

HOUSE TAXATION COMMITTEE
Montana 61st Legislature
State Capitol
Helena, Montana 59620

April 20, 2009

Revenue and Transportation Interim Committee
Montana Legislature
State Capitol
Helena, MT 59620

Dear Chair and Members of the Revenue and Transportation Interim Committee,

On behalf of the House Taxation Committee, we would like to request that the Revenue and Transportation Interim Committee consider undertaking the study topics described below during the next interim.

Every session, the Legislature considers a variety of bills dealing with individual income taxes, natural resource taxes, property taxes, and other taxes. These bills may deal with complex matters that may be decided more on persuasion than on solid analysis. The House Taxation Committee believes that the Legislature would be well served by having at its disposal good information on which to base tax policy decisions.

In particular, the House Taxation Committee requests that the Revenue and Transportation Interim Committee consider conducting an analysis of the individual income tax, natural resource taxes, and property reappraisal during the 2009-10 interim.

The purpose of the analyses would be to develop a general understanding of how each of these taxes operates and how they fit within the state's overall tax policy.

The complexities of the federal individual income tax are further exacerbated by the complexities of the state's own exclusions, exemptions, deductions, credits, and filing statuses. Tax benefits are frequently enacted to encourage a desired behavior or to provide relief to a particular class of taxpayers. However, the Legislature does not routinely evaluate whether these provisions achieve their intended goal. One aspect of the Revenue and Transportation Interim Committee's undertaking should include an evaluation of these provisions.

Natural resource tax policy is often decided on the perception of how Montana compares with other states. However, the comparisons may not always be based on complete information. Policy debates would be better informed by more in-depth analysis of Montana's taxation of natural resource production activities and on how other states tax natural resource production activities.

These taxes should be examined in terms of fairness, incidence, effective tax rates, efficiency, stability, and accountability. A significant portion of the analysis should include interstate comparisons. The House Taxation Committee believes these kinds of analyses should be an ongoing activity of the Revenue and Transportation Interim Committee. The information developed this interim could be updated and revised as the Committee considers necessary. In addition, other major taxes should also be examined in the future. This effort is particularly important in light of legislative term limits.

Every 6 years, the Legislature finds itself in the uncomfortable position of dealing with property reappraisal. With the latest reappraisal cycle just completed, the House Taxation Committee requests that your committee monitor the effects of reappraisal and consider property tax mitigation strategies. Again, the House Taxation Committee believes that the review of property reappraisal should be an ongoing activity of the Revenue and Transportation Interim Committee. As a result, the Legislature would be better prepared to deal with this controversial matter in future sessions.

Finally, one problem states face is the so-called tax gap, or the difference between tax liability and tax payments. The House Taxation Committee requests that the Revenue and Transportation Interim Committee also consider this topic to the extent that its time and resources allow.

The House Taxation Committee realizes the Revenue and Transportation Interim Committee has a significant number of responsibilities during the interim, but our committee believes that any time you can devote to these issues would improve tax policy decisions. We hope you can include one or more of these requests in your interim work plan.

Thank you for considering our request.

For the Montana House Taxation Committee

Rep. Bob Lake, Chair
House Taxation Committee

Rep. Jill Cohenour, Vice Chair
House Taxation Committee

Rep. Janna Taylor, Vice Chair
House Taxation Committee

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