

Committee Suggested Topics for Possible Review and Analysis  
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 For the Revenue and Transportation Interim Committee  
 June 2015

The following table identifies topics submitted by committee members as possible topics for review and analysis. The purpose of the list is to allow committee members to consider priorities for the 2015-2016 interim. The committee will be asked to make decisions at the July meeting about which topics to study.

Tax Topics	Suggested by	Background	Possible Study Activities	Committee time estimate
Adequacy of local government revenue generating capacity	Sen. Barrett	<p>Local governments have expressed concern over the mill levy limits provided for in Montana law. Local government mill levies are limited to the mill levy sufficient to generate the amount of property taxes levied in the prior year plus one-half the average rate of inflation for the prior 3 years.</p> <p>This study would consider whether local governments are able to generate sufficient revenue under current law.</p>	<ul style="list-style-type: none"> <li>• Overview of laws governing the procedure for calculating property tax levies (15-10-420)</li> <li>• Local government input on revenues and costs, including use of additional revenue generation methods</li> <li>• Additional information on revenue generation options (special districts, resort tax, local option tax, etc.)</li> <li>• Consider options and recommendations</li> </ul>	15% (7 hours)

Tax Topics, continued	Suggested by	Background	Possible Study Activities	Committee time estimate
Taxation of international corporations doing business in Montana	Sen. Barrett	<p>A corporation doing business in Montana is required to report worldwide income and apportion a share to Montana unless the corporation makes a water's-edge election. This election allows the corporation to include only income derived from U.S.-based affiliates and affiliates in listed tax havens. A corporation making this election is also subject to a higher tax rate.</p> <p>DOR reports to RTIC each biennium on countries to include in the list of tax havens. The Legislature considered bills in the last two sessions to revise the list of tax havens but has not revised the list since 2009.</p> <p>This study would focus on whether to recommend an alternative to the current system of taxing international corporations.</p>	<ul style="list-style-type: none"> <li>• Overview of corporate taxation laws, especially as they relate to international corporations</li> <li>• Overview of apportionment methodologies for corporate income tax purposes</li> <li>• Review of other states' practices</li> <li>• Consideration and revenue modeling of possible alternatives</li> <li>• Consider options and recommendations</li> </ul>	10% (5 hours)

Tax Topics, continued	Suggested by	Background	Possible Study Activities	Committee time estimate
Nonprofit reporting of community benefits	Rep. Essmann	<p>Nonprofit corporations may receive exemptions from the Montana corporate income tax and property tax but are not required to report community benefits to the state.</p> <p>This study would explore whether nonprofits report community benefits in other states and, if so, what information is reported and how it is used.</p>	<ul style="list-style-type: none"> <li>• Review of whether there is a standard definition of "community benefit"</li> <li>• Examination of state/local nonprofit reporting requirements and whether these vary by type of nonprofit</li> <li>• Review whether federal Form 990 provides state-specific information</li> <li>• Study how reports are used and evaluated</li> <li>• Consider options and recommendations</li> </ul>	10% (5 hours)
Property taxable value neutrality	Rep. Hertz	<p><a href="#">Senate Bill No. 157</a> set tax rates so that statewide taxable value for residential, commercial, industrial, and agricultural property is the same for the current reappraisal cycle as it was for the previous reappraisal cycle.</p> <p>The Legislature may want to consider whether to continue this policy of statewide taxable value neutrality into future reappraisal cycles.</p>	<ul style="list-style-type: none"> <li>• Overview of taxes paid by class and total value within each class</li> <li>• Overview of valuation methodologies <ul style="list-style-type: none"> <li>• Agricultural and non-qualified agricultural valuation of particular interest</li> </ul> </li> <li>• Consider options and recommendations</li> </ul>	8% (4 hours)

Tax Topics, continued	Suggested by	Background	Possible Study Activities	Committee time estimate
Sales tax	Rep. Hertz	Implementation of a sales tax could reduce reliance on other taxes and allow for reduction or elimination of those taxes.	<ul style="list-style-type: none"> <li>• Overview of sales tax, including currently taxed sales and practices of other states</li> <li>• Revenue projection for various sales tax options</li> <li>• Consider changes to current tax system (income tax, property tax, etc.)</li> <li>• Consider options and recommendations</li> </ul>	<p>13% (6 hours)</p> <p>Much of the time for this study will be committee work sessions to consider options and receive public comment.</p>
Individual income tax simplification	Rep. Hertz	Recent Legislatures considered income tax simplification legislation but those bills did not become law.	<ul style="list-style-type: none"> <li>• Review recent tax simplification bills (from last three sessions)</li> <li>• Income tax credit analysis</li> <li>• Identify desirable features of the individual income tax</li> <li>• Consider options and recommendations</li> </ul>	<p>10% (5 hours)</p> <p>Varies based on depth of analysis</p>
Income tax simplification	Rep. Redfield	<p>Recent Legislatures considered income tax simplification legislation but those bills did not become law.</p> <p>This study would focus on options for revising the individual and corporate income tax, with specific attention on tax credits.</p>	<ul style="list-style-type: none"> <li>• Review <a href="#">Senate Bill No. 171</a> (Tutvedt, 2015)</li> <li>• Overview of 2013 North Carolina tax reform bill</li> <li>• Consider a flat tax option</li> <li>• Income tax credit analysis</li> <li>• Consider options and recommendations</li> </ul>	<p>10% (5 hours)</p> <p>Varies based on depth of analysis</p>

Tax Topics, continued	Suggested by	Background	Possible Study Activities	Committee time estimate
Treatment of intangible property for centrally assessed property valuation	Sen. Thomas	<p>The 2015 Legislature considered <a href="#">Senate Bill No. 394</a> to revise the intangible personal property exemption for centrally assessed property.</p> <p>The intangible personal property exemption has been a source of litigation. Committee work on this topic could resolve some of the issues contributing to the litigation.</p>	<ul style="list-style-type: none"> <li>• Overview of intangible personal property exemption statute</li> <li>• Summary of court decisions on the treatment of intangible personal property</li> <li>• Review of treatment of intangibles in other states</li> <li>• Consider options and recommendations</li> </ul>	8% (4 hours)
Transportation Topics	Suggested by	Background	Possible Study Activities	Committee time estimate
Non-uniform speed limits	Rep. Essmann	Some highways post lower speed limits for trucks than for other vehicles. This study would explore the impact of non-uniform speed limits on highway safety.	<ul style="list-style-type: none"> <li>• Background on non-uniform speed limits (how established, where, why)</li> <li>• Consideration of highway safety related to non-uniform speed limits</li> <li>• Review of practices in other states</li> <li>• Consider options and recommendations</li> </ul>	8% (4 hours)

Transportation Topics, continued	Suggested by	Background	Possible Study Activities	Committee time estimate
Passenger rail	Rep. Smith	Some communities in Montana are poorly served by public transportation. Increased passenger rail services could provide mobility for senior citizens, persons with disabilities, students, and business people.	<ul style="list-style-type: none"> <li>• Overview of 2010 Montana State Rail Plan, <a href="#">Chapter 4: Passenger Rail Service</a></li> <li>• Consider state and federal funding options for passenger rail</li> <li>• Consider options and recommendations</li> </ul>	6% (3 hours)
Consider expanding Highway 2 to four lanes	Rep. Smith	Highway 2 is experiencing increased heavy truck traffic from development in the Bakken. There are also safety concerns and possible benefits to agriculture and tourism.	<ul style="list-style-type: none"> <li>• Overview of how highway needs are assessed and how projects are prioritized</li> <li>• Consideration of funding options</li> <li>• Consideration of other factors (rights of way, coordination with tribal governments)</li> <li>• Consider options and recommendations</li> </ul>	8% (4 hours)

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