

Opponent's Testimony – SB 520 – Outline – Sen. Joe Balveat, CPA

Don't recollect testifying as an opponent against any bill in committee. But if SB520 is passed, I believe it will be the biggest mistake of this entire session; and perhaps the biggest mistake made by any legislature in the last 10 years. And it will hurt the wage-earners worse than the wealthy.

6 quick points:

- 1) SB520 is a multi-million dollar tax increase. – offsets a growing tax increase with a fixed rebate amount.
- 2) It's not property tax reduction. Ask the Bozeman Chronicle – It's just a flat income tax rebate regardless of how much property you own, the value of that property, and you get it even if you own no property.
- 3) It will hurt wage-earners worse than the wealthy. Numerous national economic studies show high income taxes hurt wage growth perhaps worse than any other single thing a state govt can do. 2 studies (one is a compilation of numerous other studies). And tax change is also statistically significant. Sponsor says he doesn't believe in trickle down economics. He misunderstands – these studies aren't talking about trickle down supply-side economics – that's national economic theory. These studies are examining the affects of competitive state tax policy; and how changes in tax rates cause flight of job-producing capital from one state to the next.
- 4) Now is the worst possible time: a) We may be teetering on the edge of another economic downturn. b) We just passed the tax cut – entrepreneurs hate an unstable tax climate, they want predictability because they make business decisions based upon analysis of the future tax climate. With SB520 – we're telling them, "Go elsewhere if you want predictability and stability."
- 5) It's retroactive. A) Unconstitutional ex post facto law. B) creates tremendous hardship on those who've already made significant financial decision in the first 4 months of the year.
- 6) It will be a huge money loss to the General Fund. Why? Tax exiles. We will once again be driving our wealthiest taxpayers out of state by enacting one of the nation's highest income taxes. Potential loss – more than \$35 million per year.