

1 House BILL NO. 583  
 2 INTRODUCED BY Edward Beck Johnson  
 3 M. J.  
 4 A BILL FOR AN ACT ENTITLED: "AN ACT REVISING THE FUNDING OF STATE EQUALIZATION AID TO  
 5 PUBLIC SCHOOLS; INCREASING THE VIDEO GAMBLING MACHINE GROSS INCOME TAX FROM 15  
 6 PERCENT TO 30 PERCENT; ALLOCATING THE INCREASED TAX REVENUE TO THE STATE EQUALIZATION  
 7 AID ACCOUNT; USING THE INCREASED TAX REVENUE TO REDUCE THE STATE EQUALIZATION AID  
 8 LEVY; DIRECTING THE DEPARTMENT OF REVENUE TO ANNUALLY CALCULATE THE STATE  
 9 EQUALIZATION AID LEVY; AMENDING SECTIONS 20-9-343, 20-9-360, AND 23-5-610, MCA; AND  
 10 PROVIDING EFFECTIVE DATES AND AN APPLICABILITY DATE."

11

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

13

14 **Section 1.** Section 23-5-610, MCA, is amended to read:

15 **"23-5-610. Video gambling machine gross income tax -- records -- distribution -- quarterly**  
 16 **statement and payment.** (1) A licensed operator who is issued a permit under this part shall pay to the  
 17 department a video gambling machine tax of ~~15%~~ 30% of the gross income from each video gambling  
 18 machine licensed under this part. A licensed operator may deduct from the gross income amounts equal  
 19 to amounts stolen from machines if the amounts stolen are not repaid by insurance or under a court order,  
 20 if a law enforcement agency investigated the theft, and if the theft is the result of either unauthorized entry  
 21 and physical removal of the money from the machines or of machine tampering and the amounts stolen are  
 22 documented.

23 (2) A licensed operator who is issued a permit under this part shall keep a record of the gross  
 24 income from each machine in the form the department may require. The records must at all times during  
 25 the business hours of the licensee be subject to inspection by the department.

26 (3) A licensed operator who is issued a permit under this part shall, within 15 days after the end  
 27 of each quarter, complete and deliver to the department a statement showing the total gross income from  
 28 each video gambling machine licensed to the operator, together with the total amount due the state as  
 29 video gambling machine gross income tax for the preceding quarter. The statement must contain other  
 30 relevant information as the department may require.

1           (4) (a) The department shall, in accordance with the provisions of 15-1-501(6), forward 50% of  
 2 the tax collected under subsection (3) to the state treasurer for deposit in the state special revenue account  
 3 for state equalization aid for the purpose of reducing the state equalization aid levy as provided in [section  
 4 2].

5           (b) The department shall, in accordance with the provisions of 15-1-501(6), forward one-third of  
 6 the remainder of the tax collected under subsection (3) to the general fund.

7           ~~(b)~~(c) The department shall, in accordance with the provisions of 15-1-501(6), forward the  
 8 remaining ~~two-thirds~~ of the tax collected under subsection (3) to the treasurer of the county or the clerk,  
 9 finance officer, or treasurer of the city or town in which the licensed machine is located, for deposit to the  
 10 county or municipal treasury. Counties are not entitled to proceeds from taxes on income from video  
 11 gambling machines located in incorporated cities and towns. The ~~two-thirds~~ local government portion of  
 12 tax collected under subsection (3) is statutorily appropriated to the department as provided in 17-7-502 for  
 13 deposit to the county or municipal treasury."  
 14

15           **NEW SECTION. Section 2. Determination of school equalization aid levy -- certification of levy to**  
 16 **revenue oversight committee.** (1) On or before September 1 of each year, the department of revenue shall:

17           (a) based on information contained in the property tax record for each county, as provided in  
 18 15-8-701, certify the statewide taxable value of all property subject to the state equalization aid levy under  
 19 20-9-360; and

20           (b) calculate the state equalization aid levy as follows:

21           (i) multiply the certified statewide taxable value determined in subsection (1)(a) by 40 mills;

22           (ii) subtract from the figure determined in subsection (1)(b)(i) the prior fiscal year closeout amount,  
 23 as determined by the department of administration, of the video gambling machine tax deposited in the  
 24 state equalization aid account as provided in 23-5-610(4)(a); and

25           (iii) divide the figure determined in subsection (1)(b)(ii) by the statewide taxable value and multiply  
 26 the result by 1,000. The figure calculated under this subsection (1)(b)(iii) is the state equalization aid levy  
 27 for the current school fiscal year.

28           (2) The department of revenue shall, on or before September 15, certify to the revenue oversight  
 29 committee, in writing, the state equalization aid levy for the current school fiscal year.  
 30

1           **Section 3.** Section 20-9-343, MCA, is amended to read:

2           **"20-9-343. Definition of and revenue for state equalization aid.** (1) As used in this title, the term  
3 "state equalization aid" means the account in the state special revenue fund that receives revenue as  
4 required in this section plus any legislative appropriation of money from other sources for:

5           (a) distribution to the public schools for the purposes of payment of systems development and  
6 other related costs resulting from the enactment of legislation that requires changes to the automated  
7 system used to administer the BASE funding program, guaranteed tax base aid, BASE aid, state  
8 reimbursement for school facilities, and matching funds for the systemic initiative for Montana mathematics  
9 and science grant;

10           (b) negotiated payments authorized under 20-7-420(3) up to \$500,000 per biennium; and

11           (c) the Montana educational telecommunications network as provided in 20-32-101.

12           (2) The superintendent of public instruction may spend funds appropriated from the state  
13 equalization aid account as required for the purposes of systems development and other related costs  
14 resulting from the enactment of legislation that requires changes to the automated system used to  
15 administer the BASE funding program, guaranteed tax base aid, BASE aid for the BASE funding program,  
16 state reimbursement for school facilities, negotiated payments authorized under 20-7-420(3), and the  
17 Montana educational telecommunications network, throughout the biennium, and for the biennium  
18 beginning July 1, 1993, equipment purchases that qualify as the state match for the systemic initiative for  
19 Montana mathematics and science grant.

20           (3) The following must be paid into the state equalization aid account for the public schools of the  
21 state:

22           (a) money allocated to state equalization from the collection of the severance tax on coal;

23           (b) money received from the treasurer of the United States as the state's shares of oil, gas, and  
24 other mineral royalties under the federal Mineral Lands Leasing Act, as amended;

25           (c) interest and income money described in 20-9-341 and 20-9-342;

26           (d) except as provided in subsection (5), money received from the video gambling machine gross  
27 income tax under 23-5-610(4)(a);

28           (e) money received from the state equalization aid levy under 20-9-360;

29           ~~(f)~~(f) income from the lottery, as provided in 23-7-402;

30           ~~(f)~~(g) the surplus ~~revenue~~ revenue collected by the counties for BASE funding program support

1 according to 20-9-331 and 20-9-333; and

2 ~~(g)~~(h) investment income earned by investing money in the state equalization aid account in the  
3 state special revenue fund.

4 (4) The superintendent of public instruction shall request the board of investments to invest the  
5 money in the state equalization aid account to maximize investment earnings to the account.

6 (5) Money received from the video gambling machine gross income tax must be used for state  
7 equalization aid in the school fiscal year immediately following the fiscal year for which the tax was  
8 collected.

9 (6) Any Except for video gambling machine gross income tax revenue, any surplus revenue in the  
10 state equalization aid account at the end of a fiscal year must be transferred to the general fund."

11

12 **Section 4.** Section 20-9-360, MCA, is amended to read:

13 "**20-9-360. State equalization aid levy.** (1) There is a levy ~~of 40 mills~~, as determined in [section  
14 2], imposed by the county commissioners of each county on all taxable property within the state, except  
15 property for which a tax or fee is required under 23-2-517, 23-2-803, 61-3-504(2), 61-3-521, 61-3-537,  
16 and 67-3-204. Except as provided in subsection (2), proceeds of the levy must be remitted to the state  
17 treasurer and must be deposited to the credit of the state special revenue fund for state equalization aid  
18 to the public schools of Montana.

19 (2) For the benefit of each municipality that created an urban renewal area and adopted a tax  
20 increment financing provision for the urban renewal area prior to July 1, 1990, the state treasurer shall  
21 distribute each fiscal year from the state equalization aid levy to the municipality the amount, if any, equal  
22 to the product of the incremental taxable value of the urban renewal area times the reduced school levy  
23 for the area, each calculated for the fiscal year. The reduced school levy for a fiscal year is the difference  
24 between the aggregate amount of all property tax levies for school purposes in the urban renewal area,  
25 expressed in mills, in the fiscal year ended June 30, 1989, and the aggregate amount of all property tax  
26 levies for school purposes in the area or the district, expressed in mills, in the fiscal year, including the state  
27 equalization aid levy. The state treasurer shall distribute the amounts to municipalities in two equal  
28 installments on December 31 and June 30 of the fiscal year."

29

30 **NEW SECTION. Section 5. Codification instruction.** [Section 2] is intended to be codified as an

1 integral part of Title 20, chapter 9, part 3, and the provisions of Title 20, chapter 9, part 3, apply to  
2 [section 2].

3

4 **NEW SECTION. Section 6. Applicability.** [Section 1] applies to video gambling machine gross  
5 income tax liabilities incurred after June 30, 1995.

6

7 **NEW SECTION. Section 7. Effective dates.** (1) [Sections 1, 5, 6 and this section] are effective July  
8 1, 1995.

9 (2) [Sections 2 through 4] are effective July 1, 1996.

10

-END-

STATE OF MONTANA - FISCAL NOTE  
Fiscal Note for HB583, Introduced

DESCRIPTION OF PROPOSED LEGISLATION:

An act revising the funding of state equalization aid to public schools; increasing the video gambling machine gross income tax from 15 percent to 30 percent; allocating the increased tax revenue to the state equalization aid account; using the increased tax revenue to reduce the state equalization aid levy; directing the Department of revenue to annually calculate the state equalization aid levy; and providing effective dates and an applicability date.

ASSUMPTIONS:

1. The tax rate on video gambling gross income is doubled from 15% to 30% effective July 1, 1995.
2. Current law revenue collections from the video gambling tax are \$35,983,000 in FY1996, and \$39,428,000 in FY1997 (ROC).
3. Video gambling taxes are paid quarterly, and are due within 15 days following the end of the calendar quarter. Doubling the tax rate, combined with current accounting accrual practices result in a doubling of the current law tax collected in each fiscal year.
4. Statewide taxable valuation is \$1,869,654,000 for tax year 1996 (ROC).
5. Based on the video gambling tax revenue assumptions, and the statewide taxable valuation assumption, the school equalization aid levy will be reduced from 40 mills to 20.754193 mills for tax year 1996 (FY1997).

FISCAL IMPACT:

Expenditures:

This proposal has no impact on Department of Revenue expenditures.

Revenues:

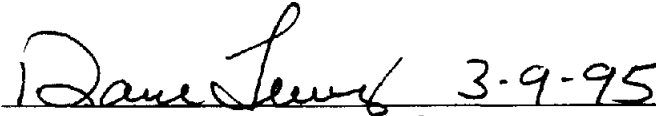
	<u>FY96</u>	<u>FY97</u>
	<u>Difference</u>	<u>Difference</u>
Video Gambling Tax	\$ 35,983,000	\$39,428,000
SEA Account (Prop Tax)	<u>0</u>	<u>(35,983,000)</u>
Total	\$ 35,983,000	\$ 3,445,000

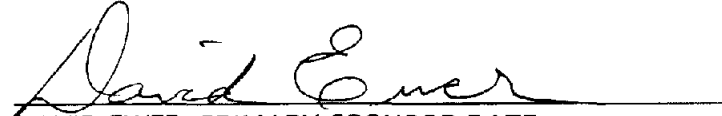
LONG-RANGE IMPACT:

The statewide equalization aid mill levy would be reduced in each fiscal year after 1996. The extent of the reduction will depend on the relationship between the rate of growth in video gambling tax revenue and statewide taxable valuation. For example, it is estimated that the SEA mill levy would be reduced to about 19.53 mills for FY1998. To the extent that the rate of growth in video gambling tax exceeds that of statewide taxable valuation, the SEA account mill levy will eventually be driven to zero.

TECHNICAL NOTES:

Providing for a rounding of the calculated SEA account mill levy in legislation would facilitate administration of this proposal.

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

  
DAVID EWER, PRIMARY SPONSOR DATE  
Fiscal Note for HB583, Introduced

**HB 583**