

MINUTES

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

Call to Order: By **CHAIR BOB STORY**, on August 10, 2002 at 10:00 A.M., in Room 137 Capitol.

ROLL CALL

Members Present:

Rep. Bob Story, Chair (R)
Rep. Ron Erickson, Vice Chair (D)
Rep. Roger Somerville, Vice Chair (R)
Rep. Joan Andersen (R)
Rep. Keith Bales (R)
Rep. Joe Balyeat (R)
Rep. Gary Branae (D)
Rep. Eileen J. 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. Butch Waddill (R)
Rep. Karl Waitschies (R)
Rep. David E. Wanzenried (D)

Members Excused: Rep. Trudi Schmidt (D)

Members Absent: None.

Staff Present: Jeff Martin, Legislative Branch
Pam Schindler, Committee Secretary

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

Committee Business Summary:

Hearing(s) & Date(s) Posted: HB33, 8/03/2002
Executive Action: HB33, Tabled

HEARING ON HB 33**Sponsor:****Rep. Mangan-HD-45-Great Falls, Montana**

"An act reducing the shortfall in General Fund Revenue by increasing the cigarette tax from 18 cents to 78 cents on a pack of cigarettes and depositing the amount from the increase in the tax in the state General Fund".

We need to be looking at two things this session: cutting spending, looking at revenue. No discussion of revenue on the House floor. Cut this last fiscal year between our cuts and the Governor's cuts around \$98-100M. Deficit rose \$12M while we were here. What will happen next week? Cigarette tax is only bill we have left to discuss revenue. Opportunity for discussion.

{Tape : 1; Side : A; Approx. Time Counter : 0 - 57}

Proponents:**Dr. Shepherd-Physician, American Cancer Society**

All arguments are the same. People will die regardless. \$8K more lifetime cost of smokers vs. non-smokers. (1992) Smoking: When pregnant and smoking 20-40% of all pre-mature babies. 1992-pre-mature babies cost Medicaid about \$12M. Smokers experience longer periods of disability. Estimate cost of smoker would be substantially higher than \$8K originally thought.

Dave McAlpin-"Protect Montana Kids"

Data that would represent a 75 cents tax. Montana is 41st for tax, with Tennessee higher. Last raised tax in 1993. Health costs per pack-\$6.86. \$44.7M revenue raised, would reduce the number of packs sold by 6.3M, reduce youth consumption by 15%, total 8100 fewer kids smoking, lifetime health savings of \$97.M, reduce rates by 4.7%,for adults, translating 5700 fewer adults smoking, lifetime savings in that category \$47M, youth future deaths avoided-2500, adult caused deaths avoided-1200, reduce heart and stroke medical cost by \$2.1M, reduce smoking related birth problems in pre-mature births \$1.8M, for a total of long term health savings of \$144M.

EXHIBIT(ta**h06a01)**

EXHIBIT(ta**h06a02)****Eric Burke-MEA/MFT**

Strongly support this bill. Good public policy. 10% cut in educational systems. Funding for universities the lowest been in last decade. Balancing the budget on the backs of university students. Our schools are already making cuts. If this bill passes it will not take money away from education.

**Jim Smith-Montana Sheriffs and Peace Officers Association,
Montana County Attorneys Association**

Additional revenue is needed to support public services and our public institutions. Answer is beyond cutting and eliminating programs. Lack of consensus how we fund our public institutions. Answer: got to be movement on the revenue side of this equation.

Opponents:**Jerome Anderson- Attorney, RJ Reynolds Tobacco Co.**

Have already spoken regarding these bills. As to the revenue argument: certainly there are very difficult things people are dealing with. Jan. 2003 will be a complete review for all of revenue. That would be a more appropriate time.

Steve Wade-Phillips Morris Tobacco Co.

Incorporate information from previous bill. In our opposition.

Informational Testimony:

None

Questions from Committee Members and Responses:

Rep. Jackson to **Rep. Mangan**-#5, line 27; talks about the distribution on the reservation. I do not understand it? **Rep. Mangan**-Drafting error in bill; F.N. came out and it had negatives. Amendment takes care of that. **Rep. Jackson** to **Rep. Story**-Smuggling problems? **Rep. Story**-So many packs per person; has a quota for tax free purchase.

Rep. Waddill to **Rep. Mangan**- Are you a smoker? **Rep. Mangan**-Yes.

Rep. Waddill to **Rep. Mangan**-How do you feel about the raise in cigarette tax? **Rep. Mangan**-I do not have a problem with it.

Rep. Waddill to **Rep. Mangan**-As a Democrat, how do you feel about being labeled as a "tax and spend" Democrat? **Rep. Mangan**-I'm

many different things, what is moving me is concern for the people of the state of Montana.

Rep. Cyr to Shepherd -Not much of a discussion about secondary smoking costs. Do you have the statistics about deaths and costs?

Dr. Shepherd -\$55K-\$63K deaths every year from second hand smoke. Categories-3K are lung cancer; lung cancer has a long induction phase. If you live with a smoker your risk for lung cancer is increased about 30%. 50K deaths due to heart disease, from second hand smoke. If exposed to second hand smoke for 30 minutes, you have a 30% decrease in blood flow to your coronary arteries. Platelets get stickier and you tend to clot off more quickly.

Rep. Waitsches to Rep. Mangan-Fiscal Note-Tribal refund is a large amount. Is that out of the \$22M already. **Rep. Mangan**-Federal money is taken off the top, that is already taken care of. \$200K will come off the \$22.8M mark.

Rep. Erickson to Rep. Mangan-Is this a pure cigarette tax? Would not be a tobacco tax? Reason? **Rep. Mangan**-When bill went in to drafting, this is how it came out. **Rep. Erickson to Rep. Mangan**-Comment-been neat if you were here to hear **Rep. Waddill's** bill. If this bill fails, could be a joint sponsor.

Rep. Balyeat to Shepherd -CDC figures? **Dr. Shepherd** -they were delivered on Thursday. **Rep. Balyeat to Shepherd** -2nd hand smoke cause of migraines? **Dr. Shepherd** -Would do research.

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{Tape : 1; Side : B; Approx. Time Counter : 05}

Rep. Story to Jim Smith -1997 or 1999 passed a law for it to be illegal for minors to possess cigarettes. Where are the police officers on this? **Mr. Smith** -Do not have a real good answer. Sheriffs and Deputies don't routinely enforce the underage prohibition. "We card" program. **Rep. Story to Smith** -Would you agree that if those same underage people had beer instead of cigarettes, officers would stop? **Mr. Smith** -Yes, places vary place to place.

Closing by Sponsor:

Rep. Mangan-This is a non-political thing. We're talking about revenue vs. cuts. 100% on cut side. Haven't even discussed the revenue side. \$20M in this bill is 1/5 of that. Smuggling is less than 1%. 2/3 of people buy their "smokes" by the pack. Please put on the amendments.

EXECUTIVE ACTION ON HB33

Motion: REP. ERICKSON moved that HB33 BE AMENDED.

Discussion:

Greg Petesch-Rep. Mangan requested to increase the tax to 78 cents and hold the other programs harmless. To add the increase to the General Fund. Federal withholding for tribes were not taken into account when %s were adjust. Amendment will do: Zero-out the shortfalls for long range building and for veterans's nursing homes. And deduct a corresponding amount from (approx. \$197K) the General Fund. The bill will be revenue neutral.

Vote: Motion that HB33 BE AMENDED carried unanimously.

Motion: REP. ERICKSON moved that HB33 DO PASS AS AMENDED.

Discussion:

Rep. Balyeat-Comments; use the power of government enforcement to stop smoking, we should just consider banning it. We have seen a \$200M surplus evaporate due to change in economics. No change in tax rates. What happens in the economy is far more important than raising taxes up and down. Raising taxes in a recession will be a problem. Table this right now.

Rep. Cyr-this bill doesn't go far enough. Wait until 2003 to bring a more comprehensive bill.

Rep. Waddill-Agree with **Rep. Cyr**. It is a step in the right direction. Burden is on non-smokers.

Rep. Erickson-Structural imbalance; this bill would help. Win/Win situation.

Motion/Vote: REP. ERICKSON moved that HB33 DO PASS AS AMENDED.

Motion failed 4-16 with Andersen, Bales, Balyeat, Branae, Carney, Cyr, Dale, Devlin, Forrester, Fuchs, Jackson, Schmidt, Somerville, Story, Waitschies, and Wanzenried voting nay.

Motion/Vote: REP. WANZENRIED moved that HB33 BE TABLED. Motion carried unanimously. Reverse the Vote.

{Tape : 1; Side : B; Approx. Time Counter : 0 - 210}

ADJOURNMENT

Adjournment: 10:43 A.M.

REP. BOB STORY, Chair

PAM SCHINDLER, Secretary

BS/PS

EXHIBIT(tah06aad)