

HOUSE JOINT RESOLUTION NO. 38  
INTRODUCED BY R. ERICKSON

A JOINT RESOLUTION OF THE SENATE AND THE HOUSE OF REPRESENTATIVES OF THE STATE OF MONTANA REQUESTING AN INTERIM STUDY TO SYSTEMATICALLY RESEARCH, ANALYZE, AND CONSIDER MONTANA'S AND OTHER STATES' APPROACHES TO THE TAXATION OF BUSINESSES AND CORPORATIONS AND THE IDENTIFIABLE EFFECTS OF THIS STATE'S TAXATION OF BUSINESSES AND CORPORATIONS; AND REQUESTING THAT THE FINDINGS, CONCLUSIONS, COMMENTS, OR RECOMMENDATIONS OF THE APPROPRIATE COMMITTEE BE REPORTED TO THE 59TH LEGISLATURE.

WHEREAS, Montana's Legislatures have, over the past 30 years, investigated in piecemeal fashion only various aspects of the taxation of income, property, and consumption in Montana but have not performed a systematic study of the taxation of businesses and corporations since 1965-66; and

WHEREAS, the nature, scope, and economics of businesses and corporations in Montana and elsewhere have changed significantly over the past 30 years, warranting if not compelling a current assessment of whether or not Montana's existing system of taxation has kept pace with the economic changes in Montana, the region, and the nation; and

WHEREAS, it is incumbent upon Montana's policymakers to ensure that this state's approach to and methods of taxing businesses and corporations are systematically consistent with the state's economy, with the fundamentals of good tax systems, and with the stated policy objectives of Montana's citizens and leaders; and

WHEREAS, there are numerous other reasons for state policymakers to periodically examine in systematic fashion the taxation of businesses and corporations, including maintaining interstate competitiveness, mitigating tax avoidance schemes, enhancing the business climate, increasing the wages, salaries, and living standards of workers and the overall profitability of businesses, and ensuring and maximizing opportunities for attracting, developing, and expanding business opportunities in this great state.

NOW, THEREFORE, BE IT RESOLVED BY THE SENATE AND THE HOUSE OF REPRESENTATIVES OF THE STATE OF MONTANA:

That the Legislative Council be requested to designate an appropriate interim committee, pursuant to section 5-5-217, MCA, or direct sufficient staff resources to systematically research, analyze, and consider Montana's and other states' approaches to the taxation of businesses and corporations and the identifiable effects

of this state's taxation of businesses and corporations.

BE IT FURTHER RESOLVED, that components of the study include, at a minimum:

(1) exploring the practice of transfer pricing and the implications of transfer pricing for business creation, development, and enhancement in Montana and for the state's taxation of business and corporation income;

(2) investigating the apportionment of business income and the implications of income apportionment for business creation, development, and enhancement and for the state's taxation of business and corporation income;

(3) examining Montana's optional water's-edge method of taxation and the implications of that optional method for business creation, development, and enhancement and for the state's taxation of business and corporation income;

(4) inquiring into the benefits and drawbacks of retaining Montana's flat rate approach to taxing net business income compared to the benefits and drawbacks of a graduated rate structure; and

(5) exploring other factors related to the policy options and stated policy objectives regarding the ways in which Montana taxes businesses and corporations, including the taxation of business income, property, and consumption.

BE IT FURTHER RESOLVED, that, if the study is assigned to staff, any findings or conclusions be presented to and reviewed by an appropriate committee designated by the Legislative Council.

BE IT FURTHER RESOLVED, that all aspects of the study, including presentation and review requirements, be concluded prior to September 15, 2004.

BE IT FURTHER RESOLVED, that the final results of the study, including any findings, conclusions, comments, or recommendations of the appropriate committee, be reported to the 59th Legislature.

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