



## Revenue Interim Committee

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### 66th Montana Legislature

#### SENATE MEMBERS

DUANE ANKNEY  
DICK BARRETT  
MARK BLASDEL  
JILL COHENOUR  
BRIAN HOVEN  
SUSAN WEBBER

#### HOUSE MEMBERS

BECKY BEARD  
ZACH BROWN  
JOHN FULLER  
JIM HAMILTON  
MARILYN MARLER  
ALAN REDFIELD

#### COMMITTEE STAFF

MEGAN MOORE, Research Analyst  
JARET COLES, Staff Attorney  
LAURA SHERLEY, Secretary

# MINUTES LOG

June 27, 2019  
Room 102, Capitol Building  
Helena, Montana

Please note: This document is a Minutes Log and provides a notation of the time elapsed between the beginning of the meeting and the time at which the item was presented or discussed, a motion was made, or a vote was taken. The narrative presented here is provided only as a guide to the audio or video record of the meeting. The official discussion, motion, or vote is available on the audio or video archive of this meeting. The Legislature does not prepare a transcript of meeting activities. The time designation may be used to locate the referenced discussion on the audio or video recording of this meeting.

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#### **COMMITTEE MEMBERS PRESENT**

SEN. DUANE ANKNEY  
SEN. DICK BARRETT  
SEN. MARK BLASDEL  
SEN. BRIAN HOVEN  
SEN. SUSAN WEBBER

REP. BECKY BEARD  
REP. ZACH BROWN  
REP. JOHN FULLER  
REP. JIM HAMILTON  
REP. MARILYN MARLER  
REP. ALAN REDFIELD

#### **COMMITTEE MEMBERS EXCUSED**

SEN. JILL COHENOUR

## **STAFF PRESENT**

MEGAN MOORE, Research Analyst  
JARET COLES, Staff Attorney  
LAURA SHERLEY, Secretary

## **VISITORS' LIST** ([Attachment 1](#))

## **AGENDA** ([Attachment 2](#))

## **COMMITTEE ACTIONS**

- The committee adopted Legislative Council's "Rules, Procedures, and Guidelines for Interim Committees" and chose to allow written proxies.
- The committee elected Rep. Alan Redfield as chair and Sen. Dick Barrett as vice chair.
- The committee decided to undertake the HJ 35 study of the state and local tax systems using a subcommittee of all 12 committee members and the following public members:
  - Rose Bender, Senior Fiscal Policy Analyst, Montana Budget and Policy Center;
  - Eric Bryson, Executive Director, Montana Association of Counties;
  - Tim Burton, Executive Director, Montana League of Cities and Towns;
  - Dwaine Iverson, Certified Public Accountant;
  - Bob Story, Executive Director, Montana Taxpayers Association; and
  - Doug Young, Professor Emeritus, Montana State University.
- The committee adopted a 2019-2020 work plan. The work plan includes a preliminary approach to the HJ 35 study. The committee will adopt a more detailed HJ 35 study plan at its September meeting.
- The committee will meet next on September 24-25, 2019. The committee adopted a preliminary meeting schedule but will review the schedule with the public members of the HJ 35 committee in September and may revise the dates.

## **CALL TO ORDER AND ROLL CALL**

09:32:50 Sen. Barrett called the meeting to order at 9:32 a.m. The committee secretary took roll ([Attachment 3](#)). Sen. Cohenour was excused and left her proxy with Sen. Barrett ([Attachment 4](#)).

## **Introductions of Members and Staff**

09:33:43 Sen. Ankney  
09:34:23 Rep. Brown  
09:34:59 Sen. Blasdel  
09:35:08 Rep. Marler  
09:35:28 Sen. Hoven  
09:35:47 Ms. Sherley  
09:36:02 Ms. Moore  
09:36:21 Sen. Barrett  
09:36:35 Rep. Redfield  
09:36:47 Mr. Coles  
09:37:18 Sen. Webber  
09:37:37 Rep. Hamilton  
09:38:12 Rep. Fuller  
09:38:36 Rep. Beard

## **ADMINISTRATIVE MATTERS**

### **Staff and committee member roles and responsibilities**

09:39:10 Ms. Moore

### **Legislative guidelines for interim committees**

09:40:36 Ms. Moore ([Exhibit 1](#))

### **Proxy voting procedures – Committee action**

#### **Motion**

09:46:05 Sen. Hoven moved to adopt the Rules, Procedures, and Guidelines for Interim Committees, including allowing written proxies (see Exhibit 1).

#### **Vote**

09:46:31 The motion passed on an unanimous voice vote.

### **Election of officers – Committee action**

09:46:55 Ms. Moore ([Exhibit 2](#))

#### **Motion**

09:47:42 Sen. Ankney moved to nominate Rep. Redfield as presiding officer of the Revenue Interim Committee.

#### **Vote**

09:48:01 The nomination passed on an unanimous voice vote.

#### **Motion**

09:48:26 Sen. Hoven moved to nominate Rep. Hamilton as vice-presiding officer of the Revenue Interim Committee.

#### **Motion**

09:48:35 Rep. Hamilton moved to nominate Sen. Barrett as vice-presiding officer of the Revenue Interim Committee.

#### **Motion withdrawn**

09:49:02 Sen. Hoven withdrew his nomination.

#### **Vote**

09:49:12 The motion passed on a unanimous voice vote.

### **Committee website tour**

09:50:27 Ms. Moore ([Exhibit 3](#))

### **Summary of Enacted and Vetoed Tax Legislation**

09:54:39 Ms. Moore ([Exhibit 4](#))

## **DRAFT INTERIM WORK PLAN**

### **Overview and committee considerations**

09:56:28 Ms. Moore ([Exhibit 5](#)) ([Exhibit 6](#))

### Committee questions

- 10:08:36 Rep. Hamilton asked what the difference is in statutory duties between options A and B on the committee draft work plan and asked for clarification on the full-time employee (FTE) work percentages of each option (see Exhibit 6).
- 10:10:20 Sen. Barrett asked if there is clear legislative intent on how to complete review of tax credits and if there will be allotted time in the work plan for committee discussion on the topic.

### HJ 35 Study Plan

- 10:11:41 Ms. Moore ([Exhibit 7](#))

### Other areas of interest and scope

- 10:14:15 Ms. Moore ([Exhibit 8](#))

### Committee questions/discussion

- 10:18:39 Sen. Hoven asked that the committee receive presentations on the production, use, and export of coal.
- 10:20:44 Sen. Barrett asked for clarification on revenue reliability for the HJ 35 (2019) study and what the Legislative Finance Committee (LFC) will do with the HB 715 (2019) study.
- 10:22:33 Committee discussion on HB 715 (2019)
- 10:24:43 Ms. Moore continued her presentation (see Exhibit 5).

### HB 715

- 10:26:14 Ms. Moore ([Exhibit 9](#)) ([Exhibit 10](#))

### Committee questions/discussion

- 10:33:14 Rep. Hamilton asked for clarification on the legislative intent of HB 715 (2019).
- 10:37:17 Committee discussion on HB 715 (2019)

### Public comment

- 10:42:16 Eric Bryson, Montana Association of Counties
- 10:43:10 Jay Preston, CEO Ronan Telephone
- 10:43:41 Kelly Lynch, Montana League of Cities and Towns
- 10:44:22 Darryl James, Montana Infrastructure Coalition
- 10:45:19 Bridger Mahlum, Montana Chamber of Commerce
- 10:47:11 Kyle Compton, Regional Economic Models Incorporated (REMI)
- 10:49:20 Sen. Barrett asked Mr. Compton if there are entities in the state that already use the REMI model.
- 10:49:49 Sen. Hoven asked Mr. Compton where the REMI office is located.
- 10:50:19 Liz Moore, Montana Nonprofit Association
- 10:50:56 Stewart Doggett, Montana Lodging and Hospitality Association
- 10:52:49 Allen Lloyd, Montana Society of CPAs
- 10:53:27 Dennis Parman, Montana Rural Education Association
- 10:54:26 Rose Bender, Montana Budget and Policy Center ([Exhibit 11](#))
- 10:56:01 Rep. Dunwell, HD 84
- 10:59:56 Bob Story, Montana Taxpayers Association ([Exhibit 12](#)) ([Exhibit 13](#)) Note: Exhibit 12 is available in the Legislative Services Division office upon request.

11:03:46 Gene Walborn, Department of Revenue  
11:04:16 Mark Hagerty, Headwaters Economics

**BREAK** (Reconvened at 11:14 a.m.)

**AGENCY OVERSIGHT: DEPARTMENT OF REVENUE**

11:15:09 Gene Walborn, Director, Department of Revenue (DOR)

**Update on bill implementation**

11:17:21 Director Walborn

**Reappraisal update**

11:19:01 Director Walborn

11:19:59 Ed Caplis, Operations Manager of Tax Policy and Research, DOR (**Exhibit 14**)

**Committee questions**

11:21:41 Sen. Barrett asked for further information on existing property market value increases and new property market value increases.

11:22:45 Sen. Bladell asked if legacy property owners established through SB 94 (2017) were notified by the department that they would need to re-file their property exemption every two years.

11:23:34 Rep. Redfield asked if HB 24 (2019) will change Class 3 Market Value classification (see Exhibit 14).

11:24:05 Shauna Helfert, Deputy Director, DOR, responded to Sen. Bladell's question.

11:24:47 Sen. Hoven asked Ms. Helfert if there is language on the department's website that legacy property exemptions will not be in effect unless the property owner reapplies for the exemption. The question was redirected to Gordy Conn, Division Administrator, DOR.

**Income tax season update**

11:26:51 Jill Hamilton, Information Management Bureau Chief, DOR (**Exhibit 15**)

11:32:51 Director Walborn

**Committee questions**

11:34:08 Rep. Beard asked if more tax fraud is experienced on paper or through electronically filed taxes.

**Major case update**

11:35:38 Dan Whyte, Chief Legal Council, DOR (**Exhibit 16**)

**Committee questions**

11:50:31 Rep. Brown asked for further information on the dark store theory and if the department has an assessment on what state resources go into major cases.

11:56:06 Sen. Bladell asked for further information on the LL Liquor, Inc., v. State of Montana, et al. case and if other liquor stores will fall under SB 193 (2019).

11:57:48 Sen. Hoven asked for clarification on the dark store theory.

11:59:58 Rep. Fuller asked for clarification on the dark store theory regarding property footprint and tax rate.

12:01:50 Director Walborn continued the presentation.

**Public comment**

12:02:29 Cynthia Preston, Ronan Telephone

12:04:33 Bob Story, Montana Taxpayers Association

**REVENUE ESTIMATING AND MONITORING**

**FY 2019 General Fund Update**

12:07:21 Stephanie Morrison, Fiscal Analyst, Legislative Fiscal Division (LFD) ([Exhibit 17](#))

12:12:14 Sam Schaefer, Fiscal Analyst, LFD

**Committee questions**

12:16:18 Rep. Hamilton asked Mr. Schaefer how many oil rigs are in production in the state.

12:16:40 Sen. Hoven asked Mr. Schaefer if small business (S) corporations and limited liability companies (LLC) adhere to individual income tax instead of corporation income tax.

12:17:08 Alice Hecht, Fiscal Analyst, LFD

12:17:46 Nick VanBrown, Fiscal Analyst, LFD

**Public comment**

None

**LUNCH** (Reconvened at 1:32 p.m.)

**AGENCY OVERSIGHT: MONTANA TAX APPEAL BOARD**

13:32:46 Dave McAlpin, Chair, Montana Tax Appeal Board ([Exhibit 18](#)) ([Exhibit 19](#))

**Committee questions**

13:48:34 Rep. Hamilton asked for clarification on the Calumet Montana Refining tax appeal.

13:50:33 Sen. Hoven asked if the Calumet Montana Refining tax appeal was submitted prior to the new facility construction.

**Public comment**

13:51:26 Eric Bryson, Montana Association of Counties

**AGENCY MONITORING: ADMINISTRATIVE RULE REVIEW**

13:52:40 Mr. Coles ([Exhibit 20](#))

**Public comment**

None

**PUBLIC COMMENT ON ANY TOPIC WITHIN THE COMMITTEE'S JURISDICTION**

14:01:56 Jay Preston, Ronan Telephone ([Exhibit 21](#))

## **COMMITTEE WORK SESSION**

### **Work plan decision matrix**

14:12:03 Ms. Moore (see Exhibit 6)  
14:12:51 Committee discussion on committee work plan  
14:17:30 Sen. Hoven asked what the total FTE would be if the committee chose all the options listed in column A (see Exhibit 6).  
14:19:06 Sen. Hoven asked for further information on the tax credit report.

### **Motion**

14:19:54 Rep. Brown moved to adopt the committee work plan.

### **Committee discussion on the motion**

14:20:29 Sen. Hoven  
14:21:08 Sen. Barrett  
14:21:47 Rep. Redfield  
14:21:57 Rep. Hamilton  
14:22:47 Ms. Moore asked for clarification on the motion.  
14:23:13 Sen. Barrett

### **Vote**

14:24:07 The motion passed on a unanimous voice vote.  
14:24:11 Committee discussion on potential SB 253 and HB 715 agenda items

### **Adopt HJ 35 study plan**

14:31:26 Committee discussion on the HJ 35 study

### **Motion**

14:32:24 Sen. Ankney moved to establish a subcommittee to study HJ 35.

### **Committee discussion on the motion**

14:32:34 Rep. Brown asked if the committee will be members of the HJ 35 subcommittee.  
14:32:50 Rep. Hamilton asked if committee members can choose to not participate in the subcommittee.  
14:33:01 Sen. Hoven asked how many members will be on the subcommittee.  
14:33:29 Sen. Hoven asked for clarification on the committee membership recommendations.  
14:35:29 Sen. Hoven asked for clarification on the subcommittee meeting procedure.

### **Vote**

14:35:52 The motion passed on an unanimous voice vote.  
14:36:05 Committee discussion on the subcommittee public membership

### **Motion**

14:38:15 Rep. Hamilton moved to accept HJ 35 study option A (see Exhibit 6).

### **Vote**

14:38:39 The motion passed on an unanimous voice vote.

14:38:45 Committee discussion on the outline of the HJ 35 study  
14:42:15 Sen. Hoven asked if all tax types will be examined in the HJ 35 study.

**BREAK** (Reconvened at 3:05 p.m.)

**Nominate HJ 35 committee members**

15:05:50 Committee discussion on public nominations for the HJ 35 study committee members.

**Motion**

15:10:42 Sen. Hoven moved to nominate Rose Bender, Tim Burton, Eric Bryson, Dwaine Iverson, Bob Story, and Doug Young as the HJ 35 study committee public members.

**Vote**

15:11:33 The motion passed on an unanimous voice vote.

**Adopt meeting dates**

15:11:55 Committee discussion

**Motion**

15:20:30 Rep. Redfield moved to adopt the committee's tentative meeting dates.

**Vote**

15:20:32 The motion passed on an unanimous voice vote.

**ADJOURNMENT**

15:20:45 Rep. Redfield adjourned the meeting at 3:20 p.m.

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