



Dan Bucks  
Director

# Montana Department of Revenue



Brian Schweitzer  
Governor

EXHIBIT 3  
DATE 1.12.05  
HB \_\_\_\_\_

DATE: January 10, 2005

TO: Rep. Karl Waitschies, Chairman  
House Taxation Committee

FROM: *LF*  
Larry Finch, Administrator  
Tax Policy and Research

SUBJECT: Committee Information Request – Montana v. Other States' Tax Structure

Representative Raser requested information pertaining to the makeup of Montana's tax structure versus that of other states. This request arose in the context of discussing the relative use of the "three-legged stool" of taxation.

Attached you will find two separate charts prepared for the interim Tax Reform Study Committee that address this request for information. The first chart (labeled Figure 3) shows how Montana's tax structure has changed over time; the second chart (labeled Figure 6) shows how Montana's tax structure compares with that of all states and with our immediate neighboring states – Idaho, North Dakota, South Dakota, and Wyoming.

While Figure 3 may also be of interest to the Committee, Figure 6, which shows the distribution of total state and local taxes by broad type of tax, is most responsive to Representative Raser's specific request.

Clearly, the most distinguishing feature of Figure 6 is the relatively high reliance on general retail sales taxes by all states (25% of total taxes) and our neighboring states (27% of all taxes), whereas Montana has no general sales tax. Second, Montana's reliance on property taxes (43% of total taxes) is much higher than either all states (28%) or our neighboring states (30%).

Montana's reliance on income taxes (29%) is not too different from all states (28%), but is significantly different from our surrounding states (17%). This is due to the fact that neither Wyoming nor South Dakota tax income.

Please let me know if I can be of further assistance in responding to this request for information.