## HOUSE BILL NO. 937

3/14	Introduced	
3/14	Referred to	Taxation
3/14	Fiscal Note	Requested
3/20	Fiscal Note	Received
3/22	Hearing	

3/22 Hearing
Died in Committee

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HOUSE BILL NO. 937

INTRODUCED BY

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A BILL FOR AN ACT ENTITLED: "AN ACT IMPOSING A TAX ON CERTAIN CORPORATE STOCKS AND BONDS; PROVIDING FOR THE COLLECTION AND ADMINISTRATION OF THE TAX; AND PROVIDING AN APPLICABILITY DATE."

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

Section 1. Annual tax on corporate stocks and bonds.

- (1) There is imposed on corporate stocks and bonds specified
- 12 in this section, and owned or held as provided in [section
- 2] as of January 1 of each year, a tax of 50 cents on every
- 14 \$100 of the actual market value thereof on that date.
  - (2) Corporate stocks and bonds subject to the tax imposed by this section are those listed on the New York stock exchange, the American stock exchange, the Pacific stock exchange, the Midwest stock exchange, or any other stock exchange registered with the federal securities and exchange commission and approved by the securities commissioner of this state and those traded over the counter through the national association of securities dealers automated quotation (NASDAQ) system operated by the national association of securities dealers, inc.
    - (3) The tax imposed in this section does not apply to

1 United States bonds or to any stock or bond held as an 2 investment under any retirement, pension, or profit-sharing 3 plan exempt from taxation under the Internal Revenue Code, 4 as amended.

return. (1) Taxes imposed by [this act] are due and payable on September 30 of each year, and the lien for such taxes attaches annually to all real estate of the taxpayer within this state as of the date that such taxes are due, regardless of the time at which liability for the tax arises or the exact amount thereof is determined. The lien continues until such taxes, together with any penalty and costs accrued thereon, have been paid.

(2) Each person, firm, association, partnership, corporation, guardian, trustee, executor, administrator, personal representative, receiver, or other fiduciary resident of or domiciled in Montana and owning or holding any corporate stock or bond, either as principal or agent, is liable for payment of the tax imposed in [section 1] and shall make and deliver to the department of revenue, in such form as may be prescribed, an accurate and complete return of such tax liability, together with the total amount of tax due, on or before September 30 of each year. A fiduciary holding or controlling stocks or bonds subject to the tax is personally liable for payment of the tax. This section does

not relieve an estate held in trust or under the control of a fiduciary from the lien for such tax.

Section 3. Reports required. (1) Each domestic or foreign corporation, the stock or bonds of which are owned or held by persons or entities resident of or domiciled in Montana, as provided in [this act], shall report not later than September 30 of each year, in such form as may be prescribed by the department of revenue, the name and address of each registered stockholder or bondholder resident of or domiciled in Montana as of the preceding January 1. The report must also include the number of shares of stock held, the number of bonds held, the par or face value of each, the market value of each as of January 1, and any other information the department requires.

(2) In addition, each person registered as a broker-dealer or salesman, as required by 30-10-201, shall report to the department of revenue not later than March 31 of each year a list of each share of stock and each bond owned by each of his customers or clients on the previous January 1. The report must include the par or face value and the actual market value of each share of stock and each bond held by each customer or client on January 1 and any other information the department requires.

24 Section 4. Department duties -- disposition of 25 revenue. (1) The department of revenue shall adopt rules, prescribe forms for returns and notices, and require such information to be reported as it considers necessary to enforce the provisions of [this act].

(2) The department shall dispose of the revenue from the tax imposed by [this act] in the same manner as revenue from inheritance and estate taxes as provided in 15-1-501.

Section 5. Penalty. (1) If any person or entity fails to file a return as required by [this act] or in the manner provided in [this act] or fails to pay the tax imposed by [this act], there must be imposed a penalty of 5% of any balance of tax unpaid with respect to such return as of its due date. If such person or any member or employee of such entity acts purposely and knowingly with intent to evade the requirements of [this act], that person is guilty of a misdemeanor and is punishable by a fine not to exceed \$1,000 or imprisonment not to exceed 1 year, or both.

(2) Any person or entity failing to report information under [section 3] when required to do so is guilty of a misdemeanor and is punishable by a fine not to exceed \$500 or imprisonment not to exceed 6 months, or both.

21 Section 6. Applicability. This act applies to taxable 22 years beginning after December 31, 1985.

-End-

## FISCAL NOTE

REQUEST NO. FNN 517-85

Form

BD-15

In compliance with a written request received March 14, 19 85, there is hereby submitted a Fiscal Note for House Bill 937 pursuant to Title 5, Chapter 4, Part 2 of the Montana Code Annotated (MCA). 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 imposing a tax on certain corporate stocks and bonds; providing for the collection and administration of the tax; and providing an applicability date.

## FISCAL IMPACT:

Data regarding the current market value of corporate stocks and bonds held by Montana residents is not available. An estimate of the fiscal impact of the proposed legislation was derived by using June 30, 1984 collections in North Carolina which imposes a substantially similar tax on corporate stocks. North Carolina collected \$31.5 million based on a tax rate of 25¢ per \$100 of value. Assuming that the average investment portfolio is split 50/50 between stocks and bonds, the proposed legislation would raise approximately \$16.8 million in Montana in FY87.

(\$31.5 mm + \$31.5) X 2 (Montana population/North Carolina population )) The revenue would be deposited in the state general fund. Montana population = 786,000 North Carolina population = 5,882,000

The Department of Revenue estimates the added cost to administer the provisions of the proposed legislation to be \$224,730 in FY86 and \$361,805 in FY87.

BUDGET DIRECTOR

Office of Budget and Program Planning

Date: March 20, 1985

FN12:B/1