

MINUTES

MONTANA SENATE 55th LEGISLATURE - REGULAR SESSION

COMMITTEE ON TAXATION

Call to Order: By **CHAIRMAN GERRY DEVLIN**, on March 18, 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: SB 393; SB 391
Executive Action: SB 362 (TABLED);
SB 373 (TABLED)

HEARING ON SB 393

{Tape: 1; Side: A; Approx. Time Count: .7; Comments: None.}

Sponsor: SEN. MIKE TAYLOR, SD 37, PROCTOR

Proponents:

Jerry Driscoll, Montana State Building Trades Council
Riley Johnson, National Federation of Independent Business

Opponents: None

Opening Statement by Sponsor:

SEN. MIKE TAYLOR, SD 37, PROCTOR

EXHIBIT 1

SB 393 makes Montana business-friendly and encourages new jobs. Montana is one of the states that dropped median income between 1994 and 1995 from \$28,414 to \$27,757. The bill rewards companies who are willing to pay \$23,000 per year for a new job. Tax credits are being given in surrounding states to attract business. Montana was 49th in the last survey regarding attracting computer industry new businesses. This is a one-time job credit, the first payment would be in 1999.

Proponents' Testimony:

Jerry Driscoll, Montana State Building Trades Council supports the bill. He suggests page 2, line 20 should be changed to "gross income."

Riley Johnson, National Federation of Independent Business says we have a unique situation in Montana, not too much population growth but the cost of living keeps going up and the cost of government keeps going up and it keeps coming out of the same pockets. Need to create new wealth, new jobs.

Opponents' Testimony: **None**

Questions From Committee Members and Responses:

SEN. MACK COLE inquires about the special zones referenced in Exhibit 1. **SEN. TAYLOR** says this bill is for the entire State of Montana, no special zones.

SEN. COLE inquires if we could amend the bill to promote areas of Montana that are not growing as fast as others. **SEN. TAYLOR** would prefer not to have special zones; we need to get started with credits all over Montana.

SEN. BARRY STANG asks if there would be a problem changing the wording to "gross income" as requested by **Mr. Driscoll**. **SEN. TAYLOR** doesn't object. **SEN. STANG** then asks **Mr. Jeff Miller, Department of Revenue** if it would be a problem for them. **Mr. Miller** responds there would be no problem.

CHAIRMAN GERRY DEVLIN queries **SEN. TAYLOR** regarding the wage level of \$23,000, is that required. **SEN. TAYLOR** indicates yes. **CHAIRMAN DEVLIN** comments Wyoming is higher than Montana and they don't have a tax credit. **SEN. TAYLOR** responds they have no corporate tax, no property tax, no income tax. **CHAIRMAN DEVLIN** asks about North and South Dakota. **SEN. TAYLOR** indicates they operate on a lower tax base.

SEN. DOROTHY ECK comments that years ago there was an incentive for new businesses; is it being used. **Mr. Miller** says there is light utilization of the incentive.

SEN. ECK inquires if both incentives would be allowed. **Mr. Miller** answers yes.

SEN. BOB DEPRATU asks approximately how much income tax would be generated by a \$23,000 per year job. **Mr. Miller** believes it would be in the range of \$907.

SEN. MIKE SPRAGUE queries **SEN. TAYLOR** regarding expanding from manufacturing to service jobs. **SEN. TAYLOR** says it was not his intention to limit it only to manufacturing; the fiscal note is not correct. **Jeff Martin** indicates the fiscal note refers to the existing credit; the only limitations in this bill are for Public Utilities and Mining.

SEN. SPRAGUE comments it needs to expand into service jobs. **SEN. TAYLOR** agrees.

SEN. SPRAGUE asks **Yellowstone County Commissioner, Mike Matthews** what Yellowstone County does to encourage expansion of small business. **Mr. Matthews** says Yellowstone County has been aggressive in using some of the new and expanding property tax credits available.

SEN. FRED VAN VALKENBURG questions **Mr. Miller, Department of Revenue**, if the plant in Butte would qualify. **Mr. Miller** says it would. **SEN. VAN VALKENBURG** then asks regarding Sun Mountain Sports - jobs moved to Far East, property tax relief was received. Under this bill is there any way to ensure the jobs stay put. **Mr. Miller** indicates there is no provision for recapturing the credit. However, if the person qualified in the first year they can carry forward any unused portion to three subsequent years provided they still have that job on their roster.

SEN. VAN VALKENBURG asks **SEN. TAYLOR** regarding the plant in Butte if it's his desire to "give away" \$145,000 for jobs that have already been created. **SEN. TAYLOR** indicates that was not his intention, but he is willing to give that as a capital investment. **SEN. VAN VALKENBURG** suggests it should be limited to a long-term benefit for Montana. **SEN. TAYLOR** would prefer not to do that; Montana is not a friendly state for business opportunities. This is a small attempt to get this to grow.

SEN. VAN VALKENBURG asks **Mr. Johnson, National Federation of Independent Business**, what his members think about having to compete with new businesses that are being given better tax treatment. **Mr. Johnson** indicates companies could take advantage of this under the expansion. They don't object to competition.

SEN. VAN VALKENBURG suggests altering the bill to give a premium to businesses that have been in business for 3 years or more. **Mr. Johnson** indicates they'd object to that limitation.

SEN. VAN VALKENBURG asks why mining and electrical energy generation, transmission and distribution were excluded. SEN. TAYLOR responds he is for mining and electrical generation but felt the bill needed to be narrowed and directed to expanding companies in Montana. He also believes the bill would be more acceptable to the Committee if those were excluded.

SEN. BOB DEPRATU asks where Idaho comes in as far as attracting new computer industry businesses. SEN. TAYLOR says Idaho is 3rd. SEN. DEPRATU asks why there is such disparity. SEN. TAYLOR responds when you tax less and regulate less, more businesses are attracted.

SEN. WILLIAM GLASER queries SEN. TAYLOR regarding mining and electrical generation- this excludes Montana Power, but not AT&T. SEN. TAYLOR believes they would not be eligible for the credit.

SEN. MACK COLE asks if coal is excluded as part of mining. SEN. TAYLOR says anything to do with mining is excluded.

SEN. DOROTHY ECK inquires what the reason is for a sunset of January 1, 2004. SEN. TAYLOR responds we will look at this in a 6-year study and have the Department of Revenue determine if it's beneficial.

SEN. BOB DEPRATU asks if SEN. TAYLOR would object to removing the mining and electrical generation exemptions. SEN. TAYLOR would not object to that amendment as long as it doesn't change the intent of the bill.

Closing by Sponsor:

SEN. TAYLOR closes stating we are trying to create new jobs; good jobs aren't happening in Montana for our children and families. Montana needs to become more user-friendly toward business; we need to send the message we are serious about expanding the job market in Montana.

HEARING ON SB 319

{Tape: 1; Side: A; Approx. Time Count: 49.1; Comments: None.}

Sponsor: SEN. CHRIS CHRISTIAENS, SD 23, GREAT FALLS

Proponents:

Matt Quinn, President, Carroll College

Opponents:

Eric Feaver, Montana Education Association and Montana Federation of Teachers

Opening Statement by Sponsor:

SEN. CHRIS CHRISTIAENS, SD 23, GREAT FALLS opens stating this is a bill that qualifies people for a tax credit who have a dependent who is a full-time student in the Montana University System or a Montana private college. The costs of education continues to increase at approximately 15% per year in Montana. The fiscal note indicates the first impact would be in FY 1999. The first individual would receive up to a \$500 credit. The second dependent would receive \$300 and the fourth would be \$150. The tax liability would be \$2,417,000. The benefits far outweigh the liabilities. Dr. Gilliard, College of Great Falls is in support of the bill and asked his support be part of the record.

Proponents' Testimony:

Matt Quinn, President, Carroll College supports the bill indicating the benefits go directly to Montanans. The bill expands choice for the students of Montana. It doesn't take money away from public institutions. Private colleges are enabled to serve Montanans better.

Opponents' Testimony:

Eric Feaver, Montana Education Association and Montana Federation of Teachers

EXHIBIT 2

Mr. Feaver believes this is bad public policy and would promote further privatization of our University System. He contends it's unconstitutional. The fiscal note reflects a direct tax expenditure. He read from Article X, Section 6 of the Constitution regarding aid prohibited to sectarian schools.

Questions From Committee Members and Responses:

CHAIRMAN GERRY DEVLIN inquires where the money would come from.

SEN. CHRISTIAENS suggests the money could be taken from the Corrections part of HB 2. **CHAIRMAN DEVLIN** then asks if this bill borders on being unconstitutional. **SEN. CHRISTIAENS** says no. These are all Montana citizens paying for higher education for their children.

SEN. MIKE SPRAGUE asks why we can't include non-traditional students. **SEN. CHRISTIAENS** indicates that 40% are non-traditional students. That would be a huge cost in tax credits.

CHAIRMAN DEVLIN inquires if students at "trade schools" are included. **SEN. CHRISTIAENS** says they are as long as the school is part of the University System.

SEN. MIKE FOSTER queries **Mr. Feaver** regarding private vs public schools - he gathers **Mr. Feaver** is opposed to an increase in private institutions in Montana. **Mr. Feaver** responds no; he is opposed to further privatization of the public system.

Closing by Sponsor:

SEN. CHRISTIAENS says we are giving tax credits to Montana parents. It's a small step in the right direction and urges the Committee's support of the bill.

EXECUTIVE ACTION ON SB 362

{Tape: 1; Side: A; Approx. Time Count: 71.9; Comments: None.}

EXHIBIT 3

SEN. DELWYN GAGE provided an explanation of the guaranteed tax base as outlined in Exhibit 3.

DISCUSSION:

SEN. WILLIAM GLASER doesn't support the guaranteed tax base on this bill.

CHAIRMAN DEVLIN doesn't have an opposition to the bill.

SEN. MACK COLE asks if this affects counties. SEN. GAGE indicates there are no amendments on the bill which would affect counties.

SEN. GLASER wonders where the money is currently going. SEN. GAGE indicates part of it is going to the Foundation Program, part to the school districts and part to the counties.

CHAIRMAN DEVLIN asks if this means increases in production since 1985. SEN. GAGE answers yes, new production.

SEN. VAN VALKENBURG asks for a direct response to SEN. GLASER'S concerns that this results in a million dollar per year less going into the State Equalization Account and the impact that has on the overall budget. SEN. GAGE agrees there will be less going into the account. It will be made up from the General Fund.

AMENDMENTS 36202.ajm

EXHIBIT 4

SEN. GAGE says he doesn't think we have a fiscal note that reflects the new percentages. CHAIRMAN DEVLIN states this is a "wash" and that it just makes it easier administratively for the counties; he didn't realize there would be a \$2 million "bang." SEN. GAGE responds the only way to make it a "wash" is to change the percentages of the distribution that goes into the state part of the new oil and gas tax.

SEN. DOROTHY ECK asks what percentages would have to be changed. SEN. GAGE doesn't have the information, could get the figures.

SEN. GLASER thinks it's too much moving around of money; it's not politically do-able.

MOTION: SEN. DOROTHY ECK MOVED TO TABLE SB 362. MOTION CARRIED UNANIMOUSLY.

BRIEF DISCUSSION OF SB 372 - Amendments still being prepared.

EXECUTIVE ACTION ON SB 373

{Tape: 1; Side: A; Approx. Time Count: 94.5; Comments: The executive action on this bill is noted on Renee's handwritten minutes but is not recorded on tape.}


MOTION: SEN. BOB DEPRATU MOVED SB 373 BE TABLED. MOTION CARRIED UNANIMOUSLY.

ADJOURNMENT

Adjournment: 9:37 a.m.


SEN. GERRY DEVLIN, Chairman


RENEE PODELL, Secretary


MEG ANGELL, Transcriber

GD/ma