

# HJ 35 TAX STUDY SURVEY RESULTS

## SURVEY OVERVIEW

Staff conducted a survey of the committee for the House Joint Resolution 35 study of state and local tax policy to gather information about the performance of Montana’s largest seven sources of revenue and the importance of including various topics in the study. Of the 18 committee members surveyed, there were 16 complete responses and 1 partial response.<sup>1</sup>

## IMPORTANCE OF TOPICS

The following table shows the average ratings for the questions on the importance of studying the largest seven sources of revenue. The survey used a scale of 1 through 5, with 5 being the highest. The committee ranked property tax as the most important revenue source to study, with an average rating of 4.4. Individual income tax ranked second most important, with an average rating of 4.0. There was less consensus about including the other revenue sources; each had an average rating of less than 4.

### HJ 35 SURVEY AVERAGE IMPORTANCE RATING BY TAX TYPE

Revenue Topic	Importance Average
Property Tax	4.4
Individual Income Tax	4.0
Corporate Income Tax	3.6
Oil & Natural Gas Taxes	3.3
Vehicle Taxes & Fees	2.5
Insurance Tax	2.3
Gaming Taxes & Fees	2.2

The committee also highly rated the importance of studying whether the state and local tax systems are balanced and complementary, with average ratings of 4.5 and 4.1, respectively.

<sup>1</sup> The complete survey results are available at: <https://leg.mt.gov/content/Committees/Interim/2019-2020/Revenue/Meetings/November-2019/HJ-35/Hj-35-survey-results.pdf>.

## PERFORMANCE OF STATE AND LOCAL TAX SYSTEM

The survey asked the committee to rate Montana’s largest seven revenue sources using the National Conference of State Legislatures’ principles for evaluating state tax sources.<sup>2</sup> The committee received information about these principles and the Montana tax system at the September 2019 committee meeting.

The following table shows the average rating for each tax on each of the six principles. The final column averages the average ratings for each tax type to give a sense of how the committee rated the tax overall. Interestingly, of the two tax types the committee seems most interested in studying, the individual income tax tied for highest overall, with a rating of 3.8, and the property tax ranked second lowest overall, with a rating of 3.1.

HJ 35 SURVEY AVERAGE RATING ON NCSL PRINCIPLES BY TAX TYPE

	Reliability	Equity	Compliance and Administration	Responsiveness to Competition	Economic Neutrality	Accountability	Average
Individual Income Tax	4.0	4.1	3.6	3.3	3.3	4.2	<b>3.8</b>
Vehicle Taxes & Fees	3.6	3.3	4.2	3.5	3.8	4.3	<b>3.8</b>
Insurance Tax	3.6	3.5	3.8	3.3	3.6	3.7	<b>3.6</b>
Gaming Taxes & Fees	3.1	3.4	3.6	3.0	3.6	3.8	<b>3.4</b>
Corporate Income Tax	3.1	3.4	3.1	3.3	3.0	3.3	<b>3.2</b>
Property Tax	4.1	2.5	3.2	2.8	2.7	3.4	<b>3.1</b>
Oil & Natural Gas Taxes	2.4	2.8	3.1	2.8	2.9	3.4	<b>2.9</b>

<sup>2</sup> National Conference of State Legislatures (NCSL), “[Tax Policy Handbook for State Legislators](#),” February 2010.

## RESPONSES TO OPEN-ENDED QUESTIONS

### CONSIDERATION OF ADDITIONAL TAX TYPES

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The survey asked the committee whether there are other taxes not included in the survey that should be included in the HJ 35 study. While the question was aimed at ascertaining whether to study any additional *existing* Montana taxes, most respondents seemed to interpret the question to be about whether the committee should study taxes that Montana does not currently levy. Of the 10 responses, 6 referenced a local or statewide sales tax (or both), 1 respondent suggested studying a small gross revenue tax on businesses, and 3 respondents did not wish to include other taxes in the study.

### ADDITIONAL TOPICS FOR HJ 35 STUDY

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Question 56 of the survey asked the committee for suggestions for additional topics to be presented at the November meeting before adoption of a study plan, and Question 57 requested topics for inclusion in the study plan. The answers to the two questions overlapped and, in working on the agenda for the November meeting, the chair and vice chair decided that the requests made in the answers to Question 56 would be better included in the study plan after the committee narrows the scope of the study. During the meeting, the committee will prioritize areas of interest and may request topics for inclusion in the study plan. The committee may wish to review the answers to Questions 56 and 57 as part of the discussion.

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