House BILL NO. 251

INTRODUCED BY Squires Halligan

A BILL FOR AN ACT ENTITLED: "AN ACT REQUIRING THE SELLER OF A BUSINESS THAT EMPLOYS 300 OR MORE EMPLOYEES WHO TRANSFERS OWNERSHIP OF THE BUSINESS OR WHO PERMANENTLY CLOSES AND SELLS THE BUSINESS RESULTING IN THE UNEMPLOYMENT OF 20 PERCENT OR MORE OF THE EXISTING WORKFORCE TO PAY AN EMPLOYEE RETRAINING AND COMMUNITY REINVESTMENT TAX EQUAL TO 8 PERCENT OF THE SALE PRICE OR THE APPRAISED VALUE TO FUND EMPLOYEE RETRAINING PROGRAMS AND COMMUNITY STABILITY AND DEVELOPMENT PROJECTS IN IMPACTED COMMUNITIES; AND PROVIDING AN EFFECTIVE DATE."

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

NEW SECTION. **Section 1. Employee retraining and community reinvestment tax -- business defined -- revolving loan fund -- distribution of proceeds.** (1) As used in this section, "business" means the employment of 300 or more employees in one or more impacted communities.

(2) If the transfer by sale to a new owner or the permanent closure and sale of a business results in the unemployment of 20% or more of the existing workforce, the seller shall pay a tax equal to 8% of the sale price or, if the business is permanently closed and sold in a transaction that is not at arm's length, an amount equal to 8% of the appraised value of the business to the department of commerce for distribution and investment pursuant to subsection (3).

(3) Proceeds of the tax must be deposited in a revolving loan fund for distribution by the department of commerce as follows:

(a) Of the 8% tax, 2% must be used:

(i) to train dislocated workers in the impacted community or communities who do not qualify for existing retraining programs; and

(ii) for specific community stability and development projects in the impacted community or communities.

(b) The remaining 6% must be used for investment, with the interest deposited annually into the revolving loan fund to fund the programs described in subsection (3)(a).

<u>NEW SECTION.</u> **Section 2. Effective date.** [This act] is effective July 1, 1995.

-END-

STATE OF MONTANA - FISCAL NOTE

Fiscal Note for HB0251, as introduced

DESCRIPTION OF PROPOSED LEGISLATION:
An act requiring the seller of a business that employs 300 or more employees who transfers ownership of the business or who permanently closes and sells the business resulting in the unemployment of 20 percent or more of the existing workforce to pay an employee retraining and community reinvestment tax equal to 8 percent of the sale price or the appraised value to fund employee retraining programs and community stability and development projects in impacted communities; and providing an effective date.

ASSUMPTIONS:
1. The seller of a business (300 or more employees) must pay a tax to the Department of Commerce equal to 8% of the sale price, when the sale to a new owner or the permanent closure and sale results in the unemployment of 20% or more of the existing work force.
2. If a business (300 or more employees) is permanently closed and sold in a transaction that is not at arm's length, the seller must pay the Department of Commerce an amount equal to 8% of the appraised value of the business.
3. The taxes paid to the Department of Commerce are in behalf of the dislocated workers and impacted community or communities.
4. The Department of Commerce will deposit the funds received in a newly established revolving account. Two percent of the funds will be distributed in an equitable manner back to the impacted community or communities to train dislocated workers who do not qualify for existing training programs and for specific community stability and development projects.
5. The remaining 6% will be invested, with interest earnings being deposited annually into the revolving account to be distributed.
6. The Department of Commerce will cover administrative activities with existing staff.
7. The fiscal impact to the Department of Labor and Industry would occur if the Department of Commerce used the revolving fund to contract to train the dislocated workers in the impacted community or communities who do not qualify for existing retraining programs. This type of impact would be reflected, most likely, in budget amendments for the state Dislocated Worker Programs, which are providing 1995 biennium retraining for 177 dislocated workers at an approximate cost of $2,200 per participant, including development of individual readjustment plans, job or career counseling, assessment and evaluation of educational attainment and participant interests and aptitudes, determination of occupational skills, job placement assistance, supportive services such as child care, commuting assistance, financial and personal counseling, and relocation assistance.

FISCAL IMPACT:
There will be no fiscal impact to the Department of Commerce.

EFFECT ON COUNTY OR OTHER LOCAL REVENUES OR EXPENDITURES:
This bill will assist those communities economically impacted by the closure or reduction of force of a business with a minimum of 300 employees. In addition, funds will be available for the retraining of dislocated workers who may not otherwise qualify for training programs.

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David Lewis 1-23-95
DAVID LEWIS, BUDGET DIRECTOR DATE
Office of Budget and Program Planning

Carolyn Squires 1/24/95
CAROLYN SQUIRES, PRIMARY SPONSOR DATE

HB 251

DEDICATION OF REVENUE:

a) Are there persons or entities that benefit from this dedicated revenue that do not pay? (Please explain)

Yes. Impacted communities and dislocated workers directly affected by the closure of a business or a reduction in force by at least 20%.

b) What special information or other advantages exist as a result of using a state special revenue fund that could not be obtained if the revenue were allocated to the general fund?

The proposed legislation specifies that the proceeds of the tax are dedicated for worker retraining and community stability and development projects in impacted communities. 6% of the proposed tax would be set aside in a revolving fund in which interest earnings would be used to generate additional funds for retraining, community stability, and development efforts.

c) Is the source of revenue relevant to current use of the funds and adequate to fund the program/activity that is intended? __X__ Yes ____ No (if no, explain)

d) Does the need for this state special revenue provision still exist? __X__ Yes ____ No (Explain)

Under the proposed legislation a state special revenue account would be needed to properly account for tax and interest revenues.

e) Does the dedicated revenue affect the legislature's ability to scrutinize budgets, control expenditures, or establish priorities for state spending? (Please explain)

No. The establishment of a state special revenue account does not affect the legislature's ability to scrutinize budgets or control expenditures.

f) Does the dedicated revenue fulfill a continuing, legislatively recognized need? (Please explain)

Yes, as long as the legislature continues to see the proposed legislation as serving the needs of the citizens of Montana.

g) How does the dedicated revenue provision result in accounting/auditing efficiencies or inefficiencies in your agency? (Please explain. Also, if the program/activity were general funded, could you adequately account for the program/activity?)

The proposed legislation dedicates the tax revenue for specific purposes. Therefore, a state special revenue account is necessary to properly provide program accountability.