



## Revenue and Transportation Interim Committee

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### 63rd Montana Legislature

#### SENATE MEMBERS

CHRISTINE KAUFMANN--Chair  
DICK BARRETT  
GREG JERGESON  
JANNA TAYLOR  
FRED THOMAS  
ART WITTICH

#### HOUSE MEMBERS

NANCY BALLANCE--Vice Chair  
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

November 20, 2014  
Room 137, Capitol Building  
Helena, Montana

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**

The committee took the following actions:

- approved the final version of LC511 as a committee bill;
- voted to include a report on the use of gray water tax abatements in a previously requested committee bill to change certain reports from annual to biennial;
- approved the final version of LC254 as a committee bill;
- accepted the Revenue and Transportation Interim Committee's Final Report; and
- directed staff to prepare a revenue estimate using the Legislative Fiscal Division's general fund and non-general fund estimates with adjustments to the individual income tax and oil and gas estimates that reflect half the difference between the Legislative Fiscal Division's and the Office of Budget and Program Planning's estimates.

## **CALL TO ORDER AND ROLL CALL**

00:01:44 Sen. Kaufmann called the meeting to order at 8:02 a.m. The secretary called roll. ([Attachment 3](#))

## **COMMITTEE REQUESTED BILL DRAFTS - Megan Moore, Research analyst**

### **Penalty and interest bill draft**

00:03:12 Ms. Moore gave a presentation on LC08v2 ([Exhibit 1](#)). Ms. Moore said that this bill has already been requested as a committee bill and was numbered LC511.

### **Public Comment**

00:05:33 George S. Olsen, Montana Society of CPAs

### Committee discussion

00:08:24 Sen. Kaufmann

00:08:51 Ms. Moore

00:10:10 Rep. Hollandsworth

00:11:02 Ms. Moore

### **Motion/Vote**

00:11:13 Sen. Thomas moved to accept LC511. The motion carried by voice vote.

### **Repeal property tax abatements for gray water systems**

00:11:57 Ms. Moore gave a presentation on LC9910 to repeal property tax abatements for gray water systems. ([Exhibit 2](#))

### **Public Comment - none**

### Committee discussion

00:13:23 Sen. Kaufmann

00:13:47 Gene Walborn, Department of Revenue

00:14:08 Sen. Kaufmann  
00:15:21 Rep. Ballance  
00:15:26 Mr. Walborn  
00:16:00 Sen. Wittich  
  
00:17:08 No motion was made to request LC9910 as a committee bill.

**Gray water report**

00:17:11 Sen. Kaufmann discussed the issue of changing the gray water tax abatement report from annual to biennial.

**Motion**

00:17:39 Sen. Kaufmann moved to change the report from an annual report to a biennial report.

Committee discussion

00:18:48 Ms. Moore  
00:19:06 Sen. Kaufmann  
00:19:16 Ms. Moore  
00:19:39 Sen. Wittich

**Amended motion/Vote**

00:20:00 Sen. Kaufmann amended her motion to strike the date in statute and to make the report a biennial report as recommended. The motion carried by voice vote.

Committee discussion

00:20:51 Sen. Thomas  
00:20:56 Sen. Kaufmann  
00:21:17 Ms. Moore  
00:21:40 Sen. Thomas  
00:22:16 Sen. Kaufmann

**SUMMARY OF SEPTEMBER MONTANA ECONOMIC OUTLOOK PRESENTATIONS -  
Stephanie Morrison, Legislative Fiscal Division**

00:22:52 Ms. Morrison gave a summary of the Montana economic outlook presentation from the September meeting. ([Exhibit 3](#))

Committee discussion

00:33:32 Rep. Hollandsworth  
00:38:00 Sen. Jergeson  
00:38:48 Ms. Morrison  
00:50:40 Sen. Jergeson  
00:51:22 Ms. Morrison  
00:53:52 Sen. Jergeson  
00:55:01 Ms. Morrison  
00:57:39 Sen. Barrett  
00:58:37 Ms. Morrison  
01:02:44 Sen. Barrett

Public Comment - none

## **INTRODUCTION TO REVENUE ESTIMATES**

### **Significance of revenue estimates to the budget process - Amy Carlson, Legislative Fiscal Analyst**

- 01:04:25 Ms. Carlson gave an overview of the Legislative Fiscal Division's revenue estimating process. Ms. Carlson distributed and discussed a chart showing general fund revenue compared to various trends. [\(Exhibit 4\)](#)
- Committee questions
- 01:10:22 Sen. Barrett  
01:10:43 Ms. Carlson
- 01:11:03 Ms. Carlson distributed and discussed the General Fund Revenue Monitoring Report. [\(Exhibit 5\)](#)
- Committee questions
- 01:23:43 Rep. Hollandsworth
- 01:25:09 Ms. Carlson distributed and discussed a chart on consumer price index, population, total personal income, gross state product, West Texas Intermediate price, and general fund revenue growth. [\(Exhibit 6\)](#)
- Committee questions
- 01:26:31 Rep. Hollandsworth  
01:26:38 Ms. Carlson

### **Significance of revenue estimates to the budget process - Dan Villa, Director, Office of Budget and Program Planning**

- 01:28:05 Director Villa gave a slide presentation [\(Exhibit 7\)](#) on the Office of Budget and Program Planning's revenue estimates [\(Exhibit 8\)](#), and provided a handout on the Office of Budget and Program Planning's revenue estimates [\(Exhibit 9\)](#).
- Committee questions
- 01:39:44 Sen. Wittich  
01:42:01 Director Villa

Public Comment - none

### **Overview of Legislative Fiscal Division assumptions - Stephanie Morrison, Legislative Fiscal Division**

- 01:44:42 Ms. Morrison referred the committee to several documents: Revenue Estimate Recommendations [\(Exhibit 10\)](#), Key Differences between Executive and LFD Revenue Estimates" [\(Exhibit 11\)](#), and Legislative Options [\(Exhibit 12\)](#).

### **Individual Income Tax - Stephanie Morrison**

- 01:47:36 Ms. Morrison discussed the individual income tax (Exhibit 10, page 24) and the

differences between the Office of Budget and Program Planning and the Legislative Fiscal Division's estimates (Exhibit 11).

Committee questions of Ms. Morrison

01:52:26 Sen. Barrett  
02:05:20 Rep. Ballance  
02:09:22 Sen. Kaufmann  
02:09:56 Sen. Barrett  
02:13:34 Sen. Thomas  
02:19:09 Sen. Taylor  
  
02:20:39 Ms. Morrison discussed the year-to-date tables from the document "Legislative Options". (Exhibit 12)

Committee questions

02:26:40 Rep. Ballance  
02:27:27 Ms. Morrison  
02:27:47 Rep. Ballance

**BREAK**

**Corporate Income Tax - Stephanie Morrison, Legislative Fiscal Division**

02:39:26 Ms. Morrison discussed corporate income tax assumptions. (Exhibit 10)

Committee questions

02:44:47 Sen. Jergeson  
02:47:09 Ms. Morrison  
  
02:48:01 Ms. Morrison continued her presentation and discussed the differences in corporate income tax estimates.

**Property Tax and Oil and Gas Taxes - Nick Brown, Legislative Fiscal Division**

02:53:52 Mr. Brown discussed oil and gas tax assumptions. (Exhibit 10)

Committee questions

03:01:07 Rep. Hollandsworth  
03:02:57 Sen. Thomas  
03:05:49 Rep. Hunter  
03:07:23 Sen. Barrett

**Standard Error Analysis - Sam Schaefer, Legislative Fiscal Division**

03:08:22 Mr. Schaefer discussed the standard error analysis. (Exhibit 10)

Committee questions

03:09:40 Sen. Barrett

**Property Tax - Nick Brown, Legislative Fiscal Division**

03:10:47 Mr. Brown discussed property tax assumptions. (Exhibit 10)

**Vehicle Tax and Fees - Sam Schaefer, Legislative Fiscal Division**

03:18:46 Mr. Schaefer discussed vehicle tax and fees assumptions. (Exhibit 10)

**Video Gambling Tax - Sam Schaefer, Legislative Fiscal Division**

03:20:00 Mr. Schaefer discussed video gambling tax assumptions. (Exhibit 10)

Committee comments

03:21:19 Sen. Barrett

**Insurance Tax - Cynthia Holloman, Legislative Fiscal Division**

03:21:45 Ms. Holloman discussed insurance tax assumptions. (Exhibit 10)

**U.S. Mineral Royalties - Nick Brown, Legislative Fiscal Division**

03:25:09 Mr. Brown reported on U.S. mineral royalties and the U.S. mineral royalties charts. (Exhibit 10)

**Treasury Cash Account Interest - Sam Schaefer, Legislative Fiscal Division**

03:28:40 Mr. Schaefer discussed the Treasury Cash Account interest (Exhibit 10) and the Treasury Cash Account interest earnings.

Committee questions on Legislative Fiscal Division's revenue estimates

03:32:00 Sen. Jergeson

03:32:53 Ms. Morrison

03:34:00 Rep. Ballance

03:34:58 Mr. Schaefer

03:35:15 Rep. Ballance

03:35:34 Mr. Schaefer

03:36:17 Sen. Wittich

03:38:49 Ms. Morrison

03:40:39 Sen. Wittich

03:40:57 Ms. Morrison

03:41:22 Sen. Thomas

03:42:26 Ryan Evans, Assistant Director, Office of Budget and Program Planning

03:42:48 Sen. Thomas

03:43:03 Mr. Evans

03:43:13 Sen. Thomas

03:43:57 Dan Villa, Director, Office of Budget and Program Planning

03:44:31 Sen. Thomas

03:44:44 Director Villa

03:45:06 Sen. Thomas

03:45:29 Director Villa

03:46:33 Sen. Kaufmann

**OVERVIEW OF THE OFFICE OF BUDGET AND PROGRAM PLANNING'S SIGNIFICANT ASSUMPTIONS - Ryan Evans, Assistant Director, Office of Budget and Program Planning**

03:47:24 Mr. Evans gave a presentation on the Office of Budget and Program Planning's revenue estimates.

Committee questions of Mr. Evans  
04:02:31 Sen. Wittich  
04:05:56 Sen. Taylor  
04:07:45 Sen. Jergeson  
04:08:41 Rep. Hollandsworth  
04:10:31 Rep. Ballance  
04:14:52 Ralph Franklin, Office of Budget and Program Planning  
04:17:55 Rep. Ballance  
04:18:22 Mr. Franklin  
04:19:03 Rep. Ballance  
04:19:19 Mr. Franklin  
04:19:42 Sen. Thomas  
04:21:13 Mr. Evans  
04:22:37 Sen. Taylor  
04:23:11 Mr. Evans  
04:23:57 Sen. Thomas  
04:25:30 Director Villa

**Public Comment - none**

**LUNCH**

**Office of Budget and Program Planning Response to Sen. Thomas' Question -  
Ryan Evans, Assistant Director**

05:23:36 Mr. Evans discussed the Office of Budget and Program Planning's chart showing actual collections and biennium estimates for FY 2013 and FY 2014 in response to Sen. Thomas' question. [\(Exhibit 13\)](#)

Committee questions  
05:25:58 Sen. Thomas  
05:27:09 Sen. Kaufmann  
05:27:23 Mr. Evans

**DISCUSSION ON LEGISLATIVE FISCAL DIVISION AND OFFICE OF BUDGET AND  
PROGRAM PLANNING REVENUE ESTIMATES**

05:28:34 Sen. Kaufmann provided guidelines regarding the committee's discussion on the general fund revenue estimating process.

**Motion**

05:30:49 Sen. Wittich moved to adopt the Legislative Fiscal Division's general fund revenue estimate.

Committee discussion  
05:30:51 Sen. Wittich  
05:34:58 Rep. Hunter

**Substitute Motion**

05:35:03 Sen. Barrett made a substitute motion to adopt the Legislative Fiscal Division's

general fund revenue estimates for all except three items: individual income tax, corporate income tax, and oil and gas tax; and requested that staff from Legislative Fiscal Division and the Office of Budget and Program Planning come up with a consensus revenue estimate on the individual income tax, the corporate income tax, and the oil and gas tax by December 1 and that on December 1, the committee meet by phone and make a final revenue estimate recommendation.

Committee discussion

05:37:04 Rep. Miller  
05:37:32 Rep. Ballance  
05:39:12 Rep. Hunter  
05:40:43 Sen. Taylor  
05:41:16 Sen. Thomas  
05:44:01 Rep. Hunter  
05:45:32 Sen. Jergeson  
05:47:16 Sen. Barrett  
05:49:50 Rep. Ballance  
05:51:58 Sen. Wittich  
05:53:47 Sen. Barrett  
05:54:48 Sen. Kaufmann  
05:56:18 Sen. Barrett  
05:57:01 Rep. Miller  
05:57:24 Sen. Kaufmann  
05:57:38 Amy Carlson, Legislative Fiscal Analyst  
05:59:40 Director Villa  
06:03:31 Sen. Kaufmann

**Vote**

06:05:23 Sen. Barrett's substitute motion failed on a tied roll call vote, 6-6. ([Attachment 4](#))

**Amended Motion**

06:05:31 Sen. Thomas moved to amend Sen. Wittich's original motion by adopting the Legislative Fiscal Division's general fund estimates and including Sen. Barrett's recommendation that staff from the Legislative Fiscal Division and the Office of Budget and Program Planning work together and come to a consensus on the revenue estimate and to present a recommendation to the committee by December 1.

Committee discussion

06:06:06 Rep. Miller  
06:06:20 Sen. Thomas  
06:06:36 Rep. Miller  
06:06:43 Sen. Thomas  
06:07:15 Sen. Wittich  
06:07:42 Rep. Ballance  
06:08:47 Rep. Hunter  
06:09:42 Sen. Kaufmann



**Vote**

06:11:09 Sen. Thomas' motion failed on a tied roll call vote, 6-6. ([Attachment 5](#))

**Break**

**Substitute Motion**

06:25:46 Sen. Barrett made a substitute motion to adopt the Legislative Fiscal Division's revenue estimate excluding the estimates for individual income tax, the corporate income tax, and the oil and gas tax, and for those items, to split the difference to be included in the revenue estimate.

Committee discussion

06:27:27 Sen. Wittich

**Vote**

06:30:06 Sen. Barrett's substitute motion passed on a roll call vote, 8-4. ([Attachment 6](#))

Committee discussion

06:30:15 Sen. Thomas  
06:30:37 Rep. Miller  
06:30:54 Sen. Thomas  
06:31:22 Rep. Ballance  
06:33:15 Rep. Hunter  
06:33:41 Rep. Miller  
06:34:09 Rep. Hollandsworth  
06:34:29 Sen. Kaufmann  
06:34:52 Amy Carlson  
06:35:04 Stephanie Morrison  
06:36:00 Dan Villa  
06:37:08 Sen. Taylor  
06:38:21 Sen. Kaufmann

**NON-GENERAL FUND REVENUE - Stephanie Morrison, Legislative Fiscal Division**

06:38:50 Ms. Morrison gave a presentation on the Legislative Fiscal Division's non-general fund revenue estimates. (Exhibit 10)

Committee question

06:41:09 Sen. Kaufmann  
06:41:14 Ms. Morrison  
06:41:19 Sen. Jergeson  
06:42:18 Ms. Morrison

**Motion/Vote**

06:43:31 Rep. Hollandsworth moved to adopt the Legislative Fiscal Division's non-general fund revenue estimates. The motion passed unanimously by voice vote.

**Motion/Vote**

06:44:33 Sen. Thomas moved that staff develop a revenue estimating bill that is a committee bill. The motion passed unanimously by voice vote. Rep. Miller will be

the sponsor.

**ADMINISTRATIVE RULE REVIEW - Jaret Coles, Staff Attorney**

06:47:31 Mr. Coles gave a presentation on Administrative Rule Review. ([Exhibit 14](#))

**Public Comment on rule review - none**

**REAPPRAISAL DATA FOR POLICY PURPOSES - Mike Kadas, Director, Department of Revenue**

06:57:47 Director Kadas gave a presentation on the impact of the 2014 reappraisal on residential, commercial, and agricultural property. ([Exhibit 15](#))

Committee questions

07:02:43 Rep. Miller

07:18:53 Sen. Barrett

07:20:44 Ed Caplis, Department of Revenue, explained the taxable value of property.

07:22:22 Sen. Barrett

07:23:40 Mr. Caplis

07:23:45 Director Kadas

07:24:06 Sen. Barrett

07:24:38 Director Kadas

**Public Comment - none**

07:39:04 Rep. Hollandsworth

07:39:50 Director Kadas

**PROPERTY TAX RELIEF AUDIT - Will Soller, Performance Auditor, Legislative Audit**

**Division**

07:41:59 Mr. Soller gave an overview of the Legislative Audit Division's residential property tax relief audit. ([Exhibit 16](#))

Committee questions of Mr. Soller

07:50:23 Sen. Barrett

07:52:27 Sen. Jergeson

**Response from the Department of Revenue**

07:59:19 Director Kadas provided the Department of Revenue's response to the residential property tax relief audit.

**Public Comment**

07:59:28 Karen Powell, Chair, State Tax Appeal Board

Committee discussion

08:01:05 Rep. Jacobson

08:01:23 Director Kadas

08:01:36 Rep. Jacobson  
08:01:51 Director Kadas  
08:01:56 Sen. Kaufmann  
08:02:15 Sen. Barrett  
  
08:05:38 Director Kadas discussed Justice Morris' ruling on the issue of same-sex marriage for income tax purposes.

**UPDATE ON ELDERLY HOMEOWNER AND RENTER INCOME TAX CREDIT - Gene Walborn, Deputy Director, Department of Revenue**

08:07:50 Mr. Walborn provided an update on the elderly homeowner and renter income tax credit. [\(Exhibit 17\)](#)

Committee questions of Mr. Walborn

08:13:21 Rep. Jacobson  
08:20:14 Sen. Jergeson  
08:22:07 Sen. Kaufmann

**Public Comment - none**

**REVISIT THE MOTION REGARDING THE ADOPTION OF LEGISLATIVE FISCAL DIVISION'S REVENUE ESTIMATE**

08:22:15 Sen. Kaufmann discussed her conversation with the Office of Budget and Program Planning and the Legislative Fiscal Division regarding the committee's motions on the revenue estimate.

**Motion**

08:22:41 Sen. Kaufmann moved that the monetary differences between estimates for the three tax types: individual income tax, corporate income tax, and oil and gas tax be applied to adjustments made to the individual income tax and the oil and gas tax, and to allow staff from the Legislative Fiscal Division and the Office of Budget and Program Planning to use their discretion in terms of how to prorate the two tax types.

Committee discussion

08:25:45 Sen. Barrett  
08:26:03 Sen. Kaufmann  
08:26:18 Sen. Barrett  
08:26:41 Sen. Kaufmann  
08:27:01 Sen. Barrett

**Roll Call Vote**

08:27:15 The motion passed unanimously on a roll call vote. [\(Attachment 7\)](#)

Committee discussion

08:30:13 Sen. Kaufmann  
08:30:24 Mr. Coles  
08:31:39 Ms. Carlson

08:32:29 Sen. Barrett  
08:32:56 Ms. Carlson  
08:32:58 Sen. Barrett  
08:33:23 Mr. Coles  
08:34:36 Ms. Carlson  
08:35:04 Director Villa  
08:36:23 Sen. Barrett  
08:37:17 Mr. Coles  
08:37:46 Rep. Hollandsworth  
08:38:04 Mr. Coles  
08:38:19 Rep. Ballance  
08:38:30 Sen. Kaufmann  
08:38:42 Mr. Coles

**Motion to reconsider the committee's last action/Vote**

08:38:57 Sen. Kaufmann moved to reconsider the committee's action on the last motion. The motion carried unanimously by voice vote.

Committee discussion

08:39:13 Sen. Jergeson  
08:41:13 Sen. Kaufmann  
08:41:28 Director Villa

**SENATE JOINT RESOLUTION 23 TAXPAYER APPEAL STUDY BILL DRAFT - Megan Moore**

08:43:12 Ms. Moore reviewed new language in the committee-requested bill to allow industrial property taxpayers to appeal directly to the State Tax Appeal Board. **(Exhibit 18)**

**Public Comment - none**

**Motion/Vote**

08:44:14 Rep. Hollandsworth moved to approve the changes in the bill draft. The motion carried unanimously by voice vote.

**DRAFT FINAL REPORT - Megan Moore**

08:45:01 Ms. Moore discussed the committee's final report. **(Exhibit 19)**

**Motion/Vote**

08:46:13 Sen. Barrett moved to accept the Final Report and commended Ms. Moore on her work on the report. The motion carried unanimously.

**PUBLIC COMMENT ON TOPICS WITHIN THE COMMITTEE'S JURISDICTION - none**

**Break**

**RECONSIDER SEN. BARRETT'S SUBSTITUTE MOTION/VOTE ON THE REVENUE ESTIMATE**

09:16:09 Sen. Barrett moved to reconsider the committee's action on his substitute

motion. The motion carried unanimously.

09:16:58 Legislative Fiscal Division distributed and discussed a document, "General Fund Revenue Estimate Overview & Comparison". **(Exhibit 20)** Ms. Carlson explained that the red numbers are a result of the motions made and the blue numbers are a result of the motions proposed by the Legislative Fiscal Division and the Office of Budget and Program Planning.

Committee questions

09:20:28 Rep. Miller  
09:20:34 Sen. Barrett  
09:21:06 Ms. Carlson  
09:21:13 Sen. Barrett  
09:21:55 Sen. Kaufmann

**Motion**

09:22:17 Sen. Barrett moved to direct staff to prepare a revenue estimate using the figures provided by the Legislative Fiscal Division with the understanding that the relevant figures for the individual income tax and the oil and gas tax are the blue numbers in Exhibit 20.

Committee discussion

09:23:08 Rep. Hollandsworth indicated that the document being discussed was distributed to committee members at 5:20 p.m.

**Vote**

09:24:38 The motion passed on a roll call vote, 8-4. **(Attachment 8)**

09:24:50 Sen. Kaufmann thanked the committee members for their service, attendance, and commitment to the committee.

**ADJOURNMENT**

09:25:13 With no further business before the committee, Sen. Kaufmann adjourned the meeting at 5:26 p.m.

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