

MINUTES

MONTANA SENATE 54th LEGISLATURE - REGULAR SESSION

COMMITTEE ON TAXATION

Call to Order: By **CHAIRMAN GERRY DEVLIN**, on January 17, 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 62, SB 73, SB 74, SB 75
Executive Action: None

HEARING ON SB 62

Opening Statement by Sponsor:

SEN. STEVE DOHERTY, Senate District 24, noted he is introducing several bills having to do with health care in Montana. He stated SB 62 allows for health insurance premiums to be deducted on taxes. **SEN. DOHERTY** explained that his constituents told him that they wanted something done about health care. He stated there are some costs to this bill but he affirmed that the costs will be well worth it to those Montana's who can't afford health insurance, and are saddled with expenses of medical care. He remarked that allowing deductions preserves individual choices, preserves the best parts of the system and it makes health care accessible and affordable to Montanans.

{Tape:1; Side: A; Approx. Counter: 5.2.}

Proponents' Testimony:

Wayne Hoffman explained that he supports SB 62 because deductibles are often hard to meet for people who have illnesses and are on limited incomes.

David Hemion, Montana Association of Churches, stated he supports SB 62 as a measure that will provide a more affordable way for many Montanans towards taking responsibility for acquiring health insurance.

Sam Hubbard, Montana Health Care Authority, reported that the Health Care Authority concluded that any step that can be taken towards making health care more accessible should be considered.

Tom Hopgood, Health Insurance Association of America, supported SB 62 because a tax deduction for individuals will make insurance more affordable.

Jim Tutwiler, Montana Chamber of Commerce, noted that in the business community the question of health care has been widely debated. He commented that many small businesses can't afford to access to larger markets. **Mr. Tutwiler** noted this is an expensive bill but it has merit.

Lorna Frank, Montana Farm Bureau, said farmers and ranchers who have to take care of their own medical expenses are in support of this bill. She remarked that individuals who are on their own and are not connected with a company should be able to deduct their insurance premiums and also their health care costs.

Tanya Ask, Blue Cross and Blue Shield of Montana, stated currently BCBS has 19,000 individuals covered by individual policies. She noted that BCBS supports individual insurance policies and SB 62 is a first step towards addressing the issue for a number of individuals.

Arlette Randash, said she believes this is just the beginning of the tip of the iceberg. She urged the committee to consider more than just this issue in order to build in private incentive for the wise use of health care consumption.

Opponents' Testimony:

None

Informational Testimony:

None

{Tape: 1; Side: A; Approx. Counter: 18.9.}

Questions From Committee Members and Responses:

SEN. MIKE FOSTER asked **Bob Turner, Income Tax Bureau Chief, Department of Revenue**, if the way the bill is written (referring to Page 2, last paragraph) creates a double deduction. **Mr. Turner** stated "yes, it will". He remarked it could be easily corrected with an amendment.

SEN. FOSTER asked **Mr. Turner** if an amendment is made to eliminate the double deduction what would be the effect on the fiscal note. **Mr. Turner** responded the fiscal note took into consideration that the double deduction would be amended.

SEN. LORENTS GROSFIELD stated that this bill costs almost 9 million dollars. He asked **SEN. STEVE DOHERTY** if he had a proposal of who would pay the 9 million dollars. **SEN. DOHERTY** commented that he didn't have a proposal, but noted that there is new spending in the budget. **SEN. DOHERTY** said choices will have to be made in regards to spending, and this is a choice he wants put on the table to be considered.

SEN. DOROTHY ECK remarked she agrees that SB 62 is a matter of fairness. She voiced her concern about children with no insurance benefits, and stated that her preference is to see a package of bills in order to decide what will be spent for health care. **SEN. DOHERTY** commented that he doesn't have any numbers concerning the effect on children, and suggested that the Department of Revenue or the Health Care Authority might have figures from working on the fiscal note.

SEN. FRED VAN VALKENBURG said Assumption #11, of the fiscal note, indicates the fiscal note is calculated only on the basis of those who are currently purchasing health insurance, and a lot of the testimony in support of this bill indicates it will allow additional access to insurance, and provide for a greater number of insured. **SEN. VAN VALKENBURG** asked **SEN. DOHERTY** if it was his intention that this bill would expand health insurance coverage or simply put people on an equal basis who are currently paying health insurance premiums and not getting the beneficial tax treatment. **SEN. DOHERTY** said that this bill will have both results, and it will cost a little more. **SEN. VAN VALKENBURG** referred to Page 3, Line 13, of the bill stating that his recollection is that for the last several years there have been bills introduced in Congress to do this very thing with respect to all health insurance payments. **SEN. VAN VALKENBURG** commented he wasn't sure what the status of that legislation in Congress was, but if such a bill were to go through Congress making all health insurance premiums paid by an employer attributable as income, or even some significant portion of that, this provision in our state law would have a huge financial impact on the Montana income tax. He asked **SEN. DOHERTY** to respond, or to have the Department of Revenue respond. **SEN. DOHERTY** asked **Mr. Taylor** to respond. **Mr. Taylor** stated there would be more deductions,

and it would impact the fiscal note. He asserted that he was not aware of any bills on the federal level that were close to passage, but if there were passage it would effect it.

SEN. LORENTS GROSFIELD asked **Mr. Turner** if he agreed with Assumption #11 on the fiscal note, or would this bill be an incentive for more coverage. **Mr. Turner** said that he would refer this question to the research department who worked on the fiscal note.

{Tape: 1; Side: A; Approx. Counter: 37.3.}

SEN. JOHN G. HARP noted that he agrees with the concept of the bill. He asked **SEN. DOHERTY** if he would be opposed if language was inserted in the bill in regards to offsetting reductions and spending. **SEN. DOHERTY** said he would work with the committee.

SEN. DOROTHY ECK asked **Mr. Turner** if he could calculate the costs of premiums paid directly by the taxpayer and those paid by the employer. **Mr. Turner** said that he would ask the research department to review the costs and respond to the committee.

Closing by Sponsor:

SEN. STEVE DOHERTY agreed with **SEN. FOSTER** regarding the double deduction issue, professing that it was not his intent to have a double deduction. He supported the department's amendment and encouraged committee consideration. **SEN. DOHERTY** commented that individuals and corporations need to be treated the same.

HEARING ON SB 74

{Tape: 1; Side: A; Approx. Counter: 40.9.}

Opening Statement by Sponsor:

SEN. STEVE DOHERTY, Senate District 24, presented SB 74 explaining that the cost of prescription drugs and medicines really hit people hard, especially those people with chronic illnesses. **SEN. DOHERTY** emphasized that it is not his intent, but that there is probably a double deduction on this bill.

Proponents' Testimony:

Wayne Hoffman testified in support of SB 74 because it will help low income families.

David Hemion, Montana Association of Churches, endorsed SB 74 as a financial help for rising expenses.

Jim Smith, Montana Pharmaceutical Association, reported that there is no medication/drug benefits for outpatients in the medicare program. He stated SB 74 is a significant bill that would do a lot of good.

SEN. EVE FRANKLIN, Senate District 21, said this bill is a common sense, straight forward approach for people who work for a living.

Lorna Frank, Montana Farm Bureau, remarked that the bureau supports this bill for the same reasons it supports SB 62.

Opponents' Testimony:

None

Informational Testimony:

None

Questions From Committee Members and Responses:

SEN. DELWYN GAGE asked SEN. DOHERTY if consideration was given to gross income. SEN. DOHERTY said that he hadn't thought about it. He commented that these are people who are paying for things, and if they pay for it they should get some deduction for it.

SEN. LORENTS GROSFIELD questioned Bob Turner in regards to the technical note asking if an amendment is needed. Mr. Turner stated that an amendment will be required.

CHAIRMAN GERRY DEVLIN asked SEN. DOHERTY if this bill would help people with no income. SEN. DOHERTY reported this bill addresses people who are working.

SEN. DOROTHY ECK voiced her concern regarding low income people with no insurance. SEN. DOHERTY stated that middle class people are caught in the middle, and SB 74 is aimed at them.

Closing by Sponsor:

SEN. DOHERTY offered no further remarks in closing.

{Tape: 1; Side: A; Approx. Counter: 58.1.}

HEARING ON SB 73

Opening Statement by Sponsor:

SEN. STEVE DOHERTY, Senate District 24, described SB 73 as a bill that would double the average deduction for dependent and household care expenses. He said that it is aimed at those people who are working in the middle class, and who need a break.

Proponents' Testimony:

SEN. EVE FRANKLIN voiced her support for this legislation as a way to acknowledge reality and support for working families.

Opponents' Testimony:

None

Informational Testimony:

None

Questions From Committee Members and Responses:

SEN. LORENTS GROSFIELD asked SEN. DOHERTY to explain the language on Page 2, Lines 23 and 24. SEN. DOHERTY referred the question to Jeff Martin during executive action.

{Tape: 1; Side: B; Approx. Counter: 0.1.}

SEN. DELWYN GAGE asked SEN. DOHERTY if he reviewed an income bracket phase in. SEN. DOHERTY suggested that the department may be able to break down income brackets and present the numbers for the committee.

Closing by Sponsor:

SEN. DOHERTY offered no further remarks in closing.

HEARING ON SB 75

Opening Statement by Sponsor:

SEN. STEVE DOHERTY, Senate District 24, reported SB 75 is similar to SB 74 and actually could be rolled into that bill. He explained that this bill allows people a deduction if they can use it and need it.

Proponents' Testimony:

Don Allen, Montana Area Agencies on Aging Association, expressed support for this legislation stating that anything we can do to make it easier and better for someone to stay in their own home is much better than being institutionalized.

Opponents' Testimony:

None

Informational Testimony:

None

Questions From Committee Members and Responses:

SEN. MIKE FOSTER asked SEN. DOHERTY if the effect is minimal why the age restriction was included in the bill. SEN. DOHERTY stated he is open to change on the age restriction.

SEN. MIKE FOSTER questioned Bob Turner in regards to the fiscal note being impacted in one way or another if the age restriction was eliminated. Mr. Turner stated that the research department would have to make that determination.

SEN. LORENTS GROSFIELD asked Mr. Turner if the technical note would remain the same. Mr. Turner stated, "yes".

SEN. FRED VAN VALKENBURG said that he is impressed with Assumption #5, with respect to the fiscal note on the bill, but asked Mr. Turner if it was something new that everything is put in the miscellaneous line item. Mr. Turner noted that because the fiscal note had a minimal impact, one of the current lines is used instead of adding a new line item.

SEN. DOROTHY ECK asked SEN. DOHERTY if this bill could be incorporated into the prescription drug bill. SEN. DOHERTY answered, "yes".

CHAIRMAN GERRY DEVLIN commented that there are about three bills that could be combined. SEN. DOHERTY stated that he would leave that up to the committee.

Closing by Sponsor:

SEN. STEVE DOHERTY reported that the purpose of these bills are straight forward and an attempt to help those people in Montana who are caught in the middle.

ADJOURNMENT

Adjournment: 9:18 a.m.


GERRY DEVLIN, Chairman


RENEE J. PODELL, Secretary

GD/rp

MONTANA SENATE
1995 LEGISLATURE
TAXATION COMMITTEE

ROLL CALL

DATE _____

January 17, 1995

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SEN:1995
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DATE Tuesday January 17, 1995

SENATE COMMITTEE ON Taxation

BILLS BEING HEARD TODAY: SB. 62 SB 73 SB. 74 SB 75

Senator Steve Doherty

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Check One

Name	Representing	Bill No.	Support	Oppose
Diane T. Williams	League Women Voters			
David Hemion	MT Assoc. of Churches		✓	
Sam Hubbard	MT Healthcare Authority	SB 62	✓	
Tom Hopgood	Health Ins. Assoc. America	SB 62	✓	
Wayne Hoffman	self	SB 62	✓	
"	"	SB 74	✓	
Jim Tutwiler	MT Chamber	SB 62	✓	
Dexi Allen	Mt. Area Agencies on Aging	SB 75 SB 62	✓ ✓	
Tanya ABK	Blue Cross Blue Shield	SB 62	✓	
Sen Eve Franklin	SD 21 C&F	SB 62		
		7573 74		

VISITOR REGISTER

PLEASE LEAVE PREPARED STATEMENT WITH COMMITTEE SECRETARY