

HOUSE TAXATION COMMITTEE MEETING MINUTES
March 20, 1981

A meeting of the House Taxation Committee was held on Friday, March, 20, 1981 at 8:00 a.m. in Room 102 of the State Capitol. All members were present. HOUSE BILL 844 was heard and EXECUTIVE ACTION was taken on SENATE BILLS 107 and 210.

HOUSE BILL 844, sponsored by Rep. Joe Kanduch, was heard. He stated that other persons had wished to co-sponsor the bill, but he had wanted the bill to be known as the "Kanduch Replacement" bill. A Sales Tax Account is created under the bill. The balance of the Account is dedicated exclusively to and solely available for appropriations for funding Teachers Retirement, replacing the inventory tax, Police and Firemens' Retirement, 7 mills of the permissive levy, and replacing General Fund for the equivalent of the surtax income, etc. These funds are earmarked and are replaced. The tax is being distributed evenly among the people and the burden is taken off the low income people.

Keith Anderson, Montana Taxpayers Association, then spoke up in support of the bill; see Exhibit "A." He suggested that Section 39 be amended to better spell out the disposition of the funds. For example, Teachers Retirement, Social Security and PERS have increased sharply and the language needs to be clarified to eliminate them from the levy. He pointed out that nationwide, the sales tax meant a 9.1% increase in revenue for some States and even more for others; therefore, it is a stable source of revenue like other sales taxes presently being imposed in Montana.

Jim Murry, Montana State AFL-CIO, then rose in OPPOSITION to the bill; see Exhibit "B."

Joe Lamson, Montana Democratic Party, also rose in opposition to the bill. The Party is totally against a sales tax because it is regressive and hits the person least able to take up the burden.

Jim Jensen, Low Income Senior Citizens Advocacy, rose in opposition to the measure. Testimony that low income people will be subsidized by a sales tax he submitted was not true and never had been. He didn't see why the Montana Taxpayers Association supported the bill, and not other bills which had meaningful impacts on low income people. The bill is also anti-business. Small businessmen and women will be burdened with paperwork that is unfair because bigger businesses can do this on computer. They prefer that Montana lead the other States, and not follow them, in this issue.

Nadiean Jensen, Executive Director, AFSCME, rose in opposition to the bill.

Jerry Driscoll, a labor representative, then spoke. This tax would mean a financial loss for his people even taking into consideration other tax cuts that may be passed by the Legislature.

The meeting was then turned over to Rep. Sivertsen in order that Rep. Nordtvedt could testify against the bill. He was opposed to the bill

for one more reason than the ones mentioned: the easier it is for government to collect revenue by broadening the tax base, the easier it is for them to expand spending and government. Productivity of the private sector is sapped. Enactment of a sales tax would be an expansion of government. In spite of the fact that it calls for being a replacement tax, the net effect would be to expand government.

Larry Ward, Elliston, then rose in opposition to the bill. Several years ago the sales tax was killed in Montana. He read a poem written by George Thompson at that time; see Exhibit "C."

Questions were then asked. Rep. Burnett asked Mr. Murry if he was against all sales taxes. He replied they had been opposed to some of the selective sales taxes. The thing they adamantly opposed was a sales tax.

Rep. Burnett submitted that this wasn't a general sales tax, and wanted to know if Mr. Murry advocated abolition of all sales taxes.

Mr. Murry said he would rather see taxes based solely on ability to pay, and would like to see them all repealed if this was possible.

Rep. Burnett wanted to know if Mr. Murry was opposed to taxes on cigarettes, alcohol, etc. and he replied that his organization hadn't taken a position on those taxes.

Rep. Vinger pointed out to Mr. Murry that North Dakota had enacted a sales tax and had reduced other taxes. He then asked Mr. Jensen if there had been attempts to eliminate the sales tax in States that had one. He said that there had been attempts.

Rep. Brand wanted to know what the overall tax structure cost to the people in Montana compared to the national average. Regarding the statement that retirement systems would be helped, he wanted to know what was going to be done with the money that was going from the State into the Firefighters. Mr. Anderson said that money would remain intact; the sales tax would now pick up the part presently being paid by property taxes or General Fund budgeting. He pointed out that this would be on the local level.

Rep. Roth asked Mr. Murry how he defined "ability to pay." He said that would be based on income. His concern is that the exclusions presently in the bill would be eliminated in the future.

Rep. Dozier asked Rep. Kanduch how the figure was arrived at for the cost of administering the bill. Mr. Anderson said he didn't know how the drafter of the bill came up with the amount. Possibly it was taken out of another bill.

Ellen Feaver, Director of the Department of Revenue, said that this bill hadn't been investigated by them.

Rep. Underdal asked Mr. Murry about the statement that a person should be taxed on ability to pay. He wanted to know what stage of income a person should be exempted or have the tax lowered. Mr. Murry didn't know if a dollar income level could be established. It is unfair to place a tax burden on necessities when people are out of work or have low income. The federal government has established poverty levels of income but the position of the labor union movement has been that those people shouldn't be taxed as high as higher income persons.

Rep. Bertelsen asked Mr. Anderson to respond to what the effect had been on States where a sales tax had been enacted. Mr. Anderson said it depended on how the tax was written and he hadn't seen a tax written like this one in any other State.

Rep. Brand wanted to know what would happen to public places; if they would have to pay a tax. Mr. Anderson didn't think so.

Rep. Roth asked Rep. Nordtvedt if his objection to the bill was because the State coffers would be swollen with extra money, and this would lead to increasing State government. Rep. Nordtvedt agreed, and added that more precisely, politicians are caught in the middle and they will follow the pressure and it is easier for them to give in to the side of expanding government. Adding this big source of tax revenue to the State would be a step in the direction of more spending and government growth.

Rep. Roth submitted that if something like this passed there could be elimination of many other taxes and it would probably be a more equitable way of relieving the burden of taxation. Rep. Nordtvedt submitted that the eliminations would only be temporary.

Rep. Harp asked Mr. Jensen what he would propose for the State to increase its revenue when federal funds dried up. Mr. Jensen said he felt the State could afford to fund necessary services at adequate levels, possibly at the expense of less important functions. Wiser use of the State's revenue will take up the loss.

Mr. Murry said they felt it was inappropriate to be talking about large tax cuts until it was found out how big the federal cuts would be. This may lead to a special session of the Legislature.

Rep. Brand wanted to know what effect the bill would have on the overall operation of schools and if such things as power bills would have a sales tax on them. He was told this was presently being taxed and couldn't be taxed again.

Rep. Dozier referred the Committee to the penalty section of the bill. He wanted to know when the tax was due. Rep. Kandich said the 28th of the month was the due date and also, extensions could be received.

Rep. Devlin asked Mr. Murry if he thought it was right that Montana ranked the highest in the Western States in property taxes, and that it

should continue this way. Mr. Murry said he didn't know where the State ranked. He referred him to the arguments on this measure in 1971, and at that time the big corporations wanted the burden shifted because they didn't want to pay such a high property tax. It would be nice if taxes didn't have to be paid at all. It is hard for him to respond in terms of comparing the small home owner vs. the big corporation owner. He stressed that all things needed to be taken into consideration.

Rep. Devlin asked Mr. Murry if he thought that Montana had the highest property taxes in the Western States, and if this was conducive for new businesses to set up in the State. Mr. Murray said that other factors might play a bigger part in the businesses' decisions.

Rep. Harrington asked Mr. Anderson for his opinion on the bill which lifted property taxes and put the revenue burden on income taxes. Mr. Anderson said that if the property tax was replaced by the income tax, the income tax would be prohibitive. Therefore, the argument was impractical. In addition, such a move would put the big corporations off the hook as far as property taxes.

Rep. Harrington pointed out that if the income taxes were increased, this would be more progressive. Mr. Anderson said that the income tax was a narrow based tax and this raised a serious question of inequity and also of tax rebellion.

Rep. Burnett asked Mr. Murry about his statement that the big corporations financed the pro-sales tax argument. He wanted to know if Mr. Murry had supporting documents. Mr. Murry replied that the documents would be newspaper clippings from one week before elections. He submitted that he could provide it. Rep. Burnett requested it.

Rep. Harrington then asked Rep. Nordtvedt for his opinion on the proposal to shift the tax burden to income taxes. Rep. Nordtvedt said that people avoided doing what was taxed the most; therefore, people would be discouraged from earning income and would be encouraged to hold property.

Rep. Dozier referred the Committee to P. 38 of the bill, and pointed out that only 1/2% per month was being charged and submitted that this was an incredibly low rate. Rep. Kanduch said this language was taken from the bill and written in 1968 and it was possible the rate should be increased.

Rep. Bertelsen said that a study had been done which indicated that taxes were not a major concern when a business was making a decision on whether or not to locate in a state, in response to Rep. Devlin's concern that the bill might have an influence on a business' decision to come to Montana. Rep. Devlin said he would respond to this in Executive Session.

Rep. Vinger asked Rep. Kanduch if he was talking about personal property

tax elimination and he said he was and Rep. Vinger agreed with the idea, and pointed out that in North Dakota this had worked very well.

Rep. Underdal submitted to Mr. Jensen that a property tax reduction would also help low income people. Mr. Jensen agreed, but didn't believe that the property tax was a progressive tax; therefore, they oppose the idea of property taxes on residences in general. If the property tax is replaced with sales tax a small portion of a bad tax will be replaced but with a large portion of another bad tax. Rep. Williams made some comments to Rep. Kanduch. During the last campaign, most people ran on the platform that no new taxes would be levied and surpluses would be refunded. Rep. Kanduch said he felt this followed that philosophy. In Anaconda, the tax base is being lost and he stressed that this bill set up a replacement tax.

Rep. Williams asked him if he thought all those people out of jobs in Anaconda could afford to pay a sales tax. Rep. Kanduch said he felt they could, if their property taxes were reduced.

Rep. Williams asked him if he had any data to substantiate that other States had reduced property taxes when a sales tax was instituted. Rep. Kanduch said there had never been a bill like his and he therefore couldn't answer the question.

The Committee members agreed to take the matter up in Executive Session.

Rep. Kanduch then closed. He asked, which tax is greater: the sales tax on a new car or the second year's taxes. He submitted that they almost double the second year and this was a good indication that a sales tax would be quite a bit lower. He submitted that the unions' testimony against the bill had been against a sales tax, and this bill provides for a replacement tax. Sales taxes in recent years have been reformed to eliminate the burden on the people who can't take it. The sales tax compliments income taxes and property taxes and can be written to bring about a better balanced, more progressive tax structure. One advantage of a sales tax is that it is a "pay as you go" tax and doesn't hit the taxpayer in a large lump sum. Every time one goes to the store he will be reminded that he is paying for the teachers and the firemen. He said that the only people paying taxes at present were property owners. He submitted that renters didn't pay the tax. Regarding ability to pay, if \$10,000 per year is being earned, more than \$200 would be paid in sales taxes, and this was equitable.

The hearing on HB 844 was then closed. Control of the meeting was relinquished to Rep. Nordtvedt and the Committee recessed for five minutes.

The Committee reconvened and went into EXECUTIVE SESSION. SENATE BILL 107 was considered. Amendments were distributed; see Exhibit "D." Mr. Oppedahl explained them. The amendments were basically technical in nature.

Rep. Bertelsen wanted to know under what conditions amendment No. 2

might apply. Rep. Nordtvedt said he assumed that if a taxpayer objected to the challenge and wanted to be excluded, the amendment would apply. Rep. Zabrocki pointed out that it might be a public official who didn't want to be attached to the protest.

Rep. Dozier pointed that Line 9, p. 2 might cover amendment No. 2 and Mr. Oppedahl agreed to research this. It was pointed out that the amendment added additional detail to the provision and possibly this wouldn't be necessary. Rep. Nordtvedt recommended that the amendment be eliminated.

Rep. Nordtvedt moved amendments No.1 and 3. Motion carried unanimously.

Rep. Nordtvedt then moved the bill; motion carried unanimously.

SENATE BILL 210 was then considered. Technical amendments were also distributed on the bill: see Exhibit "E." Mr. Oppedahl referred the Committee to Subsection 3 on P. 2. This provides for a notice but no direction to a Court and that is why the amendment was needed. He said that the other bill didn't direct the Court, either.

Rep. Nordtvedt moved the amendments to SB 210; motion carried unanimously.

Ellen Feaver, Director of the Department of Revenue, submitted that these two bills would have done away with the 34% issue if they had been law.

Rep. Neuman brought up the point that if there was a similar but weaker case, the taxpayer might want to be excluded from the other challenge. The taxpayer is put in the situation where he has to read all the legal notices in the newspaper in order to protect his options. He submitted that the taxpayer either had to be excluded or appear and if he didn't know about the suit, he would be out of luck in future actions.

Ms. Feaver said there was a specific provision that any taxpayer that would be significantly affected would be notified specially. Rep. Nordtvedt said that this wasn't a requirement and wanted to know what the safeguard of that provision would be.

Ms. Feaver said big businesses might oppose a small person's suit and unless one made sure that they were on his side in the claim, they might act against him.

Rep. Dozier questioned the constitutionality of the provision on P. 3, line 22.

Rep. Nordtvedt said this clause just said there was a limit to how retroactively one could challenge taxes. Otherwise, people would be challenging their ancestors' taxes. A line has to be drawn someplace.

Rep. Nordtvedt questioned if a taxpayer's maneuvering room to challenge his own situation was being undercut; if he was being forced to be too vigilant. Rep. Neuman said he thought this was the case. He submitted there might be a case where the Court would have to notify every taxpayer in the State that he might be affected.

Rep. Nordtvedt suggested that action on the bill be delayed and a letter be written to the Attorney General asking him for a complete statement on how the taxpayer's position and maneuvering room would be affected by the bill. Rep. Roth moved this. Rep. Dozier made a substitute motion that the bill be TABLED; motion carried unanimously.

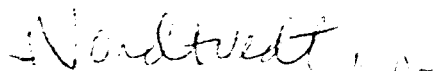
SENATE BILL 107 was referred back to. A motion was made to reconsider action; motion carried unanimously.

Rep. Nordtvedt moved that Amendment No. 2 be added to the bill; motion carried, with Rep. Dozier opposed.

Rep. Nordtvedt stated that the bill dealt with a levy and he believed that this was something that equally affected everyone and therefore, Rep. Neuman's problem didn't apply to the bill.

Rep. Williams moved that SENATE BILL 107 BE CONCURRED IN AS AMENDED. Motion carried unanimously.

The meeting was adjourned at 9:50 a.m.



Rep. Ken Nordtvedt, Chairman

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VISITORS' REGISTER

HOUSE

COMMITTEE

RULL

Date 7/26/77

SPONSOR

[illegible]

IF YOU CARE TO WRITE COMMENTS, ASK SECRETARY FOR LONGER FORM.

PLEASE LEAVE PREPARED STATEMENT WITH SECRETARY.

MONTANA TAXPAYERS ASSOCIATION

P O BOX 4909

1706 NINTH AVE

HELENA, MONTANA 59601



406-442-2130

MARCH 18, 1981

Re: REPLACEMENT SALES TAX - HB-844

By: S. KEITH ANDERSON, PRESIDENT

THE GENERAL SALES TAX IS CURRENTLY BEING IMPOSED IN 45 STATES WITH 97.7 PERCENT OF THE PEOPLE IN THE UNITED STATES PAYING THE LEVY. ALL PEOPLE IN THE UNITED STATES PAY SOME SALES TAX INCLUDING THE CITIZENS OF MONTANA WHO PAID \$95.2 MILLION IN SELECTIVE SALES TAXES FOR FISCAL 1980. THIS AMOUNTED TO 14.4 PERCENT OF STATE AND LOCAL REVENUE AS COMPARED TO 36.6 PERCENT OF SALES TAX AS AN AVERAGE IN THE 11 WESTERN STATES.

UNFORTUNATELY THE GENERAL SALES TAX HAS BECOME A HIGHLY EMOTIONAL AND POLITICALLY CHARGED ISSUE IN MONTANA. THE ECONOMICS OF A BALANCED TAX STRUCTURE AND FINANCING GOVERNMENTAL SERVICES HAS NOT BEEN DIVORCED FROM THE POLITICAL ARENA. AS A RESULT MONTANA HAS A TAX STRUCTURE WITH EXCESSIVE DEPENDENCE UPON PROPERTY AND INCOME TAXES. THIS SITUATION CAN BE EXPECTED TO CONTINUE UNLESS ADDITIONAL REVENUE IS FUNNELED INTO THE TAX STRUCTURE TO REDUCE THE DEPENDENCE UPON INCOME AND PROPERTY TAXES.

REPRESENTATIVE KANDUCH'S BILL IS DESIGNED TO DO JUST THAT.

ONE OF THE ANTI-SALES TAX ARGUMENTS IS THAT IT WILL HURT THE POOR. IF EVERYONE WAS SUFFICIENTLY AFFLUENT, THERE WOULD BE NO NEED FOR A SALES TAX, BUT UNFORTUNATELY THIS IS NOT THE CASE. ECONOMISTS POINT OUT THAT THE SO-CALLED POOR BENEFIT MOST FROM THE SALES TAX BECAUSE OF THE SERVICES PROVIDED IN THE AREAS OF HEALTH,

EDUCATION, WELFARE, POLICE AND FIRE PROTECTION, REHABILITATION AND THE LIKE. A NEW TAX FOUNDATION STUDY*, AS OTHERS HAVE IN THE PAST, POINT OUT THAT GOVERNMENT TAXING AND SPENDING RESULT IN A REDISTRIBUTION OF INCOME IN FAVOR OF LOW INCOME FAMILIES. THE BENEFITS OF GOVERNMENT SPENDING ARE DEFINITELY PRO-POOR. THE STUDY REVEALS THAT ON A NATION-WIDE BASIS 35 MILLION FAMILIES, COMPRISING THE LOWER HALF OF THE INCOME DISTRIBUTION, RECEIVE MORE GOVERNMENT BENEFITS THAN THEY PAY IN TAXES. THESE ARE FAMILIES WITH MONEY INCOMES UP TO \$10,000 A YEAR. IN FACT, THE LOWER THE INCOME, THE GREATER THE TILT OF GOVERNMENT FISCAL OPERATIONS FAVORING THE POOR. FAMILIES IN THE LOWEST INCOME BRACKET (UNDER \$3,000) RECEIVE GOVERNMENT BENEFITS EQUAL TO ABOUT 3.4 TIMES THE AMOUNT OF THEIR TAX BURDENS.

THERE IS AN APPROXIMATE 1 TO 1 RATIO OF EXPENDITURES TO TAX BURDENS FOR FAMILIES IN THE INCOME RANGE FROM \$10,000 TO \$12,000. WITH THE NEARLY 30 MILLION FAMILIES WITH INCOMES OF \$12,000 OR MORE (42 PERCENT OF ALL FAMILY UNITS) TAX BURDENS EXCEED THE BENEFITS DERIVED FROM GOVERNMENT SPENDING. FAMILIES IN THE HIGHEST INCOME BRACKETS STUDIED (OVER \$25,000) HAVE TAX BURDENS WHICH ARE ABOUT 1.9 TIMES THE BENEFITS FLOWING FROM GOVERNMENT EXPENDITURES.

JOHN KENNETH GAILBRAITH, A NOTED LIBERAL ECONOMIST AND AUTHOR OF THE BOOK, THE AFFLUENT SOCIETY STATED AS FOLLOWS: "THE AMERICAN LIBERAL--OPPOSING THE SALES TAX--HAS BEEN, ALL THINGS CONSIDERED, THE OPPONENT OF BETTER SCHOOLS, BETTER COMMUNITIES, BETTER URBAN COMMUNICATION, AND EVEN OF ECONOMIC STABILITY." IN FACT, HE CONCLUDED, "THE POOR CANNOT AFFORD NOT TO HAVE A SALES TAX."

* Allocating Tax Burdens and Government Benefits by Income Class, 1972-73 and 1977, Tax Foundation, Inc., Feb., 1981

THE IMPACT OF A GENERAL SALES TAX ON THE SO-CALLED POOR CAN BE MITIGATED IN A NUMBER OF WAYS. FOR ONE THING THIS BILL ELIMINATES FOOD AND DRUGS FROM THE SALES TAX. THE SALES TAX CAN BE DEDUCTED FROM STATE AND FEDERAL INCOME TAXES JUST AS PROPERTY TAXES SO THEREFORE BECOMES AN OFFSET TO THE INCOME TAX. IF A FURTHER OFFSET IS DESIRED A FLAT DEDUCTION CAN BE ALLOWED BASED ON GROSS INCOME BRACKETS THEREFORE RESULTING IN A NEGATIVE INCOME TAX OR A CHECK RECEIVED AS A REBATE IF NO INCOME TAX IS PAID.

AS FAR AS WELFARE RECEPIENTS ARE CONCERNED THE SALES TAX CAN BE CONSIDERED AS A COST OF LIVING INCREASE AND WELFARE PAYMENTS INCREASED ACCORDINGLY TO OFFSET THE LEVY. SUCH EXEMPTIONS AND OUTRIGHT REBATES WOULD SERVE TO OFFSET ALL OR PART OF THE SALES TAX FOR LOW INCOME GROUPS.

THE FLEXIBILITY OF TAXATION

THE GENERAL SALES TAX SHOULD BE UTILIZED TO BRING ABOUT A MORE BALANCED TAX STRUCTURE. IN WRITING ON THE SUBJECT THE ADVISORY COMMISSION ON INTER-GOVERNMENTAL RELATIONS STATED "THE BEST GUARANTEE OF FISCAL FLEXIBILITY FOR STATE AND LOCAL GOVERNMENTS IS A HIGHLY PRODUCTIVE AND EQUITABLE REVENUE SYSTEM." THE COMMISSION GOES ON TO RECOMMEND THE PROTECTING OF LOCAL PROPERTY TAXPAYERS FROM BEING FORCED TO CARRY A DISPROPORTIONATE SHARE OF THE FINANCING OF DOMESTIC NEEDS IN GENERAL AND EDUCATIONAL NEEDS IN PARTICULAR AND TO REFORM STATE--LOCAL RVENUE SYSTEMS SO AS TO SHIELD SUBSISTENCE FAMILY INCOME FROM TAXATION. THE COMMISSION RECOMMENDS THAT THE STATES:

- (1) REQUIRE AND ENFORCE EFFECTIVE LOCAL USE OF THE
PROPERTY TAX;

- (2) EQUIP THEMSELVES WITH A PRODUCTIVE AND BROAD-BASED TAX SYSTEM AND;
- (3) SHIELD BASIC FAMILY INCOME FROM ANY UNDUE TAX BURDENS--THE INCOME AND PROPERTY TAX.

THE COMMISSION CONCLUDES, "A BROAD-BASED SALES-PERSONAL INCOME TAX COMBINATION ENABLES A STATE TO CREATE A DIVERSIFIED AND PRODUCTIVE REVENUE SYSTEM WHILE HOLDING TAX RATES TO MODERATE LEVELS. AND AS AN ASIDE THE STUDY NOTES THAT "POLITICAL SNIPING" IN THE "STATE TAX ARENA"--FOR YEARS HAS HAMSTRUNG EFFORTS TO CONSTRUCT A MORE DIVERSIFIED AND PRODUCTIVE STATE TAX SYSTEM."

THE GENERAL SALES TAX IS A PRODUCTIVE TAX AND A STABLE SOURCE OF REVENUE. IT REFLECTS INFLATION AND SPENDING PATTERNS ACCORDING TO INCOME BRACKETS. THE GENERAL SALES TAX GREW BY 9 PERCENT FOR THE U. S. AND FOR IDAHO, NORTH DAKOTA, SOUTH DAKOTA AND UTAH 11.1 PERCENT FROM 1979 TO 80.

ONE OF THE MYTHS HARPED ON BY THOSE IN OPPOSITION TO THE SALES TAX IS THAT IT WILL SOMEHOW UNDULY "BENEFIT BUSINESS". IN ACTUALITY, BUSINESS, BIG OR LITTLE, HAS LITTLE LOVE FOR THE SALES TAX. FOR ONE THING BUSINESS IS FORCED TO COLLECT THE TAX AND IT FORCES SO-CALLED "BIG BUSINESS", WHO ARE ALSO BIG BUYERS OF GOODS, TO PAY AN ADDITIONAL TAX TOWARD THE SUPPORT OF STATE AND LOCAL GOVERNMENT THAT IT WOULD NOT OTHERWISE PAY.

THE GENERAL SALES TAX ALSO WOULD BRING IN CONSIDERABLE REVENUE FROM TOURISTS AND THOSE PEOPLE WHO DO BUSINESS IN OUR STATE AND CONTRIBUTE LITTLE OR NOTHING TO INCOME AND PROPERTY TAXES BUT WHO WOULD BE FORCED TO CONTRIBUTE TO THE SUPPORT OF GENERAL GOVERNMENT THROUGH A SALES TAX.

REPRESENTATIVE KANDICH'S BILL IS UNIQUE IN THAT THE REVENUE HAS BEEN DEDICATED SPECIFICALLY TO ACT AS A "REPLACEMENT TAX MEASURE" TO ALTER MONTANA'S TAX STRUCTURE BY FUNNELING IN SALES TAX REVENUE FOR PROPERTY TAX AND INCOME TAX REDUCTION. ONLY WHEN THE STATUTORY REQUIREMENT FOR A TAX IS REMOVED WILL THERE BE ACTUAL TAX RELIEF. SIMPLY GIVING ADDITIONAL STATE COLLECTED REVENUE TO CITIES, COUNTIES AND THE PUBLIC SCHOOLS DOES NOT BRING ABOUT TAX REDUCTION OR AN ALTERATION OF THE TAX STRUCTURE LIKEWISE AT THE STATE LEVEL. SUCH HANDOUTS RESULT IN INCREASED GOVERNMENTAL SPENDING RATHER THAN TAX REFORM.

THIS BILL WILL COMPLETELY FUND AND ELIMINATE SPECIFIC MILL LEVIES BEING IMPOSED TO FUND LOCAL GOVERNMENT AND AT THE STATE LEVEL WILL LIKEWISE BRING SOME TAX REFORM THROUGH REDUCTION OF THE INCOME TAX AND REPLACEMENT OF THAT REVENUE TO STATE LEVEL GOVERNMENT.

IN CONNECTION WITH HB-844 IDAHO, NORTH DAKOTA, SOUTH DAKOTA AND UTAH HAVE BEEN USED AS A BASIS FOR REVENUE PROJECTIONS BECAUSE THERE ARE CERTAIN SIMILARITIES IN THE SALES TAX OF THOSE STATES AND THE STATES ARE MORE COMPARABLE TO MONTANA THAN OTHER STATES IN THE WEST.

ON THE BASIS OF THESE STATES IT APPEARS THAT A 2 PERCENT SALES TAX WOULD GENERATE APPROXIMATELY \$99 MILLION DOLLARS FOR FISCAL 1981 AND WITH ECONOMIC GROWTH AND INFLATION \$108 MILLION DOLLARS FOR FISCAL 82. (FOR THE CURRENT FISCAL YEAR THE SALES TAX WOULD BRING IN APPROXIMATELY \$90 MILLION DOLLARS FOR MONTANA.)

DISPOSITION OF HB-844

THE FOLLOWING TABLE GIVES THE DISTRIBUTION OF AN ESTIMATED 2 PERCENT SALES TAX FOR FISCAL YEAR 1980. COMPARABLE REVENUE IS AVAILABLE FROM OTHER STATES TO SHOW THE CHANGE IN TAX STRUCTURE.

ALLOCATION OF SALES TAX - HB-844

(MILLIONS)	1980	% OF TAX
REDUCE OR ELIMINATE PUBLIC SCHOOL MILL LEVIES	\$58.3	65%
FUND BUSINESS INVENTORY REDUCTION--SB 283	7.3	8%
FUND LIVESTOCK INVENTORY REDUCTION--SB 47	7.1	8%
FUND CITY POLICE & RETIREMENT PROPERTY LEVIES	1.6	2%
ELIMINATE 10% SURTAX & REPLACE REVENUE	15.7	17%
	<u>\$90.0</u>	<u>100%</u>

IN TOTAL 83 PERCENT WOULD GO FOR THE ELIMINATION OF OR REDUCTION IN PROPERTY TAX MILL LEVIES WHILE 17 PERCENT WOULD BE USED TO ELIMINATE THE 10 PERCENT SURTAX AND REPLACE THAT REVENUE FOR STATE LEVEL USE.

WHILE THE SALES TAX BILL WOULD NECESSARILY AFFECT THE ENTIRE POPULATION OF MONTANA THE DISPOSITION OF THAT TAX WOULD LIKEWISE FILTER INTO MONTANA'S ENTIRE TAX STRUCTURE THEREFORE AFFECTING THOSE LIVING IN THE STATE BY A REDISTRIBUTION OF TAX BURDEN.

THE FOLLOWING TABLE SHOWS WHERE THIS REDISTRIBUTION WOULD TAKE PLACE USING 1980 AS A BASE YEAR. THE TABLE GIVES MONTANA'S CURRENT TAX STRUCTURE, THE TAX STRUCTURE AFTER APPLICATION OF HB-844, THE WESTERN STATES AVERAGE TAX STRUCTURE AND THE U.S. AVERAGE.

MONTANA - TAX STRUCTURE - % OF TOTAL

	<u>CURRENT %</u>	<u>HB-844</u>	<u>WESTERN STATES AVERAGE</u>	<u>U.S. AVERAGE</u>
PROPERTY TAX	46.8%	36.3%	34.7%	37.5%
INCOME TAX	25.2%	22.9%	18.5%	22.5%
SALES TAX	14.4%	27.2%	36.6%	32.8%
LICENSE TAX	5.0%	5.0%	5.4%	4.3%
OTHER	<u>8.6%</u>	<u>8.6%</u>	<u>4.8%</u>	<u>2.9%</u>
TOTAL	100.0%	100.0%	100.0%	100.0%

THE PROPERTY TAX WOULD DROP 10.5 PERCENTAGE POINTS WHILE THE PERSONAL INCOME TAX WOULD DROP 2.3 PERCENTAGE POINTS AND SALES TAXES WOULD INCREASE 12.8 PERCENT IN THE OVERALL TAX STRUCTURE. THIS WOULD STILL LEAVE MONTANA HIGHER THAN THE WESTERN AVERAGE IN PROPERTY AND INCOME TAXES AND WITH LESS EMPHASIS UPON THE SALES TAX. THE OVERALL MIX COULD BE ALTERED WITH LESS ALLOCATION OF THE SALES TAX TO RELIEVING PROPERTY TAXES OR AN INCREASE IN THE PERCENTAGE OF THE SALES TAX ALLOCATED TO THE TAX STRUCTURE.

ALLOCATION OF SALES TAX - HB 844 (1)

	<u>1981-82</u>	<u>1982-83</u>
(1) FUND TEACHERS & PERS RETIREMENT COUNTYWIDE MILL LEVIES RANGING FROM 3.06 TO 39.02 MILLS	\$36.1	\$39.3
(2) FUND 7 MILLS (3 MILLS HIGH SCHOOL, 4 MILL ELEMENTARY) OF PERMISSIVE SCHOOL LEVY	11.1	12.5
(3) FUND INVENTORY TAX REDUCTION SB-283	7.3	7.3
(4) FUND LIVESTOCK INVENTORY REDUCTION SB 47	7.1	7.1
(5) FUND POLICE & FIRE RETIREMENT LEVIES	1.7	1.9
(6) ELIMINATE 10% SURTAX & REPLACE REVENUE	15.7	15.3
(7) REDUCE 40 MILL COUNTY FOUNDATION PROGRAM LEVY WITH REMAINDER	20.0 (2)	24.6 (3)
	<u>\$99.0</u>	<u>\$108.0</u>
(1) MILLIONS		
(2) 10.3 MILLS		
(3) 24.6 MILLS		

RATIONALE FOR ALLOCATION OF SALES TAX

IN ORDER TO REDUCE PROPERTY AND INCOME TAXES IT IS NECESSARY TO ELIMINATE THE STATUTORY REQUIREMENTS OR TO DECREASE THE NEED FOR THE TAX IN THE FIRST PLACE.

1. TEACHERS RETIREMENT, SOCIAL SECURITY AND PERS FOR PUBLIC SCHOOL SYSTEMS IS IMPOSED AS A PROPERTY TAX ON A COUNTYWIDE BASIS AND THE LEVIES HAVE INCREASED SHARPLY FROM YEAR TO YEAR NOW AMOUNTING TO 13 PERCENT OF ALL PROPERTY TAXES FOR EDUCATIONAL PURPOSES. THE MILL LEVY IMPACT RANGES FROM 3.06 MILLS IN POWDER RIVER COUNTY TO A HIGH OF 39.02 MILLS IN MINERAL COUNTY AND HAS A SERIOUS EQUALIZATION IMPLICATION WHEN CONSIDERED ALONG WITH THE 40 MILL BASIC LEVY FOR SUPPORT OF THE PUBLIC SCHOOLS. ELIMINATION OF THIS LEVY WOULD BRING ABOUT GREATER EQUALIZATION AND WOULD ABSOLVE LOCAL PROPERTY TAXPAYERS OF AN INCREASING TAX BURDEN AMOUNTING TO \$33.1 MILLION FOR 1980-81 AND INCREASING IN FUTURE YEARS.

2. CURRENT LAW PROVIDES THAT THE PERMISSIVE LEVY IMPOSED UPON EACH SCHOOL DISTRICT IS LIMITED TO 6 MILLS FOR HIGH SCHOOL AND 9 MILLS FOR ELEMENTARY DISTRICTS. THIS BILL WOULD REDUCE THE HIGH SCHOOL LEVY 3 MILLS AND THE ELEMENTARY LEVY TO 5 MILLS THEREFORE BRINGING ABOUT A GREATER DEGREE OF EQUALIZATION IN THAT AREA OF SCHOOL FINANCE AND SUBSTITUTING SALES TAX FUNDS FOR DISTRICT LEVIES AMOUNTING TO APPROXIMATELY \$10 MILLION DOLLARS FOR 1980 AND GREATER AMOUNTS FOR FUTURE YEARS DEPENDENT UPON GROWTH IN THE FOUNDATION PROGRAM AND PROPERTY VALUATIONS.

3. THERE IS CONSIDERABLE SENTIMENT TO ELIMINATE MAINSTREET BUSINESS INVENTORY FROM TAXATION BECAUSE OF THE UNEQUAL ECONOMIC IMPACT FROM BUSINESS TO BUSINESS.

UNDER HOUSE BILL 283 THE FISCAL NOTE STATES A DOLLAR IMPACT TO LOCAL GOVERNMENT OF \$7.3 MILLION. HOUSE BILL 844 WOULD REPLACE THAT REVENUE AND WOULD AMOUNT TO STATE-LOCAL GOVERNMENT REVENUE SHARING. A FORMULA BASED UPON VALUATION OR VALUATION PLUS MILL LEVY EFFORT COULD BE UTILIZED TO ACCOMPLISH THE DISTRIBUTION WITH A TAX SAVINGS TO THE BUSINESS COMMUNITY OF \$7.3 MILLION ACCORDING TO THE FISCAL NOTE OF SB-283.

4. A LIKE SITUATION EXISTS AS FAR AS THE TAXATION OF LIVESTOCK INVENTORY IS CONCERNED, AS ENCOMPASSED IN SENATE BILL 47. SENATE BILL 47 WOULD REDUCE LIVESTOCK CLASSIFICATION FROM 8 TO 4 PERCENT AND THE FISCAL NOTE STATES A COST TO LOCAL GOVERNMENT OF \$7.1 MILLION. THIS BILL PROVIDES FOR A REIMBURSEMENT OF LOCAL REVENUE OF APPROXIMATELY \$7.1 MILLION TO REPLACE THE LOSS IN VALUATION.

5. MUNICIPALITIES HAVE LONG COMPLAINED ABOUT THE INCREASING COSTS OF POLICE AND FIRE RETIREMENT LEVIES THAT ARE EITHER FUNDED FROM DIRECT PROPERTY TAX LEVIES OR FROM WITHIN MUNICIPAL GENERAL LEVIES. IT IS ESTIMATED BY PERS THAT THESE LEVIES APPROXIMATE \$1.7 MILLION STATE-WIDE. THIS BILL WOULD PAY FOR THE COST OF THESE RETIREMENT SYSTEMS, THEREFORE ELIMINATING THE OBLIGATION AS A PROPERTY TAX BURDEN.

6. THERE'S WIDESPREAD BELIEF THAT THE 10 PERCENT INCOME TAX SURTAX SHOULD BE REMOVED THEREFORE LESSENING

THE BURDEN AND PROGRESSITIVITY OF THE TAX TO THE INCOME TAX PAYER. THIS LEGISLATION WOULD SERVE TO REPLACE THE 10 PERCENT SURTAX TO STATE LEVEL GOVERNMENT THEREFORE MAINTAINING THE FINANCIAL STATUS QUO OF THE GENERAL FUND AND EARMARKED FUNDS IN AN AMOUNT OF APPROXIMATELY \$15.7 MILLION DOLLARS.

7. AFTER THE FUNDING OF THE 6 AREAS OF GOVERNMENTAL FINANCE ANY REVENUE REMAINING FROM THE COLLECTION OF THE 2 PERCENT SALES TAX WOULD BE UTILIZED TO REDUCE ON A UNIFORM BASIS THE 40 MILL COUNTYWIDE LEVY IMPOSED FOR THE SUPPORT OF PUBLIC SCHOOLS IN MONTANA. THIS WOULD BE CALCULATED ON A YEARLY BASIS WITH SALES TAX REVENUE BEING SUBSTITUTED FOR THE REDUCED LEVY. IN THE EXAMPLE FOR 1981-82 \$20 MILLION WOULD BE AVAILABLE FOR REDUCTION OF THE 40 MILL LEVY AMOUNTING TO A LEVY OF 29.70 MILLS OR A 10.3 MILLS REDUCTION.

HOUSE BILL 844 IS A SIGNIFICANT EFFORT TO REFORM MONTANA'S TAX STRUCTURE TO BETTER COMPETE WITH THE PREDOMINATE FUNDING PATTERN OF COMPARABLE STATES AND TO PROVIDE A TAX STRUCTURE FOR MONTANA THAT WILL SERVE TO REFLECT ECONOMIC CONDITIONS AND PROVIDE A MORE STABLE FUNDING FOR GOVERNMENTS IN BOTH GOOD AND BAD ECONOMIC TIMES.

Public School Retirement and Foundation Program Levies
Countywide - 1980-81

County	County Retirement Levy	County 40 Mill Levy	Total County- Wide Levy	Total Dollars Retirement Levy
Petroleum	9.22	40.00	49.22	\$ 35,660
Treasure	10.47	40.00	50.47	43,539
Prairie	12.81	40.00	52.81	66,279
Golden Valley	14.93	40.00	54.93	69,350
Wibaux	6.74	40.00	46.74	72,826
Garfield	10.32	40.00	50.32	78,428
Carter	9.32	40.00	49.32	83,327
Meagher	14.17	40.00	54.17	89,015
Wheatland	17.65	40.00	57.65	101,242
Liberty	6.72	40.00	46.72	107,853
Broadwater	14.87	40.00	54.87	111,359
Judith Basin	10.99	40.00	50.99	117,623
Sweet Grass	14.49	40.00	54.49	119,839
McCone	11.00	40.00	51.00	128,351
Granite	23.39	40.00	63.39	143,579
Daniels	16.87	40.00	56.87	148,076
Powder River	3.06	40.00	43.06	155,366
Musselshell	8.69	40.00	48.69	173,780
Fallon	4.08	40.00	44.08	189,306
Mineral	39.02	40.00	79.02	192,123
Sheridan	5.48	40.00	45.48	203,864
Toole	6.83	40.00	46.83	236,399
Phillips	9.42	40.00	49.42	236,778
Chouteau	8.51	40.00	48.51	251,253
Madison	14.04	40.00	54.04	253,125
Teton	14.63	40.00	54.63	271,545
Stillwater	19.40	40.00	59.40	274,832
Powell	21.83	40.00	61.83	276,925
Jefferson	30.48	40.00	70.48	311,666
Beaverhead	17.78	40.00	57.78	319,107
Blaine	9.19	40.00	49.19	328,685
Pondera	16.45	40.00	56.45	359,454
Carbon	15.61	40.00	55.61	369,391
Park	23.00	40.00	63.00	439,918
Richland	6.20	40.00	46.20	462,210
Sanders	25.32	40.00	65.32	493,407
Big Horn	4.52	40.00	44.52	494,402
Dawson	22.24	40.00	62.24	539,215
Valley	24.87	40.00	64.87	552,447
Fergus	22.46	40.00	62.46	561,466
Roosevelt	21.96	40.00	61.96	573,559
Custer	27.31	40.00	67.31	575,253
Deer Lodge	35.04	40.00	75.04	600,533
Rosebud	6.36	40.00	46.36	656,842
Glacier	16.08	40.00	56.08	673,819
Lincoln	25.33	40.00	65.33	744,589
Ravalli	29.84	40.00	69.84	753,426
Hill	18.77	40.00	58.77	808,600
Lake	30.15	40.00	70.15	852,682
Gallatin	22.78	40.00	62.78	1,351,910
Lewis & Clark	29.76	40.00	69.76	1,754,758
Silver Bow	36.34	40.00	76.34	1,980,604
Flathead	26.61	40.00	66.61	2,142,367
Cascade	31.78	40.00	71.78	2,955,067
Missoula	23.37	40.00	63.37	3,029,911
Yellowstone	22.02	40.00	62.02	4,222,941
Average Levy	17.96	40.00	57.96	\$ 33,139,871

1980

State Publishing Co.
Helena, Montana

Taxable Value

1.1%
State TotalApproved
by Board

Beaverhead	271,089	.52%	59,532
Big Horn	311,006	.94	68,244
Blaine	148,071	.45	32,670
Broadwater	203,699	.62	45,012
Carbon	87,254	.26	18,876
Carter	16,359	.05	3,630
Cascade	28,542.35	8.64	62,726.4
Chouteau	196,853	.60	43,560
Custer	446,453	1.35	98,010
Daniels	108,287	.33	23,958
Dawson	551,288	1.67	121,242
Deer Lodge	341,643	1.03	74,778
Fallon	242,381	.73	52,998
Fergus	509,021	1.54	111,804
Flathead	2,125,254	6.44	467,544
Gallatin	1,567,486	4.75	344,850
Garfield	23,248	.07	5,082
Glacier	528,129	1.60	116,160
Golden Valley	9743	.03	2,178
Granite	42,654	.13	9,438
Hill	817,503	2.48	180,048
Jefferson	95,993	.29	21,054
Judith Basin	32,938	.10	7,260
Lake	630,964	1.91	138,666
Lewis and Clark	1,333,352	4.04	293,304
Liberty	148,223	.45	32,670
Lincoln	878,353	2.66	193,116
Madison	89,823	.27	19,602
McCone	99,023	.30	21,780
Meagher	124,153	.38	27,588
Mineral	136,601	.41	29,766
Missoula	4,077,588	12.35	896,610
Musselshell	86,335	.26	18,876
Park	292,070	.90	65,340
Petroleum	3,902	.01	726
Phillips	178,811	.54	39,204
Pondera	331,122	1.00	75,600
Powder River	36,297	.11	7,986
Rawl	139,202	.42	30,492
Rainier	143,73	.04	2,904
Ravalli	437,036	1.32	95,832
Richland	771,575	2.34	169,882
Roosevelt	610,146	1.85	134,310
Rosebud	115,420	.35	25,410
Sanders	376,848	1.14	82,764
Sheridan	195,709	.59	42,834
Silver Bow	972,963	2.95	214,170
Sillwater	229,040	.69	50,094
Sweet Grass	65,011	.20	14,520
Teton	200,488	.61	44,286
Toole	214,930	.65	47,190
Treasure	21,249	.06	4,356
Valley	379,592	1.15	83,490
Wheatland	72,724	.22	15,972
Wibaux	23,667	.07	5,082
Yellowstone	8,203,334	24.84	1,803,384

\$

1.1% Total

\$

Taxable Value - Percentage of State Total

Form 4256 Counties

1980

\$710,000,000 - Census Data - 1980

State Publishing Co.
Helena Montana

Taxable Value

% of State
Total

Amount of
Tax

Beaverhead	\$5,173,813	6.17%	\$438,070
Big Horn	3,052,272	3.64	258,440
Blaine	2,518,752	3.00	213,000
Broadwater	807,101	.96	68,160
Carbon	1,722,473	2.05	145,550
Carter	2,323,700	2.77	196,670
Cascade	1,962,254	2.34	166,140
Chouteau	1,723,866	2.05	145,550
Custer	2,370,771	2.83	200,930
Daniels	721,701	.86	61,060
Dawson	1,303,493	1.55	110,050
Deer Lodge	298,205	.36	25,560
Fallon	1,461,067	1.74	123,540
Fergus	3,857,877	4.60	326,600
Flathead	692,369	.82	58,220
Gallatin	2,002,000	2.39	169,690
Garfield	2,067,987	2.46	174,660
Glacier	885,950	1.06	75,260
Golden Valley	805,854	.96	68,160
Granite	958,020	1.14	80,940
Hill	840,771	1.00	71,000
Jefferson	740,320	.88	62,480
Judith Basin	1,952,252	2.33	165,430
Lake	1,871,729	2.23	158,330
Lewis and Clark	1,208,023	1.44	102,240
Liberty	442,755	.53	37,630
Lincoln	216,033	.26	18,460
Madison	3,971,607	3.54	251,340
McCone	1,303,574	1.55	110,050
Meagher	1,766,539	2.11	149,810
Mineral	41,864	.09	6,390
Missoula	290,811	.35	24,850
Musselshell	1,124,872	1.34	95,140
Park	1,689,815	2.01	142,710
Petroleum	98,507	.117	8,070
Phillips	2,677,955	3.19	226,490
Pondera	852,851	1.02	72,420
Powder River	2,588,198	3.08	218,680
Powell	1,519,752	1.81	128,510
Prairie	1,177,185	1.40	99,400
Ravalli	1,507,175	1.80	127,800
Richland	1,397,314	1.66	117,860
Roosevelt	935,148	1.11	78,810
Rosebud	2,678,981	3.19	226,490
Sanders	754,552	.90	63,900
Sheridan	792,526	.94	66,740
Silver Bow	145,900	.17	12,070
Stillwater	1,507,615	1.80	127,800
Sweet Grass	1,510,330	1.80	127,800
Teton	1,682,258	2.00	142,000
Toole	589,633	.70	49,700
Treasure	729,463	.87	61,770
Valley	2,282,068	2.72	193,120
Wheatland	1,200,703	1.43	101,530
Wibaux	755,625	.90	63,900
Yellowstone	2,459,612	2.93	208,030



JAMES W. MURRY
EXECUTIVE SECRETARY

Box 1176, Helena, Montana

ZIP CODE 59601
406 442-1708

Room 100 Steamboat Block
616 Helena Ave

TESTIMONY OF JAMES W. MURRY ON HOUSE BILL 844, HEARINGS OF THE
HOUSE TAXATION COMMITTEE, MARCH 20, 1981

I AM HERE TODAY TO STATE THAT THE MONTANA STATE AFL-CIO IS UNALTERABLY OPPOSED TO HOUSE BILL 844, A SALES TAX BILL. WE ARE OPPOSED TO A SALES TAX NO MATTER HOW SMALL OR HOW LARGE THE PERCENTAGE. WE ARE OPPOSED TO A SALES TAX NO MATTER WHERE THE PROCEEDS GO. WE ARE OPPOSED TO A SALES TAX NO MATTER WHAT KIND OF EXCLUSIONS ARE USED.

WE ARE OPPOSED TO A SALES TAX BECAUSE IT IS A REGRESSIVE TAX. IT HITS HARDEST THOSE LEAST ABLE TO PAY. IN A TIME OF RAMPANT INFLATION IT PROVIDES A SECONDARY INFLATION, ESPECIALLY DEVASTATING TO LOW INCOME AND FIXED INCOME CITIZENS OF OUR STATE.

IN STATES WHICH HAVE ENACTED A SALES TAX, THE PERCENTAGE ALWAYS STARTS OUT AT A LOW LEVEL, BUT GROWS LIKE A CANCER OVER THE YEARS. BASIC NECESSITIES ARE OFTEN EXCLUDED ORIGINALLY, BUT IN TIMES OF FINANCIAL CRUNCH, THEY BECOME INCLUDED IN THE SALES TAX. HISTORICALLY, A STATE ENACTS A SALES TAX IN ORDER TO ELIMINATE ANOTHER REGRESSIVE TAX, SUCH AS THE PROPERTY TAX. HOWEVER MOST STATES FIND THAT THEY BECOME FINANCIALLY DEPENDENT ON BOTH REGRESSIVE TAXES.

THE ARGUMENT IS SOMETIMES MADE THAT A SALES TAX IS A GOOD WAY TO RAISE MONEY FROM TOURISTS AND VISITORS TO THE STATE. LET'S REMEMBER THAT THE TOURIST MAY PAY THE TAX DURING ONE OR TWO WEEKS WHILE STAYING IN THE STATE. THE REST OF US WOULD PAY THE TAX 52 WEEKS OF EVERY YEAR.

WE REMEMBER VERY WELL THE LONG AND BITTER STRUGGLE OF 1971, WHEN PEOPLE FROM ALL WALKS OF LIFE JOINED TOGETHER IN A COMMON OBJECTIVE, DEFEAT OF THE CORPORATE SPONSORED SALES TAX REFERENDUM.

THAT FIGHT CULMINATED WHEN THE SALES TAX WENT DOWN BY A BETTER THAN TWO TO ONE POPULAR VOTE. ALSO DRAMATICALLY REVEALED WAS THE DEEP INVOLVEMENT OF THE CORPORATE POWER STRUCTURE IN PROMOTING THE SALES TAX. A COURT ACTION, BROUGHT SHORTLY BEFORE THE ELECTION, REVEALED THAT MAJOR FUNDING TO PROMOTE THE SALES TAX CAME FROM CORPORATE, BANKING AND BUSINESS INTERESTS. THOSE INTERESTS BENEFIT FROM A SALES TAX. THE AFL-CIO WAS ACTIVE IN THE FIGHT AGAINST THE SALES TAX BECAUSE IT HURTS THE AVERAGE WORKING PERSON AND THOSE WHO CAN BARELY MAKE ENDS MEET.

THE PEOPLE OF MONTANA HAVE SPOKEN LOUD AND CLEAR ON THE ISSUE OF THE SALES TAX. THEY REJECTED IT OVERWHELMINGLY. THEY UNDERSTOOD THE ISSUE, AND THEY REAFFIRMED THEIR BELIEF IN A SYSTEM WHICH USES A TAX BASED ON THE ABILITY TO PAY. THIS BILL SEEMS TO BE ANOTHER EXAMPLE OF AN ALARMING TREND IN THIS SESSION. SOME LEGISLATORS BELIEVE THAT THE PEOPLE CANNOT BE TRUSTED TO UNDERSTAND AN ISSUE, TO VOTE ON IT INTELLIGENTLY, AND TO FIRMLY MAKE THEIR WISHES KNOWN. THE PEOPLE ARE AGAINST A SALES TAX, AND THE LEGISLATURE SHOULD RECOGNIZE THIS FACT.

THOUGH THIS BILL PROVIDES FOR CERTAIN EXCLUSIONS ON ITEMS SUCH AS FOOD, DRUGS AND AGRICULTURAL SUPPLIES, THIS IS SIMPLY AN EFFORT TO MAKE A REGRESSIVE TAX INTO A PROGRESSIVE TAX. THAT IS IMPOSSIBLE.

"THERE'S NO SALES TAX IN GOOD OLD MONTANA" HAS BEEN A SLOGAN FOR A LONG TIME. LET'S KEEP IT THAT WAY. WE URGE YOU TO VOTE AGAINST HOUSE BILL 844.

SALES TAX
A Businessman's Dream

Six cups of any coffee
At fifteen cents a throw,
Will figure up to ninety cents
With ten cents yet to go.

At one cent tax on each of these
If I can calculate,
Would be four cents to them you see
And two cents to the state.

From sixteen cents to thirty cents
Their take continues on,
Repeats again at the fifteen
And so on, on and on.

If 68 should carry
I'll tell you here and now,
All retail stores along the line
Will milk you like a cow.

No one objects to pay our state
Their share, and maybe more,
But doling gifts to retail stores
Is what we all abhor.

A two-cent tax will be the start
To keep our state alive,
Just wait a year or two dear pal
They'll boost it up to five.

When you are unemployed my friend
Your income tax is dead,
But sales tax just goes on and on
It follows you to bed.

Two ninety one a month they say
Will keep you right on par,
That's not so bad for cheese or eggs
But what about a car?

Should you decide to buy a boat
A snowmobile and such,
You'll need an extra ten spot,
To pay the sales tax touch.

Now I suggest you vote against
This weird thing, 68,
Protect yourselves from viciousness
Before it is too late.

The S.O.S. plus M.P.C.
Have pulled the wool, they think,
O'er eyes of all the voters
But most folks know they stink.

I'll now sum up this ditty
With this prediction folks,
If you support that 68
You'll be disappointed blokes.

But to vote against this 68
Strange as it may seem,
You'll crawl into your bed and rest
Like a kitten full of cream.

by
George Thompson

SENATE BILL 107, third reading (blue), be amended as follows:

1. Page 2, line 15.

Following: "[SECTION]"

Strike: "7"

Insert: "2"

2. Page 3.

Following: line 15

Insert: "(b) The court shall exclude a taxpayer from an action brought pursuant to [section 1] if the person bringing the action publishes notice as provided in subsection (3) of this section and the taxpayer requests to be excluded by the date specified in the notice."

Reletter: subsequent subsection

3. Page 3, line 16.

Following: "UNDER"

Strike: "THIS SUBSECTION"

Insert: "subsection (3) of this section"

AND AS AMENDED
BE CONCURRED IN

Amendment to Senate Bill 210, Third Reading Copy

1. Page 3, line 9.

Following: line 8

Insert: "(b) The court shall exclude a taxpayer from an action brought pursuant to [section 1] if the person bringing the action publishes notice as provided in subsection (3) of this section and the taxpayer requests to be excluded by the date specified in the notice."

2. Page 3, line 9.

Following: line 8

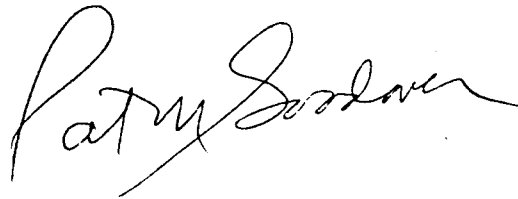
Strike: "(B)"

Insert: "(c)"

Following: "UNDER"

Strike: "THIS SUBSECTION"

Insert: "subsection (3) of this section"

A handwritten signature in cursive script, appearing to read "Patry Sorlover". The signature is written in dark ink and is located in the lower right portion of the page.

STANDING COMMITTEE REPORT

March 24,

81
19.....

MR. SPEAKER.....

We, your committee on TAXATION.....

having had under consideration HB 844 Bill No.

A BILL FOR AN ACT ENTITLED: "AN ACT TO PROVIDE FOR THE LEVYING OF A 2 PERCENT SALES AND USE TAX TO SUPPORT THE STATE EDUCATIONAL SYSTEM, TEACHERS', POLICEMEN'S, AND FIREFIGHTERS' RETIREMENT SYSTEMS, AND STATE GOVERNMENT BY REPLACING CERTAIN PROPERTY TAXES; TO PROVIDE FOR ADMINISTRATION AND PENALTIES; TO PROVIDE EXEMPTIONS FOR FOODS, DRUGS, AND OTHER PROPERTIES; TO REPEAL THE INCOME SURTAX; AMENDING SECTIONS 15-30-105 AND 15-30-162, MCA; REPEALING SECTION 15-30-104, MCA; AND PROVIDING AN APPLICABILITY DATE."

Respectfully report as follows: That HB 844 Bill No.

DO NOT PASS

~~XXXXXX~~
~~DO PASS~~