



Butte Local
Development
Corporation

EXHIBIT 5
DATE 4.11.05
SB 48

April 8, 2005

Chairperson Representative Lake
House Taxation Committee
State Capitol
Helena, MT 59601

Dear Chairperson Lake and members of House Taxation Committee:

The bill you are considering, SB 48, is an extremely important piece of legislation for all of Montana. Keeping the current level of taxation on business equipment at 3% while allowing for an increased exemption for small businesses is sound tax policy for the State.

The current 3% level of taxation on business equipment is very competitive with similar taxes assessed in other states in the region. The effective rate of Montana's business equipment tax is actually only approximately 1.6% when local mill levies are applied.

If SB 48 was not passed and the tax on business equipment was allowed to go to zero, the negative effects would be dramatic and wide spread. Local governments obtain much of their revenues from the business equipment tax. Dramatically reducing or eliminating this source of income for local governments would have devastating effects on their ability to provide essential services. The only possible way to assist the local governments in this situation would be for the state governments to back-fill the lost revenues to the local jurisdictions. This back-fill would fall squarely on the shoulders of the state government and would have a major negative on the state's general fund.

In addition, the many tax increment financing districts and urban revitalization districts that are currently in existence throughout the state would be rendered useless with out any new tax increment from the business equipment tax. The use of tax increment financing has assisted countless private businesses all across Montana. The many programs provided through tax increment financing have helped current Montana companies keep their doors open or expand and hire new employees. These programs have also been essential elements in recruiting new vibrant companies to locate their operations in our local communities and hire our neighbors.

We at the Butte Local Development Corporation have seen first hand how important tax increment financing is to assist in growing our local economy. Without tax increment



financing the Advanced Silicon Materials Incorporated plant would not be located west of our community. Being able to utilize the new taxes assessed on their business equipment allowed the local tax increment financing district of offset approximately 9% of the total project cost. This has resulted in a total investment of approximately \$550 million in our state and the employment of 300 our citizens.

A vast majority of private business believe in being good corporate citizens and paying their fair share. Maintaining the current level of taxation at 3% while allowing for an increased exemption threshold is viewed as a fair and equitable tax treatment by the private sector.

I ask that you support SB 48 and keep Montana on growing while maintaining healthy local governments.

Sincerely,

A handwritten signature in cursive script that reads "Jim Smitham".

Jim Smitham
Executive Director