nationwide, that the people want less government with less cost. The place to start is by not taking money from the citizens for their own personal care in the first place.

EXECUTIVE ACTION ON HB 67

Motion: **REP. REAM MOVED THAT HB 67 DO PASS.**

Discussion: **REP. HARPER** said he thought the Bankers Association had intended to offer amendments to the bill. **CHAIRMAN HIBBARD** replied that the Bankers Association had contacted him to inform him that they had studied the bill and determined that it would not pose a problem to them the way it was drafted.

Vote: On a voice vote, the motion passed unanimously, 20-0.

ADJOURNMENT

Adjournment: 10:00 A.M.

Chase Hibbard

CHASE HIBBARD, Chairman

Donna Grace

DONNA GRACE, Secretary

CH/dg

HOUSE STANDING COMMITTEE REPORT

January 10, 1995

Mr. Speaker: We, the committee on **Taxation** report that **House Bill 67** (first reading copy -- white) **do pass.**

Signed: Chase Hibbard

Chase Hibbard, Chair

Committee Vote:
Yes 20, No 0.

081023SC.Hdh

EXHIBIT
DATE 3/10/95
HB 90

MOUNTAIN STATES RESOURCES, INC.

A Subsidiary of MSR Exploration Ltd.
OIL & GAS EXPLORATION & PRODUCTION
OPERATING IN THE ROCKY MOUNTAINS
CBM BUILDING · BOX 250 · CUT BANK, MONTANA 59427-0250
TELEPHONE (406) 873-2235 FAX 406-873-4731

MEMORANDUM

DATE: January 6, 1995

TO: House Taxation Committee
Chairman - Chase Hibbard

FROM: Patrick M. Montalban

SUBJECT: House Bill No. 90

The following information is to inform the House Taxation Committee of the economic hardship brought to the small Oil and Gas Industry during the past years due to the drastic drop in crude oil prices, resulting in the loss of JOBS.

During the last quarter of 1993 and first quarter of 1994, crude oil prices dropped to between $9.00 and $9.50 a barrel. At the same time the price of the commodity dropped, the operating costs continued to rise. Enclosed please find 2 copies of letters from service companies on the hi-line, showing rig cost increases from $105.00 to $122.00 per hour.

Not only have rig costs increased but so have chemical costs to treat the wells, electrical costs to pump the wells and all materials needed to operate the wells. Along with this, pumper costs have also risen.

The most aggravating effect this drop in crude oil prices had on the industry was the loss of JOBS. MSR had to lay off 4 full time field employees. These individuals were not only contributing tax payers but have families of 3 to 5 children to support. As of recent date, due to a slight increase in crude oil prices, we have been able to rehire one full time employee.

Keep in mind that not only are the employees of the producing companies affected by having to discontinue production of these stripper wells, but also the gaugers approving the oil for sale, trucking services who haul the oil to market, rig crew hands servicing the wells, the chemical salesmen, service hands repairing the bottom hole pumps and the REA employees and contract electrical workers, providing electricity to keep the wells pumping.

We are enclosing a summary of revenues and offsetting expenses for the month of October 1994 for one of MSR's State Leases. This will show how uneconomical it has become to operate stripper wells at this time and that a tax break from the present 12.7% to 5 to 7 percent is needed to help make the wells economical to produce.

By reducing taxes from 12.7 percent to approximately 5 to 7 percent in this Legislative Session, through a stripper exempt bill, it would save the operator 7.5 percent in revenues each month. This in turn would enable the operator to produce stripper wells longer, preventing job loss and allowing them to use some of the production revenues to maintain equipment, as well as, return other wells to production.

The wells at issue for discussion at this meeting are strictly stripper wells producing ½ to 2 barrels per day. Currently the State is taxing wells producing 1 to 2 barrels per day at a rate of 10.7% to 12.7%, which is double the 5.6% the Major Oil Companies are taxed for 150 to 1500 barrel a day wells, through the horizontal exemption implemented during the last Legislative Session. We understand this offers a drilling incentive for the Majors but feel that a tax break of this sort should be implemented to allow stripper wells to continue producing, thus prolonging the life of the wells. The longer the Industry and the Legislature work together to ensure the continued operation of stripper wells in Montana, more revenues will be generated, as well as, jobs created and maintained by the producing and service companies.

As representatives of the people for the State of Montana and concerned members of the oil and gas industry, we should work together to support the Oil and Gas Industry and the jobs it creates.

MOUNTAIN STATES RESOURCES, INC

Patrick M. Montalban
President & Chief Operating Officer
Vice President Northern Montana Oil & Gas Association

PMM/cb

EXHIBIT 1
DATE 3-10-95
HB 90

ST 4770-56 REVENUE & EXPENSE SUMMARY
OCTOBER 1994

Production: 13 wells producing 1 barrel per day	
Revenues: 360.15 bbls @ Avg Price of $13.6282	$ 4,908.21
Less:	
Royalty: 12.5%	613.52
Taxes: 12.7%	623.34
Pumper Costs: (13 wells @ $100.00 per well + $100.00 for the battery)	$ 1,400.00
Chemical Costs: (Champion Chemical) (1 Barrel scaling & corrosion inhibitor)	350.00
Well Service: (Glacier or General Well Service) (Pull well, service & repair hole in tubing - 13 wells pumping on the lease at 1 well per month workover)	1,500.00
Repair Bottom Hole Pump: (Axelson, Inc)	400.00
Contract Electrical Costs: 3-C Electric (replace fuses, electric motors)	100.00
Operating Electrical Costs: (REA Monthly costs to pump 13 wells with 135 hp electric motors)	82.00
Miscellaneous: (4 Corners, American Pipe, National) (belts, rags, fittings, etc)	100.00
Administrative Costs:	200.00
Water Disposal: (Haul water from pit to disposal well - 4 hrs/month @ $50.00/hr)	200.00
Miscellaneous Roustabout: (Oil mess cleanup, etc) (3 hrs/month @ $50.00/hr backhoe + $50.00/hr dump truck)	200.00
Total Revenues Less Expenses:	$ (860.65)

ST 4770-56 REVENUE & EXPENSE SUMMARY
DECEMBER 1993

Production: 13 wells producing 1 barrel per day	
Revenues: 447.87 bbls @ Avg Price of $9.465	$ 4,239.00
Less:	
Royalty: 12.5%	529.87
Taxes: 12.7%	538.35
Pumper Costs: (13 wells @ $100.00 per well + $100.00 for the battery)	$ 1,400.00
Chemical Costs: (Champion Chemical) (1 Barrel scaling & corrosion inhibitor)	350.00
Well Service: (Glacier or General Well Service) (Pull well, service & repair hole in tubing - 13 wells pumping on the lease at 1 well per month workover)	1,500.00
Repair Bottom Hole Pump: (Axelson, Inc)	400.00
Contract Electrical Costs: 3-C Electric (replace fuses, electric motors)	100.00
Operating Electrical Costs: (REA Monthly costs to pump 13 wells with 135 hp electric motors)	100.00
Miscellaneous: (4 Corners, American Pipe, National) (belts, rags, fittings, etc)	100.00
Administrative Costs:	200.00
Water Disposal: (Haul water from pit to disposal well - 4 hrs/month @ $50.00/hr)	200.00
Miscellaneous Roustabout: (Oil mess cleanup, etc) (3 hrs/month @ $50.00/hr backhoe + $50.00/hr dump truck)	200.00
Total Revenues Less Expenses:	$ (1,379.22)

EXHIBIT 1
DATE 3-10-95
HB 90

GENERAL WELL SERVICE, INC.
P O BOX 1308
CUT BANK, MONTANA 59427
OFFICE PHONE: (406) 873-5081
FAX NUMBER: (406) 873-5083
SHOP PHONE: (406) 873-4862
DRILLING MOBILE: 873-5106
SERVICE MOBILE: 873-5172

July 21, 1993

Gentlemen:

Due to the increasing costs of insurance, Workmen's Compensation and the fuel tax, General Well Service, Inc. has had to increase some of our rates.

The increased rate charges will be effective as of August 1, 1993.

We hope we may continue to be of service to you and we will make every effort to continue giving you, our customers, the very best of service and personnel.

Sincerely yours,
GENERAL WELL SERVICE, INC.

Leslie Ranck

Leslie Ranck,
President

GLACIER WELL SERVICE, INC.

P.O. Box 575 • Cut Bank, Montana 59427
(406) 873-5262

July 07, 1993

Dear Customer:

Due to the rising costs, primarily Worker's Compensation rates and taxes we are forced to raise our hourly rates effective 07-21-93 to the following:

Units 1 & 2 Double Rods Single Tubing $120.00/Hr.
Units 3 & 4 Triple Rods Double Tubing $135.00/Hr.

I know how distressing this type of letter is to those whom utilize our services, however in order to maintain quality services to our customers we have no other alternative.

A full printed rate sheet will follow this letter. Thank You.

Sincerely,

Dave Withers

Dave Withers, President

EXHIBIT 1
DATE 3-10-95
HB 90

TAX STRUCTURE OF STRIPPER OIL WELLS FOR THE STATE OF MONTANA

1980 - 1986:

Net Proceed Tax in effect (Gross Revenues less Operational Costs and Allowed Deductions = Tax Owing)

1986:

Oil Bust - the bottom fell out of the price of oil to less than $10.00 a barrel. This was a "back breaker" for the industry, however, we were able to deduct operational costs, resulting in less taxes paid by stripper wells.

1980 - 1988:

The Montana Department of Revenue began auditing oil companies and disallowing certain expenses. As a result, there were many law suits and many oil companies left the State.

1989:

During the First Quarter of 1989, the Legislature enacted the Local Government Severance Tax in lieu of the Net Proceeds. The small independent oil companies supported the Bill to prevent further problems with audits. Also, the price of oil returned to the $18.00 to $20.00 level, where independents could still pay the tax but were not improving their status or allowing any investment back into the properties.

1989 Special Legislative Session:

Changed the rates on the Local Government Severance Tax and Stripper Exemption comes into effect to save small independent oil and gas companies.

August - September 1990:

Sadam Hussein invades Kuwait and the price of oil exceeds $30.00 a barrel. Therefore, due to stipulations in the Bill passed in the 1989 Legislature, the Stripper Exemption became null and void.

1993:

In the Legislative Session a Stripper Bill was introduced but "fell through the cracks"

Fourth Quarter 1993:

Oil plummets to less than $10.00 a barrel on the Sweet Grass Arch and hundreds of jobs are lost in the industry due to companies trying to keep their doors open in spite of $9.00 a barrel oil.

Present:

The price of oil has returned slightly to approximately $14.00 a barrel, however, stripper leases are still uneconomical to produce.

EXHIBIT 1
DATE 3-10-95
HB 90

CRUDE OIL PRICE COMPARISON
JANUARY - FEBRUARY 1994

JANUARY 1994	PRIDE PIPELINE TEXAS	MONTANA REFINING	MONTANA CENEX	ACTUAL PRICE RECEIVED IN MONTANA
01/03/94	13.00	11.40	11.40	9.90
01/05/94	13.75	12.15	12.15	10.65
01/10/94	13.00	11.40	11.40	9.90
01/11/94	13.25	11.65	11.65	10.15
01/12/94	12.75	11.15	11.15	9.65
01/14/94	13.00	11.65	11.40	9.90
01/17/94	13.50	11.90	11.90	10.40
01/18/94	13.25	11.65	11.65	10.15
01/19/94	13.50	11.90	11.90	10.40
01/21/94	13.25	11.65	11.65	10.15
01/24/94	13.50	11.90	11.90	10.40
01/26/94	13.75	12.15	12.15	10.65
01/31/94	13.50	11.90	11.90	10.40

FEBRUARY 1994				
02/01/94	14.25	12.65	12.65	11.15
02/02/94	14.50	12.90	12.90	11.40
02/03/94	14.25	12.65	12.65	11.15
02/04/94	14.00	12.40	12.40	10.90
02/07/94	13.50	11.90	11.90	10.40
02/09/94	13.00	11.40	11.40	9.90
02/14/94	12.50	10.90	10.90	9.40
02/16/94	12.25	10.65	10.65	9.15
02/17/94	12.50	10.90	10.90	9.40
02/23/94	12.75	11.15	11.15	9.65
02/24/94	13.00	11.40	11.40	9.90
02/28/94	12.75	11.15	11.15	9.65

THE PRIDE PIPELINE POSTINGS INCLUDE A $.50 PER BARREL BONUS.

THE ACTUAL PRICE RECEIVED FOR MONTANA BARRELS INCLUDE AN ADJUSTMENT MADE FOR API 30 DEGREE GRAVITY OF $1.50 ($.15 PER DEGREE GRAVITY DROP BELOW 40 DEGREES).

CRUDE OIL PRICE COMPARISON
NOVEMBER - DECEMBER 1994

NOVEMBER 1994	PRIDE PIPELINE TEXAS	MONTANA REFINING	MONTANA CENEX	ACTUAL PRICE RECEIVED IN MONTANA
11/01/94	17.00	16.40	16.40	14.90
11/02/94	17.25	16.65	16.65	15.15
11/07/94	16.75	16.15	16.15	14.65
11/08/94	17.00	16.40	16.40	14.90
11/09/94	16.50	15.90	15.90	14.40
11/11/94	16.25	15.65	15.65	14.15
11/14/94	15.75	15.15	15.15	13.65
11/15/94	16.00	15.40	15.40	13.90
11/16/94	15.75	15.15	15.15	13.65
11/17/94	16.00	15.40	15.40	13.90
11/18/94	15.75	15.15	15.15	13.65
11/22/94	16.00	15.65	15.40	13.90
11/23/94	16.50	15.90	15.90	14.40
DECEMBER 1994				
12/01/94	16.25	15.65	15.65	14.15
12/02/94	15.25	14.65	14.65	13.15
12/08/94	15.50	14.90	14.90	13.40
12/12/94	15.25	14.65	14.65	13.15
12/15/94	15.00	14.40	14.40	12.90
12/19/94	15.25	14.65	14.65	13.15
12/22/94	15.50	14.90	14.90	13.40
12/23/94	15.75	15.15	15.15	13.65
12/27/94	16.00	15.40	15.40	13.90
12/28/94	16.25	15.65	15.65	14.15
12/29/94	16.00	15.40	15.40	13.90

THE PRIDE PIPELINE POSTINGS INCLUDE A $.50 PER BARREL BONUS.

THE ACTUAL PRICE RECEIVED FOR MONTANA BARRELS INCLUDE AN ADJUSTMENT MADE FOR API 30 DEGREE GRAVITY OF $1.50 ($.15 PER DEGREE GRAVITY DROP BELOW 40 DEGREES).

EXHIBIT 1
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CRUDE OIL PRICE COMPARISON
NOVEMBER - DECEMBER 1993

NOVEMBER 1993	PRIDE PIPELINE TEXAS	MONTANA REFINING	MONTANA CENEX	ACTUAL PRICE RECEIVED IN MONTANA
11/01/93	15.75	14.15	14.15	12.65
11/02/93	15.50	13.90	13.90	12.40
11/03/93	16.00	14.40	14.40	12.90
11/04/93	15.75	14.15	14.15	12.65
11/05/93	15.50	13.90	13.90	12.40
11/08/93	15.25	13.65	13.65	12.15
11/09/93	15.00	13.40	13.40	11.90
11/11/93	15.25	13.65	13.65	12.15
11/12/93	15.00	13.40	13.40	11.90
11/15/93	15.25	13.65	13.65	12.15
11/17/93	15.50	13.90	13.90	12.40
11/18/93	15.00	13.40	13.40	11.90
11/22/93	15.50	13.90	13.90	12.40
11/23/93	15.00	13.40	13.40	11.90
11/24/93	14.75	13.15	13.15	11.65
11/29/93	13.50	12.15	11.90	10.40
11/30/93	13.75		12.15	10.65

DECEMBER 1993				
12/02/93	13.25	11.65	11.65	10.15
12/06/93	13.00	11.40	11.40	9.90
12/10/93	13.50	11.90	11.90	10.40
12/13/93	12.75	11.40	11.15	9.65
12/16/93	12.50	10.90	10.90	9.40
12/17/93	12.25	10.65	10.65	9.15
12/20/93	12.50	10.90	10.90	9.40
12/22/93	12.75	11.65	11.40	9.90
12/23/93	12.75	11.40	11.15	9.65
12/27/93	12.50	10.90	10.90	9.40
12/29/93	12.75	11.15	11.15	9.65
12/30/93	12.50	10.90	10.90	9.40

THE PRIDE PIPELINE POSTINGS INCLUDE A $.50 PER BARREL BONUS.

THE ACTUAL PRICE RECEIVED FOR MONTANA BARRELS INCLUDE AN ADJUSTMENT MADE FOR API 30 DEGREE GRAVITY OF $1.50 ($.15 PER DEGREE GRAVITY DROP BELOW 40 DEGREES).

Following are definitions of terms used in the oil and gas industry.

ASSOCIATED GAS - an accumulation of gas in the highest part of the reservoir, overlaying an accumulation of crude oil, but not in solution with the oil. Gas that is produced simultaneously with oil, and in most cases the oil cannot be produced without the gas.

POSTED FIELD PRICE - Price paid for oil by purchasers to producers specified in publicly available price bulletins or other price notices. The price will be net of all adjustments for quality (api gravity, sulpher content, etc.) and location for oil in marketable condition.

STRIPPER WELL - OIL - a well that produces an average of 10 barrels of oil or less per day. This definition was adopted from the Windfall Profits Tax Act.

STRIPPER WELL - GAS - a well that produces an average of 60,000 cubic feet of gas or less per day. Definition adopted from the Natural Gas Policy Act.

SWEET CRUDE - crude oil containing only small quantities of hydrogen sulphide gas and carbon dioxide.

SOUR CRUDE - crude oil containing significant quantities of hydrogen sulfide. This type of crude oil requires additional processing to remove the impurities.

SOUR GAS - natural gas contaminated with chemical impurities, mostly hydrogen sulphide or sulfer compounds, which cause a foul smell. These impurities must be removed before the gas can be used for commercial or domestic purposes.

OLD PRODUCTION - wells that were drilled and began producing oil and/or gas prior to July 1, 1985.

NEW PRODUCTION - wells that were drilled and began producing oil and/or gas after July 1, 1985.

NEW OIL and GAS NET PROCEEDS TAX - a tax paid quarterly to the county for "new production." The rate is 7% for oil and 12% for gas.

OIL and GAS NET PROCEEDS TAX - a tax that applied to "old production" prior to being replaced by the Local Government Severance Tax. This tax was paid directly to the county and the amount of the tax was based on the mill levy for the school district in which the production occurred.

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FLAT TAX - the common name used when referring to the Local Government Severance Tax (LGST). The LGST replaced the Oil and Gas Net Proceeds on "old production." The LGST is paid to the state and the money is distributed back to the counties.

WELL HEAD PRICE - the price paid for gas at the well head versus the price paid away from the well head after the gas has been gathered, compressed or processed. This price is adjusted to the British Thermal Unit content of the gas.

DELIVERED PRICE - the price paid for processed natural gas that is ready for use by the consumer.

SECONDARY RECOVERY - production of oil utilizing artifically created reservoir energies such as waterflood, gas injection, or enriched gas drive. Gas lift operations or mechanical lifting devices may be employed.

TERTIARY RECOVERY - Chemicals or other energy are injected into an oil producing formation to move the oil to a production well. The statute includes such things as steam drive injection, polymer augmented water flooding, and carbon dioxide water flooding.

WORKING INTEREST - the name given to the party or parties who have leased the rights to explore for and produce oil or gas. These owners bear the exploration, development and operating costs of an oil or gas property.

NON-WORKING INTEREST - These are typically Royalty owners. They are any interest owner who does not share in the development costs of an oil or gas property. Non-working interest owners only expense is taxes.

INDEPENDENT OPERATOR - an operator of an oil and gas lease or unit who only produces the oil or gas and is not engaged in the transportation, refining or marketing of oil or gas.

Information from Montana Dept. of Revenue

EXHIBIT 1
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HB90

SURVEY OF NUMBER OF WELLS DRILLED IN MONTANA

Year	Service Wells	Gas Dev Wells	Oil Dev Wells	Dev Dry Wells	Gas Exp Wells	Oil Exp Wells	Exp Dry Wells	T.A. Exp Wells	Total Wells
1980	-0-	203	241	206	12	30	260	-0-	952
1981	-0-	133	276	188	85	126	341	-0-	1149
1982	19	145	263	120	46	64	248	-0-	905
1983	10	55	160	88	16	25	156	23	533
1984	20	99	327	87	21	33	189	25	801
1985	18	84	227	90	2	16	192	11	640
1986	4	81	90	69	10	11	130	10	405
1987	21	75	86	39	9	7	100	11	348
1988	12	54	72	46	19	10	100	9	322
1989	8	115	32	29	12	8	38	0	242
1990	5	180	34	39	12	4	57	1	332
1991	6	140	46	34	17	2	32	1	278
1992	4	136	36	31	8	1	41	2	259

NORTHERN MONTANA OIL AND GAS LEGISLATIVE INFORMATION SEMINAR

SUMMARY OF TAXES PAID TO STATE OF MONTANA BY PETROLEUM INDUSTRY

	SEVERANCE TAX		RESOURCE INDEMNITY TRUST TAX		PRIVILEGE & LICENSE TAX	
	OIL	NATURAL GAS	OIL	NATURAL GAS	OIL	NATURAL GAS
1980	$10,544,555	$1,264,025	Actual figures not available		Figures not available	
1981	19,578,173	2,116,291	Actual figures not available		Figures not available	
1982	51,073,425	2,659,811	Actual figures not available		286,989	32,731
1983	45,228,535	2,649,726	$4,738,484	$537,871	302,394	35,675
1984	49,029,017	2,797,966	4,279,714	589,348	497,290	79,013
1985	48,787,984	2,945,778	4,204,763	627,504	662,175	90,736
1986	34,728,749	2,890,666	3,913,955	583,961	542,492	88,407
1987	16,143,592	2,492,465	1,859,932	538,251	539,715	145,605
1988	16,484,059	1,491,523	2,033,646	484,357	778,719	148,492
1989	13,234,516	1,724,735	1,627,445	539,442	617,133	163,836
1990	14,510,149	1,057,277	1,795,586	453,052	708,886	165,162
1991	16,854,957	1,095,804	1,770,135	394,470	694,420	154,254
1992	15,040,131	1,152,900	1,616,869	385,364	616,285	168,438
1993	12,281,220	1,284,841	1,232,451	472,912	501,934	186,456

SEVERANCE TAX - 5% of the gross value of oil and 2.65% of natural gas. This revenue goes to the state general fund. (State Tax)

RESOURCES INDEMNITY TRUST TAX - is a .5% of gross value of all minerals produced. These taxes are placed in a trust fund to "indemnify the state against damage to the environment from the extraction of non-renewable natural resources." (State Tax)

PRIVILEGE AND LICENSE TAX - The Board of Oil and Gas Conservation levies this tax to pay for its own administrative costs. The tax is .2% of all gross revenue. (State Tax)

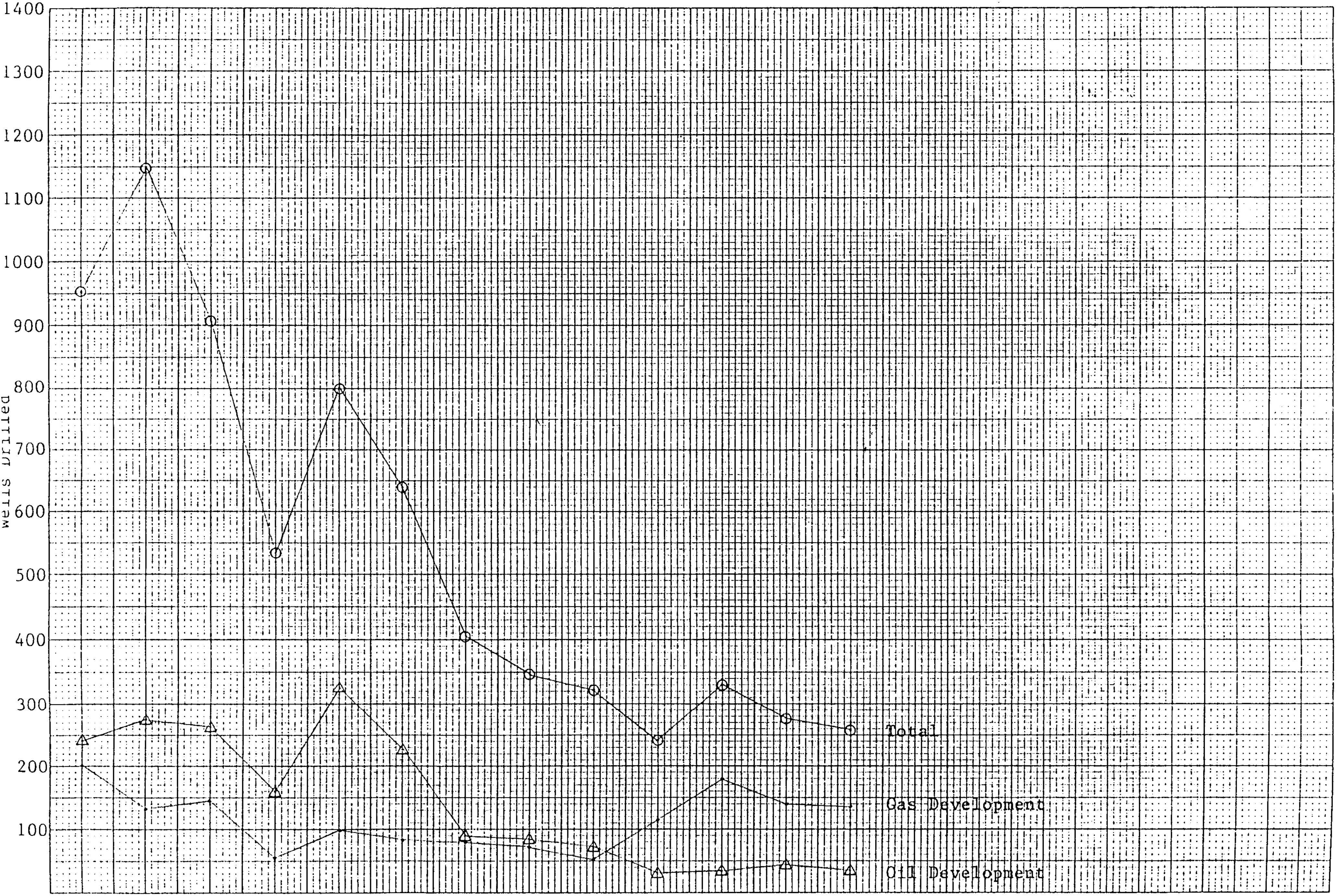
LOCAL PROPERTY TAXES - The local mill levies are applied to all field equipment and plants. These taxes are applies to hospitals, education, university systems, etc.

All royalties from production that are paid to individuals and business are taxed as Montana income. The State receives significant amounts of rentals and royalties from leasing and wells on state lands.

Information from the Montana Department of Revenue and Glacier County Assessor.

K+E 10 X 10 TO THE INCH KEUFFEL & ESSER CO. MADE IN U.S.A. 46 1320

SUMMARY OF NUMBER OF WELLS DRILLED IN MONTANA



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HB 90

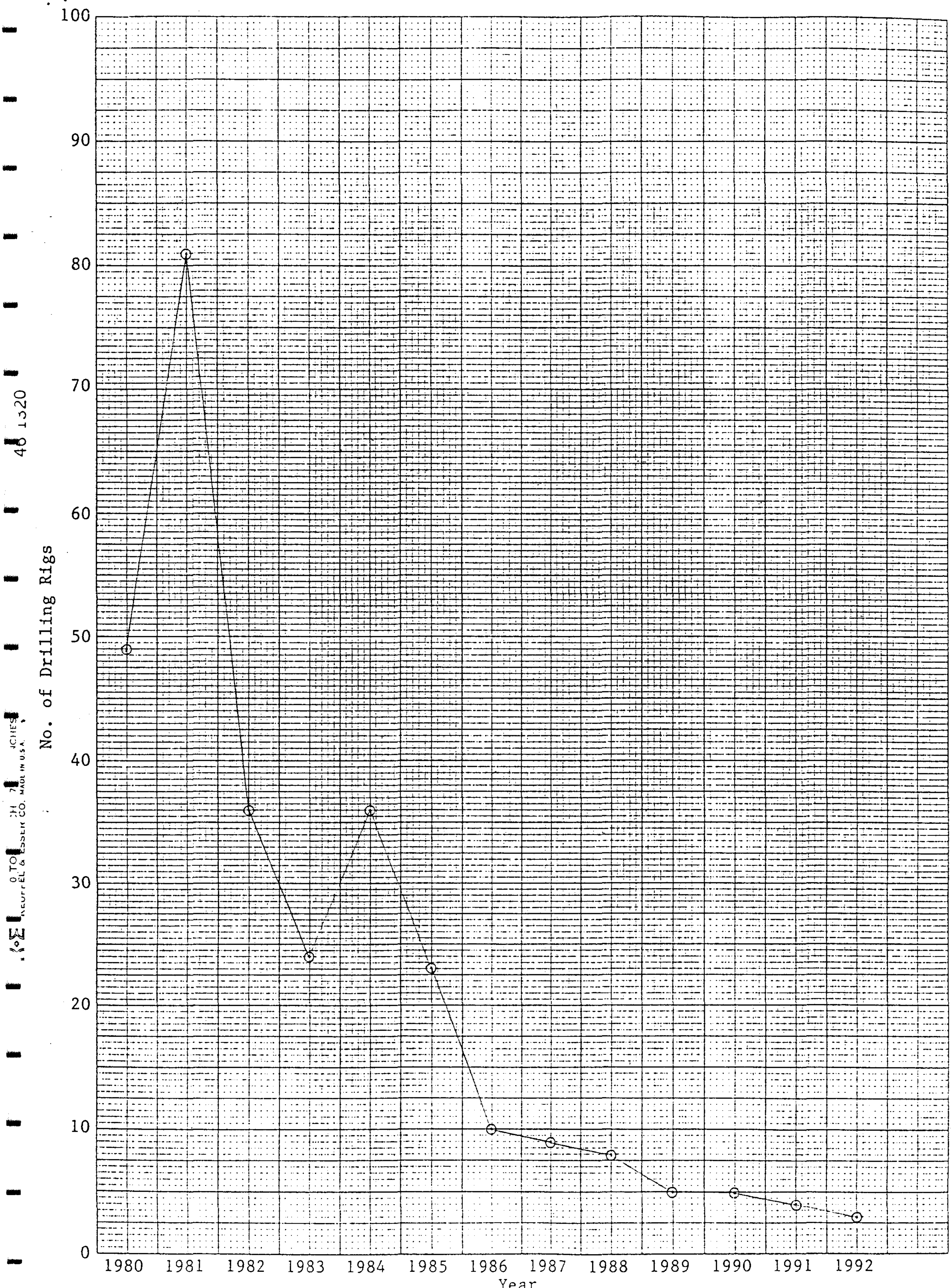
NUMBER OF DRILLING RIGS OPERATING IN MONTANA IN THE LAST 10 YEARS

YEAR	NO. OF RIGS OPERATING
1980	49
1981	81
1982	36
1983	24
1984	36
1985	23
1986	10
1987	9
1988	8
1989	5
1990	5
1991	4
1992	3

One drilling rig employs 13 people for the operations of the rig. The annual payroll LOST per rig is $309,244.00. Each well drilled requires the services of an additional 30 people. Such as geologists, attorneys, landpersons, water haulers, cementers, logging personnel, excavators, surveyors, fuel haulers, mud companies, pipe companies, engineers and many others.

EXAMPLE: Comanche Drilling Company, Cut Bank, Montana, annual payroll for 1981 was $1,662,347.97 and for year 1990 the annual payroll was $356,579.50. These figures DO NOT include any partners, directors or owners salary for either of the above years.

Information from Montana Oil and Gas Journal and Elaine Mitchell.


100
90
80
70
60
50
40
30
20
10
0
No. of Drilling Rigs
1980
1981
1982
1983
1984
1985
1986
1987
1988
1989
1990
1991
1992
Year

DATE 2-10-95
HB 90

NORTHERN MONTNA OIL AND GAS LEGISLATIVE INFORMATION SEMINAR

ECONOMIC IMPACT IN TOOLE AND GLACIER COUNTIES

TYPE OF BUSINESS	NO. OUT OF BUSINESS	NO. CUT BACK OR MOVED	EST. JOBS LOST
Retail Stores	7		56
Oil and Gas Companies	11	13	87
Service and Support Companies	17	13	181
Professional	32	9	79

This is a partial listing of businesses that have moved, gone out of business or cut back during the past decade.

TOOLE AND GLACIER COUNTY CENSUS

	1980	1990
Toole County	5504	5046
Glacier County	10628	12065*

*This increase was due to Federal Government Activities.

History: En. Sec. 1, Ch. 14, L. 1983.

15-36-114. Credit for overpayment -- interest on overpayment. (1) If the department of revenue determines that the amount of tax, penalty, or interest due for any year is less than the amount paid, the amount of the overpayment shall be credited against any tax, penalty, or interest then due from the taxpayer and the balance refunded to the taxpayer or its successor through reorganization, merger, or consolidation or to its shareholders upon dissolution.

(2) Except as provided in subsection (3), interest shall be allowed on overpayments at the same rate as is charged on deficiency assessments provided in 15-36-113 due from the due date of the return or from the date of overpayment (whichever date is later) to the date the department approves refunding or crediting of the overpayment.

(3) (a) Interest shall not accrue during any period the processing of a claim for refund is delayed more than 30 days by reason of failure of the taxpayer to furnish information requested by the department for the purpose of verifying the amount of the overpayment.

(b) No interest shall be allowed:

(i) if the overpayment is refunded within 6 months from the date the return is due or from the date the return is filed, whichever is later; or

(ii) if the amount of interest is less than $1.

(c) A payment not made incident to a bona fide and orderly discharge of an actual tax liability or one reasonably assumed to be imposed by this law shall not be considered an overpayment with respect to which interest is allowable.

History: En. Sec. 2, Ch. 14, L. 1983.

15-36-115 through 15-36-120 reserved.

15-36-121. Exemption from severance tax. (1) It is the public policy of this state to promote a sufficient supply of natural gas to provide for the residents of this state, to lessen Montana's dependence on imported natural gas, and to encourage the exploration for and development and production of natural gas, petroleum, and other mineral and crude oil within the state.

(2) All new production, as defined in 15-23-601, from a well during the 24 months immediately following the date of notification to the department of revenue that an oil well is flowing or being pumped or that a gas well has been connected to a gathering or distribution system is exempt from all of the severance tax imposed by 15-36-101, provided the notification was made after March 31, 1987, and before July 1, 1991.

(3) All the natural gas produced from any well that has produced 60,000 cubic feet or less of natural gas a day for the calendar year prior to the current year shall be taxed as provided in this section. Production must be determined by dividing the amount of production from a lease or unitized area for the year prior to the current calendar year by the number of producing wells in the lease or unitized area and by dividing the resulting quotient by 365. The first 30,000 cubic feet of average daily production per well is exempt from all of the severance tax imposed by 15-36-101. Everything over 30,000 cubic feet of gas produced is taxed at 1.59%.

(4) The first 5 barrels of average daily production from a stripper well are exempt from all of the severance tax imposed by 15-36-101.

(5) For the purposes of this section, "stripper well" means a well that produces less than 10 barrels per day, determined by dividing the amount of

EXHIBIT 2
DATE 1/10/95
HB 85

To: Rep. Bob Raney
Capitol Building
Helena, Montana

Dear Rep. Raney:

Due to my current illness, I am unable to make it to the Legislative hearing on the 100% deductability of medical expenses on our Montana Income tax returns. However, I would like to enter the following testimony:

Mr. Chairman and members of the committee:

I would like to apologize for not being able to attend this hearing personally, but I would like to have my testimony entered for the record. My name is Wayne Hirst, and I have been in the tax business in Libby for the past 18 years. We are all concerned about medical costs for Montanans, and indeed, this State has spent a fair sum of money in the last biennium studying this problem, with some nebulous results. What should the State do about the problems of Medical costs? There are many different suggestions, and many arguments over each and every one of these suggestions.

However, Rep. Raney has come up with an excellent idea with the bill currently before this committee. By allowing people to deduct all of their medical costs on their tax return, and thus not pay taxes on medical expenses, this Legislature will show it's concern over the problem many Montanans have with medical costs. This is a very positive message to the people, that you should not have to pay taxes on money you don't have due to medical costs.

As a Republican businessman, I believe that this could be a very postive accompishment by a Republican Legislature, even though the bill was introduced by a Democrat, for the following reasons:

1. It would show compassion for lower income Montana citizens, which Democrats say does not exist.

2. It is a very positive statement supporting Montana's small businesses, farmers and ranchers. Now, they can no longer deduct even 25% of their medical insurance they pay out, as the Federal government did not reauthorize that deduction this year. Is it fair that if you are self-employed, your medical insurance costs 50% more than it does to employees who get it paid for them tax-free by their employers? (That is assuming a tax rate of one third, so you have to make $450 in a month, in order to pay one third to taxes,

$150, and leave $300 left over for medical insurance). This will not reduce that burden as much as it should, but it will be the best the State of Montana can do. This is a very positive statement for the business climate of Montana.

3. The best way to reduce government spending is to force it to be done by reducing revenues.

4. This will show the people of Montana that a Republican Legislature can be very responsive to the problems some people may have, without resorting to new government programs, but by giving some money back directly to the people who have had the problems.

I realize that this bill may be expensive, and if there isn't enough money available to afford it 100%, there are many variations possible that will still contain the positive aspects mentioned before, while not reducing revenue quite as much. These potential changes include:

1. Instead of having 100% deductable, make it an itemized deduction. The limit here may be put at 2%, or whatever percentage of taxable income, that is less than the current 7.5%. The intent is still the same.

2. If there are complaints that it helps high income people too much, then the deductability can be reduced above a certain income, if this is a concern.

3. It could be limited to children's medical costs only, but fairness may be an issue here.

Of course, there are other variations that are possible, but the positive Legislative intent would still be clear.

In closing, I ask this question. In light of how much the State revenue loss is projected to be with implementation of this bill, is it fair that the State makes this much money by taxing the medical expenses of it's citizens? The State does not tax money taxpayers don't have because they pay it out in Federal income taxes, but they do tax money people don't have because they had the misfortune of having medical bills.

I ask the committee to seriously consider this bill, and I wish to thank all the members for their time, and again apologize for not making it here in person.

Sincerely,

Wayne Hirst

Wayne Hirst
P.O. Box 728
Libby, Montana 59923

EXHIBIT 3
DATE 1/10/95
HB 85

Example of medical costs and medical insurance premium costs

Mr. Jones, age 60	$181.16
Mrs. Jones, age 59	$177.23
total monthly premiums	$358.39

	Mr.Jones	Mrs. Jones
Medical expenses for the year	$2,750.00	$847.00
Covered at 80%	$2,200.00	$677.60
less deductible	$1,000.00	$1,000.00
Insurance pays	$1,200.00	$0.00
Recap:		
Expenses	$2,750.00	$847.00
Paid by insurance	$1,200.00	$0.00
Out-of-pocket expenses	$1,550.00	$847.00

Annual Costs:	
Monthly premiums	$358.39
	x12
Yearly premiums paid	$4,300.68
Out-of-pocket expenses	
for Mr. Jones	$1,550.00
for Mrs. Jones	$847.00
total annual cost	$6,697.68
	===========
Gross earnings required	$8,268.74
less 15% federal income tax	$1,240.31
less 4% Montana income tax	$330.75
net income spent on medical	$6,697.68
	===========

: 7/95 TIME INSURANCE COMPANY Version 14.2.0

501 West Michigan Form 192

Milwaukee, Wisconsin 53203

> icant: TOM NELSON
1116 MOON VALLEY ROAD
BILLINGS, MT 59101

Agency:
Thomas E. Nelson, CLU, ChFC
1116 Moon Valley Road
P. O. Box 1272
Billings, MT 59103
(406)252-3230
Agency Bus No: 6814GO 07001

: se: BERNICE

Writing Agent:
Agent Bus No:

.AN SELECTED: Traditional Major Medical
: OSED EFFECTIVE DATE: 02/01/95
OF PAYMENT: Monthly AREA FACTOR: 0.60

:nefits Selected: $1000 Annual Policy Deductible
80% to $5,000 Rate of Payment
$500 Prescription Drug Card Deductible

'ders Selected: Maternity Rider: NO
Accident Medical Expense (AME) Rider: NO

-emiums are based on applicant's age, sex and state of residence.

Male 60 Nontobacco	181.16
Female 59 Nontobacco	177.23
Prescription Drug Card	Included
Accident Medical Expense	0.00
Optional Rider	0.00
TOTAL PREMIUM	$ 358.39

ORTANT TO NOTE: These rates are only valid for policies issued with
:fective dates from 2/01/95 to 2/28/95.

applicable state mandated rider costs are included in the base icy premium. This proposal is not an insurance contract. Only he actual contract provisions will apply.

dependents listed on the application must be legally dependent their parent(s) for income tax purposes and be either 1) age 18 r younger, or 2) age 23 or younger and a full-time student.

EXHIBIT 3
DATE 1-10-95
HB 85

'07/95

TIME INSURANCE COMPANY
501 West Michigan
Milwaukee, Wisconsin 53203

Version 14.2.0
Form 192

plicant: JOHN Q. PUBLIC
123 ANYPLACE
BILLINGS, MT 59101

Agency:
Thomas E. Nelson, CLU, ChFC
1116 Moon Valley Road
P. O. Box 1272
Billings, MT 59103
(406)252-3230
Agency Bus No: 6814G0 07001

ouse: JANE

Writing Agent:
Agent Bus No:

AN SELECTED: Traditional Major Medical
OPOSED EFFECTIVE DATE: 02/01/95
DE OF PAYMENT: Monthly

AREA FACTOR: 0.60

Benefits Selected: $500 Annual Policy Deductible
80% to $5,000 Rate of Payment
$500 Prescription Drug Card Deductible

Riders Selected: Maternity Rider: NO
Accident Medical Expense (AME) Rider: NO

Premiums are based on applicant's age, sex and state of residence.

Male 36 Nontobacco	94.83
Female 35 Nontobacco	94.18
2 Children	74.56
Prescription Drug Card	Included
Accident Medical Expense	0.00
Optional Rider	0.00
TOTAL PREMIUM	$ 263.57

IPORTANT TO NOTE: These rates are only valid for policies issued with ffective dates from 2/01/95 to 2/28/95.

ny applicable state mandated rider costs are included in the base olicy premium. This proposal is not an insurance contract. Only ne actual contract provisions will apply.

ll dependents listed on the application must be legally dependent n their parent(s) for income tax purposes and be either 1) age 18 r younger, or 2) age 23 or younger and a full-time student.

EXHIBIT 4
DATE 1/10/95
HB 85

Amendments to House Bill 85
Introduced Copy

Prepared by Department of Revenue
1/10/95 6:58am

1. Page 3, lines 17 and 18.

Strike: "but that are not fully deductible on the federal individual income tax return by reason of the federal medical and dental deduction limitation"

Insert: "notwithstanding the deduction limitations provided in the Internal Revenue Code"

REASON FOR AMENDMENT: To resolve an amibiguity in the language of this bill and clarify that this legislation is intended to depart from the federal tax code; thereby allowing a taxpayer to deduct the full amount of his or her qualified medical and dental expenses.

Exhibit 5 was not transmitted with the minutes.