

MINUTES OF THE MEETING OF THE HOUSE TAXATION COMMITTEE
March 24, 1983

The meeting was called to order at 8:00 a.m. by Chairman Yardley. Roll call was taken and all committee members were present except Representatives Harrington, Nordtvedt and Zabrocki, who were excused.

Testimony was heard on HB 916 and HB 917 during this meeting.

Since the two bills are companion bills, they were presented at the same time to the committee.

HOUSE BILL 916 and HOUSE BILL 917

REPRESENTATIVE BOB ELLERD, District 75, cosponsor of this bill, said he and Representative Fagg were sorry this piece of legislation is so late in this session but it took much research and study to be here today. This piece of legislation is an act to replace most all property tax in Montana. The bill will afford the taxpayer of this state an opportunity to have a voice in taxation, an opportunity to vote the choice of whether or not they want to be relieved of the terrible hardship and burden of property taxes by a new form of taxation, and an opportunity to put an end to continued increases in property taxes.

REPRESENTATIVE ELLERD said it is felt that if this act is not passed, in the very near future we will have an all out "Sales Tax" to support state government. This will then be another added tax and replace nothing. (See EXHIBIT 1.)

REPRESENTATIVE HARRISON FAGG, District 63, cosponsor of the bill, said HB 916 is a very complex bill. He passed out copies of EXHIBIT 2, an informational booklet on the Montana Property Tax Replacement. He went over the booklet with the committee members.

In summary, Representative Fagg said the average family in Montana will save about \$550 per year with the sales tax system. The sales and use tax system will reduce utility rates because the rates will be frozen. The average renter will save \$130 per year and no one in the low income bracket will pay taxes. The sales and use tax is not a regressive tax. Taxes in Montana will be reduced by \$10 million for residents. The biggest problem with the bill will be apathy.

REPRESENTATIVE FAGG urged the committee's support in passing HB 916.

REPRESENTATIVE FAGG, sponsor of HB 917, said HB 917 is an option for Montanans to vote on whether they like the idea of HB 916 or not. It gives them the opportunity to vote on the elimination of property taxes. He said it is a simple initiative.

REPRESENTATIVE FAGG said HB 916 could be held in the committee. The main reason for putting the sales tax in bill form is to show skeptics that it could be done.

Proponents

JOHN IRELAN, Executive Vice President of the Billings Area Chamber of Commerce, said one of the reasons he supports a sales and use tax is because there is a need for some kind of tax relief for local governments. The sales and use tax must be a replacement tax. He said he could not support an add-on tax. Mr. Irelan said HB 916 goes far beyond anything he has seen in trying to solve a problem.

MR. IRELAN said between 1970 and 1980, of the 45 states that have a sales tax, 29 of those states had no increase at all. There are only five states that do not have a sales tax.

MR. IRELAN said on the basis of past studies, the estimates in HB 916 are quite conservative and the potential of the bill is great.

MR. IRELAN proposed adopting a 4% sales tax. He said he is certain that percentage will raise the money shown in HB 916. He also suggested allowing Montana to adopt the Wyoming plan, giving the counties the option of levying an additional 1% sales tax at the local level.

MR. IRELAN submitted written testimony. (See EXHIBIT 3.)

PATRICK UNDERWOOD, representing the Montana Farm Bureau Federation, said they support the concepts of both HB 916 and HB 917. He said their State Tax Committee first called for such legislation in 1980. Their recommendation was upheld by the elected delegates at the state convention that same year. It has been reaffirmed by the Tax Committee and the elected delegates at their State Convention in 1981 and 1982.

The Montana Farm Bureau had a policy against sales tax for many years. In 1980, however, our organization decided that property taxes had reached their punitive level and the state should restrict itself in regard to the property tax field. We favor replacement of the property tax as the principal source of funding for primary and secondary education with a broader based alternate tax such as a state sales tax.

The Montana Farm Bureau and it's 5,500 members fear that within two to four years, this type of legislation will go through, especially after reapportionment, and it will not be in lieu of any kind of tax but just additional taxation to support growing state government. This type of legislation could help our young homeowners just starting out and our older people and the general economic climate in Montana. We recommend a do pass. (See EXHIBIT 4.)

MONS TEIGEN, representing the Montana Stockgrowers Association and the Montana Cowbells, said they are cautiously enthusiastic over this bill.

REPRESENTATIVE ORREN VINGER, District 53, said he would like to go on record in support of a sales tax.

OPPONENTS

JIM MULAR, State Director of the Brotherhood of Railway and Airline Clerks, said he is opposed to HB 916 and HB 917. He said their union has consistently supported the position adopted in convention action by the Montana State AFL-CIO. That position has been, and continues to be, unalterably against a sales tax. It is an unfair and retrogressive tax, which forces the poor, the unemployed, the elderly on fixed incomes, the person making minimum wage to pay taxes at the same rate that the wealthiest individual in the state pays. That is not a just form of taxation.

MR. MULAR said many of us remember the long and bitter struggle the last time the sales tax appeared on the ballot in 1971. The people of Montana voted overwhelmingly against the sales tax. We are convinced that they would vote it down again. There was a slogan then: "There's no sales tax in good old Montana." Let's keep it that way. Please vote against House Bills 916 and 917. (See EXHIBIT 5.)

JIM MURRY, Executive Secretary of the Montana State AFL-CIO, testified in opposition to House Bills 916 and 917. He said they have had a long standing position in opposition to a sales tax. They have not had the time to go over this legislation. He said this is a very technical and complicated piece of legislation. He said by convention action, they are opposed to a sales tax no matter how small or large the percentage. Mr. Murry submitted written testimony. (See EXHIBIT 6.)

NANCY HARTE, legislative coordinator for the Montana Democratic Party, said the Democratic Party, through its platform, has always been opposed to a sales tax in whatever form and with whatever exemptions being taken into account. The reason they oppose such a tax is that they believe that when taxes must be

put into effect, we ought to have the most fair tax possible.

The sales tax is not a fair tax. Since this issue has been raised over the many years in Montana, we've always heard that the tax will be paid by the tourists who come to Montana. In fact, many of those tourists visiting the various places in Montana are Montanans themselves. The real impact of the sales tax comes not to tourists, but to the people who live in our state, and it falls most heavily on those who can least afford it because the sales tax is a regressive tax.

In spite of the exemptions listed in this bill, sales taxes would still have to be paid on many items that are vital to everyone -- shelter, clothing, transportation and nonprescription drugs. These are not the trappings of a grand lifestyle. They are the basics that everyone needs to survive and thrive. Under this proposal, even these basics would be taxed.

A sales tax takes a few cents here and a few cents there and adds up to a pile of money out of the pockets of those who can least afford it.

The last time Montanans voted on instituting a sales tax it was defeated overwhelmingly. We don't want a regressive tax in Montana and so we ask that you defeat this legislation. (See EXHIBIT 7.)

TERRY MURPHY, representing the Montana Farmers Union, said their convention also adopted a policy in opposition to a sales tax for whatever purpose. Mr. Murphy said if \$10 million are saved by Montanans, that would average out to \$12 per Montanan.

TOM RYAN, representing the Montana Senior Citizens Association, testified in opposition to House Bills 916 and 917.

Senior citizens appreciate the fact that both bills attempt to deal with funding for the elderly, but we are deeply concerned at the kind of tax which would be used to raise this money. Many senior citizens would be hurt by the very tax that is supposed to be helping them. That doesn't make sense to us.

Many seniors are living on fixed incomes, and are barely able to make ends meet. While inflation has slowed down, some essential items, such as heating costs, continue to rise. These are people for whom even a few dollars less a month would create a terrible hardship.

While the elimination of the property tax, as proposed by these bills would be a help to seniors, it is the corporations and big businesses who would get the real break, since that is who pays the majority of the property tax in our state. We believe

that those who make the most money should pay the most in taxes, not the other way around. With a sales tax, everyone pays at the same rate, regardless of their income.

We support efforts to help the elderly, but not with a sales tax which will be a hardship for them. We ask that you vote against House Bills 916 and 917. (See EXHIBIT 8.)

NADIEAN JENSEN, Executive Director of the American Federation of State, County and Municipal Employees, AFL-CIO, testified in opposition to House Bills 916 and 917.

The sales tax is not a fair tax. Those who can least afford to pay it are the ones who bear an unfair share of the burden. We support fair taxes such as the income tax, where the people who make the most money, pay their share, and those who have little or no income are not forced to pay it.

The members I represent are directly affected by the loss of funds at the state and local level, because they work for government. They are the people who are facing potential layoffs and wage freezes. Local governments are really strapped for funds, because of cutbacks at the federal and state level and diminishing tax basis. We are in strong support of funding for state and local government as well as for other necessary and essential services. But we do not want to see the funds come from people who cannot afford it. (See EXHIBIT 9.)

DAVE SEXTON, representing the Montana Education Association, said the sales and use tax is an unfair tax because it benefits the wealthy. It would be simpler to increase or reform the income tax. If a bill like this passes, the property tax burden, which is paid by people who can afford it, will be shifted to people who cannot afford it.

DAVE LEWIS, representing the Office of the Governor, said if you took the total sales tax and divided it by the number of people in Montana, a person would have to have a \$75,000 house in order to break even on property tax. He submitted testimony. (See EXHIBIT 10.)

REPRESENTATIVE BOB MARKS testified in opposition to House Bills 916 and 917. He said if you are going to take taxes off property, why give renter relief when there are no taxes on renters. He submitted a list of problems he has with House Bill 916. (See EXHIBIT 11.)

JIM MAYES, representing Operating Engineers Local #400, AFL-CIO, said he would like to go on record in strong opposition to House Bills 916 and 917.

ROBERT VAN DER VERE, a concerned citizens lobbyist, said we

have had an Amtrak bill, a dove bill, and other bills, but this should be called the "outhouse bill" because that is where it belongs.

LARRY PERSINGER, representing the Montana State Building Trade Commission, said he would like to go on record in strong opposition to House Bills 916 and 917.

PAT FAIRBANKS read prepared testimony for Jim McGarvey, Montana Federation of Teachers. (See EXHIBIT 12.)

GEORGE ALLEN, representing the Montana Retailers Association, said there is a cost of collecting taxes. Montana would get a real bargain from retailers collecting this tax.

REPRESENTATIVE ELLERD, in closing, said the opponents are who he expected them to be - union people. He said he has problems with the income tax. He thinks it is a very unfair tax. Representative Ellerd said Montana will have a sales tax some day and when we get it, it will be to finance state government, if we don't pass this bill.

REPRESENTATIVE ELLERD said he is not afraid of a sales tax and, in fact, is in favor of a sales tax. It is coming and he said he hopes when it does, it is a replacement tax and not an add-on tax.

REPRESENTATIVE FAGG, in closing, said he thinks the opponents are basically uninformed. A wealthy person may pay more under this system, but this is not a regressive tax. The average person in Montana would pay \$135 in taxes.

REPRESENTATIVE FAGG said House Bill 916 will:

1. Give massive property taxes back to the people.
2. Allow for spending of \$150 million more in Montana for consumable goods because of the \$550 savings per family each year.
3. Enable a person to spend the tax before it is collected.

REPRESENTATIVE FAGG said a person would start paying the sales tax on January 1, then you would have an overlap period of six months where you would pay property tax that would accrue so you would have a reserve where your property taxes came into place. After your property taxes came into place, the duplication taxes collected in the first half of the year would be refunded.

REPRESENTATIVE FAGG said we are presenting not a bill but an idea to the electorate. This is a bill that benefits every person in Montana.

Questions from the committee were heard at this time.

REPRESENTATIVE KEENAN asked what the taxable level of low income people is. Representative Fagg said it would be \$3,750.

REPRESENTATIVE UNDERDAL asked who would collect the tax. Representative Fagg said the tax would be collected by the merchant where the dollar is spent. The merchant, then, would receive .5% of every dollar collected.

REPRESENTATIVE FAGG said we do not want this bill passed now. We just want the public to be able to vote on this issue.

REPRESENTATIVE REAM asked how people would get the rebate that was suggested. Representative Fagg said they would get the rebate through state government and the rebate would be sent directly to the people without applying for it.

REPRESENTATIVE BERTELSEN said the 1.5% tax was not used for the purchase of a vehicle. He asked if the 5% would be used. Representative Fagg said yes.

REPRESENTATIVE HARP said this state is having problems with revenue and we are still expanding services. He asked how other states that have the sales tax are bearing the burden of the recession. Mr. Lewis said he thinks every state that has a sales tax has increased that tax. He said every state is raising taxes.


REPRESENTATIVE FAGG said this is a constitutional referendum. The sales tax cannot be raised higher than the 5% unless voted on by the people of Montana.


REPRESENTATIVE SWITZER said there is a conflict between Mr. Lewis' letter and page eight of the bill. Mr. Lewis' letter says the bill does not remove the tax on farm machinery and livestock; page eight of the bill says it does. Representative Fagg said the bill absolutely takes the tax off farm machinery and livestock. Mr. Lewis said he has not had access to this handout before today. Representative Fagg said Mr. Lewis was going on the material he had received from Representative Fagg but that material has changed and Mr. Lewis did not receive a new copy of the material.

REPRESENTATIVE DEVLIN said there is no fiscal note for this bill. Mr. Lewis said no one has requested one.

The hearing on House Bill 916 and House Bill 917 was closed.

The meeting was adjourned at 10:00 a.m.


DAN YARDLEY, Chairman


Vicki Lofthouse, Secretary

Mr. Chairman - Members of the Taxation Committee:

EXHIBIT 1

3-24-83

I consider it an honor to present this bill to this committee and the citizens of Montana. In opening, I want to say that Representative Fagg and myself are sorry this piece of legislation is so late in this session but it took much research and study to be here today. To the best knowledge of all who helped, we are correct in our figures and projections but also feel some corrections will be necessary but I assure you every effort was made for perfection.

This piece of legislation is an act to replace most all property tax in Montana and has had and will have mixed reactions.

This bill is Representative Fagg's and mine. We feel this is legislation for the people. It is not a Republican Party bill and is in no way connected with the Republican Party. It is our bill, win or lose, to afford our people, the taxpayer of this state, an opportunity to have a voice in their taxation, an opportunity to vote the choice of whether or not they want to be relieved of the terrible hardship and burden of property taxes by a new form of taxation, an opportunity to put an end to continued increases in property taxes.

We also feel that if this act is not passed that in the very near future we will have an all out "Sales Tax" to support state government. This will then be another added tax and replace nothing. I feel any realistic person will also look at this in this light.

Representative Fagg - as co-sponsor of this bill - will make the presentation to the committee.



MONTANA PROPERTY TAX REPLACEMENT

A CONSTITUTIONAL AMENDMENT TO ELIMINATE MONTANA PROPERTY TAX, CREATE A RENTAL CREDIT, A SENIOR CITIZEN & HANDICAPPED TRUST FUND THROUGH A GENERAL CONSUMPTION & SERVICE TAX NOT TO EXCEED 5%.

INTRODUCTION

The 1983 Legislature and the Governor Montana are dedicated to building the Montana economy through the "Build Montana" program and many other worthwhile efforts. To date, however, many aspects of developing the Montana economy have been overlooked either through defeated legislation or legislation not introduced. The "Build Montana" program is laudable; however, it overlooks some traditional problems in economic development.

Specifically, if Montana is to develop it needs a well-rounded economic climate; an economic climate that welcomes business and growth as well as searches to find and finance it as "Build Montana" seems to be headed for. "Build Montana" will fill the following gaps:

- 1) Establish finance tools to help fill long-term capital gaps for small business.
- 2) Provide job training to develop skills in a star labor force.
- 3) Advertise and promote Montana tourism.
- 4) Provide tax incentives to encourage business development and expansion.
- 5) Encourage the evolution of scientific and technological industries and the application of science and technology to productive processes.

"Build Montana", however, overlooks specific items which are fundamental to business development. Specific areas overlooked are as follows:

- 1) Elimination of unnecessary governmental control over business and industry.
- 2) Montana freight rates, its geographical location and its transportation system.
- 3) Availability of low interest loans, loan subsidies and loans to medium sized business (construction, start-up and operation).
- 4) Developing a good business climate (i.e., labor relations with business, State attitudes, etc.).
- 5) Development of a tax base conducive to industrial and commercial relocation.

This proposal deals with the fifth item--namely taxes.

Industries and commercial business locate where they can show the greatest economic gain. While all the above, including availability of manpower and climate, play an important role, taxes paid are a major factor in development. For example, a business can locate in South Dakota with no property, income or corporate tax, or locate in Montana which has all three. The choice has, in the past, overlooked Montana far too often.

Therefore, to make Montana more competitive and to reduce the high property tax affecting individuals, this proposal is presented.

Specifically, this proposal, which was provided to lower property

taxes and numerous other benefits to Montanans, was taken from data collected from the Montana Department of Revenue, the Department of Administration, the Department of Commerce, and the Montana Taxpayers Association. It is presented as the effects that could be obtained by eliminating property taxes in the following manner:

1. Eliminate all residential taxes on land and real property improvements. (Page 11)
2. Eliminate all agricultural dwelling and real property improvement taxes. (Page 11)
3. Eliminate all commercial real property improvement taxes. (Page 11)
4. Eliminate 50% of industrial real property improvement taxes. (Page 11)
5. Eliminate all personal property tax on mobile homes, livestock, and farm machinery and equipment.
6. Provide a renter rebate for all income levels through credits on income taxes, with schedules favoring the low income. (Approximately \$20 million biennially, see Page 16)
7. Initiate a new proposal entitled New Environments for the Elderly and Disabled (NEED), providing a rental and living subsidy. (\$5 million a year until a trust fund of \$100 million is reached, see Page 13)
8. Provide a program to provide remaining surplus funds biennially to local governments or the General Fund.

9. Generally lower Montana's per household taxes.

(Page 24 and Exhibit #6)

The above program enacted through a General Sales Tax would eliminate food, drugs, gasoline, alcohol, tobacco products, with the exception of that sold in restaurants, hotels, etc., 1 1/2% of the motor vehicle tax (61-3-502), heating fuel, electricity and water as well as goods used for agricultural production.

It provides for:

1. A cut in taxes to the average property owner of approximately \$550.
2. A rental credit for the average renter of approximately \$130.

Further, the proposal would:

1. Freeze the future property taxes on all remaining taxes by constitutional referendum.
2. Future increases in local and school budgets would come from income taxes.
3. Be in referendum form, thereby future taxes must pass by 2/3 of the Legislature or a vote of the public.
4. Bring in approximately \$52 million each biennium in taxes through taxing our out-of-state tourists.

The proposal has been prepared by Representative Harrison G. Fagg, and if verification by the Department of Revenue and other applicable units of State government proves the assumptions made and

the conclusions drawn correct, it will be offered to the 1983 Legislative Session to be proposed to citizens of Montana by referendum in 1984 by Representative Bob Ellerd and Representative Harrison G. Fagg. In its review by State government, the conclusions drawn (i.e., collection of monies by sales tax or property tax reductions) are adjusted, the tax proposals provided will be adjusted to coincide with these conclusions.

TAXABLE VALUE ELIMINATED THROUGH THIS PROPOSAL

Property taxes will be eliminated on the following categories.
(Taxable values taken from the Department of Revenue, 1982-83 Report.)

Chart #4

<u>REAL PROPERTY LAND</u>	<u>ELIMINATED TAXABLE VALUE</u>
Suburban Tracts (8.55%) (.855% to 7.695%)	\$ 39,167,252 286,148
City & Town Lots (8.55%) (.855% to 7.695%)	64,894,470 1,132,670
SUB TOTAL	\$105,480,540

<u>REAL PROPERTY IMPROVEMENTS ON</u>	<u>ELIMINATED TAXABLE VALUE</u>
Agricultural Land (8.55%) (.855% to 7.695%)	\$ 57,567,977 114,566
Timberland (8.55%)	542,635
Suburban Tracts (8.55%) (.855% to 7.695%)	76,184,978 734,508
Commercial Suburban Tracts (8.55%)	10,429,589
City and Town Lots (8.55%) (.855% to 7.695%)	220,351,826 3,043,476
Commercial City & Town Lots (8.55%)	34,988,866
Industrial Sites (8.55%) (50% reduction)	27,288,636
New Industrial Sites (3%) (50% reduction)	491,983
Improve Existing Improvements (1.7% to 6.8%)	104,241
SUB TOTAL	\$431,843,282

PERSONAL PROPERTY	ELIMINATED TAXABLE VALUE
Mobile Homes (8.55%)	\$ 20,320,694
(.855% to 7.695%)	308,639
Livestock (4%)	31,847,802
Farm Machinery & Equipment (11%)	71,178,879
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SUB TOTAL	\$123,656,014
TOTAL	\$660,979,836

TOTAL TAXABLE VALUE ELIMINATED	\$660,979,836
TOTAL STATE TAXABLE VALUE	\$2,204,492,144
PERCENT OF TOTAL STATE TAXABLE VALUE ELIMINATED	29.98%

Chart #6

ESTIMATED ELIMINATED PROPERTY TAXES ON LAND
1982 - 1983

<u>Type of Property</u>	<u>Estimated Av. Mill</u>	<u>Estimated Taxes</u>
Suburban Tracts	285	\$11,244,219
City and Town Lots	330	21,788,956
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SUB TOTAL		\$33,033,175

ESTIMATED ELIMINATED PROPERTY TAXES LEVIED ON REAL ESTATE
IMPROVEMENTS AND PERSONAL PROPERTY
1982 - 1983

<u>Type of Property</u>	<u>Estimated Av. Mill</u>	<u>Estimated Taxes</u>
Improvements on:		
Agricultural Land	210	\$ 12,113,334
Timberland	210	113,953
Suburban Tracts	285	21,922,054
Commercial & Suburban Tracts	285	2,972,433
City & Town Lots	330	73,720,450
Commercial City & Town Lots	330	11,546,326
Industrial Sites (reduced 50%)*	300	8,186,591
New Industrial Sites (reduced 50%)*	300	147,595
Existing Improvements	330	34,400
	SUB TOTAL	\$130,757,136
Personal Property:		
Mobile Homes	285	\$ 5,879,360
Livestock	210	6,688,000
Farm Machinery & Equipment	192	13,666,000
	SUB TOTAL	\$ 26,233,360
*	TOTAL PROPERTY TAXES ELIMINATED	\$190,023,671
TOTAL PROPERTY TAXES PAID (1982 - 1983)		\$486,255,938
PERCENT OF TOTAL PROPERTY TAXES WHICH ARE ELIMINATED		39.08%

Over the past five years, real estate valuation increases have averaged 8.5% per year. However, inflation has leveled off according to the Montana Department of Labor. This office gave inflation for the period of July 1, 1983 to January 1, 1983, as .06%.

To obtain a realistic inflation rate the Montana Taxpayers Association was consulted and its estimate of 2 1/2% was considered.

Thus, the following were evaluated:

Chart #8

	<u>Percentage Per Year</u>	<u>Source</u>
Past 5 years (real property)	8 1/2%	Legislative Fiscal Analyst
Past 6 months (total) (inflation)	.06%	Montana Department of Labor .
Estimated Future (sales & real property)	2 1/2%	Montana Taxpayers Association
Past Goods & Services	6 1/2%	Legislative Fiscal Analyst
<u>ESTIMATED FUTURE:</u>		
Goods & Services	3 1/4%	Average used this proposal
Property Valuations	4.0%	Average used this proposal

Chart #9

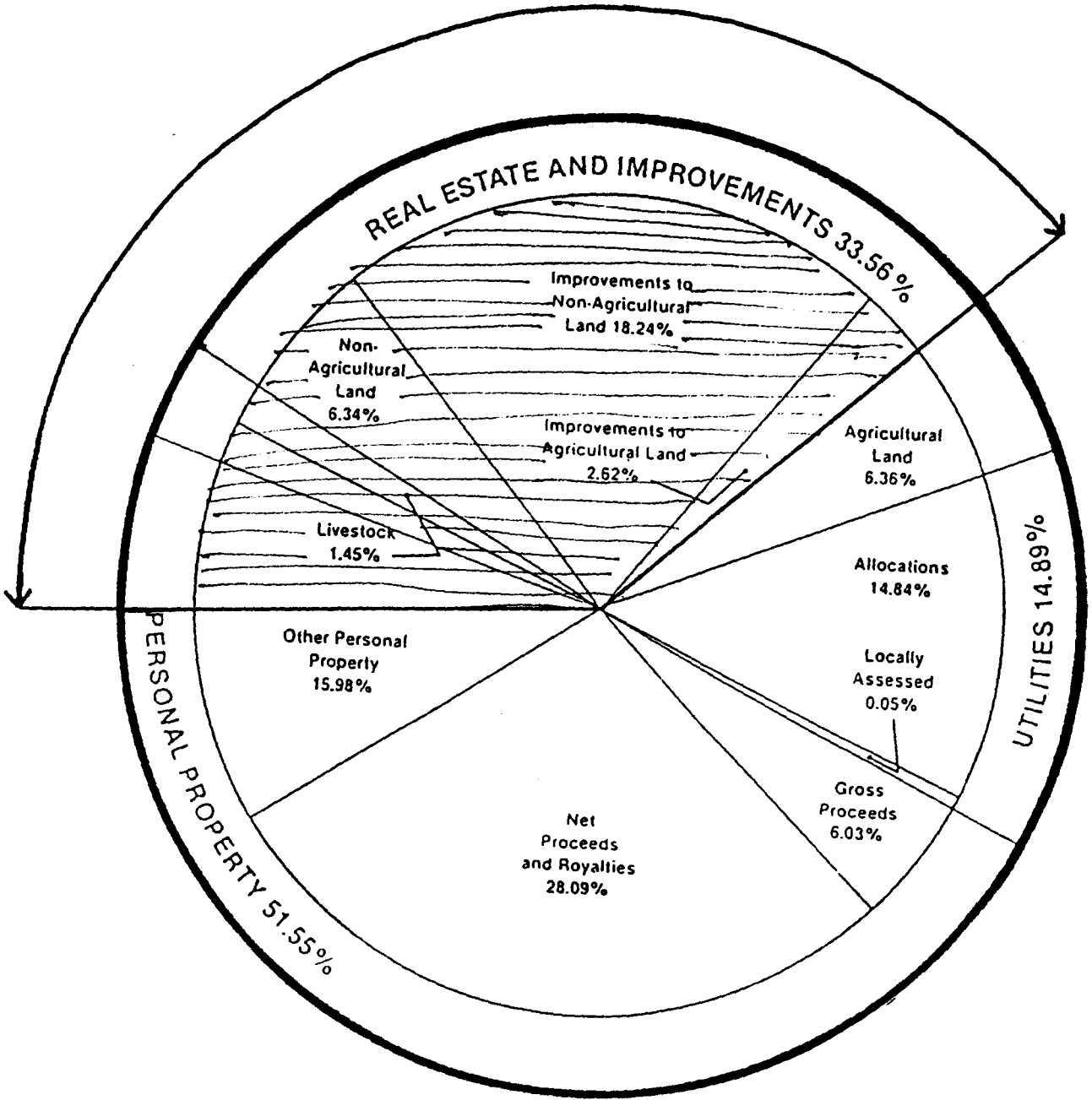
REAL PROPERTY TAX IMPACT

Current (1983)	\$190,023,671
X 4.0%	7,600,947
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Taxes Estimated (1984)	197,624,618
X 4.0%	7,904,985
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Taxes Estimated (1985)	205,529,603
X 4.0%	8,221,184
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Taxes Estimated (1986)	213,750,787
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TOTAL PROPERTY TAXES ELIMINATED THIS PROPOSAL (1985 - 1986)	\$419,280,390

CONCLUSIONS

An analysis of the Montana Tax Replacement would be as follows:

Chart #10



39.08% Property Taxes Eliminated
29.98% Taxable Value Reduced

RENTAL REDUCTION

A rent equivalent tax reduction on income tax for all renters will be enacted following the guidelines below which reverse tax benefits of HB 427 giving more benefits to the lower income level. While the schedule may seem regressive to the more well to do, it is anticipated that this group of individuals would be more informed on the property tax reductions and insist on their rents being reduced.

Chart #11

<u>HOUSEHOLD INCOME</u>	<u>AMOUNT OF REDUCTION</u>
Up to \$5,000	the product of .075 times household income
\$5,000 to 9,000	the product of .025 times household income
10,000 to 14,500	the product of .0083 times household income
15,000 & over	the product of .003 times household income

Renter - Income Data

The following is taken from the 1983 census data provided by the Census and Economic Information Center, Department of Administration.

Occupied Housing Units	Total	283,742*
Occupied Rental Units	Total	89,162*

Persons living in occupied units (households).

Total	765,708*
Renter Occupied	200,998*
Individuals/Rental Unit	2.15

Using the average of the percent rebate shown above, the following impact data is computed:

* See Exhibit #2, Census Data

CALCULATION OF TOTAL TAX CREDIT FOR RENTERS

Income Level	Total* Units Occupied	Average* Income Used	Total Income Level	Amount Of Reduction	Tax Credit/ Household	Total Tax Benefit
Up to \$5,000	19,915	\$ 2,500	\$ 49,787,500	.075	\$187.50	\$ 3,734,062
- Taxable level to reach average --		\$3,750 X .5%	= \$187.50			
\$5,000 to 9,000	21,047	\$ 7,500	\$157,852,500	.025	\$187.50	\$ 3,946,313
- Taxable level to reach average --		\$3,750 X .5%	= \$187.50			
\$10,000 to 14,999	16,508	\$12,500	\$206,350,000	.0083	\$103.75	\$ 1,712,705
- Taxable level to reach average --		\$2,075 X .5%	= \$103.75			
\$15,000 and over	24,417	\$17,500	\$427,297,500	.003	\$ 52.50	\$ 1,281,893
- Taxable level to reach average --		\$1,050 X .5%	= \$52.50			

TOTALS: Rental Tax Credit per Year = \$10,674,973
Rental Tax Credit - Biennium = \$21,349,946

* Income level and total occupied units from U.S. Census Report. (See Exhibit #2)

TOTAL INCOME TAX CREDITS FOR RENTERS

LESS TAX SAVINGS COLLECTION UNDER CURRENT CIRCUIT BREAKER (Estimate-Revenue Office) \$ 1,200,000

TOTAL REDUCTION THIS PROPOSAL

BIENNIAL COST FOR RENTER TAX CREDIT

AVERAGE TAX SAVINGS PER RENTER PER YEAR (Based on 81,887 renters)

\$10,674,973
\$ 1,200,000
\$ 9,474,973
\$18,949,946
\$130.36

HANDICAPPED - SENIOR CITIZENS HOUSING & RENT SUBSIDY

Initiation of a proposal entitled New Environments for the Elderly and Disabled (NEED)

With the stoppage of federal assistance in the field of elderly and handicapped housing, Montana's aged, infirmed and handicapped will not be provided with proper housing in the future; therefore, \$5,000,000 of the funds collected will be set aside in an Aged-Handicapped Trust Account until \$100,000,000 is obtained. This fund (similar to the Resource Indemnity Trust Fund) would allow spending only interest and then interest and principle to fund:

1. 1 to 2 percent interest loans to construct housing for the elderly, or
2. to provide rent subsidy to cover any rent above the resident's actual ability to pay.

It would further place the program in the Department of Commerce in the Housing Section. A cash flow on this proposal would be as follows:

Chart #13

Year	Funds	Funds Available for Rental Assistance (with interest at 10%)
1 - 2	\$ 5,000,000	\$ 250,000
3 - 4	10,000,000	750,000
5 - 6	15,000,000	1,250,000
7 - 8	20,000,000	1,750,000
9 - 10	25,000,000	2,250,000
11 - 12	30,000,000	2,750,000
13 - 14	35,000,000	3,250,000
15 - 16	40,000,000	3,750,000
17 - 18	45,000,000	4,250,000
19 - 20	50,000,000	4,750,000
40th and on	100,000,000	9,500,000

SALES TAX COLLECTIONS

The total Sales Tax collections per year have been obtained from the Montana Taxpayers Association and the Office of the Legislative Fiscal Analyst; since the totals are similar, both are presented.

Montana Taxpayers Association

A general Sales Tax will bring in the following amounts of income to the State by the year 1985:

	Chart #14
5% SALES TAX - 1983	\$232,500,000
2 1/2% inflation	5,812,500
	<hr/>
SALES TAX COLLECTED - 1984	\$238,312,500
2 1/2% inflation	5,957,812
	<hr/>
SALES TAX COLLECTED - 1985	\$244,270,312
2 1/2% inflation	6,106,757
	<hr/>
SALES TAX COLLECTED - 1986	\$250,377,069
	<hr/>
TOTAL ESTIMATED SALES TAX COLLECTED - 1985 and 1986	\$494,647,381

Legislative Fiscal Analyst:

The Legislative Fiscal Analyst projected a 5% Sales Tax by inflating 1977 retail sales of goods and services (the most recent data available) by increases in the Consumer Price Index through 1985. This total (if no sales were exempted) would be as follows:

Chart #14a

1% tax = \$ 64,000,000

2% tax = \$128,000,000

3% tax = \$192,000,000

4% tax = \$256,000,000

5% tax = \$320,000,000

Exemptions from this amount by this proposal would be as follows:

Chart #15

Exemptions	Total Retail Sales	Retail Sales Exempted This Proposal	Total Exemptions This Proposal
Alcohol	\$ 100,569,000	\$100,569,000	\$ 5,028,450
Tobacco	3,098,000	3,098,000	154,900
Gasoline/ Motor Fuel	494,760,000	470,022,000*	23,501,100*
Motor Vehicles	909,977,000	909,977,000**	13,649,655**
Drugs	180,755,000	162,699,500***	8,134,975***
Off Premiss Food Consumption	1,084,333,000	813,249,750****	40,622,487****
TOTAL EXEMPTIONS			\$91,091,567

-
- * Assume 5% to be batteries, tires, oil, etc.
 - ** Assume 3 1/2% sales tax this proposal--1 1/2% now existing.
 - *** Assume 10% to be toothpaste, shampoo, lipstick, etc.
 - **** Assume 25% to be non-edible items (soaps, beauty aids, paper goods, magazines, cleaning supplies, etc.) (See Exhibit #7)
-

TOTAL POTENTIAL SALES TAX COLLECTED FY 1985 (L.F.A.)	\$320,000,000
LESS EXEMPTIONS THIS PROPOSAL	91,091,567
SUB TOTAL	\$228,908,433
INFLATION AT 3 1/4%	7,439,524
COLLECTED FY 1986	\$236,347,957
TOTAL SALES TAX COLLECTED 1985 & 1986	\$465,256,390

CONCLUSIONS

The two independent methods of assuming the Sales Tax which will be collected in 1985 and 1986 seem to compare quite closely.

Montana Taxpayers Association = \$494,647,381

Legislative Fiscal Analyst Office = \$465,256,390

An assumed two-year collection of \$465,000,000 will be used in the remainder of this proposal. Also, consultation with the Department of Revenue seemed to verify this total as well.

ADMINISTRATIVE SAVINGS

Obviously, with no need for a general appraisal statewide on improvements on residential, commercial, agricultural and industrial properties, administration costs can be reduced. This is estimated in this proposal as a 50% reduction after discussion with the Montana State Department of Revenue.

Chart #16

COST OF PROPERTY TAX ADMINISTRATION

	<u>Actual FY 82</u>	<u>Budgeted FY 83</u>
Centralized Administration	\$ 738,503	\$ 528,208
Central Assessment and Industrial Appraisal	332,747	421,467
County Assessors	4,400,007	4,324,144
County Appraisers	2,927,134	4,077,891
	<hr/>	<hr/>
TOTAL	\$ 8,398,391	\$ 9,351,710
TOTAL BIENNIUM (1983-84)		\$18,703,420
ESTIMATED (1985-86)		\$20,000,000
Less 50% Administration		\$10,000,000
Private Enterprise Collection Costs @ .005% of Funds Raised		\$ 1,025,000
SALES TAX COLLECTION COSTS (State of Montana)**		\$ 1,500,000
		<hr/>
TOTAL SAVINGS		\$ 7,475,000

SOURCE: Department of Revenue

**In the fiscal note to HB 844, introduced during the 1981 regular session, the Dept. of Revenue projected expenses of \$1.75 million annually to administer a sales tax. In N. Dakota and Wyoming, administrative expenses averaged 0.45% of collections during the most recent years available. If Montana experienced a similar expense-to-collections ratio, administrative expenses would total \$652,000 in fiscal 1985. During the first years of a sales tax, administrative expenses may be higher than the N. Dakota and Wyoming average due to start-up costs.

PROBABLE INCOME TO STATE WITH NO PROPERTY TAX EXEMPTION
FROM STATE INCOME TAX. (Estimated by Department of Revenue)

\$2,000,000 per year

RECAP

TOTAL SALES TAX COLLECTED 1985 - 1986	\$465,000,000
DEPARTMENT OF REVENUE ADMINISTRATION SAVINGS 1985 - 1986	7,475,000
INCREASED INCOME TAX COLLECTION 1985 - 1986	4,000,000
	<hr/>
TOTAL AVAILABLE REVENUE IN 1985 - 1986	\$476,475,000
PROPERTY TAX ELIMINATED 1985 - 1986	\$419,280,390
RENT SUBSIDY TO ELDERLY 1985 - 1986	5,000,000
RENTER REDUCTION INCOME TAX CREDIT COST 1985 - 1986	18,949,946
	<hr/>
TOTAL EXPENSES	\$443,230,336
SURPLUS 1985 - 1986	\$ 33,244,664

AVERAGE SALES TAXES PAID THROUGH THIS PROPOSAL (U.S. AVERAGES)

To analyze the effects of this tax, it is assumed first that the average tax per family in Montana will be similar to the national average; therefore, the following study was made from the Bureau of Labor Statistics, [U.S. Department of Labor: 82:139] released 4/16/82); compiled by the Montana Department of Revenue, 3/83.

Chart #17

BUDGET LEVEL
(Autumn 1981)

	Lower	Intermediate	Higher
TOTAL EARNINGS	\$15,323	\$25,407	\$38,060
<u>Total Family Consumption</u>	12,069	18,240	25,008
Food ¹	4,545	5,843	7,366
Housing*	2,817	5,546	8,423
Transportation ²	1,311	2,372	3,075
Clothing	937	1,333	1,947
Personal Care	379	508	719
Medical Care ³	1,436	1,443	1,505
Other Family Consumption	644	1,196	1,972
<u>Other Items</u>	621	1,021	1,718
<u>Social Security and Disability</u>	1,036	1,703	1,993
<u>Personal Income Taxes</u>	1,596	4,443	9,340

EXEMPT CONSUMPTION ESTIMATES BASED ON PERSONAL CONSUMPTION EXPENDITURES, 1976 - 1981 Survey of Current Business, July, 1982.

* All exempt.

- 1) Food and tobacco, 1976 - 1981, August.
Off-premise food and liquor and tobacco products - as percent of total food and tobacco = $1,401,564 / 1,900,868 = 73.7\%$ non-taxable.
- 2) Taxable transportation, 1976 - 1981.
Motor fuels exempt as percent of total - 31.4% exempt.
- 3) Drugs and percent of total medical care, 1976 - 1981 - 10.8% exempt.

TAXABLE CONSUMPTION
 Estimate Montana Dept. of Revenue
 (Autumn 1981)

Chart #18

	BUDGET LEVEL		
	<u>Lower</u>	<u>Intermediate</u>	<u>Higher</u>
EARNINGS	\$15,323	\$25,407	\$38,060
<u>Total Family Consumption</u> (Exempt/Nonexempt)	12,069	18,240	25,008
Food ¹	1,195	1,537	1,937
Transportation ²	899	1,627	2,109
Clothing	937	1,333	1,947
Personal Care	879	508	719
Medical Care	1,281	1,287	1,342
Other Family Consumption	644	1,196	1,972
<u>Other Items</u>	621	1,021	1,718
<u>Taxable Consumption</u>	5,956	8,509	11,744
<u>Sales Taxes</u>	297.8	425.5	587.2
<hr/>			
EFFECTIVE RATE			
TOTAL EARNINGS	1.9%	1.7%	1.5%

-
- 1) 26.3% taxable
 - 2) 68.6% taxable
 - 3) 89.2% taxable

HYPOTHETICAL MONTANA FAMILY BUDGETS¹
 Estimate Montana Dept. of Revenue

	Individual ²	Montana Family ²	Chart #19 Percent of Total Income
TOTAL INCOME	\$8,095	\$20,659	
<u>Total Consumption</u>	5,812	14,831	71.8%
<u>Taxable Consumption</u>			
Food	490	1,250	6.0%
Transportation	518	1,323	6.4%
Clothing	425	1,084	5.2%
Personal Care	162	413	2.0%
Medical Care	410	1,046	5.1%
Other Family Care	381	972	4.7%
<u>Other Items</u>	325	826	4.0%
<u>Total Taxable Consumption</u>	2,711	6,914	
<u>Sales Taxes</u>	135.55	345.70	1.7%

1) Based on intermediate BLS family budget.

2) Income from 1980 census (1979 income)

Individual: Mean - \$5,939; Median \$8,095

Family: Mean - \$18,413; Median \$20,659

(Family defined as household with two or more related individuals)

Consumption for each type is the same percent of total earnings - this doesn't reflect how consumption changes with income or family status (presence of children, etc.).

COMPARISON SALES TAX versus PROPERTY TAX
CURRENT MONTANA PROPERTY TAXES

(Current mill levies taken from the
Montana Taxpayers Association)

<u>Cities & Towns</u>		<u>Average Mill Levy</u>		
Population Above 20,000		\$368.46		
Population 10,000 to 20,000		366.82		
Population 5,000 to 10,000		334.13		
Population 2,000 to 5,000		274.12		
Population 1,000 to 2,000		312.17		
Population 500 to 1,000		271.76		
Population below 500		281.64		
Average		\$315.59		

	<u>Average Montana Property Taxes</u>		
Market Value (Residence)	\$50,000	\$75,000	\$100,000
Average Assessment	X .50%	X .50%	X .50%
Assessed Valuation	\$25,000	\$37,500	\$ 50,000
Classification	X 8.55%	X 8.55%	X 8.55%
Taxable	\$ 2,137	\$ 3,206	\$ 4,275
X Mill Levy	315.59	315.59	315.59
TOTAL RESIDENTIAL TAX PAID	\$674.41	\$1,011.78	\$1,349.15

	<u>Lower</u>	<u>Intermediate</u>	<u>Higher</u>
SALES TAX THIS PROPOSAL	\$297.80	\$425.50	\$587.20
SAVINGS USING AVERAGE MONTANA PROPERTY TAXES	\$376.61	\$586.28	\$761.95

SALES TAX SAVINGS vs PROPERTY TAX

Chart #25

	<u>\$50,000 Residence \$15,000 Income</u>	<u>\$75,000 Residence \$25,000 Income</u>	<u>\$100,000 Residence \$38,000 Income</u>
AVERAGE SALES TAX PAID	\$297.80	\$425.50	\$587.20
AVERAGE MONTANA RESIDENTIAL TAXABLE VALUE	\$2,137	\$3,206	\$4,275
<u>Butte Mill Levy (1982 - 1983)</u>	<u>413.31</u>	<u>413.31</u>	<u>413.31</u>
Property Tax	\$ 883.24	\$1,325.07	\$1,766.90
Savings with Sales Tax	585.44	899.57	1,179.70
<u>Great Falls Mill Levy (1982 - 1983)</u>	<u>353.87</u>	<u>353.87</u>	<u>353.87</u>
Property Tax	\$ 756.22	\$1,134.51	\$1,512.79
Savings with Sales Tax	458.42	709.01	925.59
<u>Kalispell Mill Levy (1982 - 1983)</u>	<u>349.53</u>	<u>349.53</u>	<u>349.53</u>
Property Tax	\$ 746.95	\$1,120.59	\$1,494.24
Savings with Sales Tax	449.15	695.09	907.04
<u>Livingston Mill Levy (1982 - 1983)</u>	<u>354.18</u>	<u>354.18</u>	<u>354.18</u>
Property Tax	\$ 756.88	\$1,135.50	\$1,514.12
Savings with Sales Tax	459.08	710.00	926.92

	<u>\$50,000 Residence \$15,000 Income</u>	<u>\$75,000 Residence \$25,000 Income</u>	<u>\$100,000 Residence \$38,000 Income</u>
<u>Conrad Mill Levy (1982 - 1983)</u>	<u>272.51</u>	<u>272.51</u>	<u>272.51</u>
Property Tax	\$ 582.35	\$ 873.67	\$1,164.98
Savings with Sales Tax	284.55	448.17	577.78
<u>Scobey Mill Levy (1982 - 1983)</u>	<u>298.13</u>	<u>298.13</u>	<u>298.13</u>
Property Tax	\$ 637.10	\$ 955.80	\$1,274.50
Savings with Sales Tax	339.30	530.30	687.30
<u>Terry Mill Levy (1982 - 1983)</u>	<u>278.64</u>	<u>278.64</u>	<u>278.64</u>
Property Tax	\$ 595.45	\$ 893.32	\$1,191.86
Savings with Sales Tax	297.65	467.82	604.66
<u>Hobson Mill Levy (1982 - 1983)</u>	<u>280.23</u>	<u>280.23</u>	<u>280.23</u>
Property Tax	\$ 598.85	\$ 898.41	\$1,197.98
Savings with Sales Tax	301.05	472.91	610.78

1982-83 PROPERTY TAX LEVIES

Mill Levy or Taxes Per \$1,000 Taxable Valuation for Montana Cities and Towns

Chart #26

1982-83

Population Above 20,000

BILLINGS	\$ 280.67
BOZEMAN	389.47
BUTTE	413.41
GREAT FALLS	353.87
HELENA	398.86
MISSOULA	374.47
AVERAGE	\$ 368.46

Population 10,000 to 20,000

ANACONDA	\$ 428.77
HAYRE	322.16
KALISPELL	349.53
AVERAGE	\$ 366.82

Population 5,000 to 10,000

GLENDIVE	\$ 350.75
LAUREL	307.83
LEWISTOWN	399.65
LIVINGSTON	354.18
MILES CITY	416.51
SIDNEY	175.88
AVERAGE	\$ 334.13

Population 2,000 to 5,000

BAKER	\$ 169.35
BELGRADE	347.13
COLUMBIA FALLS	329.00
CONRAD	272.51
CJT BANK	259.23
DEER LODGE	350.46
DILLON	305.43
DRYDEN	228.85
GLASGOW	328.76
HAMILTON	326.54
HARDEN	177.66
LIBBY	272.61
MALTA	235.34
PLENTYWOOD	214.96
POLSON	274.82
ROUNDUP	223.11
SHELBY	289.99
WHITEFISH	346.49
WOLF POINT	256.07
AVERAGE	\$ 274.12

1982-83

Population 1,000 to 2,000

BIG TIMBER	\$ 326.56
BOULDER	351.09
BROWNING	285.72
CHINOOK	304.85
CHOTEAU	280.96
COLUMBUS	295.79
EAST HELENA	358.61
EUREKA	298.27
FAIRVIEW	170.26
FORT BENTON	348.38
HARLEM	342.57
HARLOWTON	272.89
PHILIPSBURG	404.68
PLAINS	319.14
RED LODGE	275.46
ROMAN	301.32
SCOBEE	298.31
STEVENSVILLE	383.67
SUPERIOR	382.61
THOMPSON FALLS	310.96
THREE FORKS	330.21
TOWNSEND	264.31
TROY	301.27
WHITEHALL	308.30
WHITE SULPHUR SPRINGS	287.97
AVERAGE	\$ 312.17

Population 500 to 1,000

BELT	\$ 302.45
BIG SANDY	245.60
BRIDGER	287.95
BROADUS	234.85
CASCADE	323.56
CHESTER	211.27
CIRCLE	282.32
CULBERTSON	261.76
DARBY	274.89
EKALAKA	269.20
ENNIS	268.62
FAIRFIELD	265.59
HINSDALE	244.49
HOT SPRINGS	355.41
JOLIET	272.44
LODGE GRASS	194.59
MANHATTAN	343.83
POPLAR	195.98
ST. IGNATIUS	276.25
SHERIDAN	243.52
STANFORD	268.78
TERRY	278.64
VALTER	227.35
WALKERVILLE	419.23
WEST YELLOWSTONE	323.81
WIBAUX	193.47

1982-83

Population Below 500

ALBERTON	\$ 424.92
BAINVILLE	185.70
BEAR CREEK	192.23
BROCKTON	159.86
BROADVIEW	242.87
CLYDE PARK	337.46
DENTON	247.43
DODSON	187.61
DRUMMOND	303.66
DUTTON	312.00
FLAXVILLE	246.37
FROID	255.94
FROMBERG	262.67
GERALDINE	291.18
GRASS RANGE	274.59
HINGHAM	205.16
HOBSON	280.23
HYSHAM	247.66
ISMAY	231.11
JORDAN	291.57
JUDITH GAP	198.34
KEVIN	221.88
LAVINA	300.89
LIMA	187.47
MEDICINE LAKE	182.44
MELSTONE	274.67
MOORE	380.11
NASHUA	282.05
NEHART	243.60
OPHEIM	141.26
OUTLOOK	121.12
PLEVNA	241.75
RICHEY	235.92
RYEGATE	191.14
SACO	231.84
SUNBURST	271.72
TWIN BRIDGES	268.40
VIRGINIA CITY	192.55
WESTBY	255.64
WINIFRED	209.46
WINNETT	
AVERAGE	\$ 246.17

AVERAGE FOR ALL CITIES

281.64

SOURCE: Montana Tax Foundation, Inc.

INCOME PROVIDED THROUGH TOURISM

Of this total, the Travel Promotion Unit estimates that four million non-residents visit Montana each year and spend approximately \$600 million. The remaining \$400 million of the total travel receipt of \$1 billion comes from Montanans traveling in-state.

The tourist dollar breaks down as follows:

- a. 40 percent transportation, including \$4 million in motor fuel taxes at current rates.
- b. 22 percent lodging.
- c. 30 percent food.
- d. 8 percent miscellaneous

A five percent tax on the \$600 million spent annually by non-residents would generate \$30 million, and when motor fuel tax collections were subtracted, the total would be \$26 million, or \$52,000,000 each biennium.

EVALUATION OF SALES TAX EFFECT

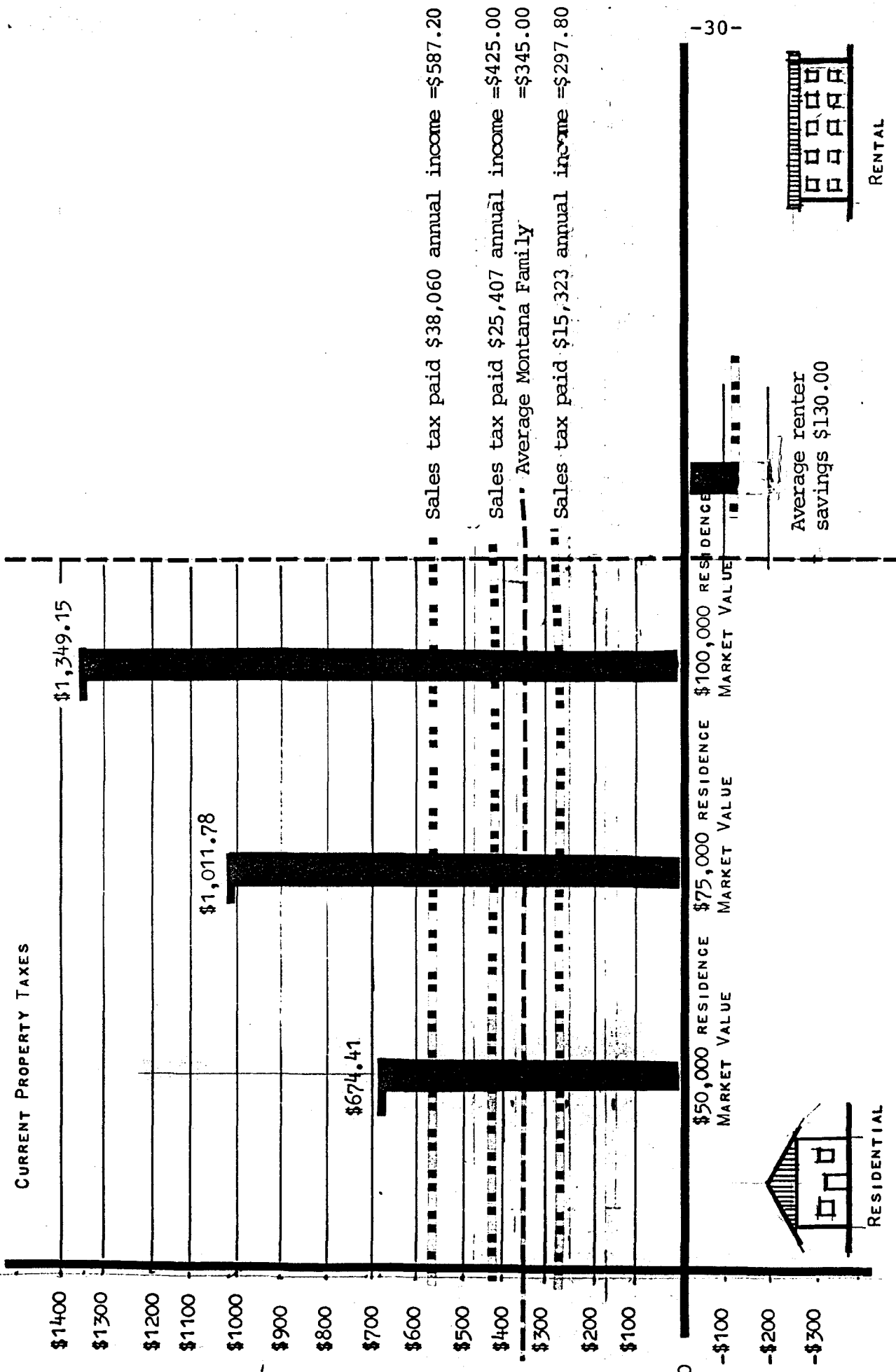
Chart #27

TOTAL COLLECTION PER YEAR (Average of 1985 and 1986)	\$232,500,000
INDIVIDUAL PAYMENT - 1979 (see page 22)	\$135.55
1981 ESTIMATED MONTANA POPULATION IS 800,000	
ESTIMATED SALES TAX - 1979 (800,000 X \$135.55)	\$108,441,084
3 1/4% inflation	<u>3,524,335</u>
1980	\$111,965,419
3 1/4% inflation	<u>3,638,876</u>
1981	\$115,604,295
3 1/4% inflation	<u>3,757,139</u>
1982	\$119,361,434
3 1/4% inflation	<u>3,879,246</u>
1983	\$123,240,680
3 1/4% inflation	<u>4,005,322</u>
1984	\$127,264,002
3 1/4% inflation	<u>4,135,495</u>
1985	\$131,381,497
3 1/4% inflation	<u>4,269,898</u>
1986	\$135,651,395

AVERAGE 1982 SALES TAX PAID BY OUT-OF- STATE TOURISTS	\$ 26,000,000
3 1/4% inflation	<u>845,000</u>
1983	\$ 26,845,000
3 1/4% inflation	<u>872,462</u>
1984	\$ 27,717,462
3 1/4% inflation	<u>900,817</u>
1985	\$ 28,618,279
3 1/4% inflation	<u>930,094</u>
1986	\$ 29,548,373
 AVERAGE 1985 and 1986	 \$ 29,083,326
 AVERAGE INDIVIDUAL SALES TAX COLLECTION (1985 and 1986)	 \$133,516,446
 AVERAGE OUT-OF-STATE TOURIST SALES TAX COLLECTION (1985 and 1986)	 \$ 29,083,326
	<hr/>
 TOTAL	 \$162,599,772

The above accounts for approximately 70% of the new taxes collected. It is then felt the additional income would come approximately in the following categories:

ACCOUNTABLE TAXES	70%
 UNACCOUNTED FOR PURCHASES OR SPENDING	
New Family Major Purchases	3%
New Construction	8%
Government/Business Supplies	10%
Construction & Farm Equipment	5%
Mining & Extraction Equipment	3%
City & County Equipment	1%
	<u>100%</u>

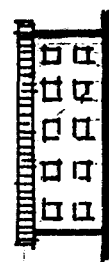
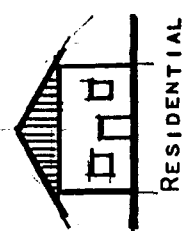


■ Sales tax paid \$38,060 annual income = \$587.20

■ Sales tax paid \$25,407 annual income = \$425.00
 ■ Average Montana Family = \$345.00

■ Sales tax paid \$15,323 annual income = \$297.80

Average renter savings \$130.00





March 24, 1983

Dear House Taxation Committee Member,

Thank you for the opportunity to appear before your committee this morning in support of House Bills 916 and 917. The understandable time restraints were somewhat frustrating personally so I take this opportunity to reemphasize some key points of the position of the Billings Area Chamber of Commerce.

First we concur wholeheartedly with the sponsors that this is a new issue and deserves an expression of the voters through the proposed referendum. Pragmatically it seems that a positive vote of the Legislature would be a clear signal to the citizens of Montana that their interests are being considered and that their voice will be heard. Because of the long-standing controversy of "sales tax" in this state, a referendum is the only way to measure the concerns of the voters.

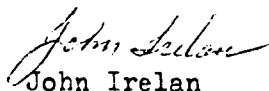
We believe the authors of this proposal have done an excellent job in developing a concept that does in fact provide a replacement tax and addresses the supposed regressive nature of a sales tax. Having personally reviewed about 20 state sales tax laws, I am sure that HB 916 is unique in addressing and answering the problems of the poor, the elderly and the needy. This aspect alone, properly explained, should attract support from a large number of traditional opponents.

Any person inclined to be negative can raise specific or narrow questions to cast doubt on the proposal. However, the time frame inherent since the 1985 Legislature would address this issue further if the referendum is approved allows for considered and intelligent judgements to be made by the Legislature, and we believe this portends a workable and desirable bill.

I repeat that we believe the estimated sales tax revenue presented by the authors is quite conservative, and that the revenue would produce a substantial surplus over replacement requirements. Add to this the fact that we believe the income tax in Montana should be the sole province of state government results in our recommendation that the proposal be amended to provide for a 4% statewide sales tax and a 1% local option tax similar to the Wyoming plan.

Again, thank you for the opportunity to address the committee. We urge your positive action allowing the voters of Montana to express their will on this important subject. For your information, attached is a copy of an article that appeared in the July, 1982, newsletter of the Billings Chamber outlining the findings of a sales tax study which we conducted.

Sincerely,


John Ireland

Executive Vice President

—What Would A Sales Tax Mean—

For a number of years the Billings Area Chamber of Commerce has been studying the implications and ramifications of a statewide sales tax in Montana, as a replacement to an existing tax. Recently the Board of Directors of the Chamber approved the findings of that study and as a result Chamber Executive Vice President John Irelan will be making presentations around the state on the possibilities and potential impacts of a sales tax. In this issue of the COMMENT, Irelan presents the findings of the Chamber's study.

Q. Why did the Chamber decide to study the sales tax?

A. To answer that, let us look at what is going on under the current taxing practices. First of all, let's examine the plight of local government. These governments are charged with providing nearly all of the essential services for the citizens of this state. Education, public safety, subsistence health and welfare, and a judicial system critical to basic freedoms are all the responsibility of local government, and all are financed principally through the taxing power of local government.

Our reliance on property taxes to fund essential local services has brought local government to the brink of disaster.

The increased cost of providing mandated local services has far outpaced the increase in taxable valuation. For example, in Billings in 1983 the cost of public safety (police and fire) will be greater than the total general fund revenue from property taxes. And the problem is not unique to Billings and the other large urban areas. The problem is the same, for example, in Wibaux, and their fire department is manned by volunteers.

And the problem also exists in the counties as was indicated by the findings of the Governor's "Temporary Committee on Local Government Finance". The figures for Yellowstone County are not atypical where over the past five years total valuation has increased by 35.3 percent while total property taxes billed have increased in the following amounts: state property tax - 40.2 percent, county - 29.2 percent, schools - 49.8 percent, and city and town taxes - 59.7 percent.

The problem is thus easily defined. The nearly total reliance on property tax to finance local government sufficed for a number of years, but the rate of inflation for costs of goods and services experienced over the past few years has far outpaced the taxable valuation of assessable property. A continued reliance on this archaic system can only exacerbate the problem.

It is not my purpose to blame someone or something, but it is appropriate to point out that only the state legislature has the power to make the necessary changes. It is my personal belief based on past actions that the legislature, faced with its own budgeting priorities, may not fully understand the needs and financing of local government, and this

belief is given some credence in a study entitled "State Tax Distributions to Counties and Municipalities in Montana, North Dakota, Utah and Wyoming as of 1981" by John A. Nehring, Adjunct Assistant Professor, Department of Ag Economics and Economics at Montana State University.

In his report he points out that of the four states considered, Montana and Utah provide significantly less financial assistance to local government than the other two states but that Utah's low level of assistance is partially offset by the availability of a local option sales tax. And Professor Nehring goes on to state, "... one can conclude that recent Montana Legislatures, while perhaps aware of the financial needs of Montana's counties and municipalities, have taken a very ad hoc approach towards meeting those needs. The legislatures of North Dakota, Utah, and Wyoming, by contrast, have chosen to actively and consciously provide their local governments with financial support, either in the form of state revenue distributions or local option taxes."

With regards to the state, the principal source of taxation for the state is the income tax which has in the recent past outperformed inflation relieving the state somewhat from the tough "cost-price squeeze". The recent indexing of income taxes plus the new federalism may change that substantially. We may see the state forced into what local governments have been calling for for some time ... general tax reform.

Q. What impact has this present tax structure had on individuals and business?

A. The impact can be shown by two illustrations. Not since World War II have so few people been able to afford housing. The increasing burden of property taxes puts the monthly mortgage payment even further out of reach. Add to this local government's shift to permits and fees for revenue which adds to the original cost and you readily see it is not only interest rates that put new homes beyond the reach of the average family.

Secondly, let me sight briefly the findings of a University of Nebraska-Omaha Urban Research Institute study. By holding all other factors constant, this study examined the impact of taxes on business by examining the tax bill of ten different industries if each were to locate plants in 41 different

cities. Of all the cities surveyed, Billings (used to represent Montana) ranked in the highest five in all categories of taxation.

The findings of this study are verified by a recent study by Alexander Grant and Company, CPA's, entitled "General Manufacturing Business Climates" which used several factors, including taxation, to measure business climates. That study reveals that Montana is ranked the 5th poorest for tax climate and the 8th poorest in our nine state region. Looking again at tax reform it seems appropriate to make some comparisons of tax burden in other states, and for my purposes I have chosen the four surrounding states. The purpose here was two-fold in that the economies of these states are not unlike ours and all have general sales and use tax. As we compare these states remember that only in Montana and Wyoming do the states have a property tax levy, and South Dakota and Wyoming do not have state income taxes. What we find is that Montana ranks 4th in the percentage of personal income remaining after state and local taxes, with only Wyoming being lower. The comparison also shows that Montanans pay the highest amount in state income taxes.

Q. If a sales tax were imposed in Montana, what are the potential revenues and impacts?

A. The Billings Area Chamber of Commerce has for the last few years supported a study of the applicability of a statewide sales tax as a replacement for all or part of some existing tax. Because we have no sales tax records to measure the magnitude of retail sales in the state, I have used a couple of methods to estimate potential revenue. These methods include a per capita comparison with the 45 states that have a sales tax along with the four surrounding states, and the SALES AND MARKETING MAGAZINE estimates on sales in Montana along with the total tax revenues presently generated in the state. Using the average of these estimates, I have come up with an estimate that a statewide sales tax of three percent in Montana could generate \$150 million annually.

If this amount of money were generated, there are several taxes that could be replaced. The total state income tax on corporations and individuals could be replaced. Or the total property tax collections by all cities and counties plus the six-mill state university levy could be replaced. Or, if my estimate of potential revenue is as conservative as I believe it is, it may even be possible to replace the total operational levy for all schools in Montana.

Also, if a one percent sales tax were imposed in Yellowstone County an amount could be raised equivalent to the annual property tax levied by the City of Billings or Yellowstone County for general fund purposes. For this reason I like the Wyoming plan that imposes a statewide levy of three percent

plus allows a local option county-wide tax of one percent to be voted on every two years.

In addition to relieving property taxes, the single most desirable aspect of a sales tax is its adjustment to inflation. No other tax more accurately reflects what is happening with the economy.

Q. Whenever a sales tax is mentioned, several arguments are heard over and over again against it. Would you care to address some of these?

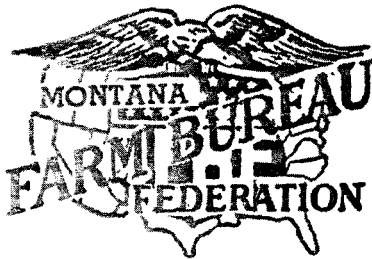
A. Perhaps the most universally used objection is that it is regressive. Most states imposing a sales tax have removed a major portion of its regressive nature through judicious exemptions. For the individual these normally include food, prescription drugs, and medical services as a minimum. To the farmer and manufacturer, equipment used in production and raw materials are usually exempt. It is not my intent to propose exemptions but only to illustrate that a sales tax need not be as regressive as some opponents claim.

Another charge is that the rate of tax will automatically go up . . . the old foot in the door syndrome. A comparison of the 1970 and 1980 tax rates shows that of the 45 states that have a sales tax the rate has remained the same for the ten year period in 29 states, rates have gone up in 13 with 11 of those increases being one percent or less, and in three of the states the rates have been reduced. Again, the response of a tax on sales to inflation reduces the need for a continuing upward adjustment unlike mill levies for property.

Of special note is the fact that only five small population states do not have a sales tax. John F. Due in his book STATE AND LOCAL SALES TAXATION states that in 1970 sales taxes were in existence in states holding 97.8 percent of the population. It is unlikely that the figure is much different today.

Another interesting point made in that same book addresses the assumed historic opposition to sales taxes by organized labor. The fact is that during the depression years of the 1930's, when a number of states were adopting the tax, labor was an advocate. This support was based on the use of the tax revenue to create new, or project existing jobs. I wonder if the same attitude might prevail today?

A final point I wish to make is the potential for competition in the area of taxation of sales. There is an organized and concerted effort in Washington, D.C. to increase federal revenue by the adoption of a value added tax (VAT). A VAT is no more no less than a tax on sales value of a product. Tax Foundation Incorporated has issued a special report on the concept complete to the estimation of revenue, based on 1978 figures, that at \$11 billion per percentage point a 10 percent VAT would eliminate the projected federal deficit.



MONTANA FARM BUREAU FEDERATION

502 SOUTH 19th

Dial 587-3153

BOZEMAN, MONTANA 59715

DATE Mar 24, 1983

NAME Patrick R. Underwood

BILL NUMBER HB 916 & HB 917

SUPPORT X

OPPOSE

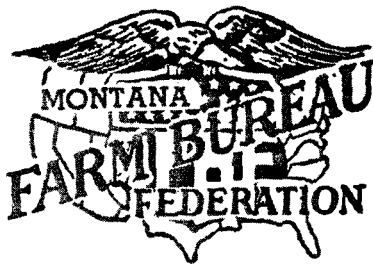
AMMEND

The Montana Farm Bureau Federation supports the concepts of both HB 916 and 917. Our State Tax Committee first called for such legislation in 1980. Their recommendation was upheld by our elected delegates at the State convention that same year. It has been reaffirmed by the Tax Committee and the Elected Delegates at State Convention in 1981 and 1982.

The Montana Farm Bureau had a policy against sales tax for many years. In 1980 however our organization decided that property taxes had reached their punitive level and the State should restrict itself in regard to the property tax field. We favor replacement of the property tax as the principal source of funding for primary and secondary education with a broader based alternate tax such as a State Sales Tax.

Many small towns across Montana are full of older people who have worked hard all their lives, and many of them are retired farmers and ranchers who have either sold out years ago, or are in the process of letting a boy or girl buy their place. Their fixed incomes are not great. Yet the majority of tax burden is on them and their homes. These same towns are also full of a segment of the mobil American society who come for a year or two, own nothing, and pay very little for services received.

We see the Wally Byum Airstream trailer folks come to Montana three times in the past eleven years, each time with about 4,000 trailers and 10,000 people, stay for a month to six weeks and are not a source of taxable income for our state. Weekly in Bozeman we have Charter Boing 707's land from here in the USA and abroad and we do not benefit from



MONTANA FARM BUREAU FEDERATION

502 SOUTH 19th

Dial 587-3153

BOZEMAN, MONTANA 59715

the winter and summer tourists, not to mention those who come by private means. As we continue to be an energy resource state, we see companies send men with their families up here to stay for 90 days to six months at a time, leaving little to provide for the services they take.

We are a sparsely populated state, with many counties still losing population. Legislation of this type must be looked at more seriously than we have before.

The Montana Farm Bureau and it's 5,500 members fear that within two to four years this type of legislation will go through, especially after reapportionment, and it will not be in lieu of any kind of tax but just additional taxation to support growing state government. This type of legislation could help our young homeowners just starting out, and our older people and the general economic climate in Montana. We recommend a do pass.



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AFL-CIO-CLC

JAMES T. MULAR
State Director
Rm. 208
Butte, MT 59701
Phone 406 494 2316

TO: THE HONORABLE DAN YARDLEY, CHAIRMAN, AND MEMBERS OF
THE HOUSE TAXATION COMMITTEE

SUBJECT: STATEMENT OF JAMES T. MULAR, STATE LEGISLATIVE DIRECTOR,
BRAC.

RE: HB 916 and HB 917, COMMITTEE HEARING TO BE HELD THURSDAY,
MARCH 24, 1983

Mr. Chairman, members of the Committee; for the record, my name is James T. Mular, 440 Roosevelt Drive, Butte-Silver Bow, Montana. I am here today to testify against two bills which propose a sales tax for our state, House Bills 916 and 917.

Our union has consistently supported the position adopted in convention action by the Montana State AFL-CIO. That position has been, and continues to be, unalterably against a sales tax.

It is an unfair and retrogressive tax, which forces the poor, the unemployed, the elderly on fixed incomes, the person making minimum wage to pay taxes at the same rate that the wealthiest individual in the state pays. That is not a just form of taxation.

Many of us remember the long and bitter struggle the last time the sales tax appeared on the ballot in 1971. The people of Montana voted overwhelmingly against the sales tax. We are convinced that they would vote it down again. There was a slogan then: "There's no sales tax in good old Montana." Let's keep it that way.

Please vote against House Bills 916 and 917.

Thank you.

(NOTE: Union label removed
for duplication purposes)

WITNESS STATEMENT

Name James W. Murry Committee On Taxation
Address Box 1176, Helena, MT, 59624 Date 3-24-83
Representing Montana State AFL-CIO Support _____
Bill No. 917 Oppose X
Amend _____

AFTER TESTIFYING, PLEASE LEAVE PREPARED STATEMENT WITH SECRETARY.

Comments:

- 1.

- 2.

- 3.

- 4.

Itemize the main argument or points of your testimony. This will assist the committee secretary with her minutes.



Box 1176, Helena, Montana

JAMES W. MURRY
EXECUTIVE SECRETARY

ZIP CODE 59624
406/442-1708

TESTIMONY OF JIM MURRY ON HOUSE BILLS 916 AND 917, HEARINGS OF THE HOUSE
TAXATION COMMITTEE, MARCH 24, 1983

I am Jim Murry, executive secretary of the Montana State AFL-CIO. I am here today in opposition to this legislation. The Montana State AFL-CIO has a long-standing convention position against a sales tax.

By convention action, we are opposed to a sales tax no matter how large or how small 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.

Corporations and the wealthy have historically supported the sales tax. The Montana State AFL-CIO and other people groups have opposed it because it ultimately hits the average wage earner, the poor and those on fixed incomes the hardest, since it is not based on the ability to pay.

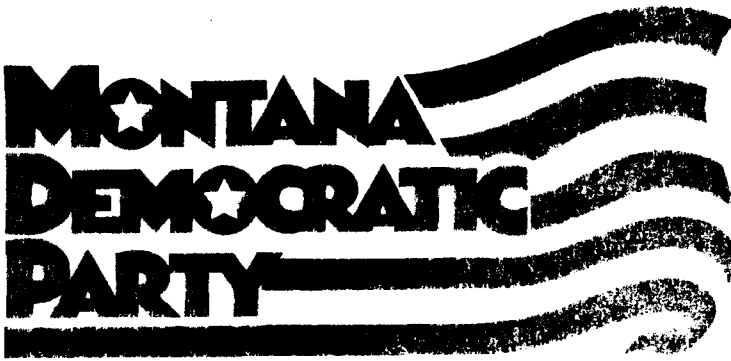
In 1971, the last time the sales tax issue appeared on the ballot, the Montana State AFL-CIO, the Montana Democratic Party and the Montana Farmers Union joined together with other groups to oppose it. In the closing days of the campaign, a court order forced those supporting the sales tax to reveal their sources of funding.

Those sources turned out to be almost entirely the state's largest corporations. But the wealth of those corporate giants was no match against an aroused people power, and the sales tax went down to defeat. It failed to carry even a single one of Montana's fifty-six counties.

The Montana State AFL-CIO is well aware of the financial crisis facing our educational system, local governments, and essential social programs. We support adequate funding to maintain these services. But we cannot support the sales tax as the way to raise necessary revenues. No matter how progressive you try to make this regressive tax, we support the graduated income tax, based on the ability to pay. It is the fairest and most just tax.

Thank you.

March 24, 1983



TESTIMONY PRESENTED TO THE HOUSE TAXATION COMMITTEE OPPOSING
HOUSE BILL 916 TO CREATE A SALES TAX.

Mr. Chairman and members of the committee, for the record my name is Nancy Harte, legislative coordinator for the Montana Democratic Party.

The Democratic Party, through its platform, has always been opposed to a sales tax in whatever form and with whatever exemptions being taken into account. The reason we oppose such a tax is that we believe that when taxes must be put into effect, we ought to have the most fair tax possible.

The sales tax is not a fair tax. Since this issue has been raised over the many years in Montana, we've always heard that the tax will be paid by the tourists who come to Montana -- in fact, many of those tourists visiting the various places in Montana are Montanans themselves.

But the real impact of the sales tax comes not to tourists, but to the people who live in our state, and it falls most heavily on those who can least afford it because the sales tax is a regressive tax.

Montana Democratic Central Committee • Steamboat Block, Room 303 • P.O. Box 802 • Helena, MT 59624 • (406) 442-9520

Executive Board

Ron Richards Chairman	Sharon Peterson Vice Chairman	N. J. Dougherty Secretary	Ralph Dixon Treasurer	Joe Lamsón Executive Secretary	James Pasma Nat'l. Committeeman	Dorothy Bradley Nat'l. Committeewoman
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Helen Christensen	Chas Jeniker	Junne Johnsrud	Helen Kerr	Bruce Nelson	Howard Toole	Bobbie Wolfe
Sen. Chet Blaylock		Rep. Dan Kemmis		Phillis Moore		Sherri Stieg

In spite of the exemptions listed in this bill, sales taxes would still have to be paid on many items that are vital to everyone -- shelter, clothing, transportation and nonprescription drugs. These are not the trappings of a grand lifestyle -- they are the basics that everyone needs to survive and thrive. But under this proposal, even these basics would be taxed.

A sales tax takes a few cents here and a few cents there and adds up to a pile of money out of the pockets of those who can least afford it.

The last time Montanans voted on instituting a sales tax it was defeated overwhelmingly. We don't want a regressive tax in Montana and so we ask that you defeat this legislation.

TESTIMONY OF TOM RYAN ON HOUSE BILLS 916 AND 917 BEFORE THE HOUSE TAXATION
COMMITTEE, MARCH 24, 1983

I am Tom Ryan, representing the Montana Senior Citizens Association. I am here to state our opposition to House Bills 916 and 917, which are two sales tax bills.

Senior citizens appreciate the fact that both bills attempt to deal with funding for the elderly, but we are deeply concerned at the kind of tax which would be used to raise this money. Many senior citizens would be hurt by the very tax that is supposed to be helping them. That doesn't make sense to us.

Many seniors are living on fixed incomes, and are barely able to make ends meet. While inflation has slowed down, some essential items, such as heating costs, continue to rise. These are people for whom even a few dollars less a month would create a terrible hardship.

While the elimination of the property tax, as proposed by these bills would be a help to seniors, it is the corporations and big businesses who would get the real break, since that is who pays the majority of the property tax in our state. We believe that those who make the most money should pay the most in taxes, not the other way around. With a sales tax, everyone pays at the same rate, regardless of their income.

We support efforts to help the elderly, but not with a sales tax which will be a hardship for them.

We ask that you vote against House Bills 916 and 917.

Thank you.

AMERICAN FEDERATION OF STATE, COUNTY AND MUNICIPAL EMPLOYEES

Affiliated With A.F.L.-C.I.O.



Gerald W. McEntee
International President

William E. Lucy
International Secretary, Treasurer

COUNCIL OFFICERS

John P. Walsh, President
1215 West Gold
Butte, MT 59701
Phone 792-4816

Anita Davis, Secretary
1112 5th St
Deer Lodge, MT 59722
Phone 846-3308

George E. McCammon, Treasurer
Rte 1, Box 144
Townsend, MT 59644
Phone 266-3592

Nadiean Jensen

AFSCME, Council #9 March 24, 1983

Opposing House Bills 916 & 917 House Taxation Committee

VICE-PRESIDENTS

William Anderson
940 South Jordan
Miles City, MT 59301
Phone 232-3304

James Cook
817 3rd Avenue
Havre, MT 59501
Phone 265-4489

William McMullin
920 Anchor Street
Billings, MT 59101
Phone 252-4093

Carolyn Squires
2111 S. 10th St. W.
Missoula, MT 59801
Phone 846-3308

Joe Geraghty
1550 Waterline Road
Butte, MT 59701
Phone 494-4720

COUNCIL STAFF

Headquarters
600 N. Cooke
Helena, MT 59601
Phone 442-1192

R. Nadiean Jensen
Executive Director

George F. Hagerman
Field Representative

Sharon Donaldson
Field Representative

Dennette McClane
Office Secretary

I am R. Nadiean Jensen, Executive Director of the American Federation of State, County and Municipal Employees, Council #9, AFL-CIO. We are opposed to House Bills #916 and #917, both of which are sales tax bills.

The sales tax is not a fair tax. Those who can least afford to pay it are the ones who bear an unfair share of the burden. We support fair taxes such as the income tax, where the people who make the most money, pay their share, and those who have little or no income are not forced to pay it.

The members I represent are directly affected by the loss of funds at the state and local level, because they work for government. They are the people who are facing potential layoffs and wage freezes. Local governments are really strapped for funds, because of cutbacks at the federal and state level and diminishing tax basis. We are in strong support of funding for state and local government as well as for other necessary and essential services. But we do not want to see the funds come from people who cannot afford it.

Testimony on House Bills 916 & 917
Page 2
March 24, 1983

Sometimes the argument is made that a sales tax gets money from tourists to pay the bills. However, we should remember that tourists are only in the state for a week or two, while the rest of us would be paying the sales tax fifty-two weeks out of the year.

We urge the legislature to increase revenues, but by fair means, not the sales tax.

Please vote against House Bills 916 & 917.

Thank you.

Respectfully submitted by,

R. Nadiean Jensen, Executive Director
Montana Council #9, AFSCME, AFL-CIO

The only businesses that would benefit from the bill would be those inhabiting offices, hotels, and commercial buildings exempted from the property tax. These businesses are not the primary industries that bring dollars to Montana - they are the secondary, service industry businesses that recycle the existing dollars within the state.

For these reasons, I do not support the bill.

*The bill would deposit \$2.5 million per year in an account to promote tourism. But tourists would have to pay an extra \$26 million per year in Montana for sales tax.

B. Marks 3-24-83

EXHIBIT 11
3-24-83

HOUSE BILL 916

Some Problems:

1. Pages seven and eight define the services that are subject to the sales tax. Services that require physical labor are subject to the tax. These include tailoring, cleaning, photography, barbers, motor vehicle repair, etc. Professional services such as lawyers, accountants, consultants, etc. are exempt. This tends to make the sales tax, which is regressive, more regressive by exempting services which are generally purchased by the wealthier members of society.
2. Section 28, page 36. Bonding requirements allow the Department of Revenue to require a surety bond from any business, of an unspecified amount, if the Department considers it "necessary and advisable in order to secure the collection of the tax." This Section gives too much discretion to the Department of Revenue.
3. Page 44, line 2. Establishes an administration account from collections of \$750,000. This is probably not enough and there are no provisions for administration costs prior to collections.
4. Page 48, line 5. Specifies that the county treasurer shall distribute sales tax collections to local governments "in the same manner as other property taxes are distributed." The distribution of remaining property taxes will be much different once this Bill is enacted. Cities which do not have industrial plants will receive little or no property tax and therefore little or no sales tax revenue. The distribution scheme in the Bill is totally unpredictable except to note that it will not provide revenue to local governments in a manner at all similar to the current property tax system.
5. Page 48, Section 45. Establishes the "new environments for the elderly and disabled trust account." The account receives \$2.5 million annually but only

the interest can be spent until the account reaches \$100 million. This constitutes a tax increase, not a replacement tax, because the money cannot be used for government services for many years. The funds, when they become available are to subsidize interest payments to allow the "elderly, infirm or disabled" to buy their own homes. Interest rates aren't the problem. These people generally need help keeping the homes they now have, or securing adequate living space. Purchasing new homes on low incomes will be no easier if all the state does is subsidize interest payments.

6. The elderly receive the same allocation as tourist promotion under this Bill and both allocations will be constitutional. If we believe in a representative form of government, the Legislature should be allowed to change the distribution of funds as needed.
7. Page 50, Section 48. This section repeals the university 6 mill levy and possibly the 40 mill levy for elementary and high school education.
8. Page 50, Section 49. Imposes a local income tax if future revenue needs exceed sales and remaining property tax revenues. There is no question but that local expenditures will increase faster than flat rate taxes. Rather than eliminating taxes, Montana will have sales taxes, property taxes and local income taxes. The property tax will remain at the current high level on all property subject to tax.
9. Page 51, Section 50. Allows any level of government (county, city, school districts) to impose a local income tax and all units will impose the tax at a different rate. This is totally impossible to administer at any cost. Page 53, line 12 provides 1% of collections for administrative costs. This is totally inadequate considering the small amounts of money initially needed by each taxing jurisdiction.

10. Page 53, Line 25, Section 56. Establishes a renter tax credit which may be up to \$500. There will be no property tax on rental units to compensate renters for, so it must compensate for the lack of interest deductions on the Montana individual income tax return. In any case, the credit offered bears no known relationship to the income tax savings afforded homeowners for interest deductions. This section seems to have no purpose what so ever.
11. The remainder of the Bill amends Montana Tax laws where necessary to insure conformity to this act. The Committee must determine whether a complete and accurate job of amending has been conducted if it wishes to act favorably on this Bill.

Jim McGarvey, Montana Federation of Teachers
House Bills 916 and 917
House Taxation Committee

March 24, 1983

I am Jim McGarvey, from the Montana Federation of Teachers.
We oppose House Bills 916 and 917.

I am aware that some of the proceeds of this sales tax would go to education. That is the ploy used by almost every state when they are first passing a sales tax. That almost makes it sound like education is getting a good break.

But what we are really talking about here is a replacement tax, putting a sales tax for most of the property tax. I have always felt that schools and local governments need another means of revenue than the property tax. That is especially true when so many people are unemployed and can't afford property taxes. But when the sales tax is put on instead, that hits every unemployed person even harder.

Perhaps there is a more regressive tax than the sales tax, one that hits people with little or no money even harder. But if there is a worse tax, I don't know what it is.

Our schools need help. So do other essential programs. But this legislature should be making the tax system more progressive, not more regressive. When people have good jobs and when companies are making money, they can afford to support important programs, like education for our children. But the unemployed and the elderly and people with little or no money can't afford this tax increase in order to give a break to the companies and the wealthy people who would make out like bandits under these bills. We oppose House Bills 916 and 917.

Pat Fairbanks

WITNESS STATEMENT

Name Pat Fairbanks Committee On (House) Taxation
Address Box 1246 Helena Date Wed. March 24, 1969
Representing MT. Federation of Teachers Support _____
Bill No. HR's 916/907 Oppose X
Amend _____

AFTER TESTIFYING, PLEASE LEAVE PREPARED STATEMENT WITH SECRETARY.

Comments:

1. (See prepared testimony of James McBarney, Montana Federation of Teachers; AFT, AFL-CIO.)
- 2.
- 3.
- 4.

Itemize the main argument or points of your testimony. This will assist the committee secretary with her minutes.

VISITOR'S REGISTER

HOUSE _____ TAXATION _____ COMMITTEE _____

BILL HOUSE BILL 916 DATE March 24, 1983

SPONSOR Representative Ellerd

NAME	RESIDENCE	REPRESENTING	SUP- PORT	OP- POSE
John Ireland	Billings	Chamber of Comm	X	
Larry Perrineau	Butte	Mont. State Building Trade		X
Jim Marks	Helena	LOCAL 400 IUDUE		X
Pat Miller	Bozeman	MT. FARM BUREAU	X	
Maureen	Helena	MT. STONEWORKERS	X	
Tom Kinney	W.T. Falls	MT. FARMERS UNION		X
Dave Lewis		U B PP		X
Tommy	Helena	MT. SPA		X
R.N. Jensen	Helena	AFSCME		X
Nancy Herbst	Helena	MT. Democratic Party		X
JAMES BAILEY	MT CITY	MT FARMERS UNION		X
F.H. BOLES	MT. CITY ^{HELENA}	MT CHAMBER	✓	
Robert VanDerbeek	Helena	Self		✓
Jim Miller	Butte	Rwy Clerks		✓
Pat Fairbank	Helena	MT Teachers g teachers		X
David Sexton	Helena	MEA		X
LILL ASHER	Bozeman	SELF	X	
George Allen	Helena	MT. Retired Person	X	

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

WHEN TESTIFYING PLEASE LEAVE PREPARED STATEMENT WITH SECRETARY.

STANDING COMMITTEE REPORT

April 1,

19 83

MR. SPEAKER:

We, your committee on TAXATION

having had under consideration HOUSE Bill No. 917

First reading copy (White)
color

A BILL FOR AN ACT ENTITLED: "AN ACT TO AMEND ARTICLE VII OF THE CONSTITUTION OF THE STATE OF MONTANA TO ELIMINATE PROPERTY TAXES ON ALL NONINDUSTRIAL IMPROVEMENTS TO REAL PROPERTY, ON RESIDENTIAL LAND, AND ON CERTAIN AGRICULTURAL ITEMS; ELIMINATING UP TO 50% OF THE PROPERTY TAXES ON INDUSTRIAL IMPROVEMENTS; FREEING PROPERTY TAX RATES ON OTHER TAXABLE PROPERTY; REQUIRING THAT ADDITIONAL LOCAL TAXATION BE THROUGH INCOME TAXES; PROHIBITING PROPERTY TAXATION FOR THE GENERAL SUPPORT OF STATE GOVERNMENT; ESTABLISHING A GENERAL SALES TAX, NOT TO EXCEED 5 PERCENT; PROVIDING STATE REIMBURSEMENT FOR LOST PROPERTY TAX REVENUE; PROVIDING A TRUST FUND TO PROVIDE ADEQUATE RESOURCES TO THE ELDERLY AND DISABLED; PROVIDING RENTER ASSISTANCE; PROVIDING FOR THE PROMOTION OF TOURISM IN THE STATE; AND PROVIDING THAT THE ACT BE SUBMITTED TO THE ELECTORS OF THE STATE OF MONTANA."

Respectfully report as follows: That HOUSE Bill No. 917

~~DO NOT PASS~~ DO NOT PASS