

MINUTES OF THE MEETING
TAXATION COMMITTEE
MONTANA STATE SENATE

February 25, 1985

The thrity-ninth meeting of the Senate Taxation Committee was called to order by Chairman Thomas E. Towe at 8:10 am, in Room 413-415 of the Capitol Building.

ROLL CALL: Senator Neuman was excused. Senator Hager was absent. All other members of the committee were present.

CONSIDERATION OF SB 437: Senator Dave Fuller, Senate District 22, was recognized as chief sponsor of the bill. He presented amendments to the bill (Exhibit 1), and a Statement of Intent (Exhibit 2). He said his motivation for the bill was that conservation was our least expensive source of additional power and he wanted to encourage conservation. He said that the bill had passed the Senate last session and was defeated in the House.

PROPONENTS

Mr. Wade Wilkison, representing Montana Solar Industries Association, noted that the bill had passed the Senate in 1983 by a vote of 43-3. He said the bill applied to all renewable energy sources, including all solar applications. He said local jobs would be created in the implementation of these systems. He said this bill would be a good companion to one that would contemplate the retrofiting of state buildings for energy efficiency. He explained the mechanisms written into the bill and again noted that the emphasis was to give added tax incentive for conservation. He said that a cap of \$200,000 had been put on the amount available for the tax credits.

OPPONENTS

Mr. Larry Fasbender, Director of the Department of Natural Resources and Conservation, said that the bill as drafted encourages both passive and active solar systems, despite that active solar systems had not been found cost effective. He also objected to the lack of limit of corporate tax credit available when individuals filing single returns were limited to \$1,000, and joint returns to \$2,000. He said a legal problem could result if the \$200,000 was not enough to cover all the applications. He concluded saying he was not certain it would sufficiently encourage alternative energy use.

Mr. Rich Marble of the Department of Revenue commented that a limit should exist for credit to corporations on page 4, lines 7 through 9 of the bill. He also said that corporation license tax is not income tax and that if it was to carryover the bill would have to be more specifically drafted.

Questions from the committee were called for.

Senator Towe asked if this was not an appropriation of \$200,000 for the Alternative Energy Resource and Development Demonstration Account. Mr. Wilkinson said that last session the bill proposed taking the money from the general fund, but that the House had amended the source to this

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account. He said that last hour confusion had caused the demise of the bill. Senator Fuller responded that there is no general fund money available this session and that this fund is directly related to the substance of the bill.

Senator Goodover asked how much was in the fund. Mr. Fasbender responded that about \$4.4 million a biennium comes into the fund. He said a house bill would take \$3 million for the science and technology program. He also noted that HB 909 which deals with conserving energy in state buildings would have a longer term payback to the state.

Senator Towe asked if this was a appropriation bill and if it should have been introduced in the House. Senator Fuller said that it could be authorized here and the mechanisms of funding worked out in the House. Senator Towe said he believed that problems exist with this method.

Senator Fuller closed saying that passive solar works and if the committee wanted to so limit the bill he would accept that. He said he also wanted to amend the bill to deal with the Department of Revenue concerns. He said authorizing this tax credit would be an effective way to develop energy conservation.

CONSIDERATION OF SJR 24: Senator Stan Stephens, Senate District 8, was recognized as chief sponsor of the resolution. He said the resolution simply reaffirms legislative support for tax indexing which results in subsequent benefits to individuals' in resisting inflation.

PROPOSERS

Mr. Dennis Burr of the Montana Taxpayers Association said that the resolution came from the Advisory Committee on Intergovernmental Relations. He said indexing is not a panacea, but that it does mitigate concerns caused by inflation. He read to the committee from Exhibit 3.

Mr. John Larson representing the National Federation of Independent Business said that organization had been the most significant participant in the signature gathering process for the initiative and that they continued to support it.

Ms. Janelle Fallan of the Montana Chamber of Commerce said that tax indexing was a priority with their membership and urged the committee to support the resolution.

OPPOSERS

None were heard.

Questions from the committee were called for.

Senator Towe asked Senator Stephens about the purpose for the resolution. Senator Stephens said it was not introduced because of any positive threat, but as a demonstration to the people that the Legislature still believed it sound policy.

Senator Stephens closed without comment.

MOTION: Senator Severson moved that SJR 24 do pass.

Senator Halligan said that all the material before line 22 on page 2 could be stricken. The committee agreed not to go to the expense of amending the resolution.

Senator Towe expressed a concern that this kind of resolution would set precedent for needing other tax policy reaffirmed by resolution.

The question was called and the motion carried unanimously.

(Senator Halligan was excused. Senator Hager joined the committee at 8:50 am.)

CONSIDERATION OF SB 288: Mr. Jim Lear presented amendments to the committee (Exhibit 4). He also gave the committee a letter from Mr. Howard Heffelfinger, Administrator of the Liquor Division of the Department of Revenue which included an information request being sent to all suppliers (Exhibit 5).

Senator Mazurek said that the insert should be a proof gallon limit rather than a dollar or case lot figure. He presented Exhibit 6 to the committee which contained the suggested amendments from Alpha Industries.

The committee felt that if this proof gallon limit would not work, the information from Mr. Heffelfinger would be available by the time the bill was presented to the House.

MOTION: Senator Eck moved the amendments in Exhibit 4, with the insertion of "250,000 proof gallons" in lieu of a case lot or dollar amount.

The motion carried unanimously.

MOTION: Senator Mazurek moved that SB 288 do pass as amended. The motion carried unanimously.

CONSIDERATION OF SB 4: Chairman Towe said that while this was laid on the table, in deference to the Coal Board, the Coal Tax Oversight Committee and Senator Gage, the committee should look at amending the bill and passing out portions that were important to them. He indicated that areas for separate concern included: 1) the impact of decline account; 2) the change in percentage of funding to be spent in designated counties; 3) the authorization of funding to unites of local government. He suggested to the committee ways of amending the bill to make it overcome certain concerns.

Senator Eck noted that the language on grants and loans was very broad. Senator Mazurek agreed, noting that an effective date might have to be provided.


Senator Lybeck said that he preferred the dollars going to the educational trust fund as is done now. Senator Brown Agreed.

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Senator Hirsch said that he did not see a glaring need for any portion of the bill, irrespective of the impacts of decline.

MOTION: Senator McCallum moved that the meeting be adjourned.

Chairman Towe adjourned the meeting at 9:03 am.

A handwritten signature in dark ink, appearing to read "Thomas E. Towe", is written above a horizontal line.

Chairman

ROLL CALL

SENATE TAXATION COMMITTEE

49th Legislative Session -- 1985

Date February 25, 1985 8:00am

Location -- Room 413-415

Name Present Absent Excused

Senator Brown	✓		
Senator Eck	✓		
Senator Goodover	✓		
Senator Hager	8:45am		
Senator Halligan	✓		
Senator Hirsch	✓		
Senator Lybeck	✓		
Senator Mazurek	✓		
Senator McCallum	✓		
Senator Neuman			✓
Senator Severson	✓		
Senator Towe	✓		

Amendments to Senate Bill No. 437

Amend SB 437, introduced copy:

1. Page 6, lines 9 through 12.

Following: "." on line 9

Strike: remainder of line 9 through end of line 12

Insert: "In each calendar year up to \$200,000 is statutorily appropriated [as provided in section 2 of House Bill No. 12] from the account to reimburse the general fund for payments made to satisfy tax credits allowed under [section 3]."

2. Page 6.

Following: line 20

Insert: "Section 14. Coordination. If this act and House Bill No. 12 are both passed and approved, subsection (3) of section 2 of House Bill No. 12 is amended to include a reference to section 11 of this act, and the bracketed language in section 11 of this act "[as provided in section 2 of House Bill No. 12]" is effective. If House Bill No. 12 is not passed and approved, such bracketed language in section 11 of this act is void."

Renumber: subsequent section

STATEMENT OF INTENT

____ BILL NO. ____

A statement of intent is required for this bill because it grants rulemaking authority to the department of revenue in section 12. The rules should establish criteria and guidelines for the safety, reliability, and durability of energy generation systems. The legislature intends that these criteria address such issues as:

- (1) systems meeting federal safety standards;
- (2) warranties on systems; and
- (3) the life expectancies of systems.

AN INFORMATION REPORT

THE INFLATION TAX:

**The Case for
Indexing
Federal and State
Income Taxes**

Advisory Commission
on
Intergovernmental
Relations

WASHINGTON, D.C. 20575
JANUARY 1980



M-117

The Policy Case for Indexing

The preceding discussion has centered on the economic principles underlying the Commission's recommendation that the federal and state governments index their graduated personal income taxes. Simply put, indexing eliminates the real tax increase on inflation-related gains in income and prevents the government from reaping an unlegislated revenue windfall. In addition, indexing carries with it several desirable policy implications. They are summarized below. 17

TAX EQUITY

Indexing the personal income tax will preserve the existing legislated distribution of the tax burden. In the absence of indexing, the inflation-income tax interaction automatically and arbitrarily distorts the current equity in the tax structure because it does not affect equally all taxpayers. Rather, the real tax increases generated by inflation depend on differences in family size, level of income, and the degree to which various dollar limitations affect tax liability. They tend to fall more heavily on low income taxpayers, particularly those with large families, and those at the upper income levels.

Indexing the individual income tax would promote the goal of tax equity in two ways. By neutralizing the effects of inflation on tax burdens, it preserves the tax burden distribution as approved by Congress or the state legislature so that legislative intent and existing equity are

maintained despite inflation. Second, indexing will, in effect, move state and federal income taxes toward true equity—i.e., based on ability to pay—because it shifts the tax base toward real income or real purchasing power. The latter is a better measure of ability to pay than money income, which becomes bloated by inflation with no increase in purchasing power.

POLITICAL ACCOUNTABILITY

The inflation-income tax phenomenon raises serious questions of accountability in our political system because the inflation tax increases occur automatically with little public debate and no legislative action to raise taxes. Taxpayers are not able to voice their objections to the tax hikes, and there is no body of elected officials to hold responsible for the increase. Rather, voters are expected simply to attribute the tax increases, along with a myriad of other ills, to inflation. Likewise, the existence of the inflation tax allows elected officials to enact tax cuts which may have no real lasting effect on tax burdens, but do allow legislators to campaign on a record of "cutting taxes." Holding elected officials accountable for their decisions is exceedingly difficult under such circumstances.

Indexing the tax code for inflation would insert a new measure of accountability in the political process. With indexing, government officials can no longer rely on inflation tax windfalls to keep tax revenues growing faster than inflation. Rather, real increases in revenue must result from real economic growth or overt, publicly made legislative decisions to increase taxes upon which the voters can pass judgment at the next election. Conversely, tax cuts under an indexed system can be clearly identified as such because they must cause a real reduction in tax burdens. In short, indexing allows the electorate to clearly fix responsibility for their tax bills and to hold elected officials accountable.

PUBLIC SECTOR GROWTH

In the absence of indexing or other legislative action, the inflation-income tax interaction may foster a shift of resources from the private to the public sector and may impart an upward bias to the size of government. By generating

revenue increases that are more than proportionate to inflation, the existing tax structure permits current programs to be funded at their present levels plus an allowance for inflation, and it may still leave enough money in government coffers to start new programs, expand existing services, or return some money to the taxpayers. Stated another way, without indexation, elected officials have often been able to cut taxes and increase spending.

While indexation will not cut government revenues in absolute terms, it will slow down the rate of growth in revenues by eliminating the real revenue increases associated with inflation-related gains in income. This slowdown will help preserve the existing public-private sector division of resources and should cause elected officials to evaluate their spending decisions more carefully. Without the inflation windfall, funds to establish or expand programs and services will have to come from improved efficiency, cutbacks in current services, real economic growth (from which income tax revenues will still increase more than proportionately to the growth rate), deficit financing, or decisions to increase taxes. This should promote a more careful review of existing programs and more considered expenditure decisions at all levels of government. In effect, by focusing the "political accountability" spotlight on public officials, indexation may serve to slow the growth of the public sector.¹⁸

INTERGOVERNMENTAL FISCAL BALANCE

Continued high rates of inflation could, in the absence of indexing or other legislative action, cause a shift in the current intergovernmental mix of programs to higher levels of government. Of the three levels of government, the federal government has the greatest capacity to realize increased revenues from inflation because of its heavy reliance on the graduated income tax and its dominance of the income tax field. In 1978, federal individual income tax receipts accounted for 84% of the personal income tax revenues of all levels of government, and they comprised over 65% of all federal tax collections. State governments, which receive approximately 25% of their revenues through the personal income tax, have the second

greatest capacity for revenue gains from inflation, and local governments can expect few direct benefits from inflation as very few localities utilize a graduated income tax.

The concentration of resources at the state and federal levels could, depending on the policies adopted for the use of those funds, increase the reliance of local governments on federal and state financial assistance and cause more decisionmaking power to flow to those levels of government along with the money. Indexing helps preserve the existing program mix among the levels of government and should help check any deterioration of state and local autonomy.

In summary, while indexing the personal income tax for inflation is not a panacea for all the concerns of American taxpayers, it can be a reasoned, effective first step toward mitigating the burdens imposed by inflation and quieting some of the current discontent among the electorate. The case for indexation is based on several sound economic and policy arguments.

- It removes the automatic, hidden tax increases that would otherwise result from the interaction of inflation and a progressive income tax.
- It prevents arbitrary distortions of the legislated distribution of the tax burden and provides significant tax relief, particularly to those at the lower and upper ends of the income range.
- It improves the ability of the voters to hold elected officials accountable for their taxing and spending decisions.
- It helps slow the rate of growth in government and preserves the current balance of resources between the public and private sector.
- It sustains the current intergovernmental fiscal balance and impedes the flow of resources and decisionmaking to higher levels of government.

Amendments to Senate Bill 288
Introduced Copy

250,000 proof gallons

1. Title.

Following: Line 9

Insert: "Providing a lower liquor excise and license tax for companies that manufacture, distill, rectify, bottle, or process and sell ~~less~~ than ~~caselots for \$~~ of liquor annually; amending sections 16-1-401 and 16-1-404, MCA;"

2. Page 1, line 12.

Insert: "WHEREAS, the Montana legislature recognizes the need to foster small business growth and development as an essential component of the Montana economy; and

WHEREAS, the Montana legislature finds that small, emerging companies engaged in the business of manufacturing, distilling, rectifying, bottling, and processing liquor are particularly vulnerable to variables in the market place in comparison to larger well-established companies; and

WHEREAS, tax reductions to such smaller, emerging companies is a means of fostering their economic growth without impinging upon interstate commerce."

(continued)

3. Page 1.

Following: line 13

Insert: "Section 1. Section 16-1-401, MCA, is amended to read:

"16-1-401. Liquor excise tax. (1) The department is hereby authorized and directed to charge, receive, and collect at the time of the sale and delivery of any liquor as authorized under any provision of the laws of the state of Montana an excise tax at the rate of:

(a) 16% of the retail selling price on all liquor sold and delivered in the state by a company that manufactured, distilled, rectified, bottled, or processed, and sold more than ~~✓~~ ~~case lots~~ ~~for \$~~ of liquor nationwide in the calendar year preceding imposition of the tax pursuant to this section;

(b) 12% of the retail selling price on all liquor sold and delivered in the state by a company that manufactured, distilled, rectified, bottled, or processed, and sold not more than ~~✓~~ ~~case lots~~ ~~for \$~~ of liquor nationwide on the calendar year preceding imposition of the tax pursuant to this section.

(2) The department shall retain the amount of such excise tax received in a separate account and shall deposit with the state treasurer, to the credit of the general fund, such sums collected and received not later than the 10th day of each and every month."

Section 2. Section 16-1-404, MCA, is amended to read:

"16-1-404. License tax on liquor -- amount -- distribution of proceeds. (1) The department is hereby authorized and directed to charge, receive, and collect at the time of sale and delivery of any liquor under any provisions of the laws of the state of Montana a license tax of:

(a) 10% of the retail selling price on all liquor sold and delivered in the state by a company that manufactured, distilled, rectified, bottled, or processed, and sold more than ~~✓~~ ~~case lots~~ ~~for \$~~ of liquor nationwide in the calendar year preceding imposition of the tax pursuant to this section;

(b) 7.5% of the retail selling price on all liquor sold and delivered in the state by a company that manufactured, distilled, rectified, bottled, or processed, and sold not more than ~~✓~~ ~~case lots~~ ~~for \$~~ of liquor nationwide in the calendar year preceding imposition of the tax pursuant to this section.

(continued)

(2) The license tax shall be charged and collected on all liquor brought into the state and taxed by the department. The retail selling prices shall be computed by adding to the cost of said liquor the state markup as designated by the department. ~~Said 10%~~ The license tax shall be figured in the same manner as the state excise tax and shall be in addition to said state excise tax. The department shall retain in a separate account the amount of ~~such-10%~~ the license tax so received. Thirty percent of these revenues shall be allocated to the counties according to the amount of liquor purchased in each county to be distributed to the incorporated cities and towns, as provided in subsection (2). Four and one-half percent of these revenues shall be allocated to the counties according to the amount of liquor purchased in each county, and this money may be used for county purposes. The remaining revenues shall be deposited in the state special revenue fund to the credit of the department of institutions for the treatment, rehabilitation, and prevention of alcoholism. Provided, however, in the case of purchases of liquor by a retail liquor licensee for use in his business, the department shall make such regulations as are necessary to apportion that proportion of license tax so generated to the county where the licensed establishment is located, for use as provided in 16-1-405. The department shall pay quarterly to each county treasurer the proportion of the license tax due each county to be allocated to the incorporated cities and towns of the county.

~~(2)~~ (3) The license tax proceeds allocated to the county under subsection (1) for use by cities and towns shall be distributed by the county treasurer to the incorporated cities and towns within 30 days of receipt from the department. The distribution of funds to the cities and towns shall be based on the proportion that the gross sale of liquor in each city or town is to the gross sale of liquor in all of the cities and towns of the county.

~~(3)~~ (4) The license tax proceeds that are allocated to the department of institutions for the treatment, rehabilitation, and prevention of alcoholism shall be credited quarterly to the department of institutions. The legislature may appropriate a portion of the license tax proceeds to support alcohol programs. The remainder shall be distributed as provided in 53-24-206." "

Renumber: subsequent sections



STATE OF MONTANA

DEPARTMENT OF REVENUE

LIQUOR DIVISION

MITCHELL BUILDING

HELENA, MONTANA 59601

February 22, 1985

Mr. James A. Lear
Staff Attorney
Legal Services Division
Legislative Council
Room 138
State Capitol Building
Helena, MT 59620

Dear Mr. Lear:

Enclosed please find a copy of the form which is being sent out to all suppliers at the request of the Senate Taxation Committee in connection with Senate Bill 288.

If you should have any further questions or need additional information please contact me.

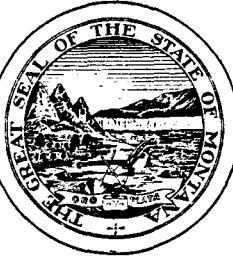
Very truly yours,

A handwritten signature in cursive script, reading "Howard Heffelfinger".

Howard Heffelfinger
Administrator
Department of Revenue
Liquor Division

HH/dh

DEPARTMENT OF REVENUE



TED SCHWINDEN, GOVERNOR

MITCHELL BULLOCK

STATE OF MONTANA

HELENA, MONTANA 59620

February 22, 1985

The Senate Taxation Committee of the Montana Legislature is considering a proposal to implement a tax reduction for suppliers based on national volume sales. In order to provide the information they need to study this proposal, we are asking that you supply the following information as soon as conveniently possible.

COMPANY _____
1984 NATIONAL SALES: _____
CASES _____
DOLLAR VALUE _____

A self-addressed envelope is enclosed for your convenience.
Thank you for your cooperation.

Very truly yours,

A handwritten signature in cursive script, reading "Howard Heffelfinger".

Howard Heffelfinger
Administrator
Department of Revenue
Liquor Division

SUGGESTED AMENDMENT TO S.B. 288

IN ORDER TO PROMOTE, STIMULATE AND ENCOURAGE THE DEVELOPMENT OF INDUSTRY, COMMERCE, AGRICULTURE, LABOR AND NATURAL RESOURCES OF THE STATE AND TO PROVIDE FOR THE SOCIAL AND ECONOMIC PROSPERITY OF ITS CITIZENS, THE LEGISLATURE RECOGNIZES THAT SMALLER BUSINESSES CAN AND DO PROMOTE ECONOMIC DEVELOPMENT. THEREFORE, THIS LEGISLATURE INTENDS TO STRUCTURE THE PRICING OF LIQUOR SOLD IN MONTANA TO ENCOURAGE GROWTH AND DEVELOPMENT BY ADJUSTING THE MARKUP OF LIQUOR SOLD IN MONTANA BY PRODUCERS OF SMALLER QUANTITIES OF LIQUOR.

IN COMPUTING THE SELLING PRICE OF ALL LIQUOR SOLD AND DELIVERED BY THE DEPARTMENT, THE DEPARTMENT IS AUTHORIZED AND DIRECTED TO DESIGNATE AND ESTABLISH THE STATE MARKUP ON ALL LIQUOR WHICH IS EITHER MANUFACTURED, DISTILLED, RECTIFIED, BOTTLED OR PROCESSED BY A PERSON WHO PRODUCES NOT MORE THAN 250,000 PROOF GALLONS OF LIQUOR DURING THE CALENDAR YEAR TO BE 10% LESS THAN THE AMMOUNT OF MARKUP OF PRODUCTS OF PRODUCERS OF GREATER QUANTITIES OF LIQUOR.

EACH MANUFACTURER, DISTILLER, RECTIFIER, BOTTLER AND PROCESSOR SELLING LIQUOR TO THE STATE SHALL, IN ACCORDANCE WITH RULES ESTABLISHED BY THE DEPARTMENT, FILE ANNUAL REPORTS OF TOTAL PRODUCTION IN PROOF GALLONS DURING THE PRECEDING CALANDAR YEAR, AND SAID REPORTS WILL DETERMINE THE MARKUP TO BE APPLIED TO EACH LIQUOR PRODUCT SOLD AND DELIVERED TO THE DEPARTMENT.

STANDING COMMITTEE REPORT

February 25, 1935

MR. PRESIDENT

We, your committee on Taxation

having had under consideration Senate Joint Resolution No. 24

first reading copy (white)
color

PLEDGING CONTINUED LEGISLATIVE SUPPORT FOR INCOME TAX INDEXING.

Respectfully report as follows: That Senate Joint Resolution No. 24

DO PASS

~~DO NOT PASS~~

Senator Thomas E. Zowe,

Chairman.

STANDING COMMITTEE REPORT

Page 1 of 3.

February 25,

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19.....

MR. PRESIDENT

Taxation

We, your committee on.....

Senate Bill

288

having had under consideration.....

No.....

first

reading copy (white)
color

REMOVING REDUCTION OF STATE MARKUP FOR MONTANA LIQUOR.

Senate Bill

288

Respectfully report as follows: That.....

No.....

be amended as follows:

1. Title, line 10.

Following: Line 9

Insert: "PROVIDING A LOWER LIQUOR EXCISE AND LICENSE TAX FOR COMPANIES THAT MANUFACTURE, DISTILL, RECTIFY, BOTTLE, OR PROCESS AND SELL NOT MORE THAN 250,000 PROOF GALLONS OF LIQUOR ANNUALLY; AMENDING SECTIONS 16-1-401 AND 16-1-404, MCA;"

2. Page 1, line 12.

Insert: "WHEREAS, the Montana legislature recognizes the need to foster small business growth and development as an essential component of the Montana economy; and

WHEREAS, the Montana legislature finds that small, emerging companies engaged in the business of manufacturing, distilling, rectifying, bottling, and processing liquor are particularly vulnerable to variables in the market place in comparison to larger well-established companies; and

WHEREAS, tax reductions to such smaller, emerging companies is a means of fostering their economic growth without impinging upon interstate commerce."

(continued)

XXXXXX
DO PASS

XXXXXXXXXX
DO NOT PASS

continued

Chairman.

February 25,

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19.....

3. Page 1, line 14.

Following: line 13

Insert: "Section 1. Section 16-1-401, MCA, is amended to read:

"16-1-401. Liquor excise tax. (1) The department is hereby authorized and directed to charge, receive, and collect at the time of the sale and delivery of any liquor as authorized under any provision of the laws of the state of Montana an excise tax at the rate of:

(a) 16% of the retail selling price on all liquor sold and delivered in the state by a company that manufactured, distilled, rectified, bottled, or processed, and sold more than 250,000 proof gallons of liquor nationwide in the calendar year preceding imposition of the tax pursuant to this section;

(b) 12% of the retail selling price on all liquor sold and delivered in the state by a company that manufactured, distilled, rectified, bottled, or processed, and sold not more than 250,000 proof gallons of liquor nationwide on the calendar year preceding imposition of the tax pursuant to this section.

(2) The department shall retain the amount of such excise tax received in a separate account and shall deposit with the state treasurer, to the credit of the general fund, such sums collected and received not later than the 10th day of each and every month."

Section 2. Section 16-1-404, MCA, is amended to read:
"16-1-404. License tax on liquor -- amount -- distribution of proceeds. (1) The department is hereby authorized and directed to charge, receive, and collect at the time of sale and delivery of any liquor under any provisions of the laws of the state of Montana a license tax of:

(a) 10% of the retail selling price on all liquor sold and delivered in the state by a company that manufactured, distilled, rectified, bottled, or processed, and sold more than 250,000 proof gallons of liquor nationwide in the calendar year preceding imposition of the tax pursuant to this section;

(b) 7.5% of the retail selling price on all liquor sold and delivered in the state by a company that manufactured, distilled, rectified, bottled, or processed, and sold not more than 250,000 proof gallons of liquor nationwide in the calendar year preceding imposition of the tax pursuant to this section.

(continued)

continued

February 25,

19 35

(2) The license tax shall be charged and collected on all liquor brought into the state and taxed by the department. The retail selling price shall be computed by adding to the cost of said liquor the state markup as designated by the department. Said-10% The license tax shall be figured in the same manner as the state excise tax and shall be in addition to said state excise tax. The department shall retain in a separate account the amount of such-10% the license tax so received. Thirty percent of these revenues shall be allocated to the counties according to the amount of liquor purchased in each county to be distributed to the incorporated cities and towns, as provided in subsection (2). Four and one-half percent of these revenues shall be allocated to the counties according to the amount of liquor purchased in each county, and this money may be used for county purposes. The remaining revenues shall be deposited in the state special revenue fund to the credit of the department of institutions for the treatment, rehabilitation, and prevention of alcoholism. Provided, however, in the case of purchases of liquor by a retail liquor licensee for use in his business, the department shall make such regulations as are necessary to apportion that proportion of license tax so generated to the county where the licensed establishment is located, for use as provided in 16-1-405. The department shall pay quarterly to each county treasurer the proportion of the license tax due each county to be allocated to the incorporated cities and towns of the county.

42+(3) The license tax proceeds allocated to the county under subsection (1) for use by cities and towns shall be distributed by the county treasurer to the incorporated cities and towns within 30 days of receipt from the department. The distribution of funds to the cities and towns shall be based on the proportion that the gross sale of liquor in each city or town is to the gross sale of liquor in all of the cities and towns of the county.

43+(4) The license tax proceeds that are allocated to the department of institutions for the treatment, rehabilitation, and prevention of alcoholism shall be credited quarterly to the department of institutions. The legislature may appropriate a portion of the license tax proceeds to support alcohol programs. The remainder shall be distributed as provided in 53-24-206." "

Renumber: subsequent sections

AND AS AMENDED
DO PASS

.....
Senator Thomas E. Fowe, Chairman