

## **2013-2014 INTERIM WORK PLAN OF THE REVENUE AND TRANSPORTATION INTERIM COMMITTEE**

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### **INTRODUCTION**

This report presents the 2013-2014 interim work plan for the Revenue and Transportation Interim Committee. The plan is designed to allow for Committee discussion, revision, and adoption. The work plan is divided into eight parts:

1. statutory duties of the Revenue and Transportation Interim Committee;
2. statutorily required agency reports to be provided to the Revenue and Transportation Interim Committee;
3. interim study assignments;
4. other areas for possible review and analysis;
5. Committee and agency legislative proposals;
6. priority of Committee projects;
7. proxy votes; and
8. meeting schedule and Committee budget.

A tabular summary of the proposed work plan is attached to this report.

### **STATUTORY DUTIES OF THE REVENUE AND TRANSPORTATION COMMITTEE**

The general statutory duties of interim legislative committees are contained in 5-5-215, MCA:

- 5-5-215. Duties of interim committees.** (1) Each interim committee shall:
- (a) review administrative rules within its jurisdiction;
  - (b) subject to 5-5-217(3), conduct interim studies as assigned;
  - (c) monitor the operation of assigned executive branch agencies with specific attention to the following:
    - (i) identification of issues likely to require future legislative attention;
    - (ii) opportunities to improve existing law through the analysis of problems experienced with the application of the law by an agency; and
    - (iii) experiences of the state's citizens with the operation of an agency that may be amenable to improvement through legislative action;
  - (d) review statutorily established advisory councils and required reports of assigned agencies to make recommendations to the next legislature on retention or elimination of any advisory council or required reports pursuant to 5-11-210;

(e) review proposed legislation of assigned agencies or entities as provided in the joint legislative rules; and

(f) accumulate, compile, analyze, and furnish information bearing upon its assignment and relevant to existing or prospective legislation as it determines, on its own initiative, to be pertinent to the adequate completion of its work.

(2) Each interim committee shall prepare bills and resolutions that, in its opinion, the welfare of the state may require for presentation to the next regular session of the legislature.

(3) The legislative services division shall keep accurate records of the activities and proceedings of each interim committee.

### **Review Statutorily Established Advisory Councils and Required Reports to the Legislature**

Section 5-5-215(1)(d), MCA, requires each interim committee to review statutorily established advisory councils and required reports of assigned agencies and to make recommendations on their retention or elimination. The following are the advisory councils and reports of the Departments of Revenue and Transportation:

- 2-15-1311, MCA, provides that the Director of Revenue shall appoint an advisory council for the purpose of complying with Article VI, section 1(b) of the Multistate Tax Compact;
- 15-1-205, MCA, requires the Department of Revenue to prepare the biennial report in accordance with 5-11-210, MCA
- 15-7-201, MCA, provides for an agricultural advisory committee;
- 15-44-103, MCA, provides for a forest lands taxation advisory committee; and
- 60-2-601, MCA, requires the Transportation Commission to appoint an advisory council for the scenic-historic byways program.

The specific duties of the Revenue and Transportation Interim Committee are contained in 5-5-227, MCA:

#### **5-5-227. Revenue and transportation interim committee -- powers and duties**

**-- revenue estimating and use of estimates.** (1) The revenue and transportation interim committee has administrative rule review, draft legislation review, program evaluation, and monitoring functions for the department of revenue and the department of transportation and the entities attached to the departments for administrative purposes.

(2) (a) The committee must have prepared by December 1 for introduction during each regular session of the legislature in which a revenue bill is under consideration an estimate of the amount of revenue projected to be available for legislative appropriation.

(b) The committee may prepare for introduction during a special session of the legislature in which a revenue bill or an appropriation bill is under consideration an estimate of the amount of projected revenue. The revenue

estimate is considered a subject specified in the call of a special session under 5-3-101.

(3) The committee's estimate, as introduced in the legislature, constitutes the legislature's current revenue estimate until amended or until final adoption of the estimate by both houses. It is intended that the legislature's estimates and the assumptions underlying the estimates will be used by all agencies with responsibilities for estimating revenue or costs, including the preparation of fiscal notes.

(4) The legislative services division shall provide staff assistance to the committee. The committee may request the assistance of the staffs of the office of the legislative fiscal analyst, the legislative auditor, the department of revenue, and any other agency that has information regarding any of the tax or revenue bases of the state.

### **Revenue Estimating and Monitoring**

As provided in subsection (2)(a) of 5-5-227, MCA, the Revenue and Transportation Interim Committee is required to prepare an estimate of revenue available for appropriation for each regular legislative session. The work plan calls for the Committee to be involved in revenue estimating topics and revenue collection status reports throughout the interim. The Legislative Fiscal Division will present general fund revenue collections reports.

The Committee adopted the Legislative Fiscal Division's proposed [revenue estimating work plan](#), which is summarized in the table on page 12. In addition, a discussion of one-time-only revenues is scheduled for September to accommodate a committee member request.

The Committee adopts the revenue estimates in November of the year preceding the next regular session. In the past, staff of the Legislative Fiscal Division and the Office of Budget and Program Planning each presented revenue estimates for the Committee's consideration. In the past, the Committee has initially adopted the revenue estimates of the Legislative Fiscal Division. It may make changes to those estimates based on information presented by the budget office and economists from the Montana University System. The Committee may want to consider whether other people should be invited to present their views on the state's economic and financial outlook.

Joint Rule 30-60 was adopted to establish a revenue estimate process for the 2013 legislative session because the Revenue and Transportation Interim Committee did not introduce a revenue estimate as required by 5-5-227, MCA. The joint rule is as follows:

**Joint Rule 30-60. Estimation of revenue.** (1) The Revenue and Transportation Interim Committee shall introduce a House joint resolution for the purpose of estimating revenue that may be available for appropriation by the Legislature. (5-5-227, MCA)

(2) For the 2013 legislative session only, in the event that the Revenue and Transportation Interim Committee has not caused a revenue estimating resolution to be introduced in accordance with 5-5-227, MCA, a Senate joint resolution must be introduced by the chair of the Senate Taxation Committee for the purpose of estimating revenue that may be available for appropriation by the Legislature.

(3) The Senate shall transmit the Senate joint resolution on the revenue estimate to the House no later than the 15th legislative day. The Senate joint resolution does not constitute the Legislature's revenue estimate until adopted and passed by the House with any House amendments concurred in by the Senate.

The 2013 Legislature considered five bills to revise the revenue estimation process, none of which became law. During the 2011-2012 interim, the Revenue and Transportation Interim Committee, Legislative Finance Committee, and Legislative Council worked on options for revising the revenue estimation process but did not make any recommendations for statutory changes. The Committee may wish to spend some time this interim considering the revenue estimating process and whether there should be changes.

### **Rule Review**

Each legislative interim committee is required to review administrative rules proposed by state agencies within the committee's jurisdiction. The agenda for each meeting will likely include an item for this review.

### **Income Tax Credit Relief Multiple**

House Bill No. 9 (Ch. 6, Sp. L. May 2007) provided a one-time \$400 property tax rebate in the form of an income tax credit based on the amount of property taxes designated for school equalization on \$20,000 of market value of a taxpayer's principal residence times a relief multiple (15-30-2336, MCA). The relief multiple in statute is 0. For tax year 2007 only, a relief multiple was determined based on the amount that the unaudited general fund revenue received in fiscal year 2007 exceeded a certain amount.

Section 15-30-2336, MCA, directs the Committee to determine if a change in the relief multiple is justified based upon actual and projected revenue and spending and any other appropriate factors. If the Committee determines that a change is justified, the Committee is directed to request a bill draft to change the relief multiple.

The Committee should consider whether to develop criteria for determining a recommended change to the relief multiple, eliminate the requirement that the committee make a recommendation, repeal the statute, or leave the statute as it is.

## **STATUTORILY REQUIRED AGENCY REPORTS TO RTIC**

The Legislature often requires a state agency to report to the appropriate interim committee on a particular matter. The Departments of Revenue and Transportation are required to submit a variety of reports to the Committee.

The Office of Budget and Program Planning is required to notify the Revenue and Transportation Interim Committee if the amount of actual or projected receipts is less than the amount projected to be received in the revenue estimate (17-7-140, MCA). The Committee is required to make recommendations to the Budget Director on the amount of the revenue shortfall. The Budget Director must consider the recommendations before certifying a general fund budget deficit. The budget office is also required to present an explanation of any significant change in agency or program scope to the appropriate interim committee (17-7-138, MCA).

### **State-Tribal Cooperative Agreements**

Title 18, chapter 11, part 1, MCA, provides that the state may enter into cooperative agreements "to promote cooperation between the state or a public agency and a sovereign tribal government in mutually beneficial activities and services" and "to prevent the possibility of dual taxation by governments while promoting state, local, and tribal economic development." Section 15-70-234, MCA, requires the Department of Transportation to report on the status of cooperative agreements on motor fuel taxation to the Committee and to present an agreement to the Committee for review and comment before the final agreement is presented to the Attorney General for approval.

The Department of Revenue also enters into cooperative tax agreements with tribal governments but is not specifically required to report to the Committee. In the past, the Department has reported to the Committee on tax agreements. The Committee may want to request an update on those agreements and information on pending agreements, if any.

### **Summary of Required Reports**

The reports required to be provided to the Revenue and Transportation Interim Committee are summarized in the table below. The summary of the Committee's draft work plan at the back of this paper shows a proposed schedule for presentation of the reports.

<b>Reports Required to be Provided to the Revenue and Transportation Interim Committee</b>			
<b>Citation</b>	<b>Reporting Entity</b>	<b>Report</b>	<b>Frequency</b>
15-1-230, MCA Ch. 537, L. 1997	Department of Revenue	Number and type of taxpayers claiming the credit for contributions to a qualified endowment under 15-30-2328, the total amount of the credit claimed, the total amount of the credit recaptured, and the department's cost associated with administering the credit	At least once each year  The credit terminates December 31, 2019.
15-24-3211, MCA Ch. 405, L. 2011	Department of Revenue	Use of the property tax abatements for gray water systems under 15-24-3202 and 15-24-3203	Once by September 15, 2014
15-31-322(2), MCA Ch. 521, L. 2003	Department of Revenue	Update of countries that may be considered tax havens under 15-31-322(1)(f)	Biennially
15-32-703(10), MCA Ch. 525, L. 2005	Department of Revenue	Number and type of taxpayers claiming the credit for costs of investments in depreciable property used for storing or blending biodiesel with petroleum diesel, the total amount of the credit claimed, and the department's cost associated with administering the credit	At least once each year
15-70-234, MCA Ch. 772, L. 1991	Department of Transportation	Status of motor fuel tax cooperative agreement negotiations with the state's Indian tribes	As needed, after negotiations are complete and before final agreement is submitted to Attorney General for approval

<b>Reports Required to be Provided to the Revenue and Transportation Interim Committee</b>			
<b>Citation</b>	<b>Reporting Entity</b>	<b>Report</b>	<b>Frequency</b>
15-70-369(7), MCA Ch. 525, L. 2005	Department of Transportation	Number and type of taxpayers claiming the refund (1 cent a gallon for retailers or 2 cents a gallon for distributors) of biodiesel sold, the total amount of the refund claimed, and the department's cost associated with administering the refund	At least once each year
17-7-140(4), MCA Ch. 5, Sp. L. July 1992	Office of Budget and Program Planning	Estimated amount of receipts less than the amount projected to be received in the previous session's revenue estimating resolution	Upon determination of budget director that contingency in 17-7-140 has occurred
61-10-154(8), MCA Ch. 366, L. 2005	Department of Transportation	Enforcement of department's authority to stop and inspect, if probable cause exists, diesel-powered vehicles to determine compliance with provisions of special fuels use tax and impacts of enforcement on the state special revenue fund	At least once each year

### **INTERIM STUDY ASSIGNMENTS**

In May, Legislative Service Division staff presented the results of the poll of interim studies and recommendations for the assignment of studies. The poll asked legislators to rank the 17 study resolutions approved by the 63rd Legislature.

The Legislative Council assigned Senate Joint Resolution No. 23 (study of the taxpayer appeal process) and Senate Joint Resolution No. 26 (study of transporting oversized loads) to the Committee. The Committee adopted study plans for each study on June 27, 2013.

### **OTHER AREAS FOR REVIEW AND ANALYSIS**

#### **Revaluation for Property Tax Purposes**

The current 6-year property tax revaluation cycle will be complete on December 31, 2014, and the new values will be used for the 2015 tax year. The Department of Revenue will have preliminary reappraisal values available to present to the Committee by the fall of 2014. The

Committee may wish to devote time toward the end of the interim to understanding the revaluation process.

The Committee may also consider whether any mitigation is desirable. For example, the tax rates for class three agricultural property (15-6-133, MCA), class four residential and commercial property (15-6-134, MCA), and class ten forest property (15-6-143, MCA) are different for each year of the current revaluation cycle. The statutes each provide one rate for tax years after 2013. This rate will apply unless legislation is enacted to adjust the rates.

Committee members requested the following information related to reappraisal:

- an agenda item devoted to educating members about the property tax appeals processes available following reappraisal (this is separate from the SJR 23 study and will be geared towards resources members can offer to constituents with questions about appeals); and
- consideration of property tax simplification, specifically moving away from use of mills to a percentage.

#### **Department of Revenue**

The Committee should receive updates on cooperative tax agreements.

#### **Department of Transportation**

The Committee should monitor the status of the highway state special revenue account; federal funding of highway projects; major highway construction and maintenance projects, including cost increases; highway safety; and other matters affecting the Department of Transportation.

#### **Litigation Reports**

The Committee may request reports from the Department of Revenue and the Department of Transportation on litigation affecting the respective department.

#### **Other Committee and Staff Topics**

As provided in 5-5-215(1)(c) and (1)(f), MCA, the Committee may identify other concerns or policy matters for review and analysis as the interim proceeds.

At the June 27, 2013, meeting, members requested education about local government reimbursements and how such reimbursements are affected by bills that reduce a tax such as Senate Bill No. 96, which lowered the business equipment tax. In addition, the committee expressed a desire to advance a bill to address penalties and interest for delinquent income taxes similar to House Bill No. 19, which the governor vetoed. The committee asked the presiding officer to send a letter to the Department of Revenue requesting agency legislation to address the topic.

If a Committee member proposes a topic that is not taken up by the Committee, the member may submit an information request to the Legislative Services Division. Staff may devote up to 16 hours on an information request.



Committee staff may also suggest topics for the Committee's consideration.

Section 5-11-105, MCA, provides that if "a question of statewide importance arises when the legislature is not in session and a legislative interim committee has not been assigned to consider the question, the legislative council shall assign the question to an appropriate interim committee, as provided in 5-5-202, or to the appropriate statutorily created committee." The Committee may submit a request to the Legislative Council to undertake such a question.

### **Department Reports**

Time will be available at each meeting for the Department of Revenue and the Department of Transportation to report on department activities.

### **COMMITTEE AND AGENCY LEGISLATIVE PROPOSALS**

If the Committee requests legislation as a result of an interim study or for another reason, the proposal must be preintroduced.

In addition, interim committees are required to review legislative proposals of assigned agencies as provided by joint legislative rules. Joint Rule 40-40(5)(a) provides that unless requested by a legislator, "a bill draft request submitted at the request of an agency must be submitted to, reviewed by, and requested by the appropriate interim or statutory committee." A committee request for the drafting of an agency bill does not imply that the committee endorses or supports the agency proposal.

Staff may recommend clarifying existing law, or the Committee may request legislation on a topic of interest to members. Last interim the Committee introduced legislation to revise penalty and interest provisions related to tax law enforcement, clarify laws related to property tax adjustments, remove statutory references to the local government severance tax, repeal the business equipment tax reduction for value-added manufacturing, revise property reappraisal laws, and revise tax increment financing laws related to distribution. The legislation to revise penalty and interest provisions related to tax law enforcement is being polled for a potential veto override. Except for the bill revising property reappraisal laws, the others became law.

If a bill draft requested by the Committee or a state agency is not preintroduced by December 15 prior to the convening of the legislative session, the request is canceled.

### **PRIORITY OF COMMITTEE PROJECTS**

The draft Committee work plan details a considerable amount of work for the interim, including two studies; revenue estimating and monitoring; and possible consideration of the revenue estimating process and property tax revaluation. The Committee should establish priorities for these tasks to ensure that it can complete its work in a timely fashion.

## **PROXY VOTING**

The Legislative Council publication "Rules, Procedures, and Guidelines for Legislative Interim Committees and Activities" generally discourages proxy votes and provides:

For the exercise of a proxy to be valid, the deputized member shall hold a written proxy from the absent member.<sup>1</sup>

The Committee agrees that proxies are generally discouraged but are permitted when submitted in writing, including via email, to the deputized member, the presiding officer, and committee staff. In addition, a member in attendance at a meeting who leaves early or anticipates missing a vote may provide a written proxy.

## **MEETING SCHEDULE AND INTERIM COMMITTEE BUDGET**

Attached is a proposed meeting schedule that includes possible conflicts with other interim committees.

The Committee will meet seven more times this interim, including a meeting in November 2014 to adopt the revenue estimates for the 2017 biennium. The meeting schedule includes five 2-day meetings and three 1-day meetings.

The Committee's budget is \$49,518 for the interim. The budget includes legislative salaries, travel, lodging, and meals as well as other operational costs, such as postage and printing.

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<sup>1</sup>"Rules, Procedures, and Guidelines for Legislative Interim Committees and Activities," Montana Legislative Council (Helena, MT, revised May 5, 2012), p. 3.

**REVENUE AND TRANSPORTATION INTERIM COMMITTEE  
PROPOSED MEETING SCHEDULE FOR THE 2013-2014 INTERIM**

Thursday	June 27, 2013	Organizational meeting
Thursday	October 1, 2013	
Friday	October 2, 2013	
Wednesday	December 4, 2013	
Thursday	December 5, 2013	
Thursday	February 20, 2014	
Friday	February 21, 2014	
Thursday	May 1, 2014	
Thursday	July 16, 2014	Legislative proposals from Departments of Revenue and Transportation
Friday	July 17, 2014	
Thursday	September 4, 2014	Conclude interim work except for revenue estimates
Friday	September 5, 2014	
Thursday	November 20, 2014	Adopt revenue estimates for 2017 biennium

<b>Possible Meeting Conflicts With Other Interim Committees</b>							
Secretarial support conflicts							
CFHHS	Sept. 16-17	Nov. 15	Jan. 10	March 20-21	May 9	June 20	Aug. 18
Legislative Council	Aug. 22-23	Oct. 23	Dec. 6	Aug. 21	Nov. 12		
Committee Member Conflicts (also Legislative Council, above)							
EAIC	Aug. 21	Oct. 23	Jan. 21	March 27	May 8	July 15	Sept. 12
Legislative Audit							

**REVENUE AND TRANSPORTATION INTERIM COMMITTEE  
SUMMARY OF DRAFT WORK PLAN, 2013-2014 INTERIM**

<b>ACTIVITY</b>	<b>June 2013</b>	<b>Oct. 2013</b>	<b>Dec. 2013</b>	<b>Feb. 2014</b>	<b>May 2014</b>	<b>July 2014</b>	<b>Sept. 2014</b>	<b>Nov. 2014</b>
<b>GENERAL COMMITTEE DUTIES</b>								
Administrative rule review of the Departments of Revenue and Transportation (5-5-215 and 5-5-227)	On every committee meeting agenda							
Draft legislation, program evaluation, and monitoring for Departments of Revenue and Transportation (5-5-227). See "Additional Agency Reports" at end of table.		Agency reports	Agency reports	Agency reports	Agency reports	Agency reports, Committee review and decision to request agency bills	Agency reports	
Income Tax Credit Relief Multiple							X	
Review necessity of advisory committees and required reports to Legislature	As scheduled							
<b>REVENUE ESTIMATING</b>								
Revenue collection reports – Legislative Fiscal Division	Work plan discussion, GF update	FYE 2013 report, OTO info	Trial run revenue estimate, GF update	GF update	GF update	GF update, Big Picture report	FYE 2014 report	GF update, 2017 revenue estimate recs.
Revenue estimating resolution (5-5-227)							Establish procedures for November meeting	Adopt estimates and request drafting of resolution

**REVENUE AND TRANSPORTATION INTERIM COMMITTEE  
SUMMARY OF DRAFT WORK PLAN, 2013-2014 INTERIM**

<b>ACTIVITY</b>	<b>June 2013</b>	<b>Oct. 2013</b>	<b>Dec. 2013</b>	<b>Feb. 2014</b>	<b>May 2014</b>	<b>July 2014</b>	<b>Sept. 2014</b>	<b>Nov. 2014</b>
<b>REQUIRED REPORTS TO RTIC</b>								
<b>Department of Revenue</b>								
Tax credit for planned gifts made to qualified charitable endowment (15-1-230)			X					X
Use of property tax abatements for gray water systems (15-24-3202 and 15-24-3203)							X	
Countries that may be considered tax havens (15-31-322)						X		
Credit for blending biodiesel fuel (15-32-703)			X					X
<b>Department of Transportation</b>								
Cooperative agreements with tribes on motor fuel taxation (15-70-234)	As negotiations occur							
Refund for biodiesel sold (15-70-369)			X				X	
Inspection of diesel-powered vehicles to determine compliance with special fuel laws and impact on highway fund (61-10-154)			X				X	
<b>Other Required Reports</b>								
Budget Director must report when actual or projected revenue is less than estimates adopted by the Legislature (17-7-140)	If necessary							
Budget office explanation of change in agency or program scope (17-7-138)	As provided							

**REVENUE AND TRANSPORTATION INTERIM COMMITTEE  
SUMMARY OF DRAFT WORK PLAN, 2013-2014 INTERIM**

<b>ACTIVITY</b>	<b>June 2013</b>	<b>Oct. 2013</b>	<b>Dec. 2013</b>	<b>Feb. 2014</b>	<b>May 2014</b>	<b>July 2014</b>	<b>Sept. 2014</b>	<b>Nov. 2014</b>
<b>INTERIM STUDIES</b>								
SJR 23—study of taxpayer appeal process	Study plan	Background reports, agency presentations	Panels	Panels, staff materials, agency presentations	Staff materials, agency presentations	Consider options, request legislation	Review legislation and draft final report	
SJR 26—study of transportation of oversize loads	Study plan	Background reports, agency presentations	Agency and stakeholder presentations	Staff materials, agency presentations	Panels	Consider options, request legislation	Review legislation and draft final report	
<b>OTHER TOPICS AND STUDIES</b>								
Staff recommendations for clean-up legislation						Initial presentation	Review draft legislation if requested	
Committee topics and other matters	As topics come up							
<b>OTHER AGENCY REPORTS</b>								
<b>Department of Revenue</b>								
Property revaluation reports						Primer on reappraisal and mitigation	Primer on reappraisal and mitigation, continued	Data
Update on cooperative tax agreements	As scheduled							
General reports and litigation reports	As scheduled							

**REVENUE AND TRANSPORTATION INTERIM COMMITTEE  
SUMMARY OF DRAFT WORK PLAN, 2013-2014 INTERIM**

ACTIVITY	June 2013	Oct. 2013	Dec. 2013	Feb. 2014	May 2014	July 2014	Sept. 2014	Nov. 2014
<b>Department of Transportation</b>								
Review status of highway special revenue account	As scheduled							
Status of highway and other projects, including status of federal funding	As scheduled							
Highway safety reports	As scheduled							
General reports and litigation reports	As scheduled							

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