

MINUTES

MONTANA SENATE 55th LEGISLATURE - REGULAR SESSION

COMMITTEE ON TAXATION

Call to Order: By **CHAIRMAN GERRY DEVLIN**, on February 20, 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
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: None
Executive Action: SB 272 (DPAA);
SB 300 (DPAA);
SB 336 (Discussion only)

EXECUTIVE ACTION ON SB 272

{Tape: 1; Side: A; Approx. Time Count: .3; Comments: None.}

AMENDMENTS 27201.ajm

EXHIBIT 1

Jeff Martin explains the amendments provide for a termination
date for the bill and allow the provision of the bill to be in
effect from January 1, 1995 to July 1, 1999.

MOTION: SEN. MIKE FOSTER MOVED SB 272 DO PASS.

MOTION: SEN. MIKE FOSTER MOVED AMENDMENTS 27201.agp

DISCUSSION:

SEN. FOSTER believes this tightens up the bill considerably.

SEN. DOROTHY ECK objects to this; it's legislation for one family. That family doesn't have great significance to the State of Montana; I don't feel comfortable doing this.

SEN. WILLIAM GLASER is not going to support this. If flies in the face of step-children; it's bad tax policy.

SEN. FRED VAN VALKENBURG support the amendment because it gives a time frame in which to measure the impact of this change. That gives us a chance to re-evaluate the situation in the 1999 session and determine whether it should go forward from there.

SEN. BOB DEPRATU supports the amendment and then the bill as amended.

VOTE: MOTION TO ADOPT AMENDMENTS 27201.agp CARRIED 6-2 with **SEN. ECK** and **SEN. GLASER** voting no, and **SEN. SPRAGUE** not voting.

AMENDMENTS 27201.ajm

EXHIBIT 2

MOTION: **SEN. VAN VALKENBURG** MOVED AMENDMENTS 27201.ajm

DISCUSSION:

SEN. VAN VALKENBURG explains the amendment says that all step-children will be treated equally; this addresses **SEN. GLASER'S** concerns. This addresses tax policy and not the needs of a particular family.

SEN. FOSTER agrees with **SEN. VAN VALKENBURG**.

VOTE: MOTION TO ADOPT AMENDMENTS 27201.ajm CARRIED UNANIMOUSLY.

MOTION: **SEN. FOSTER** MOVED SB 272 DO PASS AS AMENDED.

BRIEF DISCUSSION:

This bill will sunset. We really don't know what the fiscal impact will be. Rep. Ellis' bill might cover this. **Jeff Martin** indicates that bill applies to the transfer of closely held businesses but it doesn't include inheritance taxes.

Jeff Miller, Department of Revenue explains Rep. Ellis' bill provides for inheritance tax exemption in an ascending manner as well as a descending manner. It does not address the issue now before the Committee.

SEN. DOROTHY ECK inquires regarding the inheritance tax. Mr. Miller responds the tax stays in the range of \$12-15 million, which includes both the inheritance and the estate tax.

SEN. BOB DEPRATU asks if cash is exempted in Rep. Ellis' bill. Mr. Miller responds that cash and intangible assets are not exempted in that bill.

CHAIRMAN GERRY DEVLIN inquires if the Department would have a track on these numbers in two years. Mr. Miller says yes, they will watch it carefully and report back to the Committee.

VOTE: MOTION THAT SB 272 DO PASS AS AMENDED CARRIED 8-0 with SEN. STANG not voting.

EXECUTIVE ACTION ON SB 300

{Tape: 1; Side: A; Approx. Time Count: 21.1; Comments: None.}

MOTION/VOTE: SEN. WILLIAM GLASER MOVED JEFF MARTIN DRAFT LANGUAGE THAT WOULD CLARIFY THE EXTENSION OF CLASS 6 IN THE TITLE OF THE BILL. MOTION CARRIED UNANIMOUSLY.

MOTION/VOTE: SEN. DOROTHY ECK MOVED TO AMEND LINE 16, STRIKING "TRUE VALUE" AND INSERTING "ACQUIRED COST." MOTION CARRIED UNANIMOUSLY.

MOTION: SEN. GLASER MOVED ON LINE 16 THAT THE \$20,000 BE CHANGED TO \$12,000.

DISCUSSION:

SEN. GLASER indicates the change is logical.

SEN. ECK states the industry decided they would accept the acquired cost. She supports the amendment.

SEN. MIKE SPRAGUE says the key point is they can now depreciate and use that depreciation along with their taxes. That would be a fixed number, so he recommends leaving it as it is.

SEN. GLASER indicates contractors and farmers will now be interested in developing rental corporations to change their tax.

SEN. SPRAGUE thinks it's not being done and is irrelevant.

SEN. GLASER believes it's simple - do we want it to be \$20,000 or \$12,000.

SEN. SPRAGUE states in this bill the renters want to raise their value from \$5,000 to \$20,000. In that process they will give up their ability to depreciate. He says SEN. GLASER'S comment is that \$12,000 is adequate. We want to make sure we're talking a

relative value rather than just a price. Therefore, if they gave up their ability to depreciate, and used the \$20,000 fixed, will this be a substantial hit to the revenue? **Jeff Martin** responds the trigger doesn't affect the depreciation schedule.

VOTE: MOTION TO CHANGE LINE 16 FROM \$20,000 TO \$12,000
CARRIED 5-4 with SEN. DEPRATU, SEN. SPRAGUE, SEN. STANG
and SEN. VAN VALKENBURG voting no.

MOTION: SEN. MIKE FOSTER MOVED SB 300 DO PASS AS AMENDED.
MOTION CARRIED UNANIMOUSLY.

DISCUSSION OF SB 336

{Tape: 1; Side: A; Approx. Time Count: 39.6; Comments: None.}

CHAIRMAN DEVLIN presented information on recycling tax credits.

EXHIBIT 3

CHAIRMAN DEVLIN explains the Department of Revenue looked at what's being done in California, Oregon and Idaho which have or had provisions for recycling credits on individual income tax returns. No state's laws provides provisions for the reclamation of hazardous waste materials. The usage of the recycling credit was minimal.

Jeff Martin explained information he gathered.

EXHIBIT 4

Colorado and Idaho had a 20% tax credit for investment in equipment used to manufacture products from post-consumer or post-industrial waste. The machinery and equipment must be used for at least 90% of the production process. Colorado's was only effective for investments made in tax years 1990-1995. In Idaho the credit may not exceed \$30,000 per year but it may be carried forward for seven years. In Oregon they have a 10% credit for investments to collect, transport or process reclaimed plastic or manufacture reclaimed plastic. The credit may not exceed tax liability, but may be carried forward for five years and is not in lieu of amortization of depreciation deduction. Utah has a 5% credit of costs incurred for investment in recycling market zone for machinery and equipment used for composting or manufacturing or processing recycled items. The credit sunsets in 2001. Utah also has a 20% credit for expenditures up to \$10,000 to third parties for operating costs for establishing and operating recycling or composting technology. The combined credits may not exceed 40% of tax liability and may be carried forward for three years. North Dakota does not have tax incentives for recycling; South Dakota, Washington and Wyoming do not impose corporate or individual income taxes.

CHAIRMAN DEVLIN indicates he would like to study this issue further before the Committee takes action; he encourages Committee members to do the same.

CHAIRMAN DEVLIN provided additional information.

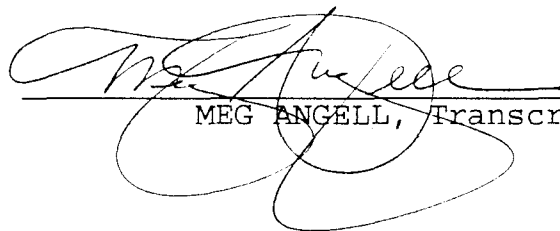
EXHIBIT 5

ADJOURNMENT

Adjournment: 8:50 a.m.


SEN. GERRY DEVLIN, Chairman


RENEE PODELL, Secretary


MEG ANGELL, Transcriber

GD/MA