

**MINUTES**

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

**Call to Order:** By **CHAIRMAN BOB STORY**, on April 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. 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:** Rep. Daniel Fuchs (R)

**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 220, SB 462, SB 496, SB  
508, 4/3/2001  
Executive Action: SB 73, SB 134, SB 273, SB 494,  
SB 519, SB 462

HEARING ON SB 220

Sponsor: SEN. JOHN BOHLINGER, SD 7, BILLINGS

Proponents: Sharon Hoff-Brodowy, MT. Catholic Conference  
Briana Kerstein, MT. Peoples Action  
Betty Whiting, MT. Association of Churches  
Wendy Young, W.E.E.L.

Opponents: None

Informational Witness:

Hank Hudson, Department of Health & Human Services

Opening Statement by Sponsor:

SEN. JOHN BOHLINGER, SD 7, BILLINGS, stated the bill would focus on efforts to encourage good paying jobs. He felt the tax reduction would offer necessary investments to the economy. He explained how the working poor would be able to keep more of the money they earn through a tax reduction.

Proponents' Testimony:

Sharon Hoff-Brodowy, MT. Catholic Conference, stated the high priority of the Catholic Conference was working with issues of children and families. She supported the bill due to its efforts of offering tax reductions to low income families.

Briana Kerstein, MT. Peoples Action, felt the earned income tax credit would be a good use of the tax dollars by investing into the families. She urged the committee to pass this legislation.

Betty Whiting, MT. Association of Churches, talked about economic justice. She referred to a study and the differences pertaining to people in the workforce.

Wendy Young, W.E.E.L., mentioned families making less than the average each month and how this bill would add an extra month income. She urged support from the committee.

Opponents' Testimony: None

Informational Witness:

Hank Hudson, Department of Health & Human Services, would be available for questions.

**Questions from Committee Members and Responses:**

**REP. RON DEVLIN** asked if TANIF funds were used towards non-working families. **Hank Hudson** explained the TANIF law grant applying to both working and non-working families. He stated people would be eligible for a tax credit through this bill.

**REP. DEVLIN** asked if there was a block grant of funds available. **Hank Hudson** stated the block grant amount and how it could be utilized.

*{Tape 1; Side B}*

**REP. TRUDI SCHMIDT** referred to the technical note and asked about the cash assistance. **Hank Hudson** clarified the note and felt the cash recipients offer concerns.

**REP. KARL WAITSCHIES** asked about the tax rationale. **SEN. BOHLINGER** said every wage earner in Montana would pay social security taxes. He explained the recipients of the earned income tax payment.

**REP. WAITSCHIES** wondered if the state collected social security benefits. **SEN. BOHLINGER** said the federal government is the collector of social security.

**REP. WAITSCHIES** asked about the coverage of payment for the state. **SEN. BOHLINGER** said it would be through the TANIF block grant from federal.

**REP. VERDELL JACKSON** asked about SB 77 fiscal analysis and the relation. **SEN. BOHLINGER** didn't have the status of SB 77. **Hank Hudson** explained SB 77 and how it would create two systems.

**REP. JACKSON** asked about the tax liability. **SEN. BOHLINGER** explained the intent of the bill dealing with tax liability.

**REP. RON ERICKSON** asked where the funds may be distributed. **SEN. BOHLINGER** mentioned the fraction of money taken from programs and where it was distributed.

**REP. ERICKSON** asked how much money was taken from the affordable housing account. **SEN. BOHLINGER** answered approximately \$85,000.

**REP. BUTCH WADDILL** wondered about level of income being raised due to childcare. He asked if there was a concern with the bill dealing with additional increases. **Hank Hudson** said the bill would provide for a narrow group of people with this issue.

**REP. JOAN ANDERSEN** asked if all of the working families were receiving assistance within this category. **Hank Hudson** said a majority of families receive eligibility for assistance.

**REP. ANDERSEN** asked if there was an effort to include low income workers. **SEN. BOHLINGER** said the bill in its original form would have provided qualifications towards low income workers. He explained the limitation the bill now offers.

**Closing by Sponsor:**

**SEN. JOHN BOHLINGER, SD 7, BILLINGS**, summarized the bill and described the intent of the legislation. He felt the bill would offer a considerable amount of assistance towards wage earners living in poverty. He stated this would be an alternative way to supplement income for low wage earners.

**HEARING ON SB 462**

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

**Proponents:** **None**

**Opponents:** **None**

**Opening Statement by Sponsor:**

**SEN. ALVIN ELLIS, SD 12, RED LODGE**, handed out an article "Cold Reality" **EXHIBIT(tah77a01)**. He gave examples of people in businesses who borrow money and possibly are eligible for an extension. He stated the bill would change the law for the entity in a rears be able to pay taxes. He explained the intent of the bill and addressed the penalties involved with paying the taxes involved. He stated the 20 percent threshold for taxable evaluation and it would be lower to 10 percent. The bill would protect the entities and provide an incentive to the lender by paying the taxes before a problem occurred before the taxing jurisdiction.

**Proponents' Testimony:** None

**Opponents' Testimony:** None

**Questions from Committee Members and Responses:**

**REP. JACKSON** asked for an explanation of the penalty and interest involved with this bill. **SEN. ELLIS** clarified the effects of the penalty and the interest.

**REP. JACKSON** asked if the penalty was a one time only, raising it to three percent. **SEN. ELLIS** answered yes. He explained the taxing jurisdiction time frame where the increase would occur.

*{Tape 2; Side A}*

**CHAIRMAN BOB STORY** asked if the additional penalty would apply to the entity cost or be spread over the county. **SEN. ELLIS** said all taxing jurisdictions would be affected. He explained who would benefit from the increase in interest.

**CHAIRMAN STORY** wondered if constitutional problems would exist with this bill. **SEN. ELLIS** didn't think problems would occur.

**REP. GARY FORRESTER** asked how much more it might cost per area. **SEN. ELLIS** gave an example and explained the additional money owed. He did not think the lender would want exposure to income stream.

**REP. FORRESTER** wanted to know a reaction of how the business would be able to get out of the hole they dug themselves into. **SEN. ELLIS** thought the situation would involve the lender unwilling to offer the entity money at the rate that it could be received from the county. This bill would provide them a bonus because they would face high alternative interest rates.

**REP. FORRESTER** didn't think this would apply to one county, but throughout the state. **SEN. ELLIS** talked about the other taxpayers in other jurisdictions and the borrowing of money available.

**REP. WAITSCHIES** wondered about the interest coming in. **SEN. ELLIS** said it would provide an incentive to the mortgagee to pay the taxes.

**REP. WAITSCHIES** asked if this would only work with current interest rates. **SEN. ELLIS** answered yes.

**CHAIRMAN STORY** referred to sections with language changes. He asked if there was any changes to the subsection of the law. **Dolores Cooney, Department of Revenue**, answered no and thought the wording was different.

**CHAIRMAN STORY** referred to section five of the bill and asked if anything had been changed due to partial payment. **Dolores Cooney** didn't believe there had been any changes.

Closing by Sponsor:

**SEN. ALVIN ELLIS, SD 12, RED LODGE**, summarized the intent of the bill. He explained the obligations to the taxpayers and encouraged support of the bill.

**HEARING ON SB 496**

**Sponsor:**       **SEN. BILL GLASER, SD 8, HUNTLEY**

**Proponents:**     **Bob Gilbert, MT. Propane Association**  
                          **Chris Bowers, President, Rocky Mtn. Propane Gas**  
                          **Association**  
                          **Darrell South, MT. Propane Association**

**Opponents:**       **None**

**Opening Statement by Sponsor:**

**SEN. BILL GLASER, SD 8, HUNTLEY**, stated this bill would exempt new energy storage facilities from property tax for a period of time. He mentioned the lack of storage and explained the need for more storage tanks in the state. He addressed the change to an 18,000 gallon tank and the limitations to locations for these tanks. He said other fossil fuels could be stored within these tanks and the bill was straightforward for clarifications.

**Proponents' Testimony:**

**Bob Gilbert, MT. Propane Association**, briefed the basics of the bill. He gave a background of the propane dealers in the state and the need for more storage facilities.

**Chris Bowers, President, Rocky Mtn. Propane Gas Association**, mentioned the need for propane storage facilities for maintenance of adequate supplies. He stated the average supply for storage in Montana was five and three quarters space.

**Darrell South, MT. Propane Association**, supported the bill for the need of storage facilities. He worried about this issue since it adds a strain to suppliers.

**Opponents' Testimony:** None

**Questions from Committee Members and Responses:**

**REP. JACKSON** asked how propane was purchased. **Darrell South** said propane can be contracted out and he said it would depend upon the market.

*{Tape 2; Side B}*

**REP. JACKSON** asked if taxes were paid on the inventories.  
**Darrell South** answered yes.

**REP. JACKSON** asked what the property tax on a tank would be.  
**Darrell South** said on a 30,000 gallon tank it may be close to \$800 per year.

**REP. JACKSON** asked what the property tax on the product would be.  
**Darrell South** said it would depend upon the season.

**REP. SCHMIDT** referred to line twelve of the bill and asked about the language. **SEN. GLASER** said what the original wording was and how it was changed to reflect the issues of the bill.

**REP. SCHMIDT** asked about the effective date. **SEN. GLASER** explained the reasoning for the effective date.

**REP. SCHMIDT** wondered about the fiscal note. **SEN. GLASER** explained the fiscal note.

**CHAIRMAN STORY** referred to subsection (b) and asked about storage tanks for resale to customers. **SEN. GLASER** pointed to the section and mentioned propane was not included within this.

**CHAIRMAN STORY** asked why liquid petroleum tanks mentioned in two sections. **SEN. GLASER** referred to section three and explained the reasoning. **Bob Gilbert** mentioned the storage of tanks and how the liquid petroleum falls into these categories.

**CHAIRMAN STORY** asked what if the refiners would take advantage of this bill. **Bob Gilbert** said it would create a problem due to the time frame of amending this bill.

**REP. ERICKSON** wondered about incentives. He asked if the loan rate would be good. **Darrell South** answered yes, the loan rate was helpful.

**REP. ESP** asked if tanks carried separate fuels would it qualify. **Bob Gilbert** explained the use of storage facilities and there would not be limitations to the fuels as the bill would broaden the issue.

**Closing by Sponsor:**

**SEN. BILL GLASER, SD 8, HUNTLEY**, closed on the bill and addressed the need for storage facilities. He reminded the committee of

providing a tax incentive to people with small generators to keep their businesses alive.

**HEARING ON SB 508**

**Sponsor:** SEN. MACK COLE, SD 4, HYSHAM

**Proponents:** Doug Hardy, MT. Electrical Cooperatives  
Bob Gilbert, City of Colstrip & Rosebud County  
Tom Dobear, MT. Association of Counties  
Gordan Morris, Director, MT. Assoc. of Counties  
Gary Weans, MT. Electric Cooperatives Assoc.  
Jim Mockler, Executive Director, MT. Coal Council

**Opponents:** Patrick Judge, MT. Environmental Information  
Center

**Opening Statement by Sponsor:**

SEN. MACK COLE, SD 4, HYSHAM, said the bill was intended to provide a tool to avoid high electric costs in Montana. He stated the provisions involved with this legislation pertaining to property tax exemptions and how the output would be offered to consumers within the state. He addressed the net generating output and how it would be offered to residents of the state. He expressed another provision providing a minimum of 20 megawatts to make a significant difference to Montana plus an impact to local schools. He felt the shortages in the state needed to be provided for and this bill would insure a stable assistance to consumers in the state.

*{Tape 3; Side A}*

**Proponents' Testimony:**

Doug Hardy, MT. Electrical Cooperatives, presented a written testimony **EXHIBIT** (tah77a02).

Bob Gilbert, City of Colstrip & Rosebud County, supported the bill and the idea to expand the capabilities in the state towards electrical costs. He felt the legislation would offer a significant tax break with the return. He explained current plants and how development was hard to obtain.

Tom Dobear, MT. Association of Counties, explained other counties and how the effects of the bill would provide for the cost impacts. He encourage support of the bill.

**Gordan Morris, Director, MT. Association of Counties**, supported the bill and expressed the need for the impact fee to assist the counties and schools. He recommended areas the bill would impact and how it could be assessed.

**Gary Weans, MT. Electric Cooperatives Association**, read a written testimony from Tom Huntley **EXHIBIT (tah77a03)**.

**Jim Mockler, Executive Director, MT. Coal Council**, support the legislation and felt each county would have impacts needing adjustment.

**Opponents' Testimony:**

**Patrick Judge, MT. Environmental Information Center**, opposed the bill due to the consequences of the bill.

**Questions from Committee Members and Responses:**

**REP. LARRY CYR** referred to the fiscal note and asked about the local revenue. **SEN. COLE** explained local revenue and didn't know the comparisons involved.

**REP. ERICKSON** asked about impact fees. **Gordan Morris** mentioned the reasoning behind .5% and for the extension.

**REP. WAITSCHIES** asked if the intent of the bill was to offer an incentive for power plants to be built. **Doug Hardy** said it was an incentive to get something built on a cost base.

**REP. WAITSCHIES** asked about the cost base. **Doug Hardy** explained the incentive involved through the cost base. He gave an example of the savings with a trigger.

**CHAIRMAN STORY** asked about the status of SB 646. **SEN. COLE** hoped amendments would add changes to the bill and the bills could be put into a conference committee.

*{Tape 3; Side B}*

**CHAIRMAN STORY** thought this bill would only work for a co-op. **SEN. COLE** commented the intention of the bill was not to work for co-ops.

**CHAIRMAN STORY** asked if the bill would allow only co-ops to use it. **Doug Hardy** answered no.

**CHAIRMAN STORY** asked about the .5% and what the tax rate would be. **Tom Dobear** didn't know the mill levies for Rosebud County. **Doug Hardy** said the percent was an attempt to provide up-front revenues and it was based upon how much impact there was from students in classrooms and assumptions of services in the counties.

**Closing by Sponsor:**

**SEN. MACK COLE, SD 4, HYSHAM**, summarized the intent of the bill. He would like amendments offered to broaden the bill and assist issues to be addressed.

**EXECUTIVE ACTION ON SB 73**

**Motion:** REP. ESP moved SB 73 BE AMENDED. Amendments were handed out **EXHIBIT**(tah77a04).

**Discussion:**

**Jeff Martin** explained the amendments to the bill.

**REP. ESP** said the original information from the bill was attained within the bill.

**CHAIRMAN STORY** asked about the vehicle money. **REP. ESP** said except for those that would go to the state highway special account district courts and the 1.3% distribution to the state general fund.

**REP. ERICKSON** asked what the fiscal impact of the bill would be as amended. **REP. DEVLIN** said the numbers were guessed at originally. He said the amount for district courts would be reduced slightly and it would go into the state general fund.

**Vote:** Motion carried 19-1 with **REP. WANZENRIED** voting no.

**Motion/Vote:** REP. ESP moved SB 73 BE CONCURRED IN AS AMENDED. Motion carried 12-8 with **REP. BALYEAT, REP. CYR, REP. DALE, REP. FORRESTER, REP. FUCHS, REP. WADDILL, REP. WAITSCHIES,** and **REP. WANZENRIED** voting no.

**EXECUTIVE ACTION ON SB 134**

**Motion:** REP. SOMERVILLE moved SB 134 BE CONCURRED IN.

**Discussion:**

**REP. EILEEN CARNEY** thought there was discussion of tax being different from other states. **REP. KEITH BALES** felt the tax currently was what it was for other states.

**REP. WANZENRIED** thought it would reflect a constitutionality issue.

**Substitute Motion/Vote:** **REP. ESP** moved to pass a conceptual amendment towards January 1, 2008. Motion carried unanimously.

**REP. SOMERVILLE** pointed out the rates and the changes needed.

**Substitute Motion/Vote:** **REP. SOMERVILLE** moved an amendment to specify the rates. Motion carried unanimously.

*{Tape 4; Side A}*

**Motion/Vote:** **REP. BALES** moved SB 134 BE CONCURRED IN AS AMENDED. Motion carried 12-8 with **REP. ERICKSON**, **REP. BRANAE**, **REP. CARNEY**, **REP. CYR**, **REP. LASLOVICH**, **REP. SCHMIDT**, **REP. WADDILL** and **REP. WANZENRIED** voting no.

**EXECUTIVE ACTION ON SB 273**

**Motion/Vote:** **REP. STORY** moved SB 273 BE TABLED. Motion carried 18-2 with **REP. WANZENRIED** and **REP. WADDILL** voting no.

**EXECUTIVE ACTION ON SB 494**

**Motion:** **REP. DALE** moved SB 494 BE AMENDED. Amendments were handed out SB049401.ajm **EXHIBIT**(tah77a05).

**Discussion:**

**Jeff Martin** discussed the amendment changes.

**Vote:** Motion carried 16-4 with **REP. SCHMIDT**, **REP. WANZENRIED**, **REP. LASLOVICH** and **REP. ERICKSON** voting no.

**Motion:** **REP. SOMERVILLE** moved SB 494 BE AMENDED. Amendments were handed out SB049402.ajm **EXHIBIT**(tah77a06).

**Discussion:**

**Jeff Martin** explained the amendments and how they reflect the bill.

**Substitute Motion:** REP. ERICKSON suggested to segregate the amendments 1-5, 13, & 18.

REP. ERICKSON mentioned the revenue estimates.

**Vote:** Substitute Motion carried 14-6 with REP. ERICKSON, REP. BRANAE, REP. CYR, REP. LASLOVICH REP. SCHMIDT and REP. WANZENRIED voting no.

**Vote:** Motion on all other amendments carried unanimously.

**Motion/Vote:** REP. SOMERVILLE moved SB 494 BE CONCURRED IN AS AMENDED. Motion carried 16-4 with REP. WANZENRIED, REP. CYR, REP. FORRESTER and REP. BALYEAT voting no.

#### **EXECUTIVE ACTION ON SB 519**

**Motion/Vote:** REP. JACKSON moved SB 519 BE CONCURRED IN.

#### **Discussion:**

REP. ERICKSON mentioned the \$30 figure and the background of the oil industry.

**Vote:** Motion carried 18-2 with REP. WANZENRIED and REP. SOMERVILLE voting no.

#### **EXECUTIVE ACTION ON SB 462**

**Motion:** REP. ERICKSON moved SB 462 BE CONCURRED IN.

#### **Discussion:**

REP. DEVLIN opposed the bill due to an existing business that does not receive as much assistance.

REP. JACKSON thought the rate was higher due to a third party involved.

REP. ERICKSON said the county shouldn't be offering the lowest possible rates. He supported the bill.

**REP. FORRESTER** opposed the bill and offered reasons towards the effects on certain counties.

**Vote:** Motion failed 5-15 with **REP. ERICKSON, REP. ANDERSEN, REP. ESP, REP. WADDILL** and **CHAIRMAN STORY** voting aye.

**Motion/Vote:** **REP. ESP** moved SB 462 BE TABLED by reversing above vote. Motion carried unanimously.

**ADJOURNMENT**

Adjournment: 11:52 A.M.

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REP. BOB STORY, Chairman

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CECILE M. TROPILA, Transcriptionist

BS/RV

**EXHIBIT (tah77aad)**