



Revenue and Transportation Interim Committee

63rd Montana Legislature

SENATE MEMBERS

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DICK BARRETT
GREG JERGESON
JANNA TAYLOR
FRED THOMAS
ART WITTICH

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CYDNIE (CARLIE) BOLAND
ROY HOLLANDSWORTH
CHUCK HUNTER
TOM JACOBSON
MIKE MILLER

COMMITTEE STAFF

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

MINUTES LOG

Room 137, Capitol Building
Helena, Montana
October 1, 2013

Please note: These minutes provide abbreviated information about committee discussion, public testimony, action taken, and other activities. To the left of each section in these minutes is a time designation indicating the approximate amount of time in hours, minutes, and seconds that has elapsed since the start of the meeting. This 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 summary, along with the audio and video recordings, are listed by meeting date on the interim committee's web page.

Hard copies of the exhibits for this meeting are available upon request. Legislative Council policy requires a charge of 15 cents a page for copies of the document.

COMMITTEE MEMBERS PRESENT

SEN. CHRISTINE KAUFMANN, Chair
REP. NANCY BALLANCE, Vice Chair

SEN. DICK BARRETT
SEN. GREG JERGESON
SEN. JANNA TAYLOR
SEN. FRED THOMAS
SEN. ART WITTICH

REP. CYDNIE (CARLIE) BOLAND
REP. ROY HOLLANDSWORTH
REP. CHUCK HUNTER
REP. TOM JACOBSON
REP. MIKE MILLER

STAFF PRESENT

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

AGENDA & VISITORS' LIST

Agenda ([Attachment 1](#))
Visitors' list ([Attachment 2](#))

COMMITTEE ACTION

No committee action taken.

CALL TO ORDER AND ROLL CALL

00:00:02 Sen. Kaufmann called the meeting to order at 8:32 a.m. The committee secretary called roll. Everyone was present. ([Attachment 3](#))

AGENDA

DEPARTMENT OF REVENUE REPORTS

00:02:15 Mike Kadas, Director of the Department of Revenue, gave an overview of the Department of Revenue reports.

- **2013 Income Tax Season Data - Steve Austin, Division Administrator for Citizen Services & Resource Management**

00:02:57 Mr. Austin gave a presentation on the individual income tax season data. ([Exhibit 1](#))

Committee questions

00:07:17 Rep. Miller
00:07:32 Mr. Austin
00:07:35 Rep. Miller
00:07:51 Mr. Austin
00:07:58 Rep. Hollandsworth
00:08:25 Mr. Austin
00:09:16 Director Kadas
00:09:40 Rep. Ballance
00:09:59 Director Kadas
00:10:25 Mr. Austin

- **Unclaimed Property Report - Steve Austin**

00:10:59 Mr. Austin discussed the Department of Revenue's Unclaimed Property. Cathy Fitzgerald gave a demonstration on searching for unclaimed property. ([Exhibit 2](#))

Committee questions

00:22:06 Rep. Miller
00:22:19 Ms. Fitzgerald
00:22:57 Sen. Taylor
00:23:18 Ms. Fitzgerald
00:23:21 Sen. Taylor

00:23:31 Ms. Fitzgerald
00:23:40 Sen. Taylor
00:23:57 Mr. Austin
00:24:44 Sen. Wittich
00:25:42 Ms. Fitzgerald
00:26:12 Mr. Austin

- **Litigation Report - C.A. Daw, Chief Legal**

00:27:38 Mr. Daw gave a presentation on litigation updates. ([Exhibit 3](#))

Committee questions

00:30:53 Rep. Miller
00:31:19 Mr. Daw
00:32:15 Sen. Barrett
00:33:22 Mr. Daw
00:34:38 Sen. Barrett
00:34:42 Mr. Daw
00:35:21 Sen. Thomas
00:36:28 Mr. Daw

- **Mill levy discussion - Director Kadas**

00:38:24 Director Kadas gave a presentation regarding Sen. Thomas' request for a history of the definition of Property Tax Mills. ([Exhibit 4](#))

- **Multistate Tax Compact discussion - C.A. Daw**

00:40:08 Mr. Daw discussed Montana's participation in the Multistate Tax Compact: what happens if the state legislature, for purposes of corporate tax apportionment, decides to use a formula different from the formula embedded in the Multistate Tax Compact. ([Exhibit 5](#))

Committee questions

00:42:41 Rep. Ballance
00:43:12 Mr. Daw
00:43:30 Rep. Ballance
00:43:41 Mr. Daw
00:43:56 Rep. Ballance
00:44:06 Mr. Daw
00:44:14 Rep. Ballance
00:44:30 Mr. Daw
00:44:44 Sen. Wittich
00:45:24 Mr. Daw
00:45:46 Sen. Wittich
00:46:10 Mr. Daw

- **Internal Revenue Service's ruling on federal income tax filing for same-sex married couples - Director Kadas**

00:46:48 Director Kadas discussed the recently issued ruling from the Internal Revenue Service on same-sex marriage for federal income tax purposes and Montana's stance on whether or not same-sex married couples in Montana can file jointly.

Committee questions

00:48:45 Sen. Barrett
00:49:49 Director Kadas
00:49:56 Sen. Barrett
00:50:11 Director Kadas
00:50:23 Sen. Barrett
00:50:49 Mr. Daw
00:51:47 Sen. Barrett
00:52:25 Mr. Daw
00:52:39 Sen. Barrett
00:52:43 Mr. Daw
00:52:51 Sen. Wittich
00:53:46 Director Kadas
00:54:59 Rep. Hollandsworth
00:55:40 Director Kadas

- **Emerging issues - Director Kadas**

00:56:29 Director Kadas discussed the challenges of hiring code developers in the Department's Information Technology division due to budget restraints.

Committee questions

00:58:13 Rep. Ballance
00:58:33 Director Kadas
00:59:47 Rep. Hollandsworth
01:00:25 Director Kadas

Public Comments on Department of Revenue reports - none

SJR 23 STUDY OF TAXPAYER APPEAL PROCESS BACKGROUND - Megan Moore, Research Analyst

01:00:59 Ms. Moore provided a brief overview on the SJR 23 Study.

- **Overview of formal and informal review processes - Dan Whyte, Deputy Chief Legal Counsel, Department of Revenue**

01:02:10 Mr. Whyte gave a presentation on the informal review and appeal processes. [\(Exhibit 6\)](#)

Committee questions

01:24:42 Rep. Hollandsworth
01:25:18 Mr. Whyte
01:26:02 Director Kadas
01:27:45 Rep. Miller
01:27:57 Director Kadas
01:28:03 Sen. Thomas
01:28:33 Mr. Whyte
01:28:41 Sen. Thomas
01:29:04 Director Kadas
01:30:04 Sen. Thomas

01:30:28 Director Kadas
01:30:49 Sen. Thomas
01:32:45 Mr. Whyte
01:33:40 Sen. Barrett
01:33:54 Mr. Whyte
01:34:00 Sen. Barrett
01:36:14 Mr. Whyte
01:37:02 Rep. Boland
01:37:40 Mr. Whyte

BREAK

- **Overview of laws governing taxpayer appeal process - Megan Moore**

01:45:53 Ms. Moore gave a presentation on the laws governing the taxpayer appeal process. **(Exhibit 7)**

Committee questions

01:57:05 Sen. Jergeson
01:57:30 Ms. Moore
01:57:34 Sen. Jergeson
01:57:45 Ms. Moore
01:57:59 Sen. Jergeson
01:58:45 Ms. Moore
02:00:01 Rep. Hunter
02:00:27 Ms. Moore
02:01:01 Rep. Hunter requested information on salary levels that were established by the Department of Administration and what portion of the state budget is allocated to covering county boards' expenses related to the taxpayer appeal process.

- **State Tax Appeal Board overview and procedures - Karen Powell, Chairwoman, State Tax Appeal Board**

02:02:11 Ms. Powell gave a presentation on the constitutional direction that the State Tax Appeal Board provides for tax appeal grievances.

Committee questions

02:26:16 Rep. Miller
02:26:32 Ms. Powell
02:27:12 Rep. Miller
02:27:36 Ms. Powell
02:28:13 Sen. Wittich
02:28:58 Ms. Powell
02:29:51 Sen. Wittich
02:30:56 Ms. Powell
02:32:15 Sen. Wittich
02:34:29 Director Kadas, in response to Sen. Wittich's question, distributed and discussed the Department of Revenue's document "Department Valuation Appeals and Protested Taxes. **(Exhibit 8)**
02:38:13 Sen. Wittich
02:39:47 Director Kadas

02:40:45 Sen. Thomas
02:41:36 Director Kadas

Public Comment on the Tax Appeal Process - none

SJR 23 STUDY DISCUSSION OF OTHER APPEAL MODELS

- **Montana's Workers' Compensation Court and Water Court - Megan Moore**
02:42:28 Ms. Moore discussed the table comparing STAB and the Workers' Compensation and Water Courts. ([Exhibit 9](#))

- **Other states' taxpayer appeal processes - Karen Powell**
02:48:05 Ms. Powell said that her staff prepared the document entitled "Summary of Tax Appeal Tribunals" ([Exhibit 10](#)) by looking at websites in every states. She also discussed the ABA Model State Administrative Tax Tribunal Act that was created by the ABA in 2006.

Committee questions

02:52:38 Sen. Thomas
02:52:55 Ms. Powell
02:53:01 Sen. Thomas
02:53:25 Ms. Powell
02:55:49 Rep. Hollandsworth
02:56:11 Ms. Powell
02:57:14 Sen. Wittich
02:58:11 Ms. Powell
02:58:47 Sen. Kaufmann requested that Ms. Moore provide a synopsis of each state as presented in Ms. Powell's Summary of Tax Appeals Tribunal.
02:59:27 Ms. Moore

Public Comment - none

DISCUSSION ON NEXT STEPS RELATED TO SJR 23 STUDY

03:00:26 Ms. Moore reviewed the study plan for the SJR 23 Study.

Committee discussion

03:02:29 Sen. Barrett
03:03:50 Sen. Kaufmann
03:04:39 Rep. Hollandsworth
03:05:59 Rep. Hunter
03:06:22 Rep. Ballance
03:07:17 Sen. Wittich
03:08:45 Rep. Hollandsworth
03:09:49 Sen. Thomas
03:11:47 Rep. Jacobson
03:13:48 Sen. Jergeson
03:17:23 Sen. Kaufmann
03:17:45 Sen. Taylor

03:17:59 Sen. Barrett
03:20:16 Rep. Ballance
03:20:34 Sen. Wittich
03:23:09 Sen. Kaufmann
03:23:23 Ms. Moore
03:26:15 Sen. Thomas
03:27:54 Director Kadas
03:29:41 Sen. Kaufmann
03:30:15 Sen. Jergeson
03:32:04 Sen. Kaufmann

LUNCH - reconvened at 1:03 p.m.

SJR 26 STUDY OF MOVEMENT OF OVERSIZE LOADS

- **Overview of state laws on size, weight, and load and movement of oversize vehicles - Megan Moore**

04:32:55 Ms. Moore gave a brief background report on the SJR 26 Study of Movement of Oversize Loads. ([Exhibit 11](#))

Committee questions

04:42:54 Rep. Miller
04:43:04 Ms. Moore
04:43:11 Rep. Miller
04:43:15 Ms. Moore
04:43:19 Sen. Barrett
04:43:44 Ms. Moore
04:44:07 Sen. Barrett
04:45:01 Ms. Moore
04:45:45 Sen. Jergeson
04:46:40 Ms. Moore

- **Application procedures and logistical considerations - Duane Williams, Administrator, Motor Carrier Services, Department of Transportation**

04:48:15 Mr. Williams gave a presentation on moving oversize loads through Montana.
04:58:08 Mr. Williams distributed and discussed the 32-J application form. ([Exhibit 12](#))
05:08:53 Mr. Williams discussed routes that are being used by the oversized loads.

Committee questions

05:13:19 Rep. Hunter
05:13:38 Mr. Williams
05:14:05 Rep. Hunter
05:14:16 Mr. Williams
05:14:21 Rep. Hunter
05:14:28 Mr. Williams
05:14:47 Rep. Hunter
05:14:55 Mr. Williams
05:14:59 Rep. Hunter
05:15:11 Mr. Williams

05:15:28 Sen. Kaufmann
 05:15:50 Dan Moore, Department of Transportation, discussed the history of the establishment of fees imposed on movement of oversized loads.
 05:16:12 Rep. Ballance
 05:16:37 Mr. Williams
 05:16:49 Rep. Ballance
 05:16:56 Mr. Williams
 05:17:17 Rep. Ballance
 05:17:27 Mr. Williams
 05:17:40 Ms. Moore
 05:18:04 Rep. Hollandsworth
 05:18:38 Mr. Williams
 05:19:11 Sen. Thomas
 05:19:39 Mr. Williams
 05:20:04 Sen. Thomas
 05:20:14 Mr. Williams

- **Industry perspective on application process and logistics - Spook Stang, Executive Vice President, Motor Carriers of Montana**

05:21:04 Mr. Stang addressed Rep. Hunter's question about the cost of the permits.
 05:21:50 Mr. Stang gave a presentation on the Motor Carriers of Montana's perspective on the movement of oversize loads. ([Exhibit 13](#))

Committee questions

05:30:53 Rep. Hollandsworth
 05:31:14 Mr. Stang
 05:31:32 Rep. Jacobson
 05:31:49 Mr. Stang
 05:32:28 Sen. Kaufmann
 05:32:45 Mr. Stang

Public Comments - none

DISCUSSION ON NEXT STEPS RELATED TO SJR 26 STUDY

05:34:17 Ms. Moore said that for the next meeting there will be a scheduled overview of other states' and providences' policies, including discussion of commerce corridors.
 05:34:47 Sen. Kaufmann asked if there are any suggestions for expanding the resources for the study.
 05:34:57 Sen. Thomas requested more information on cities imposing a fee that might impede loads moving through the city.
 05:35:46 Sen. Barrett said if the committee wants to deal with the issue of the City Missoula assessing fees, a representative from the Missoula County of Commissioners should be invited to the meeting.
 05:36:08 Rep. Hunter said that it would be advisable to have other county officials present if the committee decides to move in that direction.
 05:36:26 Ms. Moore said that she spoke with Harold Blattie, Montana Association of

Counties, is interested in presenting his concerns at the next meeting.

05:36:55 Rep. Ballance said she wanted to know if alternative routes add significant time to the transport versus the time taken if a more direct route was used.

05:37:29 Rep. Hunter asked about the designation of red routes.

05:37:49 Ms. Moore said she saw it defined in the Administrative Rules and a red route has to do with travel restrictions if near a place of interest.

05:38:33 Mr. Williams explained the red routes.

05:39:10 Sen. Barrett asked that if these weren't red routes, would they be corridors of commerce?

05:39:53 Mr. Williams explained the travel times on red routes.

05:40:11 Sen. Kaufmann asked about loads zigzagging across the state that may add to their costs.

05:40:43 Mr. Williams said they have looked at all feasible routes.

Public Comments - none

DEPARTMENT OF TRANSPORTATION REPORTS

05:42:28 Mike Tooley, Director, Department of Transportation, reported on the Highway Trust Fund. **(Exhibit 14)**

05:50:16 Director Tooley discussed changing the way they do business in the Motor Carrier Services Division regarding MCS officers carrying firearms.

Committee questions

05:53:48 Sen. Thomas

05:55:37 Director Tooley

05:57:40 Sen. Thomas

05:58:17 Director Tooley

05:58:33 Sen. Thomas

05:59:13 Rep. Hollandsworth

06:00:05 Director Tooley

06:00:13 Sen. Taylor

06:00:25 Director Tooley

06:00:49 Sen. Taylor

06:00:56 Sen. Barrett

06:01:25 Director Tooley

Public Comment

06:02:57 Spook Stang, Executive Vice President, Motor Carriers of Montana, said that MCM opposes arming the Motor Carrier Services officers and raised concerns about the funding and training process of the MCS officers.

Committee discussion

06:06:57 Sen. Kaufmann asked for suggestions on how to move forward on this issue.

06:07:06 Rep. Hunter asked Director Tooley about the 1987 legislation that proposed that the Department of Transportation arm the MCS officers.

06:07:49 Director Tooley deferred that question to Col. Dan Moore.

06:08:11 Col. Dan Moore, Enforcement Bureau Chief, Motor Carrier Services Division, said that legislation was brought forth by employees who were dissatisfied with

administrative decisions not to arm MCS officers.
06:08:35 Rep. Hunter asked if the Department, at that time, opposed or supported that legislation.
06:08:45 Col. Moore said that he does not recall.
06:08:59 Rep. Hunter asked Director Tooley if he could provide the citation allowing the Department to move in the direction of arming MCS officers.
06:09:22 Director Tooley said the citation is 61-12-201, MCA.

BREAK - reconvened at 2:52 p.m.

LEGISLATIVE FISCAL DIVISION REVENUE TOPICS

- **Introduction of new staff - Joe Triem, Legislative Fiscal Division**
06:21:33 Mr. Triem introduced new staff of the Legislative Fiscal Division: Nick Brown, Sam Schaefer, and Cynthia Hollimon.

- **Fiscal year end report - Amy Carlson, Legislative Fiscal Division**
06:25:24 Ms. Carlson discussed fund balance changes in the FY 2013 General Fund Revenue and 2015 Biennium Update. ([Exhibit 15](#))

Committee questions regarding the fund balance
06:31:51 Sen. Thomas
06:32:01 Ms. Carlson
06:32:28 Sen. Thomas
06:32:36 Sen. Wittich
06:33:05 Ms. Carlson
06:33:13 Sen. Wittich
06:33:52 Ms. Carlson
06:34:21 Sen. Wittich
06:34:48 Ms. Carlson

- **Report on Revenue Collections and Revenue Sources - Stephanie Morrison, Legislative Fiscal Analyst**
06:35:20 Ms. Morrison gave a presentation on revenue collections (Exhibit 15, page 4); revenue general fund sources (Exhibit 15, page 5); revenue sources - Individual Income Tax, and Corporation Tax (Exhibit 15, pages 6-8).

Committee questions
06:49:59 Rep. Hollandsworth
06:50:24 Ms. Morrison
06:50:47 Sen. Jergeson
06:51:29 Ms. Morrison
06:52:10 Sen. Barrett
06:52:49 Ms. Morrison
06:55:14 Sen. Barrett
06:57:02 Ms. Morrison
06:58:14 Sen. Barrett

06:58:50 Ms. Morrison
06:58:53 Rep. Miller
06:59:17 Ms. Morrison
07:00:38 Rep. Miller
07:01:05 Ms. Morrison
07:01:38 Rep. Miller
07:01:52 Ms. Morrison
07:02:16 Sen. Wittich
07:04:42 Ms. Morrison
07:08:59 Sen. Wittich
07:10:08 Ms. Morrison
07:11:16 Rep. Hunter
07:12:38 Ms. Morrison
07:12:41 Sen. Jergeson
07:14:04 Ms. Morrison
07:15:06 Ms. Carlson
07:17:08 Sen. Barrett
07:19:36 Ms. Carlson
07:20:46 Sen. Thomas
07:22:14 Ms. Morrison

- **Report on property, oil and gas, and U.S. royalties - Nick Brown, Legislative Fiscal Division**

07:23:00 Mr. Brown discussed Property Tax (Exhibit 15, page 8), Oil and Gas Severance Tax (Exhibit 15, Page 10), U.S. Mineral Royalties (Exhibit 15, page 16).
07:27:34 Ms. Morrison said that an example of one-time payment is in U.S. Mineral Royalties.

- **Report on vehicle taxes and fees from Gambling taxes - Sam Schaefer, Legislative Fiscal Division**

07:29:03 Mr. Schaefer discussed Vehicle Taxes & Fees (Exhibit 15, page 8), Video Gambling (Exhibit 15, page 10).

Committee questions

07:32:21 Sen. Thomas
07:32:39 Mr. Schaefer
07:32:55 Sen. Thomas
07:33:11 Mr. Schaefer

- **Report on insurance tax - Cynthia Hollimon, Legislative Fiscal Division**

07:35:35 Ms. Hollimon discussed Insurance Tax Revenue (Exhibit 15, page 10).

Committee questions

07:37:23 Rep. Miller
07:37:40 Ms. Hollimon
07:37:44 Sen. Wittich
07:38:09 Ms. Hollimon
07:38:23 Sen. Wittich

07:38:34 Ms. Hollimon
07:38:45 Sen. Wittich
07:39:00 Ms. Hollimon
07:39:18 Sen. Wittich
07:39:42 Rep. Miller
07:40:06 Rep. Hunter
07:40:27 Ms. Hollimon

- **One-time-only versus ongoing revenue and expenditure tracking - Amy Carlson**

07:41:43 Ms. Carlson distributed the document entitled, "Legislative Fiscal Division General Fund Balance Sheet" ([Exhibit 16](#)) and explained the make up of a current balance status sheet.

Committee questions

07:48:45 Sen. Jergeson
07:49:55 Ms. Carlson
07:49:58 Sen. Jergeson
07:50:40 Ms. Carlson
07:52:09 Sen. Wittich
07:53:35 Ms. Carlson
07:54:21 Sen. Wittich
07:54:40 Ms. Carlson
07:55:06 Sen. Wittich
07:55:23 Ms. Carlson
07:55:43 Rep. Ballance
07:58:31 Ms. Carlson
07:59:07 Sen. Thomas
07:59:23 Ms. Carlson
07:59:33 Rep. Hunter
08:01:01 Rep. Hollandsworth

- **Long-term strategic planning - Joe Triem**

08:04:07 Mr. Triem discussed long-term strategic planning and the software, Regional Economic Modeling Inc. (REMI), that evaluates economic impacts, state and local interactions, evaluation of multiple scenarios, and dynamic analysis of proposed legislation.

Committee questions

08:07:35 Sen. Taylor
08:07:47 Mr. Triem
08:08:36 Sen. Taylor
08:08:44 Mr. Triem
08:10:09 Sen. Barrett
08:11:04 Mr. Triem
08:11:34 Nick Brown, Legislative Fiscal Division, discussed the use of the REMI software.
08:13:46 Sen. Wittich
08:14:09 Ms. Carlson

Public Comment - none

ADMINISTRATIVE RULE REVIEW - Jaret Coles, Staff Attorney

08:16:12 Mr. Coles reported on Administrative Rule activity. ([Exhibit 17](#))

PUBLIC COMMENT ON ANY TOPIC - none

OTHER BUSINESS -- SCHEDULE NEXT MEETING

08:18:33 A discussion was held regarding interest in the REMI software, changing the December meeting date due to a conflict with the NCSL Forum and the Montana Taxpayers' Annual Meeting. It was suggested that Ms. Moore poll committee members and inform the committee by email if there will be a change in the December meeting date.

ADJOURNMENT

08:27:04 With no further business before the committee, Sen. Kaufmann adjourned the meeting at 4:58 p.m.

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