

SENATE BILL NO. 119
INTRODUCED BY J. TROPILA

A BILL FOR AN ACT ENTITLED: "AN ACT CREATING A TAX REFORM STUDY COMMITTEE; AND PROVIDING AN IMMEDIATE EFFECTIVE DATE."

WHEREAS, the expressed goals of the people of Montana are to expand and diversify the economy of the state; and

WHEREAS, the Montana economy will expand by developing new industries and businesses, as well as by fostering existing industries and businesses; and

WHEREAS, Montana's static economic performance and reports on the state's poor business climate have encouraged the perception that Montana's tax structure, among other things, impedes economic development and diversity; and

WHEREAS, previous Legislatures have worked to enhance the state's economic performance through property tax reform, tax incentives, and economic development programs; and

WHEREAS, a principal element of economic growth and development is tax fairness, simplicity, and reform; and

WHEREAS, proponents of tax reform have not achieved consensus on the elements of realistic general tax reform; and

WHEREAS, consensus is indispensable in achieving any meaningful tax reform.

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF MONTANA:

NEW SECTION. **Section 1. Tax reform study committee.** (1) There is a tax reform study committee composed of 16 members. The members must include:

(a) two members from the house of representatives, one from each party, appointed by the speaker of the house;

(b) two members from the senate, one from each party, appointed by the senate committee on committees;

(c) the following members appointed by the governor:

(i) one economist specializing in tax policy issues;

- (ii) one representative of certified public accountants;
- (iii) two representatives of labor, one of whom must be a member of organized labor;
- (iv) one representative of small business;
- (v) one representative of large industry;
- (vi) one representative of agriculture;
- (vii) one representative of counties;
- (viii) one representative of cities and towns;
- (ix) one representative of a low-income group; and
- (x) two representatives of the executive branch.

(2) Tax reform study committee members must be appointed by July 1, 2003.

(3) In case of a vacancy, a replacement must be selected in the manner of the original appointment.

(4) The legislative services division, legislative fiscal division, and appropriate state agencies shall provide staff assistance as requested by the committee.

(5) (a) The members of the committee shall select a presiding officer and may appoint other officers as considered necessary.

(b) The committee shall adopt rules of procedure for conducting meetings.

(6) The purpose of the committee is to conduct a comprehensive examination of taxation in Montana.

The committee shall:

(a) develop an inventory of taxes imposed at the state and local level, including but not limited to:

(i) the taxation of property;

(ii) the taxation of income;

(iii) excise and use taxes; and

(iv) taxation of natural resource production, including energy production and transmission;

(b) provide analyses that evaluate existing taxes in terms of:

(i) their adequacy, efficiency, burden or incidence, fairness, ability to be exported, and effect on economic behavior, including their effect on individual and business decisions; and

(ii) costs of administration and compliance;

(c) examine tax expenditures to assess the ongoing merit of each expenditure; and

(d) examine alternative methods of taxation from existing sources, as well as new sources of revenue, and evaluate the alternative methods and new sources according to the criteria described in subsection (6)(b).

(7) Based on the analyses conducted under subsection (6), the committee shall submit a written report

to the governor and the legislature not later than November 1, 2004, that must include options, if options are considered necessary, and proposed legislation necessary to implement any proposals to provide a balanced and integrated tax structure for the state.

(8) The committee shall solicit the knowledge and advice of economists, tax policy experts, and representatives of taxpayer groups, local governments, small business organizations, large industry, agriculture, and economic and business development organizations.

(9) (a) Except as provided in subsection (9)(b), members of the committee must be reimbursed in accordance with 2-18-501 through 2-18-503 for actual and necessary expenses incurred in attending meetings or conducting committee business.

(b) Legislators serving on the committees must be reimbursed and compensated, as provided for in 5-2-302, for actual and necessary expenses incurred in attending meetings or conducting committee business.

NEW SECTION. Section 2. Effective date. [This act] is effective on passage and approval.

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