

1 House BILL NO. 359
 2 INTRODUCED BY FAGG W. BATH J. ANDERSON
 3 O'CONNOR
 4 A BILL FOR AN ACT ENTITLED: "AN ACT REQUIRING THE STATE
 5 DEPARTMENT OF REVENUE TO REMIT A PORTION OF THE INCOME TAXES
 6 RECEIVED BY THE DEPARTMENT TO LOCAL GOVERNMENTS."
 7
 8 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF MONTANA:
 9 Section 1. Definitions. As used in this act:
 10 (1) "Local government unit" means any county or
 11 incorporated city or town within the state of Montana;
 12 (2) "Department" means the state department of
 13 revenue;
 14 (3) "Income tax" means those taxes and surtaxes levied
 15 on the income of taxpayers and collected by the department
 16 pursuant to chapter 49, Title 84, R.C.M. 1947;
 17 (4) "Urban population" means that part of the
 18 population as determined by the last preceding federal
 19 census living within the boundaries of incorporated cities
 20 and towns;
 21 (5) "Rural population" means that portion of the
 22 population that is not urban, that is, that lives outside
 23 the boundaries of incorporated cities and towns also as
 24 determined by the last preceding federal census.
 25 Section 2. Portion of taxes allocated. (1) Ten

1 percent (10%) of the total income taxes collected annually
 2 by the department shall be earmarked by the department for
 3 payment to local government units.
 4 (2) The state treasurer shall, not later than July 10
 5 of any calendar year, distribute the money collected during
 6 or for the preceding calendar year to local government units
 7 on the bases hereinafter described.
 8 (3) On or before June 1, of each calendar year, the
 9 state treasurer shall notify each local government unit by
 10 letter addressed to the governing body of such unit of the
 11 approximate amount that said local government shall be
 12 eligible to receive under the terms of this act.
 13 Section 3. Determination of portion of taxes
 14 earmarked. (1) The treasurer shall determine the
 15 percentage that the rural population of the state bears to
 16 the total population of the state and shall earmark this
 17 percentage of the tax money set aside for local government
 18 under the terms of this act for distribution to county
 19 government.
 20 (2) Each county shall receive the portion of said
 21 earmarked money in direct proportion that its rural
 22 population bears to the rural population of the whole state
 23 also based on the last preceding federal census.
 24 (3) The balance of the income tax money set aside for
 25 local government under the terms of this act shall be

1 earmarked for distribution to incorporated cities and towns.

2 (4) Each city and town shall receive the portion of
3 the earmarked money in direct proportion that its population
4 bears to the urban population of the whole state also based
5 on the last preceding federal census. Should any
6 incorporated city or town disincorporate it shall be
7 ineligible for distribution under this act and any money
8 then being held for the benefit of such city or town by the
9 treasurer shall be paid to the county in which said city or
10 town is located. In all subsequent years the population of
11 any disincorporated city or town shall be treated as a
12 portion of the rural population of the state and county.

13 Section 4. When city not eligible for allocation. Any
14 city or town which would receive, under the formula
15 described in [section 3 of this act] less than two hundred
16 dollars (\$200) is not eligible to receive funds under this
17 act for each year in which it would receive less than that
18 sum. Money allocated to any ineligible city or town shall
19 be distributed to the county in which the city or town is
20 located in addition to any other monies that the county is
21 eligible to receive under the terms of this act.

22 Section 5. Severability clause. It is the intent of
23 the legislature that if a part of this act is invalid, all
24 valid parts that are severable from the invalid part remain
25 in effect. If a part of this act is invalid in one or more

1 of its applications, the part remains in effect in all valid
2 applications that are severable from the invalid
3 applications.

4 Section 6. Effective date. This act is effective July
5 1, 1976. The first distribution of money hereunder shall be
6 made on or before July 10, 1976.

-End-

FISCAL NOTE

Form BD-15

In compliance with a written request received 1-29, 19 75, there is hereby submitted a Fiscal Note for House Bill 359 pursuant to Chapter 53, Laws of Montana, 1965 - Thirty-Ninth Legislative Assembly. Background information used in developing this Fiscal Note is available from the Office of Budget and Program Planning, to members of the Legislature upon request.

DESCRIPTION OF PROPOSED LEGISLATION:

An act to require the Department of Revenue to remit 10% of the income taxes received by the Department to local government units, effective July 1, 1976.

ASSUMPTIONS:

1. The 10% of income tax collections to be allocated to local government units will reduce the General Fund allocation to 54%. (See Technical Note 1)
2. The tax collections to be distributed come from revenues collected during the fiscal year. (See Technical Note 2)
3. Additional costs can be absorbed in existing budgets.
4. There will be no impact on revenue allocations in FY76.

FISCAL IMPACT:

	FY77			
	<u>General Fund</u>	<u>Public School Equalization ERA</u>	<u>Long Range Building Program</u>	<u>Local Govt. Units</u>
Income tax allocation under current law	\$ 79.37million	\$31.00 million	\$13.64 million	\$ 0
Income tax allocation under proposed law	66.97 million	31.00 million	13.64 million	12.40 million
Increase (Decrease) in allocations	\$(12.40million)	\$ 0	\$ 0	\$12.40 million

LOCAL IMPACT:

On the basis of 1970 federal census data, the \$12.4 million to local government units would be distributed 53.7% (urban population) to cities and towns and 46.3% (rural population) to counties, or \$6.66 million and \$5.74 million respectively.

CONCLUSION:

House Bill 359 if enacted, would not affect total income tax collections or alter the income tax structure, but would revise the allocation of such collections. Enactment of HB 359 would result in a revenue loss to the General Fund of \$12.4 million with a corresponding increase in revenue to local governments in FY77.

TECHNICAL NOTES:

1. Under sections 75-6916, 79-2203(5), and 84-1901, R.C.M. 1947, the revenue from individual income tax is distributed 64% to the General Fund, 25% to the Public School Equalization, Earmarked Revenue Account and 11% to the Long Range Building Program. These sections must be amended to avoid conflict with House Bill 359.
2. Section 1(2) of HB 359 (page 2, lines 4-7) requires the state treasurer to distribute the money collected during or for the preceding calendar year (emphasis added). Money collected during the calendar year is not the same amount as collected for the calendar year. The estimates assume that the intent was to distribute fiscal year collections, however, the wording is not clear in that respect.

Michael S. Bellings
BUDGET DIRECTOR

Office of Budget and Program Planning

Date: _____

Approved by Committee
on Taxation

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INTRODUCED BY FAGG, W. BAETH,

J. ANDERSON, O'CONNELL

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Section 2. Portion of taxes allocated. (1) ~~Ten~~ FIVE percent ~~(10%)~~ (5) of the total income taxes collected annually by the department shall be earmarked by the department for payment to local government units.

(2) The state treasurer shall, not later than July 10 of any calendar year, distribute the money collected during or for the preceding calendar year to local government units on the bases hereinafter described.

(3) On or before June 1, of each calendar year, the state treasurer shall notify each local government unit by letter addressed to the governing body of such unit of the approximate amount that said local government shall be eligible to receive under the terms of this act.

Section 3. Determination of portion of taxes earmarked. (1) The treasurer shall determine the percentage that the rural population of the state bears to the total population of the state and shall earmark this percentage of the tax money set aside for local government under the terms of this act for distribution to county government.

(2) Each county shall receive the portion of said earmarked money in direct proportion that its rural population bears to the rural population of the whole state also based on the last preceding federal census.

(3) The balance of the income tax money set aside for

1 local government under the terms of this act shall be
 2 earmarked for distribution to incorporated cities and towns.

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