

SENATE BILL 463

Introduced by Eck

3/09	Fiscal Note Requested
3/11	Introduced
3/11	First Reading
3/11	Referred to Taxation
3/18	Fiscal Note Received
3/19	Fiscal Note Printed
3/26	Hearing
4/01	Committee Report--Bill Not Passed as Amended
4/01	Adverse Committee Report Adopted

1 SENATE BILL NO. 463  
 2 INTRODUCED BY Eck

3  
 4 A BILL FOR AN ACT ENTITLED: "AN ACT PROVIDING A LEGISLATIVE  
 5 RESPONSE TO THE PROVISIONS OF INITIATIVE MEASURE NO. 105,  
 6 ADOPTED BY THE VOTERS OF MONTANA ON NOVEMBER 4, 1986, AND TO  
 7 THE PROVISIONS OF TITLE 15, CHAPTER 10, PART 4, MCA;  
 8 ESTABLISHING A LOCAL GOVERNMENT BLOCK GRANT PROGRAM;  
 9 IMPOSING A 5 PERCENT LOCAL GOVERNMENT SURTAX ON INDIVIDUAL  
 10 INCOME TAX AND CORPORATION LICENSE OR INCOME TAX; AMENDING  
 11 SECTION 15-31-121, MCA; REPEALING SECTIONS 15-10-401,  
 12 15-10-402, 15-10-411, AND 15-10-412, MCA; AND PROVIDING  
 13 EFFECTIVE DATES AND A RETROACTIVE APPLICABILITY DATE."

14  
 15 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF MONTANA:

16 NEW SECTION. Section 1. Purpose -- policy. (1) It is  
 17 the purpose of [sections 1 through 13] to respond to the  
 18 provisions of Initiative Measure No. 105, adopted by the  
 19 voters on November 4, 1986, and to the provisions of Title  
 20 15, chapter 10, part 4.

21 (2) [Sections 4 through 13] provide property tax relief  
 22 as required by Initiative Measure No. 105 and by the  
 23 provisions of Title 15, chapter 10, part 4, for all property  
 24 subject to ad valorem taxation in Montana. [Section 2] and  
 25 15-31-121(4) provide the alternative source of revenue

1 required by Initiative Measure No. 105 and by the provisions  
 2 of Title 15, chapter 10, part 4.

3 (3) It is the policy of the 52nd legislature that the  
 4 provisions of [sections 1 through 13] meet the requirements  
 5 set forth in Initiative Measure No. 105 and the provisions  
 6 of Title 15, chapter 10, part 4.

7 NEW SECTION. Section 2. Local government surtax. Each  
 8 person required to file a Montana individual income tax  
 9 return shall pay, in addition to the tax liability computed  
 10 as required in 15-30-103, a local government surtax of 5% of  
 11 the tax liability.

12 Section 3. Section 15-31-121, MCA, is amended to read:

13 "15-31-121. (Effective January 1, 1991) Rate of tax --  
 14 minimum tax -- local government surtax. (1) Except as  
 15 provided in subsection (2), the percentage of net income to  
 16 be paid under 15-31-101 shall be 6 3/4% of all net income  
 17 for the taxable period. The rate set forth in this  
 18 subsection (1) shall be effective for all taxable years  
 19 ending on or after February 28, 1971. This rate is  
 20 retroactive to and effective for all taxable years ending on  
 21 or after February 28, 1971.

22 (2) For a taxpayer making a water's-edge election, the  
 23 percentage of net income to be paid under 15-31-101 shall be  
 24 7% of all taxable net income for the taxable period.

25 (3) Every corporation subject to taxation under this

1 part shall, in any event, pay a minimum tax of not less than  
2 \$50.

3 (4) After the amount of tax liability has been computed  
4 under subsections (1) through (3), each corporation subject  
5 to taxation under this part shall add, as a surtax for ~~tax~~  
6 year-1988 local governments, ~~4%~~ 5% of the tax liability, and  
7 the amount so derived is the amount due the state."

8 NEW SECTION. Section 4. Local government surtax  
9 account. (1) There is within the state special revenue fund  
10 a local government surtax account.

11 (2) All individual and corporation surtax revenue  
12 collected under [section 2] and 15-31-121(4) must be paid by  
13 the department of revenue into the local government surtax  
14 account.

15 (3) There must be retained in the local government  
16 surtax account the amounts necessary to repay overpayments,  
17 pay any erroneous receipts illegally assessed or collected,  
18 and pay any other refunds otherwise required.

19 NEW SECTION. Section 5. Disposition of local  
20 government surtax revenue. Individual and corporation local  
21 government surtax revenue must be distributed to the local  
22 government block grant account in the state special revenue  
23 fund, as provided in [section 7].

24 NEW SECTION. Section 6. Definitions. As used in  
25 [sections 6 through 13], the following definitions apply:

1 (1) "County" means any county government, excluding  
2 those classified as consolidated governments.

3 (2) "Incorporated population" means the number of  
4 persons residing within the boundaries of a municipality.

5 (3) "Mill value" means the amount of revenue that can  
6 be raised within a county or municipality by levying 1 mill.  
7 It is determined by multiplying a county's or municipality's  
8 taxable valuation by 0.001.

9 (4) "Municipality" means an incorporated city, town, or  
10 city-county consolidated government.

11 (5) "Unincorporated population" means the number of  
12 persons not residing within a municipality.

13 NEW SECTION. Section 7. Local government block grant  
14 account. (1) There is a local government block grant account  
15 within the state special revenue fund.

16 (2) Funds in this account must be used to provide  
17 payments from the local government block grant program to  
18 counties and municipalities.

19 (3) Income surtax revenue distributed under [section 5]  
20 must be deposited in the account.

21 NEW SECTION. Section 8. Local government block grant  
22 program. (1) The department of commerce shall administer the  
23 local government block grant program and distribute funds  
24 from the local government block grant account.

25 (2) The local government block grant program is

1 composed of:

- 2 (a) a block grant for counties; and
- 3 (b) a block grant for municipalities.

4 NEW SECTION. **Section 9. Division of block grant funds.**

5 The division of funds within the local government block  
6 grant account is as follows:

7 (1) The block grant for counties must be funded from  
8 the percentage of funds deposited in the account that equals  
9 the ratio of the unincorporated population to the state  
10 population.

11 (2) The block grant for municipalities must be funded  
12 from the percentage of funds deposited in the account that  
13 equals the ratio of the incorporated population to the state  
14 population.

15 NEW SECTION. **Section 10. Distribution of block grant**

16 **funds to counties.** Funds in the block grant account for  
17 counties must be distributed as follows:

18 (1) One-half of each county's share is determined by  
19 the ratio of the county's population to the total county  
20 population in the state.

21 (2) The remaining one-half is distributed according to  
22 the following formula in which CMV = average mill value per  
23 capita of all counties; IMV = individual county mill value  
24 per capita; ICP = individual county population; CG = 1/2  
25 total county grant:

1  $CMV \times ICP = \text{county tax base factor (TBF)}$

2  $IMV$

3  $CG \times \text{individual county TBF} = 1/2 \text{ individual county share}$   
4  $\text{sum of all county TBFs}$

5 NEW SECTION. **Section 11. Distribution of block grant**

6 **funds to municipalities.** (1) The block grant for  
7 municipalities is divided into the city/town category and  
8 the consolidated category.

9 (2) The consolidated category must receive a percentage  
10 of the total municipal grant as determined by the following  
11 formula in which PCG = population of consolidated  
12 governments; UP = unincorporated population; TSP = total  
13 stated population; and TSMP = total state municipal  
14 population:

15  $\frac{PCG + (PCG \times UP/TSP)}{TSMP} = \text{consolidated category percentage}$

16 (3) The city/town and consolidated categories must be  
17 distributed as follows:

18 (a) One-half of each municipality's share is determined  
19 by the ratio of the municipality's population to the total  
20 municipal population of that category.

21 (b) The remaining one-half is distributed according to  
22 the following formula in which MVPC = average mill value per  
23 capita for all municipalities within each category; IVC =  
24 individual municipality mill value per capita; IMP =

1 individual municipality population; CG = 1/2 total grant for  
2 each category:

3  $MVPC \times IMP = \text{municipal tax base factor (TBF)}$

4  $IVC$

5  $CG \times \frac{\text{individual municipality TBF}}{\text{sum of all municipality TBFs}} = \frac{1}{2} \text{ individual}$   
6  $\text{municipality share}$

7 **NEW SECTION. Section 12. Population and taxable**  
8 **valuation figures to be used.** (1) Population figures used in  
9 [sections 6 through 11] must be the most recent figures as  
10 determined by the department of commerce.

11 (2) Mill values used in [sections 6 through 11] must be  
12 the most recent taxable valuation figures as determined by  
13 the department of revenue for the fiscal year in which  
14 payments will be made.

15 **NEW SECTION. Section 13. Disposition and use of funds.**

16 (1) Disbursements from the local government block grant  
17 account must be made on June 30, 1992, and on June 30 of  
18 each succeeding year.

19 (2) Twenty percent of each disbursement must be used to  
20 reduce the local government's mill levies, and 80% of the  
21 disbursement may be used for any purpose authorized by law.

22 **NEW SECTION. Section 14. Repealer.** Sections 15-10-401,  
23 15-10-402, 15-10-411, and 15-10-412, MCA, are repealed.

24 **NEW SECTION. Section 15. Codification instruction.** (1)  
25 [Sections 1 and 6 through 13] are intended to be codified as

1 an integral part of Title 7, chapter 6, and the provisions  
2 of Title 7, chapter 6, apply to [sections 1 and 6 through  
3 13].

4 (2) [Section 2] is intended to be codified as an  
5 integral part of Title 15, chapter 30, part 1, and the  
6 provisions of Title 15, chapter 30, part 1, apply to  
7 [section 2].

8 (3) [Sections 4 and 5] are intended to be codified as  
9 an integral part of Title 15, chapter 1, and the provisions  
10 of Title 15, chapter 1, apply to [sections 4 and 5].

11 **NEW SECTION. Section 16. Effective dates.** (1)  
12 [Sections 2 through 5, 14, 15, 17, and this section] are  
13 effective on passage and approval.

14 (2) [Sections 1 and 6 through 13] are effective January  
15 1, 1992.

16 **NEW SECTION. Section 17. Retroactive applicability.**  
17 [Sections 2 and 3] apply retroactively, within the meaning  
18 of 1-2-109, to taxable years beginning after December 31,  
19 1990.

-End-