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SENATE BILL NO. 359

INTRODUCED BY Eck

A BILL FOR AN ACT ENTITLED: "AN ACT ALLOWING A CITY OR TOWN TO IMPOSE A LOCAL OPTION MOTOR FUEL EXCISE TAX IF APPROVED BY THE ELECTORATE; PROVIDING FOR THE DISTRIBUTION OF LOCAL OPTION MOTOR FUEL EXCISE TAX REVENUE; AMENDING SECTIONS 7-14-301, 7-14-302, 7-14-303, AND 7-14-304, MCA; AND PROVIDING AN IMMEDIATE EFFECTIVE DATE."

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

Section 1. Section 7-14-301, MCA, is amended to read:

**"7-14-301. Local option motor fuel excise tax authorized.** (1) ~~A~~ Except as provided in subsection (3), a motor fuel excise tax, in increments of 1 cent per gallon, not to exceed 2 cents per gallon upon gasoline and special fuel sold to the ultimate consumer within the city, town, or county for use in motor vehicles operated upon public highways, streets, and roads may be imposed:

- (a) by the people of the city, town, or county by initiative; or
- (b) by the board of county commissioners or by the governing body of a city or town by adoption of a resolution and referral to the people.

(2) The initiative or referendum must specify that the tax is to be collected by the department of transportation.

~~(3)~~ A local option motor fuel excise tax may be imposed on the same person or transaction by more than one local government if the total motor fuel excise tax on the same person or transaction does not exceed 2 cents per gallon.

~~(3)(4)~~ Such a ~~A~~ motor fuel excise tax may not be assessed sooner than 90 days from the date of passage of ~~such~~ an initiative or referendum.

~~(4)(5)~~ Every distributor ~~Each vendor~~ shall pay the motor fuel excise tax to the ~~agency specified in the initiative or referendum as provided in subsection (1)~~ department of transportation. ~~When the tax is collected by the department of transportation, each distributor~~ Each vendor shall render a monthly statement to the department of all gasoline and special fuel sold distributed during the preceding calendar month in the city, town, or county in which it is sold to the ultimate consumer ~~and such.~~ The statement



1 must contain other information as the department may reasonably require in order to administer the motor  
2 fuel excise tax.

3 ~~(5)(6)~~ The information, recordkeeping, and examination of records provisions of Title 15, chapter  
4 70, apply to this part.

5 ~~(6)(7)~~ The department of transportation collecting the tax authorized under subsection (1) shall  
6 establish procedures to provide a refund to a person who has paid the excise tax but who can substantiate  
7 that the motor fuel was purchased for a use other than on public highways, streets, and roads.

8 ~~(7)(8)~~ In this part, the following definitions apply:

9 ~~(a) the~~ The terms "~~distributor~~", "gasoline", "import", "motor vehicle", "person", and "use" have  
10 the meanings ascribed to them in 15-70-201.

11 (b) The term "special fuel" has the meaning ascribed to it in 15-70-301.

12 (c) The term "vendor" means the owner or operator of a gas station or other machine dispensing  
13 unit for motor fuels who sells or offers for sale motor fuels to the public for use in motor vehicles."

14

15 **Section 2.** Section 7-14-302, MCA, is amended to read:

16 "**7-14-302. Use of local motor fuel excise tax revenue.** (1) A county or municipality receiving  
17 revenue from the tax authorized by 7-14-301 shall use the revenue derived only for the construction,  
18 reconstruction, maintenance, and repair of public streets and roads or for retiring general obligation bonds  
19 or revenue bonds issued for street or road projects.

20 (2) A city, town, or county shall contract with the department for reimbursement of the actual  
21 costs of collection. One percent of the motor fuel excise tax revenue collected in a city, town, or county  
22 ~~is to~~ must be reimbursed to the ~~distributor~~ vendor for the cost of compliance with this part."

23

24 **Section 3.** Section 7-14-303, MCA, is amended to read:

25 "**7-14-303. Allocation of revenue and disposition of funds from ~~county-imposed~~ motor fuel excise**  
26 **tax.** (1) Revenue derived from a motor fuel excise tax imposed by a county under 7-14-301 must be  
27 apportioned among the county and municipalities in the county:

28 (a) in the proportion of motor vehicles registered in the county outside of the municipalities to those  
29 registered within the municipalities during the preceding year; or

30 (b) as determined by an interlocal agreement.



STATE OF MONTANA - FISCAL NOTE

Fiscal Note for SB0359, as introduced

DESCRIPTION OF PROPOSED LEGISLATION:

An act allowing a city or town to impose a local option motor fuel excise tax if approved by the electorate; providing for the distribution of local option motor fuel excise tax revenue.

ASSUMPTIONS:

1. Dyed special fuel and aviation fuel would not be subject to this tax since these fuels are not intended for use in vehicles operated upon public highways, streets, and roads.
2. There is no basis for determining how many cities and towns would exercise a local option fuels tax. Currently, no counties levy this tax. The fiscal impact shown below reflects two scenarios: 500 vendors reflecting one major local jurisdiction; 3000 vendors reflecting several local jurisdictions.
3. Under current law, the Department of Transportation would attempt to collect a local option tax at the distributor level, thereby significantly reducing administrative costs. However, SB359 would require that the tax be collected at the retail level.
4. Collection costs include all costs associated with collection of the tax, including refunding the tax to off-road users, audits performed by the department, and administrative overhead at rates approved for federal purposes. The actual collection costs are assumed to be reimbursed from revenues collected on behalf of a city, town or county.

FISCAL IMPACT:

General Operations Div.

<u>Expenditures:</u>	<u>500 Vendors</u> <u>Difference</u>	<u>3000 Vendors</u> <u>Difference</u>
FTE	2.00	6.00
Personal Services	49,274	295,368
Operating Expenses	22,122	132,733
Equipment	<u>5,000</u>	<u>30,000</u>
Total	76,396	458,377
 <u>Funding:</u>		
Local Option Fuels Tax (02)	76,396	458,377

Revenues and expenditures for local option fuels taxes may nominally increase due to pass-through to local jurisdictions (see technical note).

EFFECT ON COUNTY OR OTHER LOCAL REVENUES OR EXPENDITURES:

Imposing the local option tax would increase monies to local jurisdictions.

TECHNICAL NOTES:

It is unclear whether local option fuels tax revenues would be deposited to the state treasury pending distribution to local jurisdictions or whether an appropriation might be required in order to make such distributions.

*Dave Lewis 2.16.95*  
 DAVE LEWIS, BUDGET DIRECTOR      DATE  
 Office of Budget and Program Planning

\_\_\_\_\_  
 DOROTHY ECK, PRIMARY SPONSOR      DATE

Fiscal Note for SB0359, as introduced

**SB 359**