

MINUTES

MONTANA SENATE 55th LEGISLATURE - REGULAR SESSION

COMMITTEE ON TAXATION

Call to Order: By **CHAIRMAN GERRY DEVLIN**, on January 31, 1997, at 8:00 a.m., in Room 413.

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
Renee Podell, Committee Secretary

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

Committee Business Summary:

Hearing(s) & Date(s) Posted: None
Executive Action: SB 184 (DPAA);
SB 213 (DPAA);
SB 177 (Discussion only)

EXECUTIVE ACTION ON SB 184

{Tape: 1; Side: A; Approx. Time Count: .1; Comments: None.}

CHAIRMAN GERRY DEVLIN would like to put a Contingency Voidness clause on the bill.

MOTION: SEN. WILLIAM GLASER MOVED RECONSIDERATION OF ACTION ON SB 184.

SEN. MIKE FOSTER indicates reluctant willingness to consider reconsideration of the executive action in spite of his feelings about the bill.

VOTE: MOTION CARRIED 6-3 with SEN. ECK, SEN. STANG and SEN. FOSTER voting no.

CHAIRMAN DEVLIN requests a motion to put a Contingency Voidness clause on the bill.

MOTION: SEN. WILLIAM GLASER MOVED TO PUT A CONTINGENCY VOIDNESS CLAUSE ON THE BILL.

SEN. FRED VAN VALKENBURG urges the Committee not to put the Contingency Voidness clause on the bill. He states they are a dishonest way to approach legislation.

VOTE: MOTION CARRIED 5-4 with SEN. ECK, SEN. STANG, SEN. VAN VALKENBURG and SEN. FOSTER voting no.

MOTION/VOTE: SEN. GLASER MOVED SB 184 DO PASS AS AMENDED.
MOTION CARRIED 8-1 with SEN. VAN VALKENBURG voting no.

EXECUTIVE ACTION ON SB 213

{Tape: 1; Side: A; Approx. Time Count: 5.4; Comments: None.}

AMENDMENTS 21301.ajm

EXHIBIT 1

Jeff Martin explains the amendments change the effective date and the applicability date from this tax year to the next tax year.

MOTION/VOTE: SEN. BOB DEPRATU MOVED ADOPTION OF THE AMENDMENTS.
MOTION CARRIED UNANIMOUSLY.

MOTION: SEN. MIKE SPRAGUE MOVED SB 213 DO PASS AS AMENDED.

DISCUSSION:

SEN. MIKE FOSTER: The limits for income were set in 1979. There hasn't been any adjustment to the limits since then. This bill wipes those out; if that's what we want to do that's fine, but we might want to update the limits.

SEN. FRED VAN VALKENBURG: This could upset a lot of Montanans.

SEN. BARRY STANG: Agrees with **SEN. FOSTER**. There needs to be a ceiling. There is a lot of room for fraud in this.

CHAIRMAN DEVLIN: Where do you think the level should be? **Jeff Martin** responds he worked on it and used the official inflation factor for the state to update the numbers. For a single it would be \$28,500 and for a married couple it would be \$34,500. He's not sure if the \$34,500 would cover someone like Mr. Brandoff who testified when the bill was originally heard.

SEN. BOB DEPRATU: What is the average Montana wage? **Jeff Martin** responds it's approximately \$19,000.

SEN. MIKE SPRAGUE: We're missing the point. These people are 100% disabled. It's hard to qualify for the 100% disabled designation.

SEN. MACK COLE: We need to put some figures back in the bill.

MOTION: SEN. WILLIAM GLASER MOVED TO REINSERT THE LANGUAGE IN (iii) AND CHANGE THE \$15,000 TO \$30,000 AND THE \$18,000 TO \$36,000.

Jeff Martin asks if the amendment would include inserting the figure for a single person under the surviving spouse. **SEN. GLASER** responds we should leave the surviving spouse as is.

SEN. MIKE FOSTER: He was going to offer \$30,000 and \$40,000.

SEN. DOROTHY ECK: She would prefer leaving the language as it was and applying the state formula for cost of living to it which would bring it up to \$28,000 and \$34,000 now and would keep going in years to come.

VOTE: MOTION CARRIED 8-1 with SEN. SPRAGUE voting no.

MOTION/VOTE: SEN. GLASER MOVED SB 213 DO PASS AS AMENDED.
MOTION CARRIED UNANIMOUSLY.

DISCUSSION OF SB 177

CHAIRMAN DEVLIN indicates the Committee was waiting for some additional information on this bill.

Jeff Miller, Department of Revenue **EXHIBIT 2**
Mr. Miller provided Exhibit 2 which would allow for a revenue-neutral number to limit the exclusion of either interest and dividends. Current law allows elderly households to exclude up to \$800 of interest income (\$1,600 if filing jointly). Under this proposal they would be able to exclude up to \$675 of combined interest and dividend income (\$1,350 if filing jointly). The net impact based on tax year 1995 income tax returns would be a \$6,000 tax decrease, which is as close to revenue-neutral as they can come.

SEN. BARRY STANG asks **Mr. Miller** how many of the 15,633 elderly households would belong to the group of 6,906 that would experience a tax decrease. **Mr. Miller** responds there would be no overlap.

SEN. DOROTHY ECK believes there could be some overlap. **Mr. Miller** agrees it's possible.

SEN. MIKE FOSTER would like an opportunity to discuss the numbers with **Mr. Miller**.

SEN. MACK COLE suggests it could provide some options for some of the elderly to get a break where they couldn't before.

SEN. FRED VAN VALKENBURG asks for the figures if the age on the exclusion was lowered to fifty. He believes this would provide some incentive for people to plan better for their retirement.

SEN. DOROTHY ECK wonders what the relative incomes are of those people who are taking advantage of this incentive. **Mr. Miller** says the interest exclusion for the elderly under current law falls heavily at the higher end - 31% of the total tax expenditure on this proposal falls in the 10th decile group, those are the people who are making the most money (incomes of approximately \$58,000). The 9th decile group is 16%; the 8th decile group is 16% and the 7th decile group is 10%. The 1st, 2nd and 3rd combined comprise 12% of the benefit of this proposal under current law.

SEN. MIKE SPRAGUE asks if there is a way of breaking out the agricultural households from the top 31%. **Mr. Miller** responds they don't have that ability.

CHAIRMAN DEVLIN indicates the Committee will consider the figures further prior to taking any action on the bill.

ADJOURNMENT

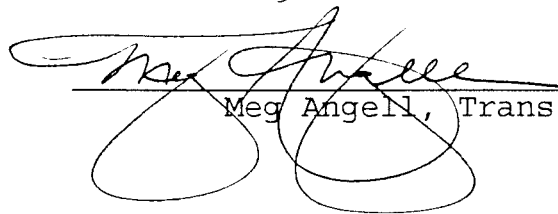
Adjournment: 8:35 a.m.



Sen. Gerry Devlin, Chairman



Renee Podell, Secretary



Meg Angell, Transcriber

GD/ma