House BILL NO. 227

INTRODUCED BY Galvin

A BILL FOR AN ACT ENTITLED: "AN ACT INCREASING THE ACCOMMODATION TAX FROM 4 PERCENT TO 8 PERCENT; PROVIDING THAT THE INCREASED REVENUE WILL BE USED FOR PROPERTY TAX RELIEF THROUGH A REFUNDABLE INCOME TAX CREDIT TO RESIDENT OWNERS OF DWELLINGS ON A FLAT PER-RESIDENCE AMOUNT; ALLOWING A CITY, TOWN, COUNTY, OR CONSOLIDATED CITY-COUNTY GOVERNMENT TO IMPOSE AN ADDITIONAL 1 PERCENT ACCOMMODATION TAX FOR DEPOSIT IN ITS GENERAL FUND; AMENDING SECTIONS 15-65-111, 15-65-121, 15-65-122, 15-65-131, 23-1-131, AND 60-2-224, MCA; AND PROVIDING AN EFFECTIVE DATE AND APPLICABILITY DATES."

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

Section 1. Section 15-65-111, MCA, is amended to read:

"**15-65-111. Tax rate.** (1) There is imposed on the user of a facility a tax at a rate equal to ~~4%~~ 8% of the accommodation charge collected by the facility, plus any additional amount under [section 2].

(2) Accommodation charges do not include charges for rooms used for purposes other than lodging."

NEW SECTION. **Section 2. Local option accommodation tax.** (1) The governing body of a city, town, county, or consolidated city-county may impose a 1% accommodation tax on facilities within its boundaries. The tax is in addition to the tax imposed pursuant to 15-65-111 and must be imposed by the governing body by resolution, for a county, or by ordinance, for a city, town, or consolidated city-county. The tax is effective on the first day of the next calendar quarter that falls at least 45 days after passage of the resolution or ordinance. A copy of the resolution or ordinance must be provided to the department of revenue within 15 days of passage.

(2) The tax is subject to all provisions of this chapter except that, after the deduction required by subsection (3), all revenue generated by the additional tax must be distributed by the department to the local government imposing the tax, to be deposited in the general fund of the local government.

(3) Prior to distributing the tax to the local government unit, the department shall deduct a state

employee reimbursement equal to 1% of the amount that state agencies expended for lodging within the boundaries of the local government unit in the last reporting period. The amount deducted must be deposited in the state general fund.

Section 3. Section 15-65-121, MCA, is amended to read:

"**15-65-121. Distribution of tax proceeds -- general fund loan authority.** (1) The proceeds of the tax imposed by 15-65-111 <u>and [section 2]</u> must, in accordance with the provisions of 15-1-501(6), be deposited in an account in the state special revenue fund to the credit of the department of revenue. ~~The department may spend from that account in accordance with an expenditure appropriation by the legislature based on an estimate of the costs of collecting and disbursing the proceeds of the tax. Before allocating the balance of the~~

<u>(2) The department shall distribute local option accommodation tax revenue to cities, towns, counties, and consolidated city-counties, as provided in [section 2].</u>

<u>(3) The</u> tax proceeds <u>collected under 15-65-111 must be used or distributed by the department</u> in accordance with the provisions of 15-1-501(6) and as provided in ~~subsections (1)(a) through (1)(d),~~ <u>this section.</u>

<u>(4) The department may recover the costs of collecting and disbursing the proceeds of the tax in accordance with an appropriation established by the legislature.</u>

<u>(5)</u> ~~the~~ <u>The</u> department shall determine the expenditures by state agencies for in-state lodging for each reporting period and deduct ~~4%~~ <u>8%</u> of that amount from the tax proceeds received each reporting period. The amount deducted must be deposited in the general fund.

<u>(6)</u> ~~The~~ <u>After subtracting the amounts required under subsections (2), (4), and (5), 50% of the</u> balance of the tax proceeds received each reporting period ~~and not deducted pursuant to the expenditure appropriation or deposited in the general fund~~ <u>must be deposited in the general fund to be offset by property tax relief credits as provided in [section 6] and the remaining balance</u> is statutorily appropriated, as provided in 17-7-502, and must be transferred to an account in the state special revenue fund ~~to the credit of the department of commerce for tourism promotion and promotion of the state as a location for the production of motion pictures and television commercials, to the Montana historical society, to the university system, and to the department of fish, wildlife, and parks,~~ <u>for distribution by the department</u> as follows:

(a) 1% to the Montana historical society to be used for the installation or maintenance of roadside historical signs and historic sites;

(b) 2.5% to the university system for the establishment and maintenance of a Montana travel research program;

(c) 6.5% to the department of fish, wildlife, and parks for the maintenance of facilities in state parks that have both resident and nonresident use, subject to 23-1-131; and

(d) the balance of the proceeds as follows:

(i) 75% to be used directly by the department of commerce for tourism promotion and promotion of the state as a location for the production of motion pictures and television commercials;

(ii) except as provided in subsection ~~(1)(d)(iii)~~ (6)(d)(iii), 25% to be distributed by the department to regional nonprofit tourism corporations in the ratio of the proceeds collected in each tourism region to the total proceeds collected statewide; and

(iii) if 25% of the proceeds collected annually within the limits of a city or consolidated city-county exceeds $35,000, 50% of the amount available for distribution to the regional nonprofit tourism corporation in the region where the city or consolidated city-county is located is to be distributed to the nonprofit convention and visitors bureau in that city or consolidated city-county.

~~(2)~~(7) If a city or consolidated city-county qualifies under ~~this section~~ subsection (6)(d)(iii) for funds but fails to either recognize a nonprofit convention and visitors bureau or submit and gain approval for an annual marketing plan as required in 15-65-122, then those funds must be allocated to the regional nonprofit tourism corporation in the region in which the city or consolidated city-county is located.

~~(3)~~(8) If a regional nonprofit tourism corporation fails to submit and gain approval for an annual marketing plan as required in 15-65-122, then those funds otherwise allocated to the regional nonprofit tourism corporation may be used by the department of commerce for tourism promotion and promotion of the state as a location for the production of motion pictures and television commercials.

~~(4)~~(9) The department of commerce may use general fund loans for efficient implementation of this section."

Section 4. Section 15-65-122, MCA, is amended to read:

"**15-65-122. Qualification of nonprofit entities for receipt of funds -- limitation on administrative costs.** (1) The department of revenue shall provide the council with quarterly reports of regional tax proceeds and tax proceeds of cities and consolidated city-counties that qualify for disbursement of funds under 15-65-121(6)(d)(iii).

(2) ~~No funds~~ Funds may not be disbursed to a regional nonprofit tourism corporation or nonprofit convention and visitors bureau until that entity has submitted an annual marketing plan to the council and that plan has been approved by the council.

(3) A maximum of 20% of the funds received by a regional nonprofit tourism corporation or nonprofit convention and visitors bureau may be used for administrative purposes as defined by the council."

Section 5. Section 15-65-131, MCA, is amended to read:

"**15-65-131. State agencies to account for in-state lodging expenditures.** Each state agency shall account for in-state lodging expenditures in a manner that will enable the department of revenue to determine total expenditures for in-state lodging by state agencies in order to make an allocation of a portion of the tax proceeds imposed by 15-65-111 and [section 2] to the general fund as provided in 15-65-121 and [section 2]."

NEW SECTION. **Section 6. Income tax credit -- owner-occupied dwellings.** (1) The resident owner of each dwelling in the state is entitled to property tax relief in the form of a refundable credit against taxes imposed by 15-30-103 in the amount determined by the department for each tax year pursuant to subsection (4).

(2) To qualify for the credit provided in this section, the claimant must be an individual who has occupied one or more dwellings in Montana that the individual owns for at least 7 months during the tax year for which the taxpayer is claiming a credit. If more than one individual owns a dwelling, only one may claim the credit.

(3) The tax credit authorized by this section is to be deducted from the taxpayer's income tax liability for the tax year. If the amount of the credit exceeds the claimant's liability under this chapter, the amount of the excess must be refunded to the claimant. The credit may be claimed and a refund issued to a claimant even though the claimant has no income taxable under this chapter.

(4) By November 1 of each year, the department shall determine the tax credit allowed by this section for that tax year. The amount of the credit under subsection (1) is the amount of accommodation

tax deposited in the state general fund in the immediately preceding fiscal year under 15-65-121, less allowances for refunds, divided by the number of owner-occupied residences in the state of Montana. The number of owner-occupied residences must be determined by the department by rule using U.S. bureau of the census data. The criteria for determining the number of residences should be as similar as possible to the criteria used to determine eligibility for the tax credit under this section.

Section 7. Section 23-1-131, MCA, is amended to read:

"**23-1-131. Distribution of lodging facility use tax revenue to department of fish, wildlife, and parks to maintain parks.** (1) In each year of the biennium, the amount specified in 15-65-121~~(1)(c)~~ must be transferred to an account in the state special revenue fund to the credit of the department of fish, wildlife, and parks in quarterly installments.

(2) The department shall use the funds provided under 15-65-121~~(1)(c)~~ for the maintenance of state parks that have both resident and nonresident tourist usage. The department shall by July 1 of each year report to the tourism advisory council on the identity and status of all contracts or activities funded pursuant to this section."

Section 8. Section 60-2-224, MCA, is amended to read:

"**60-2-224. (Temporary) Historical society to pay cost of markers from allocation under lodging facility tax.** The Montana historical society shall pay the cost of manufacture and erection of markers provided for in 60-2-222 from funds available to the society under 15-65-121~~(1)(a) after June 30, 1991~~, and the society shall expend up to $10,000 each fiscal year for the purposes of 60-2-222. (Terminates July 1, 1997--sec. 6, Ch. 667, L. 1989.)"

NEW SECTION. **Section 9. Codification instruction.** (1) [Section 2] is intended to be codified as an integral part of Title 15, chapter 65, part 1, and the provisions of Title 15, chapter 65, part 1 apply to [section 2].

(2) [Section 6] is intended to be codified as an integral part of Title 15, chapter 30, and the provisions of Title 15, chapter 30, apply to [section 6].

NEW SECTION. **Section 10. Effective date -- applicability.** (1) [This act] is effective July 1, 1995.

(2) [Section 3] applies to all collections received by the state after October 1, 1995, notwithstanding when the underlying accommodation tax was due and payable.

(3) [Section 6] applies to tax years beginning after December 31, 1995.

-END-

STATE OF MONTANA - FISCAL NOTE

Fiscal Note for HB0227, as introduced

DESCRIPTION OF PROPOSED LEGISLATION:
An act increasing the accommodation tax from 4 percent to 8 percent; providing that the increased revenue will be used for property tax relief through a refundable income tax credit to resident owners of dwellings on a flat per-residence amount; allowing a city, town, county, or consolidated city-county government to impose an additional 1 percent accommodation tax for deposit in its general fund; and providing an effective date and applicability dates.

ASSUMPTIONS:
1. Under current law, the accommodations tax rate is 4%; total collections net of state employee tax and administration costs are $8,438,000 in FY96 and $8,739,000 in FY97 (ROC/DOR).
2. Under the proposal, the accommodations tax rate is 8%; total collections net of state employee tax and administration costs are $16,927,000 in FY96 and $17,542,000 in FY97.
3. Accommodations tax, including accruals, distributed to the general fund for use in providing property tax relief through individual income tax credits is $8,498,000 in FY96 and $8,803,000 in FY97.
4. Owner-occupied households eligible to receive the property tax credit total 224,000 in FY96, and 226,000 in FY97. This results in a property tax credit of $38 in FY96, and $39 in FY97 for each eligible household.
5. All eligible households will apply for and receive the tax credit provided for in this bill.
6. Program administration will require hiring 0.5FTE at Grade 7, and 0.5FTE at Grade 15.
7. Costs to administer the accommodations tax will increase due to the requirement to track the location of local option taxes.

FISCAL IMPACT:

Expenditures: (Department of Revenue)
This bill will require total additional administrative expenditures of $13,399 in FY95 ($3,143 for personal services; $3,667 for operating expenses; and $6,589 for equipment). Additional personal services and operating expenses for fiscal year 1996 and 1997 are as follows:

	FY96 Difference	FY97 Difference
Personal Services	$27,997	$27,997
Operating Expenses	26,493	5,993
Total (General Fund)	$54,490	$33,990

(Fiscal Impact continued on page 2)

Dave Lewis 1-20-95

DAVE LEWIS, BUDGET DIRECTOR DATE
Office of Budget and Program Planning

PATRICK GALVIN, PRIMARY SPONSOR DATE
Fiscal Note for HB0227, as introduced

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Revenues:

	FY96 Difference	FY97 Difference
Accommodations Tax(GF)	$8,489,000	$8,803,000
Individual Income Tax(GF)	(8,489,000)	(8,803,000)
Total	$ 0	$ 0

Net Impact: (General Fund)

	FY96 Difference	FY97 Difference
	$(54,490)	$(33,990)

EFFECT ON COUNTY OR OTHER LOCAL REVENUE OR EXPENDITURES:

The bill provides for a local-option accommodations tax of 1% that can be implemented by counties, cities and towns, or consolidated county/city governments. The extent of revenue from this part of the proposal will depend on the extent to which this option is utilized by these governments in the future.

STATE OF MONTANA - FISCAL NOTE

Fiscal Note for HB0227, as introduced

DESCRIPTION OF PROPOSED LEGISLATION:
An act increasing the accommodation tax from 4 percent to 8 percent; providing that the increased revenue will be used for property tax relief through a refundable income tax credit to resident owners of dwellings on a flat per-residence amount; allowing a city, town, county, or consolidated city-county government to impose an additional 1 percent accommodation tax for deposit in its general fund.

ASSUMPTIONS:
1. Under current law, the accommodations tax rate is 4%; total collections net of state employee tax and administration costs are $8,438,000 in FY96 and $8,739,000 in FY97 (ROC/DOR).
2. Under the proposal, the accommodations tax rate is 8%; total collections net of state employee tax and administration costs are $16,927,000 in FY96 and $17,542,000 in FY97.
3. Accommodations tax, including accruals, distributed to the general fund for use in providing property tax relief through individual income tax credits is $8,498,000 in FY96 and $8,803,000 in FY97.
4. Owner-occupied households eligible to receive the property tax credit total 224,000 in FY96, and 226,000 in FY97. This results in a property tax credit of $38 in FY96, and $39 in FY97 for each eligible household.
5. All eligible households will apply for and receive the tax credit provided for in this bill.
6. Costs to administer the accommodations tax will increase due to the requirement to track the location of local option taxes and accommodations tax paid by state agencies. The income tax system would be revised for the property tax credit.
7. 0.50 FTE (grade 15) programmer would be required for necessary system modifications in FY96 for both the income tax and accommodations tax programs. This effort would need to begin in FY95 with 0.10 FTE. Estimated programming hours are split one-third for income tax system changes (general fund) and two-thirds for accommodations tax system changes (state special revenue). An additional 0.50 FTE (grade 7) would be required to track local option taxes and state agencies lodging expenditures, funded from accommodations tax revenues.

FISCAL IMPACT:

Expenditures:

Operations Division:	FY95 Difference	FY96 Difference	FY97 Difference
FTE	0.10	0.50	0.00
Personal Services	3,143	16,990	0
Operating Expenses	3,667	20,500	0
Equipment	5,300	0	0
Total	12,110	37,490	0
General Fund (01)	4,037	12,497	0
Accommodations Tax (02)	8,073	24,993	0

(continued)

Dave Lewis 1-24-95
DAVE LEWIS, BUDGET DIRECTOR DATE
Office of Budget and Program Planning

PATRICK GALVIN, PRIMARY SPONSOR DATE

HB 227- #2

FISCAL IMPACT: (continued)

Income Tax Division:	FY96 Difference	FY97 Difference
FTE	0.50	0.50
Personal Services	9,454	9,484
Operating Expenses	5,993	5,993
Total	15,447	15,477
Accommodations Tax (02)	15,447	15,477

Revenues:

	FY96 Difference	FY97 Difference
Individual Income Tax	($8,489,000)	($8,803,000)
Accommodations Tax	8,489,000	8,803,000

Net Impact:	FY96 Difference	FY97 Difference
General Fund (01)	($12,497)	$ 0
Accommodations Tax (02)	($40,440)	(15,447)
Total	($52,937)	($15,447)

EFFECT ON COUNTY OR OTHER LOCAL REVENUE OR EXPENDITURES:
The bill provides for a local-option accommodations tax of 1% that can be implemented by counties, cities and towns, or consolidated county/city governments. The extent of revenue from this part of the proposal will depend on the extent to which this option is utilized by these governments in the future.