



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

November 30, December 1, and December 2, 2015
Room 317, Capitol Building
Helena, Montana

DECEMBER 2, 2015

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

REP. JEFF ESSMANN
REP. GREG HERTZ
REP. RAE PEPPERS
REP. ALAN REDFIELD
REP. BRIDGET SMITH

COMMITTEE MEMBERS EXCUSED

SEN. DICK BARRETT

STAFF PRESENT

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

VISITORS' LIST (Attachment 1)

AGENDA (Attachment 2)

CALL TO ORDER AND ROLL CALL

00:00:01 Sen. Thomas called the meeting to order at 8:02 a.m. The committee secretary called roll. (Attachment 3) Sen. Barrett was excused and left his proxy with Sen. Kaufmann. (Attachment 4)

REVENUE ESTIMATING AND MONITORING

General Fund Revenue Trend Update for 2017 Biennium - Legislative Fiscal Division

00:01:49 Stephanie Morrison, Fiscal Analyst, gave an update on General Fund Revenue Trends. (Exhibit 23)

Committee Questions of Ms. Morrison

00:07:04 Sen. Thomas asked about the downward adjustment of \$13.2 million.
00:14:00 Rep. Essmann asked about capital gains.
00:17:26 Sen. Hoven said that he would like the estimated payments tracked on a monthly basis throughout the year to see when the payments come in.
00:18:43 Rep. Essmann said he had a concern about the wage income trend line on page 5 and asked if this is occurring differently in the four regions of Montana.
00:27:59 Sen. Hoven asked about people using the Department of Revenue as an ongoing savings account instead of claiming their refund.
00:39:50 Rep. Redfield asked about a shift in the capital gains tax on the federal level.
00:42:23 Sen. Malek asked how Montana treats capital gains income.

00:43:53 Nick Brown, Fiscal Analyst, gave a report on oil and natural gas taxes and property taxes.

Committee Questions of Mr. Brown

00:48:11 Sen. Malek asked about oil and gas production.

00:51:09 Sam Schaefer, Fiscal Analyst, gave a report on corporate income tax, vehicle tax, and TCA interest earnings.

00:56:22 Cynthia Hollimon, Fiscal Analyst, gave a report on insurance tax.

Committee Questions

01:00:10 Rep. Hertz asked Ms. Hollimon about the tax-exempt status of the Montana Health Co-op.
01:01:41 Sen. Hoven asked Mr. Brown about business equipment in the property tax.
01:03:00 Rep. Essmann asked Mr. Brown about monitoring building permit activity.
01:05:46 Sen. Thomas asked Amy Carlson, Legislative Fiscal Analyst, to consider including a set of boilerplate reports as updates for future committee meetings.
01:05:50 Sen. Thomas asked Ms. Carlson to address the overall efforts to improve revenue forecasting.

Vehicle tax revenue analysis - Sam Schaefer, Legislative Fiscal Analyst

01:13:14 Mr. Schaefer ([Exhibit 24](#))

01:18:54 Dan Villa, Budget Director, requested that the committee consider adopting a mechanism by which the joint revenue subcommittee can have a better and more thorough process for considering revenue estimates.

Public Comment - None

TREATMENT OF INTANGIBLE PROPERTY FOR CENTRALLY ASSESSED PROPERTY VALUATION STUDY

Review of taxation of intangibles in other states - Karen Powell, Professor of Law, Ohio Northern University

01:22:04 Ms. Powell ([Exhibit 25](#))

Committee Questions

02:00:46 Rep. Essmann asked if Ms. Powell sees any movement in the states to resolve the issue using a formulary approach.

02:03:56 Sen. Malek asked about lawsuits in states that have changed central assessment laws.

Public Comment on treatment of intangible property study - None

AGENCY OVERSIGHT: MONTANA TAX APPEAL BOARD

Update - Dave McAlpin, Chair

02:10:21 Mr. McAlpin ([Exhibit 26](#))

Committee Questions

02:16:43 Rep. Essmann asked Mr. McAlpin about the timeliness of some of the Yellowstone County Tax Appeal Board's decision.

02:19:32 Rep. Hertz asked about the Lake County appeals in regards to the change in agricultural classifications.

Public Comment on agency oversight report - None

TAXATION OF INTERNATIONAL CORPORATIONS DOING BUSINESS IN MONTANA STUDY

Overview of corporate income tax systems - Megan Moore

02:20:51 Ms. Moore ([Exhibit 27](#))

Public Comment on taxation of international corporations study - None

NONPROFIT REPORTING OF COMMUNITY BENEFITS STUDY

Examination of state/local nonprofit reporting requirements - Megan Moore

02:35:07 Ms. Moore ([Exhibit 28](#))

Committee Questions

- 02:42:47 Rep. Essmann asked about requirements for the registration of organizations that solicit donations.
- 02:43:50 Sen. Thomas asked about public disclosures that are made by a nonprofit in Montana that files with the federal government but not with Montana.
- 02:45:09 Rep. Essmann asked if there is a way to find out how organizations spend the donations that they solicit.
- 02:47:12 Sen. Hoven asked if the Department of Revenue lists all properties that are exempt on their website.
- 02:47:37 Rep. Jacobson asked about property tax reporting.
- 02:48:15 Sen. Hoven asked about requirements in statute on what constitutes nonprofits and what the exemptions are.
- 02:50:34 Rep. Jacobson commented on filing corporate status as a nonprofit and meeting federal requirements.
- 02:51:43 Sen. Hoven asked if the Department of Revenue has a website where the properties that are taxed are listed by the name of the business, the physical address, and a legal description.
- 02:55:20 Cynthia Monteau Moore, Administrator, Property Tax Division, Department of Revenue responded to Sen. Hoven's question.
- 02:55:01 Rep. Essmann asked Ms. Monteau Moore about matching exempt parcels with the Cadastral map.
- 02:57:10 Rep. Jacobson commented on not for profit organizations doing business or having lines of business that are taxable.

Public Comment on nonprofit reporting of community benefit study

- 03:00:00 Aimee Grmoljez, Billings Clinic

LEGISLATIVE PERFORMANCE AUDIT: RAILROAD SAFETY

Audit overview - Kendrick McCormick, Legislative Audit Division

- 03:04:24 Mr. McCormick ([Exhibit 29](#))

Committee Questions

- 03:19:45 Rep. Essmann asked about inspectors in similarly situated states.
- 03:21:49 Rep. Essmann asked about hazmat units along the Hi-Line.
- 03:25:24 Rep. Smith said she wanted to be on record that she has grave concerns because of the derailment in the Culbertson area and there were no full-time fire departments to handle the situation.
- 03:26:06 Sen. Malek asked about the Public Service Commission's involvement in the derailment, who responded, and if another accident happens, who assumes responsibility for the costs.
- 03:30:39 Sen. Thomas asked if the audit division follows up on their recommendations. Sen. Thomas asked for a follow up to the audit report in three months rather than 12 months.

Public Comment - None

- 03:33:38 Sen. Thomas made note of two reports: The Montana League of Cities and Towns "Summary of Great Falls Tax Increment Financing Districts" ([Exhibit 30](#))

03:33:43 and a report by the Montana Association of Counties (**Exhibit 31**).
Sen. Thomas noted that a report on “The Dark Side of Tax Increment Financing” was distributed on December 1, 2015. (**Exhibit 32**)

INSTRUCTIONS TO STAFF -- NEXT MEETING DATE

03:35:33 Sen. Thomas discussed the plan for continuing the studies.
03:36:22 Sen. Kaufmann asked for follow-up on the taxation of international corporations study to address whether there have been attempts at uniform reporting in mandatory combined reporting states and whether there have been court challenges to using a single sales factor. She also suggested the committee consider Mr. Villa’s comments regarding a joint revenue subcommittee.
03:41:40 Rep. Jacobson discussed the role of the tax committee.
03:44:58 Sen. Malek made a public statement regarding an error that she made when discussing local government funding at yesterday’s meeting.
03:45:45 The next meeting was rescheduled for March 10 and 11, 2016.

PUBLIC COMMENT on any other topic within the committee’s jurisdiction - None

ADJOURNMENT

03:50:59 With no further business before the committee, Sen. Thomas adjourned the meeting at 11:52 a.m.

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