



Revenue and Transportation Interim Committee

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57th Montana Legislature

SENATE MEMBERS

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VICKI COCCHIARELLA
BOB DePRATU
JON ELLINGSON
GLENN A. ROUSH
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JESSE LASLOVICH
ROGER SOMERVILLE
ROBERT R. STORY JR.

COMMITTEE STAFF

LEANNE KURTZ
RESEARCH ANALYST
LEE HEIMAN
STAFF ATTORNEY
MIKO OWA
SECRETARY

April 11-12, 2002

MINUTES

Room 102, State Capitol
Helena, Montana

Please Note: These are summary minutes. Testimony and discussion are paraphrased and condensed. Committee tapes are on file in the offices of the Legislative Services Division. **Exhibits for this meeting are available upon request. Legislative Council policy requires a charge of 15 cents a page for copies of documents.**

COMMITTEE MEMBERS PRESENT

Rep. Erickson, Chairman
Sen. Glaser, Vice-Chairman
Sen. Cocchiarella
Sen. DePratu
Sen. Roush
Rep. Devlin
Rep. Story
Rep. Kaufmann

COMMITTEE MEMBERS ABSENT

Rep. Somerville
Rep. Laslovich
Sen. Ellingson
Sen. Taylor

STAFF PRESENT

Leanne Kurtz, Research Analyst
Lee Heiman, Attorney
Miko Owa, Secretary

AGENDA & VISITORS

Agenda (ATTACHMENT #1)
Visitors' List (ATTACHMENT #2)

COMMITTEE ACTION

- Adopted minutes of the February 7-8, 2002 minutes

CALL TO ORDER, ROLL CALL, APPROVAL OF MINUTES

The meeting was called to order at 1:30 p.m. by Rep. Erickson. Roll call was noted with all members present except for Rep. Laslovich, Rep. Sommerville, Sen. Ellingson, and Sen. Taylor who were excused. Sen. Cocchiarella moved that the minutes of the February 7-8, 2002 meeting be approved. Rep. Kaufmann seconded the motion. The motion passed unanimously.

DEPARTMENT OF TRANSPORTATION

Jim Currie, Deputy Director, Department of Transportation, informed the Committee that April 8-12, 2002 is National Work Zone Awareness Week.

Rep. Story asked what the definition of a work zone is. Mr. Currie said that the work zone is the area where the actual work is going on. Rep. Story said that the debate was what was the work zone vs. the construction zone. Mr. Currie said that they try to remain diligent in posting signs as to where the actual work zone is. He said that the most common criticism is that the work zone sign is not actually where work is occurring. Sen. Cocchiarella concurred with Rep. Story's comments.

Mr. Currie provided a copy of the *MCS Dyed Fuel Enforcement Activity Report* and an *Economic Development Policy Paper* (EXHIBIT #1). In reference to dyed fuel enforcement he said that the number of infractions did not warrant the number of man hours. In terms of economic development Mr. Currie said that the policy goals are to:

- Preserve the efficient functioning of the transportation system used by Montana's export-oriented industries to access regional, national, and international markets.
- Monitor and address capacity needs arising from Montana's economic growth trends.
- Support state and local economic development initiatives to maximize new economic opportunities.
- Support the tourism industry through promoting access to recreational, historical, cultural, and scenic destinations.
- Develop MDT's organizational capacity to support economic development.

Rep. Devlin commented on a recent meeting of the Motor Fuels Advisory Council. He said that the standards for enforcement of the law are very high and concurred with Mr. Currie's statement that the number of infractions did not warrant the number of man hours. He said that the conclusion was that the Department needs to develop a plan as to how they would like to deal with the problem.

Rep. Story asked Mr. Currie about the increase in truck weight infractions. Mr. Currie said that the number of infractions increased during the period of increased surveillance for dyed fuel.

Rep. Erickson asked about the number of monitoring events and the number of officer hours. Mr. Currie said that the number of hours is so large because officers were sent to observe pumps and wait for violations. Rep. Erickson asked what the Department would like done. Mr. Currie said that the Department will ask for legislation to remove the sunset clause in 61-10-141, MCA (HB 131, 2001). Rep. Erickson asked about the possibility of surveillance cameras. Mr.

Currie said that there are a number of legal questions to be answered, but if they can be resolved, cameras would be a good tool.

Rep. Erickson asked about areas in the state that are not bicycle or pedestrian friendly and if that concern is being addressed. Mr. Currie said that MDT recognizes that they had failed to provide pedestrian facilities in some areas and realize that was a mistake. In particular, he said that the Reserve Street design in Missoula was a mistake that won't happen again. He said that they are making a conscious effort to address those issues in the future.

Sen. Roush commented about bike paths in Montana. Mr. Currie said that there is a requirement in statute that \$2 million be spent on bike paths. Mr. Currie said that they have almost spent the \$2 million.

Rep. Story reminded the committee about the economic development idea and how it was brought forward through HJR 30 in the 2001 session.

Mr. Currie provided an update to the Committee regarding the anticipated loss of federal funds. He said that there is a bill in congress that will allow for \$240 million in the next federal fiscal year which is a significant reduction from the current amount of \$280 million. He said that they are looking at around \$300 million which will result in a one year drop in construction. He said that they hope to offset the loss with the Highway 93 project.

Sen. DePratu asked Mr. Currie if there has been any further discussion about farm vehicles hauling logs to mills. Mr. Currie said that he has been involved in some of that, but he will need to look into the issue further.

BLOOD ALCOHOL CONCENTRATION

Leanne Kurtz, Research Analyst, Legislative Services Division, provided a background report *.08 Blood Alcohol Concentration Federal Requirements Background Information (EXHIBIT #2)*.

Sen. Cocchiarella asked Ms. Kurtz about LC 32 and if the bill draft is reflective of the minutes of the last meeting. Ms. Kurtz said that she had not yet seen the bill draft.

Rep. Story asked about the repeat offender's vehicle and how they determine what vehicle will be impounded if the offender owns more than one vehicle or a fleet. Ms. Kurtz said that she would look into that.

Rep. Story asked Mr. Currie if he could find out the number of accidents between the .08 and .10 BAC level. Mr. Currie said that he would find that number for the Committee.

Sen. Cocchiarella asked Mr. Currie for the definition of an "alcohol related accident". Mr. Currie said that he believed it meant that if there was any alcohol in the blood stream. Sen. Cocchiarella said that it is any accident where anyone has been consuming alcohol. She said that it is such a broad definition.

Mr. Currie said that there are a lot of unanswered questions on this issue and he can bring the safety expert in to answer the Committee's questions.

Rep. Story said that the real decision to be made is if the legislature is going to lose \$15 million or do what the federal government wants whether it is right or wrong.

Rep. Erickson said that he would like the issue on the next agenda.

Sen. Glaser said that it appears obvious that changing to .08 BAC is not going to solve the problem of repeat offenders. He said that we need to do this in such away that we actually solve our problem.

Rep. Erickson asked when the draft legislation would be ready. Ms. Kurtz said that it should be ready in the fall.

Rep. Story asked Ms. Kurtz to find out if any electronic monitoring is being done on repeat offenders.

Sen. Cocchiarella said that she would like to see the statistics from the new treatment center in Montana when they become available.

PUBLIC COMMENT

Mark Staples, Montana Tavern Association, said that Rep. Story is accurate in the academic exercise the state is involved in. He said that .08 BAC is not a solution and not something that should be endorsed. He said that the tavern association does not defend DUIs in any way, but they do believe that it is the right of responsible adults to socialize without ineffective legislation deterring them. He said that .08 BAC will not deter the person with multiple DUIs.

Sen. DePratu asked Mr. Staples if there has been any legal research done regarding .08 BAC and .10 BAC. Mr. Staples said that the MDT has been very open about this and their opinion is that .08 BAC legislation has to mirror .10 BAC statutes at the time that the legislation was passed. Mr. Staples said that there are some gray areas regarding the legislation and penalties.

Rep. Kaufmann asked what the practical difference is between .08 BAC and .10 BAC. Mr. Staples said that he does not think anyone knows that answer because there are so many variables. Rep. Kaufmann asked if Mr. Staples had a position regarding the open container law. Mr. Staples said no.

Rep. Story asked Mr. Currie about the state not adopting the federal requirements. Mr. Currie said that a hard sanction will occur and the money is taken away from the state. If a statute is passed prior to 2007 bringing the state into compliance, then the money can be reclaimed. Rep. Story asked about money being redirected. Mr. Currie said that soft sanctions redirect money to safety programs. Rep. Story asked if safety programs included construction. Mr. Currie said that some of it could be used to deal with safety issues on the highway.

Sen. Cocchiarella asked if the states were threatened by the federal government about seat belt mandates and making them a primary offense. Mr. Currie said yes, but the second issue was taken care of in a National Highway System bill. Mr. Currie said that he would provide an update at the next meeting.

Lee Heiman, Attorney, Legislative Services Division, explained the federal ruling regarding

funds being withheld from states for non-compliance with federal regulations. He said that he would review the issue further for the Committee.

STATUTORY REPORTING REQUIREMENTS

Gary Morehouse, Department of Commerce (DOC), presented to the Committee the Montana Capital Companies Act annual report (EXHIBIT #3).

Rep. Story asked about money that companies have that is not loaned out. Mr. Morehouse said that the money is invested and used to pay operating costs.

Rep. Erickson asked if when the process begins, the Department of Commerce determines where the money goes. Mr. Morehouse said no, other than the fact that the statute requires review of the investment. Rep. Erickson asked if there was a record on how well the program worked. Mr. Morehouse said that when DOC received the program, their job was to maintain oversight with some small investment. Rep. Erickson asked if this is the correct mechanism to create an influx of venture capital. Mr. Morehouse said that it can work, but the problem is that there has been a timeliness issue. He said that other states have used a similar process.

Ms. Kurtz explained the reporting requirement for the Board of Oil and Gas Conservation contained in Ch. 9, sec. 21, Sp. L. 1993 and asked if the Committee would like to hear the report. After much discussion the Committee determined that they would like to hear from the Board on the general health of the oil and gas industry in Montana.

SJR 21 SUBCOMMITTEE REPORT

Sen. Glaser provided a report to the Committee regarding the SJR 21 Subcommittee meeting held earlier Thursday morning. He said that the participants in the roundtable discussion (which included representatives of the real estate industry, the agricultural industry, and open space advocates) expressed their differences and what they thought about the issue. In that regard he thought it was extremely productive. He said that the Department of Revenue (DOR) staff also attended and said they would like some additional guidance in respect to the agricultural land tax system. However, the Subcommittee has yet to come up with a solution that would create greater equity.

Rep. Kaufmann said that she felt that there was a consensus on defining what agricultural usage is.

Rep. Story said that he felt the public is not seeking a change in current law at this time.

Rep. Devlin said that the problem area, according to the DOR, is in relationship to livestock. He said that he did not get the indication that this is a widespread problem. He said that this may not be the time to bring about change until new data is available to encourage change.

Subcommittee members discussed the possibility that a person who buys a large parcel of land, takes it out of production, and builds a "trophy home" may not actually be realizing an overall property tax break because the taxes paid on the home may make up for the taxes paid on the land at Class 3 rates.

Ms. Kurtz said that she would conduct a literature search with the DOR staff's help, to determine if specific case studies had been done elsewhere on agricultural property tax disparities, both real and imagined.

Rep. Story said that one of the biggest impacts to local economies is when the federal government established the CRP program.

Rep. Erickson asked if the problems with CRP in Montana are mirrored in other states. Rep. Story said that there was a different impact in Montana because of the large agricultural operations and the federal CRP program encouraging retirement. However, he said that CRP may have just accelerated something that was already going to happen. Rep. Devlin said that he has obtained data from North Dakota and they are seeing small rural towns drying up.

Sen. Glaser said that the implementation of CRP has changed northeastern Montana. He said that the Subcommittee has no common consensus, conclusion, or recommendation at this time.

Rep. Erickson said that unless the Committee objected, the SJR 21 study will likely not be included in future meeting agendas.

RECESS

The meeting recessed at 4:03 p.m. until April 12, 2002.

CALL TO ORDER AND ROLL CALL

The meeting was called to order at 9:00 a.m. on April 12, 2002 by Rep. Erickson. Roll call (ATTACHMENT #4) was noted with all members present except for Rep. Somerville, Rep. Laslovich, Sen. Ellingson, and Sen. Taylor who were excused.

REVENUE PROJECTIONS & TRENDS

Terry Johnson, Principal Fiscal Analyst, Legislative Fiscal Division, presented a memo regarding fiscal 2002 general fund revenue trends (EXHIBIT #4) and *General Fund Revenue Trends* (EXHIBIT #5). Specifically he said that general fund revenue collections will continue to show signs of weakening growth leading to a potential shortfall of \$28.3 million. He said that if the trend continues, the 2003 biennium would face a possible reduction in revenues of \$61.5 million. He said that there is a possibility of triggering a statutory requirement (17-7-140, MCA) for the Governor's Office to decrease spending by up to 10%.

Rep. Story asked about the federal government tax reduction program. Mr. Johnson said that there is some information about "full-year pays" and those numbers have increased. However, the number of returns is very small. He said that he hopes to find out what is happening in the next few months.

Rep. Story asked about motor vehicle taxes and HB 124. Mr. Johnson said that the vehicle tax previously reported was too high and they now have new numbers from the Department of Justice. He said that he also looked at the actual fee revenue which increased. However, he said that the majority of the reversion was coming from public schools and HB 124.

Sen. Cocchiarella asked about the public school reversion. Mr. Johnson said that the estimate that was developed for lost vehicle tax revenue was too high.

Rep. Erickson asked about the decrease in corporate income tax. Mr. Johnson said that in FY2001 we received money from a fairly large audit in the January time-frame last year. So, last year was an exceptional year in terms of audit activity.

Rep. Kaufmann asked about corporations that were paying less in taxes. Mr. Johnson said that it was not a change in corporate law, but a change in economic conditions.

Sen. Cocchiarella asked if he has been tracking the trigger in the business equipment tax. Mr. Johnson said that he was aware of the trigger but has not actually looked at it.

Rep. Erickson asked about the trigger and if that previously happened after a major recession. Mr. Johnson responded that he does recall in 1996-1997 the state had exceptional growth in the wage and salary area, which was due to the settlement with the Columbia Valley Aluminum Company. Rep. Erickson said that he thought there was at least one time when it happened during a recession. Mr. Johnson said that he had not examined the issue.

Rep. Story asked about the mills bringing in more revenue and still having a shortfall in funds. Mr. Johnson concurred but said that he has not been able to isolate the reason behind this. He said that he is still suspicious of the non-levy revenue but they will not have the appropriate data regarding that for some time. Rep. Story asked about the change in the federal highway funding and asked if they had looked at that. Mr. Johnson said they have not looked at that.

Chuck Swysgood, Director, Office of Budget and Program Planning, said that the increase in incomes that were experienced in the end of 2001 were negated by the projected loss of revenue in 2002. He said that the biggest impact was the federal economic stimulus package and the revenue lost with the accelerated depreciation allowed. He said that the loss in income tax further compounds the problem. Mr. Swysgood said that the concern is 17-7-140, MCA, which is the statutory requirement to reduce spending and when this law would be triggered. He said that they are monitoring revenues daily and information in the upcoming months will provide more guidance. He said that they are looking at decoupling from the federal depreciation. However, he said that that creates a great deal of increased work for the Department of Revenue (DOR).

Sen. DePratu asked Mr. Swysgood about how quickly DOR can provide a revenue projection. Mr. Swysgood said that they hope to have that information by the first part of June.

Rep. Story asked about the \$29 million economic stimulus problem and if the DOR has had a chance to look at the effects on Montana. Mr. Swysgood said that they have been asked to review the issue but they have not had a chance to do so. He said that his office has tried to review it and they have come up with a loss of revenue of approximately \$6 million for 2001, \$14 million for 2002, and \$10 million for 2003. However, the figures are just estimates. Rep. Story asked about capital gains. Mr. Swysgood said that he is sure they have done something, but he would need to review the issue.

Sen. Cocchiarella asked how federal changes impact 17-7-104, MCA. Mr. Swysgood said that they have a bearing, but more so in the next biennium. He said that right now what is going to be

more of a trigger is the amount of revenue the state can obtain within the next two years.

Rep. Story asked about the sale of the power distribution assets and what year that income would come into play. Mr. Swysgood said he hopes that some of that would come into play this May.

Rep. Erickson asked Mr. Swysgood to attend the June meeting. Mr. Swysgood said that he would be there. Rep. Erickson asked if he would be notifying the RTIC through the mail if a decision is made prior to the June meeting. Mr. Swysgood said that they will have a trend established in May and he will inform the RTIC.

TAX PROPOSAL

Sen. Ed Butcher spoke to the Committee regarding the revision of the Montana tax structure to create equalization (EXHIBIT #6). He proposed the implementation of a state sales tax ranging from 2% to 4%. He said to offset this, he would like property owners to have the option to pay an income tax and sales tax and be exempt from paying property tax.

Sen. Cocchiarella asked about the downturn in the economy and its effect on the state. Sen. Butcher said that the other two tax bases will help off-set the issue and diversify state income options.

Sen. DePratu asked what other states are doing and if people are using the internet more and bypassing local merchants. Sen. Butcher said that this is one of his big concerns. However, even if a 4% sales tax is established, it is still lower than other states.

Rep. Story asked about the income tax portion for out of state residents. Sen. Butcher said that money would not be collected. Rep. Story asked about the mechanism for funding local government with the loss of property tax revenues. Sen. Butcher said that it could be added to HB 124.

Rep. Erickson asked about what will be taxed. Sen. Butcher said that if you pay a sales tax on the service or product, then you would not pay an income tax. Rep. Erickson asked Sen. Butcher if he read the DOR sales tax or value added tax "white paper" from 1999. Sen. Butcher said that he has not but will do so. Rep. Erickson said that if there was a sales tax, a tax on services would have to be part of it. Sen. Butcher said that he is leaning in that direction, but services need to be defined.

Rep. Story said that in 1999 the Governor had the value added tax and sales tax proposals. One was a goods and services tax and the other was a goods only tax. He said that taxing services is always very contentious. Rep. Story said that he does agree that if there is a sales tax that it needs to be very broad. Sen. Butcher concurred with Rep. Story's statements.

Rep. Kaufmann asked about low income residents and whether there would be additional rental costs. Sen. Butcher said that the rental price should actually be reduced because there will no longer be a property tax. Rep. Kaufmann asked about the taxes paid by a low income resident. Sen. Butcher said that they cannot discriminate by income levels. He said that another provision for low income residents is that any surplus will be given back in the form of a rebate. He said that if there is a boom in tourism and a large amount of sales tax is collected then the local

people get that back. Rep. Kaufmann said that low income residents probably do not pay a property tax or income tax but will now have to pay a sales tax. Sen. Butcher said that they should see some relief through lower rents.

Sen. DePratu asked if a study has been done that would indicate what the outflow of wealth in dollars would be from Montanans to the federal government because property taxes would no longer be deducted. Sen. Butcher said that they are looking into that.

Rep. Devlin asked if grain and cattle would be subjected to sales tax. Sen. Butcher said that has not been defined yet. Rep. Devlin asked what items were included in the revenue estimates. Sen. Butcher said that he would find out.

Jim Standaert, Legislative Fiscal Division, said that the number was computed on a retail basis and he does not believe the number contains the sale of cattle or grain.

Rep. Story asked about the realty transfer tax. Sen. Butcher said that he is trying to address that.

Rep. Kaufmann asked about a differential rebate based upon income. Mr. Heiman responded that that could be done.

DEPARTMENT OF REVENUE

Kurt Alme, Director, Department of Revenue (DOR), made brief introductory remarks regarding the POINTS system and responded to the Audit Committee's preliminary recommendation of discontinuing the POINTS II system.

Dale Matheson, POINTS I Maintenance Manager, DOR, spoke to the Committee about the POINTS defect remediation process (EXHIBIT #7, Tab - POINTS). He said that productivity has increased with the number of defects closed being greater than the number of defects opened. He also provided an update to the Committee regarding the three-cycle data scoping project. He said that cycle two is approximately 10 days behind schedule. However, he said that the delay is well within the planned limits and would not change the stabilization date of POINTS. He provided an update to the POINTS I stabilization plan. He said that they have established realistic estimates to confirm that the data is accurate. He said that the only significant deviation occurs when developers are reassigned to the POINTS II efforts. He said that they have used approximately 15% of their planned contingency time-frame. However, the planned contingency is being used at a slower rate than the calendar is moving.

Dan Ellison, IT Process Manager, DOR, provided an update to the Committee on the hiring of staff for the three vacant positions. He hopes to be able to report at the June meeting that some of these positions are filled.

Jeff Miller, DOR, provided an update on the POINTS II phase. He said that they are at the end of an 8 month cycle of testing. He said that they are looking at coding standards, regression testing, performance testing, batch testing, and conversion life cycle. He said that the regression and performance testing is going fairly well. However, there is some concern over the conversion life cycle. He said that they are going to be entering into the fifth conversion life cycle because the previous tests did not go well. He said that they have not seen enough drops

in defects to make them comfortable with the system. He then updated the Committee on DOR's plans for implementation and joining of systems.

Dr. Joel Henry, Professor, University of Montana, reviewed software life spans (EXHIBIT #7, Tab - POINTS). Dr. Henry said that the average software life span is seven years. He said that POINTS falls into the category of business software which will last seven to ten years because it is not closely linked to hardware. He said that the point at which a system is replaced is when the replacement plus the maintenance cost over the life of the new system minus the value that you are going to gain is less than continuing to maintain the current system plus the value you are losing from that system. He said that with the POINTS system, we have not yet reached the point where we would want to replace the system.

Brian Wolf, Chief Information Officer, described the *Information Technology Deployment Life Cycle* (EXHIBIT #8). He said that there needs to be solid institutional processes in place that can be made better over time. He said that his team is working on basic templates, policies, procedures and methodologies which are directional to the statewide plan.

Mr. Ellison presented a report he prepared for the Legislative Audit Committee discussing alternatives to the POINTS system (EXHIBIT #9). After describing a number of systems, he said that the potential cost for a new system to replace POINTS through the RFP process could require funding in the range of \$25-\$30 million. He said that the cost to replace POINTS with an off-the-shelf system could be in the range of \$15-\$25 million.

Sen. Elliott spoke to the Committee regarding why the Legislative Audit Committee determined that it would make the preliminary recommendation to discontinue the POINTS II system. He said that there is a high level of risk and uncertainty associated with a stable POINTS I system. He said that if POINTS II was completely abandoned, there would be a more rapid stabilization of the POINTS I system. He said that the drawbacks to eliminating POINTS II program is an excess cost of \$10 million and no assurances that the legislature will approve funding for a new system.

Mr. Swysgood said that we are facing the same problems with POINTS as we have with other systems. He said that he will look at all variables before making a recommendation to the Governor.

Sen. Cocchiarella asked if there was a consensus or unanimous vote of the POINTS Subcommittee to make the recommendation to the DOR. Rep. Erickson said that there was a Subcommittee meeting prior to the Audit Committee meeting and no recommendations were made at that time.

Rep. Kaufmann asked Sen. Elliott about discontinuing POINTS II. Sen. Elliott said that if POINTS II is not discontinued, then employees will continue to work on the system.

After much discussion, Sen. Cocchiarella moved that the RTIC recommend the DOR move forward with its plans for the stabilization and implementation of POINTS I and II with RTIC's continued oversight. Sen. DePratu seconded the motion. After discussion of the motion, the motion passed unanimously.

Neil Peterson, Process Lead, DOR, provided an update on individual income tax processing

(EXHIBIT #7, TAB - Income Tax Processing). He said that they have seen a 27% increase in electronically filed returns. He said that their goal is to complete all returns by May 15.

Sen. Cocchiarella asked about tolerance returns. Mr. Peterson said about 5% of returns are tolerance returns.

Mr. Peterson then reported on the customer service center restructure (EXHIBIT #7, Tab - CSC Restructuring) and brewery rules (EXHIBIT #7, Tab - Administrative Rules).

Mr. Heiman presented to the Committee administrative rule activity (EXHIBIT #10 and #11). Mr. Heiman detailed energy rules and the one-stop licensing program.

Don Hoffman, Process Lead, DOR, said that there will be a hearing on May 2, 2002 regarding liquor agency stores, one-stop licensing, and energy rules. Mr. Hoffman then presented to the Committee a report on telecommunications tax collections (EXHIBIT #7, Tab - Telecommunication Tax).

Rep. Story asked what companies the tax will be collected from. Mr. Hoffman said that the \$1.1 million collection will be from one company. He said that the audit/compliance efforts are focused on the top 10 companies. Rep. Story asked if the \$1.1 million is the top amount to be collected. Mr. Hoffman said that the tax is very straightforward and they will be able to collect the \$1.1 million.

Rep. Erickson asked about determining if there are other companies that should be paying. Mr. Hoffman said that they have identified the base number of companies that should be paying.

Randy Wilke, Process Lead, DOR, spoke to the Committee about the formation of the Agricultural Land Definition Task Force (EXHIBIT #7, Tab - Ag Land).

Rep. Kaufmann asked who the representatives would be on the Task Force. Mr. Wilke said that it would be composed of members from the legislature, local government, the agriculture industry, realtors/developers, and the Montana Taxpayers Association.

Dolores Cooney, Process Lead, DOR, provided an update on taxable value certification (EXHIBIT #7, Tab - Taxable Value Certification).

Mr. Peterson provided an update on liquor licensing (EXHIBIT #7, Tab - Liquor Licensing),

Larry Finch, Process Lead, DOR, provided an update on pass through entities (EXHIBIT #7, Tab - Pass Through Entities).

Mr. Peterson provided an update on errors in the tax pamphlet (EXHIBIT #7, Tab - Tax Pamphlet).

Rep. Kaufmann asked if the number of errors in the tax pamphlet was normal. Mr. Peterson said that this is slightly abnormal because the pamphlet is usually reviewed by local CPAs.

Sen. Cocchiarella asked how they should respond to a question from a constituent that has come from an error. Mr. Peterson said that if the constituent has already filed the tax return, the

DOR will make the adjustment. He said for those who haven't filed, they have notified the public of the corrections and numbers they can call for questions.

Rep. Story asked Mr. Hoffman about audit activity. Mr. Hoffman said that for FY2002 the DOR is on track to hit the numbers that were in HJR2 for corporation license tax. He said that in FY 2001 there were two audits which collected \$5.7 million.

OTHER BUSINESS, INSTRUCTIONS TO STAFF

Sen. Glaser spoke to the Committee about the SJR 6 working group being led by the Department of Transportation. He said that a number of bills will come forward through the process for the RTIC to act as the "requestor" for.

Ms. Kurtz added that the working group is trying to update Title 61, Chapter 8, MCA, which was what SJR 6, passed in the 2001 session, contemplated.

Sen. Roush asked if it was too late to discuss the large number of vehicles imported from Canada into Montana. Sen. DePratu said that from a licensing standpoint, there is no difference between a new vehicle and a used vehicle. He said that there is a question as to when a new vehicle becomes a used vehicle and the Department of Justice has not taken a stand on this yet.

Sen. Cocchiarella asked about differences in EPA standards for vehicles. Sen. DePratu said that all domestic manufacturers are building vehicles to U.S. standards.

Sen. DePratu said that he would like to be sure to address the farm vehicle issue at the next meeting.

Sen. Glaser asked to have POINTS report to the Subcommittee and have the Subcommittee report to the full Committee.

Rep. Story said that he would like a brief update only unless there is a problem. Sen. Cocchiarella, Sen. DePratu, and Rep. Devlin concurred.

Ms. Kurtz said that she will inform the DOR of the Committee's decision.

Sen. Cocchiarella distributed a report from the Alcohol, Tobacco, and Other Drug Control Policy Task Force (EXHIBIT #12).

ADJOURNMENT

The meeting adjourned at 3:16 p.m.