

MINUTES OF THE MEETING  
TAXATION COMMITTEE  
MONTANA STATE SENATE

March 31, 1987

The fifty-fourth meeting of the Senate Taxation Committee was called to order at 8:00 A.M. on March 31, 1987 by Chairman George McCallum in Room 325 of the Capitol Building.

ROLL CALL: All committee members were present.

CONSIDERATION OF HB 377: Representative Ramirez, House District 87, was not available to present this bill as sponsor. He was available later in the hearing for questions and answers and to close on the bill.

Representative Fritz, House District 56, presented this bill to the committee. A copy of his statement is attached as Exhibit 1.

PROPONENTS: Dennis Burr, representing the Montana Taxpayers Association, gave testimony in support of this bill. There are a few items that he would like the committee to consider as they go through the bill. One of the things that stand out in this particular bill is the confusion in the exemption sections. It is difficult in some instances to tell what is taxed and what is not. He would suggest looking to Senator Hirsch's bill for the exemption sections because he feels they are well written and very specific and understandable. With regard to the taxes on utilities, he believes those should be exempt from a sales tax. That is the way the bill has been presented in some cases but he is not sure that it does exempt utilities completely. We exempt residential use; we seem to exempt electricity used in manufacturing products which will later become taxable. There are a number of things in between that would be very difficult to collect the taxes on. He would suggest just a blanket exemption of utilities. Low utility rates are one of the selling points of Montana. The property tax relief envisioned in the bill is very good. The Montana Taxpayers Assn. thinks that the bill should probably tax food and drugs and use a negative income tax to rebate money to low income people. That would expand the base to some extent. Probably the best feature of this bill is that property taxes are not eliminated on anything except livestock and grain in storage. We have pushed the idea of reducing those taxes, rather than eliminating them. The return of property taxes to local governments can be done if you reduce the tax rather than eliminate the tax.

George Anderson, CPA from Helena and Co-Chairman of MONTREC, gave testimony in support of this bill. Montrec favors this bill. They feel that Montana needs tax reform and cannot depend on severance tax and business taxes and taxes on the high income people, as dependable sources of revenue. Those sources are declining and will decline more if we do not do something in the area of tax reform to get a better business climate in this state. The sales tax is a dependable source of revenue. This bill does accomplish the goals that MONTREC set out with. It is tax reform and there is good replacement of property tax. It will also give relief to local governments, which was another goal of MONTREC. With regard to an election relative to the sales tax, they do not feel an election is necessary. The legislature should make these decisions as a representative of the people. If we do need an election, and that is not taken care of before July 1, MONTREC feels that I-105 will go into effect. I-105 actually states that if there is no tax relief by July 1 then property taxes are frozen in the categories that are set forth. If we have an election, there must be a choice. The taxpayers must know what will be the alternative and what will be the effect of not passing a sales tax. He feels they must know how much of an increase in income tax would be needed.

Eric Feaver, Montana Education Association, gave testimony in support of this bill. In January the MEA said they would support a sales tax as one way to: 1) definitely respond to I-105; 2) provide property tax relief to agriculture, business and home owners; 3) broaden Montana's tax base, not to diminish it or to replace one unpopular tax with another; 4) reduce or replace unequalized local property taxes; 5) enhance the state's ability to pay for special education, vocational education, the school foundation program and the university system; and 6) to defuse the property tax revolt in Montana. House Bill 377 does address items 1), 2) and 3). Item 4), reduce or replace unequalized local property taxes, such as mandatory, county-wide, retirement levies, is not addressed in this bill but there is another bill, SB 183, that does do that. Item 5), this bill does not, yet, provide enough new revenue in order to continue to better fund those public services that we especially need in this state. With regard to item 6), does HB 377 defuse the property tax revolt in Montana, he does not know, he certainly hopes so. It is clearly a response to that revolt. The MEA does not support a referendum for sales tax purposes. If it is put before the voters, they hope it is voted on in June of this year.

George Allen, Executive Vice President, Montana Retail Association, gave testimony in support of this bill. A copy of his written statement is attached as Exhibit 2.

Bruce Smith, Publisher of the Bozeman Daily Chronicle, gave testimony in support of this bill. A copy of his written statement is attached as Exhibit 3.

Brett Boedecker, representing Montana Forward, gave testimony in support of this bill. Montana Forward had a study conducted on Montana's tax system. That study was concluded in November and from that study the following was adopted: 1) a 4% sales tax to be devoted exclusively to property tax reform including commercial, residential, personal property, gross proceeds, net proceeds, as well as centrally assessed property, and 2) provide for a broad base of exemptions, which this bill has many of these exemptions. The committee should look to Senator Crippen's bill in the exemption area. At a meeting recently in Glendive, it was apparent to him, from the comments of the people at the meeting, that property tax reduction has to be addressed in this session. If not, I-105, or something close, will come forward again. The people that he has spoken with have overwhelmingly indicated that they want the legislature to enact this instead of putting it to a vote of the public.

Claudette Morton, Board of Public Education, gave testimony in support of this bill. The Board supports quality education and recognizes that it must be paid for and that the people have spoken with the passage of I-105 and do feel overburdened in the area of property taxes. This revenue source has been the significant base for schools. The sales tax is a viable alternative, a new source of revenue. We do have some concerns that this bill does not generate enough new revenue to deal with Montana's economic problems. We also would wish that it were clearer that the generated revenue will support public education. We support this legislation in the interest of maintaining quality education.

A. R. Hagens, Hill County Commissioner, President of the Montana Association of Counties, gave testimony in support of this bill. MACO has long held that local and state government are entirely too reliant on property taxes. We believe that the tax proposal in this bill today can offer a method of property tax relief that people are demanding and which will relieve a multiplicity of problems for both state and local government.

Kay Foster, representing the Billings Chamber of Commerce, gave testimony in support of this bill. A copy of her written statement is attached as Exhibit 4.

Fred Johnston, Chairman of the Taxation Committee of the Montana Stockgrowers Assn., and also representing the Montana Cattlewomen, gave testimony in support of this bill. It has been the position of our association that it would be appropriate to have a sales tax in Montana if such tax is accompanied with meaningful property tax relief. They feel this bill accomplishes this purpose and they endorse this bill. They believe in considering a tax you have to consider the whole tax structure of the state and as a whole they believe that this bill will provide a system that will remain progressive. In addition, there are provisions in this bill that would assist in making the whole tax structure progressive, food and prescription drugs are exempt, the first \$20,000 of a residence is exempt, and this bill provides for a \$15 credit on the Montana income tax. His association would like the committee to consider two amendments to the bill. His proposed amendments are attached as Exhibit 5.

Ben Havdahl, representing the Montana Motor Carriers Assn., gave testimony in support of this bill. A copy of his written statement is attached as Exhibit 6.

Robert N. Holding, representing the Montana Association of Realtors, gave testimony in support of this bill. He believes this bill will give much needed relief to the home owners of the state of Montana and will also answer many of the principal objectives of I-105. He would like to go on record in support of the amendments suggested by the Retail Association in the exemption of advertising from the sales tax. The enactment of this legislation will broaden the tax base in Montana and will bring more people into the taxpaying public and will give needed tax reform.

Stuart Doggett, representing the Montana Chamber of Commerce, gave testimony in support of this bill. We represent many businesses across the state of Montana. A survey of that membership indicated that 85% supported a sales tax, and 15% said they would oppose a sales tax. When asked what a sales tax should be used for, 42% said it should be used just for property tax relief, 4% said just for new revenue, and 54% of the membership felt that it should be used for both property tax relief and new revenue. When asked about exemptions, 75% supported exemptions, with food

and drugs most frequently named as the items that should be exempt. On how a sales tax should be implemented, 81% said it should be implemented by the legislature and 19% said it should be implemented by a vote of the people. We feel this bill answers many of the concerns of our membership.

Richard Llewellyn, Montana Manufactured Housing, gave testimony in support of this bill. Like the Board of Realtors, they are also proponents of this bill, and agree with all of the comments of the proponents that are at the hearing. He agrees that substantive property tax relief and major reform of the method of generating revenue for the governmental operations in the state of Montana is needed now and not two years from now at a vote of the people. All he would request is that they be treated similarly to the stick built housing industry. This bill does do that and they are satisfied with the bill in its present form.

Tom Harrison, Montana Cable TV Association, gave testimony in support of this bill. They are in support of this bill and the tax relief that is outlined in the bill. The tax revolt is in place and failing to address it at this time will cause convulsive reaction within the state of Montana, which they believe will have devastating, long term effects. They would request one amendment on page 9, lines 13-16, which specifically adds cable TV services as an exemption. Under Montana law and federal law a franchise tax is paid, can be charged, by local units of government. For instance, Billings charges a 4% of gross franchise fee in order to operate a cable TV system. With this additional 4%, the cable TV operator would be facing an 8% of gross receipts tax. In the neighboring states, Idaho and Washington, those services are exempt. Wyoming has determined, by court case, that they could have either the franchise fee or the sales tax and the legislature in that state opted for the franchise fee.

Don Waldron, School Administrators of Montana, gave testimony in support of this bill. In October of 1985 and October of 1986, the school administrators went on record supporting a number of measures to change the tax structure and the sales tax was one of those measures. We felt you need to recycle the dollar in order to get the revenue. The reason we are in trouble today with the property tax is because the legislature has exempted too many things over the years and we no longer have the revenue coming in. If you do the same thing with a sales tax, you will find yourself in the same predicament. He would urge that the committee be very careful with the exemptions.

Lorna Frank, representing the Montana Farm Bureau, gave testimony in support of this bill. She said they support a sales tax if it is to replace a property tax. They feel HB 377 does this. She would urge the committee to take a look at the amendments presented by Fred Johnston of the Stockgrowers Assn. She also believes this should be enacted by the legislature and not by a vote of the people of Montana.

Jim Van Arsdale, Mayor of the City of Billings, said the City Council supports this bill. He would encourage the committee to take a look at the exemptions and perhaps whittle away at some of the exemptions to make the bill more simple and easier to enforce.

Gordon Morris, representing the Montana Association of Counties, gave testimony in support of this bill. He said there are probably very few people that have spent more time looking at the property tax side of this particular bill than he has and he would be happy to answer any questions. If the committee does take a look at the property tax relief afforded in this bill, for every \$100 that would be proposed to be relieved by way of the property tax burden, that would have to be made up by sales equal to \$2500 to be taxed at 4% to be balanced. In his own case, he would realize about \$600 of property tax relief and would have to spent in excess of \$13,000 on taxable items to equal the full dollar that he would save.

Alec Hansen, Montana League of Cities and Towns, gave testimony in support of this bill. He said our organization has never taken an official stand on the issue of a sales tax in Montana. We are very concerned about property tax in this state and some of the things that are happening in the legislature. Since January there has been an endless succession of bills that will reduce or eliminate property taxes in the various classes. These bills pose a threat to the continuation of the basic, necessary community services in the cities and towns across the state. Each of these bills reduced the amount of revenue to the local level and did not provide fair replacement revenue. This bill will reduce property taxes and at the same time will provide fair and adequate replacement. It provides the revenues back home to continue the services that the cities in this state provide. This bill should also cancel I-105, which would be impossible to operate under.

OPPONENTS: John LaFaver, Department of Revenue, gave testimony in opposition to this bill on behalf of the Administration. He said he did not think he had heard as many proponents for a piece of legislation say its a great piece of legislation for everybody except them. He referred to the exemptions requested for the newspapers, farm residences, and cable TV; that the 1% fee is not enough for administration by the merchants, that it should be 3%; and Mr. Morris, MACO, has indicated that essentially he will not have to pay it. The average household in Montana will pay a sales tax and the average household in Montana will pay in increased tax, not tax relief, of \$230 annually. This administration has favored a referendum on the sales tax. They would advocate the referendum being reinstated in the bill as Representative Ramirez proposed the bill. HB 377 takes one of the worst sales taxes in the nation, the sales tax of the state of Minnesota, and as far as he can see, makes it worse. The bill itself would raise about \$15 million more revenue per year. The amendments proposed here would more than offset that. The exemptions are hard to understand in the bill. This bill, after looking at all the exemptions and subtracting them out, will raise \$39.2 million per percent. In comparison Senator Crippen's bill will raise \$64.9 million per percent and Senator Hirsch's bill will raise \$51.7 million. He thinks it is very important that the committee try to enact as broad based a sales tax as they possibly can and for the very simple notion that the broader the tax base the lower the tax rate. This bill lowers the tax on personal property but does not repeal it. As a result administrative costs on this bill are about \$2 million higher per year than under Senator Hirsch's bill. Most sales tax experts would agree that adjustments need to be made to any sales tax to make it less regressive. Some advocate a credit and some prefer the exemption of food and medicine. No one would advocate a sales tax that would exempt food, medicine and fuel, plus on top of that provide an income tax credit. With a tax such as that, we spend administrative money to collect the tax and then we have to spend more money to give the tax revenue back. This bill has a three year statute of limitation. It should be a 5 year statute, certainly if you look at the size of the proposed audit staff that will need to be employed to administer a sales tax. He would hope the committee would substantially rewrite the bill to take into consideration some of his comments, specifically with regard to the referendum.

Sam Ryan, of the Montana Senior Citizens Assn., gave testimony in opposition to this bill. He said we are

opposed to a sales tax in any way, shape or form. Providing property tax relief with a sales tax is pure myth.

Terry Murphy, Montana Farmers Union, gave testimony in opposition to this bill. He said our members have taken a stand in firm opposition to any general sales tax for any purpose. In the event a sales tax is passed out, he would think that every effort should be made to treat the various segments of the population as equitable as possible both in the sales tax portion and the property tax relief portion. The way the bill is set up now it certainly does not do that. There are too many exemptions in the bill and are not equitably distributed between groups. He does believe that if this sales tax is passed that it will go before the people and if so, he would hope it would go as a straight forward proposition.

Representative Keenan, House District 66, gave testimony in opposition to this bill. She was a member of the subcommittee in the House on this bill. The bill is really two bills. There is a part of the bill that is purely dedicated to the sales tax issue and a part of the bill that is total property tax reform. When the bill came in some months ago, things that were taxed under the sales tax were farm machinery, construction equipment, mining equipment, tools, and logging equipment and as we went through the process those things were exempted. Today, again, you have people standing up saying they want more exemptions. Things that are not included are food, clothing and a \$15 credit per individual to offset the other things we buy. The average home owner will be paying the sales tax and getting a \$15.00 credit to cover the cost of everything else. There is no income level, so that whether you make \$10,000 a year or \$100,000 a year, the fact is you will be treated the same. There is some inequity there. Representative Ramirez alluded to a cap but that did not get amended into the bill. Once we got the bill in form, it brought in about \$150 million. If you figure that the tourist industry in the state is about 6-7%, you can pretty well assume that they will be paying \$9 million and businesses for some of the things that they purchase, about 14% or \$21 million. That left \$120 million left to be paid by consumers in this state. We gave them back a \$12 million credit, so that leaves \$108 million. Tax per household, \$393. When you take a look at property tax relief, lets see who gets that, Union Market \$490, Albertson's \$26,000 and Kaiser Cement \$257,000. The homeowner, the person paying this, is not getting the relief, in fact they are getting a tax increase of \$227 per household. We reclassified all of the property in this state. We left net and gross proceeds the same, agricultural land the same, we combined residential, which we called nonproductive property with



productive property, and then we took those properties that were in 16%, 11% and 13% and with an amendment on the House floor, dropped those properties to 5%. That is a big part of this property tax relief and you need to know who gets it. These are the property in that 5% category - mining machinery, oil field equipment, repair tools, manufacturing machinery, trucks over 1-1/2 ton, buses, coal and ore haulers - and the ones who will get the largest relief. Who pays -- the consumer. You have heard the argument, this is new dollars, expanding the base. You have not expanded the base because you have excluded those things like taxing services. What kind of services are you going to tax. We are not going to tax lawyers, not going to tax accountants, but would tax dry-cleaning services. There are no new dollars for schools, when we are taxing things like textbooks. When you talk about fairness and equity this is not the bill that does that. This bill has taken away the right of the people to vote. We have not allowed the people to know, even though they are being told they will get property tax relief, that they will get a tax increase. When all of this is through and all of the exemptions come in, will you indeed have more money or will you merely have shifted the burden from major property to consumers.

Barbara Archer, representing the Women's Lobbyist Fund, gave testimony in opposition to this bill. Our research indicates that a sales tax, no matter how it is designed, is likely to place an unfair share of the obligation to generate revenue upon women and children. Most women are in middle and low income brackets and are constantly shifting into even lower brackets. In addition, women and children are the poorest of the poor. A sales tax, even with exemptions, requires those with lower income to pay a larger percent of their income in sales tax, in other words, it is a regressive tax. A sales tax is a tax on consumer goods. A middle or low income woman usually spends everything she makes on the necessities of day to day living. All of her money is spent as a consumer. She will not be using any part of her income on personal services or to purchase stocks and bonds or in generating new revenue for herself. A sales tax is a tax on those least able to afford it and it falls more heavily on individuals than on business. A proposal to use a sales tax as full or partial replacement for property tax on business is a shift from taxing production to taxing consumption. In some cases householders do need property tax relief. Residential property tax should be reduced. Household property is not income producing property. However, shifting property tax to a sales tax will not

benefit most homeowners. Benefitters are those who own enough property to get a break greater than the sales tax they will pay. Property tax replacement does not help out renters, who are most likely lower income people. The Women's Lobbyist Fund supports closing loopholes. There are alternatives to a sales tax

Don Judge, representing the Montana State AFL-CIO, gave testimony in opposition to this bill. A copy of his written statement is attached as Exhibit 7.

Mrs. Mary Doubeck, wife, mother of 7, grandmother of 12, teacher and rancher, gave testimony in opposition to this bill. A copy of her written statement is attached as Exhibit 8.

Gail Stoltz, representing the Montana Democratic Party, gave testimony in opposition to this bill. The party adamantly opposes a sales tax. The party's philosophy is based on fairness and equity. We try to apply that philosophy to every issue. A tax policy that does not meet that criteria cannot be supported by the Democratic Party. A sales tax is inherently regressive. This particular bill has been through many hours of work to make it less so. It places a disproportionate burden upon the average citizen and makes it unfair. The Democratic Party can support taxes that are equitable and progressive. Equity requires that similar taxpayers pay similar taxes. Progressivity requires that tax rates are increased as the ability to pay increases. The sales tax fails on both of those counts. A sales tax is a major shift in Montana's policy. The polls show there is an overwhelming and continuing desire by the voters to vote on this issue. The other thing that seems only fair, is that you present it to the voters at the time when the most people participate in the election process. Not when very few participate, not when it is a short time between the enactment of a referendum or putting it on the ballot and people have little time to understand what the issue is. The party supports having a referendum on this issue in the 1988 general election ballot. This committee heard a pledge from the Vice Chairman of the Democratic Party, Donna Small, that we will get the necessary petitions to place a sales tax on the ballot if you do not. She renews that pledge and they have not changed their position since March 12th, nor will they.

Representative Cohen, House District 3, gave testimony in opposition to this bill. The property reclassification scheme in this bill, on page 88 through page 109, is a total comprehensive reclassification of all property in this state. In some ways it is similar to HB 48, which

was heard last session, with the exception that commercial and residential property are combined. As Representative Ramirez worked through his planned sales tax, he had Gordon Morris take the existing 19 property classes and determine how to reduce the assessment rate to try to provide tax relief. At the same time, Representative Cohen was working on a bill, HB 892, that was a total reclassification program and it was based specifically on the proposition that productive and non-productive property should be in separate classes for the purposes of property tax classification, that the only justification for putting property in separate classes was that they had different productive value. One of the trial runs was presented by Representative Keenan to Representative Ramirez in a subcommittee meeting. A couple days later we suddenly discovered that our tentative reclassification plans had been grabbed up, and two of our categories, one involving productive land and one involving non-productive land, were tossed together in a single category, which in HB 377 is called class 4. In his bill he was trying to come up with a revenue neutral bill. That was not done in HB 377. Some classes show a 22% drop, some show a 50% drop and in some cases as much as a 75% drop in the tax break. There are some real problems in the language in the bill. For instance airlines occur in two places in our property tax code. He never repeals class 14, although class 14 appears in the class 4 property. Centrally assessed property is not mentioned in this bill. We have with this bill, very clearly, a consumer sales tax and on the other hand we have a property reclassification scheme that results in a tremendous loss in property taxes to cities, counties and state government. There is nothing in this bill for making up for the lost property tax. We are told there is a bill in the House that has a formula for adjusting for this. Nobody knows for sure what the tax loss will be from county to county. Where is the sales tax going to be collected and then where will it be redistributed. This bill doesn't direct how that will be done.

Patricia Ries, representing herself and family, gave testimony in opposition to this bill. A copy of her statement is attached as Exhibit 9.

Glen Gormely, representing his household, gave testimony in opposition to this bill. The majority of the proponents to this bill felt that their group should be excluded, as has happened since the drafting of the bill. We have income tax and property tax and we will need another vehicle to collect the sales tax and that is an additional

expense that he does not think is necessary. There are numerous opponents of this measure and if it is passed, there will be disputes for years to come trying to get it voted out.

Earl Riley, representing the Montana Senior Citizens Assn., gave testimony in opposition to this bill. This bill is a product of a well planned strategy, which began with the loopholes in 1981. We were told it was necessary to create loopholes for out of state finance people or they wouldn't invest in Montana. These loopholes were necessary, we were told, to create jobs through increased investment and new business that would be coming in to the state. Where are the jobs and the investment that was supposed to come in. Instead we have higher unemployment, we have seen the budget surplus disappear and in its place we have a huge deficit. This action could be called Act I of the financial planner and now comes Act II, we will now have a sales tax. Act III will raise the percentage of the tax when they discover they don't have enough money and Act IIII will eliminate the exemptions. Our neighboring states have already done this. This bill will reduce property tax by 30% and with a 4% sales tax, it has been shown the average family will see taxes increase \$250-\$300, depending on how many kids he has. A 30% tax deduction will be a savings to Shell Petroleum in the neighborhood of \$2-1/2 to \$3 million and Decker Coal will get \$2-1/2 million. Can these people call this tax equality, can they really be serious. He would hope that this bill will be voted on as to whether the people want it or not.

Tom Ryan, a senior citizen, gave testimony in opposition to this bill. He has appeared, or sent messages in, to oppose tax bills that would hurt senior citizens, SB 307, HB 842, HB 904, are some of the bills. We have put in the pharmacy bill that would possibly help cut costs to senior citizens and that was turned down in committee. He would ask consideration for the people in the state on fixed incomes. This is a sales tax bill and he opposes it because it is regressive. He does not believe there is such a thing as a tax on goods that is not regressive. He would go toward the ability to pay method. Regardless of whether this bill is passed out the way it came into this body or whether it is amended, the senior citizens will oppose this bill. You can't make it nice.

Phil Strobe, representing the Mt. Tavern Assn., presented the committee with a technical amendment he would like to offer for this bill. See attached Exhibit 10.

QUESTIONS FROM THE COMMITTEE: Senator Crippen said Representative Keenan brought up a good point when she referred to that portion of the bill that would provide property tax relief to the larger corporations in the form of personal property tax relief. He asked John LaFaver if in the Governor's bill there was a provision that would eliminate all property taxes.

John LaFaver said on machinery.

Senator Crippen asked if that would include some of the areas Representative Keenan was referring to.

John LaLaFaver said yes, it would. Every sales tax vehicle that is alive gives the preponderance of tax relief to owners of mining and manufacturing machiner. Of the sales tax proposals, the basic proposition is that we will provide some relief to the homeowners but the bulk of the relief will be provided in those areas where we have the highest effective property taxes.

Senator Crippen said you opposed this bill and supported SB 333. Is the difference because of the broad base of the tax.

John LaFaver said certainly the issue of the referendum; the Administration will not be in favor of anything that does not provide for a referendum. Beyond that, HB 377 is so poorly written that you can't tell what is exempted and what isn't. To administer this tax we would essentially have to rewrite the tax in rules, making the types of decisions that should be made by the legislature. Also, this is a very narrow tax base. If we are going to put out a sales tax for the people to decide on, it should be as broad based a sales tax as we can in order to keep the rates low.

Senator Halligan asked George Anderson if his group could provide specific information about various property tax-payers, individuals who don't pay property tax at the low income level, high income people, as to who potentially will pay the overall tax burden.

George Anderson could not provide that information.

Senator Halligan asked John LaFaver if it was possible to break out an individual who is low income, elderly and not a homeowner, who will be paying a sales tax; then an individual who is a homeowner; then a family of four who owns a home; an industry; and a business; and under the existing tax structure what they would pay, with a sales tax what they would pay and with property tax relief what they will pay.

John LaFaver said we have worked up some of that now, although not with the detail requested. He could provide that information within a week.

Senator Halligan said his preference, if he had to look at a sales tax at all, would be to eliminate all of the exemptions completely and do the rebate for credit aspect. Do other states do that.

John LaFaver said when you say no exemptions he assumes he means no exemptions from a retail sales tax and that is essentially the structure that New Mexico uses.

Senator Halligan asked if the administrative costs were much different.

John LaFaver said the expense of a credit that is applied back on the income tax is primarily an expense paid for by the state. The cost of administering a number of exemptions, for certain kinds of retail sales being exempt, the bulk of that expense is paid for by the retailer.

Senator Halligan said with regard to the collection and disbursement of the tax, where potentially the Billings area people will pay and the Deer Lodge people will benefit, can you deal with that aspect of this, not just in Rep. Ramirez's bill, but in a sales tax scheme.

John LaFaver said he didn't think you could deal with that in the sales tax scheme. There is another House bill that lays out a formula for passing the replacement revenue back to the local level. That is a whole topic of debate by itself.

Senator Brown asked Tom Ryan if the senior citizens plan to participate in a petition drive to place this issue on the ballot if it were enacted without being referred to the people.

Tom Ryan said we would join the AFL-CIO in that effort.

Senator Brown asked Don Judge if the AFL-CIO would attempt, by virtue of the 15% provision in the constitution, to make a referendum out of the sales tax if it were passed by the legislature without being referred to the people.

Don Judge said yes, we would.

Senator Brown commented that the Governor indicated he might veto a sales tax passed directly by the legislature.

Senator Mazurek said we are told we are becoming a service

oriented society. If we are going to adopt a sales tax, why not impose a tax on services. He asked Representative Ramirez to respond.

Representative Ramirez said you can apply this if you wish to services. He has no strong objections to that. He thinks you have to be very careful and remember the philosophy of a sales tax and that is to tax the product or the service at the ultimate retail consumer. It is a consumption tax and you have to be very careful in your selection of services to make sure that it doesn't fall too heavily on small business.

Senator Mazurek said a number of people have come in today advocating expansion of the exemptions. Those include newspapers, cable TV, liquor and advertising. He would like to know Representative Ramirez's position on those requests.

Representative Ramirez said as far as the newspapers are concerned, he would just as soon tax them, but he realizes there is a problem from the standpoint of the price of the item and the difficulty in collecting. As far as advertising, he thinks there is a legitimate concern there because that is not a tax on the ultimate consumer but is part of the product cost. The liquor, he thinks there is a double taxation there for the person who has the bar, and there is a legitimate argument there.

Senator Severson said the most important part of this is property tax relief. It puzzles him as to how this will be handled county by county when you get into that area.

Representative Ramirez said there is a bill that will be coming over that will have a dollar for dollar return for the counties. The reason it is in a separate bill is because it contains an appropriation and there was some concern HB 377 could not go on the ballot with an appropriation in it. He does not believe it provides a complicated formula and that it will be very easy to administer.

Senator Severson said when you say dollar for dollar, you are freezing mill levies at the present level.

Representative Ramirez said you determine what they would have received under the prior property tax system, what they are going to receive under the new property tax system, and you return the dollar difference. If you are talking about freezing the dollar amount, that is the way it starts out.

Senator Severson asked John LaFaver to respond.

John LaFaver said he thought that Representative Ramirez fairly explained the proposal. He does not see a particular logic in locking into place in permanent law a dollar for dollar replacement. He cannot see how that would be structured in a way that would avoid the incentive of a school, county or city from raising its mill levy and letting someone else pay. With a sales tax the major cities are going to feel that they are paying more in a sales tax than they are receiving. It will be a major issue once we have a sales tax in place.

Senator Eck said if the railroad taxes are really tied to the taxes on other classifications, are we likely to see some major changes there as well. She asked John LaFaver to respond.

John LaFaver said the tax on the railroads and the airlines is the average tax rate of other commercial and industrial property. That weighted average falls to 11.3 under the provisions of HB 377. If no other change happens in the tax rate or proportionate value, the tax rate on the railroads would stay at 11.3%.

Senator Eck said a number of people have suggested that we use SB 395. She asked John LaFaver how close that was to the New Mexico language.

John LaFaver said it is essentially the New Mexico law. We exclude food and drugs, other than that it is the same.

Senator Eck asked what the total value is of the \$20,000 exemption from residences.

Representative Ramirez said that is worth about \$45 million in tax relief.

Senator Eck said you have indicated you wanted to provide at least 1/4 of the revenue for the general fund and what would he suggest to increase the revenue or decrease the property tax relief.

Representative Ramirez said there are three things you can do -- 1) eliminate some of the exemptions to increase revenue; 2) you could expand to some services, such as Senator Crippen's services; and 3) this is very heavily weighted to the residential real property relief and you might trim that back slightly.

Senator Eck said if we try to balance, who pays and who benefits, it seems like we still come up short on the renters. She wondered how he would feel about a credit or rebate such as Senator Crippen had in his bill.



Representative Ramirez said if that is a balance that you feel should be looked at, then by all means do that. If you give renters credit, tailor it to about the level of property tax relief that you are giving to residences.

Senator Eck said there is no mention that this does meet the provisions of I-105.

Representative Ramirez said it certainly will meet the requirements of I-105 and if we are going to use this as the vehicle for that, then we can put that in.

Senator Crippen said to Gail Stoltz, one of the main objections to the sales tax, other than the historical objections, is that it would place a burden on the low income family. Is that essentially correct.

Gail Stoltz said that is one consideration, on the basis of regressivity there is no ability to pay.

Senator Crippen asked at what point, in time does that individual fall out of the low income bracket, what level of income are you looking at.

Gail Stoltz said there are national standards for what is considered the poverty level. What is very telling to me, is that 50% of the households in Montana are under \$16,000. In today's economy a lot of us would feel that raising a family or four on \$16,000, whether declared poverty, is tight.

Senator Crippen said if we could design a piece of legislation, whereby either a reduction in property taxes, a renters credit, and an income tax rebate or a rebate in lieu thereof, a set amount, where the low income people of \$16,000 or less, would not pay any additional tax and may even benefit. What then would the position of the Democratic Party be.

Gail Stoltz said at this point we do not see that in this bill. The position of the party is that we can't change our platform until next July. If this were on the ballot in 1988 we would have the opportunity to do that.

Senator Bishop asked Representative Ramirez what his best guess would be if this is placed on the ballot as to what would happen.

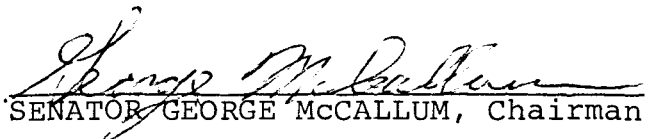
Representative Ramirez said he thought that it would lose. The reason the legislature needs to make this decision is because it is our responsibility to balance the interests

of society. The legislature sees every interest represented and the legislature has to balance those interests. If you take one issue out and put it on the ballot, then you have lost the complete context in which the sales tax decision should be made. He thinks the risk is too great. We all know the only way to provide property tax relief and property tax reform is with a sales tax. He would rather kill it now than put it on the ballot and have it killed and put on the shelf for another ten years.

Representative Ramirez furnished information to the committee, attached as Exhibit 11. He closed by stating this does bring balance to the property tax system and is progressive. By the exemptions, credits and the property tax or renters credit that you give, you can eliminate the regressivity. This has balanced property tax relief that is fair. We have put our system back into a mode where we can attract businesses. We put all personal property at 5% and have given property tax relief to agriculture in exempting their livestock and goods in storage. We didn't put farmsteads into the exemptions of \$20,000 because we were giving them other relief and they already have a break on their homestead which includes not only their residence, but one acre and the improvements on that one acre. We have exempted some items that are difficult to tax and exempted aircraft and put them on a fee system, as well as motor boats. The critical issue is whether you are going to gamble on a vote.

Hearing closed.

ADJOURNMENT: The meeting adjourned at 11:07 A.M.

  
SENATOR GEORGE McCALLUM, Chairman

ah

ROLL CALL

TAXATION

COMMITTEE

50th LEGISLATIVE SESSION -- 1987

Date 2-31-87

NAME	PRESENT	ABSENT	EXCUSED
SENATOR CRIPPEN	✓		
SENATOR NEUMAN	✓		
SENATOR SEVERSON	✓		
SENATOR LYBECK	✓		
SENATOR HAGER	✓		
SENATOR MAZUREK	✓		
SENATOR ECK	✓		
SENATOR BROWN	✓		
SENATOR HIRSCH	✓		
SENATOR BISHOP	✓		
SENATOR HALLIGAN, VICE CHAIRMAN	✓		
SENATOR McCALLUM, CHAIRMAN	✓		

Each day attach to minutes.

COMMITTEE ON

DATE

3-31-87

Senate Taxation

H.D. 377

## VISITORS' REGISTER

NAME	REPRESENTING	BILL #	Check One	
			Support	Oppose
Richard D. Leavelle	Mt. Manufactured Housing	HB 377	X	
Eric Faur	NEA	377	X	
Ken Dunham	Great Falls Advertising Federation	377	X Amendment only	
Don Judge	MT STATE AFL-CIO	HB 377		X
George J. Anderson	Montreac	HB 377	X	X
Lorale Mosher	Mt. Battle Women	HB 377	X	
Bruce K. Smith	Bozeman Daily Chronicle	HB 377	X	
Ben Haudan	MT Motor Carriers Assoc	HB 377	X	
John Johnston	MT Mfg. Heavy Assn	HB 377	X	
Fred A. Johnston	MSGA	HB 377	X Amendment	
Dennis Burr	MONITAX	HB 377	✓	
Bob Durken	MTA	377		X
Mrs. Mary E. Loubek	Self & family/friends	HB 377		✓
Patricia Rice	Myself, relatives	HB 377		X
EARL J. REILLY	M. S. C. A.	HB 377		X
ANNE LIGHT	"	HB 377		X
Charlotte Morton	Board of Public Education	HB 377	X	
Mavis Teigen	In L. & C. growers Assn	377	X Amendment	
Marvin Boelter	Mt. Lumber Assn	377	X	
Jim Halverson	MACO Ross Co	377	X	
A. R. Hagaw	MACO	377	X	
Lorna Frank	Mt. Farm Bureau	377	X	
Bob Mullen	MACO Richland Co.	377	X	
Alfred Karschke	MACO. Parnell Co	377	X	
Herb Ward	MACO Sheridan	377	X	
Georg Allen	Mt. Retail Assn.	377	X	

(Please leave prepared statement with Secretary)

DATE 3-31-87

COMMITTEE ON Source Taxation

HB 377

## VISITORS' REGISTER

NAME	REPRESENTING	BILL #	Check One	
			Support	Oppose
Stuart Daggert	mt. Chamber of Commerce	377	X	
Gordon Morris	MAAC	377	✓	
Tom Downing	Montford Dist. Assn	377	x	
Julie Hacker	Miss. Co. Freeholders	377	✓	X
Mera Cahoon	Miss. Co. Freeholders	377		X
Carl M. Stutz	mt. Democratic Party	377		✓
BOB HELDING	MT. ASSOC. REALTORS	377	✓	
Barbara Archer	Women's Lobbyist Fund	377	✓	✓
Don Walkron	School Admin. of Mont	377	✓	
Glennie Clifford	United Food Commercial Workers	377		X
Kay Foster	Billings Chamber of Commerce	"	✓	
Christian Lindale	City of Billings	377	✓	
Tim Murphy	MT Farmers Union	377		✓
Scott R. Fyfe	Clancy Mt	377		✓
Bob Correa	Bozeman Chamber of Comm	377	X	✓
Sam Pagan	M. S. C. A.			✓
W. S. Hanson	MT. Tech. Council	377	X	
Tom Harrison	MT Cable TV Assoc.	377	x	
Ken Preston	City of Missoula	377		✓
Bryan M Enderle	Missoula Chamber of Commerce	377	✓	
GLEN H. GORMLEY	MYSELF	377		✓
Bob Coe	HD 3	377		✓
Tom Pagan	Senior Citizen	377		✓
W. S. Hanson	S. A. M.	377	X	

AGGIE -

Here's my testimony on HB 377,  
3/31/87.

Garry Fritz

Here's another epistle on the sales tax. I know you're interested in the issue, on one side or the other.

I have come to the conclusion that a sales tax is essential to the future of Montana, not only in terms of taxation but also because of economic and governmental policy. We are mired in an economic depression, and overburdensome property taxes are hindering any possible recovery. We are unable to raise enough money via a regressive income tax to support the social service programs a civilized society needs, including education. If we do not change, we are doomed to become a marginal wasteland, an American Siberia.

Sales taxes are paid in 45 states, by 97.65% of the American people. Why are Montanans so reluctant to avail themselves of a revenue machine that generates 31.9% of the state/local tax take in its jurisdictions? Why do we penalize businesses and homeowners and let the wealthy off the hook?

I think it is because of our long antagonism, going back a hundred years, to the dominance of the Anaconda Company. Any alteration in the existing system was opposed by the progressive left - which has supported sales taxation in other states - because it looked like a tax break for "The Company." One of the two main arguments against a sales tax/property tax relief bill today, even though it would result in a more equitable tax system, is that it robs from the poor to give to BN. However, Anaconda is gone, and the corporate world is far more disparate,

SENATE TAXATION

EXHIBIT NO. 1

DATE 3-31-87

BILL NO. HB 377

March 27, 1987  
Page 2

and small businesses are feeling the pinch far more than the giants - but the old class ideology is tenacious.

Montana's economy has changed considerably in the last twenty years. A natural resource economy has gone into steep decline, and probably will not recover appreciably in the foreseeable future. People are still moving to Montana, however, for its high environmental standards, its quality of life, its cultural, recreational, and educational opportunities. We are becoming, like it or not, a service society, with a future in high and midtech, small businesses, outfitting, travel and tourism. A sales tax makes sense in this context. It is a modern tax for a modern economy.

We need, too, a balanced system of taxation, extracting 20-30% from each of the three main sources - sales, income, and property - with the rest from excise and mineral taxes. At present, we get 50% from property, 20% from personal and corporate income, and none from sales taxes. We're out of whack, and here comes a property tax revolt which would devastate local government and education and turn Montana into a good place to be from.

The other traditional Democratic argument against a sales tax is that it is regressive. It strikes hardest those least able to pay - poor people, those on small fixed incomes, the unemployed. On its face, this argument is totally illogical. The sales tax is a consumers' tax, a spenders' tax. Poor people aren't spenders. They don't have any money. What little they have, they spend on food, shelter, utilities, health care - and these items are exempt from the sales tax. If low-income people spend proportionately more of their income on the necessities of life, it is axiomatic that they spend proportionately less on taxable consumer items. How then can they bear the greatest sales tax burden?

Montana already has one of the most regressive tax systems in America. The current income tax, excise taxes on gasoline, tobacco, alcohol, and insurance premiums, and automobile license fees all fall indiscriminately on the population. Yet, no class-oriented democrats are clamoring to remove these. On the contrary, these taxes are being increased. The most regressive tax of them all is the homeowners' residential property tax. It is levied on shelter, a basic necessity of life, without regard for ability to pay. The elderly, especially retired and living in their own homes, face rising and punitive residential property taxes. My bill would cut these taxes in half state-wide, but it would award the relief progressively. Modest homes would get a bigger break than mansions. Depending on the local mill levy, a \$30,000 home could receive a 75% reduction, and the

SENATE TAXATION

EXHIBIT NO. 1

DATE 3-31-87

March 27, 1987

Page 3

average relief would be 50%.

Most Montana families would benefit financially from a sales tax with property tax relief. A typical family of four now pays \$772 per year in real property tax. Its reduction amounts to \$412, but it would pay only \$280 in a 4% sales tax - a net benefit of \$132.

Our income tax system will be rendered more progressive simply by accepting the passthrough, or "loophole recapture", which accrues to the state by virtue of new federal tax laws. An effort to truly reform the income tax laws in the interests of progressivity has so far failed, but even so it will be better than it has been. This is an important consideration, because a sales tax makes sense in the context of a progressive income tax. Exemptions can make the tax less regressive, but a credit or rebate (which HB 377 contains) can make the entire tax structure more equitable. A sales tax must be seen in the context of total income and property tax reform. It is not an added tax.

So we return to the bottom line: Who pays? Not the poor, because they have no money. It is the well-to-do. "Expenditures, not income, appropriately measure economic well-being and thus taxpaying ability." A sales tax hits spenders, consumers, high rollers, tourists, businesses, clothes horses, DINKS (double income, no kids), status seekers, the conspicuous and ostentatious show-offs of the leisure class, coupon clippers, inherited wealth, yuppies. It is well known that upper income earners are able to shield their money from taxation; but when they spend it, we'll nail them. A sales tax is the only way to really soak the rich.

So far, my arguments haven't persuaded any die-hard anti-sales taxer. But I'll keep trying.

Sincerely,

Harry Fritz  
Representative

HF/je

SENATE TAXATION

EXHIBIT NO. 1

DATE 3-31-87

BILL NO. H.B. 377





Executive Office  
318 N. Last Chance Gulch  
P.O. Box 440  
Helena, MT 59624  
Phone (406) 442-3388

TESTIMONY  
HB 377

Mr. Chairman and Members of the Committee,

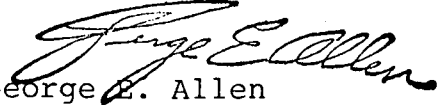
For the record, I am George Allen, representing the Montana Retail Association. I am here today in support of HB 377. However, to make this bill workable, there are several Amendments that need to be made. Attached to my testimony please find two recommended Amendments.

The first Amendment deals with sales tax being applied to advertising. The attached Amendment is being suggested by a large group of businesses, and their names appear on the bottom of the attached page that includes the proposed Amendments. We are in strong opposition to this taxing philosophy. Advertising to a retailer could be related to fertilizer and a farmers crop. A farmer could probably raise a crop without fertilizer, but he will get a better crop with it. Likewise, a businessman can do some business without advertising, but with advertising, he will do more business. A sales tax should not be applied to fertilizer, nor should a sales tax be applied to advertising. Our Amendment excludes sales tax on all forms of advertising and production of advertising. There are many more valid reasons for excluding sales tax on all advertising, as shows in our attached testimony.

The second Amendment that MRA would like to propose deals with the vendors allowance. It would give a 3% vendors allowance for the first \$5,000 in tax collected, and 1% for everything above that. This Amendment would help to compensate the small retailer for his expense in collecting, doing the bookkeeping, and reporting the sales tax, and yet it would not give a windfall to the large retailer who has the sophisticated, computerized equipment for collecting the tax. With the retailer being your tax collector, there will be less expense to the state in this form of taxation, than any tax they collect.

In closing, let me emphasize that MRA generally supports a sales tax, but feel HB 377 needs a lot of work.

Respectfully,

  
George E. Allen  
Executive Vice President  
Montana Retail Association

SENATE TAXATION  
EXHIBIT NO. 2  
DATE 3-31-87  
BILL NO. HB 377



Executive Office  
318 N. Last Chance Gulch  
P.O. Box 440  
Helena, MT 59624  
Phone (406) 442-3388

SENATE TAXATION

EXHIBIT NO. 2

A. Arguments Against Sales Tax on Advertising DATE 3-31-87

BILL NO. H.B. 3

1. A sales tax on advertising would be an additional tax on retail and service outlets, because the tax would have to be passed along to the advertiser in the form of higher rates. All advertisers, including mom-and-pop operations, candidates for office, etc., would feel the impact of the higher rates.

2. A sales tax on advertising would (1) increase the cost of doing business in Montana, (2) force a cutback in advertising and other marketing activities, and/or (3) raise the price of goods and services at the consumer level, if a sales tax on advertising were passed along.

3. Montana businesses today cannot afford an increase in the cost of doing business; a cutback in marketing activities would lead to a drop in the sale of goods and services, which, in turn, would reduce tax revenue from those sales; Montana consumers cannot afford higher prices for goods and services.

4. A sales tax on advertising would have to apply to all forms of advertising, including consumer classified advertising for the sale of everything from used furniture to cars.

5. A sales tax on advertising would have to apply to all sellers of advertising, lest it be discriminatory. Thus, every school that sells advertising in its play programs... every civic club that sells advertising in its weekly bulletins... every chamber of commerce and trade organization that runs ads in its magazines... all would have to be signed up as tax collectors. Everyone who sells advertising for restaurant placemats, park benches, taxicabs, etc., also would be covered. Result: The state would have to spend a great deal of time and money keeping track of all such small advertising sellers... more time and money than it's worth.

6. A sales tax on advertising would have to apply to broadcasting... and Montana broadcasters would be hard-pressed to know how to handle a state sales tax on network ads sold back in New York or Chicago. Taxing such sales is an extremely complicated procedure, because it involves interstate commerce and audiences and court rulings from state to state.

7. National advertisers spend millions of dollars in Montana each year. If a sales tax were imposed on this advertising, they would redirect at least some of their advertising dollars into other, larger markets where no sales tax on advertising exists. The fallout for Montana could be staggering: Out-of-state advertising dollars would be lost, jobs in advertising-dependent media would be lost, in-state agencies that service out-of-state advertising clients would suffer... and the sale of goods and services offered by those national advertisers would drop.

8. A sales tax on advertising would be in direct conflict with other measures being pursued at the present time to enhance the business climate of Montana.

9. A sales tax on the advertising of necessities would tend to be regressive, because the advertising costs probably would be passed along in the form of higher prices for those necessities (food, clothing, medicines, etc.)

10. Twenty-eight states this year have attempted to put a sales tax on advertising. They have all failed.

11. The courts have ruled that advertising is a form of information. Therefore, it cannot be controlled.

AMENDMENT TO HOUSE BILL 377

Amend Second Reading (Yellow) copy of House Bill 377 as follows:

1. Page 43, line 11  
Following: "premises."  
Add a new subsection:  
"(w) Gross receipts from sale of production and advertising including, but not limited to, production and advertising in newspapers, inserts, periodicals, on bill boards and through the electronic media (including radio, television and cable television)."

The above amendment is supported by most advertisers in the state and specifically endorsed by the following:

Montana Retail Association  
Montana Food Distributors Association  
Montana Auto Dealers Association  
Montana Chamber of Commerce  
Great Falls Chamber of Commerce  
Helena Chamber of Commerce  
Bozeman Chamber of Commerce  
Montana Press Association  
Montana Broadcasters Association  
Lee Newspaper of Montana  
Dunham Advertising  
Great Falls Advertising Federation  
Myhre Advertising

SENATE TRANSMITTAL  
EXHIBIT NO. 2  
DATE 3-31-87  
BILL NO. 118



Executive Office  
318 N. Last Chance Gulch  
P.O. Box 440  
Helena, MT 59624  
Phone (406) 442-3388

March 30, 1987

Mr. Chairman and Members of the Committee,

I would like to propose to Amend HB 377 as follows:

Page 27, line 12, after less, add, 3% of the first \$5,000 in tax collected, and 1% thereafter, which may be retained by the corporation or retailer to cover the cost of collection,

Respectfully Submitted,

A handwritten signature in cursive script, appearing to read "George E. Allen".

George E. Allen  
Executive Vice President  
Montana Retail Association

GA/ch

SENATE TAXATION  
EXHIBIT NO. 2  
DATE 3-31-87

NAME: Rock Smith DATE: \_\_\_\_\_

ADDRESS: Bozeman Montana

PHONE: 587-4491

REPRESENTING WHOM? Bozeman Daily Chronicle

APPEARING ON WHICH PROPOSAL: HB 377

DO YOU: SUPPORT? X AMEND? X OPPOSE? \_\_\_\_\_

COMMENTS: \_\_\_\_\_

PLEASE LEAVE ANY PREPARED STATEMENTS WITH THE COMMITTEE SECRETARY.

SENATE TAXATION

EXHIBIT NO. 3

DATE 3-31-87

BILL NO. HB 377

April 1, 1987

Testimony given by Bruce K. Smith, Publisher, Bozeman Daily Chronicle on House Bill 377.

Mr. Chairman and members of the committee, my name is Bruce K. Smith. I am publisher of the Bozeman Daily Chronicle and am speaking on behalf of the 10 other daily newspapers in the state as well as the Montana Press Association which represents all the dailies and 76 weekly newspapers in Montana.

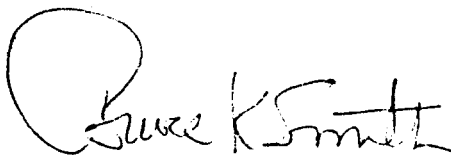
I have a number of concerns about House Bill 377 and the tax that would apply to the sale of newspapers in the state of Montana. I have given the chairman of the committee a suggested ammendment to the bill that would exempt newspaper sales from the proposed tax. I urge your support of this ammendment.

All of my concerns are listed on the attached fact sheet, but I would like totake just a moment to talk about a major problem the state will face in collecting the tax.

Newspaper carriers are independent contractors who purchase their papers from the newspaper at a wholesale rate, and in turn sell them to their customers at a retail subscription price. Approximately 85% of all newspapers sold by the daily newspapers in the state are sold through independent contractors. There are about 3,000 newspaper carriers in the state. Consider the enormous task the state will have in training and collecting the tax from these young people. The problem is compounded by the fact that there is a very high turnover rate in the carrier force of the newspapers each year.

In those states that have a general sales tax, 33 specifically exempt newspaper circulation sales, and and additional five states do not have a sales tax that would apply to the sale of newspapers to the public. Most states have been through this debate on sales tax on newspapers and decided to exempt these sales for the same reasons we cite.

I ask that you support an ammendment to exempt newspaper sales.



SENATE TAXATION

EXHIBIT NO. 3

DATE 3-31-87

BILL NO H.B. 377

AMENDMENT TO HOUSE BILL 377

Amend Second Reading (Yellow) copy of House Bill 377 as follows:

1. Page 9, lines 22-25  
Strike: lines 22-25 in their entirety
2. Page 10, lines 1-5  
Strike: lines 1-5 in their entirety
3. Page 43, line 11  
Following: "premises."  
Add a new subsection:  
"(w) Gross receipts from sales of newspapers and advertising supplements and any other printed matter ultimately distributed with or as a part of such newspapers."

## BILLINGS CHAMBER OF COMMERCE

My name is Kay Foster. I appear on behalf of the Billings Area Chamber of Commerce in support of HB377. During the initial presentation of this bill before the House Taxation Committee four busloads of Billings residents, over 200 people, packed the SRS Auditorium in support.

The Billings Chamber has had a long-standing position that Montana's heavy dependence upon property tax to fund education and local governments must be ended. We feel that property taxes can be reduced through the creation of a more balanced tax system which must include the enactment of a statewide general sales tax.

Montana is in need of objective and rational tax reform and this cannot be achieved through a "cut and paste" approach to restructuring our tax system. An income tax surcharge may become an inevitable part of a temporary revenue package until a sales tax will begin to generate monies but Montana's revenue shortfall situation is not short-term and a quick fix will not make it disappear.

This committee has the opportunity to give Montanans a tax structure that is balanced, broadly based, simple and equitable. To keep Montana competitive with other states at all levels a commitment must be made to adequately fund our University system and provide real incentives to keep our talented faculty and bright students in the state. Education

SENATE TAXATION

EXHIBIT NO. 4

DATE 3-31-87

BILL NO. HB377



and local governments must be provided with a stable and expanding source of revenue to supplant the begging process that now occurs every other year in Helena.

The passage of HB377 will help to create a balanced state tax system to answer the concerns of the backers of I-105. A well structured sales tax can protect low income Montanans and at the same time provide the impetus for business development and expansion and newly created jobs. We urge this committee's approval.

SENATE TAXATION

EXHIBIT NO. 4

DATE 3-31-87

Proposed amendments of Stockgrowers  
HB 377

1. On page 37, line 11, delete "Machinery" and in lieu thereof insert "Animals and plants and their products, machinery"
2. On page 107, line 10, after "15-6-134" insert "or class fourteen property under 15-6-144"
3. On page 108, after line 8, add "(c) The term "owner-occupied residence" includes a residence owned by a small business corporation as defined in 15-31-123(2) if such residence is occupied by a person owning at least ten percent (10%) of the stock of such corporation."

SENATE TAXATION

EXHIBIT NO. 5

DATE 3-31-87

BILL NO. HB 377

MMCA Statement before Senate Taxation  
Committee, HB 377 Sales and Use Tax

Mr. Chairman, Members of the Committee,  
I'm Ben Bluddahl, representing the Montana  
Motor Carriers Association.... MMCA would like  
to go on record in support of HB 377,  
assessing a 4% sales and use tax and  
providing for substantial property tax relief  
both real property and personal property....

We further support the idea that the  
Legislature should enact HB 377 and that  
it should not be referred to the general  
voting public to decide this important and  
complex issue. We are not doubting the  
wisdom of the voters to decide issues, however  
we feel that our financial situation and the  
need for immediate tax reform is a decision  
that should be made by the legislature as  
representatives of the people in the state.

This bill is complex and difficult to compre-  
hend in detail. Voters, in our view, will be  
hard pressed to fully understand a 173  
page tax bill as is HB 377

(2)

MMCA supports the reclassification of trucks and trailers from Class 10 under current law assessed at 16% to the proposed Class 6 under HB 377 to be assessed at 5%. Current economic situation of the over-the-road trucking industry is anything but positive. MMCA gave extensive details to this Committee early in the session when you considered passage of the diesel fuel tax increase in HB 136 and passed <sup>2</sup> property tax reduction from 16% on trucks and trailers <sup>to 11%</sup> equal to the tax rate of 11% now being assessed on railroads, ~~and~~ ~~airline~~ property.

We are however, concerned ~~over again~~ with tax inequality under specific provisions in HB 377 as they relate to motor carriers and the railroads and airlines....

As I mentioned, the bill reduces property taxes on trucks and trailers from 16% to 5% but assesses the 4% rate on "new" trucks and trailers <sup>and on "used" trucks and trailers resold</sup> ie motor carrier rolling

## SENATE TAXATION

EXHIBIT NO. 6DATE 3-31-87BILL NO. H.B. 377

(3) and would be taxed at 4% when resold as used equipment.

Stock because this equipment is taxed as a "new motor vehicle" in Section 3 page 12 subsection (4). However on page 39 under the General exemption section 26 subparagraphs (J) and (K) the gross receipts from the sale of railroad rolling stock and the gross receipts from sales of flight equipment by airline companies is exempt. Interstate motor carriers would appear to be required to carry an unfair tax burden when compared to rails.

Also on page 29 under Section 22, the bill would assess the tax on common carriers engaged in interstate for-hire transportation by motor vehicle of tangible personal property, presumably used by the carrier, unless the motor carrier registers, <sup>as vehicle</sup> under yet to be adopted rules by the Department of revenue. If a ~~carrier~~ motor carrier does so, it would then appear that the carrier would not be required to pay the tax. Again this requirement is not made ~~of~~ for rails and airlines who

(4)

SENATE TAXATION  
EXHIBIT NO. 6  
DATE 3-31-87  
BILL NO. H.B. 377

import tangible personal property.  
We question why?

Again this same section on page 31  
under Subsection (c) would allow  
the tax on equipment and parts used  
by a motor vehicle common carrier  
to be taxed only on ~~the amount of~~ a  
percentage equal to the miles that carrier  
runs in Montana. Yet all parts used  
in the maintenance of rail equipment  
and airline equipment are exempt  
in the bill. We question why that  
is also? ~~Again interstate motor  
carriers operating in interstate commerce  
are required to be given equal property  
tax treatment~~

The language in Section 22 on  
page 29 allowing common carriers by  
motor vehicle to register as retailers  
under the rules, is confusing. <sup>and we question its purpose.</sup> First  
reading of the provision gave the impression  
it was intended to apply to the import-  
ation of all tangible personal property

(5)

including that personal property  
hauled by the common carrier as cargo.  
That interpretation, "apparently not a  
correct one, but the language is vague  
and confusing and is difficult to know  
what is intended. One small point,  
under sub paragraph (b) <sup>motor vehicle</sup> of common ~~motor~~  
~~carrier~~ carrier is required to maintain a current  
mileage record as specified by the  
Interstate Commerce Commission. I do  
not know of any mileage record require-  
ment by ICC of a motor vehicle  
common carrier. ICC requires a report on  
revenue but to my knowledge no mileage report is required.

A final point as H.B. 377 relates to  
~~the~~ for hire transportation. It is not  
clear in the language of the bill whether  
or not the sales and use tax would apply  
to freight rates assessed by carriers  
in intra or interstate commerce.

It is our understanding the H.B. 377 is  
the current Minnesota law and that  
freight charges in that state are exempt

SENATE TAXATION

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(6)

from the sales and use tax by regulation  
we would respectively suggest a specific  
exemption be amended into H.B. 377.

Thank you,





JAMES W. MURRY  
EXECUTIVE SECRETARY

Box 1176, Helena, Montana

ZIP CODE 59624  
406/442-1708

TESTIMONY OF DON JUDGE ON HOUSE BILL 377 BEFORE THE SENATE TAXATION COMMITTEE,  
MARCH 31, 1987

Mr. Chairman, members of the committee, my name is Don Judge and I'm appearing here today on behalf of the Montana State AFL-CIO in opposition to House Bill 377. I suppose that comes as no surprise to you. If there is one thing that we have been consistent on, it is our opposition to a sales tax.

In some circles opposing change, in this case imposition of a state sales tax, would be called conservative. But we've rarely been called conservative. More often that not, our opponents call us obstructionists! We seem to always get credit for being in the way.

Our union scale wages are blamed for the high cost of doing business in Montana. Our contractual work rule clauses are accused of causing management difficulties on moving workers around on their jobs or, said another way, from using workers to management's best advantage. Our desire for a safe and healthful working place is credited with driving employees from our state. And now, our quest for tax justice is being given top honors for creating a "bad business climate."

Well, if fighting for tax fairness for working people, senior citizens, people of low income and those on a fixed income is being obstructionist, then so be it! We will make no apologies for representing the interests of these Montanans.

And now to House Bill 377:

Mr. Chairman, members of the committee, one of the easiest ways to measure tax fairness is to measure who benefits against who pays. The formula for comparison is very simple: HB 377 currently provides for approximately \$125 million in property tax relief. Of that relief, approximately \$48 million, or 38%, would go to residential homeowners; \$77 million, or 62%, would go to business and agriculture.

Depending on how you would calculate it, HB 377 currently provides for approximately \$143 million in sales and use taxes. Of that tax increase, approximately \$10 million, or 7%, would be paid by tourists; approximately \$28.6 million, or 20%, would be paid by business; and approximately \$104.3 million, or 73%, would be paid by working people, seniors, those on fixed incomes and the poor.

And so, on the basis of this simple formula, residential taxpayers would get \$48 million in property tax relief and pay \$104.3 million in sales taxes. I ask you, who pays?

SENATE TAXATION

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③

The second measure of tax fairness with regard to HB 377 is what is included and what is excluded from taxation. Excluded are things like mining and manufacturing equipment, railroad equipment, logging equipment, agricultural equipment and operational products, sale of stocks and bonds, professional and legal services. Included are things like paper products, shoes, clothes, toiletries, candies, appliances, books, miscellaneous hardware, and automobiles. And while the bill provides for a \$15 per individual deduction, think of how fast such a deduction could be eaten up providing for one five-year-old child! Additionally, no tax relief is afforded the renter. Approximately 32% of all Montana residences are occupied by renters. Where is the fairness for them?

And how long will the currently proposed exemptions last? Take a look before you today. Some suggest broadening the tax to include everything. Others, like the newspapers and cable TV companies, are suggesting new exemptions. What does the future hold for exemptions/inclusions in this legislative body? We need only to look at Wyoming, Idaho, North Dakota and South Dakota for examples.

Mr. Chairman, the Montana State AFL-CIO believes firmly that what the legislature should do is close loopholes in our present tax structure rather than imposing a new tax on the citizens of Montana and reducing the purchasing power of Montana citizens by approximately 4%.

That choice is yours. However, should you choose to adopt a state sales tax we would urge you to place this issue before the voters in November 1988 for their consideration.

The proponents of this measure appear to be threatening this body with the resurgence of another I-105 if you don't act now to adopt a sales tax. I would simply like to remind you of another, much more radical measure, which was almost accepted by the voters last fall. CI-27 -- which would have required a vote of the public prior to enactment of any sales tax -- received the approval of 45% of the voters last November.

Additionally, recent newspaper polls show that more than 80% of all Montana voters want to vote on any decision made on this matter. You are the representatives of the people, and they are asking that you represent their interests by referring this issue back to them for their consideration. If, as the proponents would argue, the voters would welcome the imposition of a new tax, then this issue would pass. If, as we suggest, the voters see this measure as a simple tax burden shift from the rich to the poor, then the measure would be rejected.

We would prefer that you simply reject HB 377 and move to close existing tax loopholes. Thank you.

SENATE TAXATION

EXHIBIT NO. 7DATE 3-31-87BILL NO. H.B. 377

NAME: Mrs Mary E Doubek DATE: 3/31/87

ADDRESS: 7645 N Montana Ave - Helena

PHONE: 458-9525

REPRESENTING WHOM? Self, family, friends

APPEARING ON WHICH PROPOSAL: HB 377

DO YOU: SUPPORT? ☐ AMEND? ☐ OPPOSE? ☒

COMMENTS: I am opposed to any & all sales taxes

We have 2 options -- which are different kinds of taxes but the 3rd option is to cut spending --  
re-evaluate the budget & only spend for high priority items. Tax payers are already over burdened.

I am not against the use of welfare to help those who need help in the time they need it. I am against the abuse of welfare though.

Cost cuts in spending must be made -- perhaps reluctantly but nevertheless -- this must be done. Isn't that the way we run our homes?

A sales tax once put into effect --- will never go away & will probably be a foot in the door for an increase as time goes on. Please say "no" to HB 377

PLEASE LEAVE ANY PREPARED STATEMENTS WITH THE COMMITTEE SECRETARY.

Thank you,  
Mrs. Mary E Doubek

SENATE TAXATION

EXHIBIT NO.           

DATE 3-31-87

BILL NO. HB-377

*A bit exaggerated but  
the message is clear.*

SENATE TAXATION

EXHIBIT NO. 8

DATE 3-31-87

BILL NO. H.B. 377

## Taxes

Tax the farmer, tax his fowl,  
Tax the dog, and tax his howl,  
Tax his hen and tax her egg,  
Let the bloomin' mudsil beg.  
Tax his pig and tax his squeal,  
Tax his boots, run down at heel;  
Tax his plow, and tax his clothes,  
Tax his rags that wipe his nose;  
Tax his house and tax his bed,  
Tax the bald spot on his head;  
Tax the ox, and tax the ass,  
Tax his "Henry," tax his gas;  
Tax the road that he must pass  
And make him travel o'er the grass.  
Tax his cow, and tax his calf,  
Tax him if he dares to laugh;  
He is but a common man,  
So tax the cuss just all you can,  
Tax the lab'er, but be discreet,  
Tax him for walking on the street,  
Tax his bread, tax his meat,  
Tax his shoes clear off his feet.  
Tax the payroll, tax the sale,  
Tax all his hard-earned paper kale;  
Tax his pipe and tax his smoke,  
Teach him government is no joke.  
Tax the coffins, tax the shrouds,  
Tax the souls beyond the clouds,  
Tax all business, tax the stocks;  
Tax the living, tax the dead,  
Tax the unborn, before they're fed.  
Tax the water, tax the air,  
Tax the sunlight, if you dare.  
Tax them all and tax them well,  
And do your best to make life hell.

Author unknown

NAME: Patricia Rios DATE: \_\_\_\_\_

ADDRESS: 6850 Green Meadows Drive

PHONE: 458-5243

REPRESENTING WHOM? myself, family, friends, relatives

APPEARING ON WHICH PROPOSAL: HB 377

DO YOU: SUPPORT? \_\_\_\_\_ AMEND? \_\_\_\_\_ OPPOSE? ☒

COMMENTS: I'm against it - because the  
more you have, the more you spend

PLEASE LEAVE ANY PREPARED STATEMENTS WITH THE COMMITTEE SECRETARY.

SENATE TAXATION

EXHIBIT NO. 9

DATE 3-31-87

BILL NO. HB 377

March 31, 1987

Mr. Chairman & Members of the Committee:

I'm here representing myself as an average housewife and also my family, relatives and friends that couldn't make it.

You really are between the devil and the deep blue sea; but inaugurating a sales tax would be a government cop out!

Because of necessity, our family has to live within it's means and I don't believe you should think worse of me for expecting less from the government.

You probably have asked yourselves many times what alternative is there other than a sales tax to raise revenue? Well there is an alternative to what is being proposed today. In lieu of a sales tax, cut a % of the paper work at all levels of government and you will save. And as my mother has said "Let's be a little old fashioned and have the money before we spend it".

I know as you know that bureaucracy has a stronghold on the government of Montana. Can any member of this Senate Committee honestly tell me they haven't dealt with red tape bureaucracy? And trying to cut it is like shoveling sand against the tide with a pitch fork! But with courage and stick to itness, you could cut it.

We have been in the black before so we know it is possible. We hear so much about the heritage of Montana; why can't we get back to that heritage?

So, I'm advocating government going on a diet.

Is it just conceivable that once in your political career's that the common ordinary man and woman will not be subjected to a tax this session!

I suggest cutting bureaucracy but don't cut the working man's jugular.

Please vote no against HB 377 and any and all sales tax.

Thank-you.

Respectfully,

*Mrs. Patricia Rice*

SENATE TAXATION

EXHIBIT NO. 9

DATE 3-31-87

BILL NO. H.R. 377

NAME: PHIL STROPE AND BOB DORKEE DATE: 3-31-87

ADDRESS: Box 851, NELENA, 59624

PHONE: 442-5040

REPRESENTING WHOM? MOUNT TAVERN ASS.

APPEARING ON WHICH PROPOSAL: HB 377

DO YOU: SUPPORT?        AMEND? X OPPOSE?       

COMMENTS: SECTION 26 (v) PAGE 43, BLUE BILL  
NEEDS TO BE REINCLUDED AND AMENDED.  
ALL-BEVERAGE LICENSES NEED TO BE  
EXCLUDED AT STATE RETAIL OUTLETS  
TO AVOID DOUBLE TAXATION. THE  
ALL-BEVERAGE LICENSEE COLLECTS THE  
TAX WHEN THE PRODUCT PURCHASED  
AT THE STATE OUTLETS IS SOLD  
AT RETAIL BY THE DRINK OR AS A  
PACKAGE SALE.

PLEASE LEAVE ANY PREPARED STATEMENTS WITH THE COMMITTEE SECRETARY.

SLIP... INXATION  
EXHIBIT NO. 10  
DATE 3-31-87  
BILL NO. HB377

PROD ANALYSIS

HB 377 ANALYSIS

STATEWIDE TAXABLE VALUE—1986 BY PROPERTY CLASS		GROUP RATE	TOTAL VALUE	MARKET	NEW TAXABLE VALUE	NEW RATE	TAX RELIEF @ 25¢ MILLS	EFFECTIVE TAX RATE
CLASS 1	NET PROCEEDS	1.0000	560,268,212	560,268,212	560,268,212	1.0000	0	25.60%
CLASS 2	GROSS PROCEEDS							
	COAL STRIP MINES	0.4300	142,267,043	316,146,984	142,267,043	0.4300	0	11.52%
	UNDERGROUND COAL	0.3330	0	0	0	0.3330	0	ERR
	METAL MINES	0.0300	2,528,670	84,288,937	2,528,670	0.0300	0	0.77%
CLASS 3	AGRICULTURAL LAND							
	IRRIGATED	0.3000	13,856,291	46,187,635	13,856,291	0.3000	0	7.68%
	NON-IRRIGATED	0.3000	80,393,918	267,373,728	80,393,918	0.3000	0	7.68%
	GRAZING	0.3000	38,478,575	128,261,918	38,478,575	0.3000	0	7.68%
	WILD HAY	0.3000	5,531,197	18,437,322	5,531,197	0.3000	0	7.68%
EXEMPT								
	UNPROCESSED AG PRODUCTS	0.04	6,147,876	153,636,900	0	0.00000	1,573,856	0.00%
	HORSES	0.04	637,942	17,498,543	0	0.00000	173,185	0.00%
	CATTLE	0.04	21,184,602	529,615,047	0	0.00000	5,423,258	0.00%
	SHEEP	0.04	624,932	15,623,289	0	0.00000	153,382	0.00%
	SWINE	0.04	289,437	7,235,913	0	0.00000	74,036	0.00%
	OTHER LIVESTOCK	0.04	193,936	4,848,410	0	0.00000	49,648	0.00%
CLASS 4								
	RES CITY/TOWN (N)	0.0386	96,453,428	2,438,948,899	74,968,467	0.0300	5,591,686	0.77%
	FARMSTEAD (N)	0.03088	3,632,700	119,582,247	3,587,467	0.0300	26,339	0.77%
	LOW INCOME (N)	0.01390	18,891	1,353,082	40,772	0.0300	(5,602)	0.77%
	RES SUBURBAN TRACTS (N)	0.0386	71,029,054	1,840,130,921	55,203,928	0.0300	4,051,232	0.77%
	LOW INCOME (N)	0.0174	1,035,982	59,642,005	1,789,260	0.0300	(192,839)	0.77%
	RES SUBURBAN (I)	0.0386	124,169,358	3,216,838,301	96,505,149	0.0300	7,082,191	0.77%
	RES CITY/TOWN (I)	0.0386	278,450,869	7,213,753,074	216,412,532	0.0300	15,881,799	0.77%
	LOW INCOME (I)	0.0278	4,387,366	157,840,518	4,735,216	0.0300	(88,896)	0.77%
	MOBILE HOMES (P)	0.0386	14,628,958	378,988,539	11,369,657	0.0300	834,381	0.77%
	RET/DISABLED (P)	0.0386	464,315	12,028,897	360,867	0.0300	26,483	0.77%
CLASS 4A								
	TIMBERLAND (A)	0.0384	6,599,953	171,873,768	5,156,213	0.0300	369,597	0.77%
	INDUSTRIAL SITES	0.0386	3,226,828	83,536,573	2,507,837	0.0300	184,046	0.77%
	GOLF COURSES	0.0119	111,102	9,312,863	186,257	0.0200	(19,240)	0.51%
	LOC ASSESSED COOP (N) *	0.0300	7,146	238,194	7,146	0.0300	0	0.77%
	IMPROVED IMPROVEMENTS	0.03747	273,332	7,234,690	218,841	0.0300	13,950	0.77%
	AG & TIMBERLAND (I)	0.03088	51,352,278	1,663,286,189	49,898,586	0.0300	374,705	0.77%
	SALE (LOW INCI)	0.02779	130,374	4,691,403	140,742	0.0300	(2,654)	0.77%
	DISP OWNED AG	0.0386	630,352	17,884,775	536,543	0.0300	39,375	0.77%
	RIGHT OF WAY	0.0386	931,312	24,128,024	723,841	0.0300	53,120	0.77%
	HYDRAULIC POWER WORKS	0.0386	19,244	498,541	14,956	0.0300	1,098	0.77%
	INDUSTRIAL SITES (I)	0.0386	23,276,237	603,011,330	18,090,340	0.0300	1,327,570	0.77%
	QUALIFIED GOLF COURSES	0.0193	364,039	9,862,113	377,242	0.0200	(3,380)	0.51%
CLASS 5								
	LOC ASSESSED CO-OPS(I)*	0.0300	74,224	2,474,132	74,224	0.03000	0	0.77%
	LOC ASSESSED COOP VEN *	0.0300	49,170	1,638,932	49,170	0.03000	0	0.77%
	P/P LOC COOP *	0.0300	480,538	16,017,936	480,538	0.03000	0	0.77%
	GRANDHOL RELATE *	0.0300	5,634	187,798	5,634	0.03000	0	0.77%
	NEW INDUSTRIAL	0.0300	1,414,705	47,156,847	1,414,705	0.03000	0	0.77%
	IMP NEW INDUST	0.0300	7,923,192	264,106,395	7,923,192	0.03000	0	0.77%
	NEW INDUST SITES	0.0300	9,493	316,428	9,493	0.03000	0	0.77%
	POLLUTION EQUIP	0.0300	11,744,388	391,479,614	11,744,388	0.03000	0	0.77%
	RURAL CO-OPS	0.0300	8,825,539	294,184,640	8,825,539	0.03000	0	0.77%
CLASS 6								
	AG IMPLEMENTS	0.11	64,275,819	584,325,625	29,216,281	0.05000	8,975,242	1.28%
	FURNITURE/FIXTURES	0.1300	42,800,146	329,231,889	16,461,594	0.05000	6,742,669	1.28%
	NON FARM/MINING/MIN	0.1100	18,451,826	167,743,873	8,387,194	0.05000	2,576,546	1.28%
	SKI LIFTS	0.1100	237,083	2,155,303	107,765	0.05000	33,105	1.28%
	REPAIR TOOLS	0.0800	4,915,980	51,449,754	3,072,488	0.05000	471,934	1.28%
	MAN MACHINERY	0.1100	76,807,085	698,246,230	34,912,312	0.05000	10,725,062	1.28%
	MINING MACHINERY	0.1100	9,771,934	88,835,768	4,441,788	0.05000	1,364,517	1.28%
	OUTFIELD EQUIP	0.1100	23,584,638	214,405,801	10,720,290	0.05000	3,293,273	1.28%
	SUPPLIES/MATERIALS	0.1100	5,646,377	51,330,700	2,566,535	0.05000	788,440	1.28%
	RURAL TELEPHONE	0.0800	82,679	1,033,485	51,674	0.05000	7,937	1.28%
	CABLE TV	0.1600	1,722,544	10,765,838	538,295	0.05000	303,168	1.28%
	THEATRE EQUIP	0.1600	103,146	644,665	32,213	0.05000	18,154	1.28%
	RADIO/TV BROADCAST	0.1600	925,484	6,221,772	311,089	0.05000	173,205	1.28%
	CBS/MOBILE PHONES	0.1300	152,185	1,170,651	58,533	0.05000	23,975	1.28%
	RENTAL EQUIP	0.1100	533,371	4,903,377	245,169	0.05000	75,316	1.28%
	ALL OTHER	0.1600	249,433	1,558,956	77,948	0.05000	43,900	1.28%
	TRUCKS 1-181/2 TON	0.1300	4,069,833	31,306,411	1,565,321	0.05000	641,125	1.28%
	TRUCKS OVER 181/2	0.1600	13,764,613	86,028,830	4,301,442	0.05000	2,422,572	1.28%
	BUSES	0.1300	264,651	2,025,777	101,789	0.05000	41,693	1.28%
	COMM TRAILERS	0.1600	2,233,018	13,956,361	697,818	0.05000	373,011	1.28%
	UTILITY/OTHER TRAILERS	0.1100	2,723,685	24,760,773	1,238,039	0.05000	380,325	1.28%
	CARL/ONE TRAILERS	0.1600	3,391,631	21,197,691	1,059,885	0.05000	536,927	1.28%
	IND TELEPHONE	0.1100	3,863,781	35,179,824	1,758,991	0.05000	540,362	1.28%
CLASS 7								
	CAP/ELECTRIC	0.1200	106,631,132	888,592,767	106,631,132	0.12000	0	3.07%
	CAP/NATURAL GAS	0.1200	537,212	4,476,769	537,212	0.12000	0	3.07%
	CAP/GAS & ELECT	0.1200	128,956,748	1,074,639,569	128,956,748	0.12000	0	3.07%
	PIPELINES	0.1200	46,777,120	389,809,333	46,777,120	0.12000	0	3.07%
	TELECOMMUN	0.1200	57,853,694	482,114,113	57,853,694	0.12000	0	3.07%
CLASS 8								
	RAILROADS	0.1200	81,842,831	698,630,259	78,951,999	0.1130	1,252,033	2.87%
	AIRLINES	0.1200	4,036,161	33,634,675	3,800,718	0.1130	60,273	2.87%
EXEMPT								
	LAND (N)	0.00	0	148,397,267	0.00	0.00		
	IMPROVEMENTS	0.00	0	172,970,954	0.00	0.00		
	TRUCK EQUIPMENT	0.1100	233,000	2,172,731	0	0.00000	61,184	0.00%
	RENTAL EQUIP	0.0400	176,784	4,419,600	0	0.00000	45,257	0.00%
	MOTORCYCLES	0.1100	364,472	3,313,385	0	0.00000	93,305	
	AIRCRAFT	0.1100	4,596,761	41,788,739	0	0.00000	1,176,771	
	WATERCRAFT	0.1100	3,827,920	34,799,276	0	0.00000	979,918	
	ATV	0.1100	663,713	6,033,750	0	0.00000	169,910	

2,303,478,351 27,695,787,256 1,962,115,863 84,862,422

RAIL ROAD / AIRLINE

R/R/R

91,320,790,319

0.113

911,734,332,088

CLASS 4 RESIDENTIAL EXEMPTION AT 20,000

ALL RESIDENCES AND TRAILERS

OWNER OCCUPIED ONLY

NON FARM RESIDENCES ONLY

56,285,441

45,817,163

38,000,000

141,148,863

130,673,585

122,862,422

CLASS 4 RESIDENTIAL EXEMPTION AT 16,500

32,000,000

116,862,422

SENATE TAXATION

EXHIBIT NO. 11

DATE 3-31-87

BILL NO. HB 377





JUDY RIPPINGALE  
LEGISLATIVE FISCAL ANALYST

STATE OF MONTANA  
*Office of the Legislative Fiscal Analyst*

STATE CAPITOL  
HELENA, MONTANA 59620  
406/444-2986

March 30, 1987

TO: Representative Ramirez  
FROM: Curt Nichols  
Deputy Fiscal Analyst *Curt*  
SUBJECT: HB377 Effects on Taxpayers

The calculations in this memo are based upon the following relationships.

Table 1  
Income - Home Value Relations  
(Census Data)

<u>Family</u>	<u>Income of Family</u>	<u>Value of Residence</u>
I	\$15,000	\$ 50,000
II	35,000	70,000
III	50,000	85,000
IV	85,000	100,000

These figures are derived from 1980 census data projected forward to fiscal 1989. The value of the home in census data is as reported by the occupant. The income includes most forms of money income.

Table 2 shows the property tax relief and sales tax each family would experience. I have assumed a family of 4. The percentage changes in taxes range from a 28 percent reduction for family I to a 12 percent increase for family IV.

SENATE TAXATION

EXHIBIT NO. 11  
DATE 3-31-87  
BILL NO. H.B. 377

Table 2  
Sales Tax and Property Relief in HB377

<u>Family</u>	<u>Sales Tax</u>	<u>Income Tax Credit</u>	<u>- Property Tax Relief - \$20,000* Exemption</u>	<u>Rate* Adjustment</u>	<u>Net Increase (Decrease)</u>
I	\$235	\$(60)	\$(271)	\$(91)	\$(187)
II	379	(60)	(271)	(151)	(103)
III	479	(60)	(271)	(196)	(48)
IV	739	(60)	(271)	(241)	167

\*Based on tax rate of 351 mills.

Because the census data on value of homes appears high at the low income level and low at the high income level Table 4 on the following page is presented which compares the same families using the income to housing ratios applied in the original fiscal note to HB377. This results in the following income and home values.

Table 3  
Income - Home Value Relations  
(HB377 Fiscal Note)

<u>Family</u>	<u>Income of Family</u>	<u>Value of Residence</u>
I	\$15,000	\$ 41,250
II	35,000	91,700
III	50,000	131,000
IV	85,000	222,700

Using the values in Table 3 the net tax reduction ranges from a 29 percent reduction for Family I to a 7 percent reduction for Family IV.

SENATE TAXATION

EXHIBIT NO. 11

DATE 3-31-87

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Table 4  
Sales Tax and Property Tax Relief in HB377

<u>Family</u>	<u>Tax</u>	<u>Income Tax Credit</u>	<u>- Property Tax Relief - \$20,000* Exemption</u>	<u>Rate* Adjustment</u>	<u>Net Increase (Decrease)</u>
1	\$235	\$(60)	\$(271)	\$(64)	\$(160)
2	379	(60)	(271)	(216)	(168)
3	479	(60)	(271)	(335)	(187)
4	739	(60)	(271)	(612)	(204)

\*Based on a tax rate of 351 mills.

If I can be of further assistance please contact me again.

CN1a:kj:rr3-29.

SENATE TAXATION

EXHIBIT NO. 11

DATE 3-31-87

BILL NO. H.B. 377