

TESTIMONY OF KEVIN TAYLOR, GREAT DIVIDE

SNOWSPORTS

EXHIBIT 13

DATE 3.10.05

184

The House hearing on SB 184 (Sen. Jeff Mangan's local option sales tax) is on THURSDAY, March 10, in House Taxation Committee. Tax meets at 8 a.m. in Room 152 of the Capitol.

Introduction: I am Kevin Taylor. I own and operate a small business in rural Lewis and Clark County doing business as Great Divide Snowsports. Our business is to provide a quality winter outdoor recreational opportunity for skiing, snowboarding, and the like. We build, maintain, and operate ski lifts and downhill ski terrain and sell access to our lift served and maintained terrain by means of hourly, daily, and season lift tickets and also provide equipment rentals, instructional services, food and beverage services, and a few other ancillary services. Our business primarily serves a Helena market, but our regular customers also come from areas surrounding Helena and Lewis and Clark County. We believe we do a good job competing for regional customers beyond the immediate area such as people in north central Montana, the Deer Lodge Valley, Broadwater County, Southern Jefferson County, Silver Bow County and so forth. We are happy to have customers from outside Montana enjoy our services, but in the best years such visitors are novelty enough that we really notice them individually. We are a small, local business selling healthy local recreation not a destination resort selling luxury vacation experiences. We are very concerned about the potential damage that could be done if the authority granted by SB 152 is implemented in our county.

What concerns us: Notwithstanding its positive intentions, three major fatal problems plague SB 184: 1. the bill's potential to destroy the level playing field for business competing across county lines; 2. the bill's incorrect assumptions of who will or ought to pay such a tax if imposed, that is, what it is that constitutes a "luxury" outside the context of a destination resort; and the bill's reflection of the legislature's inability to establish appropriate statewide revenue policy.

1. Level field: tax policy should apply equally to everyone in equal circumstances. We compete directly with similar businesses situated in Meagher and Granite Counties. Who would imagine it even possible that the voters of either of those counties would impose such a tax on themselves and the businesses in their neighborhoods. Now, imagine the possibility of the voters of my county choosing to do so. Even if not applied in Lewis and Clark County, there is a significant chance we would be faced with having to fight a campaign against it. So used or not, the authority contained in this bill creates a potential onerous handicap (in the form of additional expense) to conducting our business that it is unlikely our competitors will avoid. Some combination of reduced profit and increased prices is the only possible result. Both results set off a negative business spiral that is bad for us, bad for our customers, and bad for our locality in general. It is bad policy to bias the playing field – good policy to level it.
2. Erroneous incidence: Skiing at Montana's family areas is a healthy outdoor activity in which the whole family can participate...not a "luxury." This is what Montanans do in the winter...and the family areas are predominantly Montanans, not rich out-of-staters on ski vacations. Same for the ski rentals -- renting skis is

what single Moms and families do...so where's the equity in taxing them? Not that it would help the bill, but what is the logic in taxing a ski rental but not a ski purchase? Is the person who skis often enough or has cash flow enough to justify purchase somehow engaging in less luxury than the occasional renter? Is the snowmobile owner who gains altitude on snow using purchased gasoline somehow less luxurious than the ski ticket purchaser who uses water generated electricity riding a ski lift to gain altitude on some similar terrain? It is simply a fallacy to extrapolate from the successful resort tax legislation the notion that similar services sold in our local recreational areas to predominately local people are the same or ought to be thought of in anything like the same way as services at a destination resort. The extent of the illogic in the luxury definition for this bill is mind boggling. The potential tax burden imposed by this bill on ostensible luxuries at a business like ours simply makes no sense at all.

3. Significance of establishing state policy: To maintain a level playing field and impose a fair and reasonable basis of taxation is a foremost responsibility of the legislature. To accomplish its responsibilities, it must carefully consider the statewide implications of the decisions it makes. Recently, the people of Montana have take a great deal of authority in this area away from the legislature. The authority may be gone, but the responsibility remains. However seductive it is to hand off the authority for tax policy to local voters and local governments, it is irresponsible of the legislature to do so. Local voters can only take or leave what authority you delegate. They cannot assure a level playing field across the state. They cannot repair the illogical tax incidence careless legislation would impose. You can. And you should. Let this bill die. Then dedicate yourselves to fulfilling your responsibility and restoring the authority of the legislature to establish sound statewide fiscal policy.