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SB 520

Committee Secy

OFFICE OF PUBLIC INSTRUCTION

PO BOX 202501
HELENA MT 59620-2501
www.opi.state.mt.us
(406) 444-3095
(888) 231-9393
(406) 444-0169 (TTY)

Linda McCulloch
Superintendent

SB 520 Residential Property Tax Rebate, Revision of Income and Capital Gains Taxes

House Taxation Committee

April 13, 2005

Superintendent Linda McCulloch Remarks

Good morning. For the record, I'm Linda McCulloch, Superintendent of Public Instruction for Montana's K-12 schools.

Thank you to Senator Elliott for this bill.

I would respectfully add my support for Senate Bill 520. The sponsor has done an excellent job of explaining the mechanics of the bill.

Senate Bill 520 seeks to reform key elements of Montana's tax system. For more than a decade there has been a steady, massive tax shift to residential property taxpayers to finance large tax breaks for corporations and make up for the declining share for state support for public education.

In 1991, state support for schools represented almost 72% of the general fund revenues. For the current school year, the state share has fallen to 60%. As the state share has fallen, a larger and larger burden has been shifted to local property taxpayers. During the same time period, 1991 to the present, property tax payers' share has increased from 13% to more than 31%.

We in the education community are extremely grateful to the taxpayers of Montana for the support that they have shown for our public schools. Communities across Montana consistently vote to increase their property tax burdens in order to maintain quality public school programs and staff.

Senate Bill 520 begins to reverse this 14 year tax shift to residential property taxpayers.

Senate Bill 520 would provide residential property taxpayers with \$100 million in property tax rebates in the coming biennium.

The bill does this by modifying income tax and capital gains tax that went into effect just three and half months ago. The top bracket income taxpayers would have their tax rate decreased from 11% to 7.8%, instead of the recent 6.9% rate change and maintains the capital gains tax credit at 1% instead of the newly enacted 2% level.

"It is the mission of the Office of Public Instruction to improve teaching and learning through communication, collaboration, advocacy, and accountability to those we serve."

With the change in the income tax rate schedule, 95% of Montana's taxpaying households, those earning \$100,000 or less, would see lower taxes this year.

It is time we return fairness to Montana's tax system. It is time to reverse the ever increasing burden on residential property taxpayers. Senate Bill 520 is an important step in that direction.

Thank you for your time and efforts today!