

MINUTES

**MONTANA SENATE
55th LEGISLATURE - REGULAR SESSION**

COMMITTEE ON TAXATION

Call to Order: By **CHAIRMAN GERRY DEVLIN**, on January 21, 1997, at
8:00 a.m., in Room 415

ROLL CALL

Members Present:

Sen. Gerry Devlin, Chairman (R)
Sen. Mike Foster, Vice Chairman (R)
Sen. Mack Cole (R)
Sen. Bob DePratu (R)
Sen. Dorothy Eck (D)
Sen. Wm. E. "Bill" Glaser (R)
Sen. Mike Sprague (R)
Sen. Barry "Spook" Stang (D)
Sen. Fred R. Van Valkenburg (D)

Members Excused: None

Members Absent: None

Staff Present: Jeff Martin, Legislative Services Division
Renée Podell, Committee Secretary

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

Committee Business Summary:

Hearing(s) & Date(s) Posted: SB 177, 01/14/97
Executive Action: SB 26

HEARING ON SB 177

Sponsor: SEN. MIKE FOSTER, SD 20, TOWNSEND

Proponents: Alve Thomas, American Association of Retired
Persons (AARP)
Karen David, H & R Block Office
Dennis Burr, Montana Taxpayers Association
(MONTAX)

Opponents: None

Opening Statement by Sponsor:

SEN. MIKE FOSTER, SD 20, TOWNSEND, states SB 177 was brought to
his attention by a gentleman from Helena regarding an issue of

fairness. He explains currently in taxes an exclusion is allowed for senior citizens, 65 and older, where they get \$800.00 of their interest income excluded for taxation purposes. **SEN. FOSTER** explains on Page 2, Line 8, dividend income is included into the formula, however, it does not bump up the \$800.00 exclusion. He affirms the fiscal effect of this bill is \$295,000.00 which the DOR estimates will be the impact of including dividend income as an exclusion. **SEN. FOSTER** presents (EXHIBIT 1).

Proponents' Testimony:

Alve Thomas, AARP, favors this bill on the basis of fairness.

Karen David, Francised Owner and Operator-H & R Block Local Office, states Montana income tax law needs to be amended to include dividends as part of the \$800.00 exclusion currently allowed the elderly.

Dennis Burr, MONTAX, supports SB 177 because it isn't proper to tell people where they have to invest. He suggests there are some inequities in the wording of the bill and amendments will be needed.

Opponents' Testimony: None

Questions From Committee Members and Responses:

SEN. "SPOOK" STANG asks **Jeff Miller, Administrator, Income Tax Division, DOR**, if there are any other states which combine the interest in dividend exclusion. **Mr. Miller** states he doesn't know of any other states and Montana is only one of two states that allows the interest exclusion for the elderly. He says the combination simply backfills what is not presently being used of the \$800.00 exclusion.

SEN. FRED VAN VALKENBURG questions **Mr. Miller** in regard to the state (for the purpose of computing) allows a taxpayer to use the federal adjusted gross income with certain adjustments and for federal there is an exclusion for dividend income. **Mr. Miller** conveys there is no longer an exclusion.

Closing by the Sponsor:

SEN. FOSTER states this bill has a minimal impact and it does a good thing for the elderly.

EXECUTIVE ACTION ON SB 26

Motion/Vote: **SEN. FOSTER** presents amendments by the Department of Justice. **SEN. FOSTER MOVES THE AMENDMENTS. MOTION CARRIED UNANIMOUSLY.**

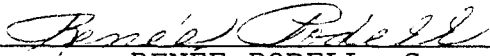
VOTE: SEN. MACK COLE MOVED SB 26 DO PASS AS AMENDED. THE MOTION CARRIED UNANIMOUSLY.

ADJOURNMENT

Adjournment: 8:26 a.m.



SEN. GERRY DEVLIN, Chairman



RENEE PODELL, Secretary

GD/rp