



APRIL 18, 1991

CONCURRED IN.

THIRD READING, AMENDMENTS  
CONCURRED IN.

SENT TO ENROLLING.

REPORTED CORRECTLY ENROLLED.

*HOUSE* BILL NO. *1007*

INTRODUCED BY *Kadan Peck, Julie Nibert, Raymond Jackson, Fritz Ferguson, Yellowtail, Kellyn, Sarah VanDette, Sherry*

A BILL FOR AN ACT ENTITLED: "AN ACT INCREASING INDIVIDUAL AND CORPORATE INCOME TAXES TO PROVIDE FUNDING FOR HIGHER EDUCATION; APPROPRIATING MONEY TO THE UNIVERSITY SYSTEM; AMENDING SECTION 15-31-121, MCA; AND PROVIDING AN EFFECTIVE DATE AND A RETROACTIVE APPLICABILITY DATE."

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF MONTANA:

NEW SECTION. Section 1. Surtax. (1) After the amount of tax liability has been computed under this chapter, each person filing a Montana individual income tax return shall add as a surtax 2% of the tax liability, and the amount arrived at is the amount due to the state.

(2) The revenue collected under this section must be deposited in the general fund.

**Section 2.** Section 15-31-121, MCA, is amended to read:

**\*15-31-121.** (Effective January 1, 1991) Rate of tax -- minimum tax -- surtax. (1) Except as provided in subsection (2), the percentage of net income to be paid under 15-31-101 shall be 6-3/4% 6.885% of all net income for the taxable period. ~~The rate set forth in this subsection (1) shall be effective for all taxable years ending on or after February 28, 1971. This rate is retroactive to and effective for all~~

~~taxable years ending on or after February 28, 1971.~~

(2) For a taxpayer making a water's-edge election, the percentage of net income to be paid under 15-31-101 shall be 7% 7.14% of all taxable net income for the taxable period.

(3) Every corporation subject to taxation under this part shall, in any event, pay a minimum tax of not less than \$50.

~~(4) After the amount of tax liability has been computed under subsections (1) through (3), each corporation subject to taxation under this part shall add, as a surtax for tax year 1988, 4% of the tax liability, and the amount so derived is the amount due the state. The amount of revenue raised by the increases in the tax rate from 6.75% to 6.885% in subsection (1) and from 7% to 7.14% in subsection (2) must be deposited in the general fund.~~

NEW SECTION. Section 3. Appropriation. (1) There is appropriated from the general fund to the commissioner of higher education \$15,125,701 for the biennium ending June 30, 1993.

(2) The appropriation contained in subsection (1) must be used as follows:

(a) for providing additional funds to move toward peer parity:

Unit	FY 1992	FY 1993
Montana state university	\$ 0	\$3,081,094



1	university of Montana	34,995	3,126,930
2	eastern Montana college	0	983,081
3	northern Montan. college	0	313,291
4	Montana college of mineral science and		
5	technology	517,408	1,750,925
6	(b) to increase the state's share for community college		
7	funding to 51% in fiscal 1992 and 55% in fiscal 1993:		
8		<u>FY 1992</u>	<u>FY 1993</u>
9		\$164,032	\$399,231
10	(c) to increase funding at northern Montana college to		
11	fully recognize the enrollment at its Great Falls campus:		
12		<u>FY 1992</u>	<u>FY 1993</u>
13		\$306,732	\$306,804
14	(d) to expand the number of clinical placement slots in		
15	Billings and Missoula available for Montana state university		
16	nursing students:		
17	<u>Unit</u>	<u>FY 1992</u>	<u>FY 1993</u>
18	Montana state university	\$474,222	\$870,995
19	(e) to increase the number of WICHE slots to the fiscal		
20	1991 level:		
21		<u>FY 1992</u>	<u>FY 1993</u>
22		\$170,300	\$242,900
23	(f) to provide funding for the museum of the rockies:		
24	<u>Unit</u>	<u>FY 1992</u>	<u>FY 1993</u>
25	Montana state university	\$439,706	\$463,055

1 (g) to support and expand public television service  
2 provided by the Montana university system:

3	<u>Unit</u>	<u>FY 1992</u>	<u>FY 1993</u>
4	Montana state university	\$100,000	\$200,000
5	university of Montana	30,000	150,000

6 (h) to provide discretionary funds for the management  
7 of the university system:

8		<u>1993 biennium</u>
9		\$1,000,000

10 (3) The items contained in subsections (2)(a) through  
11 (2)(g) must be part of the budget base presented to the 53rd  
12 legislature.

13 NEW SECTION. Section 4. Codification instruction.  
14 [Section 1] is intended to be codified as an integral part  
15 of Title 15, chapter 30, part 1, and the provisions of Title  
16 15, chapter 30, part 1, apply to [section 1].

17 NEW SECTION. Section 5. Retroactive applicability.  
18 [Sections 1 and 2] apply retroactively, within the meaning  
19 of 1-2-109, to January 1, 1991.

20 NEW SECTION. Section 6. Effective date. [This act] is  
21 effective July 1, 1991.

STATE OF MONTANA - FISCAL NOTE

Form BD-15

In compliance with a written request, there is hereby submitted a Fiscal Note for HB1007, as introduced.

DESCRIPTION OF PROPOSED LEGISLATION:

An act increasing individual and corporate income taxes to provide funding for higher education, appropriating money to the university system and providing an effective date and a retroactive applicability date.

ASSUMPTIONS:

1. According to the proposed legislation, a 2% surtax would be added to individual income and corporation license\income tax liabilities beginning with tax years starting after December 31, 1990. It is assumed that new withholding and estimated tax schedules reflecting the surtax would be implemented effective July 1, 1991.
2. The current law individual income tax receipts estimates for FY92 and FY93 are \$311,176,000 and \$327,201,000 (OBPP).
3. In FY92 and FY93 current law, individual withholding/estimated tax receipts will be the same percent of total income tax receipts as they were in FY90, namely 88.34%.
4. Individual withholding/estimated tax receipts for FY92 and FY93 will be \$274,892,878 and \$289,049,363, respectively, under current law. Other current law individual income tax receipts (tax payments less refunds) for FY92 and FY93 will be \$36,283,122 and \$38,151,637, respectively. Under the proposed legislation, these other individual income tax receipts will be 2% higher, namely \$37,008,784 (FY92) and \$38,914,670 (FY93).
5. Most Montana employers pay individual withholding taxes on a quarterly basis, with the payment due in the month following the close of the quarter. Approximately 80 large employers pay on a more accelerated weekly or bi-weekly basis. It is assumed under the proposed legislation that only three quarterly payments of withholding taxes with the surtax will be received in FY92 from regular payment employers and that all 12 months of payments will be received from the accelerated payment employers. For FY93, all 4 quarterly payments from regular employers will be received along with 12 months of payments from the 80 accelerated payment employers.
6. In FY92 and FY93, the receipt of individual withholding and estimated tax receipts by month will be in the same proportion as for FY90; the proportion to total individual withholding/estimated receipts for regular withholding, accelerated withholding and estimated tax receipts will be the same as for FY90.
7. Under current law, corporate tax receipts for FY92 and FY93 will be \$60,841,000 and \$60,111,000, respectively (OBPP). Under the proposed legislation, receipts for FY92 and FY93 will be 2% higher or \$62,057,820 and \$61,313,220.
8. According to the proposed legislation, all proceeds from the surtax would be deposited in the state general fund.
9. The Department of Revenue's tax processing system currently includes a provision for collecting a surtax; this will be maintained at least through FY93.
10. The proposal would require changing withholding schedules in the middle of the calendar year with extra printing and distribution costs of \$12,000 in FY92.



ROD SUNDSTED, BUDGET DIRECTOR

Office of Budget and Program Planning

3-27-91

DATE



MIKE KADAS, PRIMARY SPONSOR

3-28-91

DATE

Fiscal Note for HB1007, as introduced

**HB 1007-1**

Fiscal Note Request, HB1007, as introduced

Form BD-15

Page 2

FISCAL IMPACT:

Department of Revenue:

	<u>FY '92</u>			<u>FY '93</u>		
	<u>Current Law</u>	<u>Proposed Law</u>	<u>Difference</u>	<u>Current Law</u>	<u>Proposed Law</u>	<u>Difference</u>
<u>Expenditures:</u>						
Operating Expenses	0	12,000	12,000	0	0	0
<u>Funding:</u>						
General Fund	0	12,000	12,000	0	0	0
<u>Revenues:</u>						
Individual Income Tax (01)	311,176,000	316,734,378	5,558,378	327,201,000	333,745,020	6,544,020
Corporation Tax (01)	<u>60,841,000</u>	<u>62,057,820</u>	<u>1,216,820</u>	<u>60,111,000</u>	<u>61,313,220</u>	<u>1,202,220</u>
Total	372,017,000	378,792,198	6,775,198	387,312,000	395,058,240	7,746,240
Net General Fund Impact			6,763,198			7,746,240

HB 1007-1

APPROVED BY COMMITTEE  
ON TAXATION  
AS AMENDED

HOUSE BILL NO. 1007

INTRODUCED BY KADAS, PECK, QUILICI, NISBET,  
PINSONEAULT, JACOBSON, PRITZ, JERGESON,  
YELLOWTAIL, HALLIGAN, SVRCEK,  
VAN VALKENBURG, DOHERTY

A BILL FOR AN ACT ENTITLED: "AN ACT INCREASING INDIVIDUAL  
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AMENDING SECTION 15-31-121, MCA; AND PROVIDING AN EFFECTIVE  
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BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF MONTANA:

**NEW SECTION. Section 1.** Surtax. (1) After the amount  
of tax liability has been computed under this chapter, each  
person filing a Montana individual income tax return shall  
add as a surtax 2% of the tax liability, and the amount  
arrived at is the amount due to the state.

(2) The revenue collected under this section must be  
deposited in the general fund.

**Section 2.** Section 15-31-121, MCA, is amended to read:

"15-31-121. (Effective January 1, 1991) Rate of tax --  
minimum tax -- surtax. (1) Except as provided in subsection  
(2), the percentage of net income to be paid under 15-31-101  
shall be 6-3/4% 6.885% of all net income for the taxable

~~period. The rate set forth in this subsection (1) shall be  
effective for all taxable years ending on or after February  
28, 1971. This rate is retroactive to and effective for all  
taxable years ending on or after February 28, 1971.~~

(2) For a taxpayer making a water's-edge election, the  
percentage of net income to be paid under 15-31-101 shall be  
7% 7.14% of all taxable net income for the taxable period.

(3) Every corporation subject to taxation under this  
part shall, in any event, pay a minimum tax of not less than  
\$50.

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under subsections (1) through (3), each corporation subject  
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**NEW SECTION. Section 3.** Appropriation. (1) There is  
appropriated from the general fund to the commissioner of  
higher education ~~\$15,125,701~~ \$14,204,499 for the biennium  
ending June 30, 1993.

(2) The appropriation contained in subsection (1) must  
be used as follows:

(a) for providing additional funds to move toward peer



1 parity:

2 Unit	FY 1992	FY 1993
3 Montana state university	\$ 0	\$3,081,094
4 university of Montana	34,995	3,126,930
5 eastern Montana college	0	983,081
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7 Montana college of mineral science and		
8 technology	517,400	1,750,925
9	72,016	1,305,533

10 (b) to increase the state's share for community college  
11 funding to 51% in fiscal 1992 and 55% in fiscal 1993:

12	FY 1992	FY 1993
13	\$164,032	\$399,231
14	\$149,641	\$383,204

15 (c) to increase funding at northern Montana college to  
16 fully recognize the enrollment at its Great Falls campus:

17	FY 1992	FY 1993
18	\$306,732	\$306,804

19 (d) to expand the number of clinical placement slots in  
20 Billings and Missoula available for Montana state university  
21 nursing students:

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HB 1007/02

1 effective July 1, 1991.

-End-

## HOUSE BILL NO. 1007

INTRODUCED BY KADAS, PECK, QUILICI, NISBET,  
 PINSONEAULT, JACOBSON, FRITZ, JERGESON,  
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23 [Sections 1 and 2] apply retroactively, within the meaning  
24 of 1-2-109, to January 1, 1991.

25 NEW SECTION. Section 6. Effective date. [This act] is

HB 1007/02

1 effective July 1, 1991.

-End-

MR. PRESIDENT:

We, your committee on Taxation having had under consideration House Bill No. 1007 (third reading copy -- blue), respectfully report that House Bill No. 1007 be amended and as so amended be concurred in:

1. Title, line 8.  
Following: "FOR"  
Insert: "ELEMENTARY, SECONDARY, AND"
2. Title, line 9.  
Following: "TO"  
Insert: "THE SCHOOL FOUNDATION PROGRAM AND"
3. Title, line 10.  
Strike: "SECTION"  
Insert: "SECTIONS 15-1-501,"  
Following: "15-31-121"  
Insert: ", AND 20-9-343"
4. Page 1, line 17.  
Strike: "2½"  
Insert: "5½"
5. Page 1, line 19.  
Strike: "The"  
Insert: "Of the"  
Following: "section"  
Insert: ", 40%"
6. Page 1, line 20.  
Following: "fund"  
Insert: "and 60% must be deposited in the state special revenue fund for state equalization aid as described in 20-9-343"
7. Page 1, line 25.  
Strike: "6.885%"  
Insert: "6 3/4%"
8. Page 2, line 7.  
Strike: "7.14%"  
Insert: "7%"
9. Page 2, lines 15 through 18.  
Following: "state-" on line 15  
Strike: the remainder of line 15 through "fund." on line 18  
Insert: "After the amount of tax liability has been computed under subsections (1) through (3), each corporation subject to taxation under this part shall add, as a surtax for tax year 1988, 4% of the tax liability, and the amount so derived is the amount due the state.  
(5)(a) After the amount of tax liability has been computed under subsections (1) through (3), each corporation

subject to taxation under this part shall add, as a surtax, 5% of the tax liability, and the amount so derived is the amount due the state.

(b) Of the amount of revenue collected from the surtax imposed under subsection (5)(a), 40% must be deposited in the state general fund and 60% must be deposited in the state special revenue fund for state equalization aid as described in 20-9-343."

10. Page 2.  
Following: line 18  
Insert: "Section 3. Section 15-1-501, MCA, is amended to read:  
"15-1-501. Disposition of money from certain designated license and other taxes. (1) The state treasurer shall deposit to the credit of the state general fund all money received by him from the collection of:  
(a) fees from driver's licenses, motorcycle endorsements, and duplicate driver's licenses as provided in 61-5-121;  
(b) electrical energy producer's license taxes under chapter 51;  
(c) severance taxes allocated to the general fund under chapter 36;  
(d) liquor license taxes under Title 16;  
(e) telephone company license taxes under chapter 53;  
and  
(f) inheritance and estate taxes under Title 72, chapter 16.  
(2) All Except as provided in [section 1] and subsections (2)(a) and (2)(b) of this section, all money received from the collection of income taxes under chapter 30 of this title must be deposited as follows:  
(a) ~~57% in fiscal year 1990 and 50% in fiscal year 1991, to the credit of the state general fund;~~  
(b) ~~9.8% in fiscal year 1990 and 8.7% in fiscal year 1991, to the credit of the debt service account for long range building program bonds as described in 17-5-408, and~~  
(c) ~~33.2% in fiscal year 1990 and 41.3% in fiscal year 1991, to the credit of the state special revenue fund for state equalization aid to the public schools of Montana as described in 20-9-343 (a) 40% of all money received from the surtax imposed by [section 1] must be deposited to the state general fund; and~~  
(b) 60% of all money received from the surtax imposed by [section 1] must be deposited to the state special revenue fund for state equalization aid as described in 20-9-343.  
(3) All Except as provided in 15-31-121(5) and

subsections (3)(a) and (3)(b) of this section, all money received from the collection of corporation license and income taxes under chapter 31 of this title, except as provided in 15-31-702, must be deposited as follows:

- ~~(a) 64% in fiscal year 1990 and 61% in fiscal year 1991, to the credit of the state general fund;~~
- ~~(b) 11% in fiscal year 1990 and 10.5% in fiscal year 1991, to the credit of the debt service account for long-range building program bonds as described in 17-5-408; and~~
- ~~(c) 25% in fiscal year 1990 and 20.5% in fiscal year 1991, to the credit of the state special revenue fund for state equalization aid to the public schools of Montana as described in 20-9-343 (a) 40% of all money received from the surtax imposed by 15-31-121(5) must be deposited to the state general fund; and~~
- (b) 60% of all money received from the surtax imposed by 15-31-121(5) must be deposited to the state special revenue fund for state equalization aid as described in 20-9-343.

(4) The state treasurer shall also deposit to the credit of the state general fund all money received by him from the collection of license taxes, fees, and all net revenues and receipts from all other sources under the operation of the Montana Alcoholic Beverage Code.

(5) After the distribution provided for in 15-36-112, the remainder of the oil severance tax collections must be deposited in the general fund."

Section 4. Section 20-9-343, MCA, is amended to read:

"20-9-343. Definition of and revenue for state equalization aid. (1) As used in this title, the term "state equalization aid" means the money deposited in the state special revenue fund as required in this section plus any legislative appropriation of money from other sources for distribution to the public schools for the purposes of payment of guaranteed tax base aid and equalization of the foundation program.

(2) The superintendent of public instruction may spend funds appropriated for state equalization aid as required for guaranteed tax base aid and foundation program purposes throughout the biennium.

(3) The following must be paid into the state special revenue fund for state equalization aid to public schools of the state:

- (a) money received from the collection of income taxes under chapter 30 of Title 15, including 60% of the surtax imposed by [section 1], as provided by 15-1-501;
- (b) except as provided in 15-31-702, money received

from the collection of corporation license and income taxes under chapter 31 of Title 15, including 60% of the surtax imposed by 15-31-121(5), as provided by 15-1-501;

- (c) money allocated to state equalization from the collection of the severance tax on coal;
  - (d) money received from the treasurer of the United States as the state's shares of oil, gas, and other mineral royalties under the federal Mineral Lands Leasing Act, as amended;
  - (e) interest and income money described in 20-9-341 and 20-9-342;
  - (f) money received from the state equalization aid levy under 20-9-360;
  - (g) income from the lottery, as provided in 23-5-1027;
  - (h) the surplus revenues collected by the counties for foundation program support according to 20-9-331 and 20-9-333;
  - (i) investment income earned by investing money in the state equalization aid account in the state special revenue fund; and
  - (j) 15% of the income and earnings of all coal severance tax funds as provided in 17-5-704(2).
- (4) The superintendent of public instruction shall request the board of investments to invest the money in the state equalization aid account to maximize investment earnings to the account.
- (5) Any surplus revenue in the state equalization aid account in the second year of a biennium may be used to reduce any appropriation required for the next succeeding biennium."

Renumber; subsequent sections

11. Page 4, line 23.  
Following: "1"  
Strike: "and 2"  
Insert: "through 4"

Signed: \_\_\_\_\_

Mike Halligan, Chairman

*APR 4-15-91*  
Amd. Coord.

*873 4-15 11:46*  
Sec. of Senate

SENATE STANDING COMMITTEE REPORT

Page 1 of 4  
April 15, 1991

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Strike: "SECTION"  
Insert: "SECTIONS 15-1-501,"  
Following: "15-31-121"  
Insert: ", AND 20-9-343"
4. Page 1, line 17.  
Strike: "2%"  
Insert: "5%"
5. Page 1, line 19.  
Strike: "The"  
Insert: "Of the"  
Following: "section"  
Insert: ", 40%"
6. Page 1, line 20.  
Following: "fund"  
Insert: "and 60% must be deposited in the state special revenue fund for state equalization aid as described in 20-9-343"
7. Page 1, line 25.  
Strike: "6.885%"  
Insert: "6 3/4%"
8. Page 2, line 7.  
Strike: "7.14%"  
Insert: "7%"
9. Page 2, lines 15 through 18.  
Following: "state-" on line 15  
Strike: the remainder of line 15 through "fund." on line 18  
Insert: "After the amount of tax liability has been computed under subsections (1) through (3), each corporation subject to taxation under this part shall add, as a surtax for tax year 1988, 4% of the tax liability, and the amount so derived is the amount due the state.  
(5)(a) After the amount of tax liability has been computed under subsections (1) through (3), each corporation

subject to taxation under this part shall add, as a surtax, 5% of the tax liability, and the amount so derived is the amount due the state.

(b) Of the amount of revenue collected from the surtax imposed under subsection (5)(a), 40% must be deposited in the state general fund and 60% must be deposited in the state special revenue fund for state equalization aid as described in 20-9-343."

10. Page 2.  
Following: line 18  
Insert: "Section 3. Section 15-1-501, MCA, is amended to read:  
"15-1-501. Disposition of money from certain designated license and other taxes. (1) The state treasurer shall deposit to the credit of the state general fund all money received by him from the collection of:  
(a) fees from driver's licenses, motorcycle endorsements, and duplicate driver's licenses as provided in 61-5-121;  
(b) electrical energy producer's license taxes under chapter 51;  
(c) severance taxes allocated to the general fund under chapter 36;  
(d) liquor license taxes under Title 16;  
(e) telephone company license taxes under chapter 53;  
and  
(f) inheritance and estate taxes under Title 72, chapter 16.  
(2) All Except as provided in [section 1] and subsections (2)(a) and (2)(b) of this section, all money received from the collection of income taxes under chapter 30 of this title must be deposited as follows:  
~~(a) 57% in fiscal year 1990 and 50% in fiscal year 1991, to the credit of the state general fund;~~  
~~(b) 9.8% in fiscal year 1990 and 8.7% in fiscal year 1991, to the credit of the debt service account for long-range building program bonds as described in 17-5-408; and~~  
~~(c) 33.2% in fiscal year 1990 and 41.3% in fiscal year 1991, to the credit of the state special revenue fund for state equalization aid to the public schools of Montana as described in 20-9-343 (a) 40% of all money received from the surtax imposed by [section 1] must be deposited to the state general fund; and~~  
~~(b) 60% of all money received from the surtax imposed by [section 1] must be deposited to the state special revenue fund for state equalization aid as described in 20-9-343.~~  
(3) All Except as provided in 15-31-121(5) and

Page 2 of 4  
April 15, 1991

subsections (3)(a) and (3)(b) of this section, all money received from the collection of corporation license and income taxes under chapter 31 of this title, except as provided in 15-31-702, must be deposited as follows:

- ~~(a) 64% in fiscal year 1990 and 61% in fiscal year 1991, to the credit of the state general fund;~~  
~~(b) 11% in fiscal year 1990 and 10.5% in fiscal year 1991, to the credit of the debt service account for long-range building program bonds as described in 17-5-408; and~~  
~~(c) 25% in fiscal year 1990 and 20.5% in fiscal year 1991, to the credit of the state special revenue fund for state equalization aid to the public schools of Montana as described in 20-9-343 (a) 40% of all money received from the surtax imposed by 15-31-121(5) must be deposited to the state general fund; and~~  
(b) 60% of all money received from the surtax imposed by 15-31-121(5) must be deposited to the state special revenue fund for state equalization aid as described in 20-9-343.

(4) The state treasurer shall also deposit to the credit of the state general fund all money received by him from the collection of license taxes, fees, and all net revenues and receipts from all other sources under the operation of the Montana Alcoholic Beverage Code.

(5) After the distribution provided for in 15-36-112, the remainder of the oil severance tax collections must be deposited in the general fund."

Section 4. Section 20-9-343, MCA, is amended to read:

"20-9-343. Definition of and revenue for state equalization aid. (1) As used in this title, the term "state equalization aid" means the money deposited in the state special revenue fund as required in this section plus any legislative appropriation of money from other sources for distribution to the public schools for the purposes of payment of guaranteed tax base aid and equalization of the foundation program.

(2) The superintendent of public instruction may spend funds appropriated for state equalization aid as required for guaranteed tax base aid and foundation program purposes throughout the biennium.

(3) The following must be paid into the state special revenue fund for state equalization aid to public schools of the state:

- (a) money received from the collection of income taxes under chapter 30 of Title 15, including 60% of the surtax imposed by [section 1], as provided by 15-1-501;
- (b) except as provided in 15-31-702, money received

from the collection of corporation license and income taxes under chapter 31 of Title 15, including 60% of the surtax imposed by 15-31-121(5), as provided by 15-1-501;

(c) money allocated to state equalization from the collection of the severance tax on coal;

(d) money received from the treasurer of the United States as the state's shares of oil, gas, and other mineral royalties under the federal Mineral Lands Leasing Act, as amended;

(e) interest and income money described in 20-9-341 and 20-9-342;

(f) money received from the state equalization aid levy under 20-9-360;

(g) income from the lottery, as provided in 23-5-1027;

(h) the surplus revenues collected by the counties for foundation program support according to 20-9-331 and 20-9-333;

(i) investment income earned by investing money in the state equalization aid account in the state special revenue fund; and

(j) 15% of the income and earnings of all coal severance tax funds as provided in 17-5-704(2).

(4) The superintendent of public instruction shall request the board of investments to invest the money in the state equalization aid account to maximize investment earnings to the account.

(5) Any surplus revenue in the state equalization aid account in the second year of a biennium may be used to reduce any appropriation required for the next succeeding biennium."

Renumber; subsequent sections

11. Page 4, line 23.  
Following: "1"  
Strike: "and 2"  
Insert: "through 4"

Signed: \_\_\_\_\_

Mike Halligan, Chairman

*4-15-91*  
Amd. Coord.

*873 4-15 11:46*  
Sec. of Senate



1 HOUSE BILL NO. 1007  
 2 INTRODUCED BY KADAS, PECK, QUILICI, NISBET,  
 3 PINSONEAULT, JACOBSON, FRITZ, JERGESON,  
 4 YELLOWTAIL, HALLIGAN, SVRCEK,  
 5 VAN VALKENBURG, DOHERTY  
 6

7 A BILL FOR AN ACT ENTITLED: "AN ACT INCREASING INDIVIDUAL  
 8 AND CORPORATE INCOME TAXES TO PROVIDE FUNDING FOR  
 9 ELEMENTARY, SECONDARY, AND HIGHER EDUCATION; APPROPRIATING  
 10 MONEY TO THE SCHOOL FOUNDATION PROGRAM AND THE UNIVERSITY  
 11 SYSTEM; AMENDING SECTION SECTIONS 15-1-501, 15-31-121, AND  
 12 20-9-343, MCA; AND PROVIDING AN EFFECTIVE DATE AND A  
 13 RETROACTIVE APPLICABILITY DATE."  
 14

15 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF MONTANA:

16 NEW SECTION. Section 1. Surtax. (1) After the amount  
 17 of tax liability has been computed under this chapter, each  
 18 person filing a Montana individual income tax return shall  
 19 add as a surtax ~~2%~~ 5% of the tax liability, and the amount  
 20 arrived at is the amount due to the state.

21 (2) ~~The~~ OF THE revenue collected under this section,  
 22 40% must be deposited in the general fund AND 60% MUST BE  
 23 DEPOSITED IN THE STATE SPECIAL REVENUE FUND FOR STATE  
 24 EQUALIZATION AID AS DESCRIBED IN 20-9-343.

25 **Section 2.** Section 15-31-121, MCA, is amended to read:

1 "15-31-121. (Effective January 1, 1991) Rate of tax --  
 2 minimum tax -- surtax. (1) Except as provided in subsection  
 3 (2), the percentage of net income to be paid under 15-31-101  
 4 shall be ~~6-3/4%~~ 6-885% 6 3/4% of all net income for the  
 5 taxable period. ~~The--rate-set-forth-in-this-subsection--(1)~~  
 6 ~~shall-be-effective-for-all-taxable-years-ending-on-or--after~~  
 7 ~~February-28,-1971.--This-rate-is-retroactive-to-and-effective~~  
 8 ~~for-all-taxable-years-ending-on-or-after-February-28,-1971.~~

9 (2) For a taxpayer making a water's-edge election, the  
 10 percentage of net income to be paid under 15-31-101 shall be  
 11 ~~7% 7-14%~~ 7% of all taxable net income for the taxable  
 12 period.

13 (3) Every corporation subject to taxation under this  
 14 part shall, in any event, pay a minimum tax of not less than  
 15 \$50.

16 (4) ~~After-the-amount-of-tax-liability-has-been-computed~~  
 17 ~~under-subsections--(1)--through--(3),--each-corporation--subject~~  
 18 ~~to--taxation--under--this--part--shall--add--as--a--surtax--for--tax~~  
 19 ~~year--1988--4%--of--the--tax--liability--and--the--amount--so~~  
 20 ~~derived--is--the--amount--due--the--state. The-amount-of-revenue~~  
 21 ~~raised-by-the-increases-in-the-tax-rate-from-6-75%-to-6-885%~~  
 22 ~~in-subsection--(1)--and--from--7%-to--7-14%--in--subsection--(2)~~  
 23 ~~must--be--deposited-in-the-general-fund; AFTER THE AMOUNT OF~~  
 24 TAX LIABILITY HAS BEEN COMPUTED UNDER SUBSECTIONS (1)  
 25 THROUGH (3), EACH CORPORATION SUBJECT TO TAXATION UNDER THIS



1 PART SHALL ADD, AS A SURTAX FOR TAX YEAR 1988, 4% OF THE TAX  
 2 LIABILITY, AND THE AMOUNT SO DERIVED IS THE AMOUNT DUE THE  
 3 STATE.

4 (5) (A) AFTER THE AMOUNT OF TAX LIABILITY HAS BEEN  
 5 COMPUTED UNDER SUBSECTIONS (1) THROUGH (3), EACH CORPORATION  
 6 SUBJECT TO TAXATION UNDER THIS PART SHALL ADD, AS A SURTAX,  
 7 5% OF THE TAX LIABILITY, AND THE AMOUNT SO DERIVED IS THE  
 8 AMOUNT DUE THE STATE.

9 (B) OF THE AMOUNT OF REVENUE COLLECTED FROM THE SURTAX  
 10 IMPOSED UNDER SUBSECTION (5)(A), 40% MUST BE DEPOSITED IN  
 11 THE STATE GENERAL FUND AND 60% MUST BE DEPOSITED IN THE  
 12 STATE SPECIAL REVENUE FUND FOR STATE EQUALIZATION AID AS  
 13 DESCRIBED IN 20-9-343."

14 **SECTION 3. SECTION 15-1-501, MCA, IS AMENDED TO READ:**

15 "15-1-501. Disposition of money from certain designated  
 16 license and other taxes. (1) The state treasurer shall  
 17 deposit to the credit of the state general fund all money  
 18 received by him from the collection of:

19 (a) fees from driver's licenses, motorcycle  
 20 endorsements, and duplicate driver's licenses as provided in  
 21 61-5-121;

22 (b) electrical energy producer's license taxes under  
 23 chapter 51;

24 (c) severance taxes allocated to the general fund under  
 25 chapter 36;

1 (d) liquor license taxes under Title 16;  
 2 (e) telephone company license taxes under chapter 53;  
 3 and  
 4 (f) inheritance and estate taxes under Title 72,  
 5 chapter 16.

6 (2) ~~At~~ Except as provided in [section 1] and  
 7 subsections (2)(a) and (2)(b) of this section, all money  
 8 received from the collection of income taxes under chapter  
 9 30 of this title must be deposited as follows:

10 ~~(a) 57% in fiscal year 1990 and 50% in fiscal year~~  
 11 ~~1991,~~ to the credit of the state general fund;

12 ~~(b) 9.8% in fiscal year 1990 and 8.7% in fiscal year~~  
 13 ~~1991, to the credit of the debt service account for~~  
 14 ~~long-range building program bonds as described in 17-5-408;~~  
 15 and

16 ~~(c) 33.2% in fiscal year 1990 and 41.3% in fiscal year~~  
 17 ~~1991, to the credit of the state special revenue fund for~~  
 18 ~~state equalization aid to the public schools of Montana as~~  
 19 ~~described in 20-9-343~~

20 (a) 40% of all money received from the surtax imposed  
 21 by [section 1] must be deposited to the state general fund;  
 22 and

23 (b) 60% of all money received from the surtax imposed  
 24 by [section 1] must be deposited to the state special  
 25 revenue fund for state equalization aid as described in

1 20-9-343.

2 (3) All Except as provided in 15-31-121(5) and  
3 subsections (3)(a) and (3)(b) of this section, all money  
4 received from the collection of corporation license and  
5 income taxes under chapter 31 of this title, except as  
6 provided in 15-31-702, must be deposited as follows:

7 ~~(a) 64% in fiscal year 1990 and 61% in fiscal year~~  
8 ~~1991, to the credit of the state general fund;~~

9 ~~(b) 11% in fiscal year 1990 and 10.5% in fiscal year~~  
10 ~~1991, to the credit of the debt service account for~~  
11 ~~long-range building program bonds as described in 17-5-408,~~  
12 ~~and~~

13 ~~(c) 25% in fiscal year 1990 and 20.5% in fiscal year~~  
14 ~~1991, to the credit of the state special revenue fund for~~  
15 ~~state equalization aid to the public schools of Montana as~~  
16 ~~described in 20-9-343~~

17 (a) 40% of all money received from the surtax imposed  
18 by 15-31-121(5) must be deposited to the state general fund;  
19 and

20 (b) 60% of all money received from the surtax imposed  
21 by 15-31-121(5) must be deposited to the state special  
22 revenue fund for state equalization aid as described in  
23 20-9-343.

24 (4) The state treasurer shall also deposit to the  
25 credit of the state general fund all money received by him

1 from the collection of license taxes, fees, and all net  
2 revenues and receipts from all other sources under the  
3 operation of the Montana Alcoholic Beverage Code.

4 (5) After the distribution provided for in 15-36-112,  
5 the remainder of the oil severance tax collections must be  
6 deposited in the general fund."

7 SECTION 4. SECTION 20-9-343, MCA, IS AMENDED TO READ:

8 "20-9-343. Definition of and revenue for state  
9 equalization aid. (1) As used in this title, the term "state  
10 equalization aid" means the money deposited in the state  
11 special revenue fund as required in this section plus any  
12 legislative appropriation of money from other sources for  
13 distribution to the public schools for the purposes of  
14 payment of guaranteed tax base aid and equalization of the  
15 foundation program.

16 (2) The superintendent of public instruction may spend  
17 funds appropriated for state equalization aid as required  
18 for guaranteed tax base aid and foundation program purposes  
19 throughout the biennium.

20 (3) The following must be paid into the state special  
21 revenue fund for state equalization aid to public schools of  
22 the state:

23 (a) money received from the collection of income taxes  
24 under chapter 30 of Title 15, including 60% of the surtax  
25 imposed by [section 1], as provided by 15-1-501;

1 (b) except as provided in 15-31-702, money received  
2 from the collection of corporation license and income taxes  
3 under chapter 31 of Title 15, including 60% of the surtax  
4 imposed by 15-31-121(5), as provided by 15-1-501;

5 (c) money allocated to state equalization from the  
6 collection of the severance tax on coal;

7 (d) money received from the treasurer of the United  
8 States as the state's shares of oil, gas, and other mineral  
9 royalties under the federal Mineral Lands Leasing Act, as  
10 amended;

11 (e) interest and income money described in 20-9-341 and  
12 20-9-342;

13 (f) money received from the state equalization aid levy  
14 under 20-9-360;

15 (g) income from the lottery, as provided in 23-5-1027;

16 (h) the surplus revenues collected by the counties for  
17 foundation program support according to 20-9-331 and  
18 20-9-333;

19 (i) investment income earned by investing money in the  
20 state equalization aid account in the state special revenue  
21 fund; and

22 (j) 15% of the income and earnings of all coal  
23 severance tax funds as provided in 17-5-704(2).

24 (4) The superintendent of public instruction shall  
25 request the board of investments to invest the money in the

1 state equalization aid account to maximize investment  
2 earnings to the account.

3 (5) Any surplus revenue in the state equalization aid  
4 account in the second year of a biennium may be used to  
5 reduce any appropriation required for the next succeeding  
6 biennium."

7 NEW SECTION. Section 5. Appropriation. (1) There is  
8 appropriated from the general fund to the commissioner of  
9 higher education ~~\$15,125,781~~ \$14,204,499 for the biennium  
10 ending June 30, 1993.

11 (2) The appropriation contained in subsection (1) must  
12 be used as follows:

13 (a) for providing additional funds to move toward peer  
14 parity:

15 Unit	FY 1992	FY 1993
16 Montana state university	\$ 0	\$3,081,094
17 university of Montana	34,995	3,126,930
18 eastern Montana college	0	983,081
19 northern Montana college	0	313,291
20 Montana college of mineral science and		
21 technology	<del>517,408</del>	<del>1,758,925</del>
22	<u>72,016</u>	<u>1,305,533</u>

23 (b) to increase the state's share for community college  
24 funding to 51% in fiscal 1992 and 55% in fiscal 1993:

25	FY 1992	FY 1993
----	---------	---------

1    \$164,032    \$399,231  
 2    \$149,641    \$383,204

3            (c) to increase funding at northern Montana college to  
 4 fully recognize the enrollment at its Great Falls campus:

5    FY 1992    FY 1993  
 6    \$306,732    \$306,804

7            (d) to expand the number of clinical placement slots in  
 8 Billings and Missoula available for Montana state university  
 9 nursing students:

10                    Unit                                    FY 1992    FY 1993  
 11 Montana state university                    \$474,222    \$870,995

12            (e) to increase the number of WICHE slots to the fiscal  
 13 1991 level:

14    FY 1992    FY 1993  
 15    \$170,300    \$242,900

16            (f) to provide funding for the museum of the rockies:

17                    Unit                                    FY 1992    FY 1993  
 18 Montana state university                    \$439,706    \$463,055

19            (g) to support and expand public television service  
 20 provided by the Montana university system:

21                    Unit                                    FY 1992    FY 1993  
 22 Montana state university                    \$100,000    \$200,000  
 23 university of Montana                        30,000       150,000

24            (h) to provide discretionary funds for the management  
 25 of the university system:

1    1993 biennium  
 2    \$1,000,000

3            (3) The items contained in subsections (2)(a) through  
 4 (2)(g) must be part of the budget base presented to the 53rd  
 5 legislature.

6            NEW SECTION. Section 6. Codification instruction.

7 [Section 1] is intended to be codified as an integral part  
 8 of Title 15, chapter 30, part 1, and the provisions of Title  
 9 15, chapter 30, part 1, apply to [section 1].

10            NEW SECTION. Section 7. Retroactive applicability.

11 [Sections 1 and 2 THROUGH 4] apply retroactively, within the  
 12 meaning of 1-2-109, to January 1, 1991.

13            NEW SECTION. Section 8. Effective date. [This act] is

14 effective July 1, 1991.

-End-



State of Montana  
Office of the Governor  
Helena, Montana 59620  
406-444-3111

STAN STEPHENS  
GOVERNOR

April 19, 1991

The Honorable Hal Harper  
Speaker of the House  
House of Representatives  
Capitol Station  
Helena, Montana 59620

The Honorable Joseph P. Mazurek  
President  
Montana State Senate  
Capitol Station  
Helena, Montana 59620

Dear Speaker Harper and President Mazurek:

In accordance with the power vested in me as Governor by the Constitution and laws of the State of Montana, I hereby veto the adoption of House Bill 1007, "AN ACT INCREASING INDIVIDUAL AND CORPORATE INCOME TAXES TO PROVIDE FUNDING FOR ELEMENTARY, SECONDARY, AND HIGHER EDUCATION; APPROPRIATING MONEY TO THE SCHOOL FOUNDATION PROGRAM AND THE UNIVERSITY SYSTEM; AMENDING SECTION SECTIONS 15-1-501, 15-31-121, AND 20-9-343, MCA; AND PROVIDING AN EFFECTIVE DATE AND A RETROACTIVE APPLICABILITY DATE."

No new taxes. I stated those words publicly to newly elected legislative members and Montana citizens early in December 1990 in releasing a balanced executive budget.

That budget was balanced without any general tax increase and provided an appropriate ending fund balance. That budget funded needed and necessary services and provided significant increases for both education and human services as well as a number of progressive programs for economic growth, improved human services and government organization. The University system received a \$27 million increase, including \$10 million for the University System pay plan. Fifty million dollars were allocated for long-range building funds for capital improvements. The Human Services budget received an additional \$165 million. Family Services received an additional \$15 million. A state employee pay plan was proposed that funded a pay increase for state workers that averages 10% over two years. This proposal is the best pay plan proposal for state employees in a decade and instituted a market-based concept to attract and retain quality workers.

The Honorable Hal Harper  
The Honorable Joseph P. Mazurek  
April 19, 1991  
Page Two

No new taxes. Those words were reiterated formally in my address made on the floor of the Montana House of Representatives in January 1991 in presenting a creative and ambitious legislative agenda.

No new taxes. I continued to express those words time and time again during the deliberations of this legislature. I made that commitment to the citizens of Montana because they have asked me to do so. There has been no demonstrated need to increase taxes.

Once again, in my responsibilities as Governor under the Constitution of Montana, through the formal message known as a veto, I must declare, "no new taxes."

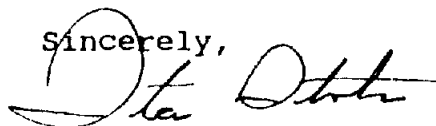
House Bill 1007 raises taxes for Montana taxpayers. The majority party of this Assembly cannot, through verbal gymnastics, call a 5% surtax anything but more new taxes. In their own words, taken directly from the language of House Bill 1007, this Assembly directs by law that "each person filing a Montana individual income tax return shall add as a surtax 5% of the tax liability, and the amount arrived at is the amount due to the state." Borrowing the words of Noah Webster in defining tax, this is to "make a heavy, onerous and rigorous demand" upon an individual. The people of Montana cannot afford these additional demands placed on their take home pay any longer.

Not only does this legislation direct that every taxpayer pay additional taxes, it demands that the state tax collector retroactively apply this tax to wages already earned by our people. This means that Montana's taxpayers will pay a 10% surcharge for the first six months this tax increase is in effect and 5% every year to follow. Since this surtax has no sunset provision, no ending date, it is a tax increase which goes on forever.

Montanans have seen tax increases virtually every year of the last two decades. Montanans, and this administration, are asking when does it all stop. It stops now - no new taxes.

I therefore veto House Bill 1007.

Sincerely,



STAN STEPHENS  
Governor