

SB 310 INTRODUCED BY MAZUREK, WILLIAMS, M., ECK, ET AL.
PROVIDE LOCAL OPTION INCOME TAX WITH VOTER APPROVAL
-- PROPERTY TAX RELIEF
BY REQUEST OF GOVERNOR

2/06 INTRODUCED
2/06 REFERRED TO TAXATION
2/13 HEARING
3/13 TABLED IN COMMITTEE

1
 2 INTRODUCTION BY Senate BILL NO. 310
Raymond Williams Ed. Zulew
 3 *SP3 CH Keena* BY REQUEST OF THE GOVERNOR *ALL (Shuman)*
 4 *Kaelas July Long*

5 A BILL FOR AN ACT ENTITLED: "AN ACT PROVIDING FOR A LOCAL
 6 OPTION INCOME TAX AS A PERCENTAGE OF STATE INDIVIDUAL INCOME
 7 TAX LIABILITY; ESTABLISHING CERTAIN RESTRICTIONS, INCLUDING
 8 MANDATORY PROPERTY TAX RELIEF, A 5 PERCENT MINIMUM RATE, AND
 9 VOTER APPROVAL EVERY 10 YEARS; AND PROVIDING AN
 10 APPLICABILITY DATE."

11
 12 WHEREAS, the electors of Montana approved Initiative
 13 105, limiting certain property taxes to 1986 levels unless
 14 the Legislature reduces property taxes prior to July 1,
 15 1987, and establishes alternative revenue sources; and

16 WHEREAS, it is the intent of the Legislature to enact
 17 provisions compatible with the will of the electors in
 18 limiting certain property taxes; and

19 WHEREAS, the Legislature intends by this bill to allow
 20 local governments the opportunity to provide broad property
 21 tax relief and a revenue source to fund such relief, while
 22 maintaining the fiscal integrity of necessary local
 23 government services.

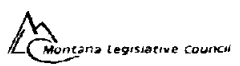
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 25 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF MONTANA:

1 Section 1. Definitions. For purposes of [this act],
 2 unless otherwise required by the context, the following
 3 definitions apply:

- 4 (1) "Department" means the department of revenue.
- 5 (2) "Resident" applies only to natural persons and
 6 includes, for purposes of determining liability for a local
 7 option income tax with reference to the income of any
 8 taxable year:
 9 (a) a person domiciled in a county that enacts a tax
 10 as provided in [this act]; and
 11 (b) any other person who:
 12 (i) maintains a permanent place of abode within the
 13 enacting county even though temporarily absent from the
 14 county; and
 15 (ii) has not established a residence elsewhere.
- 16 (3) "Taxing jurisdiction" means a taxing authority
 17 within a county that is permitted under state law to levy
 18 mills against the taxable value of property in the county
 19 imposing the local option income tax.

20 Section 2. Authority to impose local option income tax
 21 -- voter approval. (1) (a) A county may impose on its
 22 residents a local option income tax based on a percentage of
 23 state individual income tax liability if the tax is:

- 24 (i) approved by a majority of the residents voting on
 25 the question; and



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1 (ii) employed as a means of property tax relief.

2 (b) The tax must be at least 5% of a taxpayer's state
3 individual income tax liability after computing credits. The
4 percentage must be a whole number rather than a fractional
5 percentage.

6 (2) The ballot issue on the question of a local option
7 income tax may be presented to the electors of the county at
8 an election held on November 3, 1987, or at any general
9 election thereafter, either by a resolution of the board of
10 county commissioners or by petition of the voters in
11 accordance with 7-5-132 through 7-5-136.

12 (3) The petition or resolution must contain the
13 following information:

14 (a) the proposed tax rate expressed as a percentage of
15 state individual income tax liability;

16 (b) the date upon which the tax, if enacted, is
17 effective;

18 (c) a statement that the tax applies to taxable years
19 beginning on or after the effective date of the tax;

20 (d) the date upon which the tax, if enacted, expires
21 unless reapproved by the voters;

22 (e) the taxing jurisdictions within the county that
23 are to receive revenue from the tax;

24 (f) the method by which the revenue is apportioned or
25 allocated to taxing jurisdictions within the county;

1 (g) specific mill levy reductions to afford property
2 tax relief; and

3 (h) specific information on what percentage, if any,
4 of the tax revenue is to be used to fund such major local
5 government functions as education, welfare, fire protection,
6 law enforcement, and road construction and maintenance.

7 Section 3. Effective date of tax -- applicability. (1)
8 A local option income tax adopted by the voters under [this
9 act] is effective January 1 following approval by a majority
10 of the residents voting and applies to taxable years
11 beginning on or after the effective date.

12 (2) (a) The local option income tax applies to a
13 person in a county imposing the tax who is:

14 (i) a resident of the county on the last day of the
15 taxpayer's taxable year; or

16 (ii) a resident of the county for more than 6 months of
17 a taxable year.

18 (b) If a taxpayer resides in more than one county
19 imposing a local option income tax during a taxable year, he
20 shall pay the tax to the county in which he resides on the
21 last day of the taxable year. If the county in which a
22 taxpayer resides on the last day of the taxable year does
23 not impose a local option income tax but he resides for more
24 than 6 months in a county imposing a local option income
25 tax, then he shall pay the tax imposed by such county.

1 Section 4. Amendment or repeal -- termination. (1) A
2 local option income tax may be amended or repealed in the
3 same manner in which it may be imposed.

4 (2) A local option income tax may not be imposed for a
5 term in excess of 10 years without voter review. In order to
6 extend the tax beyond a 10-year period, it must be
7 reapproved by the electors in accordance with [section 2] at
8 least once every 10 years. If a local option income tax is
9 amended, the 10-year effective period starts anew.

10 (3) An amendment to a local option income tax applies
11 to taxable years beginning on or after the effective date of
12 the amendment.

13 (4) Notwithstanding the termination of a local option
14 income tax by expiration or repeal, the tax continues to
15 apply for a non-calendar year taxpayer to the taxable year
16 in which the termination occurs.

17 Section 5. Administration and collection. (1) The
18 department shall administer and collect local option income
19 taxes in a manner consistent with its administration and
20 collection of state individual income taxes. The department
21 shall adopt rules as necessary to so administer and collect
22 the tax.

23 (2) All money collected must be accounted for,
24 credited to a local option income tax account in the state
25 fiduciary fund, and distributed to the county on a monthly

1 basis.

2 Section 6. Distribution. (1) All proceeds, including
3 any interest or penalties, from the tax must be returned to
4 the county from which collected, except:

- 5 (a) the amount of any refunds; and
- 6 (b) a reserve for anticipated refunds.

7 (2) The proceeds returned to the county must be
8 distributed by the county officials to the various taxing
9 jurisdictions within the county. The allocation must be as
10 provided for in the resolution or petition approved by the
11 voters.

12 (3) If a taxing jurisdiction has authority to levy
13 mills against property in more than one county, its mill
14 levy for purposes of the allocation must be proportionately
15 reduced by the percentage of its total taxable property
16 outside the county imposing the local option income tax.

17 Section 7. Use of proceeds -- property tax reductions.

18 (1) The resolution or petition voted upon must contain
19 specific mill levy reductions to afford property tax relief.
20 Taxing jurisdictions in more than one county shall use the
21 proceeds from the local option income tax to reduce property
22 taxes only for residents of a county imposing the tax.

23 (2) If a local option income tax is repealed or
24 otherwise terminates, the affected taxing jurisdiction may,
25 notwithstanding other provisions of state law, levy mills at

1 the level that existed immediately prior to the property tax
2 relief provided for in [this act], plus a number of mills
3 not exceeding 5% of that level to account for the property
4 tax relief afforded by the local option income tax.

5 (3) Nothing in [this act] relieves taxing jurisdiction
6 officials from compliance with legal requirements for
7 setting mill levies. The property tax relief provided by a
8 local option income tax must be applied after a mill levy is
9 set pursuant to law.

10 Section 8. Codification instruction -- applicability
11 of state income tax laws. (1) Sections 1 through 7 are
12 intended to be codified as an integral part of Title 15,
13 chapter 30, and the provisions of Title 15, chapter 30,
14 parts 1 and 3, apply to sections 1 through 7 unless they
15 conflict with sections 1 through 7, in which case sections 1
16 through 7 apply.

17 (2) Title 15, chapter 30, part 2, does not apply to
18 sections 1 through 7.

19 Section 9. Applicability. This act applies to taxable
20 years beginning after December 31, 1987.

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