



## Revenue and Transportation Interim Committee

### 60th Montana Legislature

#### SENATE MEMBERS

JIM PETERSON--Chair  
KIM GILLAN--Vice Chair  
JIM ELLIOTT  
JEFF ESSMANN  
CHRISTINE KAUFMANN  
ROBERT STORY JR

#### HOUSE MEMBERS

TIMOTHY FUREY  
GALEN HOLLENBAUGH  
MIKE JOPEK  
BOB LAKE  
PENNY MORGAN  
JON SONJU

#### COMMITTEE STAFF

JEFF MARTIN, Lead Staff  
LEE HEIMAN, Staff Attorney  
FONG HOM, Secretary

# MINUTES

April 18, 2008

Room 102, Capitol Building  
Helena, Montana

Please note: These minutes provide abbreviated information about committee discussion, public testimony, action taken, and other activities. The minutes are accompanied by an audio recording. For each action listed, the minutes indicate the approximate amount of time in hours, minutes, and seconds that has elapsed since the start of the meeting. This time may be used to locate the activity on the audio recording.

An electronic copy of these minutes and the audio recording may be accessed from the Legislative Branch home page at <http://leg.mt.gov>. On the left-side column of the home page, select *Committees*, then *Interim*, and then the appropriate committee.

To view the minutes, locate the meeting date and click on minutes. To hear the audio recording, click on the Real Player icon. Note: You must have Real Player to listen to the audio recording.

#### COMMITTEE MEMBERS PRESENT

SEN. JIM PETERSON, Chair  
SEN. KIM GILLAN, Vice Chair

SEN. JIM ELLIOTT  
SEN. JEFF ESSMANN  
SEN. CHRISTINE KAUFMANN  
SEN. ROBERT STORY JR

REP. GALEN HOLLENBAUGH  
REP. MIKE JOPEK  
REP. BOB LAKE  
REP. PENNY MORGAN

#### COMMITTEE MEMBERS EXCUSED

REP. TIMOTHY FUREY  
REP. JON SONJU

#### STAFF PRESENT

JEFF MARTIN, Lead Staff  
LEE HEIMAN, Staff Attorney  
FONG HOM, Secretary

## Visitors and Agenda

Visitors' list, Attachment #1  
Agenda, Attachment #2

## COMMITTEE ACTION

The committee appointed Sen. Peterson, Rep. Lake, Rep. Jopek, and Sen. Gillan to the oversight committee for the Project 2030 study, and approved travel expense reimbursements, and having some meetings by teleconference.

## CALL TO ORDER AND ROLL CALL

00:00:03 Sen. Peterson called the meeting to order at 7:58 a.m. The committee secretary took roll. Rep. Furey and Rep. Sonju were excused.

A motion to approve the minutes of the February 7-8, 2008 meetings, and the minutes of the March 26, 2008, teleconference meeting passed unanimously.

## SUBCOMMITTEES REPORTS

### 00:03:19 SJR 31 Subcommittee Report - Sen. Story

Sen. Story gave a recap of the SJR 31 Subcommittee meeting held April 17, 2008:

- The subcommittee talked about reports issued to the Quality Schools Interim Committee in 2005 dealing with property taxes, mill levies, House 124 block grants and oil and gas revenue.
- The subcommittee talked about a report, "K12 School Property Tax Revenue Growth from 2000 to 2007".
- The subcommittee heard from Lance Melton who gave a presentation on the Montana School Boards Association's position regarding the Quality Schools Interim Committee's work.

### Questions

00:14:58 Sen. Elliott asked Sen. Story how school districts are sequestering some of the oil and gas money while at the same time increasing mill levies to fund their schools. Sen. Story said that the school districts that have oil and gas money aren't, because of the way the funding formula works. Once the schools get their direct state aid, which is 44.7% of their budget, everything else is oil and gas money which gets them up to 100%.

Sen. Elliott asked about restrictions on the amount of reserve funds that a school district can accumulate. Sen. Story said they are allowed to keep 10% reserved.

### 00:18:40 HB488 Subcommittee Report - Sen. Gillan

Sen. Gillan gave an update on the HB488 Subcommittee's meeting:

- the subcommittee addressed a concern regarding the volatile condition of the real estate market.
- The subcommittee heard a presentation from Doug Young, MSU, on property taxes.
- Scott Rickard, Center for Applied Economic Research at MSU, Billings, gave

- an overview of what has been happening in the Montana real estate market.
- Dan Bucks, Director, Department of Revenue, gave a presentation on the changes in the real estate market.
- The subcommittee also heard about the Constitutional Initiative 99 (CI99) to change residential property taxes, a presentation on current programs that provide property tax assistance, and a presentation from Jeff Martin on selected states method for reappraisal and property tax relief.
- A Whitefish resident gave public testimony and was invited back for the next meeting.

#### Committee Discussion

00:22:52 There was a discussion on delaying the reappraisal period and doing some modeling based on 2003 numbers. Mr. Bucks was asked to clarify his analysis of sales for the year 2007 with the benchmark date being January 1, 2008. Mr. Bucks said that the benchmark date is based upon sales data collected over time with an effort to determine values as of that date. Sen. Elliott wanted to know what the cost would be if they did reappraisal on an annual basis. Mr. Bucks said that it would be if you shorten the cycle to three years, you need to do field reviews in two years.

#### **State General Fund Collection Report - Terry Johnson, Fiscal Analyst, LFD**

00:42:23 Mr. Johnson gave a report on General Fund Revenue (**Exhibit 1**). Mr. Johnson said that the HJR 2 resolution is used to monitor the effects of legislative action on revenue estimates. He said that he has a summary that includes a Watch List which contains significant fiscal issues that continue to show up as they proceed through the interim.

#### Questions

01:06:57 Rep. Morgan asked if the decline in oil production was due to depleting the oil in the fields. Mr. Johnson said that he doesn't have a good answer but one factor is that horizontal well production declines quickly after it reaches its peak. The wells that have been drilled in Montana may have peaked.

Sen. Elliott said that coal mining was not discussed. He understands that the worldwide demand for coal has increased and the prices have almost doubled. He asked if that had any effect on Montana's coal production. Mr. Johnson said that it has. They have seen a substantial increase in Montana contract sales price which is reflected in some additional coal severance tax collections.

#### **Update on Short-term Investment Pool (STIP) - Carroll South, Montana Board of Investments**

01:33:41 Mr. South gave a brief overview on the Short-Term Investment Pool (STIP) (**Exhibit 2**) which will be posted to the Board of Investments' web page.

#### Questions

01:44:48 Sen. Essmann asked how Mr. South gained liquidity when the local governments withdrew. Mr. South said that they knew there was going to be a problem so they shortened up the duration and increased the liquidity from \$100 million a day to \$300 million a day, so that by the time the run on the bank occurred, they

had \$300 million available for redemptions. They were able to cover the redemptions without having to sell any underlying securities.

Rep. Jopek asked if the Legislature requires the Board of Investments to get a certain return on their investments? Mr. South said that the Legislature has never told them to generate any kind of yield in the STIP; however, regarding pension plans, they are required to return 8% a year for all the pensions.

Sen. Essmann asked if there are any generally accepted accounting practices as to how long the Board of Investments can continue to carry those assets at face value in a nonperforming state without having to write them down? Mr. South said that the STIP operates under the amortized cost basis. They don't price any securities in the pool which is typical of any money market account that guarantees a \$1 a share value. Their financial statement and investment policy both state specifically that this fund is an amortized cost fund. Those securities have to be kept on the books at cost until they are restructured.

Sen. Peterson asked if once the securities pass the maturity date, are they classified as a receivable? Mr. South said that if they don't pay on the maturity date, then they are booked as a receivable until they know what they are going to get. All the maturity dates on those default securities go away on the date of the default because the contract requires that if you miss a payment, everything is due on that day.

Rep. Morgan said that if the securities default, the state is going to have to make that money up to the pool so that local governments can get their money where the money is available. She asked if that was the risk? Mr. South said that the law requires them to give the local government's money back to them. Their fiduciary responsibility does not permit them to treat state participants differently than local government participants. All STIP participants are treated the same. If there is a loss, they have no intentions of reducing the unit value.

Sen. Essmann asked about the requirement that the Board of Investments earn 8% for retirement funds when it may be next to impossible to get that in the market in the foreseeable future. Mr. South said that they have been keeping performance records on the pension plans since FY 1995, and during that period of time, they have yielded more than 8%.

Sen. Story asked about the deficit in the retirement fund. Mr. South said the Legislature put \$150 million of general fund money in and they raised the employer contribution rate. He said that brought the amortization of the unfunded liability down to less than 30 years.

**HJR 61 study of state income tax conformity with federal income tax laws - Lee Heiman, Staff Attorney, LSD**

02:31:04 Mr. Heiman discussed the state's tie to federal income tax laws and the Lee vs. State problem of the state giving up its legislative authority to the federal government to automatically follow federal law without the legislature's involvement. He discussed two solutions: some states use a particular fixed date

for looking at the federal code and the legislature periodically revises that date so that it has control over what kind of federal provisions the state links with. That provision is in LC9998 (**Exhibit 3**). Mr. Heiman also said that the Department of Revenue could adopt those changes by administrative rule, which would be the state's involvement and that would work under Lee vs. State. Another solution would be to have a rolling date for two years without the state's explicit adoption. That approach is in LC9997 (**Exhibit 3a**).

#### Questions

02:37:14 Rep. Morgan asked if the specific dates in LC9997 were written in such a way that that would have to be addressed by every legislature rather than being a policy issue. Mr. Heiman said that that was the goal because the Legislature reviews the federal law and understands what is going on. Every two years the Legislature makes sure that they agree or disagree with the federal tax laws as they affect the state tax laws. That is also one of the problems with it. They put the hard dates in making it easier to kill a bill because there could be some internal revenue code section that somebody may not like.

#### Public comment

02:43:10 **Brenda Gilmer, Department of Revenue**, said that the Department of Revenue supports the concept of periodic conformity and not automatically delegating authority to the federal government to determine the state's tax law. Any type of conformity bill brings in technical issue and they welcome the opportunity to work with Mr. Heiman in dealing with those types of complexity.

#### Committee Discussion

02:48:47 Sen. Elliott said if they adopt the tax code as of December 31, 2008, and gave the Department of Revenue the authority to adopt rules to mirror the federal tax code of December 31, 2009, there would be rules specifically to conform with the federal law and there would not be a lot of leeway in rule writing. Rep. Lake said that the only issue he has is that once that rule is put in place and adopted, then it takes an action on the part of the Legislature to change it. He is looking more at the opportunity of putting it in, let it work, and then have the Legislature decide whether or not to keep it. Sen. Story said that the rolling conformity bill is probably more practical because Montana is not a big market for software programs to do income tax and the closer you are tied to federal law, the easier it is for both accountants and the average citizen to do their taxes.

03:00:29 Sen. Peterson suggested the two bill drafts be commented on by tax professionals and the Department of Revenue and those comments be presented. Sen. Elliott said that he did want to talk about the issue of having the Department of Revenue write rules to conform to federal legislation.

Sen. Peterson asked if the committee was in agreement that they should defer any specific recommendation until after the committee has heard from the tax professionals on the two bill drafts and the committee can take it up at that point.

#### **Montana Quality Schools Lawsuit update - Greg Petesch, Legal Director, LSD**

03:04:42 Mr. Petesch said that the issue of whether the state has adequately responded to

the determination by the Montana Supreme Court that the system of funding public schools was unconstitutional is again in the District Court, which retained jurisdiction over the initial suit. The plaintiffs had asked for a show cause hearing at which the state was requested to show why additional supplemental relief should not be granted to the plaintiffs. That hearing was held but an order has not yet been issued by the court. Plaintiffs are seeking a declaration that the state has not yet met its constitutional obligation and for some other form of unspecified supplemental relief. The state's position is that the original suit, and therefore the continuing jurisdiction over it, is moot because the system declared unconstitutional was significantly changed in the 2005 and 2007 Legislatures so that the system declared unconstitutional no longer exists and therefore, in order to challenge the current system, a new lawsuit would need to be brought to show that the new system still had constitutional defects.

Questions

03:06:47 Sen. Gillan asked who argued for the state. Mr. Petesch said Mr. Johnstone from the Attorney General's Office argued on behalf of the state.

Public Comment

None at this time.

**Gross Receipts Taxes - Jeff Martin, Research Analyst, LSD**

03:09:21 Mr. Martin discussed the report (**Exhibit 4**) "Whither Gross Receipts Taxes". He said that this report was in response to a committee request on enacted gross receipts taxes in Ohio and Michigan. He said that Texas has revised its franchise tax system to raise additional revenue for funding a successful school funding lawsuit in that state.

Questions

03:27:56 Rep. Morgan asked if you would pay a tax on the gross receipts of sales regardless whether or not you had any profit. Mr. Martin said that is correct, but it would depend on how the gross receipts tax was structured. In Michigan, it is more of a minimum tax that businesses would pay to insure revenue stability. In Ohio, it is the primary tax.

Rep. Lake asked if Mr. Martin knew about the costs of administering that tax, the costs of compliance, and the costs of enforcement? Mr. Martin said that, theoretically, because the tax is based on gross receipts, it should reduce compliance costs and administrative costs.

03:32:36 Sen. Kaufmann asked if Ohio or Michigan have mitigating policies that diminished the effect of pyramiding which is the most serious complaint about gross receipts tax. Mr. Martin said that he did not believe that Ohio did. There may be some mitigating reduction in the Michigan version in the sense that its business purchases are excluded from the gross receipts tax.

Sen. Kaufmann asked if Ohio and Michigan have a sales tax and is that part of the pyramiding? Mr. Martin said that both states have sales taxes. You could have pyramiding because you don't know how the gross receipts tax is reflected

in price. It could certainly be pyramiding within the sales tax depending on how business to business purchases are taxed.

Public Comment

03:37:19 **Patty Jacques, Business Owner**, said that she was surprised to see that the committee would even look at something like this. She wanted the committee to think hard about how the gross receipts tax is going to affect their business and what it will do to the consumer who rents equipment from them. She is not in favor of gross receipts tax but would like the committee to look at the resort tax, which allows communities to collect a tax and provide property tax relief.

03:41:21 **Bruce Spencer, Montana Auto Dealers**, said the gross receipts tax falls most heavily on a low margin high turnover business, similar to Rep. Morgan's concern. He said that this will hurt small auto dealers who are already struggling. He said that they oppose the gross receipts tax.

Questions

03:42:39 Sen. Kaufmann said that she is interested in the fact that Ms. Jacques doesn't like the gross receipts tax but likes the sales tax. Sen. Kaufmann asked Ms. Jacques to comment on that.

Ms. Jacques responded by using an example of the rental car tax that affects their business because it taxes the rental trailers. Her business collects a rental tax which they have to submit to the Department of Revenue. There is a difference between a sales tax and a corporation business tax because a sales tax is going to be on people who use it. A resort tax is a sales tax only in selective cities and towns that have a population of less than 5,500. She said that we should implement a sales tax to give tax relief within their communities and if the communities receive more than what was collected for revenues, the communities would have to then put it into a fund and give it back to the property owners.

**LUNCH**

**Department of Revenue Realty Transfer Certificate Project - Dan Bucks, Director, Department of Revenue**

05:04:40 **Mark Josephson, President, Montana Land Title Association**, said that they oppose the 2% withholding tax proposal but they do support efficient tax compliance and tax collection. He distributed a brochure (**Exhibit 5**) that the Association did in conjunction with other associations to get this issue before the public regarding their tax responsibilities. Mr. Josephson said that they support the Legislature passing a law that requires them to submit their federal 1099s to the Department of Revenue. They oppose the Reality Transfer Certificate Project because it doesn't give the information needed to make a reasoned decision on whether to pass this law. He said that, given the costs of the project and the increased costs to Montana businesses and consumers, the time and resources could be better spent by having them submit their federal 1099s to target the 5% who are not complying with the law.

05:17:37 Dan Bucks, Director, Department of Revenue, discussed the Realty Transfer Project **(Exhibit 6)**.

Public Comment

05:40:19 **Vern Hoven, CPA**, provided written testimony **(Exhibit 7)** to the committee.

Questions

06:05:33 Sen. Gillan asked Mr. Bucks about the response rate of the 506 residential non-filers and the returns from residents of 40. Sen. Gillan said that based on what Mr. Hoven said, is that because there were only 40 people that had taxable events? Mr. Bucks said the response rate means that they made a contact and a conversation has begun with the taxpayer. Out of the 250 residents who responded, there are 210 cases yet to be resolved. Response doesn't mean case closed, it means in progress.

Sen. Gillan said that she has a concern that people may not be filing because it was a non-taxable event and given the possibility of non-taxable events or no gain, what is a realistic discounting of how people should actually respond if it was a transfer? Mr. Bucks discussed how the Realty Transfer Certificate would work. He said that they cross match the certificate with the income tax return, and by doing that, they gather information and examine manually whether or not it is a non-taxable event before the letter is sent. That is the best information they have except where they have voluntary 1099s which they will also use.

Sen. Gillan said that the Department would not withhold on non-taxable transactions. She asked if that would require some determination by the land and title people that they would be making a tax decision. Mr. Bucks said that all their proposals have relied upon the seller declaring whether or not they were claiming an exemption. If the seller declares an exemption, the Land Title Association is not responsible for checking that. All they do is accept the statement in good faith. It is a seller determination, not a Land Title Association determination.

Sen. Gillan asked Mr. Bucks to respond to Mr. Hoven's suggestion to send the deficiency letter as opposed to a letter the Department has been sending. Mr. Bucks said that the Montana Taxpayer Bill of Rights requires the Department of Revenue to provide advance notice to taxpayers before the deficiency statements are sent. He said that deficiency notices have not proven to be a cost effective collection technique as Mr. Hoven described.

06:16:48 Rep. Morgan asked if the Department over-collects, does the Department pay interest on that amount. Mr. Bucks said that that would depend upon what is specified in the laws. Current law provides that if refunds are not processed within 45 days of submission, there is interest for the delay period, but there is no interest from the time that withholding comes out of the taxpayer's paycheck but from the time which they file the return if it goes past 45 days.

06:18:40 Rep. Lake said that he has concerns about using the Realty Transfer Certificate cross checking because of identity theft. He asked Mr. Bucks if the Department would be receptive to developing a separate document that would contain all the

information that they need, such as the 1099, and putting the Reality Transfer Certificate back to its original form for its original use and statutorily require it to accompany the sale. Mr. Bucks said that he would not reject any idea that is submitted. He said that the material that the Department has added to the Reality Transfer Certificate is for property valuation purposes. He re-emphasized that the Achilles Heel of any proposal that the Department simply act on information submitted to it, either be this separate form or 1099S, is that 20% to 30% of the taxpayers in the end will not even respond in any form and end up not paying.

06:23:32 Sen. Story asked if the average payment by non-resident skewed because of one large payment or is it because smaller payments have been made. Mr. Bucks said that it is a good idea to put a dispersion range on those payments. His impression is that they are getting a few substantial checks but there hasn't been any overwhelming checks.

06:29:54 Sen. Peterson said the committee is just beginning to have discussions on this subject and he thanked everyone for their comments. He encouraged everyone to submit comments, questions, or suggestions to the committee through Jeff Martin.

#### **Status of Project 2030 - Sen. Jim Peterson**

06:30:23 Sen. Peterson discussed the "Project 2030" (**Exhibit 8**). He said his goal is to try to move the project forward. He divided his presentation into three topics:

- feedback from the Legislative Finance Committee
- Terry Johnson's information that he submitted to the Legislative Finance Committee
- input from Dr. Myles Watts who agreed to be the lead researcher on this proposal as to how he might approach this

Sen. Peterson said that Dr. Myles Watts and Dr. Doug Young would take the lead in cooperation with Legislative Fiscal Division in the study; the budget would be \$27,000 of which \$20,000 would be private funding; the report would not be released until November 15, 2008; and the report would be prohibited from making any policy recommendations but would be a research study only.

#### **Questions**

06:39:54 Rep. Jopek said that he is uncomfortable about some of the aspects, especially with the funding of the project. Sen. Peterson said that he was advised that funds cannot be diverted for a project unless that project is a named project by the Legislature. One of the things that he failed to mention was that this project would be under an oversight committee made up of members of this committee and members of the Legislative Finance Committee.

Rep. Jopek said he wants to make sure that this doesn't turn into a political football and he would rather discuss this issue at the next RTIC meeting.

Sen. Kaufmann asked Sen. Peterson about the committed funds for the project. Sen. Peterson said that the entities were: Montana Association of Counties, Montana Bankers Association, Council on Aging, Montana Chamber of

Commerce, Northwestern Energy, and PPL. He said that his purpose is to do a well thought out research project that would look at what the future demographics mean to the different areas that we will be dealing with. He thinks that demographics will impact the healthcare industry and could potentially impact the income tax revenue.

Sen. Kaufmann said that normally we put out RFPs but this project didn't seem go that route. Sen. Peterson said that it did not. He asked the legal division about that and they said that as long as it stayed in the public sector, it was fine, but if legislative dollars are used, then an RFP would have to be issued.

Rep. Hollenbaugh questioned the credibility of the study. He said that there have been numerous press reports about privately funded studies being suspect. He asked Sen. Peterson if he foresaw any problems with this study. Sen. Peterson said that the funding would be private but the research and the data would be through public entities.

Rep. Jopek said that he wants a study like this to happen but thinks that the step missing is the peer review of the study.

06:54:09 **Terry Johnson, Fiscal Analyst, LFD**, gave a brief background of the Finance Committee's position. He said that in June of 2007, the Finance Committee developed a work plan for the Legislative Fiscal Division staff. There were a number of proposals presented: the Budget Growth Module and the Graying of Montana Project. Both of those projects were designed to do exactly what Project 2030 is trying to do: take a look at long-term perspective of state government revenues with state government expenditures. The Graying of Montana Project takes a look at the changing demographics and how that affects the revenue and the expenditures. It was decided that the two projects were low priority because they were too labor intensive.

06:59:39 **Dr. Myles Watts, Department Head, Agriculture and Economics Department, Montana State University**, responded to the question on how Project 2030 would be done. He said that the intent is to look at what we are spending on various age categories, such as Medicaid and whatever other items the committee would like to see evaluated. He said that they would do the same thing on the revenue side, calculate how much revenue is generated per age group, and then extrapolate that forward and adjust it for the demographics in 2020 and 2030. He said that the oversight committee needs to set the parameters for the study, choose the expenditure items that they are going to look at, as well as the revenue items.

#### Questions

07:03:20 Sen. Story suggested that we pull back and let people think about the project, work out the methodology, and then go forward with it. Sen. Story asked Dr. Watts about time constraints. Dr. Watts said they would want to get things lined up to do the study in the summer.

#### Public Comment

- 07:22:40 **Linda Stoll, Montana Area on Aging Directors Association**, urged the committee to move forward on Project 2030 as quickly as possible.
- 07:30:36 **Tom Bilodeau, Research Director, MEA/MFT**, said that many people were displeased with the study, contracted by the Quality Schools Interim Committee, on compensation for Montana school employees. He said that the methodology was wrong, the conclusions were wrong, that study went through an RFP process and the results were not useful for policy makers nor for participants in the school community. He said that this topic does merit consideration up front and in the future, but is not something that the state has to endorse at this point in time.
- 07:34:59 Committee Discussion  
It was agreed that this study was needed and should start soon. There was a consensus that the group of people on the study should be comprised of members from the Revenue and Transportation Interim Committee and members from the Legislative Finance Committee. There was however some misgivings of accepting private funding and the lack of a methodology for peer review of the findings of the project.
- Break**
- Motion
- 08:02:21 Sen. Elliott **moved** that Sen. Peterson, Rep. Lake, Rep. Jopek, and Sen. Gillan be placed on the oversight committee for Project 2030 study and that there be funds available for reimbursements of travel expenses if needed and to conduct meetings via teleconference if necessary. The motion **passed** unanimously.
- Montana Department of Revenue Updates - Dan Bucks, Director**
- 08:05:47 Mr. Bucks gave an update on the Department of Revenue's activities (**Exhibit 6**).
- 08:28:45 Questions regarding beer and wine licensing  
Sen. Essmann asked Mr. Bucks about background checks for licenses and the average process time for those applications. Mr. Bucks said that the Department of Justice does the background investigations and the average processing time is 77 days.  
  
Sen. Story asked if Mr. Bucks knew why there is a holdup in the application process. Was it because of the Department of Revenue's application process or the Department of Justice's background check process? Mr. Bucks said that the two processes are coordinated. He said that there is a 30-day notification period that is part of the 77-day process time.
- 08:41:12 Questions regarding reappraisal  
Sen. Story asked how much of a leeway did the Department have on how to deal with those reappraisal values and if there was a deadline to when the values had to be done. Mr. Bucks said that they monitor conditions across the state and keep their sales verification process going through June 30 to spot those downward slumps in the market.

**Administrative Rule Review - Lee Heiman, Legal Staff, LSD**

08:44:25 Mr. Heiman presented an administrative rule review (**Exhibit 9**).

Questions

08:47:08 Sen. Story commented on the rule regarding the moratorium on the internet tax. He said that the Montana Taxpayers Association objected to that rule. The Department of Revenue produced a four-page rebuttal, with a part of the rebuttal explaining the history and a part of the rebuttal naming representatives of the Taxpayers Association and pointing out what the Department thought as flaws in their procedure and testimony. Sen. Story said that that does not have a place in the rulemaking. He said that he hopes that doesn't become a common practice to keep people from being involved in the rule process and doesn't see the benefit of doing that in a formal document.

Public Comment

None at this time.

08:49:02 **Committee Discussion**

Sen. Peterson requested that Item 12 (consideration of requesting bill drafts) and Item 13 (a letter from the Legislative Finance Committee expressing concern on the revenue estimating procedure) be on the agenda for the next meeting.

Sen. Elliott made a request that when there are reports or documents for the committee members' review that they be sent at least 7 days before the meeting.

Sen. Story discussed memorial markers on the highway and whether there were Department of Transportation rules to deal with that. He said that those markers may be a hazard.

**Next Meeting Date**

The next Revenue and Transportation Interim Committee meeting will be on July 10 and 11.

**Adjournment**

08:55:37 There being no other business before the committee, Sen. Peterson adjourned the Revenue and Transportation Interim Committee meeting at 4:53 p.m.

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