



Revenue and Transportation Interim Committee

64th Montana Legislature

SENATE MEMBERS

FRED THOMAS--Chair
DICK BARRETT
MARK BLASDEL
BRIAN HOVEN
CHRISTINE KAUFMANN
SUE MALEK

HOUSE MEMBERS

TOM JACOBSON--Vice Chair
JEFF ESSMANN
GREG HERTZ
RAE PEPPERS
ALAN REDFIELD
BRIDGET SMITH

COMMITTEE STAFF

MEGAN MOORE, Lead Staff
JARET COLES, Staff Attorney
FONG HOM, Secretary

MINUTES LOG

March 10-11, 2016
Room 102, Capitol Building
Helena, Montana

MARCH 11, 2016

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.

Access to an electronic copy of these minutes and the audio or video recording is provided from the Legislative Branch home page at <http://leg.mt.gov>. On the left-side menu of the home page, select Committees, then Interim. Once on the page for Interim Committees, scroll down to the appropriate committee. The written Minutes Log, along with the audio and video recordings, is listed by meeting date on the interim committee's web page. Each of the Exhibits is linked and can be viewed by clicking on the Exhibit of interest. All Exhibits are public information and may be printed.

Please contact the Legislative Services Division at 406-444-3064 for more information.

COMMITTEE MEMBERS PRESENT

SEN. FRED THOMAS, Chair
REP. TOM JACOBSON, Vice Chair

SEN. DICK BARRETT
SEN. MARK BLASDEL
SEN. BRIAN HOVEN
SEN. CHRISTINE KAUFMANN
SEN. SUE MALEK

REP. GREG HERTZ
REP. RAE PEPPERS
REP. ALAN REDFIELD

COMMITTEE MEMBERS EXCUSED

REP. BRIDGET SMITH
REP. JEFF ESSMANN

STAFF PRESENT

MEGAN MOORE, Lead Staff
JARET COLES, Staff Attorney
KATYA GROVER, Secretary

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

AGENDA ([Attachment 2](#))

CALL TO ORDER AND ROLL CALL

00:00:02 Sen. Thomas called the committee to order at 8:00 a.m. The committee secretary called roll. ([Attachment 3](#))

TAXATION OF INTERNATIONAL CORPORATIONS DOING BUSINESS IN MONTANA STUDY

Discussion of Water's-Edge Election, Tax Haven List, And Foreign Direct Investment

Mike Kadas, Director, Department of Revenue
Nikki Dobay, Counsel, Council On State Taxation
Bob Story, Montana Taxpayers Association

00:01:47 Director Kadas ([Exhibit 25](#))

Committee Questions of Mr. Kadas

00:10:39 Sen. Hoven asked about the apportionment factor.

00:10:41 Director Kadas referred the question to Lee Baerlocher.

00:11:18 Lee Baerlocher, Bureau Chief, Montana Department of Revenue, responded to Sen. Hoven's question.

00:11:53 Ms. Dobay ([Exhibit 26](#))

00:36:52 Mr. Story ([Exhibit 27](#))

Committee Questions of Director Kadas

00:53:00 Sen. Barrett commented on the tax haven issue.

01:03:04 Rep. Hertz commented on eliminating the list of tax havens and the tax rate that might be a solution to the tax haven issue.

01:03:43 Sen. Hoven commented on countries having a lower tax rate than that of the United States which qualifies them as a tax haven. He asked about Ireland no longer being on the list of tax haven countries.

01:06:32 Mr. Story addressed Sen. Hoven's comment and questions.

01:07:59 Sen. Kaufmann asked Director Kadas if it would be an improvement to go to a criteria-based list within the law so that the state would not have to revisit those individual countries every time.

01:08:47 Sen. Hoven asked Ms. Dobay if multinational companies have to report to every state and every country.

01:11:34 Mr. Story commented on what other countries do with their tax policies.

01:13:03 Sen. Malek asked Mr. Story about keeping the water's-edge election but setting the rate significantly higher as other states have done.

Responses to Requests From Last Meeting - Megan Moore

01:15:09 Ms. Moore ([Exhibit 28](#))

Public Comment on Taxation of International Corporations Study

01:18:50 Heather O'Loughlin, Co-Director, Montana Budget and Policy Center

Requests For Next Meeting

- 01:26:13 The committee discussed the status of the water's-edge election and tax haven issue.
- 01:27:53 Rep. Hertz said that he would like more information on what the fiscal impact would be to Montana if the tax haven list was eliminated.
- 01:28:10 Ms. Moore provided the fiscal impact of a 2015 bill that would have eliminated the tax haven provision.
- 01:28:56 Sen. Thomas said that the committee would look forward to any proposal regarding this topic.

TREATMENT OF INTANGIBLE PROPERTY FOR CENTRALLY ASSESSED PROPERTY VALUATION STUDY

Court Decisions on the Treatment of Intangible Property - Jaret Coles, Committee Attorney

01:29:43 Mr. Coles ([Exhibit 29](#))

Public Comment on Treatment of Intangible Property

- 01:44:01 Thomas Ebzery, Billings Attorney, CenturyLink
- 01:47:38 Bob Story, Montana Taxpayers Association
- 01:50:47 David Nielsen, Montana League of Cities and Towns
- 01:51:47 Mike Kadas, Director, Montana Department of Revenue

Requests For Next Meeting

- 01:52:33 Sen. Blasdel said that he would like to bring stakeholders to the table for a discussion on bringing solutions forward on the issue of the treatment of intangible properties.
- 01:53:47 Sen. Barrett said that if there is a stakeholder negotiated rulemaking process put in place, local governments and the Budget and Policy Center should have a role representing individual taxpayers.
- 01:54:26 Sen. Kaufmann asked if Mr. Ebzery is recommending a stakeholder council meeting or panel in front of the committee.
- 01:55:05 Tom Ebzery, CenturyLink, said that the first step is to have a panel consisting of Director Kadas, Montana Taxpayers Association, CenturyLink, AT&T, Charter, Verizon, and the Budget and Policy Center come in with specific suggestions to the committee.

BREAK (reconvened at 10:17 a.m.)

TAX LIENS AND TAX DEEDS STUDY

Overview of Tax Lien And Tax Deed Process

Ronda Wiggers, Montana County Treasurers Association
Harold Blattie, Montana Association of Counties

02:08:17 Mr. Blattie
02:17:35 Ms. Wiggers ([Exhibit 30](#))

Committee Questions

02:33:54 Rep. Redfield commented on tax liens in Park County.
02:38:01 Rep. Jacobson referred the committee to a newspaper article in the *Havre Daily News* regarding absentee property owners who are not taking care of the property and commented on the article. ([Exhibit 31](#))
02:44:56 Mr. Blattie and Ms. Wiggers addressed Rep. Jacobson's comments.
02:49:05 Sen. Malek asked Ms. Wiggers about the property tax lien and notices.
02:51:48 Sen. Thomas asked that Ms. Wiggers present a detailed outline of the property tax lien and notice to Ms. Moore for distribution to the committee.
02:57:33 Sen. Hoven asked Ms. Wiggers about back taxes on property.

Public Comment on Tax Liens And Tax Deeds Study - None

Requests for Next Meeting

02:58:45 Rep. Jacobson commented about the treasurers and the counties coming together to find some sort of resolution.
02:59:26 Ms. Moore said that Ms. Wiggers and Mr. Blattie are working with a group of county commissioners, treasurers, and clerks and recorders to come up with recommendations for the June meeting for the committee to consider.
03:00:09 Sen. Hoven said he would like considered the possibility of the recorders either referring the list to a nonprofit in their county or an organization in the county that could follow up with taxpayers.
03:01:30 Rep. Jacobson requested that there be some representation of seniors and the populace going forward.
03:02:46 Mr. Blattie gave a presentation on county disposal of property. ([Exhibit 32](#))

ELDERLY HOMEOWNER AND RENTER CREDIT STUDY

Overview of Properties Eligible For the Credit - Megan Moore

03:05:39 Ms. Moore ([Exhibit 33](#))

Committee Questions of Ms. Moore

03:08:15 Sen. Kaufmann asked about facilities run by a nonprofit that doesn't pay taxes and why that was not on Ms. Moore's chart.

Nursing Home Rates And Tax Exempt Status - Megan Moore

03:09:21 Ms. Moore ([Exhibit 34](#))

Committee Questions of Ms. Moore

03:16:28 Committee members discussed nursing home patients who are on Medicaid paying taxes, getting a tax credit, and the elimination of assets prior to going into a nursing home.

Average Income of Credit Recipient - Lee Baerlocher, Department of Revenue

03:21:13 Mr. Baerlocher ([Exhibit 35](#))

Committee Questions of Mr. Baerlocher

03:26:36 Sen. Hoven asked Mr. Baerlocher about the 136 facilities that he spoke of in his presentation.

03:34:14 Sen. Malek asked Mr. Baerlocher about the eligibility for the credit in 2014.

Requests For Next Meeting - None

Public Comment on Elderly Homeowner And Renter Credit Study - None

LUNCH (reconvened at 12:55 p.m.)

04:43:19 Sen. Thomas discussed the Montana Petroleum Association's response to the committee regarding the timing of reporting. ([Exhibit 36](#))

AGENCY OVERSIGHT: DEPARTMENT OF TRANSPORTATION

Federal Highway Funding Update - Mike Tooley, Director, Montana Department of Transportation

04:44:11 Director Tooley

Committee Questions of Director Tooley

04:49:37 Rep. Redfield asked about data collected regarding the increased speed limit.

04:50:29 Sen. Barrett asked about Montana's seat belt use as compared to other states.

04:52:05 Sen. Hoven asked about demographic data on people driving and not wearing their seat belts.

04:53:01 Sen. Thomas asked about tracking highway fatalities on construction projects.

Required Reports: Biodiesel Refunds And Compliance With Special Fuel Laws - Larry Flynn, CFO, Department of Transportation

04:55:29 Mr. Flynn ([Exhibit 37](#))

Update From Aeronautics Division And Status of Unmanned Aerial Vehicles - Debbie Alke, Administrator, Aeronautics Division

04:57:02 Ms. Alke

Road Sealer Question - Jon Swartz, Administrator, Maintenance Division

05:01:22 Mr. Swartz

Committee Questions of Director Tooley

05:04:42 Rep. Redfield asked about the interchange in Livingston.

05:06:35 Sen. Hoven asked about advertising on bus shelters.

05:12:37 Sen. Hoven asked about rules for one ton trucks.

Public Comment on Agency Oversight Report

05:14:43 Bob Story, Montana Taxpayers Association
05:16:27 Spook Stang, Motor Carriers of Montana

HIGHWAY STATE SPECIAL REVENUE ACCOUNT STUDY

Disposition of the Highway State Special Revenue Account - Cathy Duncan, Legislative Fiscal Division

05:17:26 Ms. Duncan ([Exhibit 38](#))

Committee Questions of Ms. Duncan

05:27:56 Sen. Thomas asked about revenue raised from the gas tax.
05:30:51 Sen. Hoven asked about the revenue from the federal Fast Act.
05:31:52 Larry Flynn, Administrator, Administration Division responded to Sen. Hoven's question.

05:33:17 Ms. Duncan distributed a chart with updated figures regarding the HSRA Revenues ([Exhibit 39](#)) and a document regarding the HSRA Gasoline Tax Increases and Working Capital Balance Impacts ([Exhibit 40](#)).

Dyed Diesel Modeling And Other States' Treatment of Off-Highway/Agricultural Usage - Sam Schaefer, Legislative Fiscal Division

05:40:33 Mr. Schaefer ([Exhibit 41](#))

HSRA Target Fund Balance, How Much Project Money Goes To Non-Construction Expenses, Additional Information on MDT User Survey - Larry Flynn, Department of Transportation

05:50:17 Mr. Flynn

Committee Questions of Mr. Flynn

05:56:41 Sen. Kaufmann asked for clarification on what it means to stop the decline when talking about managing the working capital balance.
05:59:58 Sen. Kaufmann asked Director Tooley if counterparts in the Department of Justice are also working to reduce their pressures on the budget for this fund.
06:00:24 Rep. Jacobson asked Director Tooley about the fund going in the hole and whether the shortfall will continue to increase over time.
06:04:17 Sen. Thomas asked about the expiration date of the Fast Act.
06:04:41 Sen. Hoven suggested that an area where the Department can save money is to stop the beautification of the highways.
06:06:42 Sen. Malek asked about the 302 FTEs in highway patrol.
06:08:26 Rep. Peppers asked Director Tooley if the federal government contributes to the upkeep of bike paths.

Average Raised From Typical Vehicle/Driver, Electric Vehicle Fees, Toll Roads - Megan Moore

06:10:43 Ms. Moore ([Exhibit 42](#)) ([Exhibit 43](#)) ([Exhibit 44](#)) ([Exhibit 45](#))

Public Comment on Highway State Special Revenue Account Study - None

Committee Questions

- 06:20:29 Rep. Hertz asked Mr. Stang if dropping the tax on diesel fuel would impact the purchase of diesel fuel in Montana.
- 06:22:09 Ms. Duncan corrected a statement she made earlier in response to a question by Sen. Barrett. She said this particular graph is not meant to show growth in the balance, just where it ends up at one point in time.

Topics for Next Meeting - Megan Moore

- 06:23:21 Ms. Moore discussed Rep. Essmann's poll results ([Exhibit 46](#)). She suggested that a discussion regarding the poll results be an agenda item for the next meeting.
- 06:23:25 Ms. Moore discussed topics for the next meeting.

INDIVIDUAL INCOME TAX CREDIT ANALYSIS - Stephanie Morrison, Legislative Fiscal Division

- 06:24:54 Ms. Morrison ([Exhibit 47](#))

Committee Questions of Ms. Morrison

- 06:45:44 Rep. Hertz asked about the income deciles.

Public Comment on Individual Income Tax Credit Analysis - None

AGENCY MONITORING: ADMINISTRATIVE RULE REVIEW

Administrative Rule Review Report - Jaret Coles, Staff Attorney

- 06:47:22 Mr. Coles ([Exhibit 48](#)) ([Exhibit 49](#))

Update on MAR 42-2-938 (Resident Military Salary Exclusion) - Gene Walborn, Deputy Director, Department of Revenue

- 07:02:20 Mr. Walborn ([Exhibit 49, Appendix A](#)) ([Exhibit 50](#))

- 07:15:00 Mr. Coles clarified the documents pertaining to the testimony that was discussed.

Public Comment on Administrative Rule Review - None

Public Comment on Any Other Topic Within the Committee's Jurisdiction - None

Instructions to Staff - Next Meeting Date

- 07:15:50 Sen. Kaufmann asked if the committee would like to forward legislation regarding enforcement of the seat belt law to the 2017 session.
- 07:17:08 Sen. Barrett said the other significant issue on seat belt use is the penalty for a violation of a seat belt law is low. He said it might be of some interest to committee to know what the comparative penalties are.

07:18:59 Sen. Thomas discussed the next meeting dates of June 9 and 10, 2016.
07:20:06 Ms. Moore discussed the reason why the June meeting date was moved to June 9 and 10.

ADJOURNMENT

07:21:09 With no further business before the committee, Sen. Thomas adjourned the meeting at 3:05 p.m.

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