

**Main Street Montana – Manufacturing KIN**  
**Group E – Design Competitive Tax Policies**  
**Conference Call**  
**January 30, 2015 – 10:00 a.m.**  
**Minutes**

**PARTICIPANTS:**

Ken Johnson, CM Manufacturing  
Tracy Lofstrom, Cleanwaste  
K.C. Walsh, Simms Fishing

Tom Kaiserski (Main Street liaison) introduced the conference call participants followed by explaining the mission of today which is to identify one specific action(s) that should be taken, who needs to be involved, how should this action(s) be accomplished and when is it feasible to expect the action(s) will be completed. This will then be presented to the full Manufacturing KIN group at their next meeting.

Tasks for Consideration:

- Identify potential growth and investment incentives, such as, for example, like California's recently-enacted investment tax credit.
- Identify specific issues or problems relating to Montana's property tax system.
- In doing so, describe the effects of those issues and/or problems on Montana's manufacturers and/or on Montana's economy.
- Identify actions that could and should be taken to improve Montana's property tax system.

Discussion:

- K.C. Walsh lead-off the discussion with a review of the notes from the September 26 full KIN meeting concerning tax issues. He keyed in on the September 26 meeting notes that identified the business equipment tax as a "hangover" vestige of a tax policy from Montana's former resource extraction economy which is not reflective of today's economy.
- K.C. stated that he thinks the immediate role for the KIN should be lobbying legislation in the current session and influencing the Governor's actions on current bills.
- Ken Johnson mentioned that the business equipment tax is a very sore subject with his company saying it is very difficult for him to be paying taxes on equipment that he has owned for as long as 17 years and totally depreciated out.
- K.C., Ken and Tracy all agreed the business equipment tax is a disincentive to business investment and that the tax should be eliminated entirely or the current tax exemption for the first \$100,000 in a company's business equipment should be increased – although K.C. advised that lobbying for total elimination of the business equipment tax is probably not a realistic idea.
- All agreed that simplification of the property tax system is needed - which is currently divided into 17 classes
- Ken noted that HB 277 is current legislation providing an income tax credit program for employers of registered apprentices that the KIN may consider supporting.

- [Existing state tax incentives](#) from the Montana Department of Revenue website (such as the New and Expanded industry tax incentives for real property and corporate income taxes – mentioned by Tom) are not well understood by manufacturers – need to get the word out on these to manufacturers.
- K.C. mentioned that Montana’s capital gains tax is taxed at the regular income tax rate and is a strong disincentive to invest and reside in Montana – he is aware of numerous examples of individuals leaving the state to avoid capital gains tax.

Outcome(s):

- Group E recommends to the full KIN for following three priorities in order:
  1. Eliminate or increase the property exemption for the state business equipment tax
  2. Reduce or eliminate the state capital gains tax
  3. Provide more state tax incentives to encourage investment in manufacturing and get the word out to manufacturers on existing incentives
- Tom will identify and list tax incentives for manufacturing provided by states adjacent to Montana.

Conclusion – K.C. mentioned the co-chairs will be working with Tom to set up the next full KIN meeting shooting for late February or early March.