



**Revenue and Transportation Interim Committee**  
**62nd Montana Legislature**

**SENATE MEMBERS**

RON ERICKSON  
JEFF ESSMANN  
KIM GILLAN  
CHRISTINE KAUFMANN  
JIM PETERSON  
BRUCE TUTVEDT

**HOUSE MEMBERS**

DICK BARRETT  
CYDNIE (CARLIE) BOLAND  
ROY HOLLANDSWORTH  
BRIAN HOVEN  
SUE MALEK  
MIKE MILLER

**COMMITTEE STAFF**

JEFF MARTIN, Lead Staff  
JARET COLES, Staff Attorney  
FONG HOM, Secretary

**MINUTES**  
**June 15-16, 2011 Meetings**

June 15, 2011 Meeting

Room 137, Capitol Building  
Helena, Montana

Please note: These minutes provide abbreviated information about committee discussion, public testimony, action taken, and other activities. The minutes are accompanied by an audio recording. For each action listed, the minutes indicate the approximate amount of time in hours, minutes, and seconds that has elapsed since the start of the meeting. This time may be used to locate the activity on the audio recording.

An electronic copy of these minutes and the audio recording may be accessed from the Legislative Branch home page at <http://leg.mt.gov>. On the left-side column of the home page, select *Committees*, then *Interim*, and then the appropriate committee.

To view the minutes, locate the meeting date and click on minutes. To hear the audio recording, click on the Real Player icon. Note: You must have Real Player to listen to the audio recording.

**COMMITTEE MEMBERS PRESENT**

SEN. RON ERICKSON  
SEN. JEFF ESSMANN  
SEN. KIM GILLAN  
SEN. CHRISTINE KAUFMANN

SEN. BRUCE TUTVEDT  
REP. DICK BARRETT  
REP. CARLIE BOLAND  
REP. ROY HOLLANDSWORTH  
REP. BRIAN HOVEN  
REP. SUE MALEK  
REP. MIKE MILLER

**COMMITTEE MEMBERS EXCUSED**

SEN. JIM PETERSON

**STAFF PRESENT**

JEFF MARTIN, Lead Staff  
MEGAN MOORE, Legislative Research Analyst  
JARET COLES, Staff Attorney  
FONG HOM, Secretary

## Visitors List and Agenda

Agenda, [Attachment 1](#)

Visitors' list, [Attachment 2](#)

## COMMITTEE ACTION

- Rep. Roy Hollandsworth was elected as chair of the Revenue and Transportation Committee. Sen. Christine Kaufmann was elected as vice chair.

## CALL TO ORDER AND ROLL CALL

00:00:02 Sen. Gillan, Acting Presiding Officer, called the meeting to order at 1:02 p.m. The committee secretary called roll. Sen. Peterson was excused.

00:02:50 The members of the committee introduced themselves.

## ELECTION OF OFFICERS

00:14:00 Sen. Tutvedt nominated Rep. Hollandsworth for chair. Rep. Miller **moved** to accept Rep. Hollandsworth as chair. The motion **passed** unanimously by voice vote.

00:15:09 Sen. Erickson nominated Sen. Kaufmann as vice chair. Rep. Barrett **moved** to accept Sen. Kaufmann as vice chair. The motion **passed** unanimously by voice vote.

## AGENDA

- **AGENDA REVIEW - Jeff Martin, Research Analyst**

00:18:03 Mr. Martin reviewed the agenda and actions that the committee needs to accomplish.

- **DEPARTMENT OF TRANSPORTATION REPORTS - Jim Lynch, Director**

- ▶ **Road Repair Projects from Spring Flooding**

00:22:36 Mr. Lynch gave a presentation on the damage to Montana's roads due to flooding ([Exhibit 1](#)).

### **Questions**

00:49:52 Sen. Erickson asked about funding that might be available from the federal government. Director Lynch said that if there is no federal emergency funding available, the state would recover the costs through the state federal highway program or the state fund construction program.

00:53:48 Sen. Essmann asked about the problem with the grade structure on Interstate 90 near Crow Agency. Director Lynch said that those structures were set according to rules and according to a 100-year flood plain.

- ▶ **Highway Safety**

00:57:36 Director Lynch gave a presentation ([Exhibit 2](#)) on highway safety.

### Questions

- 01:34:33 Rep. Barrett asked whether any information was generated on the proper use of child restraint seats, whether the right kinds of seats were used, or whether they were being used at all. Director Lynch said that before legislation regarding child restraint seats was in place, the Department had a program that provided education on the safety issues of child restraint seats.
- 01:36:27 Sen. Kaufmann asked if there is any information on tracking cell phone usage and if the cell phone usage is related to accidents. Director Lynch said that it is hard to track whether or not an accident happened as a result of someone using their cell phones.
- 01:38:17 Sen. Kaufmann asked about the gender breakdown on DUI crashes and fatalities. Director Lynch said it is close to 60% male and 40% female.
- 01:39:04 Sen. Erickson asked about data on crashes involving motorcycles and whether helmets were worn. Director Lynch said that he would provide that information to Sen. Erickson.

### ► Lawsuit on Imperial Oil Transport

- 01:40:22 Director Lynch gave an update on the Imperial Oil Transport lawsuit that was filed against the Montana Department of Transportation.

### Questions

- 01:42:26 Sen. Erickson asked if Director Lynch had answered the set of questions that were sent (**Exhibit 3**) to the Department of Transportation regarding whether analyses would be conducted on the bridges located on the route. Director Lynch said that most of the questions were dealt with in the environmental document, but he would look into it further.
- 01:45:34 Sen. Kaufmann asked about communications or conversations that the Department may have had with the Federal Highway Department regarding any involvement in the debate about the transport. Director Lynch said the federal department knows about the project, but it is not involved in the decision-making.
- 01:51:07 Sen. Essmann discussed the project near Billings that involves hauling gravel and topsoil into the median between the east bound and west bound lanes of Interstate 90 . He asked Director Lynch why that project is being done and what is its purpose. Director Lynch said that he thinks that they are putting in cable barrier instead of the typical guard rail.
- 01:53:29 Rep. Malek asked about the Idaho Department of Transportation using software to analyze weight bearing capacity of their bridges and does Montana have that software capacity. Director Lynch discussed how the state analyzes its bridges for weight bearing capacity.

### ► Public Comment

- 01:59:03 **Zack Porter, All Against the Haul, Missoula, Montana**, commented on Director Lynch's presentation, specifically the process of analyzing bridge capacity.

02:05:34 **Spook Stang, Executive Vice President, Motor Carriers of Montana**, said that 67% of the Montana people approve of this project and 90% think that the Department of Transportation does an adequate job.

02:07:31 **Susan Estep, Missoula, Montana**, told the committee that comments and concerns were forward to Mr. Lynch from an Idaho citizen regarding bridge load weights.

- **COMMITTEE WORK PLAN - Jeff Martin**

02:11:20 Mr. Martin discussed the proposed Revenue and Transportation Interim Committee's Work Plan for 2011-2012 ([Exhibit 4](#)).

## **BREAK**

### **Questions**

02:42:04 Sen. Erickson commented on the lateness of the report from the Department of Revenue on tax havens that prevented any possible legislation coming out of the RTIC committee. He requested that the Department of Revenue provide a report on the issue of tax havens on a timely basis this interim.

- **DRAFT INTERIM STUDY PLANS**

- ▶ **House Joint Resolution 13: Study of state income tax and options for revision - Megan Moore, Research Analyst**

02:44:39 Ms. Moore gave a brief overview of HJR 13's work plan ([Exhibit 5](#)).

### **Discussion on the Work Plan**

02:52:37 Rep. Barrett commented on the three concerns he has: the adequacy of the tax incidence criterion, whether the deductions, exclusions, exemptions, and credits are meeting their intended purposes, and whether exemptions, deductions, and credits affect tax incidence by income class.

02:57:29 Sen. Essmann said that he would like to study trends that are occurring in other states that have an income tax and whether steps are being taken to make the tax systems more complex or less complex.

02:59:41 Sen. Erickson commented on the timing set aside for each study and the kinds of data the committee is getting. He is interested in how often people use specific tax credits.

03:01:59 Sen. Kaufmann said that she agrees with Sen. Essmann that this is the kind of study where the solutions may not come easy but the information that the committee receives may be beneficial in terms of understanding income taxes in Montana.

03:06:41 Rep. Barrett commented on revenue neutrality, getting rid of tax expenditures, raise revenue, and coming up with an explicit expenditure policy that is reviewed in the appropriations process.

03:10:16 Sen. Gillan asked about feedback from the Department of Revenue regarding data availability.

**Public Comment on HJR 13 Study**

03:18:09 **Tara Veazey** said that they look forward to providing the committee with information and analysis.

▶ **Senate Joint Resolution 17: Analyze the property tax valuation of centrally assessed property and industrial property - Jeff Martin, Research Analyst**

03:23:27 Mr. Martin gave a brief overview of the study plan for SJR 17 ([Exhibit 6](#)).

**Discussion**

03:31:51 Rep. Miller asked if the Department of Revenue could give a condensed version of its November 2009 presentation on centrally assessed property to the committee.

03:32:48 Sen. Essmann said he would like to look at what other states are doing.

03:34:04 Sen. Tutvedt said he would like to study intangible property and why it is taxed.

**Public Comment on SJR 17**

03:43:50 **Nancy Schlepp, Montana Taxpayers Association**, provided written comments to the committee ([Exhibit 7](#)) on some areas that she would like the committee to consider.

03:46:07 **Amy Grmoljez, Verizon Wireless**, provided written comments from Nancy Riedel, Director, State Tax Policy, Verizon ([Exhibit 8](#)).

03:48:58 **John Alke, MDU Resources Family of Companies**, said that the determination of whether you are centrally assessed or locally assessed isn't who is doing the appraisal, it is what the tax rate is. The Department must have discretion in appraising; it cannot have discretion in determining who is centrally assessed and who is not.

▶ **Senate Joint Resolution 23: Study of tax exemptions for nonprofit organizations - Megan Moore**

04:02:23 Ms. Moore discussed the SJR 23 study plan ([Exhibit 9](#)).

**Discussion**

04:06:40 Sen. Essmann said that the point of his study resolution was because nonprofits are the only organizations that are exempt from paying property taxes.

04:09:32 Sen. Kaufmann discussed tax policy that is in place that is followed by nonprofit organizations and whether the committee would want to make any changes to that policy.

04:12:52 Rep. Barrett discussed building a foundation of fact finding and the need to understand how those properties are taxed. What is the law, what is the practice,

what is the policy. He commented on the competition between nonprofit and for profit entities.

04:16:18 Rep. Hoven discussed inappropriate actions that are taken by hospitals regarding properties that they have acquired and are no longer paying taxes on. He suggested that staff look at other areas instead of just hospitals.

**Public Comment on SJR 23**

04:31:16 **Dave Brown, Billings, Montana** (by telephone), commented on tax exemptions.

04:37:00 **John Flink, Montana Hospital Association**, said that all the conversations he has heard reinforces the view the Association has regarding both state and federal policies.

04:38:15 **Glenn Marx, Montana Association of Land Trust**, said that some land trusts do own private land.

- **RULE REVIEW - Jaret Coles, Legal Staff**

04:39:47 Mr. Coles said that he will discuss rule review at tomorrow's meeting.

- **SUMMARY OF TAX LEGISLATION - Jeff Martin**

04:41:06 Mr. Martin discussed a draft entitled "Summary of Tax Legislation" (**Exhibit 10**).

- **RECESS**

04:46:27 Rep. Hollandsworth recessed the meeting at 5:48 p.m.

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