

MINUTES

MONTANA SENATE
51st LEGISLATURE - REGULAR SESSION

COMMITTEE ON TAXATION

Call to Order: By Senator Bob Brown, Chairman, on March 27,
1989, at 1:00 p.m.

ROLL CALL

Members Present: Senator Brown, Senator Hager, Senator
Norman, Senator Eck, Senator Bishop, Senator Halligan,
Senator Walker, Senator Harp, Senator Gage, Senator
Severson, Senator Mazurek, Senator Crippen

Members Excused: None

Members Absent: None

Staff Present: Jill Rohyans, Committee Secretary
Jeff Martin, Legislative Council

Announcements/Discussion: None

HEARING ON SENATE BILL 469

Presentation and Opening Statement by Sponsor:

Senator Crippen, District 45, sponsor, said the bill is the result of a large bipartisan effort to solve the funding problems facing the state. This bill is part of Governor Stephen's tax reform package which includes SB 463 and a House bill dealing with a minimum tax. Presently, with the concessions to the foundation program that need to be made, the state is facing a \$90 million shortfall for this biennium. Senator Crippen said the decision cannot be made just for the biennium, we must adopt a system of comprehensive tax reform which will take us down the road to financial security in the future. Senator Crippen said the bill includes a 4% sales tax or gross receipts tax on goods and services and a use tax on services. Senator Crippen presented the committee members with an outline and explanation of the bill (Exhibit #1). He also presented proposed amendments to the bill (Exhibits #2 and #2a) as well as a sheet showing the distribution of revenue under SB 469 as introduced (Exhibit #3).

List of Testifying Proponents and What Group they Represent:

Representative Dorothy Bradley, District 79
Dan Lambros, President, Montana Ambassadors
Wayne Phillips, Legislative Liaison, representing
Governor Stephens
Carrol Krause, Commissioner of Higher Education
Eric Feaver, Montana Education Association
Ann Mary Dussault, Missoula County Commissioner and
President, Montana Association of County
Commissioners
Dennis Burr, Montana Taxpayers Association
Jim Van Arsdale, Mayor, Billings
Maxine Johnson, Economist, Montana Chamber of Commerce
Pat Melby, Underfunded School Districts
Mike Matthew, Yellowstone County
Kay Foster, Billings Chamber of Commerce
Carol Daly, Flathead Economic Development Corporation
Roger Young, Great Falls Chamber of Commerce
Al Littler, Montana Association of Realtors
Bob Henkel, Executive Director, Montana Tax Reform
Education Committee
William Tietz, President, Montana State University

List of Testifying Opponents and What Group They Represent:

Robert Van Der Vere, Taxpayer from Helena
Judy Doggett, Montana Association of Clerks and
Recorders
Terry Murphy, President, Montana Farmers Union
Bruce Nelson, Chairman, Montana Democratic Party
Gene Fenderson, Montana Building and Construction
Trades Council
Paul Stramer, Montana Tea Party Taxpayers
Walt DuPea, Taxpayer from Bigfork
Earl Riley, Montana Senior Citizens Association
Don Judge, Montana AFL-CIO
Chester Kinsey, Montana Senior Citizens
Sam Ryan, Montana Senior Citizens and Taxpayers
John Fay, Citizen and Voter
Brenda Nordlund, Montana Women's Lobby
Bob Heiser, United Food and Commercial Workers
Nadlean Jensen, AFSCME

Person Testifying on a Neutral Basis:

Alan Chronister, State Bar of Montana

Testimony:

Representative Dorothy Bradley, co-sponsor of the bill expressed her continuing support for the concept. She submitted a letter of support from the Mayor of West Yellowstone (Exhibit #4).

Dan Lambros, President, Montana Ambassadors, presented his testimony in support of the bill (Exhibit #5).

Wayne Phillips, Legislative Liaison, representing Governor Stan Stephens, said this bill represents far more than a sales tax. It is a comprehensive tax reform bill for Montana. The bill includes tax equalization for education and provides a replacement tax for the reductions in personal and real property taxes and income tax. The Governor urged the committee to move it forward through the legislative process.

Carrol Krause, Commissioner of Higher Education, said the state of education is in peril in the state due to deteriorating tax bases. He urged the committee to adopt the bill and put education funding back on a solid footing.

Eric Feaver, Montana Education Association, presented his testimony in support of the bill (Exhibit #6).

Ann Mary Dussault, Missoula County Commissioner and President of the Montana County Commissioners Association, expressed support for the bill.

Dennis Burr, Montana Taxpayers Association, expressed support for the bill.

Jim Van Arsdale, Mayor of the City of Billings, expressed support for the bill.

Maxine Johnson, Montana Chamber of Commerce Economist, presented her testimony in support of the bill (Exhibit #7).

Pat Melby, Underfunded School Districts, expressed support for the bill.

Mike Matthew, Yellowstone County, expressed support for the bill.

Kay Foster, Billings Chamber of Commerce, expressed support for the bill.

Carol Daly, Flathead Economic Development Corporation, expressed support for the bill.

Roger Young, Great Falls Chamber of Commerce, expressed support for the bill.

Al Littler, Montana Association of Realtors, presented his testimony in support of the bill (Exhibit #8).

Bob Henkel, Executive Director, Montana Tax Reform Education Committee, presented his testimony in support of the bill (Exhibit #9).

William Tietz, President, Montana State University, expressed support for the bill.

Opponents:

Robert Van Der Vere, a Helena taxpayer, said he had the highest respect for the legislature but opposed the sales tax or any tax increase for the state.

Judy Doggett, Montana Clerks and Recorders, presented her testimony to the committee, not in opposition to the bill, but rather, expressing concern about the election costs to the local districts (Exhibit #10).

Terry Murphy, President, Montana Farmers Union, expressed the unalterable opposition of his organization to the use of a sales tax as a means of funding state government. He said he does not question the sincerity of Senator Crippen or Representative Bradley in presenting the legislation, however, the members of his organization do not want any more general or selective sales taxes.

Bruce Nelson, Chairman, Montana Democratic Party, presented his testimony in opposition to the bill (Exhibit #11).

Gene Fenderson, Montana Building and Trades Council, presented his testimony in opposition to the bill (Exhibit #12).

Paul Stramer, Montana Tea Party, presented his testimony in opposition to the bill (Exhibit #13).

Walt DuPea, taxpayer from Bigfork, presented his testimony in opposition to the bill (Exhibit #14).

Earl Riley, Montana Senior Citizens, presented his testimony in opposition to the bill (Exhibit #15).

Don Judge, Montana AFL-CIO, presented his testimony in opposition to the bill (Exhibit #16). He also presented a response to the Montana Ambassadors re the Corporation for Enterprise Development 1989 study of Montana taxes (Exhibit #16a).

Chester Kinsey, Senior Citizens, expressed opposition to the bill.

Sam Ryan, Montana Senior Citizens and Taxpayers, said this is a rotten bill and it should be killed.

John Fay, a citizen and voter, expressed the opinion that what is not needed is more and larger taxes, but rather efficiency and streamlining of government.

Brenda Nordland, Montana Women's Lobby, said the sales tax is particularly onerous for female heads of households. Women are earning 59 cents on the dollar compared to men and this tax would add another difficult burden to the income level of most women.

Bob Heiser, United Food and Commercial Workers, urged the committee to oppose the bill.

Nadlean Jensen, AFSCME, said her organization adopted a resolution opposing a sales tax. She urged the committee to also oppose any sales tax legislation.

Neutral Testimony:

Allen Chronister, State Bar of Montana, presented his remarks re taxation of legal services (Exhibit #17).

Questions From Committee Members: None

Closing by Sponsor:

Senator Crippen said it is time the legislature starts talking compromise. Both parties must work together to develop a program of tax reform which will provide property tax relief and adequately fund state government and education. The alternative is to begin cutting programs which are important to the people of the state and which will cause many hardships. Under this bill, 55,000 households will be taken off the tax rolls and at least another 55,000 will go from itemized deductions to standard deductions. Senior citizens

will benefit from the rebate and increase in standard deductions. Every special interest group wants their program protected, but no one is willing to make the commitment to raising the revenue to fund them. Compromise is the only responsible way to reach a solution to the revenue problems facing this session.

DISPOSITION OF SENATE BILL 469

Discussion:

Dale Harris, Montana Ambassadors, reviewed the bill and the proposed amendments (Exhibit #2 and #2a).

Amendments and Votes:

Senator Crippen MOVED the adoption of the amendments.
The motion CARRIED on a roll call vote (Exhibit #18).

Senator Walker MOVED to strike Section 135 which would remove fraternal organizations from the net proceeds tax provisions. The motion FAILED.

Senator Harp MOVED to amend the bill as per the amendments contained in Exhibit #19. The motion FAILED on a roll call vote (Exhibit #20).

Recommendation and Vote:

Senator Crippen MOVED SB 469 Do Pass As Amended. The motion CARRIED on a roll call vote (Exhibit #21).

ADJOURNMENT

Adjournment At: 3:05 p.m.



SENATOR BOB BROWN, Chairman

BB/jdr

MIN327.jdr

ROLL CALL

TAXATION

COMMITTEE

51st LEGISLATIVE SESSION -- 1989

Date 3/27/89

NAME	PRESENT	ABSENT	EXCUSED
SENATOR BROWN	X		
SENATOR BISHOP	X		
SENATOR CRIPPEN	X		
SENATOR ECK	X		
SENATOR GAGE	X		
SENATOR HAGER	X		
SENATOR HALLIGAN	X		
SENATOR HARP	X		
SENATOR MAZUREK	X		
SENATOR NORMAN	X		
SENATOR SEVERSON	X		
SENATOR WALKER	X		

Each day attach to minutes.

SENATE STANDING COMMITTEE REPORT

page 1 of 13
March 28, 1989

MR. PRESIDENT:

We, your committee on Taxation, having had under consideration SB 469 (first reading copy -- white), respectfully report that SB 469 be amended and as so amended do pass:

1. Title, line 4.

Following: ""

Strike: "AN ACT"

Insert: "THE EDUCATION AND TAX REFORM ACT;"

2. Title, line 12.

Following: ";

Insert: "LINKING THE IMPOSITION OF A STATEWIDE SALES TAX TO STATE INCOME TAX REFORM;"

3. Title, line 18.

Following: "15-10-402,"

Insert: "15-10-411, 15-10-412,"

4. Title, line 23.

Strike: "AND"

5. Title, line 24.

Following: "61-3-501,"

Insert: "AND 61-3-502,"

6. Page 6, line 15.

Following: "materials"

Insert: ", including the processing for use in a mill, smelter, refinery, or reduction facility."

7. Page 6, line 21.

Following: "psychology"

Insert: "or licensed as a mental health professional or chemical dependency counselor"

8. Page 9, line 21.

Strike: "2 1/2"

Insert: "4"

9. Page 9, lines 23 through 25.

Following: "." on line 23

Strike: the remainder of line 23 through line 25

10. Page 16, line 4.

Following: "--"

Insert: "prescribed"

11. Page 16, line 5.
Following: "drugs,"
Insert: "and"
Following: "devices"
Strike: ", and"
Insert: " -- "
12. Page 16, line 6.
Following: "sale"
Insert: ", by prescription from a person described in [section 1(9)(a)],"
13. Page 16, line 11.
Strike: "The"
Insert: "Except as provided in [sections 1 through 69 and 75], the"
14. Page 20, line 14.
Following: "---"
Insert: "subscriptions --"
15. Page 20, line 15.
Following: "services."
Insert: "(1) The gross receipts from the sale of subscriptions to newspapers, magazines, and all other printed material are exempt from the sales tax.
(2)"
16. Page 20, line 20.
Strike: "(1)"
Insert: "(a)"
Rnumber: subsequent subsections
17. Page 21, line 21.
Following: "to"
Insert: "mining or"
18. Page 21, line 23.
Following: "of"
Insert: "mining or"
19. Page 22, line 4.
Following: "business of"
Insert: "mining or"
20. Page 24, line 20.
Strike: "(a)"
21. Page 24, line 21.

Strike: "(1)(b)"
Insert: "(2)"
Strike: "(3)"
Insert: "(4)"

22. Page 24, line 25.
Strike: "(b)"
Insert: "(2)(a)"
Renumber: subsequent subsections

23. Page 25, line 1.
Following: "improvements"
Insert: ", other than residential improvements,"

24. Page 25.
Following: line 4
Insert: "(b) The proportion of the gross receipts from the sale of real property that is attributable to residential improvements constructed on the real property by the seller in the ordinary course of his construction business may be deducted from gross receipts in the proportion that the cost of the construction for everything other than materials bears to the gross receipts for the improvements."

25. Page 25, line 12.
Strike: "for"
Insert: "from"

26. Page 25, line 13.
Following: "of"
Strike: "this section"
Insert: "[sections 1 through 67 and 75]"

27. Page 25, line 15.
Following: "65"
Insert: ", and all such receipts are subject to the tax imposed in [section 2]"

28. Page 25.
Following: line 17
Insert: "(5) For the purposes of this section, "residential improvements" means improvements to real property that are constructed for human habitation in a structure containing fewer than three units. The term includes improvements made to existing residential improvements."

29. Page 27, line 5.
Following: "(1)"
Strike: "receipts"

Insert: "Except as provided in subsection (4), receipts"

30. Page 28.

Following: line 5

Insert: "(4) Receipts from performing architectural, engineering, surveying, or graphic design services may be deducted from gross receipts if the product resulting from the service or the service is used or applied exclusively outside Montana. For the purposes of this subsection, the provisions of subsection (3) do not apply."

Re-number: subsequent subsection

31. Page 28, line 20.

Following: "who"

Insert: "presents a nontaxable transaction certificate or"

32. Page 28.

Following: line 23

Insert: "(3) Receipts from the sale of an agricultural service may be deducted from gross receipts if the sale is made to a buyer engaged in the business of farming or ranching or the raising of animals for their hides or pelts and who states in writing that he is regularly engaged in the business of farming or ranching or the raising of animals for their hides or pelts or who delivers a nontaxable transaction certificate to the person performing the agricultural service. The buyer making the statement or delivering the nontaxable transaction certificate shall have the agricultural service performed upon property, real or personal, including livestock and animals raised for their hides or pelts, that is an integral part of an agricultural operation."

Re-number: subsequent subsection

33. Page 29, line 3.

Following: "chemicals"

Strike: "and"

Insert: ", "

Following: "reagents"

Insert: ", and substances"

34. Page 29, line 5.

Strike: "chemicals or reagents"

Insert: "any chemical, reagent, or other substance"

35. Page 29, line 6.

Strike: "for use"

Insert: "that is used or consumed"

Following: "in"

Insert: "the"
Following: "processing"
Insert: "of"

36. Page 29, line 7.
Following: "smelter,"
Strike: "or"
Following: "refinery"
Insert: ", or reduction facility"

37. Page 29, line 24.
Following: "product"
Insert: "mined or"

38. Page 29, line 25.
Following: "service of"
Insert: "mining,"
Following: "combining"
Insert: ", "

39. Page 30, line 1.
Following: "materials"
Insert: ", including minerals,"

40. Page 30, line 3.
Following: "of"
Insert: "mining or"

41. Page 30, line 7.
Following: "property"
Insert: ", including minerals,"
Following: "of"
Insert: "mining or"

42. Page 31.
Following: line 12
Insert: "NEW SECTION. Section 44. Deduction - computer data base services. (1) Receipts from the sale or use of computer data base services may be deducted from gross receipts.
(2) For the purposes of [sections 1 through 69 and 75], "computer data base services" means identifying, compiling, organizing, manipulating, or delivering information actually contained in or to be contained in a computer data base.
(3) Receipts from the sale of computer hardware, software, system development, design, or installation or the sale of an existing computer data base (as opposed to the sale or use of a computer data base service) may not be deducted from gross receipts."

Renumber: subsequent sections

43. Page 38, line 19.

Strike: "Common"

Insert: "Interstate and intrastate"

44. Page 38, line 21.

Strike: "by motor vehicle"

45. Page 39, line 15.

Following: "tax"

Insert: ", less the vendor allowance provided in subsection (5)."

46. Page 41.

Following: line 8

Insert: "(5) A person filing a return under this section may annually deduct from the amount of tax to be remitted to the state and return as a vendor allowance 3% of the tax determined to be payable to the state or \$1,200, whichever is less."

47. Page 51, line 23.

Following: "relief"

Insert: "(excluding the face value of all food stamps received)"

48. Page 53, lines 3 through 9.

Following: "allowed" on line 3

Strike: remainder of line 3 through line 9

Insert: "in the amount of \$90 per exemption, provided that gross household income is less than \$13,000."

49. Page 56.

Following: line 7

Insert: "(b) the total amount claimed under [section 72], which amount must be further allocated in the same manner as income tax revenue is allocated under 15-1-501(2);"

Renumber: subsequent subsections

50. Page 56, line 9.

Strike: "allocation"

Insert: "allocations"

Strike: "subsection"

Insert: "subsections"

Following: "(1)(a)"

Insert: "and (1)(b)"

51. Page 56, line 11.

Strike: "53%"

Insert: "52%"

52. Page 56, line 13.

Strike: "15%"

Insert: "13%"

53. Page 56, line 18.

Strike: "11%"

Insert: "5%"

54. Page 58, line 18.

Following: "municipal,"

Insert: "conservation district,"

55. Page 59, line 20.

Strike: ", "

Following: "but"

Strike: "ignoring"

Insert: "shall disregard"

56. Page 58.

Following: line 20

Insert: "(6) For the purposes of 15-10-412(7), property tax replacement revenue received by a taxing jurisdiction under this section is considered to be revenue from property taxes."

57. Page 93, line 11.

Following: "and"

Insert: "the unprocessed products of"

58. Page 97, line 1.

Strike: "15%"

Insert: "13%"

59. Page 97, lines 8, 13, and 20.

Strike: "1986"

Insert: "1991"

60. Page 98.

Following: line 3

Insert: "Section 110. Section 15-10-411, HCA, is amended to read:
"15-10-411. (Temporary) Declaration of policy -- clarification -- extension to all property classes. Section 15-10-401 is interpreted, clarified, and extended as follows:
(1) In order to avoid constitutional challenges based on discriminatory treatment of taxpayers in tax classes not enumerated in 15-10-401 and 15-10-402, the limitation to 1986 1991 levels is extended to apply to all classes of property described in Title 15, chapter 6, part 1.

(2) The policy declaration in 15-10-401(5) that no further property tax increases be imposed is interpreted to mean no further increase may be made in the tax rate applied to property in each class in ~~1986~~ 1991.

(3) No new class of property may be created solely to circumvent the policy underlying 15-10-401 and 15-10-402. If a new class of property is created in order to afford preferential treatment to a category of property, the taxable rate that applies may not exceed the rate at which such property was taxed in ~~1986~~ 1991. (Terminates December 31, 1989--sec. 6, Ch. 654, L. 1987.)"

Section 111. Section 15-10-412, MCA, is amended to read:
"15-10-412. (Temporary) Property tax limited to ~~1986~~ 1991 levels -- clarification -- extension to all property classes. Section 15-10-402 is interpreted and clarified as follows:

(1) The limitation to ~~1986~~ 1991 levels is extended to apply to all classes of property described in Title 15, chapter 6, part 1.

(2) The limitation on the amount of taxes levied is interpreted to mean that the actual tax liability for an individual property is capped that dollar amount due in each taxing unit for the ~~1986~~ 1991 tax year. In tax years thereafter, the property must be taxed in each taxing unit at the ~~1986~~ 1991 cap or the product of the taxable value and mills levied, whichever is less for each taxing unit.

(3) The limitation on the amount of taxes levied does not mean that no further increase may be made in the total taxable valuation of a taxing unit as a result of:

(a) annexation of real property and improvements into a taxing unit;

(b) construction, expansion, or remodeling of improvements;

(c) transfer of property into a taxing unit;

(d) subdivision of real property;

(e) reclassification of property;

(f) increases in the amount of production or the value of production for property described in 15-6-131 or 15-6-132;

(g) transfer of property from tax-exempt to taxable status; or

(h) revaluations caused by;

(i) cyclical reappraisal; or

(ii) expansion, addition, replacement, or remodeling of improvements.

(4) The limitation on the amount of taxes levied does not mean that no further increase may be made in the taxable valuation or in the actual tax liability on individual property in each class as a result of:

(a) construction, expansion, replacement, or remodeling

of improvements that adds value to the property;
(b) transfer of property into a taxing unit;
(c) reclassification of property;
(d) increases in the amount of production or the value of production for property described in 15-6-131 or 15-6-132;
(e) annexation of the individual property into a new taxing unit; or
(f) conversion of the individual property from tax-exempt to taxable status.

(5) Property in classes four, twelve, and fourteen, as amended by [this act], is valued according to the procedures used in 1986, or the 1991 tax year if a revaluation pursuant to 15-7-111 has been completed, including the designation of 1982 as the base year, or the designation of a new base year if a revaluation pursuant to 15-7-111 has been completed, until the reappraisal cycle beginning January 1, 1986, is completed and new valuations are placed on the tax rolls and a new base year designated, if the property is:

(a) new construction;
(b) expanded, deleted, replaced, or remodeled improvements;
(c) annexed property; or
(d) property converted from tax-exempt to taxable status.

(6) Property described in subsections (5)(a) through (5)(d) that is not class four, class twelve, or class fourteen property, as amended by [this act], is valued according to the procedures used in 1986, or a subsequent revaluation completed pursuant to 15-7-111, but is also subject to the dollar cap in each taxing unit based on 1986 the mills levied in 1986, or in 1991 if a revaluation pursuant to 15-7-111 has been completed subsequent to 1986.

(7)(a) The limitation on the amount of taxes, as clarified in this section, is intended to leave the property appraisal and valuation methodology of the department of revenue intact. Determinations of county classifications, salaries of local government officers, and all other matters in which total taxable valuation is an integral component are not affected by 15-10-401 and 15-10-402 except for the use of taxable valuation in fixing tax levies. In fixing tax levies, the taxing units of local governments by anticipate the deficiency in revenues resulting from the tax limitations in 15-10-401 and 15-10-402, while understanding that regardless of the amount of mills levied, a taxpayer's liability may not exceed the dollar amount due in each taxing unit for the 1986 tax year, or the 1991 tax year if a revaluation pursuant to 15-7-111 has been completed, unless the taxing unit's taxable valuation decreases by 5% or more from the previous 1986 tax year, or the 1991 tax year if a revaluation pursuant to 15-7-

111 has been completed. If a taxing unit's taxable valuation decreases by 5% or more from the previous 1986 tax year, or the 1991 tax year if a revaluation pursuant to 15-7-111 has been completed, it may levy additional mills to compensate for the decreased taxable valuation, but in no case may the mills levied exceed a number calculated to equal the revenue from property taxes for the 1986 tax year, or the 1991 tax year if a revaluation pursuant to 15-7-111 has been completed, in that taxing unit.

(b) For the purposes of this subsection (7), property tax replacement revenue received as reimbursement from sales tax proceeds is considered to be revenue from property taxes.

(8) The limitation on the amount of taxes levied does not apply to the following levy or special assessment categories, whether or not they are based on commitments made before or after approval of 15-10-401 and 15-10-402:

- (a) rural improvement districts;
- (b) special improvement districts;
- (c) levies pledged for the repayment of bonded indebtedness, including tax increment bonds;
- (d) city street maintenance districts;
- (e) tax increment financing districts;
- (f) satisfaction of judgments against a taxing unit;
- (g) electric company street lighting assessments; and
- (h) revolving funds to support any categories specified in this subsection (8).

(9) The limitation on the amount of taxes levied does not apply in a taxing unit if the voters in the taxing unit approve an increase in tax liability following a resolution of the governing body of the taxing unit containing:

- (a) a finding that there are insufficient funds to adequately operate the taxing unit as a result of 15-10-401 and 15-10-402;
- (b) an explanation of the nature of the financial emergency;
- (c) an estimate of the amount of funding shortfall expected by the taxing unit;
- (d) a statement that applicable fund balances are or by the end of the fiscal year will be depleted;
- (e) a finding that there are no alternative sources of revenue;
- (f) a summary of the alternatives that the governing body of the taxing unit has considered; and
- (g) a statement of the need for the increased revenue and how it will be used.

(10) The limitation on the amount of taxes levied does not apply to levies required to address the funding of relief of suffering of inhabitants caused by famine, conflagration, or other public calamity. (Terminates December 31, 1989--sec.

6, Ch. 654, L. 1987.)"

61. Page 150, line 8.

Strike: "except"

Insert: "including"

62. Page 150, line 9.

Following: "purchase,"

Insert: "and fees"

63. Page 151.

Following: line 6

Insert: "Section 140. Section 61-3-502, MCA, is amended to read:

~~"61-3-502. Sales tax on new motor vehicles -- exceptions.~~

(1) In consideration of the right to use the highways of the state, there is imposed a tax upon all sales of new motor vehicles, excluding trailers, semitrailers, and house trailers, for which a license is sought and an original application for title is made. The tax shall be paid by the purchaser when he applies for his original Montana license through the county treasurer.

~~(2) Except as provided in subsection (4), the sales tax shall be:~~

~~(a) 4% of the f.o.b. factory list price or f.o.b. port of entry list price, during the first quarter of the year or for a registration period other than a calendar year or calendar quarter;~~

~~(b) 3 1/2% of the list price during the second quarter of the year;~~

~~(c) 3/4 of 4% during the third quarter of the year;~~

~~(d) 3/8 of 4% during the fourth quarter of the year;~~

~~(3) If the manufacturer or importer fails to furnish the f.o.b. factory list price or f.o.b. port of entry list price, the department may use published price lists.~~

~~(4) The new car sales tax on vehicles subject to the provisions of 61-3-313 through 61-3-316 is 1 1/4% of the f.o.b. factory list price or f.o.b. port of entry list price regardless of the month in which the new vehicle is purchased.~~

~~(5) (3) The proceeds from this tax shall be remitted to the state treasurer every 30 days for credit as follows:~~

~~(a) 32.5% to the state highway account of the state special revenue fund; and~~

~~(b) 67.5% to the sales tax and use tax account described in [section 75].~~

~~(6) (4) The new vehicle is not subject to any other assessment, fee in lieu of tax, or tax during the calendar year in which the original application for title is made.~~

~~(7) (5) (a) The applicant for original registration of~~

any new and unused motor vehicle, or a new motor vehicle furnished without charge by a dealer to a school district for use as a traffic education motor vehicle by a school district operating a state-approved traffic education program within the state, whether or not previously licensed or titled to the school district (except a mobile home as defined in 15-1-101(1)), acquired by original contract after January 1 of any year, is required, whenever the vehicle has not been otherwise assessed, to pay the motor vehicle sales tax provided by this section irrespective of whether the vehicle was in the state of Montana on January 1 of the year.

(b) No motor vehicle may be registered or licensed under the provisions of this subsection unless the application for registration is accompanied by a statement of origin to be furnished by the dealer selling the vehicle, showing that the vehicle has not previously been registered or owned, except as otherwise provided herein, by any person, firm, corporation, or association that is not a new motor vehicle dealer holding a franchise or distribution agreement from a new car manufacturer, distributor, or importer.

~~(e)~~ (6) (a) Motor vehicles operating exclusively for transportation of persons for hire within the limits of incorporated cities or towns and within 15 miles from such limits are exempt from subsection (1).

(b) Motor vehicles brought or driven into Montana by a nonresident, migratory, bona fide agricultural worker temporarily employed in agricultural work in this state where those motor vehicles are used exclusively for transportation of agricultural workers are also exempt from subsection (1).

(c) Vehicles lawfully displaying a licensed dealer's plate as provided in 61-4-103 are exempt from subsection (1) when moving to or from a dealer's place of business; when unloaded or loaded with dealer's property only, and in the case of vehicles having a gross loaded weight of less than 24,000 pounds, while being demonstrated in the course of the dealer's business."

Renumber: subsequent sections

64. Page 151, line 15.

Following: "rates"

Insert: "and credits"

65. Page 151, line 16.

Strike: "restriction on increasing"

Insert: "restrictions"

Following: "."

Insert: "(1)"

66. Page 151.

Following: line 18

Insert: "(2) The income tax credit for sales tax paid provided in [section 71] may be decreased only if the decrease is approved by the electorate."

67. Page 158, lines 4 through 7.

Strike: subsection (5) in its entirety

68. Page 158.

Following: line 8

Strike: lines 9 through 12 in their entirety

Insert: "(1) If [this act] is approved at the election held pursuant to [section 152] and Senate Bill No. 287 is passed and approved, Senate Bill No. 287 is void.

(2) If either Senate Bill No. 463 or House Bill No. 664 is not passed and approved, no referendum may be held on [this act] and [this act] is void."


69. Page 159.

Following: line 15

Insert: "NEW SECTION. Section 161. Special instruction to code commissioner. The code commissioner is instructed to make the necessary changes to the internal references caused by the addition of any section to [this act] or the deletion of any section from [this act]."

AND AS AMENDED DO PASS

Signed: _____


Bob Brown, Chairman

SUMMARY OF SECTIONS OF SENATE SALES TAX BILL

SENATE TAXATION

EXHIBIT NO. 1 pi

DATE 3/27/89

BILL NO. SB 469

Administration of sales tax: Sections 1 through 68

Low Income credits: Sections 69 through 73

Allocation of sales tax revenue: Sections 74 through 75

Property tax replacement for classification system reform: Section 76

Amendments to bonding and other laws relating to reduced taxable value of local governments: Sections 77 through 99

Amendments to property tax classification laws: Sections 100 through 113

Amendments to school laws to eliminate teacher's retirement levy: Sections 114 through 125 and 134

Amendments to provide that portion of sales tax revenue is used for school equalization: Sections 126 through 131

Amendments to provide that portion of sales tax revenue is used for community colleges and vo-tech centers: Sections 132 & 133

Amendments to provide that gross receipts of certain non-profit societies under Title 33-7-407 are taxable: Section 135

Requires a vote of people or 2/3 vote of legislature to increase property classification rates: Section 137

Requires a vote of the people to increase sales tax rate: Section 138

Provides for City, Town & County block grant with half to be used to reduce general fund levy and half to be used at discretion of local government: Section 139 through 146

Provides November 7, 1989 special election to vote on sales tax and provides format for ballot: Sections 147 & 148

Repealers, codification instructions, rule making, severability, saving clause, effective dates: Sections 149 to 156

Senate Bill 469
Education and Tax Reform Act of 1989
Senator Crippen and Representative Bradley
Chief Sponsors

A Tax Reform Package: This measure is proposed as only one part of a comprehensive tax reform package. It is critical that tax issues be considered in their entirety rather than a piecemeal fashion.

The Proposed Sales Tax Base: (a) All sales of goods and services (except goods and services specifically exempt), and goods to be resold in the regular course of business). This is the retail tax base. (b) All goods purchased elsewhere and brought into the State for use (except goods specifically exempt, goods to be resold in the regular course of business, and other specific personal items). This is the use tax base.

The Tax Rate: Four (4) percent of sale value.

Exempted Goods and services: The proposal keeps the tax base very broad in order to keep the rate low, have a high and stable revenue yield, and to keep administrative expenses low.

Sales tax laws are always subject to changes in the goods and services exempted. For example, the Minnesota law exempts many commonly purchased consumer goods. Its revenue yield is low and quite variable from year to year, and it is expensive for businesses and the state to administer for that reason.

The only items specifically exempted in the proposal are:

- Food--only that qualifying for food stamp purchases.
- Medical services--including doctors and health services.
- Prescription items and services--including therapy and prostheses.
- Interstate transportation services.
- Motor fuels (already heavily taxed).
- Advertising services.
- Hotels and other lodging (already taxed at 4%).
- Wages.
- Dividends and interest, and insurance premiums.

The first 2 1/2 percent of the sales tax on new motor vehicles. (The excise tax is already 1 1/2%, and therefore the total tax will equal 4%).

Used cars are not taxed.

Insurance, real estate, and stock and bond commissions.

Agricultural products.

Livestock feeding supplies.

Oil, gas, and mineral interests.

Vehicles on which the tax has already been paid once or goods purchased prior to this law.

Occasional Sales--such as yard sales or disposal auctions.

Personal effects of people moving into the state.

Sales to Federal (and Tribal) agents--following Federal Statutes.

Additional exempt "transactions": The sales tax is designed to tax only final goods. Purchases of manufacturing supplies, for example, are exempt transactions. (These components of the good are taxed only when the finished good is sold).

To qualify for "deductible transactions", business must apply to the State and meet standards for receiving a "deduction certificate." The certificate must be presented when buying goods as "deductible transactions."

Reducing the burden on low income households: Each person in a low income household would be eligible to receive a rebate of up to \$100 each year. The rebate will be taken as an income tax credit upon filing State income tax forms. The amount of the rebate decreases as household income increases, and reaches zero for household incomes above \$20,000. (Household income includes all income sources).

A minority proposal, not accepted would exempt food only for the first year, and start a liberal rebate program before good items became taxed at the beginning of the second year. A two-thirds vote by each legislative chamber would have been required to lower the rebate amounts in order to guarantee it for future years. The intent the minority proposal is to capture the tax revenue on high-priced food items purchased by the well-to-do. The tax base would be kept broad and stable, and the problems of low income people would be addressed directly with the resulting rebate. These features would make the sales tax more progressive.

SENATE TAXATION

EXHIBIT NO. 1 p.7DATE 3/27/89BILL NO. SB 469

Distribution

The Sales Tax Revenue and Distribution: Assuming the above exemptions and a tax rate of four percent, the \$285 Million in revenue would be distributed as follows:

	<u>Million</u>	<u>% of Revenue</u>	<u>% of Available</u>
Revenue 4% at 71 Million per 1% tax =	\$285	100.0%	
Less estimated low income rebates	<u>\$28</u>	<u>9.8</u>	
Available for allocation	\$257	90.1	
Less estimate of revenue needed to reduce residential, personal and commercial property tax classification rates to 3.5%	<u>\$67</u>	<u>23.5</u>	
Remainder available for appropriation	\$190	66.6%	100.0%
Public Education	\$100	35.0%	53.0%
Higher Education including university system, vo-tech, community colleges	\$28	9.8%	15.0%
City, Town and County Governments			
Mill reduction	\$10	3.5%	5.5%
New revenue	\$10	3.5%	5.5%
Remainder to State General Fund (percents rounded)	\$42	14.4	21.0%

Distribution

SENATE TAXATION

EXHIBIT NO. 1 0.5

DATE 3/27/89

BILL NO. SB 469

Property Tax Relief: Of the \$257 million raised by the Sales taxes after deduction of the low income rebates, \$177 million or 68% is allocated to three types of property tax relief:

- \$ 67. million to reduce residential, personal and commercial property tax classification rates to 3.5%
- \$100. for public education to reduce local school property taxes
- \$ 10. to reduce city and county mill levies
- \$177. Total property tax reductions

The property tax relief provided follows several guidelines.

1. Take no property from the tax rolls.
2. The property tax problem is one of inequity among the various classes that has been created through the years. Address that inequity by making most taxable values the same.
3. Distribute replacement revenue for lost property tax revenue to local governments on a dollar for dollar basis--one dollar from the Sales Tax Fund for every dollar decrease in property taxes for each local government entity.

The proposed property tax revisions would reduce the inequities in the current system and would produce property tax relief that encourages economic development.

Thirteen old property classes would be collapsed into one new class seven. The new class seven would now have a taxable value of 3.5 percent. Revenues from property taxable rates of railroad and airline property would decline to the weighted average of all commercial property in Montana. (The effect of that reduction is not included in these calculations). A reduction of \$47,006,000 per year would accrue to owners of personal property. Owners of real property would receive a reduction of \$15,817,000 per year. Mobile Home owners would benefit by \$421,000 a year. Property taxes would increase only slightly for new industry, coops, and 1-acre farmsteads and improvements.

The \$100 million allocated for education would provide substantial property tax relief and provide a nonproperty tax revenue source for equalizing school funding under the Loble decision. The mandatory county mill levy for teacher retirement will be repealed, and the retirement program will be assumed by the State Education Foundation Program. This would require approximately \$50 million. The remaining \$50 million would be distributed according to the foundation program established by the legislature.

The 10 million for reduction of city and county mill levies would be distributed according to a block grant formula based on population and tax effort. This would provide for approximately a 6% decrease in city, town, and county mill levies. The cities, towns and counties would receive another \$10 million block grant that could be used to further reduce mill levies or the second \$10 could be used as new revenue to finance public services.

Higher Education: The proposal allocates \$28 million for higher education including the university system, community colleges and vo-tech centers. The revenue would be appropriated by the legislature to the individual institutions. The \$28 million is approximately a 9% increase in present funding for these institutions.

State General Fund: Recognizing the anticipated short fall in the state general fund, the proposal allocates the remainder or approximately \$41 million to the state general fund. The funds allocated to the university system and the foundation are also indirect relief for the general fund.

A VOTE OF THE PEOPLE: Legislators have been threatened that any sales tax measure will face a "suspension" initiative challenge. With signatures from 15 percent of the voters in the State, any legislation is suspended, pending a vote by the electorate. A suspension means that all planning, initiation, hiring of personnel or other activity associated with the legislation ceases. Therefore, this sales tax measure is to be submitted to a vote of the general electorate on June 13, 1989, following the adjournment of the legislature. Furthermore, a vote of the electorate would be required each time a further raise in the rate is proposed.

Proposed Low Income Sales Tax Rebate

Each person in a low income household would be eligible to receive a rebate of sales tax payments of up to \$100 each year. The rebate will be taken as an state income tax credit. The amount of the rebate per person depends on total household income. For purposes of determining the rebate, household income includes all income, whether it is taxable or not on State and Federal forms. The following schedule illustrates the amount of rebate proposed:

\$ 0 - 12,999	\$100
13,000 - 14,999	50
15,000 - 19,999	20

It is assumed that the total amount of sales tax paid by a family with an income at the poverty level will be rebated and that other low income families will receive a partial rebate. For gross household income the poverty level for a family of three would be about 12,000.

Gross household income includes capital gains, alimony, child support, public assistance, life insurance and endowment contracts, social security, and pensions.

Taxable expenditures by income class, 1985

	<5,000	5,000- 9,999	10,000- 14,900	15,000- 19,999	20,000- 29,999	30,000- 39,999	40,000 and over	Total
Food away from home	714	506	766	862	1078	1246	2019	1143
Alcoholic beverages	218	165	238	277	315	349	546	330
Utilities, fuels, & pub serv.	1017	955	1167	1226	1406	1574	2028	1426
Household operations	294	217	231	250	392	368	825	420
Housefurnishings & equipment	360	416	555	592	868	1090	2060	995
Apparel and services	711	532	710	901	1152	1375	2324	1245
Transportation								
New cars (net)	108	160	408	562	573	684	1272	785
Maintenance & repairs	282	326	423	447	551	650	941	572
Public trans.	234	167	205	184	329	301	635	334
Entertainment	723	459	765	839	1264	1471	2562	1323
Personal care	136	114	141	179	205	241	373	219
Reading	84	72	110	112	147	173	259	152
Tobacco & supplies	121	142	167	188	180	178	226	179
Miscellaneous	206	116	281	273	349	330	642	352
TOTAL	5208	4347	6167	6892	8809	10030	16712	9475
Sales Tax @ 4%	208.32	173.88	246.68	275.68	352.36	401.2	668.48	379
Size of consumer unit	1.9	2	2.3	2.3	2.6	3	3.3	2.6
Sales tax per person	109.64	86.94	107.25	119.86	135.52	133.73	202.57	145.77
								117,927.308

Source: Bureau of Labor Interview data

SENATE TAXATION

EXHIBIT NO. 1 p. 5

DATE 3/27/89

BILL NO. SB 469

Preliminary Derivations

SENATE TAXATION
 EXHIBIT NO. 1 P. 9
 DATE 3/27/89
 BILL NO. SB 469

EFFECTS OF HB747
 -----ALL HOUSEHOLDS-----
 (by 1984 Income Groupings)

	All Consumers	Less Than \$5,000	\$5,000 to \$9,999	\$10,000 To \$14,999	\$15,000 To \$19,999	\$20,000 To \$29,999	\$30,000 To \$39,999	\$40,000 And Over
Household Income:	\$24,578	\$1,783	\$7,288	\$12,427	\$17,343	\$24,608	\$34,417	\$61,231
Taxable Expenditures:	\$12,185	\$6,792	\$6,435	\$8,291	\$9,979	\$12,250	\$15,452	\$24,371
Sales Tax:								
Sales Tax	487.38	271.68	257.42	331.66	399.17	489.99	618.08	974.84
Credits	69.56	200.00	210.00	179.40	62.50	0	0	0
Tax Change	417.82	71.68	47.42	152.26	336.67	489.99	618.08	974.84
Ave. Effective Sales Tax Rate (Sales Tax/Income)	1.98%	15.24%	3.53%	2.67%	2.30%	1.99%	1.80%	1.59%
NET SALES TAX/INCOME	1.70	4.02	0.65	1.23	1.94	1.99	1.80	1.59%
Ave. Market Value of Home:	\$59,346	\$40,865	\$40,865	\$40,865	\$42,407	\$44,720	\$60,912	\$101,776
Property Tax Per household:								
Homeowners								
Current law	455.44	220.15	259.09	262.99	297.16	355.98	566.13	1,042.92
Proposed law	330.33	163.62	190.22	192.88	216.72	257.65	406.44	745.36
Tax Change	(125.11)	(56.53)	(68.87)	(70.11)	(80.44)	(98.33)	(159.69)	(297.55)
Net Tax Change Per Household:	\$292.70	\$15.15	(\$21.45)	\$82.15	\$256.23	\$391.66	\$458.40	\$677.29

SENATE TAXATION

EXHIBIT NO. 1 p 10

DATE 3/27/89

BILL NO. SB469

ASSUMPTIONS USED IN DERIVING HB747 INCIDENCE IMPACTS:

	All Consumers	Less Than \$5,000	\$5,000 to \$9,999	\$10,000 To \$14,999	\$15,000 To \$19,999	\$20,000 To \$29,999	\$30,000 To \$39,999	\$40,000 And Over
Household Income:	\$24,578	\$1,783	\$7,288	\$12,427	\$17,343	\$24,608	\$34,417	\$61,231
Total Expenditures:	\$23,301	\$12,850	\$12,835	\$16,367	\$19,422	\$24,110	\$29,227	\$44,256
Taxable Expenditures:	\$12,185	\$6,792	\$6,435	\$8,291	\$9,979	\$12,250	\$15,452	\$24,371
Ave. Size of Household:	2.6	2	2.1	2.3	2.5	2.8	3.1	3.3
Market Value in Home:	\$59,346	\$40,865	\$40,865	\$40,865	\$42,407	\$44,720	\$60,912	\$101,776
Ave. Sales Tax Credit:	\$27	\$100	\$100	\$78	\$25	\$0	\$0	\$0
Ave. Effective Sales Tax Rate (Sales Tax/Income)	1.98%	15.24%	3.53%	2.67%	2.30%	1.99%	1.60%	1.59%
Proportion of All Households:	1	0.042	0.12	0.151	0.142	0.228	0.142	0.175

SENATE TAXATION

EXHIBIT NO. 1 p.11

DATE 3/27/89

BILL NO. SB 464

EFFECTS OF HB747
 -----ALL HOUSEHOLDS-----
 (by 1984 Income Groupings)

	All Consumers	Less Than \$5,000	\$5,000 to \$9,999	\$10,000 To \$14,999	\$15,000 To \$19,999	\$20,000 To \$29,999	\$30,000 To \$39,999	\$40,000 And Over
Household Income:	\$24,578	\$1,783	\$7,288	\$12,427	\$17,343	\$24,608	\$34,417	\$61,231
Sales Tax:								
Sales Tax	487.38	271.68	257.42	331.66	399.17	489.99	618.08	974.84
Credits	69.56	200.00	210.00	179.40	62.50	0	0	0
Tax Change	417.82	71.68	47.42	152.26	336.67	489.99	618.08	974.84
Property Tax Per Household:								
Homeowners								
Current law	455.44	220.15	259.09	262.99	297.16	355.98	566.13	1,042.92
Proposed law	330.33	163.62	190.22	192.88	216.72	257.65	406.44	745.36
Tax Change	(125.11)	(56.53)	(68.87)	(70.11)	(80.44)	(98.33)	(159.69)	(297.55)
Net Tax Change Per Household:	\$292.70	\$15.15	(\$21.45)	\$82.15	\$256.23	\$391.66	\$458.40	\$677.29

SENATE TAXATION
 EXHIBIT NO. 1 910
 DATE 3/27/89
 BILL NO. SB 469

EFFECTS OF HB747
 -----URBAN HOMEOWNERS-----
 (by 1984 Income Groupings)

	All Consumers	Less Than \$5,000	\$5,000 to \$9,999	\$10,000 To \$14,999	\$15,000 To \$19,999	\$20,000 To \$29,999	\$30,000 To \$39,999	\$40,000 And Over
Sales Tax:								
Sales Tax	487.38	271.68	257.42	331.66	399.17	489.99	618.08	974.84
Credits	69.56	200.00	210.00	179.40	62.50	0	0	0
Tax Change	417.82	71.68	47.42	152.26	336.67	489.99	618.08	974.84
Property Tax Per Household (333.6 mills):								
Homeowners								
Current law	764.20	526.21	526.21	526.21	546.07	575.86	784.36	1,310.57
Proposed law	522.00	359.44	359.44	359.44	373.00	393.35	535.77	895.21
Tax Change	(242.20)	(166.77)	(166.77)	(166.77)	(173.07)	(182.51)	(248.59)	(415.36)
Net Tax Change per Household:	\$175.62	(\$95.09)	(\$119.35)	(\$14.52)	\$163.60	\$307.48	\$369.50	\$559.48

SENATE TAXATION

EXHIBIT NO. 1 p. 13

DATE 3/27/89

BILL NO. SB 469

EFFECTS OF HB747
 -----URBAN RENTERS-----
 (by 1984 Income Groupings)

	All Consumers	Less Than \$5,000	\$5,000 to \$9,999	\$10,000 To \$14,999	\$15,000 To \$19,999	\$20,000 To \$29,999	\$30,000 To \$39,999	\$40,000 And Over
=====	=====	=====	=====	=====	=====	=====	=====	=====

Sales Tax:

Sales Tax	487.38	271.68	257.42	331.66	399.17	489.99	618.08	974.84
Credits	69.56	200.00	210.00	179.40	62.50	0	0	0
-----	-----	-----	-----	-----	-----	-----	-----	-----
Tax Change	417.82	71.68	47.42	152.26	336.67	489.99	618.08	974.84

Property Tax
Per Renter:

Homeowners								
Current law	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Proposed law	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
-----	-----	-----	-----	-----	-----	-----	-----	-----
Tax Change	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00

Net Tax Change per Household:	\$417.82	\$71.68	\$47.42	\$152.26	\$336.67	\$489.99	\$618.08	\$974.84
----------------------------------	----------	---------	---------	----------	----------	----------	----------	----------

SENATE TAXATION
 EXHIBIT NO. 1 P. 14
 DATE 3/27/84
 BILL NO. SB 469

EFFECTS OF Hb747
 -----FARMSTEAD HOMES-----
 (by 1984 Income Groupings)

	All Consumers	Less Than \$5,000	\$5,000 to \$9,999	\$10,000 To \$14,999	\$15,000 To \$19,999	\$20,000 To \$29,999	\$30,000 To \$39,999	\$40,000 And Over
Sales Tax:								
Sales Tax	487.38	371.68	427.42	481.66	539.17	489.99	618.08	974.84
Credits	69.56	200.00	110.00	179.40	42.50	0	0	0
Tax Change	417.82	71.68	47.42	152.26	336.67	489.99	618.08	974.84
Property Tax								
Per Household (243.74 mills):								
Homeowners								
Current law	446.68	307.58	307.59	307.59	319.18	336.59	458.46	766.04
Proposed law	379.08	261.02	261.02	261.02	270.87	285.65	389.07	650.10
Tax Change	(67.61)	(46.55)	(46.55)	(46.55)	(48.31)	(50.94)	(69.39)	(115.94)
Net Tax Change	\$350.21	\$25.13	\$0.87	\$105.71	\$288.36	\$439.04	\$548.69	\$858.90
Per Household:	\$350.21	\$25.13	\$0.87	\$105.71	\$288.36	\$439.04	\$548.69	\$858.90

SENATE TAXATION

EXHIBIT NO. 1 p. 15

DATE 3/27/89

BILL NO. SB 469

EFFECTS OF H8747
 -----RURAL HOMEOWNERS-----
 (by 1984 Income Groupings)

	All Consumers	Less Than \$5,000	\$5,000 to \$9,999	\$10,000 To \$14,999	\$15,000 To \$19,999	\$20,000 To \$29,999	\$30,000 To \$39,999	\$40,000 And Over
Sales Tax:								
Sales Tax	487.38	271.68	257.42	331.66	399.17	489.99	618.08	974.84
Credits	69.56	200.00	210.00	179.40	62.50	0	0	0
Tax Change	417.82	71.68	47.42	152.26	336.67	489.99	618.08	974.84
Property Tax Per Household (250 mills):								
Homeowners								
Current law	572.69	394.35	394.35	394.35	409.23	431.55	587.80	982.14
Proposed law	429.52	295.76	295.76	295.76	306.92	323.66	440.85	736.61
Tax Change	(143.17)	(98.59)	(98.59)	(98.59)	(102.31)	(107.89)	(146.95)	(245.54)
Net Tax Change per Household:	\$274.64	(\$26.90)	(\$51.17)	\$53.67	\$234.36	\$382.10	\$471.13	\$729.31

Partial Listing of the Taxable Status of Goods and Services

The following is a partial listing of the taxable status of goods and services included in a broad-based sales tax.

TAXABLE

TAX EXEMPT

RETAIL TRADE

Building materials
 Mobile homes
 Packaged alcoholic beverages
 Tobacco
 Nonprescription drugs & health
 and beauty aids
 Cars and Trucks
 Recreation vehicles
 Clothing and shoes
 Furniture and appliances
 Restaurant meals and drinks
 home heating fuel
 Implements, machinery & equipment

Groceries (qualifying for food
 stamps)
 Prescription drugs and eye
 glasses.
 Therapeutic and prosthetic
 devices.
 motor fuels

Note: No deduction allowed for trade in value

SERVICES

Personal services
 Laundry
 Beauty & barber shops
 Funeral services
 Business services
 Automotive repair & services
 Miscellaneous repair
 Amusement & recreation services
 Legal services
 Engineering, architecture and
 Surveying services

Advertising
 Health services
 Hotels & other lodging

SENATE TAXATION

EXHIBIT NO. 1 P.17

DATE 3/27/59

BILL NO. SB 469

Accounting, auditing and
bookkeeping

TRANSPORTATION, COMMUNICATION, PUBLIC UTILITIES

Transportation services
(intrastate)

Transportation services
(interstate)

Telephone services

Electric utilities

Water & sewer services

CONTRACT CONSTRUCTION

FINANCE, INSURANCE, REAL ESTATE (FIRE)

Bank service charges

Dividends & interest

Real estate commissions

Insurance premiums

Stockbroker commissions

OTHER EXEMPTIONS AND DEDUCTIONS

EXEMPTIONS

Wages

Agricultural products (livestock, poultry, & crops)

Livestock feeding

Isolated or occasional sale

Oil, gas, or mineral interest

Sales by government agencies (if sell otherwise taxable item,
that item is taxed)

Personal effects brought into state

January 14, 1989 Version of Property Tax Revenue of AD HOC Committee Sales Tax Proposal
By Property Type

Property Type	1988 Taxable Value	Proposed Taxable Value	Change in Taxable Value	1988 Taxes Levied by State, County and Schools	1988 Taxes Levied by Cities and Towns	1988 Annual Revenue	Proposed Annual Revenue	Change in Taxes Levied	Avg Mill Levy
1 Net Proceeds	279,816,735	279,816,735	0	44,469,516	3,854	44,473,369	44,473,369	0	156.94
2 Gross Proceeds of Metal Mines	7,887,795	7,887,795	0	2,142,285	8,818	2,151,104	2,151,104	0	272.71
2 Gross Proceeds of Coal Strip Mines	122,610,048	122,610,046	0	13,498,902	0	13,498,902	13,498,902	0	110.10
2 Gross Proceeds of Underground Coal	33,300	33,300	0	0	0	0	0	0	0.00
3 Tillable Non-Irrigated	83,394,245	83,394,245	0	19,236,449	705	19,237,154	19,237,154	0	230.68
3 Tillable Irrigated	13,774,339	13,774,339	0	3,266,918	2,599	3,269,517	3,269,517	0	237.36
3 Wild Hay	5,536,827	5,536,827	0	1,341,685	2,233	1,341,917	1,341,917	0	242.36
3 Eligible Mining Claims	8,805	8,805	0	2,089	2,561	4,650	4,650	0	528.13
3 Grazing Land	38,374,487	38,374,487	0	8,683,151	1,196	8,684,347	8,684,347	0	226.31
4 Telecomm. Companies	62,137,056	62,137,056	0	17,562,463	3,535,950	21,098,413	21,098,413	0	339.55
4 Electric Companies	143,971,122	143,971,122	0	20,481,725	99,623	20,581,347	20,581,347	0	142.95
4 Pipelines	43,153,714	43,153,714	0	8,861,126	46,889	8,908,015	8,908,015	0	206.43
4 Natural Gas Companies	978,738	978,738	0	204,781	902	205,683	205,683	0	210.15
4 Gas and Electric Companies	128,159,981	128,159,981	0	27,856,574	1,064,235	28,949,909	28,949,909	0	225.89
5 Railroads	41,311,729	25,683,317	(15,628,412)	10,286,609	360,329	10,646,938	6,619,154	(4,027,784)	257.72
6 Airlines	6,083,033	6,083,033	0	1,854,517	62,778	1,917,295	1,917,295	0	315.19
Subtotal 1-6	977,198,652	961,570,240	(15,628,412)	179,777,889	5,190,671	184,968,560	180,940,776	(4,027,784)	
7 Impr. on Right of Way	811,446	735,767	(75,679)	199,679	62,011	261,690	237,284	(24,406)	322.50
7 Impr. on Disparately Owned Ag Land	765,041	693,690	(71,351)	166,234	7,396	173,631	157,437	(16,194)	226.96
7 Farmstead 1 Acre - Low Income	32,401	36,724	4,323	8,253	12	8,265	9,368	1,103	255.09
7 Impr. on Suburban Tracts Commercial	23,302,089	21,128,837	(2,173,252)	6,667,702	300,587	6,968,289	6,318,397	(649,892)	299.04
7 Exempt Land	0	0	0	0	0	0	0	0	0.00
7 Impr. on City/Town Lots Residential	170,680,043	154,761,697	(15,918,346)	48,979,204	14,475,081	63,454,286	57,536,269	(5,918,016)	371.77
7 Impr. on Qualified Golf Courses	441,140	593,330	152,190	129,588	5,807	135,395	183,689	48,294	306.92
7 Impr. on City/Town Lots Commercial	100,178,185	90,895,142	(9,283,043)	28,809,103	9,189,769	37,998,872	34,454,935	(3,543,938)	379.31
7 Suburban Tracts - Low Income	1,347,506	1,221,832	(125,674)	379,548	82,404	461,952	418,868	(43,084)	342.82
7 Impr. on Tracts and Lots - Low Income	3,740,799	3,391,916	(348,883)	1,079,391	216,307	1,295,698	1,174,856	(120,842)	346.37
7 Farmstead 1 Acre	3,857,875	4,372,931	514,716	1,004,984	174,740	1,179,724	1,139,907	(39,817)	260.69
7 Indep. Telephone Companies	626,129	4,273,931	(3,647,802)	162,372	1,869	1,871,241	71,855	(1,899,386)	262.31
7 Suburban Tracts Residential	56,384,527	51,125,866	(5,258,661)	15,894,842	61,018	15,955,860	14,413,344	(1,542,516)	281.92
7 Impr. on Hydraulic Power Works	0	0	0	0	0	0	0	0	0.00
7 R & D Improvements	20,310	23,695	3,385	4,671	0	4,671	5,449	778	229.98
7 Impr. on Industrial Sites	22,778,451	20,654,036	(2,124,415)	5,987,132	467,658	6,454,790	5,852,769	(602,021)	283.37
7 Impr. on Suburban Tracts Residential	103,533,799	93,877,797	(9,656,002)	29,303,878	103,401	29,407,279	26,664,631	(2,742,648)	284.04
7 Industrial Sites	2,828,515	2,564,716	(263,799)	67,911	892,263	960,174	809,037	(151,137)	315.45
7 Timber Land	6,488,624	5,914,110	(574,514)	1,823,258	149	1,823,407	1,661,959	(161,447)	281.02
7 City/Town Lots Commercial	35,613,176	32,291,740	(3,321,436)	10,128,113	3,346,750	13,474,863	12,218,140	(1,256,723)	378.37
7 Suburban Tracts Commercial	8,628,060	7,823,370	(804,690)	2,461,883	97,328	2,559,211	2,320,528	(238,683)	296.61
7 Improved Existing Improvements	70,004	63,475	(6,529)	6,374	27,605	34,000	25,030	(8,970)	384.33
7 City/Town Lots Residential	54,481,389	49,400,223	(5,081,166)	15,536,887	4,757,757	20,294,644	18,401,879	(1,892,765)	229.98
7 R & D Land	126,085	1,022	(125,063)	201	0	201	235	34	229.98
7 Impr. on Ag Land - Low Income	136,785	142,907	6,122	31,769	83	31,852	36,101	4,250	252.62
7 Nonproductive Land Under 20 Acres	86,180	150,815	64,635	22,727	530	23,256	17,442	(5,814)	269.86
7 Qualified Golf Courses	199,805	21,560	(178,245)	57,744	3,088	60,832	73,545	12,713	304.46
7 Impr. on Ag and Timber Land	51,273,818	58,114,755	6,840,937	12,350,522	6,646	12,357,168	14,005,858	1,648,690	241.00
7 Exempt Improvements	0	0	0	0	0	0	0	0	0.00
Subtotal Real Property	648,296,273	600,375,547	(47,920,726)	181,975,268	33,260,675	215,235,943	198,212,101	(17,023,842)	
7 Mobile Homes	15,217,828	13,798,549	(1,419,279)	4,119,112	392,778	4,511,890	4,091,092	(420,798)	294.49

SENATE TAXATION

EXHIBIT NO. 1 p 18
3/27/89
58469

January 14, 1989 Version of Property Tax Revenue of AD HOC Committee Sales Tax Proposal
By Property Type

Property Type	1988 Tax Rate	Proposed Tax Rate	1988 Taxable Value	Proposed Taxable Value	Change in Taxable Value	1988 Taxes Levied by State, County and Schools	1988 Taxes Levied by Cities and Towns	1988 Annual Revenue	Proposed Annual Revenue	Change in Taxes Levied	Avg Mill Levy
Swine	4.000%	3.500%	109,008	95,382	(13,626)	24,683	13	24,686	21,609	(3,087)	226.55
Theatre and Sound Equipment	3.000%	3.500%	111,965	24,492	(87,473)	34,338	7,560	41,898	9,185	(32,713)	374.20
Manufacturing Machinery	11.000%	3.500%	72,949,015	23,211,050	(49,737,965)	18,901,398	670,664	19,572,062	6,227,160	(13,344,908)	269.30
Locally Assessed Co-op Improvements	3.000%	3.500%	10,140	11,830	1,690	2,532	176	2,708	3,815	1,107	287.10
Locally Assessed Co-op Land	3.000%	3.500%	65,162	76,536	11,374	15,638	7,346	22,984	26,810	3,826	350.36
Rental Equipment	11.000%	3.500%	1,587,747	505,192	(1,082,555)	433,415	119,628	553,043	175,968	(377,075)	348.37
Mining Machinery	11.000%	3.500%	1,327,230	422,300	(904,930)	346,428	2,256	348,683	110,945	(237,738)	262.71
Rental Equipment	4.000%	3.500%	200,346	175,303	(25,043)	55,644	14,247	69,891	61,155	(8,736)	348.85
Trucks over 1 1/2 Tons	11.000%	3.500%	7,614,418	2,422,769	(5,191,649)	1,897,999	127,262	2,025,261	648,401	(1,380,860)	285.98
Radio and TV Broadcasting Equip.	16.000%	3.500%	1,159,617	253,666	(905,951)	338,470	52,926	392,396	85,837	(306,560)	338.38
Oil Field Equipment	3.000%	3.500%	19,797,678	6,299,261	(13,498,417)	3,128,836	10,544	3,139,380	999,894	(2,140,486)	159.57
R & D Improved Improvements	0.000%	3.500%	0	0	0	0	0	0	0	0	0.00
Buses	13.000%	3.500%	171,932	46,289	(125,643)	41,063	2,543	43,606	11,740	(31,866)	253.62
Impr. on New Industrial Sites	3.000%	3.500%	1,068,977	1,247,140	178,163	409,893	444	410,337	478,726	68,389	383.86
New Industry - Other Property	3.000%	3.500%	2,247,362	2,621,922	374,560	760,770	703	761,474	888,386	126,912	318.63
Locally Assessed Co-op Pers. Prop.	3.000%	3.500%	558,390	651,455	93,065	120,349	1,646	121,995	142,327	20,332	218.48
R & D Personal Property	3.000%	3.500%	15,053	17,562	2,509	3,462	0	3,462	4,039	600	218.48
Trucks 1 to 1 1/2 Tons	13.000%	3.500%	3,776,989	1,016,882	(2,760,107)	958,532	90,355	1,048,887	282,393	(766,494)	229.98
Supplies and Materials	11.000%	3.500%	6,757,722	2,150,184	(4,607,538)	1,586,993	91,645	1,678,638	538,083	(1,144,555)	249.39
Autos, Trucks lt 1 Ton	0.000%	3.500%	0	0	0	0	0	0	0	0	0.00
All Other Property	16.000%	3.500%	168,127	36,778	(131,349)	38,507	7,067	45,574	9,969	(35,605)	271.07
Off Road Vehicles	8.000%	3.500%	0	0	0	0	0	0	0	0	0.00
Rural Telephone Property	11.000%	3.500%	67,291	29,440	(37,851)	22,584	0	22,584	9,881	(12,704)	335.62
Watercraft, ATV Back Taxes	0.000%	3.500%	941,796	299,662	(642,134)	285,734	17,037	302,770	96,336	(206,434)	321.48
Motorcycles	0.000%	3.500%	0	0	0	0	0	0	0	0	0.00
Coal and Ore Haulers	16.000%	3.500%	3,224,825	705,430	(2,519,395)	553,235	119	553,354	121,046	(432,308)	171.59
Air and H2O Pollution Control	16.000%	3.500%	14,099,825	16,449,796	2,349,971	2,113,820	53,929	2,167,748	2,525,040	361,291	153.74
Cable TV Systems Control	13.000%	3.500%	1,709,878	374,038	(1,335,840)	480,858	110,774	591,632	129,419	(462,210)	346.01
CB's and Mobile Phones	3.000%	3.500%	184,541	49,684	(134,857)	45,245	3,589	48,834	13,148	(35,687)	264.63
Locally Assessed Co-op Vehicles	3.000%	3.500%	47,579	55,509	7,930	10,662	2,523	13,186	15,363	2,177	277.13
Trailers	11.000%	3.500%	4,529,825	1,441,308	(3,088,517)	1,147,122	72,619	1,219,741	388,099	(831,642)	269.27
Cattle	4.000%	3.500%	20,255,833	17,723,854	(2,531,979)	4,662,144	583	4,662,727	4,079,869	(582,858)	230.19
New Industrial Sites	3.000%	3.500%	4,470	5,215	745	1,289	318	1,607	1,874	268	359.43
All Gasohol Related Property	3.000%	3.500%	8,957,521	10,450,441	1,492,920	2,097,978	71,347	2,169,326	2,530,880	361,554	242.18
Repair Tools	8.000%	3.500%	4,373,945	1,913,601	(2,460,344)	1,170,441	182,438	1,352,879	591,885	(760,995)	248.09
Horses	4.000%	3.500%	953,034	833,905	(119,129)	232,457	854	233,311	204,187	(29,124)	308.30
Tack Equipment	11.000%	3.500%	305,319	97,147	(208,172)	75,650	367	76,016	24,187	(51,829)	248.98
Sheep	4.000%	3.500%	626,679	548,344	(78,335)	137,803	6	137,809	120,408	(17,401)	219.58
Machin. other than Farm, Min., Manuf	11.000%	3.500%	24,999,646	7,954,433	(17,045,213)	5,307,513	188,015	5,495,527	1,749,577	(3,746,951)	219.82
Other Livestock	4.000%	3.500%	57,024	49,896	(7,128)	13,675	70	13,745	12,027	(1,718)	241.04
Ag Implements	11.000%	3.500%	55,254,775	17,581,065	(37,673,710)	12,646,643	10,684	12,657,327	4,027,331	(8,629,996)	279.07
Ski Lifts	11.000%	3.500%	390,981	124,403	(266,578)	109,343	0	109,343	34,791	(74,552)	229.66
Furniture and Fixtures	13.000%	3.500%	41,280,363	11,113,944	(30,166,419)	11,847,420	3,230,732	15,078,153	4,059,503	(11,018,650)	365.26
Mobile Homes - Retired and Disabled	2.226%	2.018%	274,025	248,468	(25,557)	77,518	9,932	87,449	79,293	(8,156)	319.13
Subtotal Pers. Property (Ex. Mobile Homes)			302,237,043	129,336,217	(172,900,826)	72,138,927	5,162,942	77,301,869	31,534,370	(45,767,500)	248.09
Statewide Total			1,942,949,796	1,705,080,553	(237,869,243)	438,011,195	44,007,067	482,018,262	414,778,339	(67,239,923)	248.09

SENATE TAXATION

EXHIBIT NO. 1 p. 19

DATE 3/37/89

BILL NO. SB 464

SENATE TAXATION

EXHIBIT NO. 2 P.1

DATE 3/27/89

BILL NO. SB 469

AMENDMENTS to SB 469

EDUCATION AND TAX REFORM ACT OF 1989

- PART I: HOUSE TECHNICAL AMENDMENTS INCORPORATED INTO SENATE BILL AS INTRODUCED**
- PART II: HOUSE SUBSTANTIVE AMENDMENTS INCORPORATED INTO SENATE BILL AS INTRODUCED**
- PART III: SUBSTANTIVE AMENDMENTS APPROVED BY HOUSE TAXATION COMMITTEE AND RECOMMENDED BY SENATOR CRIPPEN**
- PART IV: NEW AMENDMENTS TO SENATE BILL RECOMMENDED BY SENATOR CRIPPEN**
- PART V: AMENDMENTS CONSIDERED IN HOUSE AND NOT RECOMMENDED BY SENATOR CRIPPEN**

PART I
HOUSE TECHNICAL AMENDMENTS INCORPORATED INTO SENATE BILL AS
INTRODUCED

1. Clarify the language relating to the exemption of wages, salary, and commission received by an employee from an employer;
2. Clarify that the sales tax information submitted to the Department of Revenue must be on a form provided by the Department and that the tax be remitted at the same time as the tax return;
3. Allow a retailer whose tax liability is less than \$100 per month to file a quarterly return rather than a monthly return;
4. Restructure the penalties for violating the provisions of the sales tax law;
5. Do not include the face value of food stamps within the definition of "gross household income" in determining the credit allowed for sales tax paid;
6. Clarify that the sale tax credit may be claimed only for the number of individuals in the household and require a person claiming a sales tax credit to submit the social security number of each person (except those under 2 years of age) for which a credit is being claimed;
7. Eliminate the requirement for counties to maintain two classification schemes for the reimbursement of property tax reductions;
8. Change the base years for which property tax reductions will be reimbursed with sales tax revenues;

9. Clarify the reimbursement to counties for revenue lost to the reclassification of unsecured personal property in the first year of the tax reduction;
10. Clarify that a pro rata share of property tax replacement revenues be distributed to conservation districts;
11. Correct the multiplier representing 1 mill by changing the number from 0.0001 to 0.001.
12. Correct the effective date of section 147 of the bill by changing "section 137" to "section 147" in section 152.

PART II**HOUSE SUBSTANTIVE AMENDMENTS INCORPORATED INTO SENATE BILL****INTRODUCED**

- 1 The bill is to be referred to the electorate at a special election to be held June 13, 1989.

The Subcommittee recommends that the date of the election be delayed until November 7, 1989.

- 2 Revise the sales tax credit schedule as follows: Persons with a gross household income of:
- (a) less than \$13,000 would receive a sales tax credit of \$100 per household member;
 - (b) at least \$13,000 but less than \$15,000 would receive a sales tax credit of \$50 per household member;
 - (c) at least \$15,000 but less than \$20,000 would receive a sales tax credit of \$25 per household member.

Persons with a gross household income of \$20,00 or more would be ineligible for any sales tax credit.

PART III**SUBSTANTIVE AMENDMENTS APPROVED BY HOUSE TAXATION COMMITTEE AND**3/27/84**RECOMMENDED BY SENATOR CRIPPEN**

1. Under the bill, persons engaged in interstate and intrastate transportation by motor carrier are required to register as a retailer.

The Subcommittee recommends that all persons engaged in interstate and intrastate transportation, including railroad and air transportation, be required to register as retailers.

2. Under the bill, chemicals and reagents (a substance used in chemical activity) that are used in mining, milling, or processing are not taxable.

The Subcommittee recommends that other substances that may not technically be a chemical or a reagent also be exempted from sales taxation, provided that the substances are used in mining, milling, or processing.

3. Under the bill, numerous goods and services used by or in the "manufacturing" process are not subject to taxation.

The Subcommittee recommends that the definition of "manufacturing" be clarified so that the processing of ores in a mill, smelter, refinery, or other reduction facility is treated as manufacturing.

- 4 Under the bill, the sale of goods and services to persons engaged in manufacturing is not taxable if the goods or services are an integral part of the product being manufactured.

The Subcommittee recommends that the nontaxable status of the sale of goods and services to manufacturers be clarified to include the same sales to persons engaged in mining.

- 5 Under the bill, medical services are not subject to taxation.

The Subcommittee recommends that the definition of "medical services" include the services provided by a person licensed as a "mental health professional" or as a "chemical dependency counselor".

- 6 The bill requires that any proposed increase in the rate of the sales tax be referred to the electorate.

The Subcommittee recommends that any proposed decrease in the sales tax credit allowed under the bill similarly be referred to the electorate.

- 7 Under the bill, the rental or lease of lodging facilities is not subject to taxation.

The Subcommittee recommends that lodging facilities that are subject to the existing accommodations tax also be subject to the sales tax.

- 8 New motor vehicles are subject to a 1 1/2% "new car sales tax" under existing law. Revenue from the existing tax is allocated to the state highway account. Under HB 747, as introduced, a sales tax of 2 1/2% is imposed on the sale of new vehicles in addition to the existing 1 1/2% tax.

The Subcommittee recommends that new vehicles be subject to the 4% sales tax (the same as sales of all other new personal property), that the tax be collected by the County Treasurer rather than by the dealer, and that the revenue from the sales tax on new vehicles be allocated as follows: 37.5% to the highway account and 62.5% to the sales tax and use tax account.

- 9 Under the bill, sales of most services are subject to taxation as are sales of most goods. With respect to the construction of improvements to land, none of the material or services that are contracted or subcontracted for are taxable until the final sale of whatever is being constructed. The result is that the final sale of the construction project (exclusive of contractor profit) includes all of the materials and all of the services used to construct the project. It is only at the final sale of the construction project that the sales tax applies.

The Subcommittee recommends that for residential construction projects, only the materials used in the project be subject to the sales tax. For the purposes of this recommendation, the Subcommittee further recommends that "residential construction" be limited to projects that include the construction of single-family residences and duplexes. Therefore, a construction project of three or more units of living quarters for human habitation is not considered to be "residential construction" for the purposes of the sales tax.

- 10** Under the bill, the sale of newspapers, magazines, and other printed material is subject to taxation (unless it is part of interstate commerce, e.g., a subscription to the New York Times).

The Subcommittee recommends that all subscriptions to newspapers, magazines, and other printed material not be subject to sales taxation, but that over-the-counter sales and sales from newspaper machines be subject to the tax.

- 11** Under the bill, the sale of a good or service is generally taxable. Where the bill is silent on the taxability of a transaction, the presumption is that the transaction is taxable.

The Subcommittee recommends that "computer data base services" not be subject to taxation. The term "data base services" includes the identification, compilation, manipulation, organization, and delivery of information to be contained in or actually contained in a computer data base.

- 12** The services provided by persons commonly referred to as "professionals" (except those in the medically related professions) are generally subject to the sales tax.

The Subcommittee recommends that services provided by architects, engineers, surveyors, and other design professionals not be subject to taxation if the product developed is used exclusively out of Montana.

PART IV**NEW AMENDMENTS TO SENATE BILL RECOMMENDED BY SENATOR CRIPPEN**

1. Under the bill, as amended by the House Taxation Committee, the sale of services to persons engaged in manufacturing and mining is not taxable if the services are an integral part of the product being manufacture or mined.

Recommend that the nontaxable status of the sale of services be expanded to include services to agricultural enterprises that are an integral part of agricultural production.

2. Reduce the \$20 million block grant program for cities, towns and counties to \$10 million and eliminate provision that requires half of the funds received be used to reduce the general fund mill levy.
3. Amend rebate to provide \$90 per exemption up to family incomes of \$13,000. Eliminate rebates for families from \$13,000 to \$20,000. The increase standard deduction and exemption on income tax in SB 463 compensates for the reduced rebate.
4. Provide that (1) Senate Bill 463 Governor Stephens Income Tax Reform as amended and (2) House Bill 664 (Alternative Minimum Tax) will not become effective unless the sales tax bill SB 469 is approved by the voters. Also, SB469 will not be submitted to voters unless SB 463 and HB664 are approved by the legislature and Governor.
5. Pay vendors 3% of the sales tax up to annual limit of \$1,200 (\$1 million in retail sales) as an allowance for collecting the sales tax. There is no payment to vendors under the bill as written. Cost estimated at \$3 million
6. Provide that income tax fund is reimbursed for the cost of the low income credits.

7. Revise the allocation of sales tax revenue in Section 75 so that after the low income rebate and property tax classification replacement revenue has been paid the remainder is distributed:

100%	Available revenue	\$191. Million
52%	foundation program	\$99.3 Million
13%	higher education including university system, vo-tech and community colleges	\$24.8 Million
5%	city, town and county block grants	\$9.5 Million
30% 35%	remainder to state general fund	\$57.4 Million

Less reductions in income tax in S.B. 463 (\$28. Million)

Plus revenue from income tax in H.B. 664 \$3. Million

Less appropriation to Dept of Revenue for administration 4. Million

Remainder in General Fund \$28.4 Million

- 8. Revise ballot language in section 147 to reflect new percentages.
- 9. Revise 1-105 /SB71-- the property tax freeze (Title 15, chapter part 4 MCA) to establish a new ceiling for tax year 1991 and thereafter.
- 10. Add short title to bill: Education and Tax Reform Act of 1989.
- 11. Amend title to reflect amendments to bill including linkage to

PART V**AMENDMENTS CONSIDERED IN HOUSE AND NOT RECOMMENDED BY SENATOR CRIPPEN**

1. Subject the sale of used vehicles to the sales tax. (Used vehicles are not taxable under the bill as written.)

2. If used vehicles are subject to the sales tax, the sales tax on new vehicles would be only on the value of the new vehicle less any trade-in allowance. (No trade-in allowance provided in the bill as written because used vehicles are not taxable under the bill.)

3. Subject only the material used in a construction project to the sales tax. That is, exempt construction services for all construction projects. (Under the bill as written, all construction materials and services are taxable upon final sale.)

4. Residential property, regardless of the number of units being constructed, would be subject to the sales tax for materials only. (Under the bill as written, all construction materials and services are taxable upon final sale.)

5. Do not subject the sale of utilities to the sales tax. (All utilities are taxable under the bill.)

6. Repeal the Public Contractor's License Tax. (The Public Contractor's License Tax is not addressed in the sales tax bill.)

8. Do not tax the commission paid to a real estate agent for the service provided in selling improvements to real property. (Commissions received from other than an employer/employee relationship are taxable under the bill.)

9. Design and allow an additional credit mechanism for renters of residential property. (There is no special credit for renters in the bill as written.)

10. **Provide that soda pop, which is food for human consumption re the food stamp program, be subject to sales taxation.**

11. **Provide that the sale of cigarettes and other tobacco products be exempt from sales taxation.**

12. **Incorporate 100 mill state-wide levy for foundation program in section 126 & 127.**

Amendments to Senate Bill No. 469
First Reading Copy

Requested by Rep. Bruce Crippen
For the Committee on Taxation

Prepared by Dave Bohyer and Helen MacPherson
March 27, 1989

1. Title, line 23.

Strike: "AND"

2. Title, line 24.

Following: "61-3-501,"

Insert: "AND 61-3-502,"

3. Page 6, line 15.

Following: "materials"

Insert: ", including the processing for ores in a mill, smelter,
refinery, or reduction facility,"

4. Page 6, line 21.

Following: "psychology"

Insert: "or licensed as a mental health professional or chemical
dependency counselor"

5. Page 9, line 21.

Strike: "2 1/2%"

Insert: "4%"

6. Page 9, lines 23 through 25.

Following: "." on line 23

Strike: the remainder of line 23 through line 25

7. Page 16, line 4.

Following: "--"

Insert: "prescribed"

8. Page 16, line 5.

Following: "drugs,"

Insert: "and"

Following: "devices"

Strike: ", and"

Insert: " -- "

9. Page 16, line 6.

Following: "sale"

Insert: ", by prescription from a person described in [section
1(9)(a)],"

10. Page 16, line 11.

Strike: "The"

Insert: "Except as provided in [sections 1 through 69 and 75],
the"

SENATE TAXATION

EXHIBIT NO. 20 9

DATE 3/27/89

BILL NO. SB469

11. Page 20, line 14.

Following: "--"

Insert: "subscriptions --"

12. Page 20, line 15.

Following: "services."

Insert: "(1) The gross receipts from the sale of subscriptions to newspapers, magazines, and all other printed material are exempt from the sales tax.

(2)"

Renumber: subsequent subsections

13. Page 20, line 20.

Strike: "(1)"

Insert: "(a)"

Renumber: subsequent subsections

14. Page 21, line 21.

Following: "to"

Insert: "miner or"

15. Page 21, line 23.

Following: "of"

Insert: "mining or"

16. Page 22, line 4.

Following: "business of"

Insert: "mining or"

17. Page 24, line 20.

Strike: "(a)"

18. Page 24, line 21.

Strike: "(1)(b)"

Insert: "(2)"

Strike: "(3)"

Insert: "(4)"

19. Page 24, line 25.

Strike: "(b)"

Insert: "(2)(a)"

Renumber: subsequent subsections

20. 21. Page 25, line 1.

Following: "improvements"

Insert: ", other than residential improvements,"

21. Page 22. Page 25.

Following: line 4

Insert: "(b) The proportion of the gross receipts from the sale of real property that is attributable to residential improvements constructed on the real property by the seller in the ordinary course of his construction business may be

deducted from gross receipts in the proportion that ~~the cost~~ ^{BILL NO. 513469} of the construction for everything other than materials bears to the gross receipts for the improvements."

22. Page 25, line 12.

Strike: "for"

Insert: "from"

23. Page 25, line 13.

Following: "of"

Strike: "this section"

Insert: "[sections 1 through 69 and 75]"

24. Page 25, line 15.

Following: "65"

Insert: ", and all such receipts are subject to the tax imposed in [section 2]."

25. Page 25.

Following: line 17

Insert: "(5) For the purposes of this section, "residential improvements" means improvements to real property that are constructed for human habitation in a structure containing fewer than three units. The term includes improvements made to existing residential improvements"

26. Page 27, line 5.

Following: "(1)"

Strike: "Receipts"

Insert: "Except as provided in subsection (4), receipts"

27. Page 28.

Following: line 5

Insert: "(4) Receipts from performing architectural, engineering, surveying, or graphic design services may be deducted from gross receipts if the product resulting from the service or the service is used or applied exclusively outside Montana. For the purposes of this subsection, the provisions of subsection (3) do not apply."

Renumber: subsequent subsection

27B. Page 28, line 20.

Following: "who"

Insert: "presents a nontaxable transaction certificate or"

27C. Page 28.

Following: line 23

Insert: "(2) Receipts from the sale of an agricultural service may be deducted from gross receipts if the sale is made to a buyer engaged in the business of farming, ranching, or raising livestock who states in writing that he is regularly engaged in the business of farming, ranching, or the raising of animals for their hides or pelts or who delivers a nontaxable transaction certificate to the person performing the agricultural service. The buyer making the statement or

delivering the nontaxable transaction certificate shall have
the agricultural service performed upon property, real or SB 469
personal, including livestock, that is an integral part of
an agricultural operation."

Renumber: subsequent subsection

28. Page 29, line 3.

Following: "chemicals"

Strike: "and"

Insert: ", "

Following: "reagents"

Insert: ", and substances"

29. Page 29, line 5.

Strike: "chemicals or reagents"

Insert: "any chemical, reagent, or other substance"

30. Page 29, line 6.

Strike: "for use"

Insert: "that is used or consumed"

Following: "in"

Insert: "the"

Following: "processing"

Insert: "of"

31. Page 29, line 7.

Following: "smelter,"

Strike: "or"

Following: "refinery"

Insert: ", or reduction facility"

32. Page 29, line 24.

Following: "product"

Insert: "mined or"

33. Page 29, line 25.

Following: "service of"

Insert: "mining,"

Following: "combining"

Insert: ", "

34. Page 30, line 1.

Following: "materials"

Insert: ", including minerals,"

35. Page 30, line 3.

Following: "of"

Insert: "mining or"

36. Page 30, line 7.

Following: "property"

Insert: ", including minerals,"

Following: "of"

Insert: "mining or"

37. Page 31.

Following: line 12

Insert: "NEW SECTION. Section 44. Deduction -- computer data base services. (1) Receipts from the sale or use of computer data base services may be deducted from gross receipts.

(2) For the purposes of [sections 1 through 69 and 75], "computer data base services" means identifying, compiling, organizing, manipulating, or delivering information actually contained in or to be contained in a computer data base.

(3) Receipts from the sale of computer hardware, software, system development, design, or installation or the sale of an existing computer data base (as opposed to the sale or use of a computer data base service) may not be deducted from gross receipts."

Renumber: subsequent sections

37B. Page 39, line 15.

Following: "tax"

Insert: ", less the vendor allowance provided in subsection (5),"

38. Page 38, line 19.

Strike: "Common"

Insert: "Interstate and intrastate"

39. Page 38, line 21.

Strike: "by motor vehicle"

39B. Page 41.

Following: line 8

Insert: "(5) A person filing a return under this section may deduct from the amount of tax to be remitted to the state and return as a vender allowance, 3% of the tax determined to be payable to the state or \$6,000, whichever is less."

40. Page 51, line 23.

Following: "relief"

Insert: "(excluding the face value of all food stamps received)"

41. Page 53, lines 3 through 9.

Following: "allowed" on line 3

Strike: remainder of line 3 through line 9

Insert: "in the amount of \$90 per exemption, provided that gross household income is less than \$13,000."

41B. Page 56.

Following: line 7

Insert: "(b) the total amount claimed under [section 72], which amount must be further allocated in the same manner as income tax revenue is allocated under 15-1-501(2);"

Renumber: subsequent subsections

SENATE TAXATION

EXHIBIT NO. 20 p. 6

DATE 3/27/89

BILL NO. SB 469

41C. Page 56, line 9.
Strike: "allocation"
Insert: "allocations"
Strike: "subsection"
Insert: "subsections"
Following: "(1)(a)"
Insert: "(1)(b)"

41D. Page 56, line 11.
Strike: "53%"
Insert: "52%"

41E. Page 56, line 12.
Following: "20-9-343;"
Insert: "and"

41F. Page 56, line 13.
Strike: "15%"
Insert: "13%"

41G. Page 56, lines 18 through 20.
Strike: subsection (iii) in its entirety.

42. Page 58, line 18.
Strike: "state,"
Following: "municipal,"
Insert: "conservation district,"

43. Page 58, line 20.
Following: "but"
Strike: "ignoring"
Insert: "shall disregard"

43B. Page 93, line 11.
Following: "and"
Insert: "the unprocessed products of"

44. Page 150, line 8.
Strike: "except"
Insert: "including"

45. Page 150, line 9.
Following: "purchase,"
Insert: "and fees"

46. Page 151.
Following: line 6
Insert: "Section 138. Section 61-3-502, MCA, is amended to read:
"61-3-502. Sales tax on new motor vehicles -- exemptions.

(1) In consideration of the right to use the highways of the state, there is imposed a tax upon all sales of new motor vehicles, excluding trailers, semitrailers, and housetrailers, for which a license is sought and an original application for title is made. The tax shall be paid by the

purchaser when he applies for his original Montana license 5B46
through the county treasurer. BILL NO.

~~(2) Except as provided in subsection (4), the sales tax shall be:~~ The

~~(a) $1\frac{1}{2}\%$ is 4% of the f.o.b. factory list price or f.o.b. port-of-entry list price, during the first quarter of the year or for a registration period other than a calendar year or calendar quarter;~~

~~(b) 1.52% of the list price during the second quarter of the year;~~

~~(c) $\frac{3}{4}$ of 1% during the third quarter of the year;~~

~~(d) $\frac{3}{8}$ of 1% during the fourth quarter of the year.~~

~~(3) If the manufacturer or importer fails to furnish the f.o.b. factory list price or f.o.b. port-of-entry list price, the department may use published price lists.~~

~~(4) The new car sales tax on vehicles subject to the provisions of 61-3-313 through 61-3-316 is $1\frac{1}{2}\%$ of the f.o.b. factory list price or f.o.b. port-of-entry list price regardless of the month in which the new vehicle is purchased.~~

(5) The proceeds from this tax shall be remitted to the state treasurer every 30 days for credit as follows:

(a) 32.5% to the state highway account of the state special revenue fund; and

(b) 67.5% to the sales and use tax account described in [section 75].

(6) The new vehicle is not subject to any other assessment, fee in lieu of tax, or tax during the calendar year in which the original application for title is made.

(7) (a) The applicant for original registration of any new and unused motor vehicle, or a new motor vehicle furnished without charge by a dealer to a school district for use as a traffic education motor vehicle by a school district operating a state-approved traffic education program within the state, whether or not previously licensed or titled to the school district (except a mobile home as defined in 15-1-101(1)), acquired by original contract after January 1 of any year, is required, whenever the vehicle has not been otherwise assessed, to pay the motor vehicle sales tax provided by this section irrespective of whether the vehicle was in the state of Montana on January 1 of the year.

(b) No motor vehicle may be registered or licensed under the provisions of this subsection unless the application for registration is accompanied by a statement of origin to be furnished by the dealer selling the vehicle, showing that the vehicle has not previously been registered or owned, except as otherwise provided herein, by any person, firm, corporation, or association that is not a new motor vehicle dealer holding a franchise or distribution agreement from a new car manufacturer, distributor, or importer.

(8) (a) Motor vehicles operating exclusively for transportation of persons for hire within the limits of incorporated cities or towns and within 15 miles from such

limits are exempt from subsection (1).

(b) Motor vehicles brought or driven into ~~Montana~~ by a SR 464 nonresident, migratory, bona fide agricultural worker temporarily employed in agricultural work in this state where those motor vehicles are used exclusively for transportation of agricultural workers are also exempt from subsection (1).

(c) Vehicles lawfully displaying a licensed dealer's plate as provided in 61-4-103 are exempt from subsection (1) when moving to or from a dealer's place of business when unloaded or loaded with dealer's property only, and in the case of vehicles having a gross loaded weight of less than 24,000 pounds, while being demonstrated in the course of the dealer's business."

Renumber: subsequent sections

47. Page 151, line 15.

Following: "rates"

Insert: "and credits"

48. Page 151, line 16.

Strike: "restriction on increasing"

Insert: "restrictions"

Following: "."

Insert: "(1)"

49. Page 151.

Following: line 18

Insert: "(2) The income tax credit for sales tax paid provided in [section 71] may be decreased only if the decrease is approved by the electorate."

49B. Page 158, lines 4 through 7.

Strike: subsection (5) in its entirety

49C. Page 158, line 11.

Following: line 8

Insert: "(1)"

49D. Page 158, line 11.

Following: "act]"

Insert: "or in 61-3-502 as amended by section 138 of [this act]"

49E. Page 158.

Following: line 12

Insert: "(2) If [this act] is approved at the election held pursuant to [section 142] and Senate Bill No. 287 is passed and approved, Senate Bill No. 287 is void."

50. Page 159, line 7.

Strike: "149"

Insert: "143"

51. Page 159, line 9.

Strike: "and 139 through 146"

SENATE TAXATION

EXHIBIT NO. RA 09

DATE 3/27/89

BILL NO. SB 469

Amendment #52 -- At the following locations where the reference to "[sections 1 through 68 and 74]" appears, strike "68" and insert "69", strike "74" and insert "75"

1. Page 3, line 10.
2. Page 13, line 8.
3. Page 17, lines 7, 11, 17.
4. Page 22, line 11.
5. Page 23, line 3.
6. Page 32, line 5.
7. Page 33, line 3, lines 24 and 25.
8. Page 34, lines 18 and 19.
9. Page 35, lines 8, 11, 24.
10. Page 36, line 15.
11. Page 37, line 25.
12. Page 38, lines 3 and 4, lines 16 and 17, line 23.
13. Page 39, line 13, lines 23 and 24.
14. Page 40, lines 14, 16.
15. Page 42, line 13.
16. Page 44, lines 6 and 7, 15 and 16, and 25.
17. Page 45, line 8.
18. Page 45, lines 14 and 15.
19. Page 47, line 8, lines 17 and 18, lines 22 and 23.
20. Page 48, line 1, lines 3 and 4, line 8, line 9, lines 19 and 20.
21. Page 49, line 3, line 25.
22. Page 50, line 7, line 23.
23. Page 51, lines 3 and 4.
24. Page 55, lines 19 and 20.

SENATE TAXATION

EXHIBIT NO. 20 p. 10

DATE 3/27/89

BILL NO. SB 969

Amendment #53 -- At the following locations where an internal reference appears as "[section #]" or "[sections # and #]" or "[sections # through #]", strike the "#" and insert the new "#".

<u>Location</u>	<u>Strike</u>	<u>Insert</u>
25. Page 5, line 20.	54	55
26. Page 7, line 9.	45	46
27. Page 33, line 22.	45	46
28. Page 34, line 13.	45	46
29. Page 35, line 10.	56	57
30. Page 36, line 4.	45	46
31. Page 38, line 1.	56	57
32. Page 38, line 8.	45	46
33. Page 39, line 1.	45	46
34. Page 42, line 23.	62(2)	63(2)
35. Page 45, line 3.	55	56
36. Page 51, line 9.	69	70
37. Page 51, line 9.	73	74
38. Page 51, line 12.	70	71
39. Page 54, line 6.	69	70
40. Page 54, line 6.	73	74
41. Page 55, lines 7 and 14.	70 and 71	71 and 72
36b. Page 55, line 24.	75	76
42. Page 56, line 5.	76(3)	77(3)
43. Page 56, line 17.	107	108
44. Page 97, line 2.	75(1)(b)(ii)	76(1)(b)(ii)

SENATE TAXATION

EXHIBIT NO. 2A P. 11

DATE 3/27/89

BILL NO. SB 469

45. Page 134, line 6.	75(1)(b)(i)	76(1)(b)(i)
46. Page 155, line 22.	146	140
47. Page 155, line 22.	149	143
48. Page 155, line 25.	146	142
49. Page 157, line 5.	146	140
50. Page 157, line 5.	149	143
51. Page 157, line 14.	68	69
52. Page 157, line 14.	74, 75	75, 76
53. Page 157, line 14.	138	140
54. Page 157, line 16.	68	69
55. Page 157, line 16.	74	75
56. Page 157, line 17.	75	76
57. Page 157, line 17.	138	140
58. Page 157, line 18.	69	70
59. Page 157, line 18.	73	74
60. Page 157, line 21.	69	70
61. Page 157, line 21.	73	74
62. Page 157, line 22.	76	77
63. Page 157, line 22.	137	139
64. Page 157, line 24.	76	77
65. Page 157, line 25.	137	139
66. Page 158, line 1.	107	108
67. Page 158, line 3.	107	108
68. Page 158, line 9.	75	76
69. Page 159, line 5.	147, 148	141, 142
70. Page 159, line 11.	76	77
71. Page 159, line 11.	136	138

9083dbga

Distribution on SB469 As Introduced

SENATE TAXATION

EXHIBIT NO. 3 P.1

DATE 3/27/89

BILL NO. SB 469

The Sales Tax Revenue and Distribution: Assuming the above exemptions and a tax rate of four percent, the \$285 Million in revenue would be distributed as follows:

	<u>Million</u>	<u>% of Revenue</u>	<u>% of Available</u>
Revenue 4% at 71 Million per 1% tax =	\$285	100.0%	
Less estimated low income rebates	<u>\$28</u>	<u>9.8</u>	
Available for allocation	\$257	90.1	
Less estimate of revenue needed to reduce residential, personal and commercial property tax classification rates to 3.5%	<u>\$67</u>	<u>23.5</u>	
Remainder available for appropriation	\$190	66.6%	100.0%
Public Education	\$100	35.0%	53.0%
Higher Education including university system, vo-tech, community colleges	\$28	9.8%	15.0%
City, Town and County Governments			
Mill reduction	\$10	3.5%	5.5%
New revenue	\$10	3.5%	5.5%
Remainder to State General Fund (percents rounded)	\$42	14.4	21.0%

SENATE TAXATION

EXHIBIT NO. 3 p2

DATE 3/27/89

BILL NO. SB 469

Property Tax Relief: Of the \$257 million raised by the Sales taxes after deduction of the low income rebates, \$177 million or 68% is allocated to three types of property tax relief:

- \$ 67. million to reduce residential, personal and commercial property tax classification rates to 3.5%
- \$100. for public education to reduce local school property taxes
- \$ 10. to reduce city and county mill levies
- \$177. Total property tax reductions

Distribution on SB 469 As Introduced
 With 10% Revenue Discount for First Year

SENATE TAXATION

EXHIBIT NO. 3 P. 3
 DATE 3/27/89
 BILL NO. SB 469

The Sales Tax Revenue and Distribution: Assuming the above exemptions and a tax rate of four percent, the \$285 Million in revenue would be distributed as follows:

	<u>Million</u>	<u>% of Revenue</u>	<u>% of Available</u>
Revenue 4% at 71 Million per 1% tax =	\$285		
Less 10% for start-up year	\$29		
Total Available -	\$256	100%	
Less estimated low income rebates	<u>\$14</u>	<u>5.4</u>	
Available for allocation	\$242	94.5	
Less estimate of revenue needed to reduce residential, personal and commercial property tax classification rates to 3.5%	<u>\$67</u>	<u>26.1</u>	
Remainder available for appropriation	\$175	68.3%	100.%
Public Education	\$92.7	36.2%	53.%
Higher Education including university system, vo-tech, community colleges	\$26.25	10.2%	15.%
City, Town and County Governments			
Mill reduction	\$9.62	3.7%	5.5%
New revenue	\$9.62	3.7%	5.5%
Remainder to State General Fund	\$36.8	14.3	21.%
(percents rounded)			

SENATE TAXATION

EXHIBIT NO. 3 p. 4DATE 3/27/89BILL NO. SB 469

Distribution With Senator Crippen Amendments
 Assuming agricultural services are added to the exemptions, each 1% will
 raise \$66.25 million. :

	<u>Million</u>	<u>% of Revenue</u>	<u>% of Available</u>
Revenue 4% at 66.25 Million per 1% tax =	\$265	100.0%	
Less estimated low income rebates	<u>\$24</u>	<u>9.0</u>	
Available for allocation	\$241	90.9	
Less estimate of revenue needed to reduce residential, personal and commercial property tax classification rates to 3.5%	<u>\$50</u>	<u>18.8</u>	
Remainder available for appropriation	\$191	72.0%	100.0%
Public Education	\$99.3	37.4%	52%
Higher Education including university system, vo-tech, community colleges	\$24.8	9.3%	13%
City, Town and County Governments			
Mill reduction	\$0	0.0%	0.0%
New revenue	\$9.5	3.5%	5.0%
Remainder to State General Fund	\$57.4	21.6%	30.0%
Less reductions income tax in SB 463	(\$28.)		
Plus revenue from income tax in HB 664	\$3.		
Dept of Revenue for <u>Administration</u>	<u>(\$4)</u>	<u>1.5%</u>	<u>2.0%</u>
Remainder in State General Fund	\$28.4	10.7%	14.8%
(percents rounded)			

SENATE TAXATION

EXHIBIT NO. 3 P.5

DATE 3/27/89

Bill No. SB 464

Property Tax Relief: Of the \$241 million raised by the Sales taxes after deduction of the low income rebates, \$149 million or 61% is allocated to two types of property tax relief:

- \$50. million to reduce residential, personal and commercial property tax classification rates to 3.5%
- \$99.3 for public education to reduce local school property taxes
- \$ 0. to reduce city and county mill levies
- \$149. Total property tax reductions

Income Tax Relief. Of the \$244 million raised by the Sales tax and Income tax reform after deduction of the low income rebates, \$25 million or 10% is allocated to income tax relief.

- (\$28.) Income tax reductions under amended SB 463
- \$ 3. Income tax increase under HB 664
- (\$25.) Net income tax reductions

Total Tax Relief. Of the \$244 million raised by the Sales tax and income tax after deduction of the low income rebates, \$149 million is allocated for property tax relief and \$25 million is allocated to income tax relief for a total of \$174 or 71% is allocated to property or income tax relief.

SENATE TAXATION

EXHIBIT NO. 3 p. 6

DATE 3/27/89

BILL NO. SB 469

Distribution With Senator Crippen Amendments
With 10% Revenue Discount for First Year

Assuming agricultural services are added to the exemptions, each 1% will raise \$66.25 million:

	<u>Million</u>	<u>% of Revenue</u>	<u>% of Available</u>
Revenue 4% at 66.25 Million per 1% tax =	\$265		
Less 10% for start-up year	<u>\$26.5</u>		
Total Available	\$238.5	100.0%	
Less estimated low income rebates	<u>\$24</u>	<u>10.0</u>	
Available for allocation	\$214.5	90.0	
Less estimate of revenue needed to reduce residential, personal and commercial property tax classification rates to 3.5%	<u>\$50</u>	<u>20.0</u>	
Remainder available for appropriation	\$164.5	68.9%	100.0%
Public Education	\$85.5	35.8%	52%
Higher Education including university system, vo-tech, community colleges	\$21.3	8.9%	13%
City, Town and County Governments			
Mill reduction	\$0	0.0%	0.0%
New revenue	\$8.2	3.4%	5.0%
Remainder to State General Fund	\$59.5	24.9%	30.0%

SENATE TAXATION

EXHIBIT NO. 3 p 7

DATE 3/27/89

BILL NO. SB 464

Less reductions income tax in SB 463	(\$28.)		
Plus revenue from income tax in HB 664	\$3.		
Dept of Revenue for <u>Administration</u>	<u>\$4</u>	<u>1.6%</u>	<u>2.4%</u>
Remainer in General Fund	\$20.5	8.5	12.4%

Property Tax Relief: Of the \$214.5 million raised by the Sales taxes after deduction of the low income rebates, \$135.5 million or 63% is allocated to two types of property tax relief:

- \$50. million to reduce residential, personal and commercial property tax classification rates to 3.5%
- \$85.5 for public education to reduce local school property taxes
- \$ 0. to reduce city and county mill levies
- \$135.5 Total property tax reductions

Income Tax Relief: Of the \$217.5 million raised by the Sales tax after deduction of the low income rebates, \$25 million or 11% is allocated to income tax relief.

- (\$28.) Income tax reductions under amended SB 463
- \$ 3. Income tax increase under amended HB 664
- (\$25.) Net Income tax reductions

Total Tax Relief: Of the \$217.5 million raised by the Sales tax and income tax after deduction of the low income rebates, \$135.5 million is allocated for property tax relief and \$25 million is allocated to income tax relief for a total of \$160.5 or 74% is allocated to property or income tax relief.

TOWN OF WEST YELLOWSTONE
MONTANA
Naturally Beautiful

SENATE TAXATION

EXHIBIT NO. 4DATE 3/27/89BILL NO. SB 469

March 27, 1989

Rep. Dorothy Bradley
 Capitol Station
 Helena, Montana
 59601
 by FAX

Re: Sales Tax

Dear Rep. Bradley,

I am writing to support the efforts of you and Senator Crippen for a Sales Tax in Montana.

Based on the three years in West Yellowstone that we have been collecting the Resort Tax, authorized by the 1985 session, I would say that the sales tax proposal currently before the Legislature has considerable merit.

Granted, West Yellowstone presents a unique set of circumstances that few Communities in Montana can duplicate. However, it points out a strong similarity to our current situation in Montana. We could not have done, what we did, with the property tax being our sole revenue source. As it is, we have parleyed the resort tax into nearly \$4 million in improvements to the Town of West Yellowstone and we are using the money to help provide for the public safety needs of its citizens and the nearly 800,000 people who visit West Yellowstone, or pass through, each year.

Montana is a big State, faced with big problems. The deterioration of our States infrastructure, schools and education system and inability to provide Social Services are becoming legendary. Young people are leaving to attend schools of higher education, out of State. Our government buildings, roads and bridges are in need of repair from years of neglect. With so few people to pay, the property tax seems like such an unfair way to go. And consider those who leave the State for an education and then return, they face the prospect of few jobs and exorbitant taxes spurred by a stagnant economy.

There has been much said about the regressive nature of a sales tax, but please consider, is it fair to continue to tax and tax the low to moderate income with



SENATE TAXATION

EXHIBIT NO. 4DATE 3/27/89BILL NO. SB 469

Rep. Dorothy Bradley
March 27, 1989
Page 2

such a huge property tax. Wouldn't it seem more fair to pay as you go? As a citizen and tax payer of this State, one who borrows money to pay his taxes on time, I would much rather see my personal property tax bill be reduced and pay as I go, like I do for my house and car. And consider those of low to moderate income, in some cases, such as in West Yellowstone, these people are not property owners. The sales tax is an appropriate way for us to recover the cost of public services from a sector of the population who may not be making any contribution now. And if your Colleagues find this idea too repugnant, exemptions offer a way to reduce the sting of a sales tax.

Referring to the West Yellowstone experience again, let me close by saying this. I do not believe people will mind paying a sales tax, if they can see where the money is going to go. I can think of no greater benefit to Montanans as a whole than property tax reductions, support of public schools, higher education, social services and the infrastructure of our State. And remember, if enacted, a sales tax will be paid by the thousands of visitors who come to Montana each year and they too will enjoy its benefits.

If I can be of further help or assistance on this matter, please do not hesitate to contact me.

Sincerely,



Kevin Ken Davis
Mayor

We have all had the opportunity to examine Montana's latest economic report card. Here we are again with the same four F's.

EMPLOYMENT OPPORTUNITIES	"F"
EMPLOYMENT COMPENSATION	"F"
TAX ENVIRONMENT	"F"
FISCAL STABILITY AND REVENUE BALANCE	"F"

How long must it take us to recognize the link between our current tax policies and Montana's economic decline - not to mention the negative effect to our educational system.

The Montana Ambassadors and other concerned citizens are committed to putting a halt to this decline. It is robbing our state of it's life blood - our businesses and our productive labor force. Worse yet, our sons and daughters are forced to leave this state because they cannot find good jobs.

After ten months of study, deliberation and analysis, the Montana Ambassadors have concluded that under our present tax structure there is little or no hope for attracting significant businesses to our state without major tax reform.

And you know it was not just business that came to this conclusion. Democrat Dorothy Bradley and her group of Montanans, completely independent from us, also took a long hard look at this issue and came up with the same solution - TAX REFORM. Many Montana newspaper editors have come to the same conclusion - Montana needs TAX REFORM. Just last week the Governor of Montana came to the same conclusion - Montana needs TAX REFORM.

One by one, many who are taking the time to seriously study, deliberate and analyze the issue are coming to the same conclusion - TAX REFORM.

May I make a suggestion to members of organized labor who are here today. I am asking you to reconsider your traditional position on this matter. Montana has a vehicle that is stuck in the mud. Half of us are pushing it one way, and half of us are pushing it another. Let's all pull together on this issue. Together we would be working toward creating a healthy environment for business to come into Montana to compete for our labor force which is rated the most productive in the United States. Isn't that what your workforce deserves and is entitled to? This is the position labor has taken in many other states. I ask you - why not in Montana?

Today, this committee is not considering the merits of this tax reform issue. Today the question boils down to this: Should you as a committee give the people of Montana the opportunity to vote on the most important single issue facing this state - TAX REFORM. We feel that you should.

If I were in your shoes I cannot imagine voting against placing this issue before the voters of Montana. One or two of your votes could disenfranchise all Montanans. At stake here is the quality of our educational system and the economic vitality of our state. Montanan's should be allowed to chart their own future. We urge you to let the people decide.

SB 469 -

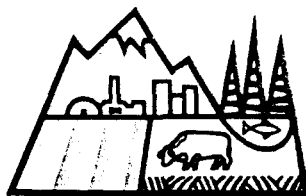
MRA Testimony 3/27/89

(S) Taxation

Orin J. Jones
President

- ① Tax system must be
equitable
universal
balanced
adequate
Current system is not
- ② Real & Personal property taxes must be reduced
rates lowered
millage equalized
- ③ Lost revenues must be replaced
- ④ E 105 must be repealed
- ⑤ Income tax reform ok
marginal rates reduced but
federal income tax and other
deductions should be capped
- ⑥ school funding must be
equalized
enhanced
- ⑦ Differ with Governor
 - (a) sales tax must generate new revenue, not, not
replacement revenue
 - (b) sales tax not only option to meet school
funding mandate - income & property are
possible - SB 203 as is will cost
100 mills + 40% surcharge - edu
community does not support SB 203 as is

© Constitutional amendments to limit taxation or spending are unacceptable



SENATE TAXATION

EXHIBIT NO. 7 p.1

DATE 3/27/89

BILL NO. SB 469

MONTANA CHAMBER OF COMMERCE

P. O. BOX 1730

HELENA, MONTANA 59624

PHONE 442-2405

TESTIMONY BY MAXINE C. JOHNSON, CHAIRMAN
TAX COMMITTEE OF THE MONTANA CHAMBER OF COMMERCE

SENATE TAXATION COMMITTEE MARCH 26, 1989

THE MONTANA CHAMBER OF COMMERCE SUPPORTS SB 469. WE SEE THE BILL AS THE COMPROMISE IT IS, DEVELOPED IN GOOD FAITH BY MONTANANS WITH VARYING VIEWPOINTS. WE HOPE YOU WILL SUPPORT IT, FOR THE FOLLOWING REASONS.

IT IS A TAX REFORM MEASURE WHICH WILL ENCOURAGE ECONOMIC DEVELOPMENT. OUR MEMBERS ARE WILLING TO SUPPORT A SALES TAX ONLY IF IT INVOLVES PROPERTY TAX REFORM. THIS BILL REDUCES PROPERTY TAXES FOR RESIDENTIAL AND PERSONAL PROPERTY AND COMBINES PROPERTY CLASSES FOR GREATER EQUITY. THE HIGH PERSONAL PROPERTY TAX, WHICH HAS BEEN SENDING AN ANTI-BUSINESS SIGNAL, WILL BE LOWERED. THE BILL WILL HELP SOLVE OUR SCHOOL EQUALIZATION PROBLEMS, AND IT WILL PROVIDE SOME NEW MONEY FOR THE UNIVERSITY SYSTEM. GOOD PUBLIC SCHOOLS AND UNIVERSITIES ARE ESSENTIAL FOR ECONOMIC GROWTH.

SB 469 WILL CREATE A MORE BALANCED TAX SYSTEM. SOME OF YOU WILL RECALL THE TAX CONFERENCE SPONSORED BY OUR TWO UNIVERSITIES BEFORE THE 1987 SESSION. THE TAX EXPERTS FROM OUT OF STATE WHO DISCUSSED MONTANA'S TAX SYSTEM AT THE CONFERENCE ALMOST WITHOUT EXCEPTION --- AND REGARDLESS OF POLITICAL PERSUASION --- SUBSCRIBED TO THE 3 LEGGED STOOL CONCEPT OF STATE AND LOCAL

SENATE TAXATION

EXHIBIT NO. 7 p. 2

DATE 3/27/89

BILL NO. SB 469

TAXATION. THAT IS, A SYSTEM BASED ON PROPERTY, INCOME, AND RETAIL SALES TAXES. THEY SAID SOMETHING MANY OF US DID NOT WANT TO HEAR --- THAT WE NEED A SALES TAX IN THIS STATE.

CHAMBER MEMBERS BELIEVE THESE EXPERTS WERE RIGHT. IT HAS BECOME OBVIOUS THAT PROPERTY TAXES AND INCOME TAXES JUST WON'T DO THE JOB. WE NEED A NEW SOURCE OF REVENUE, TO PROVIDE THE NECESSARY FUNDING FOR EDUCATION, AND TO ELIMINATE EXISTING PROPERTY TAX INEQUITIES WHICH ARE HURTING OUR PROSPECTS FOR ECONOMIC DEVELOPMENT.

WHILE THE MONTANA CHAMBER SUPPORTS THE BILL IN GENERAL, WE RECOMMEND THE EXEMPTION OF ALL UTILITY CHARGES.

MEMBERS OF THE COMMITTEE, TO EXPAND A LITTLE FURTHER, I MUST STRESS THAT MONTANA'S ECONOMIC SITUATION IS NEARLY AT THE CRITICAL STAGE. YOU ARE AWARE OF A GENERAL MILLS IN GREAT FALLS THAT CAN'T MAKE NEEDED MODERNIZATIONS AND EXPANSIONS IN THE EXISTING TAX CLIMATE, A WESTERN SUGAR IN BILLINGS THAT PAYS PROPERTY TAXES FAR OUT OF PROPORTION TO BRANCHES IN OTHER STATES, A STONE CONTAINER SUFFERING THE SAME INEQUITIES IN MISSOULA, A SEMI TOOL IN KALISPELL OR A SLETTEN CONSTRUCTION IN GREAT FALLS THAT REMAIN IN OUR STATE LARGELY BECAUSE OF THE PERSONAL TENACITY AND COMMITMENT OF THEIR RESPECTIVE PRESIDENTS. JUST RECENTLY HALLIBURTON IN GLENDIVE KEPT ITS WORD. A YEAR AGO THEY SAID UNLESS HIGH TAXES AND HIGH WORKERS COMPENSATION COSTS WERE ADDRESSED THEY WOULD CLOSE. THEY WEREN'T AND THEY DID. THESE ARE NOT COMPLAINERS. THEY ARE GOOD CORPORATE CITIZENS WHO WANT TO PAY THEIR FAIR SHARE. IF YOU THINK THEIR PROBLEMS AREN'T REAL AND VERY SERIOUS YOU ARE WRONG.

SENATE TAXATION

EXHIBIT NO. 703

DATE 3/27/89

BILL NO. SB 469

PERHAPS EVEN MORE IMPORTANT THAN THESE EXAMPLES IS THE MESSAGE THIS LEGISLATURE IS SENDING TO THE PEOPLE OF OUR STATE. A VIGOROUS BUZZING ECONOMY DEPENDS IN LARGE PART ON THE ATTITUDE OF THE MEN AND WOMEN OUT THERE WHO TAKE THE FINANCIAL RISKS AND MAKE THE DEMANDING COMMITMENT TO TURN AN IDEA INTO A JOB CREATING MONEY MAKING ENTITY. I CANNOT IMPRESS ON YOU ENOUGH HOW IMPORTANT IT IS THAT YOU LET THEM KNOW THAT THE STABILITY OF THE TAX SYSTEM WILL ALLOW THEM TO SUCCEED AND THAT THEY AND THEIR WORKERS CAN KEEP SOME BENEFITS FROM THIS EFFORT.

IT IS TIME FOR ALL OF US TO RECOGNIZE THE URGENCY OF SENDING THIS POSITIVE MESSAGE AND STEP ACROSS THE OBSTACLES THAT DIVIDE US. A VAST MAJORITY OF LEGISLATORS, EVEN THE MOST AVID SALES TAX OPPONENTS, SAY PERSONAL PROPERTY TAXES SHOULD BE REDUCED. EVERY GUBERNATORIAL CANDIDATE IN THE LAST ELECTION SAID IT. THE ONLY WAY WE SEE TO DO IT IS WITH A SALES TAX.

YOU ALL HAVE POLITICAL COURAGE OR YOU WOULDN'T BE SITTING IN THOSE CHAIRS. LETS NOT LET MONTANA SLIP ANY FURTHER, PLEASE, EXERCISE THAT COURAGE AND VOTE FOR THIS BILL WITHOUT REQUIRING THE PEOPLE TO VOTE ON IT.

THANK YOU.

POSITION PAPER

EXHIBIT NO. 8 p. 1

SALES TAX ON SERVICES

DATE 3/27/89BILL NO. SB 469

The Montana Association of REALTORS, in general, supports the imposition of a sales tax, however, the Association strenuously objects to the imposition of a service tax. ~~HB 747~~ SB 469 imposes a service tax in addition to a sales tax.

Over the past few years at least thirteen states have failed to pass a sales tax on services including real estate commissions. Forty-five states and the District of Columbia impose sales taxes. The gradual inclusion of services in the sales tax base has been an historical trend in many states. However, only three states impose a broad-based service tax and only three states (New Mexico, South Dakota and Hawaii) tax real estate commissions. Most states only tax services which are enumerated by statute and all other services are not taxable.

A sales tax is considered a regressive tax in that lower income individuals pay a higher percentage of their income in sales tax than do higher income individuals. Most state laws attempt to combat the regressivity of a retail sales tax by exempting from tax such things as food, medicine, etc. Very little attention is paid, however, to the regressivity of the tax as it is applied to services. And that is one of the major concerns of the Montana Association of REALTORS.

Our opposition to the extension of the proposed sales tax to services is based on three points:

1. Extending the sales tax to services puts us at an even greater competitive disadvantage with 47 other states in economic development. The attraction of new industries to Montana depends largely on the existence of a thriving service sector to support those industries' needs. The imposition of a service tax is a clear signal to these service companies that Montana only wants their tax dollars.
2. The small Montana businesses will be the ones to feel the regressivity of the tax in increased operating costs. Small businesses use contract legal and accounting services, computer support services, maintenance, etc. Large firms are more likely to perform these services "in-house" and thus are not subject to the tax.
3. Because this service tax does not differentiate between personal services and business services, it is a tax on production rather than consumption and results in either pyramiding or in substantially increased administrative costs. The service taxes paid on services purchased to provide other services are embedded in the cost of the service.

We are not convinced that the way to build a value-added economy in Montana is to begin with tax-added service sector.

Keeping in mind that the Montana Association of REALTORS opposes the service tax in its entirety, we must use concrete examples of the impact in our industry. We believe these examples will be repeated in any business you examine.

The following is a estimate of the normal fees connected with the sale of a property which will be taxed under the proposed service tax:

Appraisal Fee	\$ 250
Loan Application Fee	485
Closing Fee	75
Certifications (plumbing, etc)	170
Real Estate Commission	2,500
Survey Fee	75
Credit Report	40
Lenders Inspection Fee	35
Trustee Fee	25
 Total	 3,655

SENATE TAXATION
 EXHIBIT NO. 8 p.2
 DATE 3/27/89
 BILL NO. SB 469

The cost estimates are based on a \$50,000 home, which can be considered entry-level housing in Montana. If the home is a new home and the land represents 20% of its value, you may add another \$1,600 to the cost of the house, a 3.2% increase which adds another \$100 per year to the loan repayment.

Different types of transactions require different and sometimes additional services which would be taxable:

Tax Service Fee	\$ 75
Funding Fee	100
Loan Reservation fee	485

Now let us examine the confusion which results in the taxing of real estate commissions. Typically the seller pays a commission to the listing office. That commission will be "split" with a selling office, and each of those "splits" will be split again within each firm to the agents involved in the transaction. For simplicity sake, we assume that each will be an even split. Since real estate licensees are independent contractors and do not fall under the exemption for wages or commissions paid by an employer, each "split" is fee for services.

Commission paid by seller to listing office	\$2,500...100.00
Commission paid by listing office to selling office	1,250....50.00
Commission paid by listing office to agent	625....25.00
Commission paid by selling office to agent	625....25.00

This is certainly "double taxation".

While there is a provision in the bill to provide a resale certificate option for services, it is unclear whether that certificate can be utilized in this example since the seller pays the initial tax rather than the final tax on the commission.(i.e. "subsequent sales") This dilemma clearly establishes a sales tax on services as an income tax, regardless of what we call it.

There is an additional laundry list of increased costs of doing business which will fall similarly on all small business in Montana:

Professional organization dues	SECTION
Increased continuing education costs (i.e. taxable speakers fees)	EXHIBIT NO. <u>8</u> p. <u>3</u>
Legal and accounting services	DATE <u>3/27/89</u>
Plant and equipment maintenance	BILL NO. <u>50469</u>

When we examine the non-competitive aspects of this tax in terms of Montana's economic development we have to examine the costs of relocation in relationship to the services which will not be taxed in 47 other states:

- Legal services
- Accounting services
- Architectural fees
- Engineering fees
- Real estate commissions
- Surveying fees

The Montana Association of REALTORS urges the committee to adopt the amendment to ~~HB 747~~ removing the service tax.

SB 469

Statement from Bob Henkel

SENATE TAXATION

EXHIBIT NO. 9

DATE 3/27/89

BILL NO. SB 469

My interest in Tax reform goes back to my being Executive Director and one of the founders of the Montana Tax Reform Education Committee, Supporters of Initiative 105 The Property Tax Freeze.

In 1986 165,000 people voted for property tax relief and tax reform.

As you know the main purpose of the ballot initiative was to encourage the legislature to develop alternative sources of revenue instead of continuing to load down Property Taxes. Inaction on the part of the legislature triggered the property tax freeze two years ago.

We know this has created some hardships in schools and local county government. The Initiative 105 freeze continues and so does need in the next two years for a new revenue source.

One of the advantages of a sales tax is it would generate new revenue from segments of society that do not otherwise contribute to Montanas existing tax structure. One of MONTREC'S founders labeled it the "underground society"

A December Montana Poll by the Great Falls Tribune indicated the majority of Montanans favor a sales tax over property taxes increases, or an income tax surcharge to fund education.

Two years ago the voters of Montana spoke out for Tax Reform, we hope that the Senate Committee will support SB 469 so that hopefully Montanans can decide for themselves whether a sales tax is in the cards for Montana

Senate Bill 469

My name is Judy Crockett and I am representing the Montana Association of Clerks & Gladders and our association has no position on the sales tax and we have concerns that should be addressed.

The election date of November, 1989 is better than a June election but our fundamental issue is that the election should be voted on in November, 1990 at a state wide general election.

The November, 1989 election is a city & sewer & water district election and many jurisdictions will be using mail ballots. This would complicate this type of ballot election - would this bill allow us to run mail ballot elections where mail ballots would not be state wide so would we have to open polling places in all precincts. If there are precinct polling places then the voting process in major cities would be slowed because of precinct boundaries, ward lines & split precincts.

There is a statute B-1-302(3) that requires special elections to be paid by political parties for whom special elections is held. We need to have this clarified as to who pays the cost of this special election.

Current law also requires most of this bill to be printed in the voter information pamphlet. Similar bills estimated a cost of \$154,000. With the contents of this bill printed, each pamphlet would weigh 502 which drives the cost up. Who will pay these additional costs. The county or state?

We believe exceptions need to be written so that the VIP does not have to be printed in total and the cost of this election should be the state's responsibility.

Judy Rogge
1st Vice President
Montana Association of Clerks & Secretaries

We would be willing to discuss the concerns we have.

MONTANA DEMOCRATIC PARTY

SENATE TAXATION

EXHIBIT NO. 11

DATE 3/27/89

BILL NO. SB 469

TESTIMONY OF MONTANA DEMOCRATIC PARTY CHAIR, BRUCE NELSON, BEFORE THE SENATE TAXATION COMMITTEE -- MONDAY, MARCH 27, 1989

Thank you Mr. Chairman and members of the Committee. My name is Bruce Nelson, Chairman of the Montana Democratic Party. I come before you in opposition to Senate Bill 469, based on our platform provision adopted unanimously in Glendive last summer, "We adamantly oppose a general sales tax."

Our party re-examines this issue every two years and always comes to the same conclusion -- that a general sales tax is inconsistent with the Democratic belief that the fundamental principle of fair taxation is ability to pay. A general sales tax is one tax that cannot meet that standard. For that reason, we as a party are compelled to fight the imposition of a general sales tax.

This legislation would result in a massive transfer of the tax burden from business to individuals. Some projections show that business would pay as little as 35% of the tax yet receive 65% of the tax relief. While paying a little over \$100 million, business receives almost the same amount in tax relief. On the other hand, individuals, low and particularly middle-income people, would pay almost the entire \$120 million of new revenue generated.

What the numbers reveal, is a giant shell game, ultimately designed to pick the pockets of the middle class. That's not fair -- the middle class is already over-taxed and under-appreciated.

Montana Democratic Central Committee • Steamboat Block, Room 306 • P.O. Box 802 • Helena, MT 59624 • (406) 442-9520

Executive Board

Bruce Nelson Chairman Fort Benton	Donna Small Vice Chairman Helena	Deborah Hanson Secretary Miles City	Rich De Jana Treasurer Kalispell	Gail Stoltz Executive Director Helena	Evan Barrett Nat'l Committeeman Butte	Sherlee Graybill Nat'l Committeewoman Great Falls
Boni Braunbeck Lewistown	Ralph Dixon Billings	Virginia Egli Glendive	Nancy Harte Helena	Chas Jeniker Butte	Rhonda Lankford Missoula	Debbie Lesmeister Helena
Richard Nellen Bozeman	Danny Oberg Havre	Jim Pasma Havre	Brenda Schye Glasgow	Mary Sexton Hamilton	David Smith Missoula	Bill Thackeray Havre
Kay Blehm Democratic Women's Club Billings	Marlene Egan Co. Chairs Assoc. Great Falls	Dennis Small Young Democrats Missoula	Sen. Bill Norman Missoula	Rep. John Vincent Bozeman	Sen. Fred Van Valkenburg Missoula	

SENATE TAXATION

EXHIBIT NO. 11

DATE 3/27/89

BILL NO. SB 469

The Montana Democratic Party strongly believes we need more revenue, especially for education, the most important investment society can make. We will cooperate with anyone to develop a reform package, consistent with our platform, that restores public confidence in Montana's current inequitable tax structure and raises the necessary additional funds.

The two key elements of this package are first, eliminating loop holes, broadening the base, and lowering the rates of our income and property tax systems. Second, authorizing voter-approved local option taxes giving local governments the flexibility they need to provide essential public services and to reduce reliance on property taxes.

Some have suggested that enactment of a sales tax is a pre-condition for reform of our current taxes. My question is why? When a piece of equipment on our farm isn't working right--we try to fix it first. I'm convinced that the people of Montana are sending you the message that they want you to fix the taxes we already have, before going out and getting new ones. When the Montana Ambassadors were asked why they had not mobilized an army of support for a sales tax, the honest answer would have been that there is no army of support to mobilize for a sales tax.

What kind of revenue potential are we talking about in our existing taxes? Two years ago, the MAPP Tax Study estimated that existing loopholes cost roughly \$285 million a year. Theoretically, you could reduce those loopholes 40% across the board and derive about \$120 million of the additional revenue anticipated by SB 469 without increasing overall rates or adding new taxes. The potential for new revenue in the differing income tax reform proposals introduced this session, is substantial. I submit that this approach is not only much fairer, but also more in line with what Montanans want. I strongly urge you, in the waning days of this session, to not waste a lot of time on the proposal before you, but to turn to more realistic alternatives.

Again, on behalf of the Montana Democratic Party I appreciate the opportunity to testify before you and urge you to report ~~the~~ Bill ~~to~~ ^{Senate} to the full ~~House~~ ^{Senate} with a "Do Not Pass" recommendation. *469* *Senate*

EXHIBIT NO. 12

DATE 3/27/89

BILL NO. SB 469



MONTANA STATE BUILDING & CONSTRUCTION TRADES COUNCIL

IN AFFILIATION WITH

THE NATIONAL BUILDING & CONSTRUCTION TRADES DEPARTMENT

AMERICAN FEDERATION OF LABOR — CONGRESS OF INDUSTRIAL ORGANIZATIONS

President _____

Secretary-Treasurer _____

TESTIMONY OF GENE FENDERSON ON SENATE BILL 469, BEFORE THE SENATE TAXATION COMMITTEE,
MARCH 27, 1989

Mr. Chairman, members of the committee, my name is Gene Fenderson and I'm here today to represent the Montana State Building and Construction Trades Council.

Our organization is made up of unions representing the Operating Engineers, Carpenters, Laborers, Cement Finishers, Electricians, Plumbers and Pipefitters, Ironworkers, Bricklayers, Boilermakers and Sheetmetal Workers throughout the state of Montana. These are the people who build and repair our state's roads, bridges and infrastructures. They are hard-working, highly-productive workers who contribute to making Montana grow. On behalf of these workers, we urge you to oppose Senate Bill 469.

Mr. Chairman, our organization has long been a moving force behind the Montana labor movement's opposition to a sales tax. Resolutions opposing the sales tax from our council and from our affiliated local unions have received unanimous endorsement from our Brothers and Sisters in the Montana State AFL-CIO. And, we stand squarely behind that organization in its efforts to oppose any attempts to impose a sales tax on Montana workers.

Sales taxes are regressive, as anyone can see, but I'd like to tell you how a sales tax would directly impact the working people I represent. Building trades workers don't have cushy jobs. For the most part, they work in dirty conditions and fluctuating climates. They travel to jobs away from home, eat at restaurants and provide their own tools.

What this proposed sales tax would mean to these workers is that they would pay more for their meals away from home while on the job. They would pay more for the gloves, boots, hats, coveralls and other clothing which is necessary for the job and which needs periodic replacement. And, they would pay more for the very tools of their trade, items which also need periodic replacement.

Mr. Chairman, members of the committee, times have been tough for Montana's building trades workers. Lack of work and wage concessions have hit some of these folks hard. Hitting them now with a sales tax would depress their lives even further.

Our members recognize the need to pay taxes for essential public services, but they believe in doing so based on the ability to pay. Income taxes, without loopholes, are the best way to raise needed revenue. We don't need a sales tax and would urge you to oppose Senate Bill 469.

(This sheet to be used by those testifying DATE a bill.) 3/27/89

NAME: PAUL STRAMER DATE: 3-27-89

ADDRESS: P.O. Box 116 EUREKA MT 59917

PHONE: 889-3583

MONTANA TEA PARTY WHO PRODUCE NEW
REPRESENTING WHOM? TAXPAYERS AND REAL WEALTH

APPEARING ON WHICH PROPOSAL: SB 469

DO YOU: SUPPORT? _____ AMEND? ✓ OPPOSE? ✓

COMMENT: TAXPAYERS WILL NOT TOLERATE

BOTH SALES & PROPERTY TAX. AS ALWAYS
THIS LEGISLATURE HAS PUT THE CART BEFORE
THE HORSE, AND IS PREPARING TO SPEND 2.6
BILLION \$ & IS NOW FACED WITH FURTHER PROVISIONS
UNDER THE COLOR OF LAW TO PAY THE BILL
FORCED TO CHOOSE BETWEEN THE TWO TAXES,
WITH THE STIPULATION THAT THE OTHER WOULD BE
TOTALLY ABOLISHED, I WOULD CHOOSE SALES.
BUT WE CAN'T A SALES TAX WHICH LEAVES
THE PROPERTY TAX MACHINERY ON THE BOOKS.
THE MESSAGE IS CLEAR, STOP SPENDING
US "OUT" OF MONTANA.

PLEASE LEAVE ANY PREPARED STATEMENTS WITH THE COMMITTEE SECRETARY.

(This sheet to be used by those testifying on a bill)

EXHIBIT NO. B-469

DATE 3/27/89

BILL NO. SB 469

DATE: 3-27-89

NAME: Walt Dupont

ADDRESS: 8585 Hwy 35 Bigfork, Mt. 59911

PHONE: 837 5751

REPRESENTING WHOM? Self

APPEARING ON WHICH PROPOSAL: SB 469 sales tax

DO YOU: SUPPORT? AMEND? OPPOSE? X

COMMENT: Montana has turned down
Sales Tax before and it is not what
Montana people want.
It will add on more tax
unless the property tax would
be eliminated.
Montana must learn to
live within a structure like a
business --
we have had at least 21,000
people leave our state in last 3 years
we must cut back cut back not
increase sales tax

PLEASE LEAVE ANY PREPARED STATEMENTS WITH THE COMMITTEE SECRETARY.

TESTIMONY OF EARL REILLY
MONTANA SENIOR CITIZENS ASSOCIATION

SENATE TAXATION
EXHIBIT NO. 15 p.1
DATE 3/27/89
BILL NO. SB 469

Box 423

HELENA - 59624

AFTER A DECADE OF CREATING
TAX-BREAKS FOR OUT-OF-STATE

FINANCIERS & ENTREPRENEURS WE
FIND OUR REVENUES DEPLETED OR
VERY LOW. WE HAVE REDUCED OUR
REVENUE INCOME BY ^{\$}480-^{\$}500 MILLION
AT LEAST.

WE ELIMINATE THE INVENTORY TAX
AND DIDN'T REPLACE IT. WE
REDUCED THE SEVERANCE TAX ON
OUR NON-RENEWABLE RESOURCES THAT
LEAVE THE STATE (OUR REAL WEALTH)
WE SELL ELECTRICAL ENERGY TO
LOS ANGELES AT $\frac{1}{2}$ THE RATE
OUR RATEPAYERS ARE CHARGED.

THESE TAX-BREAKS WERE SUPPOSED TO
CREATE JOBS & BRING IN NEW BUSINESSES
ABOUT ALL WE DID WAS SEND MORE MONEY
OUT OF THE STATE. THE OUT-OF-STATE
PROMOTERS WHO PROFIT FROM OUR TREASURES
WILL HAVE TO PAY FOR THEM ON A FAIR
TAX RETURN TO COMPENSATE FOR THEIR

THIS SALES-TAX SCHEME WILL
CAN NOT DO THIS. ONCE
TREASURES ARE GONE THERE WILL BE
NO RETURN TO FINANCE OUR STATE
GOVERNMENT —

SENATE TAXATION
EXHIBIT NO. 15 p. 3
DATE 3/27/89
BILL NO. SB 469

THIS DEPLETION OF REVENUES SEEMS
TO HAVE BEEN PLANNED TO PROMOTE
A SALES-TAX, THE SAUVAGES & LOAN DISASTER
IS THE PATTERN FOR THIS SCHEME —

TAKE THE GOODIES & RUN — LET THE
ORDINARY TAX-PAYER PICK UP THE TAIL
THE 3RD WORLD DEBT IS ALSO SIMILAR
TO THIS SCHEME — LET THE FINANCIERS
REAP THE REVENUE AND NOW WHEN IT
IS EVIDENT THAT A HUGE LOSS WILL OCCUR,
LET THE ORDINARY TAX-PAYER PICK UP
THAT LOSS —

LET'S LOOK AT SOME OF OUR NEIGHBORING
STATES THAT HAVE A SALES-TAX &
SEE HOW THEY ARE DOING —

WASHINGTON STATE WITH AN 8% PLUS
SALES-TAX IS AS HIGH AS WE ARE
WITH THEIR RESIDENTIAL PROPERTY-TAX

AND ARE LOOKING TO CREATE AN INCOME
TAX TO PUT THAT 3RD LEG UNDER

SENATE TAXATION
EXHIBIT NO. 15 p. 4
DATE 3/27/89
BILL NO. SB 469

THEIR MILK-STOOL —

SOUTH DAKOTA WITH A SALES-TAX
HAS THE LOWEST PAID TEACHERS OF
ANY STATE - EVEN MISSISSIPPI —

THIS TAX-BILL WILL SAVE STONE
CORPORATION IN MISSOULA ² 680,000 IN
REAL ESTATE TAXES + PERSONAL PROPERTY
TAX. A FAMILY WITH A ² 60000 HOME WILL
SAVE MAYBE ¹⁰⁰ 100. THE STONE CORP.
DOES NOT BUY GOODS THAT WILL PAY
A MONTANA SALES TAX, IT SHOULD
BE EVIDENT WHO THIS TAX IS AIMED AT.

BURLINGTON-NORTHERN WILL SAVE 6,000,000
AND BUY ALMOST NOTHING WITH A SALES-TAX
THEY HAVE + WILL RECEIVE LARGE TAX
BREAKS + CAN'T SEEM TO GET THRU
THE STATE WITHOUT HAVING A WRECK
AT LEAST ONCE A WEEK — THEY
HAVE BEEN GREATLY REDUCING THEIR
WORK-FORCE ALONG WITH REDUCTIONS
IN THE REVENUE TO OUR STATE.

THIS AFTER ALL THE LAND-GRANTS, TIMBER
& COAL WE GAVE THEM.

SENATE TAXATION

EXHIBIT NO. 15 P. 5

DATE 3/27/89

BILL NO. ~~TAX~~ 5B464

WE DON'T HEAR HOW MUCH THE
COST TO COLLECT - WE ONLY HEAR HOW IT
WILL BRING IN $\$$ 284 MILLION. IS IT ALL
NET - WON'T WE HAVE TO HAVE A DEPARTMENT
& BUREAUCRATS TO ADMINISTER IT?

THE GREATEST PERCENTAGE OF TOURIST
IN OUR STATE ARE FROM MONTANA - WE
WILL SIMPLY BE PAYING THIS TAX TO
OURSELVES. I DON'T THINK OUT-OF-STATE
TOURISTS ARE GOING TO FLOCK IN TO BALK
US OUT OF OUR TROUBLES - I THINK IT
MORE LIKELY THAT OUT-OF-STATE TOURISTS
COME HERE TO GET RELIEF FROM THEIR
OWN SALES-TAX -

THIS TAX DOES NOT PUT A 3RD LEG UNDER
OUR MILK-STOOL, BUT RATHER SEEMS TO
PUT A 3RD PEA INTO THE SHELL-GAME
OF THIS YUPPIE TAX ~~GAME~~ - SCHEME -

I DON'T BELIEVE AS SOME SEEM TO IMPLY
THAT THIS IS GOOD FOR OUR MORAL
FIBER -

WE DON'T NEED IT



SENATE TAXATION

EXHIBIT NO. 16DATE 3/27/89BILL NO. SB 469

Box 1176, Helena, Montana

JAMES W. MURRY
EXECUTIVE SECRETARYZIP CODE 59624
406/442-1708

TESTIMONY OF DON JUDGE ON SENATE BILL 469 BEFORE THE SENATE TAXATION COMMITTEE, MONDAY, MARCH 27, 1989

Mr. Chairman, members of the committee, for the record, my name is Don Judge and I'm here today to represent the Montana State AFL-CIO in opposition to Senate Bill 469.

Working people, who comprise the total membership of our organization, remain opposed to a sales tax for a very simple reason: a sales tax is a regressive tax.

Make no mistake about it: Senate Bill 469 would raise needed revenue for public services. Unfortunately, it raises most of the new revenue from the working people of our state, while giving corporations and businesses tens of millions of dollars in property tax breaks.

These are the same working people who were forced to take massive wage cuts by corporate giants like Champion International, Stone Container, and ASARCO. These are the same companies that have been able to maintain profits that they themselves have sometimes called "dramatic." And, these are the same companies that are likely to benefit from the passage of Senate Bill 469.

These companies benefit because the ultimate purpose of sales taxes is to shift the tax burden off of the corporate world and onto the working people. They'll use any argument to achieve that massive tax shift: sometimes the argument is property tax reduction, sometimes it's to capture so-called tourist tax dollars, and sometimes, like this year, it's funding our public education system. Whatever their argument, the ultimate purpose is to shift taxes off their backs and onto workers. After extracting millions in wage concessions from their employees and enjoying enormous profitability, these companies are back for more in the way of reduced personal property taxes for themselves and increased sales taxes for someone else.

The sales tax is always viewed as the quick fix to a state's economic difficulties; that's why 45 of the 50 states have sales taxes. The problem with this quick fix is that the opening percentage -- four percent in this case -- has a history of going up and up and up over the years.

Worse yet, the few features in a sales tax designed to make them more tolerable and less regressive are the ones most easily changed. Once a basic sales tax law is on the books, it's not a far stretch of the imagination to foresee subsequent Legislatures changing the exemptions, such as Senate Bill 469's exemption on food. There are 16 states that don't exempt food purchases from their sales taxes. Not surprisingly, those states are among those with the

most regressive sales taxes in some national studies. I would note that all but one of Montana's neighbors (North Dakota) tax food sales. If one of the arguments for a sales tax is "joining the club," as it has been this year, then we should also be prepared to join the "making a sales tax even more regressive" club of the future.

Interestingly, the proponents of Senate Bill 469 contend that this sales tax will provide much needed revenue to reform our current income tax structure as well. It would allow the state to remove many low income folks from the tax rolls; and we could eliminate the top two income tax brackets for the wealthy. But, who pays for all this reform? The wage earners in the middle, and the low income wage earners who pay sales taxes. Is that really reform?

One of the myths about this year's debate is that the sales tax is Montana's only alternative for raising much-needed revenue. That's absolutely false.

Among the dozen or so other, more progressive, alternatives are placing a cap on federal tax deductions, continuation of the income tax surcharge, establishing an alternative minimum tax for the wealthy, reform of our current income tax system by broadening the base and reducing the exemptions and, applying a larger statewide levy for funding of public schools, equalizing costs for property taxpayers throughout the state.

The name of the game with a sales tax is regressive tax shifting from those who don't want to pay their fair share to those who can't afford more than their fair share. We urge you to reject this regressive tax bill and focus on more acceptable and more progressive tax alternatives.

For decades, Montanans have fought the corporate interests that have tried to saddle us with sales taxes. Montanans' sentiments have not changed drastically -- we're still dead set against a statewide sales tax. As a practical matter, we believe that the sales tax is not going to be available to help balance the state's budget, because the people won't vote for it. And once again, we urge you to reject this regressive tax that is doomed to failure and get on with real reform of our current tax system.

Thank you.



JAMES W. MURRY
EXECUTIVE SECRETARY

Box 1176, Helena, Montana

ZIP CODE 59624
406/442-1708

SENATE TAXATION

EXHIBIT NO. 169

DATE 3/27/89

BILL NO. SB 469

Montana State AFL-CIO response to Dale Harris/Montana Ambassadors re: Corporation for Enterprise Development 1989 study of Montana taxes

Sales tax supporters have been quoting a recent study by the Corporation for Enterprise Development in order to support their position, a study which even the authors have admitted contains mistakes due to their incomplete understanding of Montana's tax laws.

The 1989 Development Report Card for the States, issued by the Corporation for Enterprise Development, rates each state's tax and fiscal environment as one part of its overall rating. (The level of our various taxes -- property, sales, personal income -- each make up one-fourth of one of the six sub-indexes that in turn makes up one of four major indexes for grading the state.)

The Corporation is a non-profit organization which gets a third of its funding each from labor unions, private foundations and the business community.

The Corporation has made some gross errors in its 1989 analysis of Montana's tax system. When we received a copy of the report, we identified some of our concerns and asked for the Corporation's response in order to be able to share that information with you.

The report's grade for tax and fiscal policy is drawn from scores on a variety of sub-indexes. It appears that several measures or sub-indexes on which Montana scored well in the 1988 report were eliminated or altered for the 1989 report. In the 1988 report, Montana scored the maximum possible points for having a system of fiscal notes, for having program evaluation and sunset laws and for using tax indexing. But all of those sub-indexes on which we got straight A's in 1988 were removed from the 1989 report. In 1988, we scored well on the "all other taxes" measure, but that, too, was dropped this year.

The report gives little credit to resource-extraction states that have taxes on such things as coal mining, oil and gas extraction, etc. Its authors admit that that's a significant oversight in Montana, where severance taxes have in the past collected more revenue than this proposed sales tax would collect.

The Corporation completely ignored our coal severance tax trust fund when it handed out grades for having what they called "rainy day funds," which clearly our trust fund is. We got an "F" in that category when in fact we should have received an "A."

SENATE TAXATION

EXHIBIT NO. 16A
DATE 3/27/89
BILL NO. SB464

Another tax area in which we might have received some credit, but didn't, is the subject of tax expenditures, which we monitor through the preparation of fiscal notes on all legislation that may increase or decrease state revenues. Another index in which we received no points was general revenue sharing between the state and localities. While we have no program called "revenue sharing," we levy many state taxes that are shared between the state and localities, the newest and perhaps largest of which is the video keno and poker machine tax.

However, the corporation's biggest mistake is in using only property, income and general sales taxes to rate the various states' tax structures. In Montana, that would capture only \$802.3 million out of \$1.2 billion in state and local taxes levied in the 1987-88 year, according to the Montana Tax Foundation Inc. That leaves 35 percent of Montana's taxes out of the rating altogether. The authors acknowledge the shortcoming of their system, and even indicate that other studies have pointed out those shortcomings.

Unfortunately, the false conclusion that can be drawn from this system is that Montana needs a sales tax in order to have a more balanced revenue system. That's the conclusion drawn by the Montana Ambassadors, which has been circulating this flawed study without reference to its mistakes and oversights.

Let me quote for you from the letter written by CfED in response to our inquiry:

"The first misconception that we want to lay aside is the idea that we are advocating a sales tax as the answer to Montana's economic ills. The philosophy of the Report Card is clearly that tax policy is a limited tool for promoting economic development, especially when used to try to lure out-of-state businesses, ..."

"While, for most states, our use of income, sales and property taxes to measure balance produces reasonable results, we recognize that not all states face the same circumstances. From the material you sent us, it is clear that in Montana there are specific circumstances (namely, the importance of severance taxes), which may permit the state to avoid imposing sales taxes and still meet the test of balance. Therefore, we understand and agree that the State AFL-CIO's position on sales taxes is a reasonable one for Montana."

SENATE TAXATION
EXHIBIT NO. 17 01
DATE 3/27/89
BILL NO. SB 469

To: Senate Taxation Committee
From: Allen Chronister, State Bar of Montana
Re: Sales Tax

The State Bar of Montana has taken no position on the general issue of a sales tax. However, the Bar is opposed to the taxation of legal services, and requests that you exempt the receipts of attorneys from the practice of law from the sales tax.

We submit the following points for your consideration on this issue:

1. A tax on legal services is not a tax on lawyers or the legal system, but is a tax on people who require legal services. Taxing legal services merely makes the lawyer a tax collector. While a sales tax on legal services would be paid by wealthy corporations, it would also be paid by the woman seeking a divorce. The very poor, if they get legal services at all, usually get them for free, and the very rich can easily afford to pay the tax. A sales tax on legal services, therefore falls most heavily on the middle class who struggle to pay legal costs in the first place.

2. The tax would apply only to purchased legal services. Large organizations such as major corporations typically have attorneys on staff as regular employees and would thereby avoid paying the tax. Thus Montana Power and Mountain Bell, for example, would probably pay nothing under this tax. The average business which has to retain an attorney for such things as licensing, taxation, business organization and commercial disputes would pay the tax.

3. Public entities--state or federal--would not pay the tax. Governmental entities usually have attorneys on staff, and if they do hire outside counsel, the tax would not

apply. This puts the litigant who is opposing the government to at least a financial disadvantage since that litigant has to pay his attorney fee plus the tax. There is a possibility that equal protection, due process, and equal access to justice issues are raised. This might be most acute when an individual is sued by the government--a plumber, for example, whose license the state wants to revoke, or any criminal defendant. The government gets its legal services tax free, while another cost of defending livelihood or liberty is placed upon the defendant.

4. People who are sued cannot, as a practical matter, choose to not use legal services. People who are sued do not choose to be defendants. It is a situation they are forced into and it results in a tax that they must then pay. This stands in contrast to an underlying theme in sales tax proposals to not tax the necessities of life--food and medical services for example.

5. Imposing a tax on defendants in criminal matters might unconstitutionally impair access to counsel. A similar argument could arise with regard to the constitutional right to access to the courts for full legal redress of grievances.

6. Practical and equitable problems arise in regard to such situations as contingent fees (agreements would have to be "plus tax," supposedly also paid from the main award). Many cases are taken by attorneys on a contingent fee basis, in which the attorney is paid a percentage of whatever is collected in the lawsuit. Jury awards may not contain an extra amount for attorney fees. When a client pays his attorney from a substantial jury award it may not work a hardship, but same is not true of the majority of awards and settlements, or the workers compensation claimant who pays his attorney a percentage of his bi-weekly check. Further

STATE TAXATION

EXHIBIT NO. 17 p. 3

DATE 3/27/89

BILL NO. SB 469

deducting a tax could lead to real hardship for those claimants and for others in the contingent fee arrangement.

7. There are situations with multi-state connections that will make application of the tax very difficult. For example, when an out-of-state entity hires an out-of-state lawyer to represent it in Montana, is there a taxable event? If so, when does it begin and end? For example, some years ago Commonwealth Edison hired William Rogers to challenge Montana's coal tax. Would that event have been taxable in its entirety, or just for the portion of Mr. Rogers bill attributable to the time he actually spent in Montana? Would it apply to his bill for time spent writing a brief in New York that was filed in a court in Montana? What about the Montana attorney who must be hired as local counsel--how does he go about collecting the tax?

8. Enforcement of the tax may directly conflict with attorney-client privilege. A most compelling argument against the tax is the potential for breach of attorney-client privilege in the event of an audit. As a practical matter all of a taxpayer's books and records would have to be open to audit in case of a dispute. This would either make client files open for audit, leading to serious legal issues, or if the files were not open for audit, difficulties in enforcement would clearly arise. It is not enough to suggest that only billing records need to be audited. Those types of records frequently contain considerable detail about the work done.

Thank you for your time and consideration.

ROLL CALL VOTE

SENATE TAXATION

EXHIBIT NO. 18

DATE 3/27/89

BILL NO. SB 469

SENATE COMMITTEE TAXATION

Date 3/27/89 Senate Bill No. 469 Time 2:56 pm

NAME	YES	NO
SENATOR BROWN	X	
SENATOR BISHOP	X	
SENATOR CRIPPEN	X	
SENATOR ECK	X	
SENATOR GAGE	X	
SENATOR HAGER	X	
SENATOR HALLIGAN	X	
SENATOR HARP	X	
SENATOR MAZUREK	X	
SENATOR NORMAN		X
SENATOR SEVERSON	X	
SENATOR WALKER		X

Jill Ryan
Secretary

SENATOR BOB BROWN
Chairman

Motion: by Senator Crrippen to amend
SB 469 as per proposed amend-
ments on sheet - Exhibit 2A

Amend HB747, page 14 line 12 following "Section 8" by inserting the word "certain".

Page 14, line 12 & 13 after "receipts" strike "of government agencies".

Line 13 after "(1)" strike the remainder of line 13.

Line 18 following "water", insert "sewer service, telephone service,".

Line 19 & 20 following "electricity" strike "by a utility owned or operated by a political subdivision of the state".

Line 20 following "are" strike "subject to" and insert "exempt from".

Section 8 would then read:

New Section Section 8.. Certain receipts exempt. (1) All receipts of the United States or any agency or instrumentality of the United States or of this state or any political subdivision of this state are exempt from the sales tax and use tax.

(2) Receipts from the sale of gas, water, sewer service, telephone service, or electricity are exempt from the sales tax and use tax.

SENATE TAXATION

EXHIBIT NO. 20

DATE 3/27/59

BILL NO. 469

ROLL CALL VOTE

SENATE COMMITTEE TAXATION

Date 3/27/59 Senate Bill No. 469 Time 3:01 pm

NAME	YES	NO
SENATOR BROWN		X
SENATOR BISHOP	X	
SENATOR CRIPPEN		X
SENATOR ECK		X
SENATOR GAGE		X
SENATOR HAGER		X
SENATOR HALLIGAN	X	
SENATOR HARP	X	
SENATOR MAZUREK		X
SENATOR NORMAN		X
SENATOR SEVERSON	X	
SENATOR WALKER	X	

Bill Bryano
Secretary

SENATOR BOB BROWN
Chairman

Motion: by Senator HARP to amend as
per the proposed amendments
Ex. # 19.

ROLL CALL VOTE

SENATE TAXATION

EXHIBIT NO. 21

DATE 3/27/89

BILL NO. SB 469

SENATE COMMITTEE TAXATION

Date 3/27/89 Senate Bill No. 469 Time 3:03 pm

NAME	YES	NO
SENATOR BROWN	X	
SENATOR BISHOP		X
SENATOR CRIPPEN	X	
SENATOR ECK	X	
SENATOR GAGE	X	
SENATOR HAGER	X	
SENATOR HALLIGAN	X	
SENATOR HARP		X
SENATOR MAZUREK	X	
SENATOR NORMAN		X
SENATOR SEVERSON		X
SENATOR WALKER		X

Bill Robyans
Secretary

SENATOR BOB BROWN
Chairman

Motion: by Senator Crrippen that SB 469
do pass be recorded

(This sheet to be used by those testifying on a bill.)

NAME: Steve Vick DATE: 3/27/89

ADDRESS: 712 N Montana Bozeman 59715

PHONE: 586 - 3774

REPRESENTING WHOM? Self

APPEARING ON WHICH PROPOSAL: SB 469

DO YOU: SUPPORT? AMEND? OPPOSE?

COMMENT: The taxpayers don't want a sales
tax, 40% income tax surcharge or higher
property taxes. They want the legislature to
have the courage to control state spending
including public schools and universities

PLEASE LEAVE ANY PREPARED STATEMENTS WITH THE COMMITTEE SECRETARY.

TESTIMONY OF CHARLES W. WALK, EXECUTIVE DIRECTOR OF MONTANA NEWSPAPER ASSOCIATION, ON SB 469 BEFORE THE SENATE TAXATION COMMITTEE.

EXHIBIT NO. _____
DATE 3/27/57
BILL NO. SB 469

Mr. Chairman, members of the committee, for the record, my name is Charles W. Walk. I am executive director of the Montana Newspaper Association, which includes in its membership all 11 daily newspapers and 65 of the weekly newspapers in Montana.

I am here today to support an amendment to SB 469 which would exempt newspaper subscription revenues from the bill.

The exemption we are requesting is identical to the compromise reached with the House Taxation Committee's sub-committee on HB 747 and concurred in by the entire committee just last week.

The amendment would mean that Montana's newspapers would be paying the sales tax outlined in SB 469 on all papers sold through coin-operated news racks and over-the-counter sales outlets. It would mean that the subscriptions sold by the newspapers' carrier forces--both youth and adult carriers--and through the newspapers direct would be exempt from the tax.

The compromise in the House committee was reached after we pointed out several problem areas involving subscription sales of newspapers.

First, we pointed out the competitive disadvantage such a tax on subscription sales would put on Montana newspapers competing with out-of-state publications, both newspapers and magazines. Since the tax could not be placed on the subscriptions of such publications as USA Today, the Spokane Spokesman-Review, Time, and U.S. News and World Report, it would mean Montana publications would be operating at a distinct disadvantage in this area. On the other hand, a tax on over-the-counter sales and rack sales would be taxed in identical manners and, therefore, the Montana newspapers would not be at any competitive disadvantage.

Second, we also pointed out the problems inherent with taxing subscriptions, thereby turning carriers--who actually are wholesale contractors of the newspapers--into tax collectors. The unfairness of this, of course, is that newspapers would be the only wholesale supplier which would be asked to deal with a tax on goods and services they sell to independent contractors.

I will be glad to answer any questions about these and other problem areas involved with the taxing of newspaper subscriptions.

We urge the adoption of an amendment exempting newspaper subscription revenue from SB 469. Thank you.

DATE 3-27-89 1989

COMMITTEE ON Taxation

VISITORS' REGISTER

NAME	REPRESENTING	BILL #	Check One	
			Support	Oppos
Walt Dupes	Self	SB469		C
Paul Stramer	THE TAXPAYERS	SB469		✓
Robert Van Oosterhout	Self	SB469		✓
F. F. "Al" Litterer	Mont Assoc. of Reg. Hrs	SB469	X	
MAXINE C. JOHNSON	MT CHAMBER OF COMMERCE	SB469	X	
Steve Vick	Self	SB469		✓
Carol Daly	Flathead Econ Dev Corp	SB469	Y	
Cherita Kurney	Helena Gold Nuggets Senior Ctr	SB469		✓
Leon Stalcup	Montana Restaurant Assn	SB469	X	
DAN LAMBROS	MONTANA AMBASSADORS	SB469	X	
Don Judge	Montana State AFL-CIO	SB469		✓
Charles W. WALK	MT. Newspaper Assn			
EARL REILLY	Mont. Senior Citizens Assn	SB469		X
Bob Heiser	U.F.C.W	SB469		X
Dennis BURR	MONTAX	SB469	X	
Bent Hvidtall	MT Motor Comers Assn	SB469	X	
Jim Van Arsdale	City of Billings	SB469	X	
Kay Foster	Billings Chamber	SB469	X	
CAROL KRAUSE	COMM. OF HIGHER ED	SB469	X	
Robert Bal	U of M Student	SB469	X	
Samuel H Bales	Montana Chamber	SB469	X	
Ed Phillips	The Governor	"	X	
Gordon Morris	MALC	SB469	X	
Mike Mathew	Yellowstone Co.	SB469	X	
Madrean Jensen	AFSCME	SB469		X
Sam Ryan	Mont. Sen. Citizens Assn	S.B.469		X

