



## REVENUE INTERIM COMMITTEE 68th Montana Legislature

### SENATE MEMBERS

Jill Cohenour  
Greg Hertz  
Brian Hoven  
Mike Lang  
Edith (Edie) McClafferty  
Shannon O'Brien

### HOUSE MEMBERS

Becky Beard  
Alice Buckley  
Connie Keogh  
Mark Thane  
Jeremy Trebas  
Tom Welch

### COMMITTEE STAFF

Jaret Coles - Attorney  
Megan Moore - Research Analyst  
Katya Grover - Secretary

# MINUTES LOG

September 15, 2022  
Room 137  
Helena, Montana

Please note: This document is a Minutes Log and provides annotation 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 recording 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 the 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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### **MEMBERS PRESENT:**

Sen. Jill Cohenour, Chair (D)  
Rep. Becky Beard, Vice Chair (R)  
Rep. Alice Buckley (D)  
Sen. Greg Hertz (R)  
Sen. Brian Hoven (R)  
Rep. Connie Keogh (D)  
Sen. Mike Lang (R)  
Sen. Shannon O'Brien (D)  
Rep. Mark Thane (D)  
Rep. Jeremy Trebas (R)  
Rep. Tom Welch (R)

### **MEMBERS EXCUSED:**

Sen. Edith (Edie) McClafferty (D)

### **STAFF PRESENT:**

Jaret Coles, Attorney  
Megan Moore, Research Analyst  
Katya Grover, Secretary

## **AGENDA (Attachment 1)**

## **VISITORS' LIST (Attachment 2)**

### **COMMITTEE ACTION**

The committee requested committee bills to:

- Increase the MEDIA Act film tax credit cap to \$30 million;
- Reduce the maximum credit for an innovative education program donation or student scholarship organization donation to \$2,000;
- Revise the tax credit review schedule;
- Provide for an all ages income tax credit for property taxes paid and increase the maximum credit to \$1,300;
- Repeal the gray water property abatement;
- Revise the distribution period for a Montana farm or ranch risk management account.

The committee adopted the HJ 36 residential property tax study final report and the tax credit review final report.

The committee requested agency bills on behalf of the Department of Revenue (all except 08-004).

### **CALL TO ORDER/ROLL CALL**

08:04:31 Sen. Jill Cohenour called the meeting to order at 8:04 AM. The committee secretary took roll. Sen. McClafferty was excused and left her proxy with Sen. Cohenour.

### **ECONOMIC IMPACT OF MEDIA ACT TAX CREDITS**

08:05:36 Sen. Cohenour

### **Estimated Return for Increased Credit Amounts**

08:06:28 Gina Lavery, Econsult Solutions ([Exhibit 1](#))

### **Public Comment**

08:27:31 Mark Baker, Paramount

08:30:40 Allison Whitmer, Film Commissioner, Department of Commerce

### **Committee Questions and Discussion**

08:31:43 Sen. Hoven asked Ms. Lavery about the source for the State and Local Tax Revenue as percentage to GDP reflected on pg. 11 of Exhibit 1.

08:33:10 Sen. Hoven asked Ms. Lavery about property taxes paid by the film industry.

08:35:09 Sen. Hertz asked Ms. Lavery about total economic impact in Montana by the film industry.

08:37:14 Sen. Hertz asked Ms. Lavery about the film industry and increases in the tourism economy.

08:39:24 Sen. Hoven referred to pg. 9 of Exhibit 1 and commented on the total to date amount for Local and County Revenue.

08:41:05 Rep. Buckley expressed her agreement with Sen. Hoven's comment.

### **Committee Action**

#### **Motion**

08:41:54 Sen. Hertz moved to request a committee bill to raise the MEDIA Act Tax Credit cap to \$30 million.

### **Discussion on the Motion**

#### **Vote:**

08:57:53 Carried 8 - 3 by voice vote with Rep. Buckley, Rep. Trebas, and Sen. Hoven, voting no. Sen. McClafferty voted by proxy. Sen. Lang was not present.

### **TAX CREDIT REVIEW**

#### **Student Scholarship Organization Reporting Requirements**

08:59:04 Megan Moore, Committee Staff

#### **Ideas for Revising Education Credit Donation System**

09:01:03 Tony Zammit, Deputy Chief Legal Counsel, Department of Revenue

#### **Bill Drafts:**

##### **TC-01: Revise Tax Credit Review Schedule**

09:11:21 Megan Moore, Committee Staff ([Exhibit 2](#)) ([Exhibit 3](#))

##### **TC-02: Lottery System for Innovative Education Credit Donations**

09:13:25 Megan Moore, Committee Staff ([Exhibit 4](#))

#### **Committee Questions and Discussion**

09:13:58 Rep. Thane expressed his concern about the innovative education tax credit.

##### **TC-03: Limit Innovative Education Credit Donations to A School District**

09:15:56 Megan Moore, Committee Staff ([Exhibit 5](#))

#### **Public Comment**

09:18:47 Ross Izard, ACE Scholarships

09:21:50 Erik Burke, Montana Federation of Public Employees

09:24:03 Rose Bender, Montana Budget and Policy Center

09:24:11 Henry Kriegel, Americans for Prosperity

### **Committee Work Session**

#### **Motion**

09:27:53 Rep. Thane moved to request a committee bill reducing the available credit to \$2,000 per individual donation.

## **Discussion on the Motion**

### **Vote:**

09:36:27 Carried 6 - 5 by roll call vote with Rep. Beard, Rep. Trebas, Rep. Welch, Sen. Hertz, and Sen. Hoven, voting no. Sen. McClafferty voted by proxy. Sen. Lang was not present. Rep. Thane will carry the bill and Sen. O'Brien will be a backup.

## **Committee Discussion on Required Recommendations and Adoption of the Final Report**

09:38:52 Ms. Moore noted that the committee was required to make recommendations to the School Scholarship Organization Credit and Innovative Educational Program Credit as well as adopt the final report, which currently didn't include any recommendations.

09:39:31 Chair Cohenour reiterated what the committee was required to provide recommendations.

09:39:50 Ms. Moore also reminded the committee that it could make a motion on TC-01, Revise Tax Credit Review Schedule.

09:40:00 Sen. O'Brien asked Mr. Izard about the numbers for private contributions vs. scholarship funds that came through the program or other state funds.

09:42:22 Sen. Hoven asked Mr. Izard about the reasons why parents wanted their children to attend private schools.

09:43:30 Rep. Thane asked Mr. Izard about the number of local communities with private schools.

### **Motion**

09:44:52 Vice Chair Beard moved to request TC-01 as a committee bill.

### **Vote:**

09:44:52 Carried unanimously by voice vote. Sen. McClafferty voted by proxy. Sen. Lang was not present. Rep. Beard will carry the bill.

## **Adopt Final Report**

### **Motion**

09:46:26 Sen. O'Brien moved to adopt the final report which did not include committee recommendations on the School Scholarship Organization Credit or Innovative Educational Program Credit.

09:46:50 Ms. Moore reiterated what the committee members wished to add to the final report.

### **Vote:**

09:47:23 Carried unanimously by voice vote. Sen. McClafferty voted by proxy. Sen. Lang was not present.

## **AGENCY MONITORING: ADMINISTRATIVE RULE REVIEW**

### **Administrative Rule Report**

09:47:58 Jaret Coles, Staff attorney, Legislative Services Division ([Exhibit 6](#))

### **Committee Questions**

09:52:33 Rep. Thane asked Mr. Coles about the 529 savings plan and about the timeframe for funds that needed to be put in the plan.

### **Public Comment**

09:53:42 None.

### **BRIEF RECESS**

(reconvened at 10:08:09)

### **HJ 36: RESIDENTIAL PROPERTY TAXES**

#### **Updated Cost Estimates for Property Tax Relief Proposals**

10:08:33 Megan Moore, Committee Staff ([Exhibit 7](#))

### **Committee Questions**

10:10:43 Sen. Hoven asked about the additional and total fiscal impact, as well as about the average benefit.

### **Report - continued**

10:11:45 Megan Moore, Committee Staff

10:12:12 Dylan Cole, Department of Revenue

10:13:13 Megan Moore, Committee Staff

### **Committee Questions**

10:15:53 Sen. Hoven asked Ms. Moore and Mr. Cole about the estimated mill shift as reflected on pg. 7 of Exhibit 7.

10:16:33 Sen. Lang joined the meeting.

10:17:32 Rep. Thane asked Mr. Cole whether the numbers in the mill shift column only reflected state mills and not local mills.

10:18:19 Sen. Hertz asked Mr. Cole whether all property within a tax jurisdiction had to be considered when looking at a mill shift.

10:19:22 Sen. Hertz referred to pg. 5 of Exhibit 7 and asked Ms. Moore whether there was a relationship between the number of participants in the program and the fluctuations of the market value of the property.

10:20:35 Sen. Hertz asked Ms. Moore about an exact number of people who would be impacted by moving the levels up and about the relationship between people who would qualify for PTAP and the elderly homeowner rental credit.

10:21:35 Sen. Hertz asked Ms. Moore about the age restriction for the PTAP program.

10:21:47 Mr. Cole provided additional information on the discussion.

### **Overview of Bill Drafts HJ36-01 and HJ36-02**

10:22:18 Megan Moore, Committee Staff ([Exhibit 8](#)) ([Exhibit 9](#))

### **Monthly Property Tax Payments**

10:26:24 Megan Moore, Committee Staff ([Exhibit 10](#))

### **Committee Questions and Discussion**

- 10:36:29 Sen. O'Brien thanked Ms. Moore for the work she put in working on the topic.
- 10:36:39 Rep. Welch commented about taxes paid by homeowners and stated that he preferred option 1 in Ms. Moore's report.
- 10:38:24 Sen. Hertz stated that he would discourage the committee to take any action at this time.
- 10:38:49 Vice Chair Beard also elaborated on the monthly property tax payments discussion.

### **Updated Residential Property Tax Brochure and Draft Final Report**

- 10:39:11 Megan Moore, Committee Staff ([Exhibit 11](#))

### **Committee Questions**

- 10:41:51 Sen. Lang asked Ms. Moore whether there would be any website created.
- 10:42:21 Sen. Lang asked Ms. Moore where one would go on the internet to access the information under discussion.

### **Public Comment**

- 10:43:34 Jason Rittal, Montana Association of Counties
- 10:46:53 Bob Story, Montana Taxpayers Association
- 10:50:48 Rep. Mary Ann Dunwell
- 10:55:45 Rose Bender, Montana Budget and Policy Center

### **Committee Work Session**

#### **Brochure**

- 10:58:20 Chair Cohenour opened the work session and spoke on the approval of the final report.
- 10:59:13 Sen. Hoven referred to Exhibit 11 and noted that there needed to be an explanation about the business equipment tax.

### **Bill Drafts**

#### **Motion**

- 11:00:05 Sen. Hertz moved to request committee bill PD004 while changing the value of the property to \$350,000, indexing it for inflation, and using 125% of the federal poverty level for the income level.

### **Discussion on the Motion**

#### **Vote:**

- 11:09:51 Failed – 5 - 7 by roll call vote with Rep. Beard, Rep. Trebas, Rep. Welch, Sen. Hertz, and Sen. Lang, voting yes. Sen. McClafferty voted by proxy.

#### **Motion**

- 11:10:53 Sen. Hoven moved to request a committee bill to expand the homeowner and renter credit to Option D: to expand the homeowner renter credit to all ages with 20% co-pay for the taxpayers under the age of 62 and increase the maximum credit to \$1,300.

## **Discussion on the Motion**

### **Vote:**

11:16:45 Carried 8 - 4 by roll call vote with Rep. Beard, Rep. Welch, Sen. Hertz, and Sen. Lang, voting no. Sen. McClafferty voted by proxy.

## **Adopt Final Report**

### **Motion**

11:17:45 Rep. Thane moved to adopt the final report with the action that the committee had taken during the current meeting.

### **Vote:**

11:17:45 Carried unanimously by voice vote. Sen. McClafferty voted by proxy.

## **PROPERTY REAPPRAISAL MITIGATION PLANNING** **Timeline for Data and Possible 2023 Session Planning**

11:18:47 Megan Moore, Committee Staff ([Exhibit 12](#))

## **Committee Questions**

11:24:29 Sen. Hertz asked Ms. Moore about the valuation date for the 2023 reappraisal cycle.

## **Update on LFD Property Tax Model and Its Use for Reappraisal**

11:24:53 Julia Pattin, Fiscal Analyst, Legislative Fiscal Division

## **Public Comment**

11:33:26 Bob Story, Montana Taxpayers Association. ([Exhibit 13](#))

## **MISCELLANEOUS COMMITTEE LEGISLATION**

### **Bill Drafts:**

#### **RIC-02: Repeal Gray Water Abatement**

11:43:37 Megan Moore, Committee Staff ([Exhibit 14](#))

#### **RIC-03: Align Eligibility Period In 15-30-3005**

11:45:19 Megan Moore, Committee Staff ([Exhibit 15](#))

## **Public Comment**

11:46:45 None.

## **Committee Action**

### **Motion**

11:47:03 Vice Chair Beard moved to request committee bill draft RIC-02.

### **Vote:**

11:47:03 Carried unanimously by voice vote. Sen. McClafferty voted by proxy. Rep. Beard will carry the bill.

### **Motion**

11:48:11 Sen. Hertz moved to request committee bill draft RIC-03.

### **Vote:**

11:48:11 Carried unanimously by voice vote. Sen. McClafferty voted by proxy. Sen. Hertz will carry the bill.

### **PUBLIC COMMENT ON ANY TOPIC UNDER COMMITTEE'S JURISDICTION**

11:49:04 None.

### **ADMINISTRATIVE MATTERS**

#### **Final Meeting Date**

11:49:37 Megan Moore, Committee Staff

#### **Committee Discussion**

11:51:11 Vice Chair Beard

11:51:45 Ms. Moore

11:52:30 Sen. Hertz

11:53:12 Chair Cohenour

### **LUNCH RECESS**

(reconvened at 13:00:29)

### **PUBLIC COMMENT ON ANY TOPIC UNDER COMMITTEE'S JURISDICTION - continued**

13:01:03 Rebecca Boslough-King, Montana Association of Conservation Districts

### **REVENUE ESTIMATING & MONITORING**

#### **Fiscal Year-End Report**

13:02:45 Sam Schaefer, Fiscal Analyst, Legislative Fiscal Division ([Exhibit 16](#))

#### **Committee Questions**

13:22:41 Sen. Hertz asked Mr. Schaefer asked about state withholding tax in July and August.

13:22:49 In his response, Mr. Schaefer referred to the document entitled "Year-Over-Year Withholding Growth." ([Exhibit 17](#))

13:24:08 Chair Cohenour asked Mr. Schaefer about how much of the money was ongoing.

13:27:55 Rep. Thane asked Mr. Schaefer about remote workers who were working in Montana for a short period of time and income taxes.

13:29:09 Vice Chair Beard asked Mr. Schaefer about the projected federal rate and projected unemployment rate for Montana.



13:30:41 Sen. Hertz requested information be provided about the different business categories in relation to tax withholding.

### **Overview of U.S. And Montana Economies**

13:32:21 Karl Kuykendall, IHS ([Exhibit 18](#))

13:49:43 Alex Minelli, IHS

### **Committee Questions**

14:01:37 Chair Cohenour asked Mr. Kuykendall about the index values being low and whether housing availability was considered in the assessment.

14:03:20 Rep. Trebas asked Mr. Kuykendall about the possible influence of international affairs and whether the Chinese economy might affect the U.S. economy.

14:05:16 Sen. Lang asked Mr. Kuykendall for estimation for the currency value in U.S. and China.

14:06:39 Rep. Keogh asked Mr. Kuykendall and Mr. Minelli to elaborate on factors driving the in-migration between Montana and Wyoming and whether there is any connection to the tax structure.

### **Economic Overviews Related to Revenue Estimates**

#### **Montana Economic Outlook**

14:09:46 Patrick Barkey, Bureau of Business and Economic Research, University of Montana ([Exhibit 19](#))

#### **Montana Labor Trends**

14:37:13 Barb Wagner, Montana Department of Labor and Industry ([Exhibit 20](#))  
([Exhibit 21](#))

### **Committee Questions**

14:55:49 Rep. Thane asked Ms. Wagner to identify the data explaining the reasons for strong demand in labor in certain sectors.

### **Agriculture**

14:57:37 Kate Fuller, Montana State University ([Exhibit 22](#))

### **Committee Questions**

15:14:47 Chair Cohenour asked Ms. Fuller about reasons for the international disruptions.

### **Oil and Gas**

15:16:19 Alan Olson, Executive Director, Montana Petroleum Association ([Exhibit 23](#))

### **Committee Questions**

15:27:09 Sen. Lang asked Mr. Olson to elaborate on the Cedar Creek Anticline.

### **Public Comment**

15:30:29 None.

### **BRIEF RECESS**

(reconvened at 15:42:51)

## **AGENCY MONITORING: DEPARTMENT OF REVENUE**

15:43:17 Brendan Beatty, Director, Department of Revenue

### **Tax Collections for Remote Workers**

15:45:33 Micah Christensen, Department of Revenue

### **Committee Questions**

- 15:45:57 Chair Cohenour asked Director Beatty whether he prepared and brought a list of legislation proposed by the DOR.
- 15:46:08 Mr. Beatty and Mr. Christensen addressed the question.
- 15:55:27 Rep. Keogh asked Mr. Christensen about factors determining how much time needed to be reported by those working remotely in Montana.
- 15:56:47 Rep. Keogh asked Mr. Christensen to clarify the term “remote.”
- 15:57:17 Rep. Thane asked Mr. Christensen about obligations by the employers to report remote workers.
- 15:58:09 Sen. Hertz followed up on Rep. Keogh’s question and noted that there needed to be some constraints with respect to remote work that takes place in Montana.
- 15:59:58 Sen. Hoven asked Mr. Christensen whether in a situation such as when an organization has a convention in Montana and a guest speaker is brought and paid \$15,000, that a 1099 Form would need to be filed.
- 16:00:47 Mr. Beatty responded to Sen. Hertz’s question.
- 16:02:41 Rep. Buckley asked Director Beatty whether he had any perspective and guidance if the committee were to take action on the present discussion.
- 16:03:41 Chair Cohenour requested a working document that the federal government might have that would reflect. Director Beatty’s elaboration be presented to the committee.

### **Appraisal Technology Pilot Projects**

16:03:57 Robin Rude, Property Assessment Division, Department of Revenue

[\(Exhibit 24\)](#)

16:28:53 Kory Hofland, Property Assessment Division, Department of Revenue

### **Committee Questions**

- 16:35:22 Rep. Welch thanked Ms. Rude and Mr. Hofland for their report and noted that the report clarified a misunderstanding he previously had.
- 16:36:25 Sen. Hertz asked Mr. Hofland about outlier sales in the modeling.

### **Major Case Update**

16:37:51 Tony Zammit, Deputy Chief Legal Counsel, Department of Revenue

[\(Exhibit 25\)](#)

### **Committee Questions**

- 16:41:39 Chair Cohenour asked Mr. Zammit to elaborate on the settlements that he discussed.
- 16:44:29 Chair Cohenour asked Mr. Zammit to elaborate on the reasons the department had changed their methodology. Director Beatty also addressed the question.

### **Tax Haven Report**

16:49:34 Mark Schoenfeld, Department of Revenue ([Exhibit 26](#))  
16:58:43 Director Beatty

### **Committee Questions**

16:59:15 Chair Cohenour asked Director Beatty to elaborate on what kind of criteria the department was going to set up to make sure that these were objective criteria.

### **Grow Montana Jobs Credit Report**

17:01:10 Mr. Christensen

### **Agency Bill Draft Requests**

17:02:49 Megan Moore, Committee Staff  
17:04:05 Director Beatty ([Exhibit 27](#)) ([Exhibit 28](#))  
17:04:57 Chair Cohenour  
17:05:03 Director Beatty  
17:05:34 Ms. Moore

### **Committee Questions and Discussion**

17:05:57 Chair Cohenour commented that in her discussion with Director Beatty, she expressed a concern regarding bill proposals that would entail significant policy changes.  
17:06:47 Director Beatty addressed Chair Cohenour's comment.  
17:07:34 Sen. Hertz referred to the memorandum from Director Beatty about the agency bill proposals in which two out of three groups included the red tape initiative, with minimal changes, as well as the 2023 legislative proposals, with some policy changes. Sen. Hertz asked Director Beatty whether the 2023 legislative proposals still had to have the Governor's approval.  
17:08:34 Sen. Hertz asked Ms. Moore if the committee doesn't take action on the bills now, whether the agency would have to find individual legislators to carry those bills.

### **Motion**

17:08:54 Sen. Hertz moved to accept bill proposals under the title "2023 Red Tape Relief Initiative Legislative Proposals" and allow them to be drafted.

### **Discussion on the Motion**

### **Vote:**

17:13:35 Carried unanimously by voice vote. Sen. McClafferty voted by proxy.

### **Public Comment**

17:14:13 Rose Bender, Montana Budget and Policy Center  
17:16:24 Chris Puyear, NorthWestern Energy  
17:17:46 Bob Story, Montana Taxpayers Association  
17:19:19 Robin Rude, Property Assessment Division, Department of Revenue

### **Committee Action on Agency Bill Draft Requests**

17:19:58 Sen. Lang moved to accept bill proposals grouped under the title “2023 Legislative Proposals”, with the exception of the bill proposal number 08-004, and allow them to be drafted.

### **Discussion on the Motion**

#### **Vote:**

17:22:57 Carried unanimously by voice vote. Sen. McClafferty voted by proxy.

### **COMMITTEE-REQUESTED TOPICS: INTANGIBLE PERSONAL PROPERTY EXEMPTION**

#### **How Other States Treat Goodwill**

17:23:47 Doug Roehm, Department of Revenue ([Exhibit 29](#))

#### **Committee Questions**

17:34:47 Chair Cohenour asked Mr. Roehm to provide an example when a taxpayer would make a case for his or her property being worth more than listed.

17:36:19 Chair Cohenour asked Mr. Roehm about goodwill in sale and acquisition.

17:38:21 Sen. Hoven commented on the meaning of the term goodwill.

17:39:57 Chair Cohenour referred to Sen. Hoven’s comment and asked Mr. Roehm whether discussions regarding sale and acquisition were audited.

#### **Criteria for Determining Whether Intangible Personal Property Exemption Should Be Higher**

17:42:05 Jared Isom, Department of Revenue ([Exhibit 30](#))

#### **Public Comment**

17:51:24 Rose Bender, Montana Budget and Policy Center

### **ADJOURNMENT**

17:53:22 Chair Cohenour adjourned the meeting at 17:53 PM.