

HOUSE BILL NO. 910

Introduced: 03/12/83

Referred to Committee on Local Government: 03/12/83

Hearing: 3/19/83

Died in Committee

1 House BILL NO. 910
2 INTRODUCED BY Jamnis Vincent
3

4 A BILL FOR AN ACT ENTITLED: "THE LOCAL GOVERNMENT TAX
5 STABILIZATION ACT OF 1983; TO ESTABLISH A LOCAL GOVERNMENT
6 BLOCK GRANT PROGRAM FUNDED BY A PORTION OF THE STATE INCOME
7 TAX TO PROVIDE FINANCIAL ASSISTANCE TO MUNICIPALITIES AND
8 COUNTIES IN MONTANA; TO AUTHORIZE LOCAL GOVERNMENTS TO
9 IMPOSE A LOCAL OPTION INCOME TAX TO QUALIFY FOR A PORTION OF
10 THE BLOCK GRANT PROGRAM FOR FISCAL YEAR 1987 AND SUCCEEDING
11 YEARS; TO AUTHORIZE CERTAIN LOCAL OPTION HOTEL AND MOTEL
12 ROOM TAXES; TO APPROPRIATE FUNDS FROM THE LOCAL GOVERNMENT
13 BLOCK GRANT ACCOUNT CREATED BY THE ACT TO FUND STATE
14 PAYMENTS TO LOCAL GOVERNMENTS; AMENDING SECTION 61-3-536,
15 MCA; AND PROVIDING AN EFFECTIVE DATE."

16
17 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF MONTANA:

18 NEW SECTION. Section 1. Short title. [Sections 1
19 through 16] may be cited as the "Local Government Tax
20 Stabilization Act of 1983".

21 NEW SECTION. Section 2. Definitions. As used in
22 [sections 1 through 16], the following definitions apply:

23 (1) "County" means any county government that is not
24 classified as a consolidated government.

25 (2) "Governing body" means the board of county

1 commissioners or, in the case of a municipality or
2 city-county consolidated government, the council,
3 commission, or other body having charge of the finances of
4 the local government.

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

7 (4) "Jurisdiction" means any city, town, county, or
8 consolidated government; any other municipal taxing
9 district; any school district.

10 (5) "Local government" means a municipality, a county,
11 or a city-county consolidated government.

12 (6) "Mill value" means the amount of revenue that can
13 be raised within a jurisdiction by levying 1 mill. It is
14 determined by multiplying a jurisdiction's taxable valuation
15 by .001.

16 (7) "Municipality" means an incorporated city, town,
17 or city-county consolidated government.

18 (8) "Taxable year" means the taxpayer's taxable year
19 for federal income tax purposes.

20 (9) "Unincorporated population" means the number of
21 persons not residing within a municipality.

22 NEW SECTION. Section 3. Local government block grant
23 account created -- source of funds. (1) There is a local
24 government block grant account within the earmarked revenue
25 fund.

INTRODUCED BILL
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(2) Funds in this account must be used in accordance with the allocations provided in subsection (3) to provide payments to eligible jurisdictions under the local government block grant program created by [sections 1 through 16].

(3) A percentage of the proceeds from the individual income tax collected under Title 15, chapter 30, must be deposited in the account as follows:

(a) for the general purpose block grant as provided for in [section 5], 14% of the total collections in taxable year 1982 and each succeeding year;

(b) for the general services block grants as provided for in [section 5] for fiscal years 1984 through 1986, 3% of total collections in taxable years 1982 through 1984;

(c) for the general services block grants for fiscal year 1987, 2% of total collections in taxable year 1985; and

(d) for fiscal year 1988 and each succeeding year, 1% of total collections in taxable year 1986 and each succeeding year.

NEW SECTION. Section 4. Local government block grant program. (1) There is a local government block grant program. The department of commerce shall administer the program and distribute funds from the local government block grant account.

(2) The local government block grant program is

comprised of three parts:

(a) a general purpose block grant for all jurisdictions;

(b) a general services block grant for counties; and

(c) a general services block grant for municipalities.

NEW SECTION. Section 5. Division of block grant funds. The division of funds within the local government block grant account is as follows:

(1) The general purpose block grant for all jurisdictions must be funded, before any other distributions are made from the account, in an amount sufficient to cover the reimbursements required by 61-3-536.

(2) (a) Except as provided in [section 10(3)], the general services block grant for counties must be funded from a percentage of the remaining funds deposited in the account equal to the ratio that the unincorporated population of the state bears to the total state population.

(b) Except as provided in [section 10(3)], the general services block grant for municipalities must be funded from a percentage of the remaining funds deposited in the account equal to the ratio that the incorporated population of the state bears to the total state population.

NEW SECTION. Section 6. Distribution of general purpose block grant funds. The general purpose block grant for all jurisdictions must be distributed by the state to

1 counties pursuant to 61-3-536 and by counties to other
2 jurisdictions pursuant to 61-3-509.

3 NEW SECTION. Section 7. Distribution of general
4 services block grant funds to counties. Except as provided
5 in [section 10(3)], funds in the general services block
6 grant for counties must be distributed as follows:

7 (1) One-half of each county's share is determined by
8 the ratio that the county's total population bears to the
9 total county population in the state.

10 (2) The remaining one-half is distributed according to
11 the following formula in which CMV = average mill value per
12 capita for all counties; IMV = individual county mill value
13 per capita; ICP = individual county population; CG = 1/2
14 total county grant:

15 CMV
16 --- X ICP = county tax base factor (TBF)
17 IMV
18 Individual county TBF
19 CG X ----- = 1/2 Individual county share
20 sum of all county TBFs

21 NEW SECTION. Section 8. Distribution of general
22 services block grant funds to municipalities. (1) The
23 general services block grant for municipalities is divided
24 into the consolidated category and the city/town category.

25 (2) The consolidated category shall receive a

1 percentage of the total municipal grant as determined by the
2 following formula in which PCG = population of consolidated
3 governments; UP = unincorporated population; TSP = total
4 state population; and TSMP = total state municipal
5 population:

6 $PCG \div (PCG \times UP/TSP)$
7 ----- = consolidated category percentage
8 TSMP

9 (3) The city/town category shall receive the remainder
10 of the general services grant for municipalities.

11 (4) Except as provided in [section 10(3)], funds for
12 both the city/town and consolidated categories must be
13 distributed as follows:

14 (a) One-half of each municipality's share is
15 determined by the ratio that the municipality's total
16 population bears to the total state municipal population of
17 that category.

18 (b) The remaining one-half is distributed according to
19 the following formula in which MVPC = average mill value per
20 capita for all municipalities within each category; IVC =
21 individual municipal mill value per capita; IMP = individual
22 municipal population; CG = 1/2 total grant for each
23 category:

24 MVPC
25 --- X IMP = municipal tax base factor (TBF)

1 IVC
 2 individual municipal TBF
 3 $CG \times \frac{\text{sum of all municipal TBFs}}{\text{municipality's share}} = 1/2 \text{ individual}$
 4
 5 **NEW SECTION.** Section 9. Population and taxable
 6 valuation figures to be used. (1) Population figures used
 7 for the calculations in [sections 5, 7, and 8] must be the
 8 most recent figures as determined by the department of
 9 commerce.
 10 (2) Mill values used for the calculations in [sections
 11 5, 7, and 8] must be the most recent taxable valuation
 12 figures as determined by the department of revenue for the
 13 fiscal year in which payments are to be made.
 14 **NEW SECTION.** Section 10. Disposition and use of
 15 funds. The department of commerce shall distribute funds
 16 from the local government block grant account as follows:
 17 (1) On or before March 1, 1984, and on or before March
 18 1 of each succeeding year, the reimbursement required by
 19 61-3-536 must be distributed.
 20 (2) At least quarterly during fiscal years 1984
 21 through 1986, a disbursement must be made from the general
 22 services block grants for municipalities and counties.
 23 (3) (a) For fiscal year 1987 and each succeeding year,
 24 disbursements from the general services block grants for
 25 municipalities and counties must be made at least quarterly

1 but may be made only to those local governments that impose
 2 a local option income tax as provided in [section 11].
 3 (b) The total amount disbursed from income tax
 4 proceeds in the account to local governments that qualify
 5 under subsection (3)(a) in a fiscal year may not exceed the
 6 total amount collected under [section 3(3)] for each taxable
 7 year from the people residing within the boundaries of such
 8 local government jurisdictions.
 9 (c) All funds that remain in the account after
 10 disbursement of the general service block grant according to
 11 subsection (3)(b) must revert to the state general fund at
 12 the end of each fiscal year.
 13 **NEW SECTION.** Section 11. Qualifications for general
 14 services block grant disbursements after fiscal year 1986.
 15 (1) To qualify for disbursements from the general services
 16 block grant for municipalities and counties for fiscal year
 17 1987 and each succeeding year, a local government must
 18 obtain approval of the electors of the jurisdiction as
 19 provided in [sections 12 and 13] to impose at least the
 20 following local option income taxes:
 21 (a) for fiscal year 1987, an income tax for taxable
 22 year 1985 equal to 3% of each taxpayer's liability under
 23 Title 15, chapter 30;
 24 (b) for fiscal year 1988, an income tax for taxable
 25 year 1986 equal to 4% of each taxpayer's liability under

1 Title 15, chapter 30;

2 (c) for fiscal year 1989 and each succeeding year, an
3 income tax for taxable year 1987 and each succeeding taxable
4 year equal to 5% of each taxpayer's liability under Title
5 15, chapter 30.

6 (2) A local government may qualify in any fiscal year
7 if the tax rate specified for that year in subsection (1) is
8 imposed.

9 **NEW SECTION.** Section 12. Authorization of local
10 option taxes — election requirement. (1) Any local
11 government with general or self-government powers is
12 authorized to impose one or both of the following:

13 (a) a local option hotel and motel room tax as
14 provided in [section 16];

15 (b) a local option income tax on its residents, not to
16 exceed 10% of an individual's state income tax liability
17 under Title 15, chapter 30.

18 (2) A local government may impose or repeal a tax
19 authorized by subsection (1) only after an affirmative vote
20 of the electors of the jurisdiction.

21 **NEW SECTION.** Section 13. Election requirements for
22 local option taxes. The governing body of a local government
23 shall submit the question of a local option tax to the
24 electors of the jurisdiction as required by [section 12] in
25 the following manner:

1 (1) The question may be presented to the electors by:

2 (a) a petition of 5% of the electors; or

3 (b) a resolution of the governing body of the local
4 government.

5 (2) Upon the receipt of such a petition by the
6 governing body or adoption of such a resolution, the
7 question must be placed on the ballot at the next regularly
8 scheduled election of the local government.

9 (3) The question must be presented in substantially
10 the following form:

11 ☐ FOR the local government (insert name of tax).

12 ☐ AGAINST the local government (insert name of tax).

13 (4) The governing body shall include in the ballot
14 question:

15 (a) a reasonable estimate of the reduction in property
16 taxes, as expressed in mills, that would result from the
17 imposition of the local option tax; and

18 (b) the tax years to which the tax is intended to
19 apply. The tax may apply to the taxable year beginning after
20 the election.

21 (5) The question of imposition of a local option tax
22 may not be placed before the electors more than one time in
23 any one fiscal year.

24 **NEW SECTION.** Section 14. Certification of local
25 option income tax. When a local option income tax is

1 approved for a taxable year, the governing body of the local
2 government shall certify the tax rate to the department of
3 revenue not later than November 15 of the taxable year
4 preceding the taxable year to which the tax is first to
5 apply.

6 NEW SECTION. Section 15. Collection and distribution
7 of local option income taxes. (1) The department of revenue
8 shall collect, under rules adopted by the department, any
9 local option income tax imposed in compliance with [sections
10 12 through 14]. The rules for the administration of the
11 state income tax apply to the local option income tax except
12 when, in the judgment of the department of revenue,
13 application of the rules would be inconsistent with
14 [sections 1 through 16] or not feasible for proper
15 administration.

16 (2) Local option income taxes collected under
17 [sections 1 through 16] must be accounted for separately and
18 must be credited to a separate local option income tax
19 account established in the state treasury.

20 (3) The department of revenue may deduct an amount not
21 exceeding 1% of revenue collected to cover actual costs
22 incurred by the department in administering the local option
23 income tax.

24 (4) The department of commerce shall distribute to the
25 local government of origin the local option income tax

1 collections credited to the account provided for in
2 subsection (2).

3 NEW SECTION. Section 16. Hotel and motel room tax.
4 (1) Under the authority granted in [section 12], a local
5 government may impose a tax on the use of hotel and motel
6 facilities, as defined in 50-51-102, not to exceed 10% of
7 the room rental.

8 (2) The local government imposing the tax shall
9 provide for the administration and the collection of the
10 tax.

11 Section 17. Section 61-3-536, MCA, is amended to read:
12 "61-3-536. State aid for local government. (1) Each
13 county treasurer shall compute:

14 (a) the total amount received during the period from
15 January 1, 1981, to December 31, 1981, for property taxes on
16 automobiles and trucks having a rated capacity of
17 three-quarters of a ton or less, denoted CT;

18 (b) the total amount that would have been received
19 during the same period if the license fee system had been in
20 effect, denoted CF; and

21 (c) the number of light vehicles registered in the
22 county on December 31, 1981, denoted NC.

23 (2) The three quantities, CT, CF, and NC, shall be
24 certified to the department of revenue by February 1, 1982.
25 The department of revenue shall compute for each county a

1 quantity called county revenue loss, denoted CRL, and county
2 loss per vehicle, denoted CLV, and defined as follows:

3 (a) CRL = larger of:

4 (i) 0; or

5 (ii) $CT - CF$;

6 (b) $CLV = CRL/NC$.

7 (3) Prior to February 1 of year denoted Y, the county
8 treasurer shall determine and certify to the department of
9 ~~revenue~~ the number of light vehicles registered in the
10 county on December 31 of the prior year, denoted $NC(Y)$.
11 ~~Prior to March 1 of year Y, the department of revenue shall~~
12 ~~transmit to the department of commerce the amount of $CLV \times$~~
13 ~~$NC(Y)$ for each county.~~

14 (4) On March 1 of year Y, the department ~~of commerce~~
15 shall transmit to each county treasurer a warrant in the
16 amount of $CLV \times NC(Y)$.

17 (5) Upon receipt of the payment provided for in
18 subsection (4), the county treasurer shall credit the
19 payment to a motor vehicle suspense fund and, at some time
20 between March 15 and March 30, shall distribute the payment
21 in the same manner as funds are distributed to the taxing
22 jurisdictions as provided in 61-3-509."

23 NEW SECTION. Section 18. Appropriation. There is
24 appropriated from the local government block grant account
25 created in section 3 the sum of \$37,400,000 for the biennium

1 ending June 30, 1985, to the department of commerce to fund
2 the state payments to local governments provided for in
3 section 10.

4 NEW SECTION. Section 19. Effective date. This act is
5 effective July 1, 1983.

-End-

STATE OF MONTANA

REQUEST NO. 500-83

FISCAL NOTE

Form BD-15

In compliance with a written request received March 18, 19 83, there is hereby submitted a Fiscal Note for House Bill 910 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:

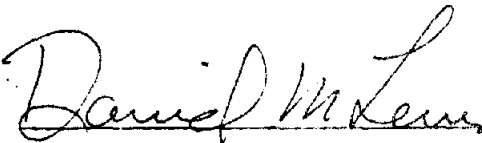
House Bill 910 is the Local Government Tax Stabilization Act of 1983. The bill establishes a local government block grant program funded by a portion of the state income tax and authorizes local governments to impose a local option income tax and certain local option hotel and motel taxes.

ASSUMPTIONS:

- 1) The percentages in Section 3(a) and (b) apply to total income tax collections in FY 84 and FY 85. Current allocations of income tax would be made after the allocation on the Local Government Block Grant.
- 2) Income tax collections will be \$166.43 in FY 84 and \$175.46 in FY 85.
- 3) No estimate is made of the amount that would be raised by the local option income tax or hotel/motel tax.

FISCAL IMPACT:

	<u>FY84</u>	<u>FY85</u>
	<u>Million</u>	
Local Government Block Grant Account		
Current Law	\$ 0	\$ 0
Proposed Law	<u>28.29</u>	<u>29.83</u>
Increase	<u>\$ 28.29</u>	<u>\$ 29.83</u>
General Fund		
Current Law	\$106.50	\$112.29
Proposed Law	<u>88.41</u>	<u>93.20</u>
Decrease	<u>\$(18.09)</u>	<u>\$(19.09)</u>
Sinking Fund		
Current Law	\$ 18.31	\$ 19.30
Proposed Law	<u>15.19</u>	<u>16.02</u>
Decrease	<u>\$ (3.12)</u>	<u>\$ (3.28)</u>

Continued


BUDGET DIRECTOR

Office of Budget and Program Planning

Date: 3-18-83

School Foundation Program

Current Law	\$ 41.61	\$ 43.86
Proposed Law	34.53	36.40
Decrease	<u>\$ (7.08)</u>	<u>\$ (7.46)</u>

TECHNICAL NOTE:

Section 3(3) conflicts with Sections 15-1-501 and 17-5-408, which provide for the allocation of income tax collections. Section 3(3) is also ambiguous concerning what year's collections are affected. Referencing fiscal years' collections would be clearer. A local option income tax will be difficult to administer if it is based on taxpayers' residences, rather than places of employment.

FISCAL NOTE 17:Q/2