



SIMKINS ~ HALLIN LUMBER CO.

EXHIBIT 13
 DATE 4.13.05
 SB 520

April 11, 2005

Mr. Karl Waitschies
 Chairman
 Taxation Committee
 Montana House of Representatives
 Montana State Capitol Building
 Helena, Montana

Re: Senate Bill 520

Dear Chairman and House Taxation Committee Members:

Thank you for the opportunity to comment on Senate Bill 520, which bill proposes a large increase in state income taxes. As a business owner in Montana and a former tax attorney before returning to the family business in Bozeman, I find myself opposed to this bill for several reasons. First, this bill would make Montana's business climate even more business unfriendly than it is now. For a state such as Montana that is so heavily dependent on attracting outside capital to support our small and geographically isolated population, SB 520 would make investing in Montana even less attractive than it is now.

Second, this bill would be very unfair to all those Montana residents and businesses that relied on the income tax changes that were made during the last legislature. In particular, one very important point that has not been brought out from what I have read in the news media accounts of the bill is that the changes that were made to the ordinary income provisions last session were designed to be revenue neutral. That is, the bargain that was struck in the last session was to lower the nominal tax rates on ordinary income in exchange for the virtual repeal of the deductibility of federal income taxes paid. Before the last session, the top rate of 11% really represented an effective tax rate of about 6.7% for the people in the highest federal tax brackets after taking the deduction for federal income taxes paid into account. The new rate is 6.9% on all taxable income in excess of \$13,900. Thus, the effect of the proposed bill is not to take back some of the tax benefits that were to be received by "rich" people, but rather simply represents a major income tax increase for many hardworking Montana taxpayers.

Third, with respect to the reductions in the effective state capital gains rates enacted last session, this reform was long overdue as Montana had the unwanted distinction of



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having probably the highest state capital gains rates in the country. Again, we as residents of Montana cannot hope to attract investors and financial capital from other states if we continue to establish such strong disincentives to bringing new business and investment to this state.

Thank you again for the opportunity to submit my comments. Please let me know if I can provide any additional information concerning this bill.

Sincerely,

William G. Simkins
Vice-President
Simkins-Hallin Lumber Company