

MINUTES

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

COMMITTEE ON TAXATION

Call to Order: By CHAIRMAN GERRY DEVLIN, on March 29, 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: HB 550, HB 497
Executive Action: HJR 9, HB 209

HEARING ON HB 550

Opening Statement by Sponsor:

REP. BETTY LOU KASTEN, HD 99, Most of Central Eastern Montana, affirmed HB 550 provides taxpayer services to business by streamlining and simplifying the wage base reporting for withholding tax, unemployment insurance tax and the Old Fund Liability Tax. She stated it also provides the uniform definition for the independent contractor.

Proponents' Testimony:

Laurie Ekanger, Department of Labor, commented HB 550 is a result of a joint project between the Department of Revenue and the

Department of Labor and Industry. She explained the goal is to streamline, harmonize and ultimately integrate the state's two largest payroll reporting systems. **Ms. Ekanger** acknowledged the purpose of this bill is to make it easier to be an employer in the State of Montana.

Rod Sager, Labor and Industry, presented written testimony.
EXHIBIT 1.

Jeff Miller, Administrator, Income Tax Division, Department of Revenue, presented a section by section discussion highlighting the features of the bill. He presented **EXHIBITS 2 - 4.**

Mary Craig, Certified Public Accountant, said this is another win, win bill which creates efficiency in state government. She acknowledged this bill simplifies taxation in the State of Montana.

Tom Harrison, Montana Society of Certified Public Accountants, urged support for HB 550.

Dennis Burr, Montana Taxpayers Association, went on record in support of this bill. He commented the only question that came up in the House was the method of funding the study.

David Owen, Montana Chamber of Commerce, declared this bill goes a long way in simplifying the process.

Opponents' Testimony:

None

Informational Testimony:

None

Questions From Committee Members and Responses:

SEN. DELWYN GAGE questioned **Mr. Miller** in regard to liens. **Mr. Miller** said it makes more sense in the bill to go to the ten year active life of a lien. **SEN. GAGE** asked **Mr. Miller** how HB 100 amends 39-5111-05 in Section 16. **Mr. Miller** referred **SEN. GAGE'S** question to **David Scott, Chief Counsel for the Department of Labor**. **Mr. Scott** responded HB 100 added limited liability so the new section takes it's place.

SEN. FRED VAN VALKENBURG asked **Ms. Ekanger** if the Governor's Office supports using Old Fund Liability Tax money to fund this. **Ms. Ekanger** said "Yes", explaining the original intent was to allow each of the tax collections to pay a portion.

Closing by Sponsor:

REP. KASTEN said all this bill does is bring the best ideas of both departments together and streamline the process.

HEARING ON HB 497Opening Statement by Sponsor:

REP. JOHN C. BOHLINGER, HD 14, Billings, submitted written testimony. EXHIBIT 5. He also presented an amendment from the DOR. EXHIBIT 6.

Proponents' Testimony:

Dennis Burr, Montana Taxpayers Association, acknowledged support for this bill. He explained it is directed at the people who need help with their property taxes the most.

Mick Robinson, Director, Department of Revenue, encouraged support of the amendment.

John Shontz, Montana Association of Realtors, strongly supported HB 497. He commented he opposes the DOR's amendment. He asked the phase-in be left in the bill and affirmed the cap in the bill is very important.

Opponents' Testimony:

None

Informational Testimony:

None

Questions From Committee Members and Responses:

SEN. MIKE FOSTER asked Mr. Robinson if he had a step by step chart of what is being proposed in this bill. Mr. Robinson said he has some data, however, he didn't have a step by step chart. SEN. FOSTER asked REP. BOHLINGER if he had requested this type of information from the DOR. REP. BOHLINGER responded the House Taxation Committee didn't request any information and neither did he.

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

SEN. DOROTHY ECK asked Mr. Robinson if it would be possible for him to present charts displaying how the burden falls in different groups and how a change in the percentage can make a difference. Mr. Robinson stated a tax guide has been presented to each legislator and upon request data is always provided.

SEN. ECK asked for more information on this bill.

SEN. LORENTS GROSFIELD asked Mr. Robinson if he helped work on the fiscal note. Mr. Robinson asked if SEN. GROSFIELD was referring to the original fiscal note. Mr. Robinson said some amendments were made to the original bill highlighting the phase in which was not originally in the bill and explained there were changes in the percentages. SEN. GROSFIELD remarked REP. BOHLINGER indicated only 23% of those eligible participate in the current credit for the elderly homeowner program. He asked Mr. Robinson with the name change proposed by REP. BOHLINGER for the program, what will happen if 50% take advantage of the program. Mr. Robinson said 25% is a guess on the DOR's part. He stated with the expansion of the dollar amounts the program will probably be more attractive. Mr. Robinson said if the program goes from 25% to 50% it will have a significant impact. He said the average benefit under this bill is \$288.00 per household.

SEN. GROSFIELD questioned Mr. Robinson in regard to the 10 month residency requirement in this bill. He asked Mr. Robinson if the residency requirements should be standardized throughout all of the bills. Mr. Robinson said SEN. GROSFIELD has a very good point in terms of residency requirements being consistent. Mr. Robinson said the 7 month requirement is a little more applicable.

CHAIRMAN DEVLIN commented the loss to the counties was probably based on the same premise that there is only 23% using the credit. He asked Mr. Robinson what would happen if the participation doubled. Mr. Robinson stated if the participation rate doubled the impact on local government would double.

Closing by Sponsor:

REP. BOHLINGER said he is hopeful this bill will move forward because it is an important tool in property tax relief which is a great concern to the voters.

EXECUTIVE ACTION ON HJR 9

Discussion: SEN. GAGE questioned if there was interest in reflecting the railcar tax in this resolution. SEN. BARRY "SPOOK" STANG commented there was discussion on the railcar tax when the bill was discussed and the tax was going to be reflected on the sheet showing the bills that have passed, not in this resolution.

Motion: SEN. FOSTER MOVED HJR 9 BE CONCURRED IN.

Discussion: SEN. FRED VAN VALKENBURG commented he was unconvinced by the DOR testimony that oil prices were going to reach \$16.00. He said it is a pretty big jump from \$14.89 to \$16.27.

SEN. FOSTER remarked it is a good point made by SEN. VAN VALKENBURG, however, if the numbers are tinkered with we'll be back to the numbers in the resolution.

SEN. GAGE said there are so many things which effect oil prices. He said the numbers in this resolution are as reasonable as any.

Vote: MOTION CARRIED UNANIMOUSLY.

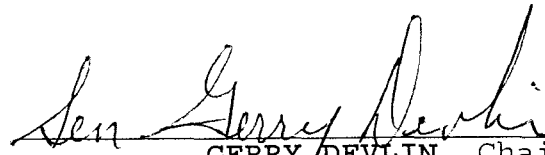
EXECUTIVE ACTION ON HB 209


Discussion: SEN. GROSFIELD asked if HB 35 was dead. He commented HB 209 has coordination language in it. Mr. Fasbender explained HB 35 was tabled.

Motion/Vote: SEN. GAGE MOVED HB 209 BE CONCURRED IN. MOTION CARRIED 8 - 1 WITH SEN. DEVLIN VOTING IN OPPOSITION TO THE MOTION.

ADJOURNMENT

Adjournment: 9:55 a.m.


GERRY DEVLIN, Chairman


RENEE J. PODELL, Secretary

GD/rp

SENATE STANDING COMMITTEE REPORT

Page 1 of 1
March 29, 1995

MR. PRESIDENT:

We, your committee on Taxation having had under consideration
HJR 9 (third reading copy -- blue), respectfully report that
HJR 9 be concurred in.

Signed: Sen. Devlin
Senator Gerry Devlin, Chair

AS
4th Amd. Coord.
Sec. of Senate

Sen. Crayton
Senator Carrying Bill

721031SC.SRF


SENATE STANDING COMMITTEE REPORT

Page 1 of 1
March 29, 1995

MR. PRESIDENT:

We, your committee on Taxation having had under consideration
HB 209 (third reading copy -- blue), respectfully report that
HB 209 be concurred in.

Signed: 
Senator Gerry Devlin, Chair

 Amd. Coord.

68 Sec. of Senate


Senator Carrying Bill

721036SC.SRF

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.

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

- One toll-free number to call for registration materials and information
- One agency to register all Montana employers and maintain registration information
- Statewide customer education effort
- Cross-trained staff to answer registration questions
- Consistent registrant information for all employers
- Possibility of adding additional registration/licensing programs to consolidated process

Standardize Tax Collection Laws and Procedures

Concurrently, a cooperative tax collection agreement between the two agencies will:

- Standardize laws, rules, policies and procedures
- Identify common delinquent accounts
- Participate in joint collections of common employer debts
- Establish joint training on collection techniques, laws, rules, policies and procedures
- Share enforcement information

Co-locate Audit Staff, Standardize Forms, and Share Audit Results

Steps to improve customer service, promote consistency and combine audits include:

- DOR adopt the Unemployment Insurance independent contractor definition
- Co-locate field staff providing better access for employers
- Form a Joint Audit Committee to address:
 - ◇ Standardized work papers
 - ◇ Joint training
 - ◇ Joint audits of selected employers
- Share audit information

Uniform Independent Contractor Decisions

Independent contractor issues are an area of mutual concern for both agencies and for employers.

The Task Force proposes in Phase I:

- DOR adopt the Unemployment Insurance independent contractor definition
- Provide one route of appeal for IC issues with decisions binding on:
 - Unemployment
 - Employment Relations
 - Workers' Compensation Insurance Compliance
 - Labor Standards
- Establish an independent contractor "central unit" within Labor
- Process the independent contractor exemptions in "central unit"
- Develop a tracking system for agency monitoring of case inventory, appeals, etc.
- Develop and implement a customer education plan

Quarterly Wage Report Filing and Payment

A change in the current process will have a great impact on employers and the agencies involved. The focus in Phase I is to improve the current wage reporting process and payment methods. In Phase III we propose integrating quarterly report filing and payment processing.

Cost Benefit Analysis

The Partnership recommends funding a Cost Benefit Analysis (CBA) to determine the feasibility of total integration. The CBA will analyze the computer systems and required technology, customer impact, and the operational aspects of integration.

The Task Force expects savings from eliminating duplication. However, the costs of achieving total integration may not be affordable. The CBA will be structured to recommend alternatives.

Legislation

The intent of the legislation is to bring about uniform independent contractor decisions and tax collection laws. The legislation will also address information sharing.

Customer Impact

In February 1994, we met with employers to explain the project and to solicit ideas for improving our service. While participation was limited, the ideas and concerns followed a common theme: eliminate duplication, combine functions, and synchronize laws, rules and procedures. Phase I centralizes employer registration and independent contractor decisions. We will continue to ask for suggestions from our customers.

Human Elements

The impact of total integration on agency personnel will be significant. Phase I, activities commit the agencies to improved communication and cooperation.

Cost Considerations:

Department of Revenue is funded from the state general fund and the proceeds of Old Fund Liability Tax collections. Unemployment Insurance is primarily federally funded. The Uninsured Employers Fund is self-funding from compliance penalties. The Underinsured Employers Fund is currently funded by the workers' compensation assessment.

Because Unemployment Insurance is under federal oversight, the agency must comply with specific laws and meet minimum performance requirements. Failure to comply could jeopardize funding. Employers could also lose their state tax credit on their FUTA 940 returns.

Because of the federal oversight, a federal cost allocation plan must be submitted and approved by the U. S. Department of Labor. The plan must allocate Phase I costs among the participating agencies' programs.

SUMMARY COSTS OF PHASE I			
		Startup	Ongoing
		\$ ----	\$ ----
Personal Services			
Operating Expenses			
System operating**	7,275		5,100
Toll Free			6,000
Other	3,125		
Cost Benefit Analysis	<u>250,000</u>	260,400	
Equipment		<u>15,915</u>	<u>-----</u>
TOTAL		\$276,315	\$ 11,110
Legislative Request		<u>< 250,000 ></u>	
Absorbed by Agency		\$ 26,315	\$ 11,110

Phase II

If the cost benefit analysis supports total integration, a proposal will be presented to the executive and legislative branches for approval. Features will likely include:

- ☐ Integration of input from all stakeholders
- ☐ In-depth description of the plan
- ☐ Detail of tasks and timelines for implementation
 - ◇ System project definition including interface with dependent systems
 - ◇ Organizational structure and staff realignment
 - ◇ Policies, procedures and rules required
 - ◇ Forms and informational materials design
 - ◇ Staff training
 - ◇ Customer education
 - ◇ Facility and other management considerations
 - ◇ Federal requirements

- ☐ Detail of costs
 - ◇ Federal cost allocation plan
 - ◇ Computer systems and equipment
 - ◇ Staff relocation
- ☐ Legislation (see discussion below)
- ☐ Options of adding additional registration/licensing programs to consolidated registration process

Legislation

Phase II legislation will address uniform wage definitions and tax collection, administrative and organizational requirements, and funding.

The purpose of uniform wage definitions is to simplify the wage reporting process for the employer. Attached is a chart outlining the differences in the many Montana laws related to employment taxes. Paralleling our effort, this issue is currently under review in other states and at the federal level.

Legislation will also address administrative, organizational, and funding requirements identified in the Cost Benefit Analysis.

Impacts

During Phase II, employer and staff suggestions will be incorporated into the proposal. The Partnership will involve those affected by the project to temper the impact of change.

Phase III

The final phase will carry the approved plan to **completion**. Other agencies with common issues, i.e., licensing and registration, may participate.

MONTANA STATE TAX CHART

SPECIAL CLASSES OF EMPLOYMENT AND SPECIAL TYPES OF PAYMENTS	TREATMENT UNDER DIFFERENT EMPLOYMENT TAXES			
	STATE INCOME TAX WITHHOLDING	UNEMPLOYMENT INSURANCE	WORKERS' COMPENSATION	OLD FUND LIABILITY TAX
CLASSES OF EMPLOYMENT				
1. A dependant member of the employers' family for whom employer may claim an exemption under the IRC	Taxable	Not Taxable - UI definition exempts employment of sole proprietor's spouse, parent or children under 21.	Not Reportable*	Taxable
2. Sole proprietors or members of a partnership	Not Taxable	Not Taxable	Not Reportable - unless coverage is elected	Taxable - through individual income tax reporting
3. Corporate officers	Taxable	Taxable	Reportable - unless coverage is rejected	Taxable - if paid wages and on distributive share income reported on individual income tax returns
4. Agricultural labor	Not Taxable	Not Taxable - if total wages are less than \$20,000, in cash, in any quarter; or employ less than 10 workers on 20 different days in 20 different weeks.	Reportable	Taxable
5. Domestic service in a private home, local college club, or local chapter of a college fraternity or sorority	Not Taxable	Not Taxable - if total wages are under \$1,000 in cash in any quarter	Not Reportable - only applies to service in a private home - may endorse coverage	Taxable
6. Services performed by a duly ordained, commissioned, or licensed minister of a church in a ministerial duty or by a member of a religious order in the exercise of duties required by the order	Not Taxable	Not Taxable	Reportable	Taxable

* "Not reportable" means not reportable for workers' compensation premium purposes.

SPECIAL CLASSES OF EMPLOYMENT AND SPECIAL TYPES OF PAYMENTS		TREATMENT UNDER DIFFERENT EMPLOYMENT TAXES			
TYPES OF PAYMENTS		STATE INCOME TAX WITHHOLDING	UNEMPLOYMENT INSURANCE	WORKERS' COMPENSATION	OLD FUND LIABILITY TAX
27. Casual Labor not in the usual course of the employer's trade or business performed by an employee in any calendar quarter unless the cash remuneration is \$50 or more and the service is performed by an individual who is regularly employed to perform the service (24 days during the quarter)		Not Taxable	Not Taxable - "in the usual course" means anything to promote or maintain a business	Not Reportable	Not Taxable
28. Dependent care assistance provided by an employer to, or on behalf of, an employee for which a credit is allowed under 15-30-186 or 15-31-131, MCA, subject to the limitations provided in section 129(b) of the IRC		Not Taxable	Taxable	Not Reportable - if employee can not elect to receive money in lieu of benefit	Taxable

SPECIAL CLASSES OF EMPLOYMENT AND SPECIAL TYPES OF PAYMENTS	TREATMENT UNDER DIFFERENT EMPLOYMENT TAXES			
	STATE INCOME TAX WITHHOLDING	UNEMPLOYMENT INSURANCE	WORKERS' COMPENSATION	OLD FUND LIABILITY TAX
CLASSES OF EMPLOYMENT				
21. Active service as a member of the regular armed forces of the United States, as defined in 10 U.S.C. 101 (33)	Not Taxable	Not Taxable	Not Reportable	Not Taxable
22. National guard and reserve training as provided in 5 U.S.C. 5517(d)	Taxable	Not Taxable	Not Reportable	Taxable - employee .2% withholding is in effect; employer .5% not in effect
23. Person performing services in return for aid or sustenance only	Not Taxable	Taxable	Not Reportable	Taxable
TYPES OF PAYMENTS				
24. Payment for, or a contribution toward the cost of any employee benefit group plan or program, including but not limited to life insurance, hospitalization insurance for the employee or dependents	Not Taxable	Not Taxable - if employee can not elect to receive money in lieu of benefit	Not Reportable	Not Taxable - employer contribution not taxable; any employee contribution is taxable
25. Payments in any medium other than cash; such as payments in the form of lodging or meals and the services are performed by the employee at the request of and for the convenience of the employer	Not Taxable	Taxable	Reportable	Not Taxable
26. Tips for services rendered at a place licensed to provide food, beverage, or lodging, in accordance with section 3402(k) of the Internal Revenue Code of 1954	Not Taxable	Taxable	Reportable	Taxable

EXHIBIT 2
DATE 3-29-95
HB 550

SPECIAL CLASSES OF EMPLOYMENT AND SPECIAL TYPES OF PAYMENTS	TREATMENT UNDER DIFFERENT EMPLOYMENT TAXES			
	STATE INCOME TAX WITHHOLDING	UNEMPLOYMENT INSURANCE	WORKERS' COMPENSATION	OLD FUND LIABILITY TAX
CLASSES OF EMPLOYMENT				
15. Service performed by an individual who is enrolled at a nonprofit or public educational institution which uses academic instruction combined with actual work experience	Taxable	Not Taxable	Reportable	Taxable
16. Officials at school amateur athletic events unless otherwise employed by the district	Taxable	Taxable	Not Reportable	Taxable - either through wages paid or income reported on individual income tax returns
17. Service performed in the employ of a hospital if such service is performed by a patient of the hospital	Taxable	Not Taxable	Reportable	Taxable
18. Employment with any railroad engaged in interstate commerce	Taxable-employees of rail carriers and other motor carriers subject to the jurisdiction of the Interstate Commerce Commission are subject to withholding only in their state of residency (See S.2723 of the Amtrak Reauthorization and Improvement Act)	Not Taxable - excludes construction of railroads	Not Reportable - excludes construction of railroads	Taxable - under these conditions: only if a Montana resident earning income in Montana
19. Services performed in the employ of any other state or the United States government	Taxable	Not Taxable	Not Reportable	Taxable
20. Services by a citizen or resident of the United States for a foreign government or an international organization	Not Taxable	Taxable - work must be done in Montana	Reportable	Reportable

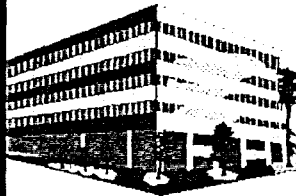
SPECIAL CLASSES OF EMPLOYMENT AND SPECIAL TYPES OF PAYMENTS	TREATMENT UNDER DIFFERENT EMPLOYMENT TAXES			
	STATE INCOME TAX WITHHOLDING	UNEMPLOYMENT INSURANCE	WORKERS' COMPENSATION	OLD FUND LIABILITY TAX
CLASSES OF EMPLOYMENT				
7. Services of an individual under the age of 18 delivering or distributing newspapers to a point for subsequent delivery or distributions	Not Taxable	Not Taxable	Not Reportable - must be acknowledged in writing	Taxable
8. The sale of newspapers or magazines to ultimate consumers where the newspapers or magazines are sold wholesale to the seller at a fixed price and seller keeps the excess	Not Taxable	Not Taxable	Reportable	Taxable - through individual income tax reporting
9. Free-lance correspondents, provided the person is compensated solely by the story or picture	Not Taxable - unless the person has a nexus in Montana	Not Taxable	Not Reportable	Taxable
10. Real estate brokers or salesmen	Not Taxable	Not Taxable - if paid commission/ applies to securities and insurance salespeople also	Not Reportable - must have license issued by the board of regulators	Taxable - through individual income tax reporting
11. Direct sellers engaged in the sale of consumer products, primarily in the customer's home	Not Taxable	Taxable	Not Reportable	Taxable
12. Cosmetologists and barbers who are independent contractors	Not Taxable	Not Taxable	Not Reportable	Taxable - through individual income tax reporting
13. Service as an elected public official	Taxable	Not Taxable	Reportable	Taxable
14. Services performed at a school, college, or university by a currently enrolled student or the spouse of such a student	Taxable	Not Taxable - if provided under a program to provide financial assistance	Reportable	Taxable

REGISTRATION

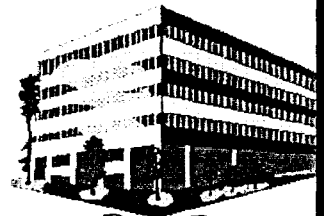
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Phone Contact by Employer



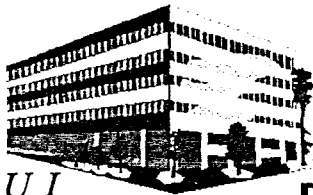
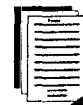
UI



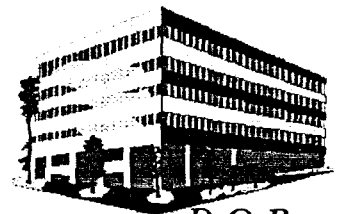
DOR



Forms Completed and
Returned to the Agencies



UI



DOR

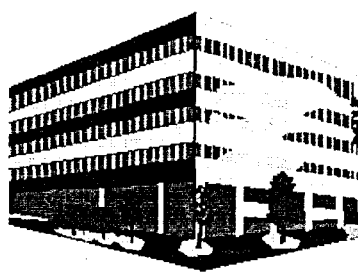
Account Information to Employer



REGISTRATION

Phase I

Employer Contact for Questions and Forms

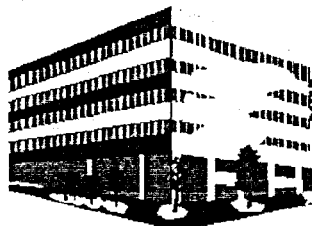


Centralized Registration UI/DOR

Combined Registration
Form & Information
Including WC Information



Employer Completes Form and
Returns it to the Agency



Central Registration



Account Information
to Employer

Decisions & Information
Input into UI Computer

Information Transfers
to D O R Computer

REGISTRATION

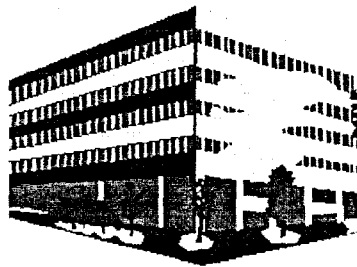
Phase III

EXHIBIT 3

DATE 3-29-95

HB 550

Employer Contact for Questions and Forms



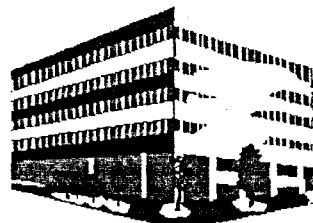
Centralized Registration UI/DOR

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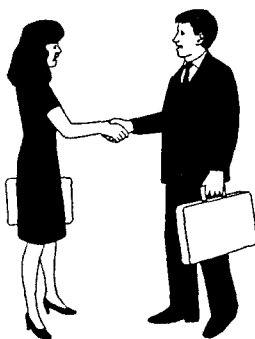
Combined Registration
Form & Information
Including WC Information



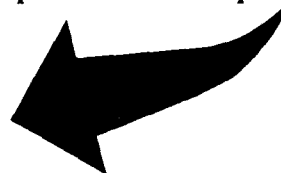
Employer Completes Form and
Returns it to the Agency



Central Registration
Decisions & Information
Input into 1 Computer - 1 State ID Number

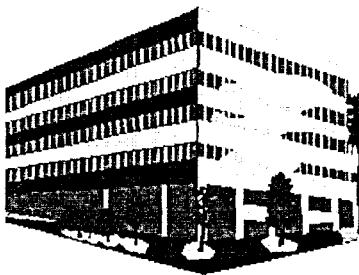


Account Information



Payroll Tax Functions Now No or Limited Interaction

**Department of Labor
and Industry
Unemployment
Insurance**



Registration



Wage Reporting



Collection

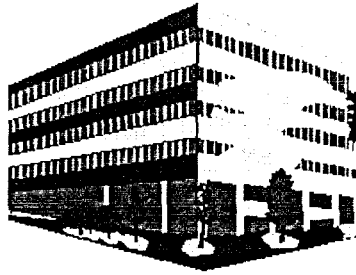


Audit



**Independent Contractor
Decisions and Appeals**

**Department of Labor
and Industry Workers
Compensation Insurance
Compliance Section**



Wage Reporting



Collection

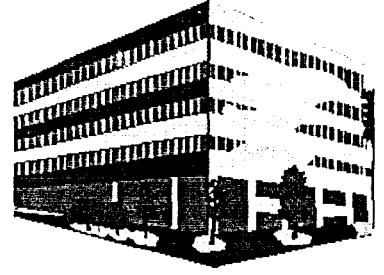


Audit



**Independent Contractor
Decisions and Appeals**

Department of Revenue



Registration



Wage Reporting



Collection



Audit



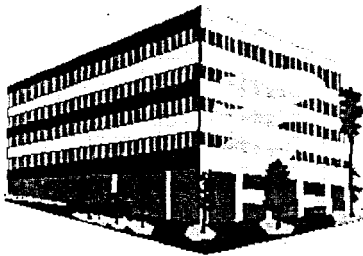
**Independent Contractor
Decisions and Appeals**

Payroll Tax Functions

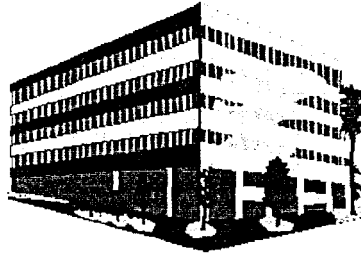
Phase I

EXHIBIT 3
DATE 3-29-95
HB 550

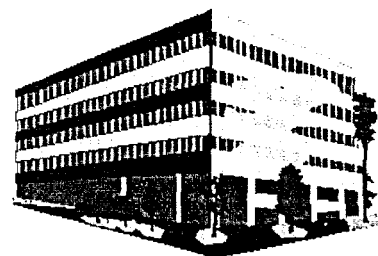
*Workers Compensation
Insurance Compliance Section*



*Unemployment
Insurance*



*Department of
Revenue*



Registration

Wage Reporting

Collections

Wage Reporting

Collections

*Uniform Collection Laws and Procedures
Joint Collections*

Audit

Audit

Audit

Standardized Forms - Co-Location - Some Joint Audits

*Central Appeals Unit
Independent Contractor Decisions*

Payroll Tax Functions

Phase II



Report Cost Benefit Analysis Findings & Recommendations



Solicit additional input from stake holders



Develop implementation plan



Seek Legislative approval in 1997 to fully integrate functions



Uniform laws



Funding

Payroll Tax Functions

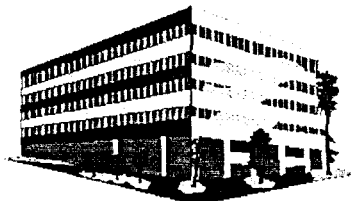
Phase III

EXHIBIT 3

DATE 3-29-95

HB 550

Integrated Functions



Registration

Wage Reporting

Collection

Audit

Compliance

Decisions & Appeals

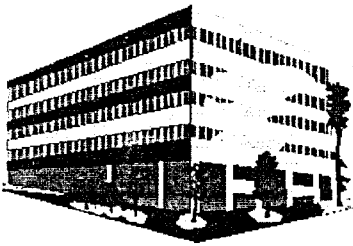
Independent Contractors *Decisions & Appeals - (Now)*



Independent Contractor Issue Surfaces

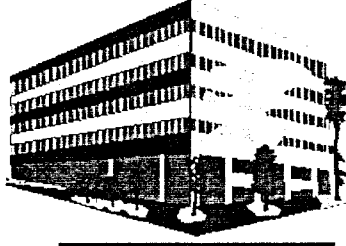
Programs Potentially Affected

(Appeals & Hearings are not unified between the agencies)



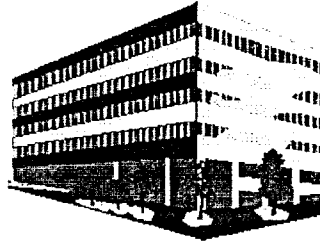
Workers Compensation
Insurance Compliance Section

Decision
↓
Appealed
↓
DLI Hearings
↓
BOLA
↓
District Court
↓
Supreme Court



Unemployment
Insurance

Decision
↓
Appealed
↓
DLI Hearings
↓
BOLA
↓
District Court
↓
Supreme Court



Department of
Revenue

Decision
↓
Appealed
↓
DOR Hearings
↓
Director
↓
STAB
↓
District Court
↓
Supreme Court

Each decision must be appealed in order to move to the next level

Independent Contractor

Employer Experience (Now)

EXHIBIT 3
DATE 3-29-95
HB 550

Employer Contracts Work



4-1-92

U E F - Independent Contractor
Exemption Granted →



Becomes
Unemployed

4-1-93

Applies to DLI
for U I Benefits

UI Tax Investigation
(No wage credits)

Employer/Employee
Relationship Exists

U I Benefits
Paid



12-13-94

D O R Cross Match

Bill to
Employer

D O R Appeal

(Attempts to Appeal
U I Decision)

Hearings Officer Decision
Employer/Employee
Relationship Exists

Director

STAB

District Court

Independent Contractors

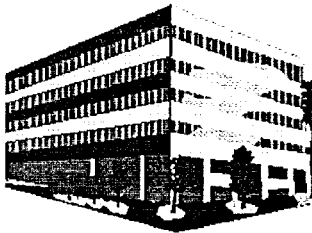
Decisions & Appeals - Phase I



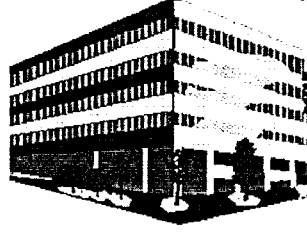
Independent Contractor Issue Surfaces

Programs Potentially Affected

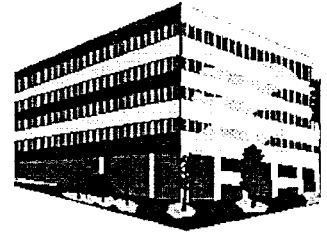
(Appeals & Hearings are unified)



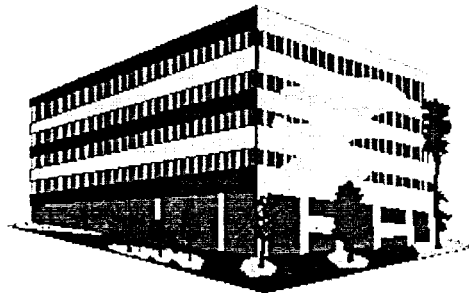
Workers Compensation
Insurance Compliance



Unemployment
Insurance



Department of
Revenue



Decision



Appealed



DLI Hearings



BOLA



District Court



Supreme court

Amendments to House Bill 550
Second Reading, Second Printing Copy

SENATE TAXATION

DATE March 29, 1995

EXHIBIT NO. 4

BILL NO. HB 550

Prepared by Department of Revenue
March 28, 1995

REASON FOR AMENDMENT: This amendment clarifies the funding for this bill by removing language in the bill which is incorrect.

1. Page 18, line 5.
Following "Appropriation. (1)"
Strike: (A)
2. Page 18, lines 19 through 22.
Strike: subsection (B) in its entirety.

**HB 496 BOHLINGER/SWANSON
PROPERTY TAX RELIEF - WHAT THE BILL DOES!**

1. CHANGES THE NAME OF THE PROGRAM FROM "LOW-INCOME PROPERTY TAX PROGRAM" TO "PROPERTY TAX ASSISTANCE PROGRAM."
2. INCREASES THE MARKET VALUE ELIGIBILITY LIMITS FOR HOMES FROM \$80,000 TO \$100,000.
3. INCREASES THE INCOME ELIGIBILITY LIMITS FROM \$13,512 FOR A SINGLE PERSON TO \$15,000 AND FROM \$16,214 TO \$20,000 FOR A MARRIED PERSON OR HEAD OF HOUSEHOLD.
4. CHANGES LOW INCOME PROGRAM, NOW PROPERTY TAX ASSISTANCE PROGRAM TABLES TO: INCOME FROM \$0 TO \$8,000 20% MULTIPLIER, INCOME FROM \$8,000 TO \$14,000 50% MULTIPLIER, INCOME FROM \$14,000 TO \$20,000 70% MULTIPLIER.
5. EXTENDS THE DATE FOR APPLYING FOR THIS PROGRAM FROM MARCH 1ST TO MARCH 15TH.
6. REDESIGNS THE PROPERTY ASSESSMENT NOTICE TO STATE LAST YEAR VS. THIS YEARS MARKET VALUE, MILLS AND TAXES.
7. PROVIDES FOR A PHASE IN OF INCREASED VALUATION OVER A 3 YEAR PERIOD.
8. CHANGES THE ELDERLY HOMEOWNER/RENTER CIRCUIT BREAKER TAX CREDIT LIMIT FROM \$400.00 TO \$1,000.

COSTS

	<u>PRESENTLY</u>	<u>WITH HB 497</u>	<u>INCREASE</u>
1. PROPERTY TAX ASSISTANCE PROGRAM (FORMERLY THE LOW INCOME ABATEMENT PROGRAM)	\$2,152,290	\$3,913,750	\$1,761,460
2. ELDERLY HOMEOWNER/RENTER 2 EC PROGRAM	\$6,000,000	\$6,660,000	\$ 660,000
	<u>\$8,152,290</u>	<u>\$10,573,750</u>	<u>\$2,421,460</u>

Amendments to House Bill 497
Second Reading

Prepared by Department of Revenue
3/23/95 2:18pm

SENATE TAXATION

DATE March 27, 1995

AMEND NO. 6

BILL NO. HB 497

REASON FOR AMENDMENT: Amendment 1 conforms the title to amendment 2.

Amendment 2 eliminates the phasein of changes in the value of class four property and the allowance of a decrease in market value without a phasein if the appraised value of property decreases because of a revaluation cycle.

1. Title, line 10
Following: "PRIOR YEAR"
Strike: "PROVIDING FOR THE PHASEIN OF CHANGES IN THE VALUE OF CLASS FOUR PROPERTY BECAUSE OF PERIODIC REVALUATION; ALLOWING A DECREASE IN MARKET VALUE TO BE EFFECTIVE WITHOUT A PHASEIN;"
2. Page 8
Following: line 18
Strike: lines 19 through 25 in their entirety
Renumber: subsequent sections

DATE March 29, 1995

SENATE COMMITTEE ON Taxation

BILLS BEING HEARD TODAY: HB 497 Rep. Bohlinger
HB 550 Rep. Kasten

< ■ >

PLEASE PRINT

< ■ >

Check One

Name	Representing	Bill No.	Support	Oppose
<u>Jeff Miller</u>	<u>DOR</u>	<u>HB 550</u>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
<u>MARY L. CRAIG</u>	<u>ML. CRAIG / MET SEC (PA)</u>	<u>HB 556</u>	<input type="checkbox"/>	<input type="checkbox"/>
<u>ROD SAGER</u>	<u>LAWSON + INDUSTRIES</u>	<u>HB 550</u>	<input checked="" type="checkbox"/>	<input type="checkbox"/>

VISITOR REGISTER

PLEASE LEAVE PREPARED STATEMENT WITH COMMITTEE SECRETARY