



PROBLEMS WITH A STATEWIDE SALES TAX:

Montana Needs to Help (Not Hurt) Families

EVERYDAY MONTANANS WOULD PAY THE BULK OF A SALES TAX.

A statewide sales tax would likely tax many of the basic necessities that families need.

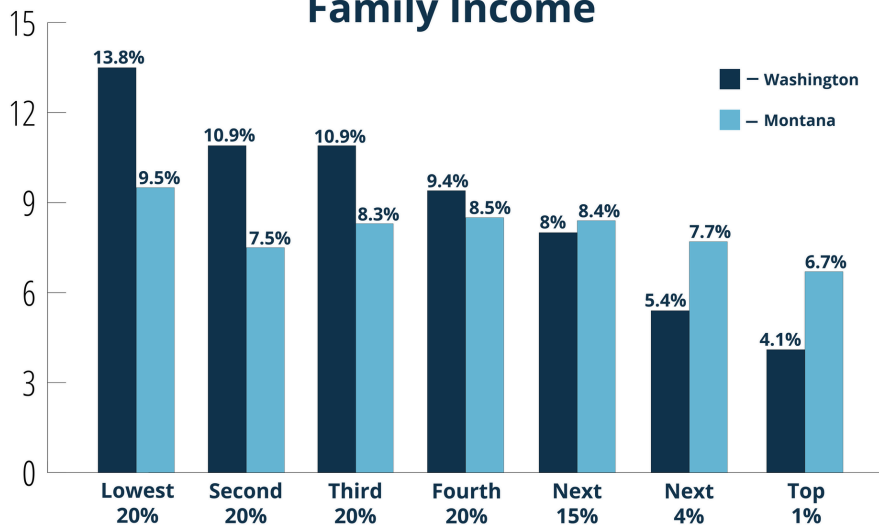


MONTANA VS. WASHINGTON

Montana's tax system is less regressive than surrounding states because Montana does not rely heavily on consumption taxes.

Washington, which has a sales tax and no income tax, has one of the most regressive tax systems in the country.

Total State and Local Taxes, as a Share of Family Income



Source: Institute on Taxation and Economic Policy, 7th Edition, January 2024

SALES TAXES **HARM** LOWER- AND MIDDLE-INCOME FAMILIES

A tax system is **regressive** when lower-income households pay a larger share of their income in taxes compared to those with higher incomes. **Sales and excise taxes are the most regressive form of taxes.**

Nationally, low-income families pay **7 times more of their income in sales taxes** than wealthiest families, and middle-income families pay **5 times more.**



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MBPC is here to provide you with the facts that those in power are using to shift tax responsibility away from big business and the wealthy and onto the backs of everyday Montanans.

Fact: A sales tax hits families with lower and moderate incomes the hardest.

There is no way to make a sales tax rely more heavily on those with means. While some states have offset some regressivity, sales taxes still require those at the bottom to pay a greater share of their income. Groceries are often exempt, but other essential goods and services are taxed. And it is Montana families who buy these goods: a new car, tires for that car, school supplies, and kids' shoes.

Fact: A sales tax cannot fully replace property taxes, and any replacement would hit low- and moderate-income families.

Replacing any piece of the property tax system would shift tax responsibility onto lower and moderate-income Montanans, and a sales tax would generate insufficient revenue to replace property taxes, putting critical funding for public schools at risk.

Fact: A sales tax would be paid by everyday Montanans. Residents of the state overwhelmingly pay sales taxes.

Out-of-state visitors would pay less than 12 percent of a statewide sales tax. Montana residents also generate a large share of state tourism dollars. Nearly half of the tourism dollars in Montana are spent by Montanans traveling within the state for activities such as shopping, attending sporting events, going on vacations, and visiting family and friends.

Fact: Montana has a balanced tax structure.

Montana has a mix of revenue sources, including individual and corporate income taxes, property taxes, natural resource taxes, and select sales and use taxes. Many states that rely on a statewide sales tax, such as Washington, do not have an income tax, and this makes their tax system more regressive.

Fact: We have better options, and Montanans want the wealthiest to pay their fair share.

Montana has options for raising revenue that don't require the most from lower- and middle-income families. Montana should restore a top income tax bracket on incomes exceeding \$500,000 and tax capital gains income from wealth the same as income from wages. These changes would raise revenue for the things Montanans need while asking the wealthy to pay their fair share.