Business Equipment Tax Break

Balancing Lost Revenue with Off-sets

HB 649

EXHIBIT 1
DATE 3-24-09
HB 649

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- History of Business Equipment Tax Changes
- Where we stand as a state, fiscally & tax-wise
- What HB 649 does

Reductions in Business Equipment Tax Since 1989

Year	Starting Taxable Value Percentage Rate	Ending Taxable Value Percentage Rate	Percentage Value of Break from Previous Rate	Percentage Value of Break from 1989 Rate
1989*	11%	9%	18.2%	18.2%
1995	9%	8%	11.1%	27.3%
1996	8%	7%	12.5%	36.4%
1997	7%	6%	14.3%	45.5%
1999	6%	3%	50.0%	**72.7%**

* Some rates were 13% and 15%, general rates were 11%

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- Increase threshold from $20,000 to $150,000
- Remove an additional 14,327 Montana small businesses from the business equipment tax rolls
- Leave only largest 12% of businesses paying .
- Practice fiscal prudence by replacing lost revenue with offset revenue from 5 other forms of proper tax collections
- No tax shift to homeowners and main street businesses as with some previous business equipment tax rate reductions

Montana's Economy and Business Tax Climate are the Envy of Most Other States

- ***Forbes*** **magazine rated Montana as the "fastest climber" as *Most Business Friendly State* in the nation!**

- ***Business Facilities*** **magazine recently named Montana as runner-up Economic Development State of the Year.**

- ***Business Facilities*** **2008 state rankings showed Montana with the following:**
  - **7th Best overall business climate.**
  - **6th Best overall tax climate for business.**
    (Ranking from non-partisan Tax Foundation for business-tax friendly states)
  - **3rd best sales tax climate for business.**

- **Tax Foundation: Montana has 11th lowest combined state and local tax burden.**

Montana's economic statistics have been strong:

- Montana has had record low annual unemployment rate in each of the last 3 years (2005 – 3.6%; 2006 – 3.2%; 2007 - 3.1%) and one of the lowest unemployment rates in the nation (1.4%-1.6% below national rate for the 2005-2007 period) currently 2.0% below national rate.

- Montana was ranked 7th in *Fastest Growing State for Real Gross Domestic Product.*

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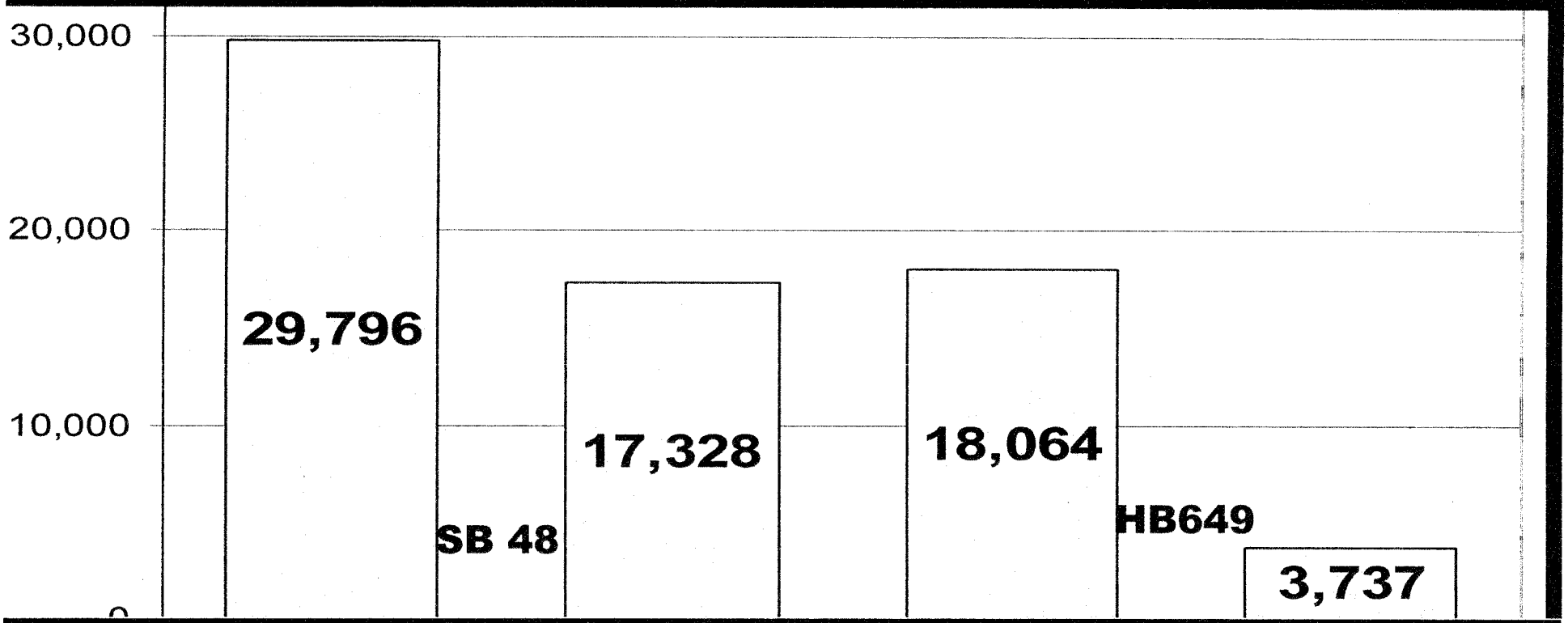
HB 649	$150,000 Threshold
Small businesses exempted SB 48 - 2005 – 12,468 – 42%	
Small businesses exempted SB 649 - 2009 – 14,327 – 79%	
TOTAL SMALL BUSINESSES EXEMPTED – 26,795 – 88%	
HB 647	Withholding on Non-resident Property Sales
HB 650	Mineral Leasehold Withholding
HB 651	Corporate Accountability
HB 652	Insurance Stuffing
DP 9000 in HB 2	Improved enforcement re: non-resident owners of pass through entities

Taxes lost from small businesses exempted by threshold are off-set by collections of taxes due to MT from various out-of-state groups & individuals who currently owe taxes but are not paying.

Reduction in # of Taxpayers from Changes in Class 8 Threshold



Percent Removed 2005 Legislature = 42%

Percent to be Removed 2009 Legislature = 79%

TOTAL ANTICIPATED REDUCTION = 88%

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