5-4-2018

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Recommended Citation
Barrett, Evan, "GOP sales tax: Here we go again" (2018). Highlands College. 108.
https://digitalcommons.mtech.edu/lib_studies/108
GOP Sales Tax: Here We Go Again
A Newspaper Column by Evan Barrett
May 4, 2018

So, a Montana Republican legislative leader suggests the GOP back a sales tax. Current Senate President and former Speaker of the House Scott Sales says in a recent radio interview that they should do so as a way to eliminate our state income tax. Given Montanans’ historical opposition to the sales tax idea, Sales’ advocacy on behalf of the GOP reminds me of the proverbial tale of the frog and the scorpion.

A scorpion asks a frog to swim it across a river on its back. The frog hesitates, afraid of being stung by the scorpion, drowning both of them. The scorpion argues logically, that if it did so not only would the frog drown, but so would the scorpion and certainly the scorpion wouldn’t engage in such self-destructive behavior. Considering this logic, the frog agrees, but midway across the river the scorpion does indeed sting the frog, dooming them both to a watery death. As they start to sink, the frog asks the scorpion why he would do that. The scorpion replies that he couldn’t help it, after all, he is a scorpion and it’s in its nature.

Apparently, when it comes to a sales tax, the Montana GOP can’t help itself – wanting to impose it even though that might well be self-destructive. Republicans argue that Montana needs the revenue for services, that we need the sales tax to cut other taxes and/or that tourists will carry the tax load for Montanans.

Let’s recall the history. In 1971, at the culmination of what was a four-year battle royal involving GOP support for a general sales tax, Montanans got a chance to vote on the issue. Despite being solidly backed by Republican Governor Tim Babcock and two consecutive GOP Speakers of the House, James Felt and James Lucas, near unanimous Democratic opposition to the sales tax brought state finance issues to loggerheads, only to be resolved by a referendum. In a November, 1971 special election, voters opposed a 2% general sales tax while supporting a 40% income tax surcharge. And it wasn’t even close as 70% of voters opposed the sales tax which pushed the GOP into minority status for a decade. The GOP political scorpion stung.

Two decades later, Republican Governor Marc Racicot’s 4% general sales tax couldn’t make it through the 1993 legislature because of Democratic opposition. This sales tax was mostly a tax shift, getting rid of some individual and corporate income taxes and property taxes while putting just a little into education funding. So, it was put on the ballot again in a special election in June of 1993. This time, voters rejected it even more with 74.5% voting against. The scorpion stung again.

So, here we go again! Some 25 years later GOP leadership proposes a sales tax to eliminate state income taxes (that deserves to be the subject of a separate column). A recent newspaper column talked about the tourism angle, presuming that tourists could
take a big tax load off the back of Montana taxpayers. After all, there are only 1 million Montanans while there are 10 million tourists a year.

While I cannot now give you an in-depth economic analysis, let me do a little “back of the napkin” economic calculation.

Assume the 1 million Montanans spend 350 days a year in Montana, producing 350 million resident spending days. Assume the 10 million tourist average 4 nights in Montana, producing 40 million tourist spending days in the state. Tourists then count for only 10.2% of spending days while Montanans account for 89.8%.

If that “back-of-the-napkin” analysis is close to correct, imposing a sales tax to get tourist money to help Montanans’ tax burden is political malarkey, with 90% of the sales tax burden being carried by Montanans.

In addition, certain tourism-related expenditures are already sales-taxed -- the bed (hotel/motel) tax of 7% and the rental car tax of 4%, reducing further the net benefits to Montanans of a new GOP-supported general sales tax.

So, here we go again. Will the Montana GOP march forward? Will the scorpion sting again?

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Evan Barrett, who lives in historic Uptown Butte, retired in 2017 after 48 years at the top level of Montana economic development, government, politics and education. He is an award-winning producer of Montana history films who continues to write columns and occasionally teaches Montana history and contributes to community and economic development projects.

(677 words in the body)

The podcast of the Scott Sales “Voices of Montana” interview of March 19, 2018 is no longer available on-line … discussion of the interview is in a Phil Drake column in the Great Falls Tribune and there are on the internet and at the “Voices” website a number of other references to the sales tax aspects of the interview.