



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

September 24, 2015
Room 152, Capitol Building
Helena, Montana

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

COMMITTEE MEMBERS EXCUSED

REP. GREG HERTZ

STAFF PRESENT

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

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

AGENDA ([Attachment 2](#))

COMMITTEE ACTIONS

The committee reviewed and adopted a revised interim work plan and meeting schedule. The work plan includes an outline of study activities for each of the nine study topics chosen by the committee.

The committee also requested that committee staff draft a letter to PPL Montana inquiring about the impact of the sale of 11 hydroelectric power plants on the company's corporate income tax liability.

CALL TO ORDER AND ROLL CALL

- 00:00:01 Sen. Thomas called the meeting to order at 8:03 a.m.
- 00:00:35 The secretary took roll. Rep. Hertz was excused. ([Attachment 3](#))
- 00:01:53 Sen. Kristin Hansen provided public comment on the Department of Revenue's proposed draft rules regarding the implementation of SB 410.

REVENUE ESTIMATING AND MONITORING - Legislative Fiscal Division Staff

- 00:05:48 Amy Carlson, Fiscal Analyst, Legislative Fiscal Division ([Exhibit 1](#))
- 00:11:42 Stephanie Morrison, Legislative Fiscal Division, gave a presentation on the FY 2015 General Fund Revenue Collections.
- 00:20:57 Nick Brown, Legislative Fiscal Division, gave a presentation on property tax and oil and natural gas taxes.

Committee Questions of Mr. Brown

- 00:24:08 Sen. Hoven asked about the federal government's payments.
- 00:26:41 Sam Schaefer, Legislative Fiscal Division, gave a presentation on corporation tax collections.

Committee Questions of Mr. Schaefer

- 00:28:23 Rep. Essmann asked about corporate tax revenues.
- 00:29:40 Mr. Schaefer gave a presentation on vehicle taxes and fees and video gaming tax.

Committee Questions

- 00:30:36 Sen. Thomas asked about vehicle taxes.
- 00:33:20 Sen. Malek asked about corporate income taxes and a one-time audit.

- 00:35:34 Rep. Jacobson asked about the effect of the sale of the dams in Great Falls.
00:41:25 Sen. Thomas asked Ms. Moore to write to the seller of the dams to ask about the impact on corporate tax liability.
00:41:49 Sen. Barrett asked about vehicle taxes and fees.
00:44:30 Sen. Malek asked about the reliance on the price of oil to predict corporate income.

00:46:55 Cynthia Holliman, Legislative Fiscal Division, gave a presentation on insurance taxes.

00:47:00 Ms. Holliman discussed the taxes on e-cigarettes.

Committee Questions

- 00:49:59 Sen. Malek asked about the purchase of insurance policies.

Public Comment - None

UPDATED PROPOSED INTERIM WORK PLAN

Overview of updates - Megan Moore, committee staff

- 00:51:34 Ms. Moore ([Exhibit 2](#))

Committee Discussion

- 01:06:41 The members discussed the changes in the meeting schedule.

Motion/Vote

- 01:15:29 Sen. Hoven moved to adopt the Work Plan as discussed. The motion passed unanimously by voice vote.

- 01:17:01 Sen. Thomas discussed the assignment of members to monitor subject matters.

BREAK - reconvene at 9:32 a.m.

TREATMENT OF INTANGIBLE PROPERTY STUDY

Overview of statutes and administrative rules - Jaret Coles, staff attorney

- 01:30:16 Mr. Coles ([Exhibit 3](#)) and ([Exhibit 4](#))

Committee Questions

- 01:46:50 Sen. Hoven asked about the valuation of airlines.
01:47:57 Sen. Thomas asked about quantifying intangible personal property.
01:49:40 Rep. Jacobson asked about other states' treatment of intangibles.
01:50:14 Sen. Malek asked about changes in the tax code.

Public Comment

- 01:51:36 Bob Story, Montana Taxpayers Association
02:01:59 Tom Ebzery, CenturyLink
02:05:51 Mike Kadas, Director, Department of Revenue

Committee Questions

- 02:12:20 Rep. Essmann asked Mr. Kadas about the challenges associated with movement to a service economy.
- 02:15:10 Sen. Barrett asked Mr. Kadas about taxing intangible property.
- 02:18:06 Rep. Essmann asked Mr. Story about structuring a way to equally tax the access point to a communication device.

Break - reconvene at 10:34 a.m.

TAXATION OF INTERNATIONAL CORPORATIONS STUDY

Corporate income tax laws overview - Megan Moore

- 02:33:03 Ms. Moore ([Exhibit 5](#))

Public Comment

- 02:42:54 Glenn Oppel, Chamber of Commerce ([Exhibit 6](#)) and ([Exhibit 7](#))
- 02:45:07 Bob Story, Montana Taxpayers Association

Committee Questions

- 02:47:14 Sen. Barrett asked Mr. Oppel if the Chamber of Commerce supports getting rid of the waters-edge election.
- 02:48:26 Rep. Essmann asked Mr. Story about possible revenue for Montana if offshore money were repatriated.

REVENUE ESTIMATING AND MONITORING

Improved revenue estimates - Stephanie Morrison and Sam Schaefer

- 02:51:42 Ms. Morrison ([Exhibit 8](#))

Committee Questions

- 03:04:05 Sen. Barrett asked Ms. Morrison about biennium projected and actual collections and which revenue estimate numbers are being used for FY 2015.
- 03:17:50 Mr. Schaefer discussed measuring volatility with quantitative metrics. ([Exhibit 8](#))

Committee Questions

- 03:27:36 Rep. Essmann asked Ms. Morrison about the risks of an inaccurate overestimation of revenue.
- 03:29:28 Sen. Barrett asked Mr. Schaefer about the naive error estimating procedure.
- 03:33:49 Rep. Essmann asked Ms. Morrison about using Wisconsin's approach to review previous results.
- 03:36:46 Sen. Hoven asked Ms. Morrison if the Rockefeller Institute is recognizing turning points in revenue forecasting.
- 03:41:18 Sen. Malek asked Ms. Morrison about personal income tax collections.

Public Comment

- 03:46:52 Bob Story, Montana Taxpayers Association

AGENCY MONITORING: ADMINISTRATIVE RULE REVIEW - Jaret Coles, Staff Attorney

03:50:07 Mr. Coles ([Exhibit 9](#))

Committee Questions

04:00:41 Rep. Essmann asked about the Department of Revenue's rule regarding House Bill 389.

04:01:53 Sen. Thomas asked about the timeframe regarding the education provider rule.

04:03:34 Sen. Barrett asked about the timeframe for adoption of a rule if that rule is being litigated.

Public Comment

04:06:40 Marco Ferro, MEA/MFT

Lunch Break - reconvened at 1:19 p.m.

AGENCY OVERSIGHT: DEPARTMENT OF TRANSPORTATION - Mike Tooley, Director

05:17:01 Mr. Tooley updated the committee on the highway state special revenue account.

05:20:58 Mr. Tooley updated the committee on federal highway funding.

Committee Questions

05:26:05 Rep. Redfield asked Mr. Tooley about freight costs and driver's license examiners.

05:28:48 Sen. Kaufmann asked Ms. Moore about the required report on multi-use trails.

05:29:43 Rep. Essmann asked Mr. Tooley about tracking driving patterns of Montanans.

05:31:20 Sen. Hoven asked Mr. Tooley about the state's role in planning bypasses.

Public Comment

05:34:16 Kevin Nelson, Billings

HIGHWAY STATE SPECIAL REVENUE ACCOUNT STUDY

Account overview - Cathy Duncan, Legislative Fiscal Division

05:37:51 Ms. Duncan ([Exhibit 10](#))

Revenue estimates for HSRA sources of revenue - Sam Schaefer, Legislative Fiscal Division

05:51:03 Mr. Schaefer ([Exhibit 11](#))

Committee Questions

05:56:46 Sen. Hoven asked Ms. Duncan clarifying questions about the handout.

05:59:59 Rep. Essmann asked Ms. Duncan about the revenue source for the Montana Highway Patrol.

06:02:17 Sen. Barrett asked Mr. Schaefer about the HSRA collections graph.

Public Comment

06:05:01 Cary Hegreberg, Montana Contractors

AGENCY OVERSIGHT: MONTANA TAX APPEAL BOARD - Dave McAlpin, Chair

06:17:09 Mr. McAlpin ([Exhibit 12](#)) and ([Exhibit 13](#))

Committee Questions

06:39:09 Sen. Hoven asked about a case.

Public Comment - None

Break - reconvened at 3:09 p.m.

07:06:33 Sen. Thomas discussed the assignment of committee members to the topic items listed in the Work Plan.

NONPROFIT REPORTING OF COMMUNITY BENEFITS STUDY - Megan Moore

07:08:26 Ms. Moore ([Exhibit 14](#))

Committee Questions

07:14:45 Sen. Kaufmann asked about the Attorney General's report on hospitals.

07:15:33 Sen. Hoven asked Rep. Essmann to explain the issue of nonprofit reporting of community benefits.

Public Comment

07:17:35 Mike Foster, Five Catholic Hospitals in Montana

Committee Questions

07:22:55 Rep. Essmann asked Ms. Moore if other states require reporting from groups operating as nonprofits.

07:23:46 Sen. Thomas asked about the Form 990.

OPTIONS FOR REVIEW OF ADVISORY COUNCILS AND REQUIRED REPORTS - Megan Moore

07:25:27 Ms. Moore ([Exhibit 15](#))

Action on which advisory councils and required reports to review

07:29:34 The committee members discussed how they wanted to receive the reports.

Motion/Vote

07:32:23 Rep. Jacobson moved to adopt Option 1b for receiving reports with the exception of receiving the biennial report, the trails report, and the SB 157 report. Those reports will be scheduled for presentations.

07:32:59 The motion passed unanimously by voice vote.

Action on which required reports to receive as presentations

07:33:59 Sen. Kaufmann recommended not making any changes to the reporting requirement.

07:35:33 Ms. Moore brought to the committee's attention the list of advisory councils that

the committee is required to review, and in particular the Agricultural Advisory Committee.

Committee Questions

- 07:36:36 Sen. Malek asked about a bill that modified the Agricultural Advisory Committee's veto authority and requested that the committee review the Agricultural Advisory Committee.
- 07:37:29 Sen. Barrett brought up the issue of improper delegation of authority.

Motion/Vote

- 07:41:00 Sen. Malek moved to have a presentation by the chair of the Agricultural Advisory Committee to the committee.

Public Comment

- 07:41:53 Bob Story, Montana Taxpayers Association
- 07:43:31 Mike Kadas, Director, Department of Revenue
- 07:47:48 Sen. Barrett discussed the biennial report and the timeline of its presentation.
- 07:49:18 Sen. Hoven asked about the Scenic-Historic Byways Program Advisory Council.

PUBLIC COMMENT on any other topic within the committee's jurisdiction

- 07:50:46 Kevin Nelson, Billings, on tax increment finance districts. ([Exhibit 16](#))
- 08:00:05 Sen. Essmann requested that the Department of Revenue provide a response to Mr. Nelson's concerns at the next meeting.

RECESS

- 08:01:19 With no further business before the committee, Sen. Thomas recessed the meeting at 4:04 p.m.

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