

MINUTES

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

COMMITTEE ON TAXATION

Call to Order: By **CHAIRMAN GERRY DEVLIN**, on March 20, 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
Renée Podell, Committee Secretary

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

Committee Business Summary:

Hearing: HJR 9
Executive Action: None

HEARING ON HJR 9

Opening Statement by Sponsor:

SEN. BRUCE D. CRIPPEN, SD 10, Billings, highlighted HJR 9. He stated the art of estimating revenue is a very advanced science. He said the Revenue Oversight Committee spent the whole interim looking at revenue. **SEN. CRIPPEN** affirmed no one could agree on the railroad car tax. He said the Governor's Office had a general figure and during the course of the debate the number ended up at zero. He explained this resolution came about from the fact in the early 1980's there were so many department figures no one knew which ones to plug in, so the law was passed requiring the Revenue Oversight Committee to put in the final numbers.

Comments from the Budget Office:

Terry Johnson, Fiscal Analyst Office, commented the resolution is based on current law with an exchange of information from the industry people. He stated if legislation passes at the state level during the session the process will be to take those pieces of legislation and add them on to the revenue estimates contained in this resolution. He commented the same process is used for federal legislation.

Steve Bender, Budget and Planning Office, stated he is comfortable with the estimates in the resolution. He explained property tax revenues are up significantly. He said interest on investment income is doing well for this fiscal year and the inheritance tax is up significantly on paper.

Questions From Committee Members and Responses:

SEN. JOHN HARP asked **Mr. Bender** to identify on Page 10 and 11 what sources of revenue are included in the non-levy revenue accounts. **Mr. Bender** identified coal flat taxes, oil flat taxes, and vehicle taxes. **SEN. HARP** asked **Mr. Bender** where the vehicle taxes are listed. **Mr. Bender** commented it is in the assumption area of the bill.

SEN. MACK COLE asked **Mr. Bender** about why the elementary transportation is zeroed out. **Mr. Bender** said this is a minor source of revenue that changes from year to year.

SEN. DOROTHY ECK asked **Mr. Bender** about why several things are zeroed out. **Mr. Bender** responded these are generalized stating some items are minor sources of revenue, some are interest rate changes (bond calls), some items have been changed this year. **SEN. ECK** asked about the coal tax revenues. **Mr. Bender** stated the line item is phased out because the window is closed.

SEN. LORENTS GROSFIELD asked **Mr. Bender** about Page 5, Lines 8 through 10 in regard to oil tax. **SEN. GROSFIELD** commented oil prices are usually optimistically projected and here in Montana we are going from 13 to 16. He asked **Mr. Bender** why the production is dropping when the price is increasing. **Mr. Bender** stated in regard to oil production, the wells have a natural decline rate, however, the way the law is structured oil production will fall because there isn't that much activity right now.

CHAIRMAN DEVLIN asked **Mr. Johnson** in regard to Page 3, Line 15 (net farm income) how is a rise justified. **Mr. Johnson** said this is one area the House discussed. He stated this is a composite number which includes net farm receipts from cash crops and livestock crops but it includes government payments, wages and salaries from farm workers. **CHAIRMAN DEVLIN** commented it amazes him there is an increase showing when the price for the commodities are down 20%.


SEN. FRED VAN VALKENBURG asked Mr. Bender about the non-wage income. He requested Mr. Bender discuss capital gains, rent royalty and partnership income in terms of the outcome over the last couple years. Mr. Bender said included in the resolution is calendar year 1993 data. He stated greater emphasis has been placed on non-wage income, however, he has little data to project the figures. Mr. Bender commented federal rules may change with the institution of a capital gains exclusion. He said he is comfortable because wage and salary growth is strong. SEN. VAN VALKENBURG asked Mr. Bender if the subscription for Morton Cono Metrics will be continued. Mr. Bender commented there is money in the budget for 1996 - 1997 for the subscription.

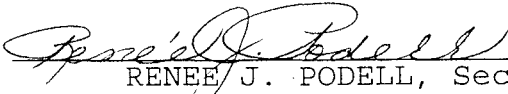
SEN. VAN VALKENBURG commented to Mick Robinson that he is concerned about operating off data that is 18 months old and questioned to what extent he is able to provide information of a statistically balanced sample of calendar year 1994 data to use as a model for projecting income in the future. Mr. Robinson said all of the data is entered from the tax returns. SEN. VAN VALKENBURG asked Mr. Robinson if the department is receiving returns electronically now. Mr. Robinson stated there is currently a pilot program for the electronic filing of tax returns.

{Tape: 1; Side: B; Comments: Tape Turned.}

ADJOURNMENT

Adjournment: 9:25 a.m.


GERRY DEVLIN, Chairman


RENEE J. PODELL, Secretary

GD/rp

**MONTANA SENATE
1995 LEGISLATURE
TAXATION COMMITTEE**

ROLL CALL

DATE March 20, 1995

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