



**HI-HEAT
INDUSTRIES, INC.**

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SENATE TAXATION
EXHIBIT NO. 11
DATE 1-26-05
BILL NO. SB 48

January 25, 2005

Mr. Webb Brown
Montana Chamber of Commerce

Dear Webb:

I am looking forward to the Montana Chamber of Commerce's support of continuing to maintain or decrease the business equipment tax. This affects our small business of 48 employees. We have one room of equipment that we need to have in order to business in the state of Montana. When we were located in Missouri we were able to purchase the tasks done by these pieces of equipment at a reasonable rate. The lathes, drill presses, shear, box break, cut off saws, sanders, etc will be utilized for several orders and then sit idle for an average of 18 to 19 days out of 20. Raising the Business Equipment Tax forces us to look at that business. Business that helps us keep a larger customer because we are able to service all of their requirements. In a time where the number of suppliers are being reduced because of the costs associated with dealing with a large number of suppliers, it is necessary to do some of the marginal business to keep the profitable business.

In 1999 when we built our new building we were able to install several pieces of top of the line etching equipment in our new space. The business equipment tax was in the process of lowering. We consciously made the decision to go after new equipment to obtain a one time competitive advantage because technology had changed so much. We could have purchased used equipment and old technology.

It is difficult to assess the effect of the business equipment tax primarily because of September 11, 2001. We were having our most profitable year and had the worst 4th quarter. It has taken two and ½ years for business to revive. In 2001 we had 62 employees. We had to cut back to 30 just to survive. This year we are back to 48. It is too short of a time period with too large of an anomaly to judge the Business Equipment Tax reductions as a failure. It has positively affected our growth and our ability to create jobs. Please support maintenance of the current sales tax and further future reductions.

For the Company,

Susan Knedler
General Manager

**Tax Year 2004
Class 8
Business Equipment**

Estimated Impacts of Increasing the Current Law \$5,000 Exemption Amount

Estimated Impacts of Proposed Exemption Amounts

Proposed Exemption Level Based on Market Value ¹	Cumulative Number of Affected Individual Taxpayers	Additional Reduction in Taxable Value due to the Exemption	Additional Reduction in Property Tax Revenue due to the Exemption	Revenue Reduction to State (101 Mills) ²	Revenue Reduction to Local Governments and Schools ³
\$10,000	6,637	\$1,382,436	\$733,445	\$139,626	\$593,819
\$15,000	10,572	\$2,835,666	\$1,496,453	\$286,402	\$1,210,051
\$20,000	13,228	\$4,221,795	\$2,217,583	\$426,401	\$1,791,182
\$25,000	15,291	\$5,606,971	\$2,943,237	\$566,304	\$2,376,933
\$50,000	20,762	\$11,457,536	\$5,911,926	\$1,157,211	\$4,754,715
\$100,000	25,157	\$20,770,692	\$10,571,100	\$2,097,840	\$8,473,260
All Exempt	29,796	\$117,240,984	\$59,299,283	\$11,841,339	\$47,457,943

- Under current law, a Class 8 property owner whose statewide aggregate market value is less than \$5,000 is exempt from taxation. At \$5,001 the entire value of the property is taxable. Estimated impacts are calculated based on current state law using the same methodology at the different exemption levels.
- The estimated loss of state revenue is for the 6 mill university levy and the 95 mills levied for school equalization only. It does not include the revenue loss associated with the 1.5 mills levied in certain counties and used to support the state vo-techs.
- In the absence of state reimbursements to local governments and schools, this revenue reduction would be shifted to other property classes.