

FOR IMMEDIATE RELEASE
November 16, 2012

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Revenue Department Analysis Shows Downside of Corporate Tax Reduction Legislation

Helena – A new report by the Montana Department of Revenue estimates that Montanans and Main Street businesses would pay tens of millions of dollars a year more in property taxes if a handful of out-of-state corporations succeed in reducing their corporate property taxes. The analysis is titled “Estimated Tax Shift Caused by Juras/Cablevision Recommendations and Refinery Positions for Counties and Selected Cities in Montana.” It gives a county-by-county breakdown of how proposed changes in the way certain corporations are valued, or assessed, would cause tax shifts that increase property taxes for individual homeowners, small businesses, farmers and ranchers.

“The key issue is about fairness in property taxation to ensure that everyone pays taxes equally based on actual market values. If this tax shift goes through, homeowners, Montana businesses, and farmers and ranchers will be unfairly taxed, and a few large corporations not even headquartered here will get an unjustified tax break,” said Revenue Director Dan Bucks.

The department produced the analysis in response to a study by the legislative Revenue and Transportation Interim Committee, industry tax protests and the Juras/Cablevision report released to the committee in July. These developments may lead to legislation that would overturn 80 years of precedent upheld by the Montana Supreme Court in the way centrally assessed companies are valued. The result will be that large corporate properties would be valued below market value, with everyone else’s properties staying at full value.

About 85 companies in Montana would be assured lower taxes – nearly \$100 million annually – and Montana’s 45,000 small businesses would pay higher taxes – in many cases, thousands of dollars a year or more. All 350,000 Montana homeowners would face higher taxes – up to hundreds of dollars a year or more. The increased taxes for homeowners and small businesses will be permanent and have to be paid year after year. The analysis lists the top 50 businesses statewide negatively affected by the tax shift. It also lists the top 20 businesses affected in each county.

Collectively, homeowners in Montana would pay an additional \$27.5 million. Main Street business owners would pay another \$15.7 million. And farmers and ranchers would pay an extra \$5 million. On average, a Montana homeowner would write a check for another \$70, a business owner for another \$215, and a farmer for \$64 per section of land. This, to give centrally assessed taxpayers and certain industrial properties millions of dollars in tax reductions – up to \$11.4 million tax reduction for one corporation, \$10.9 million for another, \$7 million for another, and so on.

Starting in 1887, Montana enacted unit valuation laws to ensure a fair and equitable tax system. The Montana Supreme Court in 1932 and extending through recent decisions has found that unit valuation methods the Revenue Department has applied for 80 years are fair and equitable, and comply with Montana law in valuing property at market value. To access the department's analysis, visit www.revenue.mt.gov

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