

MINUTES

**MONTANA HOUSE OF REPRESENTATIVES
57th LEGISLATURE - REGULAR SESSION
COMMITTEE ON TAXATION**

Call to Order: By **CHAIRMAN BOB STORY**, on March 5, 2001 at 8:00
A.M., in Room 472 Capitol.

ROLL CALL

Members Present:

Rep. Bob Story, Chairman (R)
Rep. Ron Erickson, Vice Chairman (D)
Rep. Roger Somerville, Vice Chairman (R)
Rep. Joan Andersen (R)
Rep. Keith Bales (R)
Rep. Joe Balyeat (R)
Rep. Gary Branae (D)
Rep. Eileen Carney (D)
Rep. Larry Cyr (D)
Rep. Rick Dale (R)
Rep. Ronald Devlin (R)
Rep. John Esp (R)
Rep. Gary Forrester (D)
Rep. Daniel Fuchs (R)
Rep. Verdell Jackson (R)
Rep. Jesse Laslovich (D)
Rep. Trudi Schmidt (D)
Rep. Butch Waddill (R)
Rep. Karl Waitschies (R)
Rep. David Wanzenried (D)

Members Excused: None.

Members Absent: None.

Staff Present: Jeff Martin, Legislative Branch
Rhonda Van Meter, Committee Secretary

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

Committee Business Summary:

Hearing(s) & Date(s) Posted: HJ 2, 2/26/2001; HB 616,
3/1/2001; HB 618, 3/1/2001
Executive Action: HJ 2

Continuation of Hearing on HJ 2

{Tape : 1; Side : A; Approx. Time Counter : 2.4}

Discussion on Non-General Fund Revenue

{Tape : 1; Side : A; Approx. Time Counter : 4.4}

REP. SOMERVILLE passed out three documents, a Gasoline Amendment **EXHIBIT (tah50a01)**, a Diesel Amendment **EXHIBIT (tah50a02)** and a GVW and Other Fees Amendment **EXHIBIT (tah50a03)**.

Diesel Tax

{Tape : 1; Side : A; Approx. Time Counter : 5}

Terry Johnson, Principle Fiscal Analyst, Legislative Fiscal Division, went through the section on the Diesel Tax (EXHIBIT(1) from March 1, 2001, pages 126-127) and there was discussion on it. He explained the Diesel Amendment **EXHIBIT(2)** and there was discussion on it.

Jim Currie, Department of Transportation, was available for questions.

{Tape : 1; Side : A; Approx. Time Counter : 27.2}

Motion: REP. SOMERVILLE moved that an **AMENDMENT TO ADJUST THE DIESEL FUEL TAX BE ADOPTED.**

Discussion:

There was discussion on the amendment.

{Tape : 1; Side : A; Approx. Time Counter : 29.5}

Vote: Motion that an **AMENDMENT TO ADJUST THE DIESEL FUEL TAX BE ADOPTED** carried unanimously.

Gasoline Tax

{Tape : 1; Side : A; Approx. Time Counter : 29.6}

Mr. Johnson, went through the section on the Gasoline Tax (EXHIBIT(1) from March 1, 2001, pages 130-132) and there was discussion on it. He explained the Gasoline Amendment **EXHIBIT(1)** and there was discussion on it.

{Tape : 1; Side : B; Approx. Time Counter : 2.2}

Motion: REP. ESP moved that the **GASOLINE AMENDMENT BE ADOPTED.**

Discussion:

There was discussion on the amendment.

{Tape : 1; Side : B; Approx. Time Counter : 10.2}

Vote: Motion that the **GASOLINE AMENDMENT BE ADOPTED** carried **unanimously.**

GVW and Other Fees

{Tape : 1; Side : B; Approx. Time Counter : 10.4}

Mr. Johnson went through the section on GVW and Other Fees (EXHIBIT(1) from March 1, 2001, pages 133-134) and there was discussion on it. He explained the GVW amendment **EXHIBIT(3)** and there was discussion on it.

{Tape : 1; Side : B; Approx. Time Counter : 11.5}

Motion: REP. SOMERVILLE moved that the **AMENDMENT ON GVW AND OTHER FEES BE ADOPTED.**

Discussion:

There was discussion on the amendment.

{Tape : 1; Side : B; Approx. Time Counter : 13.3}

Vote: Motion that the **AMENDMENT ON GVW AND OTHER FEES BE ADOPTED** carried **unanimously.**

There was continued discussion.

Discussion on Business Taxes

{Tape : 1; Side : B; Approx. Time Counter : 22.4}

Insurance Tax & License Fees

Mr. Johnson went through the section on Insurance Tax & License Fees (EXHIBIT(1) from March 1, 2001, pages 24-25) and there was discussion on it.

Railroad Car Tax

{Tape : 1; Side : B; Approx. Time Counter : 28.4}

Mr. Johnson went through the section on the Railroad Car Tax (EXHIBIT(1) from March 1, 2001, pages 26-27) and there was discussion on it.

Corporation Income Tax

{Tape : 1; Side : B; Approx. Time Counter : 31.8}

Mr. Johnson went through the section on Corporation Income Tax (EXHIBIT(1) from March 1, 2001, pages 11-12) and there was discussion on it. *{Tape : 2; Side : A; Approx. Time Counter : 0.1}* Discussion continued. He handed out amendment HJ00205.arl **EXHIBIT(tah50a04)**, a handout on Corporation License Tax **EXHIBIT(tah50a05)** and a graph on Income Tax Audit Collections and Corporation Tax Audit Collections **EXHIBIT(tah50a06)**. Don Hoffman, Department of Revenue explained those handouts. There was discussion on the amendment. *{Tape : 2; Side : B; Approx. Time Counter : 0.1}* Discussion continued on the amendment. *{Tape : 3; Side : A; Approx. Time Counter : 0.1}* Discussion continued on the amendment.

{Tape : 3; Side : A; Approx. Time Counter : 9.9}

REP. WANZENRIED handed out amendment HJ000212.arl **EXHIBIT(tah50a07)**. Discussion continued on both amendments.

{Tape : 3; Side : A; Approx. Time Counter : 12.2}

Motion: REP. WANZENRIED moved that **AMENDMENT HJ000212.arl BE ADOPTED.**

Discussion:

Discussion continued on the amendments.

{Tape : 3; Side : A; Approx. Time Counter : 18.2}

Substitute Motion: REP. BALYEAT made a substitute motion that **AMENDMENT HJ000205.arl BE ADOPTED INSTEAD OF AMENDMENT HJ000212.arl.**

Discussion:

There was discussion on that Substitute Motion.

{Tape : 3; Side : A; Approx. Time Counter : 20.3}

Motion/Vote: REP. SCHMIDT moved to POSTPONE ACTION ON CORPORATE INCOME TAX. Motion carried 17-3 with Balyeat, Fuchs, and Jackson voting no.

Individual Income Tax

{Tape : 3; Side : A; Approx. Time Counter : 21.9}

Mr. Johnson went through the section on the Individual Income Tax (EXHIBIT(1) from March 1, 2001, pages 17-23) and there was discussion on it. The committee decided to continue discussion on Individual Income Tax at the next meeting.

HEARING ON HB 616

Sponsor: REP. DAN MCGEE, HD 21, Laurel

Proponents: Jon Metropoulos, Montana Association of CPA's
Nancy Schlepp, Montana Farm Bureau
Mary Whittinghill, Montana Taxpayers Association
Riley Johnson, National Federation of Independent
Businesses
Aiden Myhre, Montana Chamber of Commerce

Opponents: None.

Opening Statement by Sponsor:

{Tape : 3; Side : B; Approx. Time Counter : 6.3}

REP. DAN MCGEE, HD 21, Laurel, stated HB 616 creates a commission to study taxation issues and complexities. He gave a history on the bill and his reasons for the bill. He asked that the committee remove REP. TROPILIA's bill from the table and look at the two bills together in a subcommittee.

Proponents' Testimony:

{Tape : 3; Side : B; Approx. Time Counter : 13.4}

Mary Whittinghill, Montana Taxpayers Association, stated she supports the concept of HB 616. She does have some amendments to work out with the sponsor. She would also support a subcommittee to put the two bills together.

Riley Johnson, National Federation of Independent Businesses, stated he supports the concept of HB 616. It is time that the total tax structure in Montana is reviewed. He suggested an amendment.

Aiden Myhre, Montana Chamber of Commerce, stated she supports HB 616. It illustrates the complexity of Montana's current tax system and perhaps the need to really simplify and make it a better system. It is a right direction in establishing a commission that will review the structure and establish a tax structure that looks to the future and takes into the account some of the sensitivities and the unique attributes of Montana.

Nancy Schlepp, Montana Farm Bureau, stated she appreciates the concept of HB 616. She would like to see a wide citizen participation added into the bill. It is important to look at the information that was used in other studies and to ask all of the pertinent questions.

Opponents' Testimony: None.

Questions from Committee Members and Responses:

{Tape : 3; Side : B; Approx. Time Counter : 18.4}

REP. CARNEY asked **Ms. Wittinghill** what is the Taxpayers Association's official stance on sales tax? **Ms. Wittinghill** stated, in the past the association has always supported a sales tax that would recourse on income tax relief.

REP. WANZENRIED asked **REP. MCGEE** is it possible that there may be an imbalance of partisan basis on the commission? **REP. MCGEE** stated it could happen but that is not the intent of the bill.

REP. WANZENRIED asked a question regarding the appropriation portion of the bill (question inaudible). **REP. MCGEE** stated the \$10,000 is for the balance of this fiscal year. The \$250,000 is for the beginning of the next fiscal year.

REP. SCHMIDT asked **REP. MCGEE** how is this bill different than **REP. TROPILA's**? Is it the adding of the advisory council on education? **REP. MCGEE** stated he does not know. There is a difference in the complexion of the commission. He does not believe the advisory council is in **REP. TROPILIA's** bill. The goal is that if there is going to be a different tax structure there is going to have to be a different revenue flow.

REP. LASLOVICH asked **Ms. Wittinghill** to explain the amendments she is proposing. **Ms. Wittinghill** stated she is still working out the amendments.

REP. ERICKSON asked **REP. McGEE** is there a bill or resolution to look at school financing and redoing the formula? If so, how would that fit in with this bill? **REP. McGEE** stated he just saw **REP. MUSGROVE's** resolution to study education funding. There is a Senate bill regarding this also. When legislative council assigns the various duties they may decide that particular study should be assigned to this commission or they could make it part of one of the standing interim committees. It would be wise to study what would happen under a bill that institutes a sales tax and to also study what would happen if a sales tax didn't pass.

REP. ERICKSON asked **REP. McGEE** if he intends Montana to be revenue neutral by the time the commission is over. **REP. McGEE** stated, with the revenue generated with a 4% sales tax you could eliminate all residential property tax and you could eliminate 50% of the bulk income tax in the state of Montana. Rather than that maybe we could get rid of 35% - 45% of the income tax and put some of it in a reserve. He went over his reasons for the bill. **REP. ERICKSON** asked **REP. McGEE** if he is talking about just the statewide property tax or is he talking about everything. **REP. McGEE** gave an example of his concept.

{Tape : 4; Side : A; Approx. Time Counter : 0.4}

REP. SOMERVILLE asked **REP. McGEE** is there a way that the tax users can be eliminated off the commission? He explained his reasons for this. **REP. McGEE** gave **REP. SOMERVILLE** his permission to do that.

REP. CARNEY asked **REP. McGEE** if this commission were to recommend a sales tax would that have to go to the vote of the people? **REP. McGEE** stated no, the legislature can do this.

REP. SCHMIDT asked **Judy Paynter, Department of Revenue** how much is collected in property taxes...(question inaudible). **Ms. Paynter** stated there is about \$800,000,000 collected in property taxes. What **REP. McGEE** is talking about is eliminating residential property tax. That is in the neighborhood of about \$300,000,000. He also has an idea of putting on a fee for part of residential which would bring in some additional money.

REP. FUCHS asked **Ms. Paynter** what is the difference between residential and overall taxes? **Ms. Paynter** stated **REP. McGEE** is talking about single family housing. He isn't talking about duplexes, etc., which are considered commercial.

REP. STORY asked **Kurt Alme, Director, Department of Revenue**, does the Department of Revenue have the resources to staff this kind of study? **Mr. Alme** stated yes.

REP. FUCHS asked **Ms. Paynter** if we were to eliminate this... (question inaudible)...? **Ms. Paynter** stated she would provide a number to the committee.

REP. SCHMIDT asked **Ms. Paynter** a question which was inaudible. **Ms. Paynter** stated she can't predict what the commission will do.

REP. ERICKSON asked **REP. McGEE** how he would handle the regressive effects of a sales tax. **REP. McGEE** stated he does not know but it will be studied.

Closing by Sponsor:

{Tape : 4; Side : A; Approx. Time Counter : 13.7}

REP. McGEE stated he is sorry he does not have all of the answers. He went over the bill. He is trying to get at the pressure people have to live under regarding their property taxes. With the appraisal system in place today citizens can't say a word about what their property taxes are going to be. That is fundamentally wrong. He would rather tax somebody's ability to spend than somebody's necessity to live. There seems to be a wide support of this.

HEARING ON HB 618

Sponsor: **REP. JOE BALYEAT, HD 32, Bozeman**

Proponents: None.

Opponents: **Jim Ahrens, Montana Hospital Association and Alliance for a Healthy Montana**
Sami Butler, Montana Nurse's Association
Bob Pancich, AARP
Chuck Notbohm, AARP

Opening Statement by Sponsor: This is a Bill for an act entitled; an act allowing a refundable tax credit for medical insurance premiums paid by certain taxpayers in excess of the amount paid in tax year 2000; providing limitations on the tax credit; providing a statutory appropriation from the Montana Tobacco Settlement Trust Fund to pay any refunds; amending sections 15-30-121 and 17-7-502, MCA; and providing an immediate effective date and a retroactive applicability date.

{Tape : 4; Side : A; Approx. Time Counter : 16.2}

REP. JOE BALYEAT, HD 32, Bozeman, submitted written testimony **EXHIBIT** (tah50a08).

Proponents' Testimony: None.

Opponents' Testimony:

{Tape : 4; Side : A; Approx. Time Counter : 29.4}

Jim Ahrens, Montana Hospital Association and Alliance for a Healthy Montana, stated this trust has been in existence for 64 days. The trust is a good idea. This bill would break the trust. *{Tape : 4; Side : B; Approx. Time Counter : 0.1}* He urged the committee's opposition of the bill.

Sami Butler, Montana Nurse's Association, stated while she supports the concept she has great concerns about tapping into the purpose of this fund.

Bob Pancich, AARP, stated paying for the tax credit by breaking the trust just isn't prudent. By lowering the corpus of the trust you are going to lower future income. That is totally against why the trust was created. The trust has to be allowed to build up.

Chuck Notbohm, AARP, stated he is opposed to the bill.

Informational Testimony:

{Tape : 4; Side : B; Approx. Time Counter : 3.6}

Aidan Mhre, Montana Comprehensive Healthcare Association, gave an overview of the Montana Comprehensive Healthcare Association.

Questions from Committee Members and Responses:

{Tape : 4; Side : B; Approx. Time Counter : 5.3}

REP. JACKSON asked **Mr. Ahrens** if his response would be the same to a bill that would use some money for federal medicare dollars. **Mr. Ahrens** stated, you can take general fund money and leverage that for medicaid purposes. We ought to take some of that 60% of the \$60,000,000 and run it back through medicaid. **REP. JACKSON** asked if he agrees with **REP. BALYEAT's** statement that there may not be enough agreement to take any money out. **Mr. Ahrens** stated he does not know what the votes will be.

REP. ERICKSON stated he loves the idea of such an expenditure of monies. He referred to his bill to double the cigarette tax. He asked **REP. BALYEAT** if he would be interested in coming back in 2 to 4 years, after his tobacco tax bill passes, and using some of that interest for this purpose. **REP. BALYEAT** stated this is broad compromise legislation. He stated that he would not support such a tax increase. The intent of this bill is to try and reach a compromise that could pass a 2/3 majority. **REP. ERICKSON** stated he is trying to reach that compromise.

REP. WADDILL asked **REP. BALYEAT** how would this bill help a person who could not get medical insurance because of a disease or disability? **REP. BALYEAT** stated if they can't get medical insurance then this bill won't help them. This bill would help a lot of people who are either not insured or under insured.

REP. DALE asked **Ms. Myhre** to address the same question. **Ms. Myhre** stated MCHA is a program that is for people who have been rejected by health insurance. The premiums for MCHA are capped so they cannot be more than 150% of an average, healthy individual.

REP. STORY asked **REP. BALYEAT**, the way this bill is structured does it apply to increased premiums? He gave an example. **REP. BALYEAT** stated it would apply to that.

REP. ESP asked **REP. BALYEAT** is this a refundable tax bill? **REP. BALYEAT** stated, yes it is.

Closing by Sponsor:

{Tape : 4; Side : B; Approx. Time Counter : 13.9}

REP. BALYEAT stated every opponent said this is a great idea but we simply cannot bust this trust. They said the idea of setting up the Tobacco Trust was that the money would just sit and only the interest may be spent. That may be their idea but that certainly wasn't the reason that so many Montanans voted for it. They voted for it because they want to restrict the use of that money to deal with the increasing costs of healthcare. HB 618 is clearly within the spirit of what the taxpayers intended when they set up this trust. He read through the Whereas' of the bill. He urged a do pass.

REP. STORY appointed a subcommittee to work on HB 616.

ADJOURNMENT

Adjournment: 12:05 P.M.

REP. BOB STORY, Chairman

HOLLY JORDAN, Transcription Secretary

BS/RV/HJ Transcribed by Holly Jordan

EXHIBIT (tah50aad)