



HJ 35 Tax Study

66th Montana Legislature

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TO: Legislative Council
FROM: Megan Moore, Lead Staff for Revenue Interim Committee
RE: Update on HJ 35 Tax Study
DATE: December 3, 2019

Background

The [House Joint Resolution 35](#) study calls for a study of state and local tax policy using a subcommittee including nonlegislators and requests that the committee make recommendations about whether to revise the current tax system. The [HJ 35 Tax Study Committee](#) consists of all 12 members of the Revenue Interim Committee and six public members appointed by the committee at its organizational meeting:

- Rose Bender, Senior Fiscal Policy Analyst, Montana Budget and Policy Center;
- Eric Bryson, Executive Director, Montana Association of Counties;
- Tim Burton, Executive Director, Montana League of Cities and Towns;
- Dwaine Iverson, CPA;
- Bob Story, Executive Director, Montana Taxpayers Association; and
- Doug Young, Professor Emeritus, Montana State University.

Study Plan

The committee adopted a preliminary approach to the study that included evaluating the current tax system based on National Conference of State Legislature's [Principles for Evaluating State Tax Sources](#) as a way to help the committee focus the study. After receiving information at the September meeting to assist in this evaluation, staff surveyed committee members about their areas of interest. The November meeting consisted largely of group discussions aimed at identifying specific areas of interest for the study.

The Revenue Interim Committee devoted 85% of its committee and staff resources to the study. The study will focus on two main topics: consideration of the adequacy of revenue for the state and for local governments and whether the tax system relies on diverse and balanced sources of revenue. The committee will focus on existing revenue sources including the property tax, the individual and corporate income taxes, and natural resources taxes, and consider other revenue sources such as a consumption tax. Each committee meeting will address one existing tax type and include information requested by the committee on that topic. Agenda items related to consideration of a consumption tax will be included throughout the interim. The January 13 meeting will focus on property tax.

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