



## Revenue and Transportation Interim Committee

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### 65th Montana Legislature

#### SENATE MEMBERS

MARK BLASDEL--Vice Chair  
DUANE ANKNEY  
DICK BARRETT  
CYDNIE (CARLIE) BOLAND  
JILL COHENOUR  
BRIAN HOVEN

#### HOUSE MEMBERS

TOM JACOBSON--Chair  
BECKY BEARD  
JIM HAMILTON  
GREG HERTZ  
ALAN REDFIELD  
BRIDGET SMITH

#### COMMITTEE STAFF

MEGAN MOORE, Lead Staff  
JARET COLES, Staff Attorney  
LAURA SHERLEY, Secretary

# MINUTES LOG

September 13, 2018  
Room 137, Capitol Building  
Helena, Montana

Please note: This document is a Minutes Log and provides a notation of the time elapsed between the beginning of the meeting and the time at which the item was presented or discussed, a motion was made, or a vote was taken. The narrative presented here is provided only as a guide to the audio or video record of the meeting. The official discussion, motion, or vote is available on the audio or video archive of this meeting. The Legislature does not prepare a transcript of meeting activities. The time designation may be used to locate the referenced discussion on the audio or video recording of this meeting.

Access to an electronic copy of these minutes and the audio or video recording is provided from the Legislative Branch home page at <http://leg.mt.gov>. On the left-side menu of the home page, select Committees, then Interim. Once on the page for Interim Committees, scroll down to the appropriate committee. The written Minutes Log, along with the audio and video recordings, is listed by meeting date on the interim committee's web page. Each of the Exhibits is linked and can be viewed by clicking on the Exhibit of interest. All Exhibits are public information and may be printed.

Please contact the Legislative Services Division at 406-444-3064 for more information.

#### **COMMITTEE MEMBERS PRESENT**

REP. TOM JACOBSON, Chair  
SEN. MARK BLASDEL, Vice Chair

SEN. DUANE ANKNEY  
SEN. DICK BARRETT  
SEN. CYDNIE (CARLIE) BOLAND  
SEN. JILL COHENOUR  
SEN. BRIAN HOVEN

REP. BECKY BEARD  
REP. JIM HAMILTON  
REP. ALAN REDFIELD

#### **COMMITTEE MEMBERS EXCUSED**

REP. GREG HERTZ  
REP. BRIDGET SMITH

## **STAFF PRESENT**

MEGAN MOORE, Lead Staff  
JARET COLES, Staff Attorney  
LAURA SHERLEY, Secretary

## **VISITORS' LIST (Attachment 1)**

## **AGENDA (Attachment 2)**

## **COMMITTEE ACTIONS**

The Revenue and Transportation Interim Committee:

- approved the final reports for the study of tax increment, the study of centrally assessed and industrial property, and the study of agricultural financing property taxation;
- requested a bill draft for the revenue estimating resolution and requested that staff ask industry representatives for written comments directed to the revenue estimate. The written comments will be provided to the committee in advance of the November meeting and members will have the opportunity to submit questions to those providing comments.
- requested as a committee bill LCag02, which revises the cost deduction for irrigated property; and
- requested as a committee bill a single draft to include LCag01, which provides for provisional classification for certain property with trees or vines, and LCag00, which simplifies section 15-7-202.

## **CALL TO ORDER AND ROLL CALL**

00:00:01 Sen. Blasdel called the meeting to order at 9:03 a.m. The committee secretary took roll ([Attachment 3](#)). Rep. Hertz was excused and left his proxy with Sen. Blasdel ([Attachment 4](#)). Sen. Smith was excused and left her proxy with Rep. Jacobson ([Attachment 5](#)).

## **AGENCY MONITORING: MONTANA TAX APPEAL BOARD -- Dave McAplin, Chair**

### **Caseload and pending appeals update**

00:00:44 Mr. McAplin ([Exhibit 1](#))  
00:07:24 Rep. Jacobson arrived at 9:10 a.m.

### **Committee questions**

00:10:36 Rep. Hamilton asked how the board maintains consistency in the hearings.  
00:12:49 Sen. Hoven asked for clarification on corporate box store taxing.

### **Public comment**

None

## **HJ 18: TAX INCREMENT FINANCING STUDY**

### **Draft final report -- Ms. Moore**

00:14:11 Ms. Moore ([Exhibit 2](#))

### **Public comment**

00:15:42 Tim Burton, Montana League of Cities and Towns

### **Committee adoption of final report**

#### **Motion**

00:16:19 Sen. Blasdel moved to adopt the HJ 18: Tax Increment Financing Study final report (see Exhibit 2).

#### **Vote**

00:16:30 The motion passed unanimously on a voice vote.

### **SJ 23: CENTRALLY ASSESSED AND INDUSTRIAL PROPERTY STUDY**

#### **Draft final report -- Ms. Moore**

00:17:05 Ms. Moore ([Exhibit 3](#))

#### **Public comment**

00:19:13 Bob Story, Montana Taxpayers Association

### **Committee adoption of final report**

#### **Motion**

00:21:20 Sen. Blasdel moved to adopt the SJ 23: Centrally Assessed and Industrial Property Study final report (see Exhibit 3).

#### **Vote**

00:21:25 The motion passed unanimously on a voice vote.

### **AGENCY MONITORING: ADMINISTRATIVE RULE REVIEW**

#### **Overview of administrative rule activity -- Jaret Coles, staff attorney**

00:21:52 Mr. Coles ([Exhibit 4](#))

#### **Public comment**

None

### **REVENUE ESTIMATING AND MONITORING**

#### **Agenda items for November revenue estimate meeting -- Megan Moore**

00:23:23 Ms. Moore

#### **Committee questions/discussion**

00:25:34 Committee discussion

00:28:22 Sen. Hoven asked to receive input from major industries on economic and revenue growth.

00:28:52 Rep. Jacobson reviewed the options to receive economic outlook data and asked the committee if they would like written updates.

00:29:27 Committee discussion on economic outlook updates.

00:33:44 Ms. Moore asked which major industries the committee wished to receive economic outlook updates.

00:34:19 Committee discussion on economic outlook updates.

#### **Public comment**

00:38:27 Bob Story, Montana Taxpayers Association

## **FY2018 General Fund Revenue update -- Legislative Fiscal Division**

00:42:40 Stephanie Morrison, Legislative Fiscal Division (LFD) ([Exhibit 5](#))  
00:54:29 Sam Schaefer, LFD  
00:59:26 Nick VanBrown, LFD  
01:00:50 Alice Hecht, LFD

### **Public comment**

None

### **Committee work session**

01:02:38 Committee discussion on economic outlook updates.  
01:03:58 Rep. Hamilton asked how soon the revenue estimate will be available.  
01:04:30 Committee discussion on economic outlook updates  
01:12:00 Rep. Jacobson asked Ms. Morrison to discuss revenue estimating calculations.  
01:14:28 Sen. Barrett asked Ms. Morrison for clarification on individual and corporate income tax revenue estimating calculations.  
01:16:16 Ms. Moore reminded the committee when the governors office will release its revenue estimate.  
01:16:42 Rep. Jacobson reviewed potential agenda items for the November 2018 meeting.  
01:17:07 Sen. Hoven asked Sen. Barrett and Ms. Morrison for clarification of the term 'error in estimate'.  
01:21:42 Rep. Hamilton asked Ms. Morrison if LFD staff could present a review of the IHS revenue estimate.  
01:23:47 Rep. Hamilton asked for clarification of the LFD forecasting model.  
01:25:58 Sen. Ankney commented on the information the committee is requesting.  
01:26:55 Sen. Hoven asked Ms. Morrison if the governors office uses IHS for their revenue estimating.  
01:27:12 Rep. Jacobson asked Ms. Moore to review the committee's November 2018 meeting agenda items regarding revenue estimating.

### **Motion**

01:28:43 Sen. Barrett moved to request a committee bill draft for the revenue estimate.

### **Vote**

01:28:53 The motion passed unanimously on a voice vote.

## **SB 261 BUDGET STABILIZATION STUDY**

### **Staff Update**

01:29:51 Ms. Carlson

### **Overview of study -- Amy Carlson, Legislative Fiscal Analyst**

01:32:07 Ms. Carlson ([Exhibit 6](#))

### **Committee questions/discussion**

01:58:14 Committee discussion on budget stabilization and the prediction of volatility.  
02:01:58 Rep. Hamilton asked Ms. Carlson for clarification of SB 261 (2017) budget calculations.

**Public comment**

None

**TAXES AND CHANGING ECONOMY REQUESTS**

**Sales tax model -- Stephanie Morrison, Legislative Fiscal Division**

02:04:10 Ms. Morrison ([Exhibit 7](#)) ([Exhibit 8](#)) ([Exhibit 9](#))

**Committee questions**

02:12:05 Sen. Barrett asked if taxable online sales assumptions are calculated in the sales tax model.

**Shift-Share Analysis -- Sam Schaefer, Legislative Fiscal Division**

02:13:54 Mr. Schaefer (see Exhibit 8)

**Committee questions**

02:27:06 Sen. Barrett asked for clarification on the calculations used in the *Share of Effective Tax Rate Shift by Industry* graph (see Exhibit 8)

02:31:26 Sen. Barrett asked if there are revenue streams that cannot be assigned to certain sectors and how those revenue streams are calculated.

02:32:20 Sen. Barrett asked if interest income should be assigned to government sectors.

02:33:47 Sen. Barrett asked what portion of general fund revenue was included.

**Public comment**

None

**INDIVIDUAL INCOME TAX CREDIT ANALYSIS**

**Overview -- Ms. Morrison**

02:35:05 Ms. Morrison (see Exhibit 9)

**Committee questions**

02:50:42 Rep. Hamilton asked if credit purpose and effect can be measured in the individual income tax credit analysis. The question was redirected to Ms. Moore.

**Public comment**

None

**LUNCH** (Reconvened at 1:05 p.m.)

**AGENCY MONITORING DEPARTMENT OF TRANSPORTATION -- Mike Tooley, Director**

**Update on implementation of House Bill. 473**

04:02:26 Director Tooley ([Exhibit 10](#))

04:05:46 Larry Flynn, Administrator, Department of Transportation

**Alternative project delivery contracting update**

04:06:43 Director Tooley ([Exhibit 11](#))

**Public comment**

04:10:12 Cary Hegreberg, Montana Contractors Association

## **HJ 22: AGRICULTURAL PROPERTY STUDY**

### **Final report**

04:11:50 Ms. Moore ([Exhibit 12](#))

### **Committee requested bill drafts**

04:12:53 Ms. Moore ([Exhibit 13](#)) ([Exhibit 14](#))

### **Committee questions**

04:16:05 Sen. Barrett asked for clarification on the dollar requirement versus quantity requirement of produce.

04:18:15 Committee discussion

04:19:18 Ms. Moore continued her presentation ([Exhibit 15](#)) ([Exhibit 16](#))

### **Committee questions**

04:22:58 Sen. Hoven asked how public amenities are defined in statute.

04:23:15 Ms. Moore continued her presentation ([Exhibit 17](#)) (see Exhibit 13)

### **Committee questions**

04:30:37 Rep. Jacobson asked if there is reference to residential acreage in LCag00.

04:32:17 Ms. Moore ([Exhibit 18](#))

### **Public comment**

04:32:30 Richard Schriber, self

04:48:13 Carol Beyer-Ward, self

04:49:32 Kathleen Boiteau, Flathead County

04:50:32 Richard Schriber, self

### **Committee questions**

04:54:03 Sen. Barrett asked Ms. Beyer-Ward how much produce and income per tree she expects in a year from her orchard.

### **Committee work session**

04:56:19 Committee discussion

04:59:15 Sen. Cohenour asked Ms. Moore for clarification on LCag00 draft language.

05:01:17 Sen. Blasdel asked Ms. Moore for clarification on LCag00 draft language regarding the size of residential land.

05:02:39 Committee discussion

### **Motion**

05:04:53 Sen. Cohenour moved to adopt LCag03 with the amendment to add in the LCag00 simplification language.

### **Discussion on the Motion**

05:05:08 Sen. Barrett asked for clarification on the motion.

05:05:35 Sen. Barrett

05:06:24 Sen. Ankney

**Vote**

05:06:50 The motion failed on a 2-10 roll call vote, with Rep. Beard, Rep. Hamilton, Rep. Redfield, Sen. Ankney, Sen. Barrett, Sen. Boland, Sen. Blasdel, and Sen. Hoven voting 'no'. Rep. Hertz and Rep. Smith voted 'no' by proxy. ([Attachment 6](#))

**Motion**

05:07:45 Rep. Redfield moved to adopt LCag02.

**Discussion on the Motion**

05:08:15 Sen. Hoven asked if the fifty-dollar amount is adequate.

**Vote**

05:08:55 The motion passed unanimously on a voice vote.

05:09:42 Rep. Redfield agreed to carry LCag02 with Sen. Barrett as a backup.

**Motion**

05:10:19 Sen. Barrett moved to adopt LCag01 with the amendment to add in the LCag00 simplification language.

**Discussion on the Vote**

05:11:24 Rep. Jacobson

05:11:34 Sen. Cohenour

05:12:45 Sen. Barrett

05:13:00 Sen. Hoven asked Mr. Schriber how many square feet a cheery tree needs.

05:14:24 Sen. Blasdel

05:14:57 Rep. Jacobson

**Vote**

05:15:10 The motion passed on a voice vote 12-1, with Rep. Redfield voting 'no'.

05:15:38 Sen. Blasdel agreed to carry the bill draft with Sen. Barrett as a backup.

05:16:15 Rep. Jacobson asked Ms. Moore if the HJ 22: Agricultural Property Study final report had changes.

**Motion**

05:16:41 Sen. Cohenour moved to adopt the HJ 22: Agricultural Property Study final report (see Exhibit 12).

**Vote**

05:16:56 The motion passed unanimously on a voice vote.

**AGENCY MONITORING: DEPARTMENT OF REVENUE -- Gene Walborn, Director**

05:17:25 Director Walborn

**Update on endowment tax credit report**

05:20:13 Director Walborn ([Exhibit 19](#))

**Medical marijuana sales tax update**

05:21:56 Director Walborn

**Major case report**

05:23:30 Dan Whyte, Chief Legal Council, DOR ([Exhibit 20](#))

**Public comment**

None

**PUBLIC COMMENT ON ANY OTHER TOPIC WITHIN THE COMMITTEE'S JURISDICTION**

05:31:13 Douglas Felt, Uncle Bucks

05:35:51 Bob Story, Montana Taxpayers Association

**INSTRUCTIONS TO STAFF -- NEXT MEETING**

05:38:12 Ms. Moore reminded the members of the staff evaluation sheets in their packets.

05:39:38 Rep. Jacobson commented on the work of the committee, members, and staff throughout the 2017-2018 interim.

**ADJOURNMENT**

05:39:54 Rep. Jacobson adjourned the meeting at 2:43 p.m.

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