

HB 821 INTRODUCED BY KEENAN, ET AL.
IMPOSING 5 PERCENT SURTAX ON AMOUNT OF INDIVIDUAL
TAX LIABILITY; EARMARKING THE REVENUE TO
UNIVERSITY SYSTEM

2/18 INTRODUCED
2/18 REFERRED TO TAXATION
2/23 FISCAL NOTE REQUESTED
3/02 FISCAL NOTE RECEIVED
3/10 HEARING
3/19 COMMITTEE REPORT--BILL PASSED AS AMENDED
3/21 2ND READING NOT PASSED AS AMENDED 52 48

1 House BILL NO. 821 *Stu*
 2 INTRODUCED BY *Kramer* ~~Stang~~ *Haver* *Loy* *Spencer* *Moore*
 3 *Miles* *Harrington* *Dunwood* *Stephens* *Dave* *Brown*
 4 A BILL FOR AN ACT ENTITLED: "AN ACT IMPOSING A 5 PERCENT *Bill*
 5 SURTAX ON THE AMOUNT OF INDIVIDUAL INCOME TAX LIABILITY; *Kennerly*
 6 EARMARKING THE REVENUE TO THE UNIVERSITY SYSTEM; AMENDING *Finnell*
 7 SECTION 15-1-501, MCA; AND PROVIDING AN IMMEDIATE EFFECTIVE *Bradley*
 8 DATE, A RETROACTIVE APPLICABILITY DATE, AND A TERMINATION *Blaylock*
 9 DATE." *Ed*

11 WHEREAS, the State of Montana has over many years
 12 developed a quality university system that has educated and
 13 prepared thousands of Montanans to serve their state and
 14 nation; and

15 WHEREAS, the future of Montana is heavily dependent on
 16 the maintenance of a quality university system; and

17 WHEREAS, the state's economy has been adversely
 18 affected by national and international influences; and

19 WHEREAS, as a result of the state's economic situation,
 20 the State of Montana is facing a serious budget dilemma; and

21 WHEREAS, the State of Montana has responded to this
 22 budget dilemma by making significant cuts in the budget of
 23 the university system; and

24 WHEREAS, these budget cuts will cause irreversible
 25 damage to the quality of the university system; and

1 WHEREAS, as a result of this damage, the university
 2 system will not be in a position to respond to the needs of
 3 Montana; and

4 WHEREAS, Montana's economic development efforts will be
 5 seriously weakened as a result of the inability of the
 6 university system to work as a key factor in promoting and
 7 developing Montana's economic base; and

8 WHEREAS, it is obvious that additional revenue must be
 9 generated and directed to the university system to avoid the
 10 calamitous results of the proposed budget cuts; and

11 WHEREAS, the Montana Legislature must address the
 12 financial plight of the State of Montana and the university
 13 system.

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

16 NEW SECTION. Section 1. Individual income surtax.
 17 After the amount of tax liability has been computed under
 18 this chapter, each person filing a Montana individual income
 19 tax return shall add as a surtax 5% of the tax liability,
 20 and the amount so derived is the amount due the state.

21 Section 2. Section 15-1-501, MCA, is amended to read:
 22 "15-1-501. Disposition of moneys from certain
 23 designated license and other taxes. (1) The state treasurer
 24 shall deposit to the credit of the state general fund all
 25 moneys received by him from the collection of:



1 (a) fees from driver's licenses, motorcycle
2 endorsements, and duplicate driver's licenses as provided in
3 61-5-121;

4 (b) electrical energy producer's license taxes under
5 chapter 51;

6 (c) severance taxes allocated to the general fund
7 under chapter 36;

8 (d) liquor license taxes under Title 16;

9 (e) telephone [company] license taxes under chapter
10 53; and

11 (f) inheritance and estate taxes under Title 72,
12 chapter 16.

13 (2) Seventy-five percent of all moneys, except for
14 surtax revenue as provided in [section 1], received from the
15 collection of income taxes under chapter 30 and corporation
16 license and income taxes under chapter 31, except as
17 provided in 15-31-702, shall be deposited in the general
18 fund subject to the prior pledge and appropriation of such
19 income tax and corporation license tax collections for the
20 payment of long-range building program bonds. The remaining
21 25% of the proceeds of the corporation license tax,
22 excluding that allocated to the counties under 15-31-702,
23 corporation income tax, and income tax shall be deposited to
24 the credit of the state special revenue fund for state
25 equalization aid to the public schools of Montana. All

1 revenue from the surtax provided in [section 1] shall be
2 deposited in an account in the state special revenue fund to
3 the credit of the university system to be spent in
4 accordance with an expenditure appropriation by the
5 legislature.

6 (3) The state treasurer shall also deposit to the
7 credit of the state general fund all moneys received by him
8 from the collection of license taxes, fees, and all net
9 revenues and receipts from all other sources under the
10 operation of the Montana Alcoholic Beverage Code.

11 (4) Thirty-three and one-third percent of the total
12 collections of the oil severance tax under chapter 36 shall
13 be deposited into the local government block grant account
14 within the state special revenue fund. After the
15 distribution provided for in 15-36-112, the remainder of the
16 oil severance tax collections shall be deposited in the
17 general fund."

18 NEW SECTION. Section 3. Extension of authority. Any
19 existing authority of the department of revenue to make
20 rules on the subject of the provisions of this act is
21 extended to the provisions of this act.

22 NEW SECTION. Section 4. Codification instruction.
23 Section 1 is intended to be codified as an integral part of
24 Title 15, chapter 30, and the provisions of Title 15,
25 chapter 30, apply to section 1.

LC 1503/01

1 NEW SECTION. Section 5. Applicability. This act
2 applies retroactively, within the meaning of 1-2-109, to
3 taxable years beginning after December 31, 1986.

4 NEW SECTION. Section 6. Effective date. This act is
5 effective on passage and approval.

6 NEW SECTION. Section 7. Termination. This act
7 terminates January 1, 1989.

-End-

STATE OF MONTANA - FISCAL NOTE

Form BD-15

In compliance with a written request, there is hereby submitted a Fiscal Note for HB821, as introduced.

DESCRIPTION OF PROPOSED LEGISLATION:

An act providing imposing a 5 percent surtax on the amount of individual income tax liability; earmarking the additional revenue to the university system; and providing an immediate effective date, a retroactive applicability date and a termination date.

ASSUMPTIONS:

1. The Revenue Estimating Advisory Council's individual income tax estimates provide the basis for comparison.
2. Individual income tax collections will be \$208,088,000 in FY88 and \$229,991,000 in FY89.
3. A 5 percent individual income tax surtax will raise \$9,920,000 in FY88 and \$11,015,000 in FY89 (OBPP).
4. New withholding tables will not be in place until July 1, 1987. Hence, no revenue will be produced in FY87.
5. Costs of implementing the proposal are as follows:

	<u>FY 87</u>	<u>FY 88</u>	<u>FY 89</u>
Start-up Costs	\$ 8,010	\$ 0	\$ 0
Ongoing DP Costs	0	9,100	9,100
Form Design	0	700	400
Withholding Tables*	10,000	0	10,000
Total	\$18,810	\$ 9,800	\$19,500

* New tables published and mailed to add and remove the surtax.

6. To avoid additional administrative costs all withholding payments received between October 1987 and March 1989 will be assumed to have a 5 percent surtax added. Current year payments received between January 1988 and June 1989 will be assumed to contain the surtax. This treatment avoids tracking the surtax revenue when the checks are processed by cashiers, and the additional work and staffing adjustments involved.

FISCAL IMPACT:Revenue Impact:

	<u>FY88</u>			<u>FY89</u>		
	<u>Current Law</u>	<u>Proposed Law</u>	<u>Difference</u>	<u>Current Law</u>	<u>Proposed Law</u>	<u>Difference</u>
Individual Income Tax	\$208,088,000	\$218,008,000	\$ 9,920,000	\$229,991,000	\$241,006,000	\$11,015,000

David L. Hunter DATE 2/25/87
 DAVID L. HUNTER, BUDGET DIRECTOR
 Office of Budget and Program Planning

Keenan DATE 3-3-87
 NANCY KEENAN, PRIMARY SPONSOR

Fiscal Note for HB821, as introduced.

HB 821

Fiscal Note Request, HB821, as introduced.

Form BD-15

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Expenditure Impact:

Shown above.

Fund Information:

	FY88			FY89		
	<u>Current Law</u>	<u>Proposed Law</u>	<u>Difference</u>	<u>Current Law</u>	<u>Proposed Law</u>	<u>Difference</u>
General Fund	\$133,176,320	\$133,176,320	\$ 0	\$147,194,240	\$147,194,240	\$ 0
Foundation Program	52,022,000	52,022,000	0	57,497,750	57,497,750	0
Sinking Fund	22,889,680	22,889,680	0	25,299,010	25,299,010	0
University System	0	9,920,000	9,920,000	0	11,015,000	11,015,000

HB 821

APPROVED BY COMMITTEE
ON TAXATION

HOUSE BILL NO. 821

INTRODUCED BY KEENAN, STANG, HARPER, LORY, SQUIRES,
STRIZICH, MOORE, MILES, HARRINGTON, SWYSGOOD, HANSEN,
D. BROWN, DARKO, QUILICI, WHALEN, MCCORMICK, ADDY,
MENAHAN, NISBET, FRITZ, DAILY, VAN VALKENBURG, KENNERLY,
RUSSELL, PECK, COHEN, YELLOWTAIL, JACOBSON, SCHYE,
RUSSELL, STIMATZ, REGAN, HALLIGAN, JERGESON, MAZUREK,
J. BROWN, BRADLEY, BLAYLOCK, KADAS, VINCENT,
LYNCH, ECK

A BILL FOR AN ACT ENTITLED: "AN ACT IMPOSING A 5 PERCENT
SURTax ON THE AMOUNT OF INDIVIDUAL INCOME TAX LIABILITY;
EARMARKING THE REVENUE TO THE UNIVERSITY SYSTEM; AMENDING
SECTION 15-1-501, MCA; AND PROVIDING AN IMMEDIATE EFFECTIVE
DATE, A RETROACTIVE APPLICABILITY DATE, AND A TERMINATION
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WHEREAS, the State of Montana has over many years
developed a quality university system that has educated and
prepared thousands of Montanans to serve their state and
nation; and

WHEREAS, the future of Montana is heavily dependent on
the maintenance of a quality university system; and

WHEREAS, the state's economy has been adversely
affected by national and international influences; and

WHEREAS, as a result of the state's economic situation,
the State of Montana is facing a serious budget dilemma; and

WHEREAS, the State of Montana has responded to this
budget dilemma by making significant cuts in the budget of
the university system; and

WHEREAS, these budget cuts will cause irreversible
damage to the quality of the university system; and

WHEREAS, as a result of this damage, the university
system will not be in a position to respond to the needs of
Montana; and

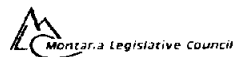
WHEREAS, Montana's economic development efforts will be
seriously weakened as a result of the inability of the
university system to work as a key factor in promoting and
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WHEREAS, it is obvious that additional revenue must be
generated and directed to the university system to avoid the
calamitous results of the proposed budget cuts; and

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5 Section 1 is intended to be codified as an integral part of
6 Title 15, chapter 30, and the provisions of Title 15,
7 chapter 30, apply to section 1.

8 NEW SECTION. Section 5. Applicability. This act
9 applies retroactively, within the meaning of 1-2-109, to
10 taxable years beginning after December 31, 1986, AND BEFORE
11 JANUARY 1, 1989. IT DOES NOT APPLY TO TAXABLE YEARS
12 BEGINNING ON OR AFTER JANUARY 1, 1989.

13 NEW SECTION. Section 6. Effective date. This act is
14 effective on passage and approval.

15 NEW SECTION. Section 7. Termination. This act
16 terminates January 1, ~~1989~~ 1990.

-End-