SENATE BILL NO. 293

1/31   Introduced
2/01   Referred to Local Government
2/19   Hearing
3/09   Tabled in Committee

1   BILL NO. 293

2   INTRODUCED BY

3

4   A BILL FOR AN ACT ENTITLED: "AN ACT AUTHORIZING COUNTIES

5   AND MUNICIPALITIES TO IMPOSE A LOCAL OPTION INCOME TAX

6   THROUGH A MAJORITY VOTE OF THEIR ELECTORS; PROVIDING THAT A

7   COUNTY LOCAL OPTION INCOME TAX INCLUDES MUNICIPALITIES

8   WITHIN THE COUNTY WITH APPROPRIATE PROCEEDS GOING TO THE

9   MUNICIPALITIES; PROVIDING FOR ADMINISTRATION OF THE TAX BY

10   THE DEPARTMENT OF REVENUE; AND PROVIDING AN EFFECTIVE DATE

11   AND AN APPLICABILITY DATE."

12

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

14   Section 1. Local option income tax. A municipality or

15   county may impose a local income tax as a percentage of the

16   state income tax liability on its residents and all other

17   persons earning or receiving income from activities carried

18   out in the municipality or county. The rate of the tax may

19   not exceed 20% of the person's state income tax liability.

20   Section 2. Election required. (1) Subject to [section

21   7], a local government may impose a local option income tax

22   authorized by [this act] only after approval by a majority

23   of the electors voting on the question who are residents of

24   the jurisdiction imposing the tax.

25   (2) The ballot issue on the question of imposing a

1   local option income tax may be presented to the electors of

2   the local government either by a petition signed by 15% of

3   the electors or by a resolution of the governing body.

4   (3) The question may not be presented to the electors

5   more than one time in any fiscal year.

6   Section 3. Suspension of income tax. The governing

7   body of a municipality or county imposing an income tax may

8   suspend the collection of the tax for any calendar year only

9   after giving 150 days' notice to the department of revenue.

10   The suspension takes effect the first day of the next

11   calendar year. Suspension of the tax does not impair the

12   authority of the governing body to impose the tax in

13   subsequent calendar years without elector approval.

14   Section 4. Collection and administration. (1) The

15   local option income tax must be administered by the

16   department of revenue. The department shall adopt rules for

17   the administration of the tax.

18   (2) Money collected must be accounted for separately

19   and must be credited to a local income tax account in the

20   fiduciary fund of the state treasury.

21   (3) For the purpose of administration, the department

22   may deduct an amount not to exceed 1% of the amount

23   collected in each jurisdiction.

24   Section 5. Distribution. All proceeds from the tax

25   must be returned to the jurisdiction in which they were

-2-   **INTRODUCED BILL**
SB 293

1   collected, except:

2   (1) the amount for refunds;

3   (2) a reserve for anticipated refunds; and

4   (3) the costs of administering the tax.

5   Section 6. County income tax. If a county levies a

6   local income tax, the distribution of the proceeds must be

7   made on the basis of income tax collections in each

8   jurisdiction. For this purpose, the county jurisdiction does

9   not include taxpayers residing in municipalities.

10   Section 7. Municipal income tax. Only municipalities

11   in counties that do not impose an income tax may impose a

12   local option income tax as provided by [this act]. The tax

13   is applicable to residents and other people earning an

14   income within the municipal boundaries.

15   Section 8. Nonresidents. A taxpayer whose principal

16   place of business or employment is in a jurisdiction with an

17   income tax but who lives outside the boundaries of that

18   jurisdiction is liable for one-half the rate of the income

19   tax.

20   Section 9. Uses of income tax. The proceeds of the

21   income tax may be used to replace property taxes or for any

22   other public purpose designated by the local governing body.

23   Section 10. Effective date and applicability date.

24   This act is effective July 1, 1985, and applies to all tax

25   years beginning after December 31, 1985.

-End-