

**MINUTES**

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

**Call to Order:** By **CHAIRMAN BOB STORY**, on March 13, 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. Daniel Fuchs (R)  
Rep. Verdell Jackson (R)  
Rep. Jesse Laslovich (D)  
Rep. Trudi Schmidt (D)  
Rep. Butch Waddill (R)  
Rep. Karl Waitschies (R)

**Members Excused:** Rep. Gary Forrester (D)  
Rep. David Wanzenried (D)

**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: SB 258, SB 92, HB 633,  
3/8/2001  
Executive Action: HB 244, HB 618

HEARING ON SB 258

Sponsor: REP. JOHN BOHLINGER, SD 7, BILLINGS

Proponents: Rod Sundsted, Associate Director, Fiscal Affairs,  
MT. University System  
Joe Mazurek, D.A. Davidson  
Arlene Hannawalt, MT. Guaranteed Student Loan  
Program

Opponents: None

Opening Statement by Sponsor:

REP. JOHN BOHLINGER, SD 7, BILLINGS, said this bill would assist with funding for higher education. He explained funding education accounts and how successful it would be for the state. He felt current law needed to be compliant with federal law and this legislation would be a good change.

Proponents' Testimony:

Rod Sundsted, Associate Director, Fiscal Affairs, MT. University System, stated the changes in the program. He handed out a summary of the bill EXHIBIT (tah57a01) and explained the information. He handed out a possible amendment explaining an error made during drafting of SB 258 EXHIBIT (tah57a02). He offered a background of the amendment.

Joe Mazurek, D.A. Davidson, said the important feature of this bill was depositing equities into these saving accounts. He felt the amendments would make it clear as to the intent of the legislation and he urged support of the bill.

Arlene Hannawalt, MT. Guaranteed Student Loan Program, liked the changes made to assist students with education costs. She strongly supported the bill.

Opponents' Testimony: None

Questions from Committee Members and Responses:

CHAIRMAN BOB STORY asked what the reasoning was for three years. SEN. BOHLINGER said he didn't propose the amendment and didn't know why three years would be the number. Rod Sundsted said three years offers an amount to help take out penalties when they occur. The funding needed to stay within the three year period so there would be a deduction of college expenses.

**CHAIRMAN STORY** asked who administers the account. **Rod Sundsted** explained the accounts administration and how it would work.

**CHAIRMAN STORY** asked what the average amount of money going into these accounts per year was. **Rod Sundsted** said deposits for this past year was \$6 million into the program. He said an average would be over \$2,000.

**CHAIRMAN STORY** asked if the deposits would be moved up due to including room and board. **Rod Sundsted** didn't believe there would be much of a change.

**CHAIRMAN STORY** asked if a beneficiary have more than one account. **Rod Sundsted** answered yes.

**REP. JOE BALYEAT** asked if this was a federal program with the previous legislation. **Joe Sundsted** said there was no federal program.

**REP. BALYEAT** asked if the amounts in these accounts were excluding from deduction. **Joe Sundsted** answered that was correct. He explained the tax on deposits.

**REP. TRUDI SCHMIDT** asked if this was limited to two beneficiaries. **Joe Sundsted** answered it could be more than two and he explained what the restrictions on an account was.

**REP. BALYEAT** wondered how this would integrate with other federal programs. He asked if the funding could be used as a scholarship credit. **Joe Sundsted** mentioned the restriction of using the funds in other federal programs such as an IRA.

**REP. KARL WAITSCHIES** asked if there was a cap amount with the funding. **Joe Sundsted** said the restrictions are not within this bill, but with federal regulations.

**REP. BALYEAT** asked if this would be deductible on the federal as well as the state return. **Joe Sundsted** answered by saying that was the understanding.

**REP. BALYEAT** asked what the reason was to participate within the program opposed to a federal education IRA. **Joe Sundsted** believed it would be deductible up to \$500.

**CHAIRMAN STORY** referred to Section one and asked about the contributions. **Joe Sundsted** explained the contributions involved and how the accounts are kept track of.

**REP. VERDELL JACKSON** asked about a post-secondary vocational program not leading to a degree. **Joe Sundsted** said the original bill in 1977 limited two-year institutions. He said this legislation was extending the regulations to be used in any institutions.

**Closing by Sponsor:**

**REP. JOHN BOHLINGER, SD 7, BILLINGS**, summarized how this bill was established from 1977 and explained how education was increasing. He mentioned the expenses incurred with college students. He emphasized the need for this bill and the effects of the changes. He felt a significant feature of the bill was to be able to place investments within equities.

*{Tape 1; Side B}*

**HEARING ON SB 92**

**Sponsor:** SEN. MIKE HALLIGAN, SD 34, MISSOULA

**Proponents:** Art Compton, Department of Environmental Quality  
Peggy Likens, Executive Director, Keep MT. Clean & Beautiful  
Sandy Nickels, Big Butte Compost

**Opponents:** None

**Opening Statement by Sponsor:**

**SEN. MIKE HALLIGAN, SD 34, MISSOULA**, talked about landfills and recycling of materials. He handed out information on recycling **EXHIBIT (tah57a03)**. He presented amendments to the bill **EXHIBIT (tah57a04)**. He said this would extend credit issues. He explained sections of the bill and the need to keep things out of landfills. He referred to the fiscal note and the cost savings this bill would have.

**Proponents' Testimony:**

**Art Compton, Department of Environmental Quality**, emphasized the recycling businesses were able to take advantage of this tax credit and there is a low margin of profit. He talked about how handles the bulk recycling currently and pointed out the tax credit within the amendments.

**Peggy Likens, Executive Director, Keep MT. Clean & Beautiful**, handed in her testimony **EXHIBIT (tah57a05)**.

**Sandy Nickels, Big Butte Compost**, gave the background of her company and felt this bill would assist the recycling programs. She explained how the compost product is made and she supported this bill.

**Opponents' Testimony:** None

**Questions from Committee Members and Responses:**

**REP. BUTCH WADDILL** asked if glass could be included in the recycling program. **SEN. HALLIGAN** said glass was subjected to the world market issues. **Louise Moore, Chief of Prevention Bureau, DEQ**, explained glass recycling and the process used.

**REP. WADDILL** asked if recycling could be used within the highway system in the future. **Louise Moore** answered by saying it could be possible to use within the asphalt.

**REP. SCHMIDT** asked if landscapers would qualify. **Sandy Nickels** said it would depend upon the benefits. She explained how the land owner would be able to take the tax deduction.

**REP. SCHMIDT** asked how the landscaper could take this as a deduction. **SEN. HALLIGAN** explained the section in the bill pertaining to this deduction.

**REP. RON ERICKSON** asked about the fiscal note and what happened during the eight year period. **Louise Moore** explained the trend and the credit claims over the years.

**REP. ROGER SOMERVILLE** asked if the recycled asphalt would offer a tax credit. **Louise Moore** wondered if it was a local government operation. She didn't think they would use it as a tax credit.

**REP. SOMERVILLE** asked if companies were applying for a tax credit. **Louise Moore** stated approximately 24 companies within the state using supply ash for asphalt uses.

**CHAIRMAN STORY** asked if Gibson was being running out of this project. **Louise Moore** answered currently, no.

*{Tape 2; Side A}*

**REP. JOAN ANDERSEN** asked about insulation uses. **SEN. HALLIGAN** gave the definition of material uses and recycled paper. **Louise Moore** added a person using paper insulation would be able to file for a tax deduction.

**CHAIRMAN STORY** asked for clarification of the amendments. **SEN. HALLIGAN** said they would assist the energy repealer.

**Closing by Sponsor:**

**SEN. MIKE HALLIGAN, SD 34, MISSOULA**, closed on his bill. He stated this issue was important for recycling and the uses it could offer. He gave an example of a person using recycled materials to build a home. This legislation would assist businesses trying to expand and make good use of recycling products. A letter supporting this bill was handed to the committee **EXHIBIT (tah57a06)**.

**Miscellaneous Discussion:**

**CHAIRMAN STORY** discussed the subcommittee regarding the study bills HB 248 and HB 616.

**REP. BALES** talked about the difference in structure with these bills. He explained the parties involved and mentioned a list within each bill for comparison.

**REP. SOMERVILLE** suggested to eliminate a state employee off of the list as voting members. **REP. ESP** felt legislators needed to be on the study to vote on tax laws and add experience.

**REP. ERICKSON** compared the two bills and said there needed to be a balance. **REP. SCHMIDT** added the members needed to balance the study out.

**REP. ERICKSON** wondered about having a voting member as the advisor of the study. **REP. SCHMIDT** wanted to hear from more people on the committee dealing with the study to get a better overview.

**REP. ESP** added county commissioners would understand the tax law better. **CHAIRMAN STORY** mentioned a study he served on and explained the background they worked on.

**REP. SCHMIDT** asked about the number of people on a study committee. **CHAIRMAN STORY** explained the ideas involved and it how it wouldn't make much difference for the number of people to get the work done.

***{Tape 2; Side B}***

**EXECUTIVE ACTION ON HB 244**

**Motion/Vote:** REP. WANZENRIED made a motion to remove HB 244 from table. Motion carried unanimously.

**Motion:** REP. ERICKSON moved HB 244 DO PASS.

**Discussion:**

REP. ERICKSON explained reasons to remove this bill from the table and the effects this bill would have. He mentioned a buy now and sell later effort to bring biotech to the state. He stated looking at the university systems to offer a high tech state with research.

REP. BALYEAT commented on other states with researching and high tech facilities. He mentioned the amount of money spent on higher education.

CHAIRMAN STORY mentioned the tax structure and opposed the bill.

**Vote:** Motion failed 9-11 with REP. ERICKSON, REP. BRANAE, REP. CARNEY, REP. CYR, REP. FORRESTER, REP. LASLOVICH, REP. SCHMIDT, REP. WADDILL and REP. WANZENRIED voting aye.

**Motion/Vote:** REP. BALES moved HB 244 BE TABLED reversing above vote.

**EXECUTIVE ACTION ON HB 618**

**Motion:** REP. BALYEAT moved HB 618 DO PASS. A booklet on Montana Comprehensive Health Association was handed out **EXHIBIT (tah57a07)**. A Portability Plan was presented to the committee **EXHIBIT (tah57a08)**.

**Discussion:**

REP. BALYEAT refreshed the committee with the background of this bill. He explained health insurance expenditures and the tax credit available to take for deduction. He felt they could utilize this money within a tax credit fund to cover amounts involved.

REP. CARNEY asked about the fiscal note and the purpose of replacing the credit. REP. BALYEAT said he wasn't replacing a credit, but a deduction.

**REP. CARNEY** asked how this would grow. **REP. BALYEAT** said the bill was designed to keep the general fund on hold so there would not be a program utilizing up the budget.

*{Tape 3; Side A}*

**REP. JACKSON** agreed with the philosophy of using the money for health insurance reasons. He offered an example of people not being able to afford insurance and asked how the credit would be issued. **REP. BALYEAT** explained the refundable credit and how it would offset the income tax liability.

**REP. DEVLIN** wondered about an employee paying for insurance and if they would be eligible for credit. **REP. BALYEAT** explained if employees were not paying their own insurance and their eligibility.

**REP. DEVLIN** mentioned school systems and asked if there would be an impact on the fiscal note. **REP. BALYEAT** said there is a greater benefit to the school systems and it shouldn't effect the fiscal note.

**REP. ERICKSON** mentioned the trust within a trust and the tobacco money.

**REP. WADDILL** talked about the short term and long term effects. **REP. BALYEAT** said there is no short or long term version to look at and he felt this should be looked at for the reasons of assisting people in need of insurance.

**REP. BALES** wondered about the 30% figure and how that would change. **CHAIRMAN STORY** said it would take a two thirds vote to raise the figure.

**REP. BALES** commented this bill is needed due to no insured people in need of it.

**REP. WAITSCHIES** was curious of targeting the credit from the increase. **REP. BALYEAT** explained the compromise proposal from having a two thirds vote.

*{Tape 3; Side B}*

**CHAIRMAN STORY** mentioned the increased premiums and what would be available to people. He asked about the issue of policies being critical. **REP. BALYEAT** said it would be coverage for the under insured. He explained the cost increase for health insurance and the need of people to have insurance.

**Vote:** Motion carried 11-9 with REP. ERICKSON, REP. BRANAE, REP. CARNEY, REP. CYR, REP. DEVLIN, REP. LASLOVICH, REP. SCHMIDT, REP. WADDILL and REP. WANZENRIED voting no.

**HEARING ON HB 633**

**Sponsor:** REP. GARY FORRESTER, HD 16, BILLINGS

**Proponents:** Russ Ritter, MT. Resources

**Opponents:** None

**Opening Statement by Sponsor:**

REP. GARY FORRESTER, HD 16, BILLINGS, said this bill offers a reimbursement package for school districts and counties. He compared SB 200 reflecting this legislation. He stated this bill would provide triggers and assist areas in need of reimbursement.

**Proponents' Testimony:**

Russ Ritter, MT. Resources, mentioned the fiscal needs for the state. He explained the portion paid from taxes to local, state and federal government from the mining in Butte. He said there should be a way to reduce taxes to reopen the mine.

**Opponents' Testimony:** None

**Questions from Committee Members and Responses:**

REP. CARNEY asked how the price of electricity effect the closing of the mine. Russ Ritter explained when the contract ran out and the level of power required.

REP. CARNEY asked if the tax was dropped, could the mine reopen. Russ Ritter answered, by itself, no.

REP. CARNEY asked where the money would come from after the reimbursement. REP. FORRESTER said it would come from the general fund.

REP. JESSE LASLOVICH referred to page 16 through 18 and asked what was getting rid of in these sections. Jeff Martin explained the exemption under current law.

**REP. ESP** referred to page 17 and asked about the 31%. **Jeff Martin** said it was for clean up language and the percentage would be effective for the tax year.

**REP. ESP** asked if the bill reflects the concerns of changing current law. **REP. FORRESTER** mentioned the triggers and how this legislation would take affect.

**REP. ESP** asked for clarification of SB 200. **REP. FORRESTER** said SB 200 does not provide for any reimbursement. He said this bill offers a reimbursement.

**CHAIRMAN STORY** mentioned to add in the record this bill was given a short notice and more proponents would have been available.

**Closing by Sponsor:**

**REP. GARY FORRESTER, HD 16, BILLINGS**, believed this legislation would offer small businesses a tax break. He said this bill would allow tax relief for the state. He urged support of the bill.

**ADJOURNMENT**

Adjournment: 11:14 A.M.

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REP. BOB STORY, Chairman

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CECILE M. TROPILA, Transcriptionist

BS/RV

**EXHIBIT (tah57aad)**