



LFC FINANCIAL MODERNIZATION AND RISK ANALYSIS STUDY COMMITTEE

67th Montana Legislature

SENATE MEMBERS

Janet Ellis
Ryan Osmundson

HOUSE MEMBERS

Mary Caferro
Llew Jones
Bill Mercer
Sharon Stewart Peregoy

COMMITTEE STAFF

Amy Carlson - Legislative Fiscal
Analyst
Caitlin Cashman - Secretary
Julie Johnson - Attorney
Sam Schaefer - Fiscal Analyst
Nick VanBrown - Fiscal Analyst

PUBLIC MEMBERS

Mark Haggerty
Mike Hope
Dwaine Iverson
Heather O'Loughlin

MINUTES LOG

August 31, 2021
RM 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:

Rep. Llew Jones, Chair (R)
Sen. Janet Ellis, Vice Chair (D)
Rep. Mary Caferro (D)
Mark Haggerty, Public Member
Mike Hope, Public Member
Dwaine Iverson, Public Member
Heather O'Loughlin, Public Member
Sen. Ryan Osmundson (R)

MEMBERS EXCUSED:

Rep. Bill Mercer (R)
Rep. Sharon Stewart Peregoy (D)

MEMBERS ABSENT:

STAFF PRESENT:

Amy Carlson, Legislative Fiscal Analyst
Caitlin Cashman, Secretary
Julie Johnson, Attorney

Sam Schaefer, Fiscal Analyst
Nick VanBrown, Fiscal Analyst

AGENDA (Attachment 1)

VISITORS' LIST (Attachment 2)

COMMITTEE ACTION

CALL TO ORDER/ROLL CALL

10:00:36 Chair Jones-R called the meeting to order at 10:00 AM. The committee secretary took roll.

10:01:20 Chair Jones

10:01:42 Kurt Alme, Budget Director - Appreciates the chance to be in attendance.

10:01:46 Chair Jones

Futurist Panels

10:02:33 Josh Poulette, Legislative Fiscal Division (LFD)

10:04:00 James (Jim) Glassman, self

10:20:44 Josh Poulette, LFD

10:21:11 Alex Minelli, Regional Economist, Montana Outlook Presentation by IHS Markit

10:21:48 Karl Kuykendall, Associate Director, US Regional Economics

EXHIBIT 1

10:27:03 Alex Minelli

10:27:24 Josh Poulette, LFD

10:27:30 Alex Minelli

10:40:37 Josh Poulette, LFD

10:41:23 Jim Glassman

10:48:00 Chair Jones

10:48:02 Kurt Alme asked about in-migration and workforce shortage.

10:49:28 Alex Minelli responded.

10:50:27 Kurt Alme

10:50:34 Jim Glassman

10:51:58 Rep. Sharon Stewart Peregoy joined the meeting.

10:52:45 Chair Jones

10:52:46 Kurt Alme asked at about inflationary pressure.

10:53:30 Jim Glassman responded.

10:56:11 Chair Jones

10:56:17 Rep. Bill Mercer joined the meeting.

10:56:44 Rep. Bill Mercer said he would like to hear any of the panelists talk a little bit about tax structure
10:58:57 Jim Glassman responded.
11:00:33 Alex Minelli responded.
11:01:03 Jim Glassman responded.
11:04:05 Chair Jones asked about technology changes following recessions.
11:05:42 Karl Kuykendall responded.
11:09:10 Chair Jones
11:09:15 Rep. Mary Caferro
11:09:21 Rep. Caferro asked for an example of organic rebalancing.
11:09:39 Jim Glassman responded.
11:13:31 Chair Jones
11:13:34 Rep. Mary Caferro
11:13:42 Rep. Caferro asked about Montana's labor force.
11:15:03 Alex Minelli responded.
11:15:33 Jim Glassman
11:16:00 Chair Jones

Technology and Disrupters' Impact on State and Local Governments

11:16:20 Josh Poulette, LFD
11:17:24 Bill Fox, University of Tennessee

EXHIBIT 2

11:36:53
11:36:59 Chair Jones
Josh Poulette, LFD

Disrupters' Impact on State and Local Governments

11:37:11 Lee Rainie, Pew Research Center
EXHIBIT 3

11:52:21 Chair Jones
11:52:33 Josh Poulette, LFD asked about broadband technology.
11:53:00 Lee Rainie responded.
11:53:32 Bill Fox responded.
11:53:56 Chair Jones
11:54:04 Chair Jones asked how other states were dealing with people receiving services from a state but are not also contributing (by way of taxes).
11:55:44 Bill Fox responded.

11:57:58 Lee Rainie
 11:59:19 Chair Jones asked if about the income tax model for a company is headquartered somewhere but doing business in so many different locations.
 12:01:03 Bill Fox responded.
 12:05:12 Chair Jones
 12:05:16 Mark Haggerty asked about productivity implications for tax structure.
 12:06:55 Bill Fox responded.
 12:08:51 Lee Rainie
 12:10:55 Bill Fox
 12:11:41 Chair Jones
 12:12:08 Josh Poulette, LFD
 12:12:15 Chair Jones

 12:12:40 Recess
 12:58:59 Reconvene

Economics of Living and Demographics in Montana

12:59:18 Molly DelCurto, Legislative Fiscal Division (LFD)
EXHIBIT 4

 13:07:25 Chair Jones asked about average ownership of cars in Montana.
 13:07:45 Molly DelCurto, LFD

 13:08:31 Vice Chair Ellis
 13:07:56 Molly DelCurto, LFD
 13:08:48 Vice Chair Ellis asked about sales.
 13:08:46 Molly DelCurto, LFD responded.
 13:09:29 Vice Chair Ellis
 13:10:03 Molly DelCurto, LFD responded.
 13:10:24 Chair Jones said it might be interesting to talk about the categories of available houses and shortages.
 13:11:48 Molly DelCurto, LFD responded.
 13:15:48 Chair Jones asked about the aging population and need for more services and the cost.
 13:20:12 Josh Poulette, LFD - Montana's Changing Demographics: 2021 Update
EXHIBIT 5

 13:32:17 Chair Jones
 13:33:55 Rep. Caferro
 13:35:46 Vice Chair Ellis
 13:36:27 Josh Poulette, LFD
 13:36:33 Vice Chair Ellis

13:36:52 Josh Poulette, LFD
 13:37:16 Vice Chair Ellis asked about the accuracy of the 2010 Census data.
 13:37:50 Josh Poulette , LFD
 13:38:25 Chair Jones
 13:38:41 Vice Chair Ellis asked if people are working later in life?
 13:39:27 Josh Poulette, LFD responded.
 13:40:08 Mark Haggerty suggested discussing Zillow Data and helping to connect MARA with migration trend information for the November meeting
 13:41:17 Chair Jones
 13:41:24 Mark Haggerty
 13:42:28 Rep. Caferro
 13:42:58 Chair Jones
 13:42:59 Josh Poulette, LFD
 13:43:16 Heather O'Loughlin asked about the variance in cost of living calculations at different income levels?
 13:44:25 Molly DelCurto, LFD responded.
 13:45:11 Vice Chair Ellis asked about rentals.
 13:46:07 Molly DelCurto, LFD responded.
 13:46:28 Chair Jones
 13:47:25 Rep. Mercer asked if there is a chart that measures change by county over different time periods.
 13:49:07 Josh Poulette, LFD responded.
 13:49:57 Chair Jones

Preliminary Insights from Income Tax Return Data

13:50:07 Sam Schaefer, Legislative Fiscal Division (LFD)
EXHIBIT 6

14:11:44 Dwaine Iverson asked about living and working in North Dakota and Montana.
 14:12:09 Sam Schaefer, LFD responded.
 14:12:55 Chair Jones asked if there any way to run other databases against it? Driver's license, fishing, hunting, see if they are reflective of one another.
 14:14:01 Sam Schaefer, LFD responded.
 14:15:07 Mike Hope asked about corporate income tax?
 14:15:41 Sam Schaefer, LFD responded.
 14:16:18 Mark Haggerty
 14:15:39 Sam Schaefer, LFD responded.
 14:16:51 Mike Hope asked if there is growth in corporate tax dollars coming in?
 14:17:09 Sam Schaefer, LFD responded.
 14:18:59 Heather O'Loughlin
 14:19:15 Sam Schaefer, LFD responded.
 14:20:00 Chair Jones

14:20:13 Amy Carlson, Legislative Fiscal Analyst
14:20:29 Chair Jones

Income Tax Compliance Practices

14:20:42 Derek Bell, Acting Administrator for the Department of Revenue's Business and Income Tax Division (DOR)
14:21:42 Chair Jones
14:21:56 Derek Bell
14:31:09 Rep. Caferro asked if it is common for a worker to move to a new state and not check out the new state's tax laws.
14:31:52 Derek Bell responded.
14:34:17 Rep. Caferro asked if somebody is earning a wage for a company not in this state whose responsibility is it?
14:35:11 Derek Bell responded.
14:39:41 Dwaine Iverson
14:40:08 Derek Bell responded.
14:40:33 Chair Jones
14:40:47 Heather O'Loughlin asked a question in regard to pass-through entities.
14:41:58 Derek Bell responded.
14:43:37 Mark Haggerty asked if we can coordinate with other states to see who is reporting information and where.
14:45:17 Derek Bell responded.
14:46:11 Mark Haggerty
14:46:22 Derek Bell
14:46:30 Vice Chair Ellis
14:47:05 Derek Bell responded.
14:48:01 Vice Chair Ellis asked if the Eastern states have been grappling with this for longer than Montana, is there a way to compare resources between Montana and other states?
14:49:01 Derek Bell responded.
14:50:14 Chair Jones

14:51:15 Recess
15:02:49 Reconvene

Other Data Inquiry Updates, Next Steps

15:03:05 Nick VanBrown, LFD
[EXHIBIT 7a](#) [EXHIBIT 7b](#) [EXHIBIT 7c](#)

15:09:27 Chair Jones

15:09:40 Nick VanBrown
15:14:40 Chair Jones
15:14:50 Dwaine Iverson
15:15:22 Chair Jones
15:23:39 Dwaine Iverson asked for an explanation of TIF districts.
15:23:53 Nick VanBrown
15:24:27 Chair Jones
15:23:51 Nick VanBrown responded.
15:24:24 Chair Jones asked about TIFs.
15:26:35 Mike Hope responded.
15:26:54 Nick VanBrown
15:27:17 Chair Jones asked about TIFs and revenue sharing.
15:28:51 Dwaine Iverson
15:29:26 Chair Jones
15:29:38 Mike Hope
15:30:58 Chair Jones
15:31:08 Mike Hope
15:31:25 Chair Jones
15:31:27 Dwaine Iverson
15:31:57 Mike Hope
15:32:21 Nick VanBrown
15:32:36 Chair Jones
15:32:39 Rep. Mary Caferro
15:32:22 Nick Van Brown responded.
15:32:41 Rep. Caferro – Asked about lost revenue.
15:33:07 Chair Jones said revenue is being collected, the vast majority of taxes are being paid.
15:33:57 Rep. Caferro
15:34:25 Heather O'Loughlin joined via Zoom.
15:34:47 Chair Jones
15:36:05 Heather O'Loughlin
15:36:22 Nick VanBrown
15:36:40 Heather O'Loughlin said she was interested in seeing the number of expired TIFs as they are not included in the report, and that is helpful information.
15:39:24 Chair Jones
15:39:27 Vice Chair Ellis said she would like more background on TIFs to understand types of districts.
15:40:36 Nick VanBrown
15:40:47 Chair Jones
15:40:51 Mike Hope

15:42:14 Chair Jones
15:40:40 Nick VanBrown
15:42:24 Continued committee discussion on TIFs.
15:42:45 Chair Jones
15:43:26 Dwaine Iverson
15:43:58 Mike Hope
15:44:51 Chair Jones
15:45:25 Rep. Stewart Peregoy said TIFs have a purpose and she would like to know more about them, the funding mechanism has to be looked at.
15:47:43 Chair Jones
15:47:49 E-Commerce Tax Revenue - Nick VanBrown, LFD

EXHIBIT 8

15:48:20 Rep. Mary Caferro left the meeting.
15:51:52 Chair Jones
15:52:05 Nick VanBrown
15:52:13 Chair Jones – Does this measure just goods or streaming services or both?
15:52:41 Nick VanBrown responded.
15:52:50 Chair Jones
15:53:19 Nick VanBrown
15:53:33 Nick VanBrown
15:55:19 Chair Jones asked “where were we and where are we headed?”
15:55:58 Nick VanBrown responded.
16:01:24 Amy Carlson

Pew Charitable Trust's Best Practices for States, Insights into Possible Future Analysis

16:02:03 Kil Huh, Vice President of The Pew Charitable Trusts (PCT)
16:05:03 Mike Hope left the meeting.
16:08:45 Chair Jones said Montana has a great working relationship with Pew and asked what are some of the other states doing?
16:09:51 Kil Huh responded.
16:12:41 Chair Jones
16:12:44 Amy Carlson
16:13:48 Mark Haggerty said New Mexico is doing some work into looking into diversifying natural resource revenue, not only rainy-day funds, but more permanent asset development and wealth.
16:15:00 Chair Jones

Public Comment

16:16:01 Darryl James, Montana Infrastructure Coalition
16:19:52 Chair Jones
16:19:56 Tim Burton, Montana League of Cities and Towns

16:20:32 Chair Jones
16:20:40 Jason Rittal, Montana Association of Counties
16:21:39 Chair Jones
16:21:49 Glenn Marx, Montana Association of Land Trusts
16:22:36 Chair Jones
16:22:39 Diane Fladmo, Montana Federation of Public Education Director of Public Policy
16:23:11 Chair Jones

Committee Discussion

16:24:07 Amy Carlson said the remaining MARA meetings would be November 30, 2021 and March 7th, May 31, and August 24th of 2022. The November 2021 may be a two-day meeting.

16:31:18 Sen. Osmundson asked how the committee can go after some data on special districts.

16:31:56 Amy Carlson

16:32:02 Chair Jones asked about data collection moving forward.

16:33:19 Vice Chair Ellis said on the property tax discussion, a definition of local government would be helpful.

16:34:05 Amy Carlson responded.

16:34:34 Dwaine Iverson said they should look at the states that have the best systems when it comes to property taxes.

16:35:01 Chair Jones

16:35:44 Heather O'Loughlin said she was curious about policies related to vacation rentals affecting the housing market.

16:36:29 Dwaine Iverson said commercial properties should pay taxes and asked if PEW has the information about the states that have the best property tax system?

16:36:38 Chair Jones

16:36:43 Vice Chair Ellis said she would like some parameters to define "best" practices.

16:37:14 Chair Jones

16:37:57 Amy Carlson responded.

16:38:45 Dwaine Iverson

16:39:36 Amy Carlson said they will be able to better model property taxes.

16:40:31 Kil Huh said other entities have done some research on different property tax.

16:42:05 Chair Jones

16:42:16 Mark Haggerty asked what the Department of Energy is doing in other states in terms of other forms of energy and tax structures.

16:43:42 Chair Jones thanked everyone in attendance.

ADJOURNMENT

Adjournment: 16:44:34