January 20, 2009

SENATE TAXATION
EXHIBIT NO. 2
DATE 1.20.09
BILL NO. SB181

Senate Tax Committee

Information supplementing verbal testimony of:

Support SENATE BILL NO. 181

Provided by:

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Goal of The Department of Revenue: The DOR has spent hundreds of thousands of dollars studying ALL Realty Transfer Certificates for a number of years, with the stated purpose of identifying and pursing "out of state" taxpayers that do not pay Montana Source Tax on sales of real property.

Montana Land Title Association supports efficient collection of taxes: The MLTA supports SB 181 as a viable alternative to various efforts of the DOR to implement a withholding tax from real estate closings. Rather than assume every deed that is recorded could be a taxable transaction by reviewing every single Realty Transfer Certificate, **1099 data is exactly what the DOR needs** to find residents and non-residents alike that have had a real estate transaction wherein a tax return is required to be filed.

Why Support SB 181?:

- IRS Form 1099 data is readily available and produced for the IRS and can be easily provided to the Department
- 1099 data gives all necessary information regarding the real estate transaction including:
  - Taxpayer signature that information is giving under penalty of perjury;
  - Tax ID Number
  - Current mailing address
  - Declaration of sales price
  - Identification if transaction is part of a Tax Deferred 1031 exchange
- DOR is not asking for complete Tax ID on the Realty Transfer Cert; this date completes missing information

Statistical evaluation:

Counties included in analysis:

Deer Lodge; Flathead, Glacier, Madison, Dawson, McCone, Cascade, Ravalli, Gallatin, Missoula, Fergus, Petroleum, Judith Basin, Lincoln, Granite, Lake & Mineral.

Base Data:

Data analysis consists of Escrow Closing records of the offices of Insured Titles and First American Title Company's locations in above counties. Review of I.R.S. Substitute 1099 date generated from actual closings for year 2007.

Summary:

- 6,834 Sales
- 3,315 Sales had at least one 1099 issued out of 6,834 sales
- 48.51% of total sales are primary residence, or seller not required to report 1099
- Total Sales volume $1.589B
- 475 or 6.95% transactions had at least one 1099 with out of state address
- 527 out of state 1099's with gross sales volume $ 133.860M
- 8.4% (133M/1.589B) of total dollar volume included within above noted 6.95% of sale transactions
- 170 of 475 (36.8%) of transactions had sales prices less than $100k
- 300 out of 6,384 (4.69%) sale transactions with a sales price over $100K have at least one 1099 with out of state address.
- **Only 300 out of 6,384 (4.69%) sale transactions over $100,000 had a 1099 with an out of state address**

Thank you for the opportunity to present this information. Please feel free to contact me with any follow up questions or if you would like any further data.