

MINUTES OF THE HOUSE TAXATION COMMITTEE MEETING
January 6, 1981

An organizational meeting of the Taxation Committee was called to order by Chairman Ken Nordtvedt at 9:30 a.m. on Tuesday, January 6, 1981 in Room 103, Capitol building, Helena, Montana. No roll call was taken.

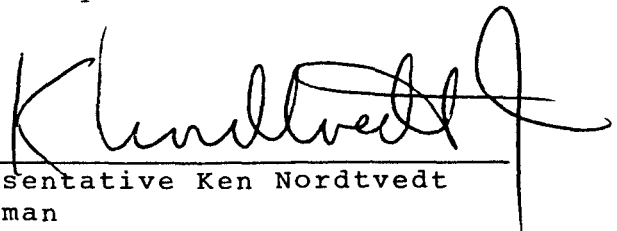
Each member introduced himself or herself and said something about themselves.

Each Committee member recieved a copy of the publication entitled, "The Taxation and Revenue Systems of State and Local Government in Montana." A listing of Department of Revenue proposed legislation was also distributed and Chairman Nordtvedt announced that sponsors were being solicited for many of the bills yet. A Department of Revenue spokesperson will be on hand at the Thursday, January 8 meeting of this Committee to present further information and answer questions. Chairman Nordtvedt added that, provided the proposed rules are adopted, legislation for state agencies would not be included as part of the five-bill sponsor limit for Representatives.

VOTING: The Chairman announced that paper proxy votes must be submitted in person and they will only be allowed on bills which recieve a straight DO PASS or DO NOT PASS recommendation, and not on amended bills. He added that executive action would be delayed at least one Committee day after a bill is heard, and that following executive action the bill would be held one more day in order to ensure that absent members would have an opportunity to provide input.


Chairman Nordtvedt then described the three bills to be heard at the next Committee meeting, on Thursday, January 8, and added that the meeting would be scheduled to begin at 9:00 a.m. Also, Saturdays from 8:00 - 9:45 have been set aside for executive sessions. However, no meeting is scheduled for January 10.

The meeting was adjourned at 10:15.



Representative Ken Nordtvedt
Chairman

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The Taxation and Revenue Systems of State and Local Government in Montana

Revised Edition, 1980

THE TAXATION AND REVENUE SYSTEMS OF STATE AND LOCAL GOVERNMENT IN MONTANA

Revised Edition, 1980

Layton S. Thompson*

FOREWORD

This publication is an update and revision of Montana Agricultural Experiment Station Bulletin 701 (March 1978), "The Taxation and Revenue Systems of State and Local Government in Montana." The original research was sponsored by the Economics, Statistics, and Cooperatives Service, USDA, and the U.S. Environmental Protection Agency as part of a national project to improve estimates of impacts of resource developments.

This report reflects the tax and revenue measures adopted by the 1979 Legislature. Those who need additional detail, or interpretations of administrative regulations and laws should contact the appropriate tax officials.

The author wishes to acknowledge the valuable aid of many state and local tax officials who supplied information and assistance.

The statements and material in this report are the sole responsibility of the author and the views expressed or implied do not represent those of others or of sponsoring agencies.

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INTRODUCTION

General Revenue

This report describes the Montana state and local tax and revenue systems as of 1979.¹ "General revenue" for governmental units, which is more or less synonymous with operating revenue, comes from three sources: (a) intergovernmental transfers, (b) taxes, and (c) charges and miscellaneous revenue. The general revenue of state and local governments in Montana for fiscal 1976-77 was as follows:²

<u>General Revenue</u>	<u>mil. dol.</u>
Federal government transfers	310.4
Taxes, own sources	582.6
Charges and miscellaneous revenue ³	<u>183.2</u>
Total	1,076.2

The major concern of this report is the category listed above as "taxes, own sources."

Overview

State and local tax revenues collected in 1976 and 1978 are presented in Table 1, page 8, in order to provide an overview of the tax system.⁴ The three tax sources that yielded the greatest 1978 revenue in Montana are the property tax (50.9 percent); income taxes from individual and corporation (23.4 percent); and highway users taxes (10.8 percent). These three sources provided \$555 million in 1978, or 85 percent of the total tax revenue. A substantial increase in coal tax revenues is responsible for some changes in these percentages in recent years.

¹Government revenues are divided into general revenue and business type receipts. The latter are not considered in this report. Business type receipts include (a) receipts of publicly operated water systems, (b) liquor store revenues and (c) money collected for employee retirement and unemployment compensation.

²U.S. Department of Commerce, Bureau of the Census, "Government Finances in 1976-77," GF77 No. 5, p. 21.

³Examples are university fees, school lunch sales, sewage and garbage collection fees, and parking meter revenues.

⁴The data in Table 1 are compiled from several sources which are not always consistent in methods of reporting. As examples, amounts levied and collected differ due to delinquencies and refunds. Costs of administration are deducted in some reports. Property taxes are levied in one year but collected the next year.

Comparison with Neighboring States

The comparison in Table 2, page 9, indicates that Montana, South Dakota, and Nebraska depend on the property tax for nearly half of state and local tax revenues. Montana has no general sales tax; South Dakota has no individual income tax and a corporation income tax on only banks and other financial institutions. In Nebraska the yield on general sales tax and state income tax is relatively low. Wyoming has no state income tax.

Washington has no state individual income tax but has a business and occupation tax which yields large amounts of revenue. New Mexico has a 4 percent gross receipts tax which yielded \$243 million in 1976. In Utah, Washington, and New Mexico, receipts from the general sales tax exceed returns from the property tax.⁵

The group of natural resource taxes in Montana, variously described as license taxes or severance taxes, show the greatest percentage of increase during the past four years, particularly the coal taxes. The severance and license taxes on coal increased from \$3.3 million in fiscal 1974 to \$22.9 million in fiscal 1976, to \$34.5 million in fiscal 1977 and to \$33.9 million in fiscal 1978.

In four states studied recently, mining accounted for 19 percent of the taxable valuation for property taxes in Montana, compared with 5 percent in Colorado, 18 percent in Utah and 50 percent in Wyoming.

Tax Administration

Montana taxes are administered by the State Department of Revenue with a few exceptions. The State Department of Revenue consists of seven administrative divisions (Corporation Tax, Income Tax, Inheritance Tax, Liquor, Motor Fuels, Property Evaluation and Miscellaneous Tax) and six service divisions (Audit and Accounting, Data Processing, Investigation, Legal, Operations, and Research). All costs of property appraisal and assessment, including the salaries of the county appraisers and the elected county assessors are paid from the state general fund. The elected county assessors are designated by Montana statutes as agents of the state.

The remainder of this report is devoted to a detailed description of the Montana tax system. The next section describes each tax, its administration, and the disposition of revenues.⁶ Following that is a section which examines

⁵For the nation as a whole, 12 states collect more money from the general sales tax than the property tax, eleven states collect more from income taxes than the property tax, and four states (Alabama, Hawaii, Kentucky and South Carolina) collect more from each (general sales tax and income taxes) than the property tax.

⁶A brief treatment of some significant non-tax sources is included at the end of this section.

sources for selected expenditures (specifically schools and highways) and explains the systems of intergovernmental transfers, chiefly state and federal aid to local governments,

which are of special importance in assessing the expected impacts of resource development on localities.

Table 1. State and local tax revenues, Montana, 1976 and 1978 fiscal years.

Kind of Tax	Fiscal Year			
	1976		1978	
	Thousand dollars	Percent	Thousand dollars	Percent
Taxes, total	537,133	100.0	652,192	100.0
Property tax	280,419	52.2	332,063	50.9
Income taxes, total	120,540	22.4	152,810	23.4
Individual	97,520		123,571	
Corporation	23,020		29,239	
Highway users' taxes, total	59,559	11.1	70,523	10.8
Motor fuel taxes	41,246		47,158	
Vehicle registrations	5,748		6,500 ^a	
Motor vehicles ^b	12,064		16,227	
Fuel trip permits	501		638	
Natural resource, total	33,923	6.3	45,766	7.0
Oil producers' license and tax	6,564		6,808	
Coal license and tax	22,924		33,856	
Metalliferous mines	1,845		1,757	
Resource indemnity trust	1,981		2,257	
Natural gas distributors	446		924	
Cement and gypsum	151		154	
Micaceous mines	12		10	
Alcoholic beverages ^c	11,784	2.2	14,705	2.3
Liquor excise, 6%	5,900		6,459	
Liquor license tax, 10% ^d	1,844		4,037	
Beer tax ^e	2,250		3,056	
Licenses, retail	1,790		1,153	
Cigarette and other tobacco	11,155	2.1	11,618	1.8
Insurance tax	9,483	1.8	12,656	2.0
Inheritance tax	5,902	1.1	7,278	1.1
Electrical energy tax	1,066	0.2	1,865	0.3
Telephone license tax	1,137	0.2	1,399	0.2
Other	2,165	0.4	1,509	0.2

^aProjection. Assumes 7 percent increase over 1977.

^bIncludes GVW, new car tax, size and weight fees, and miscellaneous.

^cDoes not include profits of Liquor Commission.

^dWas 5 percent in 1976.

^eWas \$3.00 per barrel in 1976; \$4.00 in 1978.

DESCRIPTION OF MONTANA TAXES

Property Taxes

The property tax accounts for over half of the total state and local tax revenues in Montana. It is the only important source of tax revenue for local units (school districts, cities and towns, counties, and special districts). Nationwide the property tax is the main local source of tax revenue, although there has been some trend toward an increase in the use of other kinds of taxes (e.g. sales and use taxes) for local purposes.

Legislation passed during the 1977 session made substantial changes in the way property will be valued (assessed) for purposes of taxation. After July 1, 1977, all taxable property in the state, with the exception of agricultural land and mines, is to be assessed at 100 percent of market value (see section on assessment). For all taxable property except agricultural lands and mines, market value, assessed value, and appraised value all have the same meaning for taxation purposes.

There are now 11 classes of property, each with its taxable value as a percentage of assessed value (see Table 3, page 10). Taxable value as a fraction of market value of various classes of property is set by the Legislature.

The calculation of property taxes is illustrated below by assuming a home and lot with a market value of \$40,000 and a tax levy of 200 mills. The tax is computed as follows:

\$40,000 assessed value (= market value)
 $\$40,000 \times .0855$ (8.55 percent) = \$3,420 taxable value
 $\$3,420 \times .2$ (200 mills) = \$684, property tax.

The property is in class 4 (see Table 3, page 10), hence the taxable value is 8.55 percent of assessed value.

Exemptions from Property Taxes

Certain properties of religious and charitable institutions, non-profit societies, and property of governmental units are exempt from taxation. The above includes hospitals, libraries, cemeteries and facilities for the care of the retired or aged or chronically ill which are not operated for gain or profit. Also exempt are household goods, appliances and furniture used by the owner for personal and domestic purposes, monies and credits, freeport merchandise, all unprocessed perishable fruits and vegetables held in farm storage, all unperishable agricultural products (except livestock) held for less than seven months, and livestock under the age of nine months. The property of irrigation districts organized under the laws of Montana and not operating for profit and sprinkler irrigation systems are exempt.

Three special exemptions relate to energy production.

(1) To encourage exploration for natural gas, half the net proceeds from a gas well is exempt from the net proceeds tax if produced from a well 5,000 feet deep or deeper, if drilling is commenced after December 31, 1976 but before December 31, 1980, and if the natural gas is distributed through a system serving natural gas consumers, a majority of which are within Montana or at least 10,000 Montana consumers (see Class 1). (2) Half the gross proceeds of coal mines and metal mines which produce less than 20,000 tons per year are exempt from the gross proceeds tax (see Class 2). (3) Investments made after January 1, 1979, in a recognized non-fossil form of energy generation are exempt from taxation for a period of ten years after installation in an amount up to \$20,000 in the case of a family residential dwelling and up to \$100,000 for a multifamily residential dwelling or a nonresidential structure.

The residence of an honorably discharged veteran with a 100 percent service related disability is exempt if his annual income is not more than \$7,000 (\$8,000 for a married couple).

Table 2. Yield of specific state and local taxes or tax groups in neighboring states, 1976-77.

State	Property Tax		General Sales Tax		Income Tax		Other Taxes		Total Taxes	
	Mil. dol.	Percent	Mil. dol.	Percent	Mil. dol.	Percent	Mil. dol.	Percent	Mil. dol.	Percent
Colorado	822.8	38.1	563.9	26.1	419.5	19.5	351.4	16.3	2,157.6	100.0
Montana	275.3	47.3	---	---	136.8	23.5	170.5	29.2	582.6	100.0
Nebraska	557.0	46.1	221.1	18.3	212.5	17.6	217.5	18.0	1,208.1	100.0
New Mexico	135.0	18.2	267.0	35.9	56.1	7.6	285.1	38.3	743.2	100.0
North Dakota	146.1	32.8	110.2	24.8	76.8	17.2	112.0	25.2	445.1	100.0
South Dakota	211.4	48.7	111.4	25.7	2.5	.6	108.3	25.0	433.6	100.0
Utah	241.7	29.2	266.9	32.3	183.1	22.1	135.3	16.4	827.0	100.0
Washington	934.5	31.1	1,284.9	42.8	---	---	784.6	26.1	3,004.0	100.0
Wyoming	163.3	40.7	104.7	26.1	---	---	133.3	33.2	401.3	100.0
United States	62,534.9	35.6	36,312.9	20.7	38,418.7	21.8	38,612.2	21.9	175,878.7	100.0

Source: GF 77, No. 5, Government Finances in 1976-77. U.S. Department of Commerce, Bureau of the Census, pp. 20-22.

**Table 3. Classification of taxable property in Montana, 1979,
with taxable value rates as percentages of assessed value.**

Class 1 — TVR:*	(a) 100% of assessed value; and (b) 100 percent net proceeds after deducting specified expenses.
	(a) Right of entry to lands whose surface title is held by another, to explore, prospect, or dig for oil, gas, coal, or other minerals.
	(b) The annual net proceeds of all mines excepting coal and metal mines.
Class 2 — TVR:	(a) 3 percent of gross proceeds as defined; (b) 33-1/3% of gross proceeds; and (c) 45% of gross proceeds.
	(a) The annual gross proceeds of metal mines.
	(b) The annual gross proceeds of underground coal mines.
	(c) The annual gross proceeds of coal mines using the strip-mining method.
Class 3 — TVR:	30% of value based on earnings in agriculture.
	All agricultural land.
Class 4 — TVR:	a, b and c, 8.55 percent of assessed value; d, a schedule from 0% to 7.695% of assessed value, depending on adjusted gross income of the family¹; e, 4.275% of assessed value.
	(a) All land except that specifically included in another class.
	(b) All improvements except those specifically included in another class.
	(c) All trailers and mobile homes used as a permanent dwelling except:
	(1) those held by a distributor or dealer as stock, and
	(2) those specifically included in another class.
	(d) So much of the market value of any improvement on real property (or mobile home) and the appurtenant land not exceeding 5 acres, as does not exceed \$35,000, when such dwelling and land are owned or under contract for deed, by certain widows or widowers, retired, disabled and other persons whose adjusted gross income as reported on their latest federal income tax return is not more than \$8,000 if single or \$10,000 if married. ¹

*TVR = Taxable Value Rate

¹Class 4-d property is taxable at 8.55 percent of assessed value times the following percentage schedule based on annual income.

Adjusted gross income Single person	Adjusted gross income Married couple	Percentage Multiplier
\$0 to \$1,000	\$0 to \$1,000	0%
1,001 to 2,000	1,001 to 2,000	10%
2,001 to 2,800	2,001 to 3,000	20%
2,801 to 3,600	3,001 to 4,000	30%
3,601 to 4,400	4,001 to 5,000	40%
4,401 to 5,200	5,001 to 6,000	50%
5,201 to 6,000	6,001 to 7,000	60%
6,001 to 6,800	7,001 to 8,000	70%
6,801 to 7,600	8,001 to 9,000	80%
7,601 to 8,000	9,001 to 10,000	90%

Source: HB 398, 1979 Session.

- (e) All golf courses, including land and improvements actually and necessarily used for that purpose that:
 - (1) consist of at least 9 holes and not less than 3,000 lineal yards, and
 - (2) were used as golf courses January 1, 1979 and owned by a non-profit Montana corporation.

Class 5 — TVR: 3 percent of assessed value.

- (a) All property used and owned by Cooperative Rural Electrical and Cooperative Rural Telephone associations organized under the laws of Montana, except property owned by cooperative organizations referred to in Class 7, e.
- (b) Air and water pollution control equipment.
- (c) Property that meets the requirements for "New Industry."
- (d) Any personal or real property used primarily in the production of gasohol during construction and for the first 3 years of its operation.

Class 6 — TVR: 4 percent of assessed value.

- (a) Business inventory.
- (b) All unprocessed agricultural products on the farm or in farm storage except:
 - (1) perishable fruits and vegetables in farm storage and owned by the producer.
 - (2) livestock and poultry and the unprocessed products of both.

Class 7 — TVR: 8 percent of assessed value.

- (a) Livestock and poultry and the unprocessed products of both.
- (b) Bees and beehive equipment.
- (c) Tools, implements, and machinery used to repair and maintain machinery not used for manufacturing and mining purposes.
- (d) All property used and owned by persons, firms, corporations or other organizations that are engaged in the business of furnishing telephone communications exclusively to rural areas and cities and towns of 800 persons or less provided that the average circuit miles for each station must be more than 1-1/4 miles.
- (e) All property owned by cooperative rural electrical and telephone associations that serve less than 95 percent of the consumers or users within the incorporated limits of a city or town.

Class 8 — TVR: 11 percent of assessed value.

- (a) All agricultural implements and equipment.
- (b) All mining and manufacturing machinery, fixtures, equipment, tools and supplies except those included in Class 5.
- (c) Motorcycles and all-terrain vehicles.
- (d) Boats, boat motors and watercraft.
- (e) Boat trailers.
- (f) Light utility trailers.
- (g) Aircraft.
- (h) Harness, saddlery and other tack equipment.
- (i) All other machinery except that specifically included in another class. Examples are construction equipment, logging equipment and ski lift equipment.

Class 9 — TVR: 13 percent of assessed value.

- (a) Automobiles, buses and trucks with a rated capacity of 1-1/2 tons or less.
- (b) Stock trailers.
- (c) Furniture, fixtures and equipment, except that specifically included in another class used in commercial establishments defined as any hotel; motel; office; petroleum marketing stations; or service, wholesale, retail or food handling businesses.
- (d) X-ray and medical and dental equipment.
- (e) Citizens' band radios and mobile phones.

Class 10 — TVR: 16 percent of assessed value.

- (a) Radio and television broadcasting and transmitting equipment.
- (b) Theater projectors and sound equipment.
- (c) Cable television systems.
- (d) Coal and ore haulers.
- (e) Trucks with a rated capacity greater than 1-1/2 tons.
- (f) Trailers except those included in classes 5, 8, and 9 including those prorated under MCA Section 15-24-102.
- (g) All other property not included in preceding classes.

Class 11 — TVR: (a) 12 percent of assessed value and (b) 15 percent of assessed value.

- (a) Allocations of centrally assessed electric power companies and natural gas companies having a major distribution system in this state.
- (b) Allocations of centrally assessed companies EXCEPT:
 - (1) Electric power and gas companies.
 - (2) Property of cooperative rural electric companies included in Class 5-a.
 - (3) Property owned by organizations providing telephone communications to rural areas and cities, see Class 7-d.

Property Tax Administration

The Division of Property Valuation of the State Department of Revenue is responsible for administering property taxes in Montana. Almost all real estate and improvements are assessed by the classification and appraisal office in each county. The county assessor is responsible for appraising most personal property.

Real property which is single and continuous, and is in more than one county (such as railways, telephone lines, power lines and pipe lines) are assessed by the state office of the Department of Revenue and the valuation apportioned to counties and other jurisdictions on a mileage basis or other basis which is "reasonable and proper."⁷ A law passed by the 1979 session requires that all operating property of centrally assessed companies be assessed by the state office of the Department of Revenue.

The Department of Revenue also values the net or gross proceeds of mines and provides schedules or other guides for the valuation of most kinds of personal property.

Three recent Montana laws are designed to maintain

equitable assessment procedures. (1) Legislation passed in 1975 requires revaluation of property at least every five years. Not less than 20 percent of the property in any one county is to be revalued each year. (2) The Realty Transfer Act of 1975 requires that the true consideration in each real estate transfer must be certified before the deed or other transfer instrument can be recorded. The law exempts agricultural land and transfers that are not bona fide arms length sales such as estate settlements, gifts, and sales to relatives. (3) Senate Bill No. 71 (1979) provides for a system of instruction, examination and certification of all appraisers of real estate and improvements for tax purposes.

House Bill No. 150 (1979) repealed the property tax on moneyed capital and shares of commercial banks and provides that 80 percent of the corporation license (income) tax collected from banks and savings and loan corporations be allocated to the various taxing jurisdictions within the county in which the bank or savings and loan association is located. Senate Bill No. 174 (1979) provides that land used to raise animals in confined areas for the production of food and fiber, including but not limited to livestock, feedlots, dairies, fish hatcheries and poultry farms shall be included in the definition of agricultural land for property tax purposes.

⁷A rough rule of thumb furnished by an official of a utility is that the annual tax on such continuous property amounts to 1½ percent of the installed cost of such property.

The Taxable Value Classification

The rates for calculating taxable value, once the assessed value is established, are set by the Legislature. Hence, this is a simple exercise in arithmetic once the property has been assessed. Table 3, page 10, is an abbreviation of the statutes. There was a considerable amount of activity related to classification in the 1979 session of the Legislature. The classification presented in Table 3 is compiled from the following legislation: (a) House Bills number 150, 213, 297, 398, 643 and 848; (b) Senate Bills number 174, 325 and 523.

Assessment of Property

Methods and procedures for assessing property are prescribed by the State Department of Revenue. County appraisers and assessors are furnished with detailed instructions, schedules and guidelines for each specific kind of property.

The statutes require that all properties must be assessed at 100 percent of market value with the exception of some classes of property discussed below:

(a) *Agricultural Land (Class 3)*

Agricultural land is required by law to be assessed on the basis of its productive capacity. All agricultural land has been classified, graded, and mapped by units of 40 acres or less according to classifications shown in Table 4, page 14. The grades and classes are based chiefly on soil, topography, and climatic characteristics and do not change often although in the interest of equity classes and grades may be revised as conditions require. The Department of Revenue furnishes a schedule of assessed values per acre for each land class and grade. This schedule is subject to review at least every five years. (See Table 4.) The taxable value is 30 percent of assessed value. (See class 3, Table 3, page 10.)

(b) *Mines and Mineral Deposits (Classes 1 and 2)*

Mines and mineral deposits also constitute one of the exceptions that assessed values are tied to the market value of the property itself. A number of states use the net or gross proceeds as a basis for property taxation of mines due to the hidden nature and difficulty of assessing mineral deposits. The gross proceeds are used in Montana for coal mines and metal mines. For all other mines the net proceeds are the basis for valuation.

Gross proceeds of coal mines are computed from the annual tonnage produced and the contract sales price. The contract sales price is the price of coal prepared for shipment f.o.b. the mine, less the amount charged by the seller to cover the total of property, severance, and resource indemnity and trust taxes and some federal production taxes. The taxable value of underground mines is 33-1/3 percent of gross proceeds. For surface mines, the taxable value is 45 percent of gross proceeds. (Class 2.)

After April 26, 1977, the assessed value of metal mines was changed to be 100 percent of the gross proceeds of the mine based on the average quotation of prices in the city of

New York without reductions for costs of smelting, reduction or treatment. The taxable value is 3 percent of the gross proceeds. Metal mining includes the extraction of gold, silver, copper, lead, precious or semi-precious stones and gems.

Net proceeds in the case of other types of mines, and oil and gas production are defined as the annual gross value of production less certain statutory deductions which presumably represent average production costs. The taxable value is 100 percent of net proceeds. Table 5, page 15, summarizes the methods of valuing property in classes 1 and 2.

Property taxes on royalties on oil and gas production are paid by the operator on behalf of the mineral owner. The taxable value of other royalties is assessed directly to the mineral owner and is paid by the owner.

Reserved right of entry and patented mining claims are taxed at 100 percent of market value (Class 1) and other elements of mining property such as surface value of the land, improvements, drilling equipment, machinery, fixtures and supplies are taxed as indicated in Classes 4 and 8.

In 1978 the taxable value of all mining property in Montana amounted to \$301.5 million, or 19.2 percent of the total taxable valuation of \$1,568 million.

New Industrial Property

A law passed in 1975 states that a person or firm building a major new industrial facility creating an adverse impact on state, county or municipal services can be requested by the Board of County Commissioners to prepay up to three times the estimated property tax due the year the facility is completed. One-fifth of the amount prepaid is allowed as a credit against property taxes each year after the start of production. A major new industrial facility is a manufacturing or mining facility which will employ, on an average annual basis, at least 100 people in construction or operation of the facility.

Sources and Distribution of Property Taxes

The Montana property tax dollar in 1978 was distributed as follows:

<u>Disposition</u>	<u>Percent</u>
Schools, other than universities	56.5
Counties	21.2
Cities	9.5
State (mostly education)	4.6
Special improvement districts and other	8.2

The property tax is the chief source of revenue for school districts, counties, cities and towns, and special districts. Most of the 4.6 percent listed as state usage was used for education, chiefly the levy for the university system. This brings the amount of property tax used for education in Montana to approximately 60 percent of the total.

The sources of the property tax dollar in 1978 were as follows:

<u>Source</u>	<u>Percent</u>
Property taxes, total	100.0
Real estate and improvement, total	42.8
Agricultural land and improvements	12.5
Non-agricultural land and improvements	30.3
Gross and net proceeds of mines and royalties	17.7
Utilities	11.7
Livestock	2.8
All other personal property	25.0

Property Tax Relief

House Bill No. 925, 1979 session, provides property tax relief in the form of a direct payment for calendar years 1979 and 1980 of \$65 or the amount of the tax, whichever is less, on the principal residence of the taxpayer. An amount of \$10 million was appropriated for each year of the biennium. In case the amount appropriated is insufficient to provide relief in the amounts specified, the Department of Revenue shall prorate the amount available among the eligible applicants.

Table 4. Classes, grades and assessed values for Montana agricultural land, 1979.

<u>Grade</u>	<u>Unit of measure</u>	<u>Assessed value dollars per acre</u>	<u>Grade</u>	<u>Unit of measure</u>	<u>Assessed value dollars per acre</u>
Wheat per acre non-irrigated summer fallow			Wheat per acre non-irrigated continuously cropped		
	<u>bushel</u>			<u>bushel</u>	
1A5	34 & over	61.37	1	34 & over	81.86
1A4	32-33	54.80	2	32-33	73.09
1A3	30-31	48.60	3	30-31	64.81
1A2	28-29	42.79	4	28-29	57.05
1A1	26-27	37.31	5	26-27	49.75
1A	24-25	32.22	6	24-25	42.96
1B	22-23	27.50	7	22-23	36.67
2A	20-21	23.15	8	20-21	30.87
2B	18-19	19.17	9	18-19	25.56
2C	16-17	15.56	10	16-17	20.75
3A	14-15	12.31	11	14-15	16.41
3B	12-13	9.44	12	12-13	12.59
4A	10-11	6.94			
4B	8-9	4.81	Grazing land per 1000 lb. steer for 10 months		
5	7 & under	3.06		<u>acres</u>	
			1A2	2 & under	71.69
Wild hay per acre			1A1	3-5	44.18
	<u>tons</u>		1A	6-10	20.51
1	3.0 & over	67.60	1B	11-18	10.53
2	2.5-2.9	53.03	2A	19-21	7.17
3	2.0-2.4	41.38	2B	22-27	5.42
4	1.5-1.9	29.43	3	28-37	3.72
5	1.0-1.4	19.38	4	38-55	2.52
6	.5- .9	10.05	5	56-99	1.47
7	.4 & under	5.54	6	100 & over	.82

Tillable Irrigated Land

Grade	Unit of Measure	Annual Water Cost Per Acre							
	Tons alfalfa per acre	Under \$1.50	\$1.50 2.49	\$2.50 3.49	\$3.50 4.49	\$4.50 5.49	\$5.50 6.49	\$6.50 7.49	\$7.50 & over
Class 1 maximum rotation, assessed value per acre									
1A	4.5 & over	110.40	103.74	97.07	90.40	83.74	77.07	70.40	63.74
1B	4.0-4.4	94.70	88.98	83.26	77.55	71.83	66.11	60.39	54.68
2	3.5-3.9	78.70	73.96	69.20	64.45	59.70	54.94	50.19	45.44
3	3.0-3.4	63.70	59.85	56.00	52.16	48.31	44.47	40.62	36.78
4	2.5-2.9	48.53	45.60	42.67	39.74	36.81	33.88	30.95	28.02
5	2.0-2.4	31.92	30.00	28.07	26.14	24.21	22.29	20.36	18.43
6	1.5-1.9	19.86	18.67	17.47	16.27	15.07	13.87	12.67	11.47
7	1.0-1.4	11.37	10.69	10.00	9.31	8.63	7.94	7.25	6.57
8	0.9 & under	4.55	4.28	4.00	3.72	3.45	3.18	2.90	2.62
Class 2 medium rotation, assessed value per acre									
1A	4.5 & over	97.26	90.60	83.93	77.27	70.60	63.94	57.27	50.60
1B	4.0-4.4	81.72	76.12	70.52	64.92	59.32	53.72	48.12	42.52
2	3.5-3.9	67.27	62.66	58.05	53.44	48.83	44.22	39.61	35.00
3	3.0-3.4	53.90	50.21	46.51	42.82	39.12	35.43	31.73	28.04
4	2.5-2.9	41.60	38.76	35.90	33.05	30.20	27.35	24.49	21.65
5	2.0-2.4	30.39	28.31	26.22	24.14	22.06	19.96	17.89	15.81
6	1.5-1.9	19.86	18.67	17.47	16.27	15.07	13.87	12.67	11.47
7	1.0-1.4	11.37	10.69	10.00	9.31	8.63	7.94	7.25	6.57
8	0.9 & under	4.55	4.28	4.00	3.72	3.45	3.18	2.90	2.63
Class 3 minimum rotation, assessed value per acre									
1A	4.5 & over	86.26	79.60	72.93	66.27	59.60	52.94	46.27	39.60
1B	4.0-4.4	73.84	68.14	62.43	56.72	51.02	45.31	39.60	33.90
2	3.5-3.9	62.01	57.22	52.43	47.64	42.84	38.05	33.26	28.47
3	3.0-3.4	50.79	46.86	42.94	39.02	35.09	31.16	27.24	23.32
4	2.5-2.9	40.15	37.05	33.95	30.85	27.74	24.64	21.54	18.43
5	2.0-2.4	30.11	27.78	25.46	23.13	20.80	18.48	16.15	13.82
6	1.5-1.9	19.86	18.67	17.47	16.27	15.07	13.87	12.67	11.47
7	1.0-1.4	11.37	10.69	10.00	9.31	8.63	7.94	7.25	6.57
8	0.9 & under	4.55	4.26	4.00	3.72	3.45	3.18	2.90	2.63

**Table 5. Summary of methods of valuing
mines in Montana for tax purposes.**

Type of Mine	Taxable Value Rate (percent)
Surface coal mines ^a	45
Underground coal mines ^a	33-1/3
Metal mines ^a	3
All other (including oil and gas) ^b	100

^aThe assessment level is 100 percent of annual gross proceeds.

^bThe assessment level is 100 percent of annual net proceeds.

Personal Income Tax

The personal income tax is the second largest source of revenue for state and local governments in Montana. It yielded a total of \$123.6 million in fiscal 1978. An individual must file a return if his adjusted gross income is at least \$940 for the taxable year, or \$1,880 for married individuals not filing separate returns. The above figures are increased by \$800 for each additional personal exemption allowance the taxpayer is entitled to claim if the taxpayer or spouse is 65 years old or blind or both.

The general formula for calculating the Montana income tax is common to most states. Beginning with federal adjusted gross income, certain types of income are allowed to be subtracted (because they are not subject to the tax) to arrive at a state adjusted gross income. Then deductions and personal exemption allowances are subtracted from adjusted gross income, and taxable income is obtained. Graduated tax rates are applied to taxable income. In Montana a 10 percent surtax is added in order to arrive at the tax liability. Montana residents are given credit against this tax liability for income taxes paid to other states.

Adjusted Gross Income, Deductions, Personal Exemptions

The definitions in the Montana income tax laws parallel those of the federal system. The Montana return begins with the gross income listed on the federal return. To this is added interest received from bonds of other states and their municipalities and federal tax refunds from the previous year if the deduction of such tax resulted in a reduction of the Montana tax liability. Subtracted are interest income from obligations of the United States government and retirement benefits of certain Montana policemen, patrolmen, firemen, teachers, and public employees. Federal retirement benefits up to \$3,600 are subtracted also. The result is the Montana adjusted gross income.

The energy conservation tax incentive was transferred from the property tax to the state income tax in 1977. The taxpayer may deduct from the adjusted gross income a portion of the expenditure for a capital investment in a building for an energy conservation purpose according to the following schedule:

<u>Percent of expenditure in a residential building</u>	<u>Percent of expenditure in a building not used as a residence</u>
100% of the first \$1,000	100% of the first \$2,000
50% of the next 1,000	50% of the next 2,000
20% of the next 1,000	20% of the next 2,000
10% of the next 1,000	10% of the next 2,000

Other items deductible from adjusted gross income are the same as for the federal system except that the federal tax paid is deductible and the state tax paid is not deduc-

tible. Montana residents may itemize deductions or claim a standard deduction. The standard deduction for a single taxpayer is 15 percent of the Montana adjusted gross income but not more than \$1,000. For married couples filing jointly, 15 percent of the Montana adjusted gross income but not more than \$2,000.

For the tax year 1979, the personal exemption was \$800 adjusted upward \$50 for every \$2½ million by which the general fund balance exceeded \$14 million on June 30 (worked out to \$1,050). For 1980 the exemption will be \$800 adjusted upward by \$50 for each \$2.8 million by which the general fund balance exceeds \$13 million as of June 30, 1980. An individual is allowed one additional exemption if age 65 or more, and another if blind. A spouse also is eligible to claim each of these individual exemptions.

Deductions and exemptions are subtracted from the adjusted gross income to obtain taxable net income, and hence the tax liability.

Credits

A *credit* is deducted from the tax liability once it has been computed. In Montana a credit against the tax liability is allowed for contractors' gross receipts tax paid, and a part (1/5) of the federal investment tax credit is allowed individuals and small businesses that meet certain specifications as a means of encouraging capital investments.

The individual taxpayer who completes installation of an energy generation system using a non-fossil form of energy generation to be used in the taxpayer's principal dwelling may claim a tax credit equal to 5 percent of the first \$1,000 and 2.5 percent of the next \$3,000 of the installation cost less any grants received from governments. (Maximum amount of credit = \$125.)

Administration

The state personal income tax is collected by the Montana Department of Revenue. A tax withholding program is in effect. Employers make quarterly reports to the Department of Revenue.

The basic tax rates and calculations applied to taxable income are as follows:

<u>Taxable income</u>	<u>Tax formula</u>
\$1,000 or less	2%
1,000-2,000	\$20 + 3% of excess over \$1,000
2,000-4,000	\$50 + 4% of excess over \$2,000
4,000-6,000	\$130 + 5% of excess over \$4,000
6,000-8,000	\$230 + 6% of excess over \$6,000
8,000-10,000	\$350 + 7% of excess over \$8,000
10,000-14,000	\$490 + 8% of excess over \$10,000
14,000-20,000	\$810 + 9% of excess over \$14,000
20,000-35,000	\$1,350 + 10% of excess over \$20,000
35,000 and over	\$2,580 + 11% of excess over \$35,000

After the tax is computed by use of the above formula, then a surtax of 10 percent is added for the total tax liability. (Credits are taken against this total liability.)

Disposition of Income-Tax Revenue

Twenty-five percent of Montana's personal income tax is earmarked for the school foundation program. In 1967 the Legislature placed 11 percent into the sinking fund to pay for the state long-range building program. The remaining 64 percent goes into the state general fund. Surplus in the sinking fund flows back into the general fund.

Corporation Income Tax

The Montana corporation income tax is called the "Corporation License Tax." It is levied at the rate of 6.75 percent on the net income of corporations, with a minimum tax of \$50. The federal definition of corporate net income is used. The federal corporate net income tax paid is not deductible for state tax purposes. The corporation license tax is administered by the State Department of Revenue. Twenty-five percent of the proceeds is earmarked for the state school foundation program. In 1967, 11 percent was allocated to sinking funds to retire bonds. The remaining 64 percent is placed into the state general fund. Surplus in the sinking fund flows back into the state general fund. The tax yielded \$29.239 million in 1978.

The statutes exempt certain kinds of societies, orders, associations, and organizations from the corporation license tax. Examples are lodges, cemetery companies, civic leagues, and religious, charitable, scientific, and educational corporations. The key requirements are that they operate exclusively for the benefit of their members or for society, and that no part of the income of the organization benefits any private stockholder or individual.

Corporations are allowed the same deductions as individuals from taxable income for expenditure for a capital investment in a building for energy conservation purpose, using the same schedule for deductions.

An act of the 1975 Legislature provides that a new or expanding manufacturing corporation may receive a credit against its corporation license tax equal to one percent of the total new wages paid in the state for three years. An expanding manufacturing corporation is one which has an increase in total full time jobs of 30 percent or more. The act defines manufacturing and lists activities included and excluded. Examples of activities which qualify are milk bottling and pasteurizing, publishing, logging, and ready-mixed concrete production. Not qualifying are agriculture, forestry, fishing, wholesale and retail trade and services, and mining.

Highway Users Taxes

A group of taxes are paid by owners of motor vehicles. These include fuel taxes, registration fees, gross vehicle weight (GVW) fees, and several special users fees and temporary permits. Highway users taxes and fees as a group account for 10.8 percent of the state and local tax revenues in Montana during fiscal 1978. Only property and individual income taxes account for larger proportions of total tax revenue.

Highway users taxes are in addition to property taxes paid on motor vehicles when license plates are purchased. The property tax on late model cars exceeds \$250 in some jurisdictions. Motor vehicles accounted for nearly 9 percent of total taxable valuation in 1976.⁸

Fuel Taxes

Fuel taxes are the most important of the highway users taxes. Amounts collected during fiscal 1978 are as follows:

<u>Tax Source</u>	<u>Thous. Dol. Collected 1978</u>	<u>Percentage of all taxes collected</u>
Fuel tax, total	47,158	7.2
Gasoline licenses and taxes	37,535	
Diesel fuel licenses and taxes	9,252	
Liquid petroleum gas	341	
Aviation fuel	30	

The gasoline tax was 8 cents per gallon in 1978 and the diesel fuel tax was 10 cents per gallon. The rates were changed to 9 cents per gallon for gasoline and 11 cents per gallon for diesel during the 1979 session of the legislature.

Aviation tax is 1 cent per gallon. A new approach to the taxing of liquidified petroleum gas was adopted by the 1975 session of the legislature. In lieu of a tax per unit of measurement, an annual license fee is collected from owners or operators of motor vehicles powered by liquified petroleum gas according to the following schedule: (84-1862)

<u>Licensed gross vehicle weight</u>	<u>Annual fee</u>
10,000 lbs. or less	\$ 60
10,000-18,000 lbs.	80
18,000-48,000 lbs.	200
48,000 lbs. or more	1,000

⁸It should be noted that highway users taxes are for the most part levied on physical measurements such as gallons of fuel, weights of vehicles or miles traveled, rather than an advalorem basis. Property taxes, sales taxes and income taxes tend to increase automatically if prices rise, but there has actually been some decrease in the gallons of gasoline used on highways at a time when the costs of construction and maintenance of highways and streets were increasing greatly.

The fuel taxes and fees are collected from distributors by the Department of Revenue. Users of fuels for off-highway purposes (e.g., agriculture or construction purposes) normally pay the fuel tax and then apply for a refund.

The aviation fuel tax collections are allocated to the Aeronautics Commission. All the other collections are placed in the earmarked revenue fund to the credit of the Department of Highways except an amount of \$6.5 million which is allocated directly each fiscal year to cities, towns, and counties according to a formula which is provided in appendix 2 of this report.

Funds allocated to counties, cities, and towns must be used exclusively for construction and maintenance of roads or streets and alleys, including the matching of federal funds for federal-aid roads and streets.

The stated purpose of the increase in the gasoline and diesel tax was primarily to match federal funds available for completion of the federal interstate system, secondly to fully fund the highway patrol costs, and thirdly (to the extent that funds are collected), to add \$2 million dollars to the \$6.5 million mentioned above for distribution to cities, towns and counties, also to be distributed according to the formula presented in appendix except that the additional \$2 million will be divided 65 percent for cities and towns and 35 percent to counties.

County Motor Fuel Tax Authorized

The voters may impose by initiative a motor fuel tax of not more than 2¢ per gallon to be used for construction and maintenance of public streets and roads. The funds collected are to be allocated to the municipalities and counties in proportion to the number of vehicles registered within the municipalities and outside municipalities.

Vehicle Registration Fees

Vehicles are assessed and registered at the county courthouse. The owner must have his vehicle assessed in the assessor's office. The property tax, registration fee, and gross vehicle weight (GVW) fees are paid at the county treasurer's office. Registration fees in 1980 are \$5 for small passenger cars, and \$10 for large cars, plus an additional 50¢ to dispose of old autos. The schedule of registration fees by type of vehicle is:

6,000 lbs. or more	10
Exclusively hauling logs or oilwell, road and bridge machinery	15

All dealers in motor vehicles pay \$30 for two sets of plates, \$5 each for six additional sets and \$2 each for additional plates. All dealers in motorcycles and trailers (including house trailers) pay a \$30 license fee.

Registration fees are credited to the motor vehicle license fund. After deduction of cost of license plates and collection, the proceeds are deposited in the county road fund. These funds are then used for the construction and maintenance of county and city roads and streets according to a formula which is provided in appendix 2.

Two changes were made by the legislature in 1979 which affect what happens when an owner goes to the courthouse to register a vehicle.

1. An additional \$2 registration fee is to be collected on each vehicle. Revenue from this fee is to be forwarded to the state treasurer for deposit in a motor vehicle recording account in the earmarked revenue fund. The funds will be used as follows:
 - (a) To pay salaries and operating expenses of the division, including the manufacture and delivery of license plates;
 - (b) To fund the forensic science division of the Department of Justice;
 - (c) To fund the Montana Law Academy Bureau;
 - (d) To fund the Law Enforcement Teletype System Bureau of the Department of Justice;
 - (e) To fund the Montana Criminal Law Information Center to the extent that funds are available after a, b, c, and d are funded.
 - (f) Any balance remaining at the end of the bien-neum must be transferred to the state general fund.
2. A fee in lieu of property tax is provided for motor homes, travel trailers, campers and snowmobiles, the proceeds to be remitted to a motor vehicle suspense fund to be distributed to the various taxing jurisdictions (state, counties, cities, school districts, and so on) in the same proportion as personal property taxes are distributed.

The fees in lieu of taxes are imposed as follows:

 - (a) For motor homes a schedule ranging from \$200 for a motor home less than 2 years old to \$15 for one 8 years old or older.
 - (b) For travel trailers, \$40 up to 3 years old, \$15 in all other cases.
 - (c) For campers, \$35 up to 3 years old, \$15 in all other cases.
 - (d) For snowmobiles, \$22 up to 4 years old, \$15 in all other cases.

<u>Vehicle</u>	<u>Regular fee*</u>
Passenger cars	
2,850 lbs. or less	\$ 5
2,850 lbs. or more	10
Tractors, trucks and buses classed as trucks	10
House trailers and motorcycles	2
Trailers and semi-trailers	
2,500 lbs. or less	2
2,500-6,000 lbs.	5

*Add the \$2 additional fee described under (1) below.

Gross Vehicle Weight and Related Fees

The GVW annual fees are based on a "maximum gross loaded weight" schedule. The proceeds of this fee are placed in the state highway fund. These fees make up the greater part of the item designated as motor vehicle taxes (\$16.2 million) in Table 1.

The fees are paid on trucks and truck tractors, and on all trailers. They range from as low as \$3.75 for commercial trailers up to 2,500 lbs., to an excess of \$543 for trucks, truck tractors, and trailers weighing over 42,000 lbs. The complete schedule is provided as part C of Appendix I.

Special fees hold for certain classes and uses. Trucks used exclusively for hauling logs, livestock, equipment, or poles are charged 75 percent of the fee schedule. The fee for farm trucks is 16 percent of the standard schedule. The fee for cement mixer trucks is 55 percent of the standard schedule. The GVW fee for house trailers is 75 cents per foot of body length and commercial buses are charged \$7 for each seat above the first seven.

Other highway users' fees and licenses in Montana produce some revenue but are mainly important for regulatory purposes. These include motor carrier fees, drivers licenses, special use fees, parking fees, and dealers' licenses. Temporary trip permits issued by the Highway Department for license, G.V.W., and fuel amount to about \$1 million.

New passenger cars and trucks are taxed for the calendar year during which the vehicle is purchased at the rate of 1½ percent of the F.O.B. factory price with adjustments made for when the purchase is made during the year. Proceeds are remitted to the State Highway account.

Alcoholic Beverage Taxes

For tax discussion purposes, alcoholic beverages are classified in Montana as beer, table wines (not more than 14 percent alcohol by volume) and liquor (alcoholic beverages except beer and table wine).

The Montana Liquor Control Board has a monopoly on the wholesaling of liquor but shares the distribution of table wines with retailers. Four kinds of taxes are levied on alcoholic beverages, the beer tax, tax on table wine, the liquor excise tax and the liquor license tax. In addition there are license fees on wholesalers and retailers of alcoholic beverages. See Table 6, page 19, for a summary of collections for fiscal 1978, prior to the specific tax on table wines levied during the 1979 session of the legislature.

The Beer Tax

The tax on beer is \$4 per 31-gallon barrel. The tax is collected by the Department of Revenue from manufacturers or wholesalers. On the amount collected by the department, \$1.50 per barrel is placed in the state general fund. Another \$1.50 per barrel is distributed monthly to incorporated cities and towns in the proportion that the population bears to the total population of all cities and towns in the state. The funds received by cities and towns must be expended for state purposes such as law enforcement,

transportation systems, and public health. After July 1, 1977, \$1 per barrel goes to the Department of Institutions for the treatment, rehabilitation, and prevention of alcoholism in the state.

Liquor Excise Tax

The Department of Revenue collects a tax of 16 percent of the retail selling price of all liquor (wines and spirits) sold in Montana. The proceeds go to the state general fund.

The Liquor License Tax

The Department of Revenue also collects a license tax of 10 percent of the retail selling price on all liquor sold and delivered in the state. Thirty percent of the proceeds are to be allocated to counties according to the amount of liquor purchased in each county, to be distributed to the incorporated cities and towns based on the proportion that the gross sales of liquor in each city or town to the sale of liquor in all cities and towns in the county. Four and one-half percent is allocated to counties to be used for county purposes. The remainder is to be deposited to the credit of the department of institutions for the treatment, rehabilitation and prevention of alcoholism.

The Tax on Table Wine

A tax of 20 cents per liter is levied and imposed on table wine imported by any table wine distributor or the Department of Revenue. Sixteen cents is placed in the state general fund. One-third of the remaining 4 cents goes to the department of institutions for the treatment, rehabilitation and prevention of alcoholism, one-third goes to the counties, based on population, to be used for county purposes, and one-third to the cities and towns based on population.

Montana Tobacco Taxes

The Montana cigarette tax of 12 cents per package provided over \$11 million in 1978, of which 50 percent went into the state general fund and the remainder into the long-

Table 6. Amounts collected in Montana from alcoholic beverage taxes and licenses in fiscal 1978.*

Tax	Amount Collected
Liquor excise tax, 16%	\$ 6,459,007
Liquor license tax, 10%	4,036,878
Beer licenses and taxes	3,056,357
Licenses on retailers	1,152,805
TOTAL	\$14,705,047

*Does not include profits of \$6,778,951 from the operation of the Liquor Control Board, which are discussed later under the topic of non-tax revenue.

range state building program. Other tobacco products are taxed at 12.5 percent of the wholesale price. Proceeds go either into the long-range state building or into the general fund.

Mineral Resource Taxes

Two important recent taxes on mine properties are the severance tax on coal and the resource indemnity trust tax. These, and several other taxes on minerals or mine operators, are discussed in this section. Additional non-tax revenues from oil and gas leases, and royalties from state and federal lands are not a part of this report as a source of revenue, although their disposition is highlighted in the next section. The gross and net proceeds property taxes on mine production are discussed along with other property taxes in an earlier section.

Resource Indemnity Trust Tax

All firms engaged in extracting minerals must pay an annual tax of \$25 plus 0.5 percent of the gross value of product in excess of \$5,000. Gross value is defined as the contract sales price, that is, the f.o.b. mine price less the following taxes charged to the seller: property, resource indemnity, fund severance, reclamation and black lung. This is the same basis to which the coal severance tax is applied. This tax is in addition to all other license and severance taxes. The law specifies that interest can be appropriated after \$10 million is accumulated, and interest and/or revenue can be spent after the level of \$100 million is accumulated. Proceeds from this tax are placed in the trust and legacy fund.

The Coal Severance Tax

The present severance tax rates on coal production were adopted by the 1975 Legislature. The annual proceeds from severance taxes were \$483,000 in fiscal 1972 and nearly \$23 million in fiscal 1976. The tax rates on coal are the greater of a tax per ton or a percent of the contract sales price (as defined above and also for the gross proceeds property tax), except that the first 20,000 tons per year are exempt. The rates for surface and underground mines are related to the BTU's per pound as follows:

BTU's per pound	Surface		Underground	
	cents per ton	percent of value	cents per ton	percent of value
	—the greater of—		—the greater of—	
6,999 or less	12	20	5	3
7,000 - 8,000	20	30	8	4
8,000 - 9,000	34	30	10	4
9,001 and above	40	30	12	4

Distribution of the proceeds of the severance tax for 1980 and thereafter is as follows:

Disposition	Percent
Total severance revenues	100.000
Coal trust fund	50.000
State general fund	19.500
Local impact and education fund	18.250
School equalization fund of the state	5.000
Renewal resource development bond account	1.250
Alternative energy resource development	2.500
Park acquisition*	2.500
County planning	0.500
State Library Commission	0.500

*The legislature in 1979 provided for funding certain works of art and cultural and aesthetic projects in this category.

A coal board awards grants to counties, towns and school districts which have experienced a 10 percent population increase in a preceding 3 year period due to coal development. The grants are made from the 18.250 percent set aside for the local impact and education trust account. Awards are judged on need, severity of impact, availability of funds, and local effort.

The disposition of severance tax receipts is subject to change. A 1976 constitutional amendment was approved by voters to place at least a fourth of the proceeds into a coal severance trust fund. After December 31, 1979, at least 50 percent will be dedicated to the trust fund. The principal of the trust fund can be appropriated only by a three-fourths vote of members of each house of the legislature. Interest and income can be appropriated.

Oil and Gas Producers Severance Tax

Producers of oil and natural gas must pay a severance tax on production. This tax is in addition to the net proceeds tax on the property and the resource indemnity trust tax. The current severance tax rates are (a) 2.1 percent of the first \$6,000 of the gross value of petroleum produced from each lease in a calendar quarter; (b) 2.65 percent of the gross of petroleum produced in excess of \$6,000 from each lease per calendar quarter; and (c) 2.65 percent of the gross value of natural gas produced.

Natural gas produced from a well 5,000 feet deep or deeper which was drilled after December 31, 1976, but before December 31, 1980, is exempt from all the severance tax for three years if the gas is placed in a distribution system serving chiefly Montana natural gas consumers.

The state general fund receives the proceeds of this severance tax except that now any increase in this tax over the past year because of increased production is allocated to the county where the oil or gas is produced. The county and the municipalities therein share in the money received in proportion to the population inside and outside incorporated municipalities.

Metalliferous Mines License Tax

The operation of any mine or mining property in Montana from which gold, silver, copper, lead, and any other metal, or precious and semi-precious gems or stones are produced, is subject to a tax on the gross value of product as follows:

<u>Dollars gross value</u>	<u>Tax rate (percent)</u>
100,000 or less	0.150
100,001 - 250,000	0.575
250,001 - 400,000	0.860
400,001 - 500,000	1.150
500,001 or more	1.438

Gross value is the average price quoted in the *Engineering and Mining Journal*. The revenue goes to the state general fund.

Cement License Tax

Applied to retailers of cement, cement plasters, gypsum plaster, and other by-products of cement is a license tax of 22 cents per ton of cement sold or produced and 5 cents per 2,000 pounds of cement plaster, gypsum plaster, and other by-products of cement. The proceeds go to the state general fund.

Micaceous Mines License Tax

Five cents per ton of micaceous mineral (vermiculite, perbite, kerrite, maconite, and other micaceous minerals or hydrous silicates) produced in Montana go to the state general fund.

Coal Retailers License Tax

A license fee of \$1 plus 5 cents per ton of coal imported into and sold in Montana goes to the state general fund.

The Insurance Tax

The insurance tax provided about \$12.7 million in 1978. This is a tax of two and three-fourths percent of all insurance premiums except that a three-fourths of 1 percent tax is levied on gross underwriting profit from wet marine and transportation insurance. Fire insurance companies pay an additional tax of three-fourths of 1 percent of the "fire" portion of premiums, which is used for the maintenance of the State Fire Marshall's office. (40-2821 and 82-1231).

The Inheritance Tax

The inheritance tax provided about \$7.3 million in fiscal 1978. With reference to decedents who died after December 31, 1978, *all* property distributed or passing to a decedent's surviving spouse is exempt from the Montana inheritance tax. Each other beneficiary pays this tax on his or her inheritance less exemptions. The classes of taxable beneficiaries are:

Class 1 — Lineal issue or lineal ancestors.

Exemptions — minor lineal issue, \$15,000; others \$7,000.

Class 2 — Brother or sister or descendant of a brother or sister, the wife of a son, or husband of a daughter.

Exemption — \$1,000.

Class 3 — Uncle, aunt, first cousin — no exemptions.

Class 4 — Any other — no exemptions.

The tax rates are:

<u>Tax brackets</u>	<u>Rate Class 1</u>	<u>Rate Class 2</u>	<u>Rate Class 3</u>	<u>Rate Class 4</u>
	— — —	— — —	— — —	— — —
	percent			
Up to \$25,000	2	4	6	8
25,000 to 50,000	4	8	12	16
50,000 to 100,000	6	12	18	24
Over 100,000	8	16	24	32

The Electrical Energy Tax

The Legislature in 1977 changed the tax rate from 1.688 percent of gross revenue from the sale of electricity and electrical energy to \$.0002 per kilowatt hour of electrical energy generated, manufactured, or produced. The proceeds go to the state general fund. This change is partially responsible for the increase in proceeds from this tax from 1976 to 1978 (see Table 1, page 8).

The Telephone License Tax

This tax is applied at the rate of 1.725 percent of the gross revenue in excess of \$250 per quarter from the transmission of messages over lines in this state. The proceeds go to the state general fund.

Some Non-Tax Sources of State or Local Revenues

Profits from Operation of the State Liquor Control Board

The profits from the operation of the State Liquor Con-

trol Board amounted to \$7,360,551 in fiscal 1976 and \$6,778,951 in fiscal 1978. These funds go to the state general fund.

Interest and Income from State Lands

This is a source of income for various institutions to which these lands were granted. Most interest from permanent funds plus income from the sale of timber, rental of land, grazing fees, and mineral leases and royalties are disbursed to the land grant institutions.⁹

Of special interest to the next section is the interest and income from state school lands which is one of the sources of revenue for the state school equalization fund. This source yielded \$15.1 million in 1976, \$14.9 million in 1977, and \$17.1 million in the 1978-79 school year.

Funds from the Federal Mineral Lands Leasing Act

Public law 94-579 of the 94th Congress provides that 50 percent of all monies from the sales, bonuses, royalties, and rentals of public lands be returned to the states from which the money arose (prior to 1977, 37.5 percent was returned to the states).

In fiscal 1976 about \$4.5 million was returned to Montana, and 50 percent was allocated each to the state school equalization fund and the State Highway Department. At the present time 62.5 percent of such funds are allocated to the school equalization fund and 37.5 percent to the State Department of Highways (see Section on financing selected public services).

PILT (Payment in Lieu of Taxes)

In 1976 Congress enacted federal law PL 94-565 and appropriated \$100 million to make payments to counties to compensate for federally-owned tax-exempt lands within the counties. Payments are to be made according to formula. The formula increases the payment on the basis of population and the acres of "entitlement" lands and reduces the payment where other laws already provide payments to local governmental units for timber, mineral, federal power, grazing, or other uses. In October of 1977 (first year) payments of about \$7 million were made to Montana counties.

Revenue Sharing Funds

Congress has made provisions to continue the revenue sharing program through 1980. The funds are distributed to state and local governmental units based on population, per capita income, and the tax effort of the units.

For the fiscal years 1977-78, and 1979-80, these funds were distributed in Montana as follows:

Governmental Unit	Amount Received	
	1977-78	1979-80
State of Montana	\$ 8,053,662	\$ 9,083,286
Counties	10,537,772	10,838,367
Cities and towns	5,056,221	6,579,241
Indian tribal councils	612,045	748,173
Total Montana payments	\$24,259,700	\$27,249,067

There is now practically no restriction on the use of these funds by the various units excepting that none of the funds may be used for lobbying efforts.

SOURCES OF REVENUE FOR SELECTED PUBLIC SERVICES

Financing Montana Education

Expenditures for education and highways and streets account for roughly three-fifths of all expenditures for public services in Montana, as in most other states. These two public services need to be treated in some detail when examining the financial impact of resource development on local governmental units.

An important consideration is the degree of intergovernmental responsibility at local, state, and federal levels. Health and welfare service is also an area where intergovernmental cooperation is important. Other service areas, such as fire and police protection, sewage and sanitation, parks and recreation, and city and county administration and control, are more strictly local responsibilities.

Higher education in Montana is financed chiefly by appropriations from the state general fund, although some funds are received from student fees, up to 6 mill levy on property, land grant income, and federal government grants.

A significant characteristic of Montana's primary and secondary school system is the number of operating districts. For the 1978-79 school year 398 elementary districts and 165 high school districts were operating.

A district may have more than one school. For example, one elementary district had 16 elementary schools operating plus a special education school, and a high school district had two high schools, four junior high schools and a Vo-Tech center.

In the state there were 64 elementary schools operating in 1978-79 with enrollments of less than 10 pupils and 107 operating with less than 18 pupils. There were 12 high

⁹Five percent of income from school lands must be credited to the permanent fund for public schools.

schools operating with enrollments of less than 40 and 66 operating with less than 100.

This section will discuss the sources of revenue for the elementary and high school systems in Montana. The discussion is divided into three parts. The chief part is the general budget, generally thought of as the operating budget, which includes the school foundation program. Another group of expenditures is apart from the general budget and is discussed separately. Finally, certain "title" programs are financed partially by federal funds.

The General School Budget and the School Foundation Program

Finances for the general school budget consist of the foundation program, a permissive district levy, and a voted district levy (figure 1, page 24). The maximum permissive budget level is established by state statute according to schedules for elementary and high schools (see Appendix II). It is called the "maximum" level because revenue flowing to it cannot exceed that amount. It is "permissive" because that level can be achieved without a vote.

A. The foundation program. The foundation portion of the maximum permissive budget level is supported by a statutory county levy on property by the state equalization fund, and by state-wide deficiency levies on property.

The purpose of the school foundation program is to equalize the minimum operating finances among elementary and high schools. The foundation program is exclusive of revenues required for debt service, and expenditures for adult education, recreation, new buildings and grounds, and transportation. The legislature enacts schedules which establish the maximum permissive budget level. The foundation portion of this budget is 80 percent. The schedules are presented in detail in Appendix II. Each school's foundation level is based on the average number of regularly-enrolled, full-time pupils attending (the average number belonging, or ANB).

Revenues are from county and state sources. Each county must levy 25 mills for elementary schools and 15 mills for high schools as a part of the foundation program. State funds bring revenues up to the foundation level. The sources of revenue for the state equalization fund for the 1978-79 school year were:

Legislative appropriation from state general fund	26.8
State-wide deficiency levies on property	<u>6.5</u>
Total	110.5

The law authorizes the State Department of Revenue to levy a state-wide property tax (called a deficiency levy) in case the amount appropriated by the legislature for the state equalization fund is insufficient to bring every school up to the foundation level. The proceeds from the 25 mill county elementary school levy and the 15 mill county high school levy remain in the county unless the funds collected exceed the amount required for the 80 percent foundation level, then the excess revenue goes into the state equalization fund.

B. The permissive district levy. The trustees of any school district may complete the maximum permissive budget level by using a permissive levy on the taxable value of property in the district. The permissive levy may not exceed 9 mills for elementary and 6 mills for high school districts. The permissive district levy by state statute cannot exceed the level necessary to complete the maximum permissive budget level. In cases where the 9 mill and 6 mill permissive levies fall short of completing the maximum permissive budgets, an additional state transfer to the school district may be made.

C. The voted district levy. Each school district may vote a district levy to supplement the maximum "permissive" budget in order to complete the total general budget.

The Total General Budget


The average total elementary general fund budget level per average number belonging (ANB) for the school year 1978-79 was \$1,482. The basic foundation portion was \$903 per elementary ANB. The range of the elementary general fund budget per ANB was from \$1,460 in schools with an ANB of 300 or more to \$3,058 per pupil in schools with 9 or fewer ANB.

The average total high school general fund budget per ANB was \$1,828 for 1978-79. It ranged from \$1,773 in high schools with 601 or more students to \$4,563 in schools with 24 or fewer students. The high school basic foundation portion averaged \$1,081 per ANB with a range of \$1,029 for large schools to \$2,155 for the small schools.

A summary of the general fund budgets for all elementary and high school combined in the state is presented in figure 1 and in Table 7, page 25. For the school year 1978-79 the general fund budget for all elementary schools and high schools amounted to \$268.3 million, or \$104.84 million for high school ANB of 57,357 and \$163.44 million for elementary ANB of 110,307. (See Table 7.)

<u>Source</u>	<u>Mil. dol.</u>
25 percent of state personal income tax	35.4
25 percent of corporation license (income) tax	9.0
62.5 percent of U.S. oil and gas royalties	4.7
Surplus from county state-wide levies	7.4
Interest and income from school funds	17.1
5 percent of the coal severance tax	3.2
Coal severance tax, from local impact and education fund	.4

Figure 1. Sources of Revenue for School District General Fund Budget Support¹

<p>Total General Fund Budget* If the total general fund budget exceeds 112% of the previous year's budget, except under certain conditions provided by law, the trustees are required to explain the specific reasons for exceeding 112% and to file this information with the budget submitted to the State Superintendent.</p>	<p>DISTRICT</p>	<p>District Voted Levy Amount approved by the voters to meet Total Budget Requirements.</p>
<p>Maximum Permissive General Fund Budget This amount is set by statute based on an enrollment formula (ANB) plus approved Special Education costs.</p>	<p>STATE</p>	<p>State Permissive Levy</p>
	<p>DISTRICT</p>	<p>District Permissive Levy 9 mills Maximum — Elementary 6 mills Maximum — High School</p>
<p>Foundation Program 80% of Maximum Permissive General Fund Budget.</p>	<p>STATE</p>	<p> ADDITIONAL STATE LEVY FOR STATE DEFICIENCY</p>
	<p>STATE</p>	<p>In the event the mandatory county levy and state equalization aid amounts do not fully fund the Foundation Program.</p>
	<p>STATE</p>	<p>State Equalization Aid Earmarked Revenue, Legislative Appropriation, Interest and Income, and Surplus from Counties.</p>
	<p>COUNTY</p>	<p>Mandatory County Levy 25 mills — Elementary 15 mills — High School If the amount raised by this uniform levy exceeds the amount required to fund the total foundation program in the county, the surplus must be transferred to the State Equalization¹Aid account.</p>

*The district's general fund budget provides for maintenance and operational costs. It accounts for approximately 75% of the total district costs. Not included in the General Fund are separate budgets for Retirement, Transportation, Debt Service, etc., as established by law.

¹Source, State Office of Public Instruction.

Table 7. Summary of the regular general fund budgets of all elementary and high schools for the 1978-79 school year.*

	High School	Elementary
ANB	57,357	110,307
Foundation program	\$ 62,339,034	\$ 99,515,120
Permissive levy	15,583,013	24,824,114
Voted amount	26,921,487	39,099,221
General Fund Total	\$104,843,534	\$163,438,455

*Data supplied by State Office of Public Instruction.

Formula for Preparation of Regular General Fund Budget

The general fund budget of a school is prepared as follows:

1. The maximum permissive budget is determined from schedules shown in Appendix II for the appropriate ANB.
2. Each county by law must levy 25 mills for elementary schools and 15 mills for high schools on all taxable property. This revenue constitutes the county portion of the foundation program.
3. The foundation program is 80 percent of the maximum permissive budget. State equalization funds complete the foundation programs for schools in the county.
4. Each district may levy up to 9 mills for elementary and 6 mills for high schools, or a levy sufficient only to bring the revenue up to the maximum permissive budget level as determined in (1) above. The state provides "deficiency" funds if the 9 mill-6 mill levies fall short for a district.
5. Each school board may submit to the voters a proposed district levy if the school board judges that additional money is needed for the general budget.

Special Education

Special education financing will appear in the general fund budget of schools but is treated separately here because (a) it is not related by a formula to ANB and because (b) until recently this part of budgets was financed entirely by the state. However, some changes were made during the 1979 session of the legislature. Beginning with the 1979-80 school year the employer contributions to the state retirement and social security programs for special education staff will be financed by a county property tax levy (about 7 percent of the special education budget) and beginning with the 1980-81 school year such indirect charges as utilities and rents are to be financed by the districts, estimated at about 13 percent of the special education budget, a combined contribution of about 20 percent.

The total cost of the 1978-79 special education was \$8.2 million in high schools and \$20.2 million in elementary schools.

Other Budget Items

A number of school expenditure items are outside of the general budget. Some are paid by local district levies and some are not.

Expenditures for transportation of pupils are not part of the general budget. The funds are from four sources: the school district, the county, an appropriation from the state general fund, and a small federal contribution. The legislature sets mileage rates for school bus transportation which constitute the maximum reimbursement to districts for school bus transportation from state and county sources. For fiscal years 1980 and 1981 the rates per bus mile are as follows:

<u>Rated capacity of bus</u>	<u>1979-80</u>	<u>1980-81</u>
Not less than 12, not more than 50	50¢	55¢
More than 50 — add 2¢ per bus mile to the above rates for each additional child in the rated capacity of the bus.		

Based on the rates listed above, the county pays one-third of the elementary transportation budget, two-thirds of the high school transportation budget and one-third of the transportation for special education students. The state reimburses transportation costs up to one-third of the budget for elementary and high schools and pays two-thirds of transportation costs of special education students. These rates do not limit the amounts a district may budget to provide the estimated necessary cost of transportation.

For the school year 1977-78 the total funds for bus transportation in the state were furnished as follows:¹⁰

<u>Source of funds</u>	<u>Mil. dol.</u>	<u>Percent</u>
State	2.8	18.3
County	3.7	24.4
District	8.4	54.7
Federal government	.4	2.6
Total	15.3	100.0

Some reimbursements are made to parents or guardians who transport pupils to distant bus stops or from isolated places where no bus service is available.

¹⁰State and county reimbursements are made according to the base rate established by the legislature. If the actual cost exceeds the base rate the extra costs are paid by local district levies.

Employer contributions for social security and state retirement programs for school employees in the county are paid by a separate county levy on property. The state total for employer contributions amounted to \$21.8 million in 1978-79.

The school district has complete responsibility for capital outlay for school buildings and building sites. This includes debt service plus expenditures from current income or establishment of a building reserve. Debt service alone amounted to over \$13.3 million in the state in 1978-79. Funds come almost entirely from levies on property within the district. Some may come from grants issued by the coal board or industrial prepayment of property taxes.

Other items not part of the general fund budget are insurance and tuition and housing for residents attending schools in other districts.

Title Programs

Title programs include vocational education programs. Federal money is provided also for special needs of educationally deprived children, handicapped children, children of migratory workers and neglected and delinquent children and other needs. Approximately \$18.7 million of federal funds were made available in 1978-79.

The food service, or school lunch program, has a separate budget. Sources of revenue for this program for 1978-79 school year were as follows:

<u>Source of funds</u>	<u>Mil. dol.</u>	<u>Percent</u>
State	1.2	10.3
Federal	4.6	39.3
Child payments	5.1	43.6
Other income	.8	6.8
Total	11.7	100.0

Significance of Rapid Resource Development on School Financing

The total amount of equalization transfer revenues to which a school district is entitled is not related to its tax base. Neither does it depend upon the amount of state-wide equalization taxes generated in a district. A new industry in a school district in and of itself does not alter the foundation revenues per pupil that the district receives unless school sizes become larger. The total amount of foundation revenues reserved for schools in a county is simply the sum of the amounts mandated by law for each school. Thus the foundation revenues received by all schools in a county are not influenced by the foundation tax revenue generated in a county.

Each school district may enrich its program further by a permissive levy, or even more by voting an additional district levy. New buildings or enlargements are district responsibilities. These are the school revenues which are sensitive to the industrial tax base. These revenues are from district levies only. A school in one district cannot enrich its programs from the tax base of another district, even if it's in the same county.

The effect of a new and large industrial tax base in a district can be summarized briefly. The per pupil basic foundation revenue at the disposal of the district is the same except if school size changes. The budget maximum yielded by the district permissive levy is also the same per pupil unless school size changes.

The yield of any voted levy in the school district increases. The permissive maximum may well be obtained by a lower mill levy, and it is probable that the voted mill levy will be decreased as a result of a new and large tax base. School districts next to the one with a new and large tax base might house new workers and their school children and in this case it is quite possible that additional revenue generated by only new residential property, automobiles, and other incidental property will not cover the added district cost of schooling unless mill levies are increased. The outcome would depend to some extent on whether the impacted school district, adjacent to a new industrial facility, formerly had excess capacity.

In addition to the normal operations of the foundation program, specific means are available for reducing the impact of resource development on local communities. For example, the statutes make provision for assigning additional ANB's to a school district which anticipates an unusual enrollment increase during the ensuing school year (75-6903, 6904). This allows access to more funds from the foundation program, but could also increase the district levy on property. Tables 8 and 9, page 27, illustrate this approach.

For the school year of 1974-75, 148 additional "impact ANB" were approved for the Colstrip Elementary School District (a total of 596 ANB) and 92 additional "impact ANB" were approved for the Colstrip High School District (a total of 384 ANB). Excepting the year 1974-75 the total levy did not increase much in the Colstrip district even though the high school ANB more than doubled and the elementary enrollment increased to more than four times as large as in 1971-72, and both elementary and high school plants were enlarged. Note the increase of taxable value in the Colstrip district. Tables 10 and 11, page 28, provide comparisons with an adjacent district.

Also a portion of the Coal Severance Tax revenues is specifically allocated to the local impact and education fund (see section on mineral resource taxes).

Summary

Almost all kinds of taxes and related revenues treated in this report, except the highway users taxes and fees, are involved in financing education.

By all odds, the property tax is the most important source of funds for financing schools. Sixty percent of all property taxes collected in Montana are used for education if we include the 6 mill state-wide levy for the university system. In addition to the percentages of the income taxes earmarked for the state school equalization fund, the legislature appropriates money from the state general fund, which receives revenue from tobacco, beverage, and part of the natural-resource taxes.

Table 8. Taxable values, levies, ANB, and outstanding bonds in Colstrip Elementary School District, No. 19, 1972-79.

Year	Taxable Value (Thousands of Dollars)	Levies (mills)				ANB	Outstanding Bonds (Thousands of Dollars)
		General Fund	Debt Service	Other Levies*	Total Levy		
1978-79	\$48,694	8.98	—0—	1.34	10.32	419	\$1,640
1977-78	54,953	6.08	—0—	.81	6.89	411	1,738
1976-77	42,747	4.98	6.18	.40	11.56	448	1,883
1975-76	22,393	8.62	.23	.36	9.21	351	39
1974-75	10,208	21.17	.52	1.70	23.39	448	42
1973-74	8,031	8.76	.68	2.47	11.91	298	45
1972-73	6,995	7.72	.88	1.32	9.92	134	49
1971-72	3,496	8.23	1.63	2.01	11.87	99	52

*Includes levies for such items as transportation, bus reserves, tuition, adult education, and comprehensive insurance.

Table 9. Taxable values, levies, ANB, and outstanding bonds in Colstrip High School District, No. 19, 1973-79.

Year	Taxable Value (Thousands of Dollars)	Levies (mills)				ANB	Outstanding Bonds (Thousands of Dollars)
		General Fund	Debt Service	Other Levies*	Total Levy		
1978-79	\$50,140	7.56	—0—	1.86	9.42	240	\$ 946
1977-78	56,197	5.82	—0—	1.11	6.93	216	1,008
1976-77	44,387	5.29	4.42	.58	10.29	212	1,178
1975-76	24,181	7.60	.74	.60	8.94	186	132
1974-75	11,850	14.74	1.51	.70	16.95	292	144
1973-74	9,481	5.21	1.94	1.38	8.53	221	156
1972-73	8,317	6.21	2.28	.39	8.88	114	168
1971-72	4,720	1.93	4.11	.69	6.73	96	180

*Includes levies for such items as transportation, bus reserves, tuition, adult education, and comprehensive insurance.

Table 10. Taxable values, levies, ANB, and outstanding bonds in Forsythe Elementary School District, No. 4, 1972-79.

Year	Taxable Value (Thousands of Dollars)	Levies (mills)				ANB	Outstanding Bonds (Thousands of Dollars)
		General Fund	Debt Service	Other Levies*	Total Levy		
1978-79	\$5,682	45.26	13.16	9.15	67.57	409	—0—
1977-78	5,772	33.73	7.22	7.40	48.35	423	350
1976-77	5,281	20.68	—0—	3.61	24.29	484	—0—
1975-76	5,390	20.90	—0—	2.38	23.28	476	—0—
1974-75	5,295	17.55	—0—	4.16	21.71	453	—0—
1973-74	4,614	18.15	—0—	4.20	22.35	499	—0—
1972-73	4,258	20.34	—0—	2.35	22.69	504	—0—
1971-72	4,111	19.35	—0—	2.75	22.10	477	—0—

*Includes levies for such items as transportation, bus reserves, tuition, adult education, and comprehensive insurance.

Table 11. Taxable values, levies, ANB, and outstanding bonds in Forsythe High School District, No. 4, 1972-79.

Year	Taxable Value (Thousands of Dollars)	Levies (mills)				ANB	Outstanding Bonds (Thousands of Dollars)
		General Fund	Debt Service	Other Levies*	Total Levy		
1978-79	\$11,907	23.34	3.03	3.59	29.96	202	—0—
1977-78	11,888	20.66	2.05	2.31	25.02	222	320
1976-77	15,684	8.66	4.41	.71	13.78	242	375
1975-76	13,173	7.15	6.36	.80	14.31	232	400
1974-75	8,453	8.84	1.91	2.23	12.98	222	36
1973-74	7,131	9.14	2.30	2.20	13.64	193	45
1972-73	6,140	10.05	2.54	1.81	14.40	188	54
1971-72	5,780	9.48	2.69	1.73	13.90	186	63

*Includes levies for such items as transportation, bus reserves, tuition, adult education, and comprehensive insurance.

Financing Montana Highways, Roads, and Streets¹¹

This section discusses the financing of county roads and city streets. These are closely related to local impacts of development. The reader is reminded again that local communities are served also by state and federally financed primary and interstate systems.

Fuel Taxes

In Montana, users of vehicles pay 9 cents per gallon state tax on gasoline plus 4 cents federal tax. The state tax on "special fuels," mostly diesel, is 11 cents per gallon, and the federal tax is 4 cents on both gasoline and diesel fuels. Users of motor vehicles propelled by liquid gas pay a fuel tax in the form of an annual license fee, ranging from \$60 annually for passenger cars and pickups with licensed gross vehicle weight of 10,000 lbs. or less, to \$1,000 annually for trucks and truck tractors with GVW of 48,000 lbs. or more.

All Montana fuel tax revenues are earmarked for streets and highways. The 1975 legislature specified that \$6.5 million from these sources shall be divided among counties and incorporated cities and towns, \$2.95 million among counties, and \$3.55 million among cities and towns for construction and maintenance of streets, alleys, and roads, or for matching federal funds used for streets and roads which are part of the federal-aid primary or secondary roads. Total state fuel taxes yielded about \$47 million in 1978.

Property Tax Levies

Counties generally levy up to 12 mills for road purposes (up to 15 mills in small counties) and up to 3 mills for bridges (up to 5 mills in certain circumstances). The county road levies apply only against property located outside incorporated cities and towns. The bridge levy applies to all taxable value in the county. Cities and towns levy up to 12 mills on property inside municipal boundaries for streets and alleys (\$19.3 million in 1977-78).

Property taxes are levied on vehicles in Montana and are paid at the same time as the annual registration fee.

Special Improvement Districts

Special improvement districts are formed in cities in addition to city mill levies for the construction of city streets, curbs, sidewalks or other features allied to streets. Bonds for financing the construction are obligations of property owners in the district. Tax receipts from such sources are included in the \$19.3 million figure in the preceding paragraph on property tax levies.

¹¹For details on rates and distribution of revenue from highway taxes, see the section on Highway Users Taxes, also Appendix I.

Vehicle Registration

Motor vehicle (license plate) fees range from \$1.50 to \$15 per vehicle depending on type of vehicle, weight and use. In 1978 the fee was \$6 for small cars and \$11 for large cars, including \$1 for reflectorized plates.¹² These fees are distributed to the county road and city street funds in proportion to the miles of public streets and highways within cities compared to mileage outside them (\$6.8 million collected in 1977-78).

Gross Vehicle Weight Tax

In 1976 GVW annual fees range from \$3.75 for commercial-use trailers up to 2,500 lbs. to \$543.75 for trucks, truck tractors and trailers up to 42,000 lbs. House trailers are taxed at the rate of 75 cents per foot of length, exclusive of bumper and hitch. Special rules apply to farm vehicles, log trucks, ready-mix concrete vehicles and buses. These fees are collected mostly at the county level when license plates are purchased. Counties retain 5 percent of the gross fees for collection expense and the remainder is credited to the state highway fund (\$10.3 million in 1977-78).

Other Motor Vehicle Taxes and Fees

Receipts from this group amounted to \$5.2 million in 1977-78. Of this amount \$4.2 million was collected from the new vehicle tax and \$1.0 million from a miscellaneous group of fees, fines and permits.

Federal Funds

Total federal funds provided for the Montana Highway Trust Fund amounted to \$87.5 million in 1977-78. Federal highway user funds are generated by the 4 cent per gallon fuel tax, 10 cents per pound on tires, innertubes and tread rubber, 10 percent tax on new trucks, buses and trailers, \$3 per thousand pounds of gross weight of vehicles 26,000 pounds and over, 6 cents per gallon on lubricating oil, and 8 percent on trucks and bus accessories.

Federal funds are apportioned to Montana for FY 1980 on the basis of the following formula:

<u>Class</u>	<u>Percentage</u>		
	<u>Federal</u>	<u>State</u>	<u>Total</u>
Interstate highways	91.21	8.79	100.0
Primary, secondary and urban	78.35	21.65	100.0

Other federal funds are available for highways. Money received by the federal government for mineral and other leases (including royalties) of federal lands is shared by the

¹²This \$1 fee was replaced in 1979 by a \$2 fee added to the regular schedule for each type of vehicle (see section on Highway Users Taxes).

state within which the land is located. At the present time, 62.5 percent of the amount received by the state is allocated to the school foundation program and 37.5 percent to highways. Twenty-five percent of U.S. Forest Service sales, leases and permits are returned to counties, two-thirds to roads, and one-third to schools.

Finally, other federal funds are used directly to construct and maintain road systems in national parks, Indian reservations, national forests, and Bureau of Land Management areas.

The Coal Severance Tax

This tax was reviewed in the section on Montana natural resource tax revenues. Here it should be stressed that the law specifies that 9.75 percent of the amount collected per the coal severance tax prior to 1980 was earmarked for roads where need could be documented. Also, where need is documented, a firm establishing a major new industrial facility (including mining) can be required to make prepayments of property taxes to provide necessary public services including roads and schools.

Summary

Tables 12, 13 and 14, below and page 31, summarize the the sources of revenue for highways, roads and streets in Montana for fiscal 1977-78.

Table 12. Sources of revenue of the Montana Department of Highways, fiscal year 1977-78.

Source	Thousands of Dollars
State revenue	
Motor fuel taxes	\$46,933*
GVW	16,562
U.S. mineral royalties	2,657
Miscellaneous state sources	2,189
Total	\$68,341
Federal revenue	
Federal aid	\$87,313
Miscellaneous	148
Total	\$87,461
Total revenue	\$155,802

*Part of this amount is allocated directly to counties, cities and towns.

Executive Summary

This report describes the state and local tax systems of Montana. After a synopsis of each tax or group of taxes, the sources of revenue for education and highways and streets are summarized. The implications of rapid industrial growth are highlighted where appropriate.

The property, income, and highway user taxes yielded 85 percent of the total state and local revenues in fiscal 1978.

Property taxes were more than half the total and 60 percent of property taxes were directed to education. Montana levies no general sales tax.

Property taxes are administered by the Department of Revenue under a complex system consisting of an assessment based on market values (with some exceptions), a statutory taxable value, and mill levies against the taxable value. Agricultural land is assessed under a system of schedules of values based on earnings from agriculture. Surface coal mines presently are taxed on the basis of 45 percent of gross proceeds; underground coal mines at 33-1/3 percent of gross proceeds; metal mines at 3 percent of gross proceeds. Other minerals are taxed on the basis of net proceeds. Improvements on mineral properties are assessed at market value and have the same taxable value as improvements on other classes of land.

Income taxes on individuals and corporations accounted for 23.4 percent of state and local revenues in 1978. The state income tax roughly parallels that of the federal system. Revenues accrue to the state foundation program (25 percent), and to the state general fund.

Highway user taxes accounted for 10.8 percent of state and local revenues in Montana during fiscal 1978. Fuel taxes are the most important of these. Some of these funds are allocated to counties, cities, and towns for roads and streets.

Mineral resource taxes are receiving renewed visibility in recent years due to increases in coal production. An *ad valorem* tax on the gross value of coal and metal ore produced (and net revenue for other mines) is a part of the property tax system. In addition, a severance tax and a resource indemnity trust tax are applied to mine production. The coal severance tax alone produced \$34 million in fiscal 1978. By 1980 half the coal severance tax revenues is due to be set aside in a trust fund from which the interest and income can be appropriated by the legislature. Some of the coal severance tax revenues are earmarked as coal impact funds and grants are made from these funds to local governments impacted by coal development.

Montana has a complex school foundation program. The foundation funding level per pupil is fixed by a statutory schedule. A large industrial tax base contributes to the foundation program funding in a school district (and other schools in the county), but only the source of foundation revenue is altered. Foundation revenues collected in the county in excess of statutory levels become a part of the state foundation program. The revenue level of the permissive district level levy is limited by state statute. A large industrial facility in a school district can result in a low permissive levy in that school district. An industrial complex will yield larger voted revenues to a school district — so large that voted mill levies could decline. Voted district levies are not limited by state statute. Neighboring school districts do not benefit from the industrial taxable property of another school district even though they may be impacted.

Table 13. Expenditures of the Montana Department of Highways, fiscal year 1976-77.

Expenditures	Thousands of dollars
Program	
General Operations	\$ 5,929
Construction	100,394
Maintenance	23,168
Travel promotion	636
Preconstruction	10,157
Total	\$140,284
Non-program	
Highway patrol	\$ 3,649
City-county distribution	7,011
Other	3,341
Total	\$ 14,001
Total Expenditures	\$154,285

Source: Information Booklet, Montana Department of Highways, 1978.

Table 14. Sources of revenue for county roads and city streets in Montana, fiscal year 1977-78.

Source	Thousands of dollars	
	County Roads	City Streets
State highway user taxes		
Motor fuel taxes	\$ 3,027.0	\$ 3,592.0
Registration (license plates)	5,137.6	1,602.6
Other ¹	650.3	
Total	\$ 8,814.9	\$ 5,194.6
Federal funds		
U.S. Forest Service	\$ 6,272.8	
Revenue Sharing	2,201.5	858.8
Other federal ²	1,875.3	307.7
Total	\$10,349.6	\$ 1,166.5
Local sources		
Property taxes ³	\$15,591.9	\$ 3,618.1
General fund appropriations	260.1	1,309.7
Parking fees		26.7
Traffic fines	191.2	18.5
Total	\$16,043.2	\$ 4,973.0
Total Revenue	\$35,207.7	\$11,334.1

¹Includes emergency disaster, state lands, public transportation, coal severance tax, grants.²Includes emergency employment, antirecession, Bankhead Jones, PILT, community development.³Includes special assessments.

Revenues for county governments are enhanced by any industrial facility in its jurisdiction. The tax yield per mill levy is increased. A large industrial complex can tend to reduce the mill levies of a county.

The experiences of three counties — Rosebud, Big Horn, and Powder River — illustrate the effects of resource development and utilization on taxable values and mill levies (Tables 15 and 16, below and page 33). Taxable value increased 322 percent in Rosebud from 1973-1978. The increase stems from the gross proceeds on coal mining which increased from \$6.6 million to \$35.6 million and the local property of public utilities which increased from \$0.4 million to \$29.1 million. Over half of the taxable value is lo-

cated in Rosebud School District 19, Colstrip. Taxable value of gross proceeds on coal in Big Horn increased from \$0.5 million in 1973 to \$34.0 million in 1978. In Powder River, taxable value on net proceeds reflecting increased oil production and higher oil prices increased from \$10.6 million to \$69.0 million from 1973-78.

Mill levies in each of the three counties decreased generally from 1973-78. The greatest decreases are in county levies. The principal beneficiary of reduced school levies are in the districts where the industrial activities are located. The reduction in the average school levies in the counties reflects mostly the low levies of the industrial districts.

Table 15. Assessed and taxable values Rosebud, Big Horn, and Powder River counties, Montana, 1973-78.

County	Assessed Value						Taxable Value					
	1973	1974	1975	1976	1977	1978	1973	1974	1975	1976	1977	1978
— million dollars —												
<i>Rosebud</i>												
Total Property	51.698	72.282	120.407	203.052	245.805	494.735	19.613	25.666	42.833	70.704	86.651	82.767
Other than public utilities	36.230	45.974	54.596	60.916	64.312	130.823	10.244	13.145	15.346	16.775	17.720	15.761
Local property of public utilities	2.055	13.281	48.077	92.061	115.125	286.301	0.429	3.672	12.829	22.924	29.873	29.066
Allocated property of public utilities	6.815	6.384	6.125	6.813	7.372	19.024	2.342	2.206	2.049	2.107	2.278	2.360
Net, gross proceeds & royalties	6.598	6.643	11.609	43.263	58.996	58.587	6.598	6.643	11.609	28.898	36.780	35.580
<i>Big Horn</i>												
Total Property	57.468	77.406	96.911	141.177	157.387	285.200	15.819	29.413	40.513	47.882	54.334	58.442
Other than public utilities	48.736	59.171	67.026	68.860	73.764	188.173	12.777	16.671	16.482	16.436	17.794	21.870
Local property of public utilities	2.598	2.600	2.835	2.739	2.808	6.994	0.390	0.612	0.421	0.413	0.421	0.396
Allocated property of public utilities	5.609	5.656	5.476	5.148	5.424	15.110	2.127	2.151	2.037	1.860	1.971	2.216
Net, gross proceeds & royalties	0.526	9.979	21.574	64.430	75.391	74.923	0.526	9.979	21.574	29.173	34.148	33.960
<i>Powder River</i>												
Total Property	37.050	55.607	94.850	95.839	99.497	76.084	18.045	35.123	74.165	74.651	137.651	76.803
Other than public utilities	24.591	26.955	26.263	26.258	28.614	7.900	7.142	7.951	7.447	7.187	60.328	7.263
Local property of public utilities	0.371	0.330	0.370	0.279	0.322	0.059	0.057	0.060	0.064	0.056	0.800	0.059
Allocated property of public utilities	1.470	1.449	1.940	2.288	2.883	0.448	0.227	0.239	0.375	0.404	7.484	0.476
Net, gross proceeds & royalties	10.619	26.873	66.278	67.014	67.678	67.677	10.619	26.873	66.278	67.004	69.039	69.005

Table 16. County and school mill levies, Rosebud, Big Horn, and Powder River, Montana and ranges for all counties, 1973-79.

Year	County						Range of all Montana Counties			
	Rosebud		Big Horn		Powder River		County		School	
	County	Schools	County	Schools	County	Schools	Highest	Lowest	Highest	Lowest
	— mills —									
1973	45.93	61.92	42.22	74.39	38.75	62.81	67.65	22.50	129.93	51.85
1974	34.38	67.72	26.72	60.31	28.75	53.37	67.25	20.04	133.68	53.37
1975	24.05	57.91	27.20	63.94	32.35	44.19	74.40	21.63	138.59	44.19
1976	22.50	55.83	16.36	66.59	26.40	46.62	76.48	16.36	157.76	46.62
1977	16.52	53.00	18.98	57.83	34.25	47.48	75.04	16.52	189.79	47.48
1978	25.65	71.70	30.89	58.19	22.35	48.72	87.41	22.35	191.90	48.72

APPENDIX I

FORMULAS RELATED TO THE ADMINISTRATION OF HIGHWAY USERS TAXES AND FEES

A. Statutory formulas for allocating \$6,500,000 funds from motor fuel taxes to counties, cities and towns (84-1840).

(a) \$2,950,000 shall be divided among the various counties in the following manner:

(1) 40 percent in the ratio that the rural road mileage in each county (exclusive of the Federal-aid interstate system and the Federal-aid primary system) bears to the total rural mileage in the State. (Same exclusions.)

(2) 40 percent in the ratio that the rural population in each county outside incorporated cities and towns bears to the total rural population in the State outside incorporated cities and towns.

(3) 20 percent in the ratio that the land area of each county bears to the total land area of the State.

(b) \$3,550,000 shall be divided among the incorporated cities and towns in the following manner:

(1) 50 percent shall be divided in the ratio that the population within the corporate limits of the city or town bears to the total population within corporate limits of all cities and towns in Montana.

(2) 50 percent shall be divided in the ratio that the city or town street and alley mileage (exclusive of the Federal-aid interstate system and the Federal-aid primary system) within corporate limits bears to the total street and alley mileage (same exclusions) within the corporate limits of all cities and towns in Montana.

All such funds allocated to cities, towns and counties shall be used exclusively for the construction, reconstruction, maintenance and repair of rural roads or city or town streets and alleys, or for the share which such city, town or county might otherwise expend for proportionate matching of Federal funds for construction of roads or streets which are part of the Federal-aid primary or secondary highway stem, or urban extension of same.

B. Formula for distribution of vehicle registration fees to counties, cities and towns (53-122).

(a) 50 percent of net license fees paid by owners who reside within the incorporated cities of Montana with a population of 35,000 or more, or owners who reside within the boundaries of an unincorporated city within one mile of the limits of a city of 35,000 or more, and 25 percent of net license fees paid by owners residing in any city with a population of 10,000 or more, and which city is situated in a county which has an area of less than 750 square miles, shall be segregated from the county road fund and designated as "city road fund," to be used for the construction of permanent streets within the city limits.

(b) The remainder of the net license fees shall be used by said county for the construction, repairs, and maintenance of all highways except State and Federal highways within the county boundaries, including city streets forming component parts of arterial highways within cities other than those which qualify under (a) above.

C. Schedule of annual GVW fees for trucks, truck-tractors and trailers (32-3301, 3302, and 3302.1).

<u>Gross loaded</u>	<u>Schedule I</u>	<u>Schedule II</u>
<u>Weight</u>	<u>Trucks and truck tractors</u>	<u>Trailers and semitrailers</u>
up to 2,500 lbs.		
personal use	\$ 7.50	exempt
up to 2,500 lbs.		
commercial use		\$ 3.75
2,501 to 6,000 lbs.	12.50	5.00
6,001 to 8,000	12.50	15.00
8,001 to 10,000	17.50	17.50
10,001 to 12,000	20.00	20.00
12,001 to 14,000	22.50	22.50
14,001 to 16,000	27.50	27.50
16,001 to 18,000	37.50	37.50
18,001 to 20,000	50.00	50.00
20,001 to 22,000	62.50	62.50
22,001 to 24,000	93.75	93.75
24,001 to 26,000	125.00	125.00
26,001 to 28,000	156.25	156.25
28,001 to 30,000	206.25	206.25
30,001 to 32,000	262.50	262.50
32,001 to 34,000	318.75	318.75
34,001 to 36,000	375.00	375.00
36,001 to 38,000	431.25	431.25
38,001 to 40,000	487.50	487.50
40,001 to 42,000	543.75	543.75

Above 42,000 lbs., add \$62.50 for each 2,000 lbs. or fraction thereof.

APPENDIX II

SCHEDULE OF "MAXIMUM PERMISSIVE" BUDGETS

(See S.B. No. 2, 1979 Session)

Exhibit A

20-9-316. Elementary school maximum budget schedule for 1979-80. (1) For each elementary school having an ANB of nine or fewer pupils, the maximum shall be \$12,002 if said school is approved as an isolated school.

(2) For schools with an ANB of 10 pupils but less than 18 pupils, the maximum shall be \$12,002 plus \$501.60 per pupil on the basis of the average number belonging over nine.

(3) For schools with an ANB of 18 pupils and employing one teacher, the maximum shall be \$16,516 plus \$501.60 per pupil on the basis of the average number belonging over 18, not to exceed an ANB of 25.

(4) For schools with an ANB of 18 pupils and employing two full-time teachers, the maximum shall be \$26,665 plus \$314.10 per pupil on the basis of the average number belonging over 18, not to exceed an ANB of 50.

(5) For schools having an ANB in excess of 40, the maximum on the basis of the total pupils (ANB) in the district for elementary pupils will be as follows:

(a) For a school having an ANB of more than 40 and employing a minimum of three teachers, the maximum of \$1,165 shall be decreased at the rate of \$1.13 for each additional pupil until the total number (ANB) shall have reached a total of 100 pupils.

(b) For a school having an ANB of more than 100 pupils, the maximum of \$1,097 shall be decreased at the rate of \$1.03 for each additional pupil until the ANB shall have reached 300 pupils.

(c) For a school having an ANB of more than 300 pupils, the maximum shall not exceed \$890.60 for each pupil.

(6) The maximum per pupil for all pupils (ANB) and for all elementary schools shall be computed on the basis of the amount allowed herein on account of the last eligible pupil (ANB). All elementary schools operated within the incorporated limits of a city or town shall be treated as one school for the purpose of this schedule.

Exhibit B

20-9-317. High school maximum budget schedule for 1979-80. (1) For each high school having an ANB of 24 or fewer pupils, the maximum shall be \$68,373.

(2) For a secondary school having an ANB of more than 24 pupils, the maximum \$2,849 shall be decreased at the rate of \$15.54 for each additional pupil until the ANB shall have reached a total of 40 such pupils.

(3) For a school having an ANB of more than 40 pupils, the maximum of \$2,600 shall be decreased at the rate of \$15.54 for each additional pupil until the ANB shall have reached 100 pupils.

(4) For a school having an ANB of more than 100 pupils, a maximum of \$1,668 shall be decreased at the rate of \$2.60 for each additional pupil until the ANB shall have reached 200 pupils.

(5) For a school having an ANB of more than 200 pupils, the maximum of \$1,408 shall be decreased by \$1.43 for each additional pupil until the ANB shall have reached 300 pupils.

(6) For a school having an ANB of more than 300 pupils, the maximum of \$1,265 shall be decreased at the rate of 26 cents until the ANB shall have reached 600 pupils.

(7) For a school having an ANB over 600 pupils, the maximum shall not exceed \$1,186 per pupil.

(8) The maximum per pupil for all pupils (ANB) and for all high schools shall be computed on the basis of the amount allowed herein on account of the last eligible pupil (ANB). All high schools and junior high schools which have been approved and accredited as junior high schools, operated within the incorporated limits of a city or town, shall be treated as one school for the purpose of this schedule.

Exhibit C

20-9-318. Elementary school maximum budget schedule for 1980-81 and succeeding years. (1) For each elementary school having an ANB of nine or fewer pupils, the maximum shall be \$13,202 if said school is approved as an isolated school.

(2) For schools with an ANB of 10 pupils but less than 18 pupils, the maximum shall be \$13,202 plus \$551.70 per pupil on the basis of the average number belonging over nine.

(3) For schools with an ANB of 18 pupils and employing one teacher, the maximum shall be \$18,168 plus \$551.70 per pupil on the basis of the average number belonging over 18, not to exceed an ANB of 25.

(4) For schools with an ANB of 18 pupils and employing two full-time teachers, the maximum shall be \$29,006 plus \$345.50 per pupil on the basis of the average number belonging over 18, not to exceed an ANB of 50.

(5) For schools having an ANB in excess of 40, the maximum on the basis of the total pupils (ANB) in the district for elementary pupils will be as follows:

(a) For a school having an ANB of more than 40 and employing a minimum of three teachers, the maximum of \$1,282 shall be decreased at the rate of \$1.25 for each additional pupil until the total number (ANB) shall have reached a total of 100 pupils.

(b) For a school having an ANB of more than 100 pupils, the maximum of \$1,207 shall be decreased at the rate of \$1.12 for each additional pupil until the ANB shall have reached 300 pupils.

(c) For a school having an ANB of more than 300 pupils, the maximum shall not exceed \$979.60 for each pupil.

(6) The maximum per pupil for all pupils (ANB) and for all elementary schools shall be computed on the basis of the amount allowed herein on account of the last eligible pupil (ANB). All elementary schools operated within the incorporated limits of a city or town shall be treated as one school for the purpose of this schedule.

Exhibit D

20-9-319. High school maximum budget schedule for 1980-81 and succeeding years. (1) For each high school having an ANB of 24 or fewer pupils, the maximum shall be \$75,210.

(2) For a secondary school having an ANB of more than 24 pupils, the maximum \$3,134 shall be decreased at the rate of \$17.09 for each additional pupil until the ANB shall have reached a total of 40 such pupils.

(3) For a school having an ANB of more than 40 pupils, the maximum of \$2,860 shall be decreased at the rate of \$17.09 for each additional pupil until the ANB shall have reached 100 pupils.

(4) For a school having an ANB of more than 100 pupils, a maximum of \$1,835 shall be decreased at the rate of \$2.86 for each additional pupil until the ANB shall have reached 200 pupils.

(5) For a school having an ANB of more than 200 pupils, the maximum of \$1,549 shall be decreased by \$1.57 for each additional pupil until the ANB shall have reached 300 pupils.

(6) For a school having an ANB of more than 300 pupils, the maximum of \$1,392 shall be decreased at the rate of 28 cents until the ANB shall have reached 600 pupils.

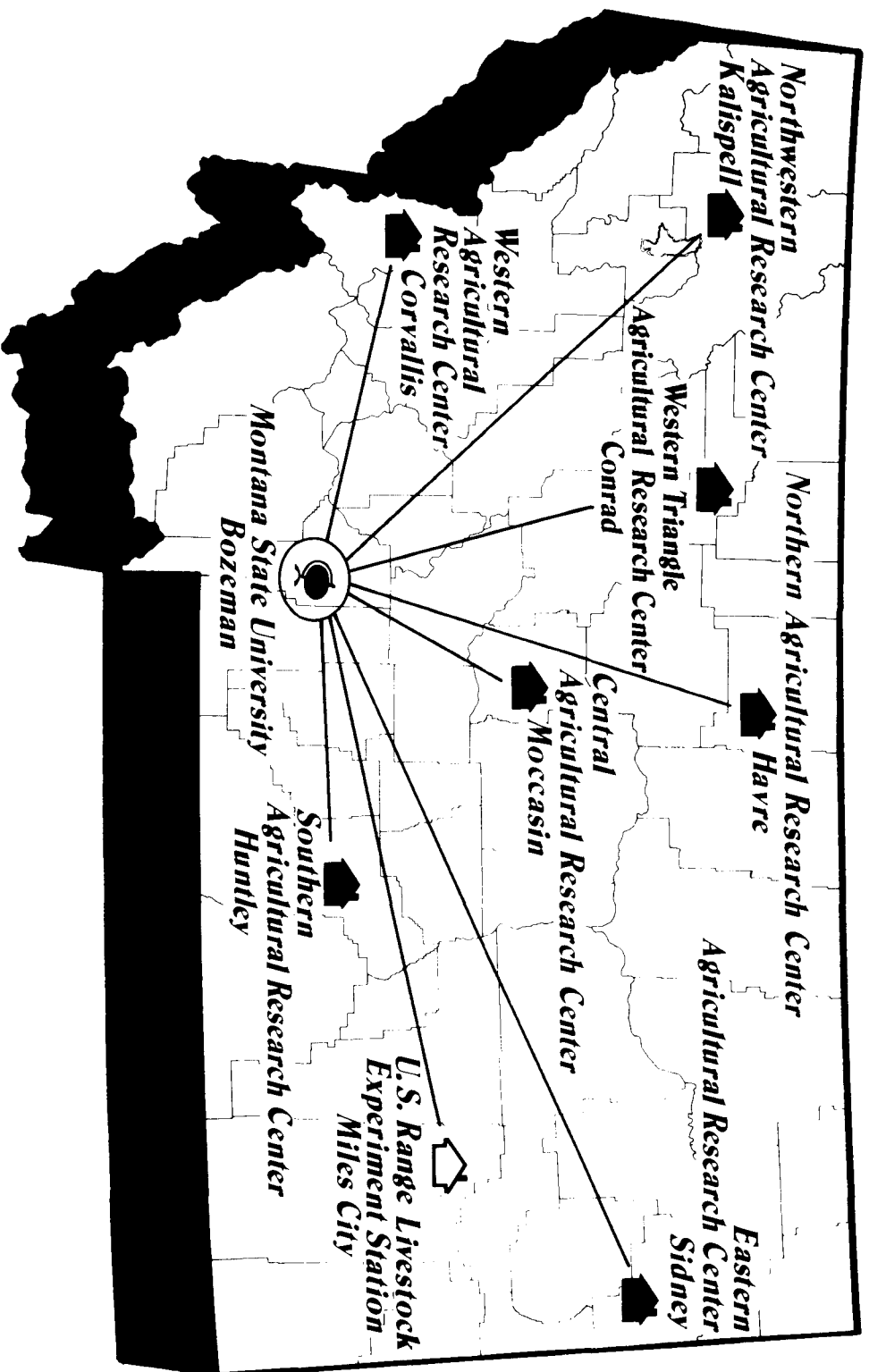
(7) For a school having an ANB over 600 pupils, the maximum shall not exceed \$1,305 per pupil.


(8) The maximum per pupil for all pupils (ANB) and for all high schools shall be computed on the basis of the amount allowed herein on account of the last eligible pupil (ANB). All high schools and junior high schools which have been approved and accredited as junior high schools, operated within the incorporated limits of a city or town, shall be treated as one school for the purpose of this schedule.

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Montana Agricultural Experiment Station System



 Main Station
  Agricultural Research Center
  Cooperating Station

DEPARTMENT OF REVENUE LEGISLATION

Department Program	L.C. #	
Income Tax	339	Amends 15-30-111, MCA, to include in Montana adjusted gross income lump sum distributions excluded from federal adjusted gross
Income Tax	338	Requires filing of amended state tax return if changes in federal returns result in changes in state income tax
Property Tax	197	Provides 90-day period for protest action to achieve uniformity between 15-1-401 and 15-1-402, MCA
Liquor	200	Provides 60-day period for investigations concerning liquor licenses
General-Legal	196	Provide for revolving fund for paying secured parties pursuant to 25-13-505, MCA
Liquor	203	Revises penalty structure of 16-6-302, MCA, to provide misdemeanor for first convictions
Liquor	204	Revises fee schedule for all-beverage licenses for veterans' organizations
Audit & Accounting	205	Rewrites and clarifies the provisions relating to the distribution of beer tax proceeds (only change is in the mechanics of distribution; no change in recipient)
Liquor	328	Revises liquor licensing law with respect to corporation licensees
Audit and Accounting	206	Provides for penalty and interest for failure to pay table wine tax
Property	325	Amends 15-6-151, MCA, to eliminate March filing deadline for certain class 4 and class 5 property classification
Property	326	Amend 15-6-135(2)(6), MCA, to clarify reference to Department of Health and Environmental Sciences
Welfare Fraud	264	Extends the statute of limitations in welfare cases

Property Tax	324	Clarifies the use of the term "manufacture" with respect to new industrial property
Income Tax	199	Provides for negotiated extension of period to revise income tax returns and for extension of period to give tax refunds
Property Tax	330	Apportions property tax for destroyed personal property
Income Tax	210	Revises and clarifies employer withholding laws
General	262	Provides a general 5-year statute of limitations for D.O.R.
Motor Fuels	259	Provides for vehicle identification on reproduced copy of special fuel users permit
Motor Fuels	260	Establishes temporary cash compliance bond for special fuel users
Miscellaneous Tax	261	Simplifies various reporting requirements for various taxes administered by the Miscellaneous Tax Division
Miscellaneous Tax	337	Provides for agreements with Indian tribes for collection of cigarette tax
Corporation Tax	332	Includes Section 331 or Section 337, Internal Revenue Code (I.R.C.), gain in corporate income <u>for Montana tax purposes if any stockholder is not</u> subject to Montana tax authority
Child Support	254	Adds D.O.R. to list of requestor agencies in 40-5-113, MCA, relating to URESA
Child Support	253	Clarifies laws pertaining to administrative enforcement of child support
Bad Debts	257	Provides 5-year statute of limitation for collection of debts arising from payment of public assistance
Property Tax	329	Amends livestock assessment law
General	333	Amends 15-2-303, MCA, to require service of notice of appeal on D.O.R. in State Tax Appeal Board appeals