

SENATE BILL 435

Introduced by B. Brown et al.

2/19	Introduced
2/19	First Reading
2/19	Referred to Taxation
2/19	Fiscal Note Requested
2/25	Fiscal Note Printed
2/25	Fiscal Note Received
3/13	Hearing
3/21	Tabled in Committee
4/02	Taken from Table
4/02	Committee Report--Bill Passed
4/03	2nd Reading Passed
4/04	3rd Reading Passed
	Transmitted to House
4/04	First Reading
4/04	Referred to Taxation
4/11	Hearing
4/13	Committee Report--Bill Concurred as Amended
4/16	2nd Reading Concurred as Amended
4/17	3rd Reading Concurred
	Returned to Senate with Amendments
4/18	2nd Reading Amendments Not Concurred
4/19	Conference Committee Appointed
4/20	Conference Committee Appointed Died in Process

Senate BILL NO. *435*

INTRODUCED BY

Bob Brown
William Kedia
William

A BILL FOR AN ACT ENTITLED: "AN ACT TO IMPOSE A 5 PERCENT SURTAX ON INCOME TAXES AND CORPORATION LICENSE AND INCOME TAXES FOR THE SUPPORT OF THE MONTANA UNIVERSITY SYSTEM IF APPROVED BY THE QUALIFIED ELECTORS OF MONTANA AT THE STATEWIDE PRIMARY ELECTION HELD IN JUNE 1992; AMENDING SECTION 15-31-121, MCA; AND PROVIDING AN EFFECTIVE DATE AND AN APPLICABILITY DATE."

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

NEW SECTION. Section 1. Montana university system

surtax. After the amount of tax liability has been computed as required in 15-30-103, each person filing a Montana individual income tax return shall add, as a surtax for the support of the Montana university system, 5% of the tax liability. The amount so arrived at is the amount due the state.

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

"15-31-121. (Effective January 1, 1991) Rate of tax -- minimum tax -- Montana university system 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% 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% 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 the support of the Montana university system, tax-year-1988,--4% 5% of the tax liability, and the amount so derived is the amount due the state."

NEW SECTION. Section 3. Income tax collections to

general fund for appropriation to Montana university system -- instruction to code commissioner. (1) The surtaxes imposed by [sections 1 and 2] must be deposited to the credit of the state general fund and must be appropriated by the legislature for support of the Montana university system.

(2) The code commissioner is instructed to change the individual income tax and the corporation license and income

INTRODUCED BILL

SB 435



1 tax distribution percentages set forth in 15-1-501 to
2 correctly reflect their correct distribution after the
3 imposition of the surtaxes in [sections 1 and 2] and the
4 deposit provided in subsection (1).

5 NEW SECTION. **Section 4.** Effective date. If approved by
6 the electorate, [sections 1 through 3] are effective
7 December 31, 1992, and apply to tax years beginning after
8 December 31, 1992.

9 NEW SECTION. **Section 5.** Submission to electorate. The
10 question of whether sections 1 through 3 of this act will
11 become effective shall be submitted to the qualified
12 electors of Montana at the primary election to be held in
13 June 1992 by printing on the ballot the full title of this
14 act and the following:

- 15 FOR imposing a 5% income and corporate surtax to
16 support the Montana university system.
17 AGAINST imposing a 5% income and corporate surtax to
18 support the Montana university system.

-End-

STATE OF MONTANA - FISCAL NOTE

Form BD-15

In compliance with a written request, there is hereby submitted a Fiscal Note for SB0435, as introduced.

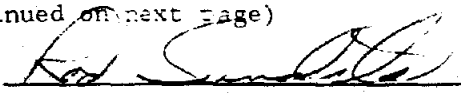
DESCRIPTION OF PROPOSED LEGISLATION:

An act to impose a 5 percent surtax on income taxes and corporation license and income taxes for the support of the Montana University System, if approved by the qualified electors of Montana at the statewide primary election held in June 1992; and providing an effective and an applicability date.

ASSUMPTIONS:Department of Revenue:

1. According to the proposed legislation, a 5% surtax would be added to individual income and corporation license/income tax liabilities beginning with tax years starting after December 31, 1992. Thus this surcharge would affect individual income tax withholding and estimated individual and corporate tax payments starting in January of 1993, i.e., the second half of FY93.
2. The current law individual income tax gross receipts estimate for FY93 is \$321,254,000 (OBPP). This gross receipts estimate includes withholding/estimated tax receipts plus current year tax payments less refunds. It excludes tax credits and other items.
3. In FY93, individual withholding/estimated tax receipts will be the same percent of income tax gross receipts as they were in FY90, namely 86.5%.
4. Individual withholding/estimated tax receipts in FY93 will be \$277,884,710 under current law.
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. Therefore it is assumed under the proposed legislation, that only one quarterly payment of withholding taxes with the surcharge will be received in FY93 from the regular payment employers, and that 6 months of payments (January through June 1993) will be received from the accelerated payment employers. Estimated individual tax receipts including the surcharge will be received during the period January through June 1993, also.
6. In 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. Corporation estimated tax receipts for the period January through June 1990, exclusive of surtax charges, were \$18,530,480. It is assumed that these tax receipts will decline, under current law, at the same rate of decline as for all corporate tax receipts between FY90 and FY93 (15%), as derived from published OBPP projections.
8. Corporation estimated tax receipts for January through June 1993 will be \$15,750,908, current law; and \$16,538,453, proposed law.
9. Per the proposed legislation, all proceeds from the surtax would be deposited in the state general fund.
10. The Department of Revenue's tax processing system currently includes a provision for collecting a surtax; this will be maintained at least through FY93.

(continued on next page)

 222-91
 ROD SUNDSTED, BUDGET DIRECTOR DATE
 Office of Budget and Program Planning

 6/25/91
 ROBERT (BOB) BROWN, PRIMARY SPONSOR DATE

Fiscal Note for SB0435, as introduced

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ASSUMPTIONS: (continued)Secretary of State:

1. A Voter Information Pamphlet (VIP) will be printed by the Secretary of State and distributed by the county election administrators to each household in which a registered voter resides.
2. The number of VIP's published will be the same as in 1990 (360,000).
3. The VIP will be four pages and will weigh less than 1 oz. for mailing purposes.
4. Publication of the text of the measure will not be necessary because it is not a constitutional change.

FISCAL IMPACT:Expenditures:Secretary of State:

	FY 92			FY 93		
	<u>Current Law</u>	<u>Proposed Law</u>	<u>Difference</u>	<u>Current Law</u>	<u>Proposed Law</u>	<u>Difference</u>
Printing of VIP	0	15,000	15,000	0	0	0
<u>Funding:</u>						
General Fund	0	15,000	15,000	0	0	0
	FY '92			FY '93		
	<u>Current Law</u>	<u>Proposed Law</u>	<u>Difference</u>	<u>Current Law</u>	<u>Proposed Law</u>	<u>Difference</u>
<u>Revenue:</u>						
Individual Income Tax	311,176,000	311,176,000	0	327,201,000	333,572,281	6,371,281
Corporation Tax Receipts	60,841,000	60,841,000	0	60,111,000	60,898,545	787,545
Total	372,017,000	372,017,000	0	387,312,000	394,470,826	7,158,826
<u>Fund Information:</u>						
General Fund	367,259,000	367,259,000	0	382,610,000	389,768,826	7,158,826
Local Government	4,758,000	4,758,000	0	4,702,000	4,702,000	0
Total	372,017,000	372,017,000	0	387,312,000	394,470,826	7,158,826
Impact to General Fund			(15,000)			7,158,826

EFFECT ON COUNTY EXPENDITURES:

Mailing costs for VIP distribution will be approximately \$46,440. These costs will be borne by individual counties.

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Fiscal Note Request, SB0435, as introduced

Form BD-15

Page 3

LONG-RANGE EFFECTS OF PROPOSED LEGISLATION:

FY94 will be the first fiscal year for full implementation of this legislation, when both individuals and corporations will fully pay a 5% surcharge on their 1993 tax year income. Using the OBPP estimate of individual income tax liability of \$316,629,000 for calendar year 1993 (current law), would yield additional individual income tax receipts from the surcharge of \$15,831,450, or approximately \$16,000,000. Assuming FY94 corporate tax receipts (current law) approximate the FY93 receipts of \$60,000,000 (OBPP), then corporate tax receipts related to the surtax for FY94 would be \$3,000,000. This yields total additional tax revenue for the surcharge from both sources of about \$19,000,000. According to the proposed legislation, this would be deposited in the state general fund for appropriation to the Montana University System.

SB 435

APPROVED BY COMMITTEE
ON TAXATION

1 *Senate* BILL NO. *435*
2 INTRODUCED BY *Bob Bryson, Rodas, Fitch*
3 *William*
4 A BILL FOR AN ACT ENTITLED: "AN ACT TO IMPOSE A 5 PERCENT
5 SURTAX ON INCOME TAXES AND CORPORATION LICENSE AND INCOME
6 TAXES FOR THE SUPPORT OF THE MONTANA UNIVERSITY SYSTEM IF
7 APPROVED BY THE QUALIFIED ELECTORS OF MONTANA AT THE
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15 as required in 15-30-103, each person filing a Montana
16 individual income tax return shall add, as a surtax for the
17 support of the Montana university system, 5% of the tax
18 liability. The amount so arrived at is the amount due the
19 state.

20 Section 2. Section 15-31-121, MCA, is amended to read:
21 "15-31-121. (Effective January 1, 1991) Rate of tax --
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23 as provided in subsection (2), the percentage of net income
24 to be paid under 15-31-101 shall be 6 3/4% of all net income
25 for the taxable period. The rate set forth in this

1 subsection (1) shall be effective for all taxable years
2 ending on or after February 28, 1971. This rate is
3 retroactive to and effective for all taxable years ending on
4 or after February 28, 1971.

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

8 (3) Every corporation subject to taxation under this
9 part shall, in any event, pay a minimum tax of not less than
10 \$50.

11 (4) After the amount of tax liability has been computed
12 under subsections (1) through (3), each corporation subject
13 to taxation under this part shall add, as a surtax for the
14 support of the Montana university system, tax-year-1988-4%
15 5% of the tax liability, and the amount so derived is the
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17 NEW SECTION. Section 3. Income tax collections to
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19 -- instruction to code commissioner. (1) The surtaxes
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21 credit of the state general fund and must be appropriated by
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12 electors of Montana at the primary election to be held in
13 June 1992 by printing on the ballot the full title of this
14 act and the following:

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16 support the Montana university system.
- 17 AGAINST imposing a 5% income and corporate surtax to
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1 *Senate* BILL NO. *435*
 2 INTRODUCED BY *Bo. Bryna Kedes Fish*
Wallin
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 25 for the taxable period. The rate set forth in this

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 8 (3) Every corporation subject to taxation under this
 9 part shall, in any event, pay a minimum tax of not less than
 10 \$50.
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 12 under subsections (1) through (3), each corporation subject
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- 17 AGAINST imposing a 5% income and corporate surtax to
18 support the Montana university system.

-End-

HOUSE STANDING COMMITTEE REPORT

April 12, 1991

Page 1 of 1

Mr. Speaker: We, the committee on Taxation report that Senate Bill 435 (third reading copy -- blue) be concurred in as amended .

Signed: 
Dan Harrington, Chairman

Carried by: Rep. Kadas

And, that such amendments read:

1. Title, line 6.

Strike: "FOR THE SUPPORT OF THE MONTANA UNIVERSITY SYSTEM"

Insert: "TO IMPLEMENT THE RECOMMENDATION OF THE EDUCATION COMMISSION FOR THE NINETIES AND BEYOND THAT THE MONTANA UNIVERSITY SYSTEM BE FUNDED AT A LEVEL NO LESS THAN THAT OF ITS REGIONAL PEER COLLEGES AND UNIVERSITIES"

2. Page 2, line 23.

Following: "system."

Insert: "The appropriation is in addition to any other money that would otherwise be appropriated to the Montana university system. The funds must be used to implement the recommendation of the education commission for the nineties and beyond regarding peer funding for university system units."

HOUSE

SB 435

781518SC.HSF

HOUSE COMMITTEE OF THE WHOLE AMENDMENT
Senate Bill 435
Representative McCarthy

April 13, 1991 8:15 am
Page 1 of 1

Mr. Chairman: I move to amend Senate Bill 435 (third reading copy -- blue).

Signed: B. McCarthy
Representative McCarthy

And, that such amendments to Senate Bill 435 read as follows:

1. Title, line 8.
Strike: "PRIMARY"
Insert: "GENERAL"
Strike: "JUNE"
Insert: "NOVEMBER"
2. Page 3, line 12.
Strike: "primary"
Insert: "general"
3. Page 3, line 13.
Strike: "June"
Insert: "November"

ADOPT

REJECT

HOUSE

SB 435

SENATE BILL NO. 435

INTRODUCED BY B. BROWN, KADAS, FRITZ, WALLIN

A BILL FOR AN ACT ENTITLED: "AN ACT TO IMPOSE A 5 PERCENT SURTAX ON INCOME TAXES AND CORPORATION LICENSE AND INCOME TAXES FOR THE SUPPORT OF THE MONTANA--UNIVERSITY--SYSTEM TO IMPLEMENT THE RECOMMENDATION OF THE EDUCATION COMMISSION FOR THE NINETIES AND BEYOND THAT THE MONTANA UNIVERSITY SYSTEM BE FUNDED AT A LEVEL NO LESS THAN THAT OF ITS REGIONAL PEER COLLEGES AND UNIVERSITIES IF APPROVED BY THE QUALIFIED ELECTORS OF MONTANA AT THE STATEWIDE PRIMARY GENERAL ELECTION HELD IN JUNE NOVEMBER 1992; AMENDING SECTION 15-31-121, MCA; AND PROVIDING AN EFFECTIVE DATE AND AN APPLICABILITY DATE."

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1 the legislature for support of the Montana university
 2 system. THE APPROPRIATION IS IN ADDITION TO ANY OTHER MONEY
 3 THAT WOULD OTHERWISE BE APPROPRIATED TO THE MONTANA
 4 UNIVERSITY SYSTEM. THE FUNDS MUST BE USED TO IMPLEMENT THE
 5 RECOMMENDATION OF THE EDUCATION COMMISSION FOR THE NINETIES
 6 AND BEYOND REGARDING PEER FUNDING FOR UNIVERSITY SYSTEM
 7 UNITS.

8 (2) The code commissioner is instructed to change the
 9 individual income tax and the corporation license and income
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