

MINUTES OF THE MEETING
PROPERTY/SALES TAX SUBCOMMITTEE OF THE TAXATION COMMITTEE
50TH LEGISLATIVE SESSION
HOUSE OF REPRESENTATIVES

February 24, 1987

The meeting was called to order by Chairman Ramirez on February 24, 1987, at 8 a.m. in Room 312 of the State Capitol.

ROLL CALL: All members were present. Also present was Dave Bohyer, Researcher, Legislative Council.

DISCUSSION OF SALES TAX ISSUES: Chairman Ramirez provided a list of bills referred to Income Tax and Property/Sales Tax Subcommittees (Exhibit #1).

Dave Bohyer explained the Issues Outline (Exhibit #2) and advised the Subcommittee that he concentrated on the sales tax base, to include tax credits and exclusions.

Chairman Ramirez stated that the Subcommittee's first decision should be whether to outline exclusions or to go with general credits. He explained that by excluding food, for instance, tourists would benefit and that if a food credit were given, Montana residents would benefit. He added that the Montana Retail Association is interested in the concept of general credit.

Rep. Keenan stated the Subcommittee must be cognizant of the fact that tourists make up only 7% of total expenditures for food and lodging in the state.

Dave Bohyer advised that discussion among tax administrators is that a tax credit is more easily administered and is more equitable.

Chairman Ramirez requested that the Subcommittees read "Exclusions and Exemptions from Sales taxes", (Exhibit #3), this evening and be prepared to make a decision on exclusions versus credits at the next meeting on February 25, 1987, at 7 a.m., in Room 312B.

Dave Bohyer explained that professional services are most often exempted, and said four states have broad-based taxes on services right now. He added that the deterrent to this approach is in making economic decisions to either bring professionals on-staff versus contracting for excluded services. Mr. Bohyer read from page 51, of Exhibit #3, citing necessary exemptions.

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Rep. Keenan said she thought the Subcommittee was going to establish a level of property tax reduction and then work on sales and income taxes on that basis.

Chairman Ramirez told the Subcommittee that HB 377 is estimated to generate about \$160 million annually, and that the Subcommittee needs to make decisions on these issues as meetings progress.

Rep. Keenan commented that she was comfortable with the idea of a general framework, with specific work to be completed later on in the session.

Chairman Ramirez stated that on the personal property tax side the Subcommittee will need to look at the proposed fee system for boats and airplanes, miscellaneous items such as tools, and livestock, among others. He added that on the real property side, other options exist, such as eliminating some property classes.

Rep. Williams asked if the goal of the Subcommittee was to use the sales tax to replace property taxes. Chairman Ramirez replied that it wasn't, and that he would like to see three-fourths of a sales tax go to property tax relief and the remaining one-fourth, to the general fund.

Rep. Williams asked if another goal was to pass the sales tax on to a vote of the people or to implement it directly. Chairman Ramirez replied there is a timing problem with an election and that as the Taxation Committee is the most knowledgeable on this issue, he would prefer direct implementation of a sales tax. He added that this would be the last decision to be made on this complex matter.

Chairman Ramirez commented that income tax structure is more easily changed as the structure is already there, and it is simply a matter of a mechanical calculation.

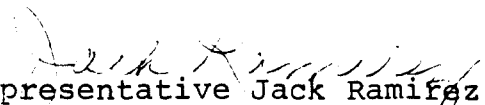
Rep. Keenan asked if the Subcommittee were only looking at what issues were introduced during the Session, rather than looking at the matter as a whole. Rep. Keenan added that the suggested idea has been to overhaul the entire tax system, and said Rep. Cohen has a bill to reduce the property class system to five classes.

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Chairman Ramirez advised the Subcommittee they would go through the exclusions in HB 377 and decide on those policy matters.

Rep. Koehnke asked if HB 377 would supersede other select sales tax bills if it were approved by the Taxation Committee. Chairman Ramirez replied that some organizations have expressed interest in both a sales tax and an accommodations tax.

ADJOURNMENT: There being no further business before the Subcommittee, the meeting was adjourned at 9 a.m.


Representative Jack Ramirez
Chairman

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