

## MINUTES

### MONTANA SENATE 55th LEGISLATURE - REGULAR SESSION

#### COMMITTEE ON TAXATION

**Call to Order:** By CHAIRMAN GERRY DEVLIN, on February 17, 1997,  
at 8:00 a.m., in Room 413/415.

#### 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 258, 3/03/97  
Executive Action: None

#### HEARING ON SB 258

**Sponsor:** SEN. DELWYN GAGE, SD 43, Comprising all of Glacier  
County and about the west 2/3 of Pondera County.

**Proponents:** Sen. Bruce D. Crippen, SD 10, Billings  
Mick Robinson, Representing Gov. Marc Racicot  
Rep. Robert Story, HD 24  
Vern Peterson, MACo  
Gordon Morris, Director of MACo  
Dennis Burr, MT Taxpayers Association  
David Owen, MT Chamber of Commerce  
Les Graham, MT Cattlemen, MT Stockgrowers  
Ben Havdahl, MT Motor Carriers  
Charles R. Brookes, Yellowstone County Chamber  
Bud Williams, InnKeepers Association

Lance Melton, MT School Board Association (MSBA)  
Ken Williams, MT Power Company  
George Bennett, MT Bookkeepers Association  
Gail Ambacromby, Mining Association  
Bill Rappold, Pondera County Commission  
Mike Griffith, Lewis and Clark County Commission  
Dan Geer, Glacier County

Opponents: Barbara Ranf, U.S. West Communications  
Sen. Eve Franklin, SD 21  
Sen. John (J.D.) Lynch, SD 19  
Chet Kinsey, MSCA, MLIC  
Dick Pattison  
Don Judge, MT State AFL-CIO  
Melvin P. Drake  
Vern Bertelsen, Montana Senior Citizens  
Nikki Wallin  
Brad Martin, MT Democratic Party

Opening Statement by Sponsor:

SEN. D. GAGE submitted written testimony (EXHIBIT 1) along with (EXHIBITS 2 - 6).

Proponents' Testimony:

SEN. BRUCE CRIPPEN, SD 10, Billings, testifies in support of SB 258 saying that a well crafted sales tax most certainly can be progressive in that it will place the greatest burden for paying the tax on those who are most able to afford it. Further, a well crafted tax sales can reduce the burden of providing tax revenue on specific sources, such as property taxes and income taxes. SEN. CRIPPEN announces the time is now to submit this for a vote of the people.

Mick Robinson, Representing Governor Racicot, presents (EXHIBITS 7 & 8).

Rep. Robert Story, HD 24, alleges this legislation gets the state down the road towards some comprehensive reform. He says we can't eliminate property tax completely in Montana because this state will always have several different taxes.

Vern Peterson, Fergus County Commissioner, submits (EXHIBIT 9 - survey commissioned by the university system).

Gordon Morris, Director of MACo, presents (EXHIBITS 10 - 13). He asks for favorable support of SB 358 and explains that Sen. Stang's SB 319 will slid into this bill and MACo supports his bill. Mr. Morris comments that Article 8 of the Constitution caps the sales tax at 4%. He hopes to take this bill to the people in 1997.

**Dennis Burr, Montana Taxpayers Association**, favors SB 258. He explains this bill eliminates the Montana property tax classification system, taxes on personal property and livestock, statewide levies for education, balances three major tax sources of income property and sales, and raises revenue from tourism.

**{Tape: 1, Side: 2; Approx. Time Count: 4.9; Comments: None.}**

He suggests some possible amendments to the bill.

**David Owen, Montana Chamber of Commerce**, rises to thank the sponsor of the bill and to support this bill. He says it is time to balance out tax structure. He passes on a caution from his Board of Directors asking the committee to make sure they do everything they can to keep local governments from eating up the property taxes that will be lowered and denied the state, having property taxes be the provision of local government makes sense and making sure they can't take that margin back.

**Les Graham, Montana Stockgrowers Association, Montana Cattlemen's Association**, says the association feels tax reform is long overdue in the State of Montana. He explains the association members voted in December, 1996, in Billings to support the concept of the MACo bill.

**Ben Havdahl, Executive Vice President of the Montana Motor Carriers Association**, presents (EXHIBIT 14 & 15).

**Charles R. Brooks, Yellowstone County Commissioners, Billings Chamber of Commerce**, supports a continuous and aggressive action on the part of state government and legislative bodies to promote and encourage the economic development in the State of Montana. He says tax reform must be an ongoing issue to build a broader tax base and to retain and help Montana businesses to grow and prosper. **Mr. Brooks** believes this proposal is well structured, well balanced and deserves the committee's careful consideration with a do pass.

**Bud Williams, Inn Keepers Association**, thanks **SEN. GAGE** and **MACo** in bringing forth the issue of tax reform to the Legislature. He announces the association wants to go on record in support of the sales tax.

**Lance Melton, Montana School Boards Association (MSBA)**, concurs with many of the proponents of this bill and urges committee support.

**{Tape: 1; Side: 2; Approx. Time Count: 14.6; Comments: None.}**

**Ken Williams, Montana Power Company (MPC)**, supports broad-based tax reform and presents written testimony (EXHIBIT 16) and submits amendments to SB 258 (EXHIBIT 17).

**Gloria Paladichuk, Richland Development, Richland County**, passes on information that has recently transpired in the State of Michigan. She says Michigan recently raised their sales tax by a small percentage. The revenue generated by this increase goes to

only school funding. She urges the committee to take serious consideration of this bill.

George Bennett, Montana Bankers Association, submits (EXHIBIT 18 AND 19).

Gail Abercrombie, Montana Petroleum Association, testifies in support of SB 258.

Candace Torgerson, Montana Retail Association, concurs with other proponents.

Bill Rappold, Ponders County Commissioners submits (EXHIBIT 20).

Mike Griffith, Lewis and Clark County Commissioners, offers his support of SB 258 on a personal level saying the document has a lot of merit.

Dan Geer, Glacier County, says SB 258 is long overdue.

Opponents' Testimony:

Barbara Ranf, US West Communications, submits (EXHIBIT 21 AND 22).

SEN. EVE FRANKLIN, SD 21, GREAT FALLS, presents (EXHIBIT 23).

SEN. JOHN "J.D." LYNCH, SD 19, BUTTE, announced that the people of Montana said "no to a sales tax" and he says "no with the people".

Chet Kinsey presents testimony (EXHIBIT 24) from Sylvia Kinsey.

Dick Pattison, President of Montana Senior Citizens Association, presents (EXHIBIT 25).

Don Judge, Montana State AFL-CIO, says Montana citizens have said no, we must fix the current tax system.

Melvin P. Drake says he is against this legislation because we just have to get leaner and meaner. It's time to put a stop to paying so much taxes.

Vern Bertlesen, Montana Senior Citizens, asks the committee to reject this legislation.

Nikki Wallin, Local High School Student, asks for a do not pass on SB 258.

Brad Martin, Montana Democratic Party, says we need tax reform and this bill fails the test.

{Tape: 2; Side: 1; Approx. Time Count: 30.7; Comments: None.}

Questions From Committee Members and Responses:

SEN. MIKE FOSTER questions Barbara Ranf regarding her addressing the change in the licensing tax from 1.8 percent to 6.1 percent as presented in her amendment. He asks what the revenue impact will be by adding her amendment. Ms. Ranf comments it is \$13 million. SEN. FOSTER asks Ms. Ranf if she is saying that by adopting this amendment it would reduce revenues by \$13 million. Ms. Ranf says "yes".

SEN. FOSTER asks Gordon Morris if by going from 2 percent to 1.5 percent on new car taxes are we creating a second year spike. Mr. Morris says it will be leveled out but this bill needs to be coordinated with SB 57. He explains that the amendment would put the first year of licensing of a new vehicle under the current law, the same rate as when the car was purchased new, which would be at the 1.5 percent. Mr. Morris further comments it would have a \$20 million impact on local governments.

SEN. DOROTHY ECK asks Mr. Morris about a renters credit under this bill. Mr. Morris says there is a renters credit in the 1993 version. He comments that the decision was made and weighed very carefully by the Finance and Taxation Committees that we would let the market take care of the renters credit by virtue of providing for rental rate reductions. He says it was decided it could be done by the market place.

SEN. FRED VAN VALKENBURG questions SEN. GAGE in regard to no reference being made in the fiscal note as to the cost of the special election to be held in respect to this. SEN. GAGE comments he doesn't know why it isn't in the bill and it will be brought to the attention of the budget office.

{Tape: 2; Side: 2; ; Comments: None.}

SEN. VAN VALKENBURG asks SEN. GAGE how much the Montana taxpayers would pay in additional federal income tax by virtue of the trade off for not paying as much in property taxes but paying sales tax instead. SEN. GAGE answers he doesn't know, however, there is a figure which the Department of Revenue gave him based on the wage earners of the state. He comments there isn't any way of knowing the extent right now. SEN. VAN VALKENBURG asks SEN. GAGE how much more in federal income tax wage earners would pay. SEN. GAGE says he doesn't have federal information. His understanding would be some where in the neighborhood of \$24 million more in state income tax. SEN. VAN VALKENBURG wonders if SEN. GAGE agrees the tax payers would pay a substantial amount more in federal income tax. SEN. GAGE relates he hasn't seen any figures on that.

SEN. BARRY "SPOOK" STANG questions SEN. GAGE in regard to there being no exemption for Native Americans on the Indian Reservations and wonders if an amendment will be addressed and how much will it cost. SEN. GAGE says this was discussed and we

are not planning at this point to have an amendment to exempt them. Whether or not if we can enforce it will depend on what the courts indicate.

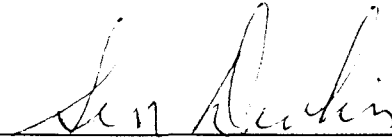
**SEN. FOSTER** asks **Mary Bryson, Department of Revenue** to address the overall tax impact to a taxpayer on both the federal and state side when the property tax aspect is compared and when we can't deduct for sales tax. **Ms. Bryson** explains that the analysis presented by **SEN. EVE FRANKLIN** reflects (on an individual basis) the effects on state income tax, property tax and sales tax and it does show a slight increase on various income levels. She believes the figure that **SEN. GAGE** was referring to (the \$24 million) was relating to the tax credit for sales tax purposes. Estimating income tax returns there would be a \$24 million credit allowed for those low income homes as proposed in the bill.

**Closing by Sponsor:**

**SEN. GAGE** corrects information he gave to **SEN. VAN VALKENBURG** in regard to the discussed figure of \$24 million. He says the \$24 million is both federal and state. He notes this has been an interesting hearing. To those people who say, "what part of no don't you understand" I am probably one of the Republicans in the Senate who understood no on the Governor's bill because he voted no on the Governor's bill. He asserts the Governor's bill was not tax reform, it was another tax. He closes by saying this is a good proposal and he thinks this is good for the people of Montana.

ADJOURNMENT

Adjournment: 10:45 a.m.



SEN. GERRY DEVLIN, Chairman



RENEE PODELL, Secretary

GD/rp