JOINT LOCAL GOVERNMENT/TAXATION COMMITTEE MEETING MINUTES
April 16, 1981

A joint meeting of the House Local Government and Taxation Committees was held on Thursday, April 16, 1981 at 8:00 a.m. in Room 104 of the State Capitol. The meeting was held to acquaint the Committees with an idea of Rep. Nordtvedt's on how to handle the problem of redistribution to the Counties of the revenue they are going to lose through different tax proposals from this Legislature. Also, Rep. Harrison Fagg presented a proposal he had.

Rep. Nordtvedt spoke first. If the tax base of local government is going to be substantially reduced, due to vehicle, inventory, etc. tax reductions, there should be some mechanism to make up for the tax-gathering power of local government but which avoids sending cash directly to local officials. The latter case lends itself to a lack of fiscal responsibility. However, it is desirable to get the dollars back in the local areas so that the original loss to the tax base would be picked up without taxes going up. The formula is as follows:

(1) The impact on the "worst case" areas in the State from enactment of the vehicle fee bill and the inventory tax repeal is determined. In several urban areas of the State there is a rather steady trend, with the sum of the two impacts coming to about $20 - $24 per capita in lost tax revenue.

(2) Based on that supposition, a uniform State contribution from the General Fund is devised in which the State makes a per capita contribution to each County's mandatory School Benefits levy. The first virtue of the General Fund contribution is that it represents a move in the direction of equalization of a part of education not now financed under this principle. The mandatory levy varies from 3 - 36 mills depending on the County, but the State would pump the money in on a per capita basis. This would help to reduce the property tax burden.

(3) All local governments in the County would then be granted a permissive all-purpose levy, to allow them to make up for the lost revenue from vehicles and the removal of the inventory tax, they wished to make it up. He submitted that some areas would be willing to leave some of the tax cut in the taxpayers' pockets. The levy would be designed for the areas who felt they had to make up the loss in the tax base. It is "all purpose" because the different areas have different needs.

Each unit of local government, whether City or County, would have a permissive all-purpose levy. The School Districts already have a mechanism; the voted levy, to make up for deficiencies. This permissive levy plus additional voted levies, if any, by the School Districts, shouldn't add to the tax load on the taxpayer because that was the purpose of funding the Mandatory levy.

Rep. Nordtvedt passed out an example from Cascade County in which the numbers were rounded off; see Exhibit "A". The simulation was based on a $24 per capita contribution to reduce the Mandatory levy. $1 million can be raised with about 12 mills. So, the contribution from the General Fund has lowered everyone's propert taxes by 19.78 mills. The formula that would be used to determine the level of the permissive levy all-purpose levy is given: the total mill levy of any unit of government times the State total payment divided by the total County local budget (which is nothing more than the total of all local government plus school projects excluding equalization and permissive budgets). The State payment to the County of $1.9 million is divided by the total County local budgets. Whatever factor that is, every unit of local government would have a permissive all-purpose levy that would be that fraction of what the mill levy is.

The total local school budget in Cascade County is about $11 millio excluding the 40 mills and the permissive levy for the Foundation Program. The total local government budget in the County is about $10.6 million. So, the permissive all-purpose levy for any unit o local government is the total mill levies plus $1.9 million divide by $21.6 million, the sum of school and local government budgets, and that comes to about 9% of the total levy. Each unit of local government could levy an all-purpose levy of 9% of its total levy. The County operation presently in Cascade is 79 mills so that woul be given an additional all-purpose permissive levy of 7.1 mills. That levy, if it is all used, is designed to raise as much revenue as the shrunken tax base from the loss of vehicle revenue and inventory tax revenue. In addition, if the people lived in Great Falls, the City government, which presently has 80 mills, would have a 7.2 mill permissive all-purpose levy.

The fraction would vary from County to County depending on the State payment amount, which would be based on population divided by the total County local budget. The permissive levies would allow the governments to compensate for the lost tax base. The taxpayer is protected from the tax increases by the reduction of the mandatory levy for School District benefits.

By the State pumping the money to the taxpayer rather than the local government officials, it leads to the possibility that local government officials won't deem it necessary to use all the money, but if they do use it all by the way of the permissive levy, then the tax cut protected the people from a tax increase. In the end, the taxpayers still have the tax reduction of the vehicles and business inventory, at any rate. The business inventory tax repeal impact on Cascade County would be more than $600,000; in the vehicle fee bill, based on a 1/3 reduction, it would be $768,000 for a total of $1.4 million. He used a $1.9 million example because it looked like the vehicle bill might end up reducing taxes by more than 1/3. There would be a slightly different factor in each of the counties which would convert to the permissive levy.

Rep. Bob Marks, Speaker of the House, wanted to know what the total cost from the General Fund would be and Rep. Nordtvedt said $38 million over the biennium. The livestock tax is left out because his calculations were designed to cover the impact in the worst impacted areas of the State, and when they were done, it was found that the urban areas were fairly uniformly impacted. The impact from the livestock reduction in the rural areas was greater than in the urban, but the business inventory and the vehicle impact was less in the rural areas. He submitted that the Counties that would have a big loss from the livestock reduction didn't seem to be concerned about this loss in revenue.

Rep. Gould asked Rep. Nordtvedt who would devise the scheme as far as what the payments would be. Rep. Nordtvedt said the Legislature would do the calculations before it adjourned and the per capita amount would be adjusted to fit the final impact from the vehicle and business inventory bills. For two years it would be figured.

Rep. Gould said that in his District, he had two School Districts with different mill levy amounts, and he wanted to know how this would be equalized.

Rep. Nordtvedt replied that at the present, a strange form of County equalization was taking place on the mandatory levy for School benefits. By the State picking up part of these costs of education and reducing the levy, in some sense the State General Fund is not only equalizing those costs within the Counties, but throughout the State as well. By having one factor to go from total levy to additional permissive all-purpose levy, he submitted, would work fairly uniformly throughout a County.

Rep. Asay wanted to know if the difference between the permissive levy and the amount of the reduction in the benefits levy would be available as a voted levy to the School Districts.

Rep. Nordtvedt said that School Districts could do their own thing and if they increased their voted levy in that whole County that money was provided through the reduced mandatory mill levy.

Rep. Dozier asked Rep. Nordtvedt about the possible conflict with charter forms of government. Mr. Oppedahl (Legislative Council) said that Helena, for instance, had a charter that said the City may levy an all-purpose tax not to exceed 64 mills. It is not clear whether this is a cap or whether the State's limits would apply. Billings has a statement in its charter which says the Council shall not levy more than 74 mills on real and personal property for all purposes. It says the levy has to be increased by an affirmative majority vote.

Rep. Dozier wanted to know if the plan's enactment would cause a lag between the loss of taxes and the new gain. Rep. Nordtvedt said he assumed the State payments would be timed to coincide with the property tax collections that would be impacted by the loss of the inventory and vehicle tax revenues.

Rep. Dozier asked where the $38 million was going to come from. Rep. Nordtvedt said the money would come from the general fund or the oil severance tax.

Rep. Bertelsen said that the question that arises in a lot of minds it how complicated is it to establish for each jurisdiction what the permissive amount will be. Rep. Nordtvedt submitted that the amount could be derived very closely by the calculating of the one factor for each of the 56 Counties. The final determination of the permissive levy for any local government unit is a simple product of that factor for that County times whatever the normal levy for the unit is. Any local unit has a permissive all-purpose levy which is 9% of its total levy. This percentage varies from County to County.

Dan Mizner, Montana League of Cities and Towns, then made some comments. When the County has an all-purpose mill levy, they put on their 24 mills now that is a specific mill. When an all-purpose levy which covers the entire County is adopted, the Road Fund mill levy couldn't be included. The taxpayers in the City are then transferring money to a different tax base.

If the County is given an increase of 7.1% and the Cities 7.2%, this adds an additional double taxation, with transfer of City funds to a County Road fund. He didn't think they had looked at the problem of what is happening to the taxpayers in the Cities.

Rep. Nordtvedt said the Counties wouldn't do anything different than what they presently do. Mr. Mizner said that an all-purpose mill levy wouldn't accomplish this. Rep. Nordtvedt said the parts of the County which presently aren't assessed on the City people wouldn't be included in his plan, either; 9% of the City people's assessment is the only thing the City people could be taxed on the County levy.

Mr. Mizner submitted that another percentage for that purpose should then be broken down and identified, and then it wouldn't be an all-purpose levy. The same factor could be applied to two different taxable valuations. The people in the Cities are having 14.3 mills put on and the City has 7.2 mills to use to increase their budget and the Counties have 7.1 mills times the total operation. What is happening is twice as much of an increase is being given to the operation of the Counties as to the operation of the City budgets.

There was general disagreement with his conclusion. Rep. Nordtvedt said the 9% permissive applied only to what was assessed on that property owner. They will only have a 9% permissive on what they are presently paying to the County.

Mr. Mizner said if one mill is put on the County, everybody in the City pays 1 mill. Everybody pays two mills in the Cities if there is a one mill for the City also.

Rep. Nordtvedt said he hadn't solved this problem but he didn't think he had added to the problem either.

Mike Stephen, Montana Association of Counties, conceded that schools were a portion of local governments but what was being done was money was being taken from the State and the distribution was being made on a per capita basis; therefore, the distribution went to not necessarily property taxpayers but to schools--only relief and relief for property taxpayers. Keeping in mind that Schools, Counties, and Cities are trying to be helped, the reductions in the property tax base as far as livestock, inventory and vehicle fee reductions, leaves the taxpayers holding the bag. He submitted that local government wasn't being helped at all, because the people will still be levied with the all-purpose permissive levy.

Don Peoples, Butte-Silver Bow Government, then submitted that the plan deserved a lot of credit and good attention. One thing that has to be realized is, when people get their tax notice, they look at the bottom line. He said his problem was that he continued to see a transferring of responsibility to the residential property owner and this is false tax relief.

Rep. Sivertsen then spoke. He submitted that there would be a reduction in automobile taxes and the business inventory tax repeal would pass. He believed that County and City officials would rather see revenue sharing because there isn't the accountability to the local taxpayers with it as there is with this method. He thought that in order to be fair to the taxpayer, this plan was the best method there was. Every time mill levies are raised, the people will look at them. On the other hand, often with revenue sharing it gets lost and people don't have anything to say about it.

Rep. Dozier asked if this is to be a permanent program.

Rep. Nordtvedt said he planned for it to be a permanent one. Rep. Dozier wanted to know what allowances would be made for inflation. Rep. Nordtvedt said this could be handled similar to the way the Governor's bill handled it.

Rep. Pistoria said he wondered by eliminating the inventory tax, how much would the State lose. Rep. Nordtvedt explained to Rep. Pistoria that the impact from the loss of the inventory tax would be about $7 million per year, 1.7% of the tax base of the State.

Rep. Pistoria said he couldn't see the sense in eliminating all the taxes the Legislature proposed to do at the same time. He submitted the inventory tax should be cut in half for the time being and eliminated completely in two more years.

Joe Godfry, Toole County Commissioners and Montana Association of Counties, then spoke. He said that the money being talked about was a Countywide levy but the County government wouldn't be helped because it had nothing to do with their budgets, per se. He said he didn't see where they were gaining anything.

Rep. Nordtvedt said he was correct; the levy was giving the right, however, to gain back the loss in the tax base if this was wished. This should be done without having an effect on the home owners and that is why the mandatory levy would be picked up by the General Fund.

Rep. Harrison Fagg then presented his proposal. A band-aid approach has been used for as long as he has been in the Legislature. He submitted that something needed to be done to provide for a long-term answer. He had no objection to Rep. Nordtvedt's approach, if that was what the Cities and Counties wanted. But, what they wanted needs to be looked at. He had a proposal formulated by a number of people, and it had met with the Cities' and Counties' approval. He submitted that a bill would be introduced if it met with the agreement of the people on the two Committees; see Exhibit "B". He said that it was Rep. Kemmis' and his joint proposal; a revenue sharing property tax replacement program. He personally liked the Nordtved approach, but this one is better understood and more workable for the time being.

In this proposal, whatever funding program was used would sunset; any form of revenue sharing would be terminated at the end of the Biennium. In the interim, a Committee would study City and County problems and come back with recommendations as to how the Cities and Counties could reduce spending and government. A set-aside fund of money would be used to reward the governments that accepted these proposals.

An Interim Oversight Committee would study other methods to make Cities and Counties more efficient and workable. He submitted that a lot of answers could be had if this type of dialog could take place. In the past, Cities and Counties haven't worked together to come up with programs. The second reason for the Oversight Committee is because of the new Commerce Department and it is not clear what the goals of this Department are. There is justification for an Oversight Committee on that Department. If the Cities and Counties weren't able to solve their problems throug the reward system and revenue sharing, they would have the option to have a local income tax which would have to be approved by a 60% voter turnout. He submitted that they would really have to want to tax themselves to get the tax passed, because a 60% turn-out was hard to get. (A) Cities and Counties would have their lost revenue replaced on whatever proposal they wanted, perhaps the Nordtvedt proposal. (B) They would be given help to show them some long-range benefits and if all else fails, they have the option of a local option tax. It is a broad-based concept and is basically accepted. He submitted that local government's problems needed solving before the Legislature adjourned.

Rep. Waldron told Rep. Fagg that he was disturbed about the sun-set provision. He submitted that a permanent solution wasn't being offered. As far as a study being conducted, he cited past studies which he felt didn't accomplish much, and said he didn't feel this one would accomplish anything.

Rep. Hannah submitted that this was permanent; sunsetting is impossible. If local governments are put on the State trough, they will keep asking for more. Rep. Fagg said they would sunset because this was in the bill. He submitted that Rep. Nordtvedt's program was as much revenue sharing as his was. Rep. Nordtvedt disagreed, because his program went to the people and not the government.

Rep. Dozier told Rep. Fagg the problem he had with the plan was that an assumption was being made that local governments had been operating inefficiently in the past. He wanted to know what would be offered the government that had operated efficiently. Rep. Fagg said there was no criticism of local government; he wanted to attack duplication of services.

Rep. Dan Kemmis then spoke. He submitted that the proposal should be part of the package and that a package was necessary. He said that the main reason he didn't like revenue sharing was because he didn't like the federal experience and didn't like starting a State program which would be ongoing. It is demeaning on local Communi-ties to have to reply on bigger governments for their revenue. In order to get to where they can raise the necessary revenue, it is essential to give them the opportunity to broaden their tax base. He proposed a local option income tax that would have to be voted on before it could be imposed. It would require a 60 turnout approval. It would be essentially a pigg-back on the State income tax of 10%. If the State is going to get into revenue sharing, it should give the Counties the option of moving away from this and taking on their own burdens. It is time to get this on the books so it can be perfected in the future sessions of the Legislature.

Rep. Fagg stated that the Local Study Commission of a few years ago was attacking a different area than the one he was suggesting to attack, which was the duplication of services areas. Rep.

Sivertsen said that the Local Study Commission in 1975 and 1977 studied optional taxes and he wanted to know what came of this.

Rep. Fagg said a great deal came of it, but the Legislature was unwilling to adopt it.

Rep. McBride asked Rep. Fagg how he planned to reward Counties that had already combined services. Rep. Fagg said that was a problem, but he felt it would have an impact on all the communities. It is impossible to write a bill that is satisfactory to everyone. Perhaps the study could come up with some answers for Butte.

Rep. Dozier wanted to know if the local income tax would be based on the employers within the community or the people. Rep. Kemmis said it would be based on the residents in the community. The plan is for a Countywide tax.

Rep. Sivertsen submitted that local option taxes got into the situation where the voters would end up voting to tax someone else, such as motel owners. Rep. Kemmis said that only an income tax would be considered in the bill, and the only people who could be taxed would be the people themselves.

Rep. Fagg said he hoped that the Committees could determine the best vehicle to put in his proposed bill. He submitted that they had the authority to suspend the rules and introduce a bill. He expressed hope that a solution could be arrived at, because otherwise the people would be going home with nothing. Rep. Kemmis submitted that the answer would have to be a combination of a local option and some form of revenue sharing. Rep. Fagg stressed that the Legislature needed to reach a compromise on what to do, and rose in support of his proposal. Rep. Bertelsen said that the main consideration at this point was if an answer could be come up with.

Rep. Gould submitted that the House Bill which had provided for a local option income tax would need to be revived if they decided to adopt that idea. He added that if the proposal passed, Rep. Sivertsen's bill also needed reviving. Also, he pointed out that when a 60% voter turnout is mandated, in reality it would probably need to be 70 - 80% to have something approved.

Walter Reisig, Billings City Council member, said he didn't care what it was called, but they needed direction and help, because of circumstances that had been mandated in for many years. Something has been placed on municipalities permanently and that is the double taxation problem. Yellowstone County can't consolidate because there are three major cities in it. He also submitted that Billings had a charter limit of 74 mills, and State statutes would have to be changed. He saw the Oversight Committee as an additional bureaucracy. Nevertheless, it would seem to him that the Committee would tend to have input into the local governments. He stressed that double taxation be eliminated, whatever formula was adopted.

Rep. Bertelsen asked him if he was going to be satisfied if the Legislature gave him an opportunity to replace lost revenue. He replied they would be more "happy" than "satisfied".

Rep. Fagg said he had met with Senators Turnage and Stephens, who had told him that if a proposal was accepted by the House, the Senate would accept it.

Rep. Switzer said there was one difference in the two concepts. One stays with the old premise that money must be taken from someone and then given back, and the other leaves the money unattached and allows the group of local officials to determine how seriously they need the services and they approach it from that angle. He submitted that 90% of the people at home, if asked whether they wanted the money left or taken and then given back, would want it left.

The meeting was adjourned at 9:15 a.m.

Verner L. Bertelsen
Chairman Verner L. Bertelsen
Local Government Committee

da

$24 Per Capita State Contribution

Cascade County -- Population 80,000

Mandatory School Benefits Levy 31.78 mills

Mandatory School Benefits Levy	31.78 mills	$2,955,067
80,000 X 24 = $1,920,000		- $1,920,000
Reduced Levy	12 mills	$1,035,067
Mandatory Mill Reduction	= 19.78 mills	

PT

Permissive All-Purpose Levies

$$\text{Permissive All-Purpose Levy} = \text{Total Levy} \times \frac{\text{State Payment to County}}{\text{Total County Local Budget}}$$

Total County Local Budget = Total local Government Budgets plus Total Local School Budgets (Exclude equalization and permissive budgets)

Example: Total Local School Budget in Cascade = $11 million
Total Local Government Budgets = $10.6 million

$$\text{Permissive All-Purpose Levy} = \text{Total Levy} \times \frac{1.92}{21.6} = .09 \times \text{Total Levy}$$

County Operation: 79 mills X .09 = 7.1 mill All-Purpose Permissive

Great Falls: 80 mills X .09 = 7.2 mill All-Purpose Permissive.

	now	maximum possible
city resident	19.78	14.3
County resident	19.78	7.2

	FY 82	FY 83
Additional Severance Tax @ 4.5%	17.81	18.97
Windfall Profit Tax reduced by	9.44	10.05
Net increase to oil companies	8.37	8.92

SB 200	FY 82	FY 83
100% Reduction net proceeds	11.02	32.279
90% Reduction net proceeds	9.9	29.051
75% Reduction net proceeds	8.26	24.210
50% Reduction net proceeds	5.510	16.17
34% Reduction net proceeds	3.747	10.975
30% Reduction net proceeds	3.306	9.68

Tax Year 1981	(FY 1982)	
Without SB 200 Net proceeds at 117 mills	$538,510,161	$63,005,688
Tax Year 1982	(FY 1983)	
Net proceeds at 117 mills	$868,261,501	$101,586,595

OIL SEVERANCE TAX

TAX	FY 82	FY 83
2.65	25.511046	27.177732
3.00	28.880430	30.767244
3.50	33.693835	35.895118
4.00	38.507240	41.022992
4.25	40.913942	43.586929
4.50	43.320645	46.150866
4.75	45.727347	48.714803
5.00	48.134049	51.278740
5.25	50.540752	53.842677
5.50	52.947454	56.406614

ADDITIONAL REVENUE		
2.65	--	--
3.00	3.362384	3.589512
4.00	12.996194	13.845260
4.25	15.402896	16.409197
4.50	17.809599	18.973134
4.75	20.216301	21.537071
5.00	22.623003	24.101008
5.25	25.029706	26.664945
5.50	27.436408	29.228882

STATEMENT OF INTENT

to Accompany _______ Bill _____

_________ Bill _____ permits the voters of a county to impose upon residents of the county a local option income tax in the form of a percentage of liability under Section 15-30-103, MCA. Because the tax is optional it is anticipated that the Department of Revenue may encounter difficulties in the administration of the tax. In particular it may not be practical to utilize withholding to collect the tax. This is to be left to the discretion of the Department. Hopefully, experience with a local income tax program will provide the information necessary to formulate a policy. The Department may find it necessary to establish by rule the amount to be deposited in the local government income tax account, established by the bill, based on estimates of tax collections. Similarly the amount to be paid to the local governments may have to be estimated. It is the intent of the Legislature to permit the Department broad discretion in this area so as to minimize administrative costs. Subsection (2) of Section 6 provides for delayed implementation of the local tax until such times as a sufficient number of counties have elected to impose the tax to generate income in excess of the costs of the program.

The Revenue Oversight Committee should review the Department's implementation of this bill and the method of allocating costs to administration of the local income tax program. The local income tax program should be viewed as experimental, with refinements to be added by future legislatures.

SECTION 1. Optional local income tax.

(1) There is an optional local income tax consisting of 10% of the liability under 15-30-103(1). This tax is imposed and distributed on the basis of residence of the taxpayer.

(2) The tax is administered and collected by the department of revenue under the provisions of Title 15, chapter 30, and is distributed as provided in [Section 2].

(3) The optional local income tax is imposed on a county basis upon individual residents of the county. In order for a tax to be effective under [Sections 1 through 4], the governing body of the county must by resolution submit the question of an optional tax to the voters of the county at a general election, at least 60% of the qualified voters must vote on the question of the tax, and a majority of those voting must approve imposition of the tax. If a tax is approved the governing body shall certify the results to the department of revenue and indicate the tax years to which the local income tax applies. The tax may not be imposed retroactively.

SECTION 2. Local Government Income Tax Account.

(1) There is a local goverment income tax account in the earmarked revenue fund. Money collected pursuant to subsection (2) of 15-30-103 is deposited in this account for distribution to the counties electing to impose the optional local income tax as provided in subsection (2) of this section.

(2) On the 30th day following the close of a calendar quarter, the department of revenue shall issue a warrant to the county treasurer or chief county financial officer in an amount equal to the tax money collected, including withholding, from residents of the county pursuant to subsection (2) of 15-30-103 during the quarter less that portion of refunds to residents of the county paid during the quarter and attributable to the optional local income tax, and less the costs to the department of revenue of administering the local income tax program.

(3) In administering this section, the department of revenue may adopt rules to specify the means and methods for computing the amount to be deposited in the local government income tax account and the amount to be paid pursuant to subsection (2).

(4) The amount of money deposited in the local government income tax account to be used for refunds to taxpayers is appropriated to the department of revenue for payment of refunds. The amount of money deposited in the local government income tax account to cover the cost of administration of the local income tax program is appropriated to the department of revenue.

SECTION 3. Allocation of local income tax.

(1) Money received by the county treasurer or chief county financial officer pursuant to [Section 2] is allocated to the county and the incorporated cities and towns of the county according to the following formula.

(a) The county is allocated the amount received multiplied by the ratio of the number of individuals living outside of incorporated areas of the country to the number of individuals living in the country; and

(b) each incorporated city or town is allocated the amount received multiplied by the ratio of the number of individuals living in the city or town to the number of individuals living in the county.

(2) For the purpose of determining the population of the various jurisdictions, the county treasurer shall use the census figures based on the federal census, using the most recent population estimates as published by the bureau of the census, United States department of commerce.

SECTION 4. Use of tax proceeds. The governing body of the county or municipality receiving money pursuant to [Section 3] may spend the money for general government purposes.

SECTION 5. Amend 15-30-103.

15-30-103. Rate of tax - local option tax. (1) There shall be levied, collected, and paid for each taxable year commencing on or after December 31, 1968, upon the taxable income of every taxpayer subject to this tax, after making allowance for exemptions and deductions as hereinafter provided, a tax at the following rates:

~~(1)~~ (a) on the first $1,000 of taxable income or any part thereof, 2%;

~~(2)~~ (b) on the next $1,000 of taxable income or any part thereof, 3%;

~~(3)~~(c) on the next $2,000 of taxable income or any part thereof, 4%;

~~(4)~~(d) on the next $2,000 of taxable income or any part thereof, 5%;

~~(5)~~(e) on the next $2,000 of taxable income or any part thereof, 6%;

~~(6)~~(f) on the next $2,000 of taxable income or any part thereof, 7%;

~~(7)~~(g) on the next $4,000 of taxable income or any part thereof, 8%;

~~(8)~~(h) on the next $6,000 of taxable income or any part thereof, 9%;

~~(9)~~(i) on the next $15,000 of taxable income or any part thereof, 10%;

~~(10)~~(j) on any taxable income in excess of $35,000 or any part therof, 11%.

(2) In addition to the tax liability imposed by subsection (1), taxpayers resident in a county where an optional local income tax is imposed pursuant to [Sections 1 through 4] are also subject to a tax in an amount equal to 10% of the liability imposed by subsection (1). For purposes of administration and collection the optional local income tax is considered to be a state tax liability.

SECTION 6. Applicability.

(1) Subject to the provisions of subsection (2), this act applies to tax years beginning after December 31, 1981.

(2) A local government income tax may not be imposed until the department of revenue determines that the taxes collected for all approved optional local government income taxes will be more than the estimated refunds and administrative costs to be paid pursuant to Section 2 for all counties so electing.

SECTION 7. Codification. Sections 1 through 4 of this act are intended to be codified as an integral part of Title 7, Chapter 6, and the provisions of Title 7, Chapter 6, apply to Sections 1 through 4.

City of Helena

Budget & Evaluation

April 15, 1981

Governor Ted Swinden
Governor's Office
Room 204, State Capitol
Helena, Montana 59620

Dear Governor Swinden:

On behalf of the City of Helena, I want to thank you for your steadfast protection of local government revenues from further erosion by the Legislature during these last hectic days of the 47th Legislature. Local government officials are aware of what you have been doing to keep local governments from taking a fiscal beating at the hands of this Legislature.

Even without taking the potential legislative losses into consideration, things look grim for Montana's local governments. I assure you that we have not been "crying wolf." If the Legislature continues on it's current glide path, Montana's local governments face an utterly dismal fiscal future.

I urge you to continue to hold firm during the "summit process." Replacement revenues are an absolute must. Local authority for additional revenue generating options is desirable. A revenue sharing approach is acceptable as an interim solution to our short term woes. Resist the "wishful tinkering" of folks like Representative Nordtvedt.

I listened to his arguments against the introduction of the Fagg-Kemmis proposal to address the fiscal plight of Montana's local governments and was appalled at his simplistic view of the situation. I assure you Montana's local governments simply could not survive the "Nordtvedt effect" if he is permitted to work his will during this Legislative session.

Sincerely,

Dennis M. Taylor

Dennis M. Taylor
Director
BUDGET & EVALUATION DEPARTMENT

DMT/jsa

CC: Lt. Gov. George Turman