

SENATE BILL NO. 203

1/22 Introduced  
1/24 Referred to Taxation  
1/25 Fiscal Note Requested  
1/31 Fiscal note Received  
2/01 Hearing  
2/15 Tabled in Committee

SENATE BILL NO. 203

INTRODUCED BY

*Senators: Williams, Bob Brown, HARR, [unclear]*

A BILL FOR AN ACT ENTITLED: "AN ACT TO REPLACE THE DISTRIBUTION OF 80 PERCENT OF THE CORPORATION LICENSE AND INCOME TAXES COLLECTED FROM BANKS AND SAVINGS AND LOAN ASSOCIATIONS TO THE TAXING JURISDICTIONS IN THE COUNTY WHERE THE BANK OR SAVINGS AND LOAN ASSOCIATION IS LOCATED WITH A DISTRIBUTION OF A FLAT 10 PERCENT OF THE CORPORATION LICENSE AND INCOME TAXES TO BE DEPOSITED TO AND DISTRIBUTED BY THE LOCAL GOVERNMENT BLOCK GRANT PROGRAM; AMENDING SECTIONS 7-6-302 THROUGH 7-6-304, 15-1-501, 17-5-408, AND 20-9-343, MCA; REPEALING SECTIONS 15-31-701 THROUGH 15-31-703, MCA; AND PROVIDING AN IMMEDIATE EFFECTIVE DATE AND AN APPLICABILITY DATE."

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

Section 1. Section 7-6-302, MCA, is amended to read:

"7-6-302. Local government block grant account created -- source of funds. (1) There is a local government block grant account within the state special revenue fund.

(2) Funds in this account must be used to provide payments from the local government block grant program to eligible jurisdictions.

(3) Thirty-three and one-third percent of the oil

severance tax collected under the provisions of 15-36-101, 10% of the corporation license and income taxes collected under the provisions of Title 15, chapter 31, and all funds appropriated to the account must be deposited in the account."

Section 2. Section 7-6-303, MCA, is amended to read:

"7-6-303. Local government block grant program. (1)

The department of commerce shall administer the local government block grant program and distribute funds from the local government block grant account.

(2) The local government block grant program is comprised of three four parts:

(a) a general purpose block grant for municipalities, counties, school districts, and other jurisdictions;

(b) a grant for taxing jurisdictions consisting of 10% of the corporation license and income taxes;

(c) a general services block grant for counties;

and

(d) a general services block grant for municipalities."

Section 3. Section 7-6-304, MCA, is amended to read:

"7-6-304. Division of block grant funds. The division of funds within the local government block grant account is as follows:

(1) Except as provided in 7-6-309(1) and subsection

1 (2), the general purpose block grant for municipalities,  
2 counties, school districts, and other jurisdictions must be  
3 funded, before any other distributions are made from the  
4 account, in an amount sufficient to cover the reimbursements  
5 required by 61-3-536.

6 (2) The portion of the block grant account consisting  
7 of 10% of the corporation license and income taxes collected  
8 under the provisions of Title 15, chapter 31, must be  
9 distributed as provided in this subsection prior to funding  
10 the general services block grants. The portion of the  
11 account consisting of 10% of the corporation license and  
12 income taxes must be allocated to all of the counties on a  
13 per capita basis. The counties shall allocate the amount  
14 received to each taxing jurisdiction in the county in the  
15 proportion that its mill levy for that fiscal year bears to  
16 the total mill levy of the taxing authorities of the county.

17 ~~(2)~~(3) (a) The general services block grant for  
18 counties must be funded from a percentage of the remaining  
19 funds deposited in the account equal to the ratio of the  
20 unincorporated population to the state population.

21 (b) The general services block grant for  
22 municipalities must be funded from a percentage of the  
23 remaining funds deposited in the account equal to the ratio  
24 of the incorporated population to the total state  
25 population."

1 Section 4. Section 15-1-501, MCA, is amended to read:

2 "15-1-501. (Effective July 1, 1985--Applicable to tax  
3 years beginning after December 31, 1984) Disposition of  
4 moneys from certain designated license and other taxes. (1)  
5 The state treasurer shall deposit to the credit of the state  
6 general fund all moneys received by him from the collection  
7 of:

8 (a) automobile driver's license fees under subsections  
9 (1) through (6) of 61-5-111;

10 (b) electrical energy producer's license taxes under  
11 chapter 51;

12 (c) severance taxes allocated to the general fund  
13 under chapter 36;

14 (d) liquor license taxes under Title 16;

15 (e) telephone [company] license taxes under chapter  
16 53; and

17 (f) inheritance and estate taxes under Title 72,  
18 chapter 16.

19 (2) Seventy-five percent of all moneys received from  
20 the collection of income taxes under chapter 30 and 65% of  
21 all moneys received from the corporation license and income  
22 taxes under chapter 31, except as provided in 15-31-702,  
23 shall be deposited in the general fund subject to the prior  
24 pledge and appropriation of such income tax and corporation  
25 license tax collections for the payment of long-range

1 building program bonds. Ten percent of all moneys received  
 2 from the collection of corporation license and income taxes  
 3 under chapter 31 shall be deposited into the local  
 4 government block grant account within the state special  
 5 revenue fund, subject to the prior pledge and appropriation  
 6 of such corporation license tax collections for the payment  
 7 of long-range building program bonds. The remaining 25% of  
 8 the proceeds of the corporation license tax~~7-excluding-that~~  
 9 ~~allocated--to--the--counties--under---15-31-702,~~ and the  
 10 corporation income tax~~7~~ and the remaining 25% of the income  
 11 tax shall be deposited to the credit of the state special  
 12 revenue fund for state equalization aid to the public  
 13 schools of Montana.

14 (3) The state treasurer shall also deposit to the  
 15 credit of the state general fund all moneys received by him  
 16 from the collection of license taxes, fees, and all net  
 17 revenues and receipts from all other sources under the  
 18 operation of the Montana Alcoholic Beverage Code.

19 (4) Thirty-three and one-third percent of the total  
 20 collections of the oil severance tax under chapter 36 shall  
 21 be deposited into the local government block grant account  
 22 within the state special revenue fund. After the  
 23 distribution provided for in 15-36-112, the remainder of the  
 24 oil severance tax collections shall be deposited in the  
 25 general fund."

1 Section 5. Section 17-5-408, MCA, is amended to read:  
 2 "17-5-408. Percentage of income, corporation license,  
 3 and cigarette tax pledged. (1) The state pledges and  
 4 appropriates and directs to be credited as received to the  
 5 debt service account 11% of all money~~7-except-as-provided-in~~  
 6 ~~15-31-702,~~ received from the collection of the income tax  
 7 and the corporation license tax referred to in 15-1-501 and  
 8 such additional amount of said taxes, if any, as may at any  
 9 time be needed to comply with the principal and interest and  
 10 reserve requirements stated in 17-5-405(4), provided that no  
 11 more than 11% of such tax collections shall be deemed to be  
 12 pledged for the purpose of 17-5-403(2). The pledge and  
 13 appropriation herein made shall be and remain at all times a  
 14 first and prior charge upon all money received from the  
 15 collection of said taxes.

16 (2) The state pledges and appropriates and directs to  
 17 be credited to the debt service account 79.75% of all money  
 18 received from the collection of the 16-cent excise tax on  
 19 cigarettes which is levied, imposed, and assessed by  
 20 16-11-111. The state also pledges and appropriates and  
 21 directs to be credited as received to the debt service  
 22 account all money received from the collection of the taxes  
 23 on other tobacco products which are or may hereafter be  
 24 levied, imposed, and assessed by law for that purpose,  
 25 including the tax levied, imposed, and assessed by

1 16-11-202. Nothing herein shall impair or otherwise affect  
 2 the provisions and covenants contained in the resolutions  
 3 authorizing the presently outstanding long-range building  
 4 program bonds. Subject to the provisions of the preceding  
 5 sentence, the pledge and appropriation herein made shall be  
 6 and remain at all times a first and prior charge upon all  
 7 money received from the collection of all taxes referred to  
 8 in this subsection (2)."

9 Section 6. Section 20-9-343, MCA, is amended to read:

10 "20-9-343. Definition of and revenue for state  
 11 equalization aid. (1) As used in this title, the term "state  
 12 equalization aid" means those moneys deposited in the state  
 13 special revenue fund as required in this section plus any  
 14 legislative appropriation of moneys from other sources for  
 15 distribution to the public schools for the purpose of  
 16 equalization of the foundation program.

17 (2) The legislative appropriation for state  
 18 equalization aid shall be made in a single sum for the  
 19 biennium. The superintendent of public instruction has  
 20 authority to spend such appropriation, together with the  
 21 earmarked revenues provided in subsection (3), as required  
 22 for foundation program purposes throughout the biennium.

23 (3) The following shall be paid into the state special  
 24 revenue fund for state equalization aid to public schools of  
 25 the state:

1 (a) 25% of all moneys received from the collection of  
 2 income taxes under chapter 30 of Title 15;

3 (b) 25% of all moneys, ~~except as provided in~~  
 4 ~~15-31-702~~, received from the collection of corporation  
 5 license taxes under chapter 31 of Title 15, as provided by  
 6 15-1-501;

7 (c) 10% of the moneys received from the collection of  
 8 the severance tax on coal under chapter 35 of Title 15;

9 (d) 62 1/2% of the moneys received from the treasurer  
 10 of the United States as the state's shares of oil, gas, and  
 11 other mineral royalties under the federal Mineral Lands  
 12 Leasing Act, as amended;

13 (e) interest and income moneys described in 20-9-341  
 14 and 20-9-342;

15 (f) income from the local impact and education trust  
 16 fund account; and

17 (g) in addition to these revenues, the surplus  
 18 revenues collected by the counties for foundation program  
 19 support according to 20-9-331 and 20-9-333 shall be paid  
 20 into the same state special revenue fund.

21 (4) Any surplus revenue in the state equalization aid  
 22 account in the second year of a biennium may be used to  
 23 reduce the appropriation required for the next succeeding  
 24 biennium [or may be transferred to the state permissive  
 25 account if revenues in that fund are insufficient to meet

1 the state's permissive amount obligation]."

2 NEW SECTION. Section 7. Extension of authority. Any  
3 existing authority of the department of revenue or the  
4 department of commerce to make rules on the subject of the  
5 provisions of this act is extended to the provisions of this  
6 act.

7 NEW SECTION. Section 8. Applicability date. This act  
8 applies to taxable years beginning on or after January 1,  
9 1985.

10 NEW SECTION. Section 9. Intent of amendment. The  
11 Montana Code Annotated (1983) contains two versions of  
12 15-1-501. One is a temporary version and the other is  
13 effective July 1, 1985. Section 15-1-501(2) of both versions  
14 contains the same language. It is intended that the  
15 amendment to 15-1-501 contained in section 2 of this act  
16 amend both versions.

17 NEW SECTION. Section 10. Effective date. This act is  
18 effective on passage and approval.

19 NEW SECTION. Section 11. Repealer. Sections 15-31-701  
20 through 15-31-703, MCA, are repealed.

-End-

STATE OF MONTANA  
FISCAL NOTE

REQUEST NO. FNN 232-85

Form BD-15

In compliance with a written request received January 26, 19 85, there is hereby submitted a Fiscal Note for S.B. 203 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 to replace the distribution of 80 percent of the corporation license and income taxes collected from banks and savings and loan associations to the taxing jurisdictions in the county where the bank or savings and loan association is located with a distribution of a flat 10 percent of the corporation license and income taxes to be deposited to and distributed by the local government block grant program.

ASSUMPTIONS:

1. Corporate license tax collections from financial institutions will be \$5.686M and \$6.131M in FY 86 and FY 87, respectively (OBPP).
2. Total corporate license tax collections will be \$51.357M in FY 86 and \$55.380M in FY 87 (OBPP).

FISCAL IMPACT:

The proposal will not affect corporate license tax collections.

	<u>FY 86</u>			<u>FY 87</u>		
	<u>Under</u>	<u>Under</u>	<u>Difference</u>	<u>Under</u>	<u>Under</u>	<u>Difference</u>
	<u>Current Law</u>	<u>Proposed Law</u>		<u>Current Law</u>	<u>Proposed Law</u>	
General Fund	\$ 29,957,120	\$ 27,732,780	\$(2,224,340)	\$32,304,000	\$29,905,200	\$(2,398,800)
Earmarked Special Revenue Fund	11,702,000	12,839,250	1,137,250	12,618,750	13,845,000	1,226,250
Capital Project Fund	5,148,880	5,649,270	500,390	5,552,250	6,091,800	539,550
Local Governments	4,549,000	5,135,700	586,700	4,905,000	5,538,000	633,000

EFFECT ON COUNTY OR OTHER LOCAL REVENUE:

The bill would increase the amount of corporate license tax revenue distributed to local governments. Revenues are increased by approximately \$586,000 in FY 86 and \$633,000 in FY 87.

*David L. Hunter*

BUDGET DIRECTOR  
Office of Budget and Program Planning

Date: Jan 31, 1985  
158203

TECHNICAL OR MECHANICAL DEFECTS OR CONFLICTS WITH EXISTING LEGISLATION:

1. The present wording of the bill creates the possibility for the loss of local government revenue in FY 85. With an effective date at "passage and approval", the current distribution formula for financial institutions would be repealed before most of the financial institution tax is distributed to local governments.
2. The applicability date of the bill would create administrative problems for the Department. Returns would have to be segregated into money attributable to pre - 1/01/85 and post - 1/01/85 before it could be distributed. Changing the applicability date to collections after July 1, 1986 would eliminate this problem.