

MINUTES

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

Call to Order: By **CHAIRMAN BOB STORY**, on March 14, 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: SB 317, HB 555, HB 631
3/9/2001
Executive Action: HB 581

HEARING ON SB 317

Sponsor: SEN. ALVIN ELLIS, SD 12, RED LODGE

Proponents: Brian Smith, MT. State Brewers Association
Tim Bozik, Bitterroot Brewing, Hamilton
Sam Hoffman, Red Lodge Brewing
Kristie Blazer, MT. Beer & Wine Wholesalers Assoc.
Neil Peterson, Department of Revenue

Opponents: None

Opening Statement by Sponsor:

SEN. ALVIN ELLIS, SD 12, RED LODGE, said this bill would provide a reduced state beer excise tax for small brewers based upon production. He explained the cost per barrel and said SB 317 would assist small brewers with less than 20,000 barrels. He mentioned the competition of brewers in the state and how it would help reduce the licensing costs.

Proponents' Testimony:

Brian Smith, MT. State Brewers Association, supported this legislation and believed it would assist brewers due to their competition within the state. He explained the brewing companies in the state. He stated the percent of taxes on small breweries and urged a do pass with this bill.

Tim Bozik, Bitterroot Brewing, Hamilton, explained the small brewing companies and believed this legislation would assist their tax costs.

Sam Hoffman, Red Lodge Brewing, asked for support of this bill.

Kristie Blazer, MT. Beer & Wine Wholesalers Assoc., noted the taxes paid and how this legislation would provide an incentive for the excise tax of small businesses.

Neil Peterson, Department of Revenue, stated he was responsible for licensing of the small businesses and would be available for questions.

Opponents' Testimony: None

Questions from Committee Members and Responses:

REP. TRUDI SCHMIDT asked about the issue of breweries. **Brian Smith** explained the issue of small businesses and how these breweries have adapted to the arena. He gave the basics of operation.

REP. JESSE LASLOVICH asked about the barrels produced. **Sam Hoffman** answered approximately 410.

REP. LASLOVICH asked how much was produced within the past year. **Brian Smith** explained the breweries and their production over the year.

CHAIRMAN BOB STORY asked about the tax structure of the bill. **Brian Smith** explained the production of barrels per day.

CHAIRMAN STORY asked if this would create a disincentive to produce the last five barrels. **Brian Smith** said if they were producing more beer it shouldn't be affected.

CHAIRMAN STORY asked how the department interprets the bill. **Neil Peterson** answered by stating the fiscal note would reflect the production costs.

REP. BUTCH WADDILL asked if this tax would hurt the larger brewing companies. **Mark Taylor, Anheuser Busch Brewing**, explained the differences of brewing businesses of small and large. He said they support Montana Brewers and what is offered and there is no competition involved.

Closing by Sponsor:

SEN. ALVIN ELLIS, SD 12, RED LODGE, closed on the bill and stated only brewers under 20,000 barrels would be effected by this legislation. He explained the tax costs and how this would assist the small businesses.

HEARING ON HB 555

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

Proponents: **REP. RICK DALE, HD 39, WHITEHALL**
Julie Milliam, Executive Director, Christian
Coalition of MT.
Gil Wooden, Rocky Mountain Christian School,
Helena
REP. VERDELL JACKSON, HD 79, KALISPELL

Opponents: Donald Jones, Attorney, Helena
Jean Belangie-Nye, Lolo School System
Dr. Everett Lynn, Helena
Scott Crichton, Executive Director, American Civil
Liberties Union
Madeline Quinlin, State Superintendents Office
Bob Vogel, MT. School Board Association
Eric Feaver, MEA-MFT
Loran Fraser, School Administrators, Butte

Informational Witness:

Sharon Hoff-Brodowy, MT. Catholic Conference

Opening Statement by Sponsor:

REP. JOE BALYEAT, HD 32, BOZEMAN, handed out proposed amendments for this bill **EXHIBIT (tah58a01)**. He handed out a testimony **EXHIBIT (tah58a02)** and testimony of Rob Natelson for this bill **EXHIBIT (tah58a03)**.

{Tape 1; Side B}

Proponents' Testimony:

REP. RICK DALE, HD 39, WHITEHALL, supported this bill and gave reasons for his support. He mentioned the benefits of this bill.

Julie Milliam, Executive Director, Christian Coalition of MT., handed out a legal analysis of tuition tax credit **EXHIBIT (tah58a04)**. She stated the tax credit funds for education and the benefits this bill would provide. She explained reasons for this legislation and asked for support from the committee.

Gil Wooden, Rocky Mountain Christian School, Helena, explained the cost savings this bill would provide. He emphasized the need for this legislation to assist with education. He stated the population growth and the impact on tax payers.

REP. VERDELL JACKSON, HD 79, KALISPELL, commented on the education basis and cost savings. He stated the amount of children enrolled in private versus public schools. He explained the average expenditures during the school year. He mentioned handicapped students and the costs involved. He felt this was a good bill and would offer benefits for the children.

{Tape 2; Side A}

Opponents' Testimony:

Donald Jones, Attorney, Helena, handed in his testimony **EXHIBIT (tah58a05)**.

Jean Belangie-Nye, Lolo School System, presented her testimony **EXHIBIT (tah58a06)**.

Dr. Everett Lynn, Helena, presented his testimony **EXHIBIT (tah58a07)**.

Scott Crichton, Executive Director, American Civil Liberties Union, handed in his testimony **EXHIBIT (tah58a08)**.

Madeline Quinlin, State Superintendents Office, opposed this bill due to the drain on the tax base. She emphasized the declining enrollment and how this legislation would not be beneficial. She felt this bill would provide tax credits only for a certain number of parents. She explained the recruitment and retention of teachers for the state.

{Tape 2; Side B}

Bob Vogel, MT. School Board Association, briefed the points of this bill that would only address private schools. He addressed the tax credit for middle and upper class income families. He felt this was unclear of the educational expenses this would involve. He did not agree with language in sections of the bill.

Eric Feaver, MEA-MFT, explained the tax expenses and emphasized the need to maintain the public school system.

Loran Fraser, School Administrators, Butte, compared other states with the school system in Montana. He believed the funds were not a savings or a benefit to the state. He urged a tabling motion on this legislation.

Sharon Hoff-Brodowy, MT. Catholic Conference, didn't have a position on the bill and wanted to be an information witness. She would be available for questioning.

Questions from Committee Members and Responses:

REP. EILEEN CARNEY referred to fascism teaching within certain schools and asked about tax credits. **Madeline Quinlin** said under this legislation all students would be eligible for tax credit.

REP. CARNEY asked how much a teacher was awarded. **Madeline Quinlin** didn't believe the teacher of the year was awarded any extra financial compensation.

REP. CARNEY asked for understanding of tax credits. **Madeline Quinlin** explained how parents receive a tax credit after they relate the expenses during the calendar year.

REP. CARNEY asked if parents have to declare this every year. **Madeline Quinlin** answered yes.

REP. CARNEY asked how the excellence of a teacher would be chosen. **Madeline Quinlin** felt there would be a problem with the participation during the voting process.

REP. LASLOVICH asked if parents have the choice. **Julie Milliam** believed there were choices as to where parents allow their children to attend schooling.

REP. LASLOVICH asked about the fiscal note being constitutional. **Julie Milliam** believed it would be constitutional.

REP. LASLOVICH asked if private schools were near capacity and if the public schools would be losing funding. **Gil Wooden** explained the state offering costs and the population of children in the system. He felt there would be a cost savings.

REP. LASLOVICH asked about private schools and gaining more students. **Gil Wooden** talked about the expense and student growth.

REP. LASLOVICH asked about a technical note and the cost savings. **REP. BALYEAT** explained the technical note. He addressed the amount of savings for the school districts.

{Tape 3; Side A}

REP. SCHMIDT asked if there was an advantage to students in rural areas. **Julie Milliam** said there wouldn't be any extra funding for rural areas.

REP. SCHMIDT asked if private schooling would affect areas that had no private schools available. **Madeline Quinlin** believed it would not have any affect on rural areas that do not have private schooling.

REP. SCHMIDT asked if any private schools currently only related to children with special needs. **Madeline Quinlin** couldn't accurately answer this question.

REP. SCHMIDT referred to the technical note and asked if these schools would comply to state requirements. **Scott Crichton** explained the funding and how it is delegated. He felt the accountability of private institutions would comply.

CHAIRMAN STORY asked about a tax credit to the individual. **Scott Crichton** explained the indirect aid to the institution.

CHAIRMAN STORY asked if the same problem would exist with the endowment tax credit. **Scott Crichton** said he had not researched that issue.

CHAIRMAN STORY asked if a credit of this type with a child going to a school that was not a church-supported school, would be constitutional. **Scott Crichton** thought it might reach the level of being acceptable, but it would be hard to distinguish between schools.

CHAIRMAN STORY asked about the indirect support concept and how to justify the city regulations that would reflect with the public or private schooling sector. **Scott Crichton** mentioned the prohibition against state supporting religion in the constitution.

REP. SCHMIDT asked about the paperwork. **Loran Fraser** explained the people applying to the school and the information needing to be tracked.

REP. SCHMIDT asked if this would require more F.T.E.s to track this system. **Loran Fraser** agreed.

REP. SCHMIDT wondered about the Lutheran social case. **REP. BALYEAT** stated the case before the courts dealing with indirect aid.

REP. WADDILL asked if there were any students in rural areas that cannot attend a public school. **Madeline Quinlin** said there are students in some cases where the parents have chosen to home school.

REP. WADDILL asked if parents continue to pay taxes to support local schools when they were not receiving any benefit from the schools. **Madeline Quinlin** said the parents were provided with an individual transportation contract.

REP. WADDILL asked about children with special needs. **Madeline Quinlin** explained the larger schools within the state and how it reflects on rural areas that children with special needs may live. Parents usually move to larger areas to receive the services offered.

REP. WADDILL asked if there was a credit system for the 47 states mentioned. **REP. BALLYEAT** said there was a wide variety of proposals for parents.

REP. WADDILL asked if this was a targeted tax break. **REP. BALLYEAT** said this was based upon fairness of tax credits. He explained targeted credits with taxes and when they would be appropriate.

REP. KEITH BALES asked about students not being registered and showing up. **Madeline Quinlin** said when enrollment accounts were taken.

REP. RON ERICKSON asked the expenses that qualify. **Madeline Quinlin** explained the fiscal note and how it would apply to the home schools.

REP. ERICKSON asked for clarification of charter schools. **Madeline Quinlin** said charter schools could either be private or public and she explained how they exist.

{Tape 3; Side B}

REP. JOHN ESP asked about accountability. **Gil Wooden** explained the process and how they use accountability of students.

REP. GARY FORRESTER asked how this would save school districts and what the consequences might be to smaller classrooms. **REP. BALLYEAT** cleared up confusion to the school districts and addressed they would not lose any funding under this bill if there were no private schools available.

REP. FORRESTER asked about increases with student enrollment and how to balance this out. **REP. BALLYEAT** said through economic changes they would have to balance out.

REP. FORRESTER asked if people would take advantage of the tax credit. **REP. BALLYEAT** felt people weren't currently taking advantage of tax credits.

REP. FORRESTER wondered about poor test scores and asked why Montana has gone down with the teaching capabilities. **Eric**

Feaver said students within Montana have impressive test scores. He felt the economic scales affect the school districts.

Closing by Sponsor:

REP. JOE BALYEAT, HD 32, BOZEMAN, closed on this bill and read testimony from Rob Natelson (**EXHIBIT #3**).

{Tape 4; Side A}

HEARING ON HB 631

Sponsor: REP. KIM GILLAN, HD 11, BILLINGS

Proponents: Madeline Quinlin, Office of Public Instruction
Bob Vogel, Mt. School Board Association
Eric Feaver, MEA-MFT
Darrell Holser, AFL-CIO

Opponents: None

Opening Statement by Sponsor:

REP. KIM GILLAN, HD 11, BILLINGS, handed out a tax table on HB 631 **EXHIBIT (tah58a09)**. She handed out a Coal Severance Tax Distribution table **EXHIBIT (tah58a10)**. She stated this legislation was a proposal to establish a trust with \$100 million dedicated to elementary school funding. She explained establishing a trust within a trust. She stated this would be a good step to offer a sustainable source of revenue.

Proponents' Testimony:

Madeline Quinlin, Office of Public Instruction, said this proposal provides an on-going revenue source for public schools. She explained setting aside a piece of the trust for education.

Bob Vogel, Mt. School Board Association, felt this bill would assist addresses the basic needs of financial support for education.

Eric Feaver, MEA-MFT, gave a background of the trusts. He supported this legislation and urged the committee to pass.

Darrell Holser, AFL-CIO, offered support of this bill and viewed this proposal as good economic developments for education.

Opponents' Testimony: None

Questions from Committee Members and Responses:

REP. ROGER SOMERVILLE asked for explanation of the higher education bill. **REP. GILLAN** said she did not have distinct answers to its comparison.

REP. SOMERVILLE asked how these funds were invested. **REP. GILLAN** said the funds were not treated differently. She explained how they were generated.

REP. SOMERVILLE asked about the dollar amount replaced for education. **REP. GILLAN** said this trust could replace the funding.

REP. RICK DALE asked about the earnings from the trust fund. **REP. GILLAN** explained the permanent trust fund and where the earnings come from.

REP. DALE asked if the interest earnings go into the general fund. **REP. GILLAN** answered, they do go into the general fund and explained the differences.

REP. ERICKSON referred to the table handed out and asked about policy. **REP. GILLAN** stated the direct funding from the coal tax and said it becomes a policy decision.

REP. ERICKSON asked about direct funding instead of leaving the education trust broad. **REP. GILLAN** felt this would assist the education trust and it should be established currently.

CHAIRMAN STORY referred to the chart and asked about the amount into school funding per year. **REP. GILLAN** explained the general fund money and where it goes into.

CHAIRMAN STORY asked about the increase within the title. **Madeline Quinlin** said the increase is a one and a half the first year. She stated the school cost proposals and amount per year.

REP. SOMERVILLE asked about the language on page four. **CHAIRMAN STORY** said these pages are a temporary section of law dealing with other funding.

{Tape 4; Side B}

Closing by Sponsor:

REP. KIM GILLAN, HD 11, BILLINGS, felt this bill was an important step to establish an educational trust fund. She suggested how a

trust within a trust was effective. She encouraged the committee to support this legislation.

Miscellaneous Discussion:

Kurt Nichols, State Budget Office, addressed the issues pertaining to request of a committee bill for allocating oil and natural gas taxes. He referred to a section allocating the taxes and explained where the portions would go. He explained what funding was taken out and how it was allocated. He presented a proposed committee bill information **EXHIBIT(tah58a11)**.

REP. LASLOVICH wondered about a bill from local government and if it could be amended to assist this allocation. **Kurt Nichols** explained the legislation and felt it could be amended.

REP. DAN FUCHS asked who the proponents might be for this type of a committee. **Kurt Nichols** didn't think there would be specific proponents for this legislation.

REP. BALYEAT asked if this would cause tax increase. **Kurt Nichols** answered no.

REP. ERICKSON understood this original bill was proposed in 1995. He asked if the funding was put into the water account. **Kurt Nichols** said the funding was allocated yearly.

Motion/Vote: **REP. BALES** moved to DRAFT A COMMITTEE BILL. Motion carried unanimously.

EXECUTIVE ACTION ON HB 581

Motion: **REP. WADDILL** moved to take HB 581 off of the table.

Discussion:

REP. WADDILL gave reasons for this bill to be un-tabled. He explained HB 581 would allow the determination of public convenience and necessity for a gambling license.

Vote: Motion carried 11-9 with **REP. SOMERVILLE, REP. ANDERSEN, REP. BALES, REP. CYR, REP. DEVLIN, REP. FORRESTER, REP. FUCHS, REP. WANZENRIED** and **CHAIRMAN STORY** voting no.

Motion: **REP. WADDILL** moved HB 581 DO PASS.

Discussion:

REP. WADDILL explained amendments that were with the bill.

REP. ESP wondered about the transfer of ownership. **REP. CYR** thought the amendment need clarification of the premises.

REP. DALE asked how to determine a necessity and what would be the process. **CHAIRMAN STORY** didn't know the type of information to prove necessities. **Rich Miller, Department of Revenue**, didn't have specifics for this information.

REP. DALE asked if this would allow the sale of interest. **REP. WADDILL** understood it would allow. **Rich Miller** said it was the intent of the amendment.

REP. BALES felt this would go against the property issue.

Vote: Motion failed 10-10 with **REP. SOMERVILLE, REP. ANDERSEN, REP. BALES, REP. BALYEAT, REP. CYR, REP. DEVLIN, REP. FORRESTER, REP. FUCHS, REP. WANZENRIED** and **CHAIRMAN STORY** voting no.

ADJOURNMENT

Adjournment: 12:16 P.M.

REP. BOB STORY, Chairman

CECILE M. TROPILA, Transcriptionist

BS/RV

EXHIBIT (tah58aad)