

Fiscal Note Request SB0011, As Introduced

(continued)

- a) First, the Department of Revenue retains the amount appropriated for administering the tax.
 - b) Second, state agencies are reimbursed for tax paid on state employees' business trips.
 - c) Third, \$400,000 goes to the Montana heritage preservation and development account.
 - d) The remainder is allocated
 - i) 1% to the Montana Historical Society for roadside historical signs and historical sites,
 - ii) 2.5% to the university system for travel research,
 - iii) 6.5% to the Department of Fish, Wildlife and Parks for parks maintenance,
 - iv) 67.5% to the Department of Commerce for statewide tourism promotion, and
 - v) 22.5% to regional and local tourism promotion.
- 4) Under this bill, lodging facility use tax revenue would be allocated as follows:
- a) First, the Department of Revenue retains the amount appropriated for administering the tax.
 - b) Second, state agencies are reimbursed for tax paid on state employees' business trips.
 - c) Third, \$400,000 goes to the Montana heritage preservation and development account.
 - d) Fourth, 50% of remaining funds go to the general fund.
 - e) The remainder is allocated
 - i) 1% to the Montana Historical Society for roadside historical signs and historical sites,
 - ii) 2.5% to the university system for travel research,
 - iii) 6.5% to the Department of Fish, Wildlife and Parks for parks maintenance,
 - iv) 67.5% to the Department of Commerce for statewide tourism promotion, and
 - v) 22.5% to regional and local tourism promotion.
- 5) This bill would double state agency accommodations tax payments and reimbursements to state agencies from accommodations tax collections
- 6) The following table shows accommodations tax revenue and its allocation under current law, under this bill, and the difference.

Accommodations Tax Revenue and Allocation						
	Current Law		SB11		Difference	
	FY 2004	FY 2005	FY 2004	FY 2005	FY 2004	FY 2005
Revenue	\$ 13,005,000	\$ 13,595,000	\$ 24,709,500	\$ 25,830,500	\$ 11,704,500	\$ 12,235,500
DoR Administration Cost	137,254	141,371	137,254	141,371	-	-
State Agency Travel Reimbursements						
General Fund	42,520	44,449	85,040	88,898	42,520	44,449
State Special Revenue Funds	53,709	56,146	107,419	112,292	53,709	56,146
Federal Special Revenue Funds	2,238	2,339	4,476	4,679	2,238	2,339
Other Funds	13,427	14,037	26,855	28,073	13,427	14,037
Heritage Preservation						
General Fund	-	-	11,974,228	12,527,593	11,974,228	12,527,593
Historical Markers & Sites	123,559	129,367	119,742	125,276	(3,816)	(4,091)
Tourism Research	308,896	323,416	299,356	313,190	(9,541)	(10,227)
Parks Maintenance	803,130	840,883	778,325	814,294	(24,805)	(26,589)
Statewide Tourism Promotion	8,340,200	8,732,244	8,082,604	8,456,126	(257,596)	(276,119)
Regional & Local Tourism Promotion	2,780,067	2,910,748	2,694,201	2,818,709	(85,865)	(92,040)

- 7) Beginning in fiscal 2004, this bill would impose an 8% tax on the base rental price of short-term passenger vehicle rentals except for repair or maintenance loaners. Rental vehicle owners will retain 5% of collections as an administrative allowance. All collections are to be deposited in the general fund.

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- 8) Taxable rental charges are projected to be \$41.222 million in fiscal 2004 and \$42.500 million in fiscal 2005 (Dept. of Revenue estimate based on 1997 Economic Census). Rental tax collections are projected to be \$3.133 million in fiscal 2004 (95% x 8% x \$41.222 million) and \$3.230 million in fiscal 2005 (95% x 8% x \$42.500 million).
- 9) The Department of Revenue would need to develop a new computer system to administer the rental car tax and would require an additional 0.25 FTE for compliance work. The cost of developing the new computer system would be \$412,421 in fiscal 2004, and ongoing maintenance costs would be \$66,982 in fiscal 2005. The cost of the additional 0.25 FTE and associated equipment would be \$17,042 in fiscal 2004 and \$11,214 in fiscal 2005. The total additional cost to the department would be \$429,463 in fiscal 2004 (\$412,421 + \$17,042) and \$78,196 in fiscal 2005 (\$66,982+\$11,214).
- 10) Additional revenue to the general fund would be \$15,149,728 in fiscal 2004 (\$42,500 + \$11,974,228 + \$3,133,000) and \$15,802,042 in fiscal 2005 (\$44,449 + 12,527,593 + \$3,230,000). Additional general fund expenditures would be \$471,963 in fiscal 2004 (\$42,500 + \$429,463) and \$122,645 in fiscal 2005 (\$44,449 + \$78,196).

FISCAL IMPACT:

	<u>FY 2004</u> <u>Difference</u>	<u>FY 2005</u> <u>Difference</u>
FTE	0.25	0.25

Expenditures:

Personal Services	\$278,982	\$8,235
Operating Expenses	\$133,557	\$69,961
Equipment	\$16,924	\$0
Accommodations Tax on Employee Travel	<u>\$111,895</u>	<u>\$116,971</u>
TOTAL	\$541,358	\$195,167

Funding of Expenditures:

General Fund (01)	\$471,963	\$122,645
State Special Revenue (02)	\$53,709	\$ 56,146
Federal Special Revenue (03)	\$ 2,238	\$ 2,339
Other	<u>\$13,427</u>	<u>\$ 14,037</u>
TOTAL	\$541,337	\$195,167

Revenues:

General Fund (01)	\$15,149,728	\$15,802,042
State Special Revenue (02)		
Historical Markers and Sites	(\$3,816)	(\$4,091)
Tourism Research	(\$9,541)	(\$10,227)
Parks Maintenance	(\$24,805)	(\$26,589)
Statewide Tourism Promotion	(\$257,596)	(\$276,119)
Regional & Local Tourism Promotion	(\$85,865)	(\$92,040)
Employee Travel	\$53,709	\$56,146
Federal Special Revenue (03)	\$ 2,238	\$ 2,339
Other	\$13,427	\$14,037

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Net Impact to Fund Balance (Revenue minus Funding of Expenditures):

General Fund (01)	\$14,677,765	\$15,679,397
State Special Revenue (02)		
Historical Markers and Sites	(\$3,816)	(\$4,091)
Tourism Research	(\$9,541)	(\$10,227)
Parks Maintenance	(\$24,805)	(\$26,589)
Statewide Tourism Promotion	(\$257,596)	(\$276,119)
Regional & Local Tourism Promotion	(\$85,865)	(92,040)
Employee Travel	\$0	\$0
Federal Special Revenue (03)	\$ 2,238	\$ 2,339
Other	\$13,427	\$14,037

EFFECT ON COUNTY OR OTHER LOCAL REVENUES OR EXPENDITURES:

This bill would reduce funding to regional and local tourism promotion agencies by \$257,596 in fiscal 2004 and \$276,119 in fiscal 2005.

TECHNICAL NOTES:

1. Section 6 makes the rental car tax a percentage of the “rental base price.” This term is not defined. Section 5 defines “gross receipts,” for use in sections 5 through 10, but the term is not used.
2. The term “rental vehicle” is vague. This fiscal note assumes that it includes only motor vehicles as defined in 61-1-102 and does not include boats, airplanes, and off-road vehicles.
3. Section 6(2) requires rental vehicle owners and operators to pay 95% of the amount collected on or before the date when the tax is due and allows them to retain the remaining 5% as an administrative allowance. It is not clear whether the administrative allowance is forfeited if payment is late.
4. Section 7(4) provides a fine for noncompliance of “not less than \$50 and not more than \$100” but gives no procedure or criteria for setting the fine within this range.
5. Section 9(3)a does not specify whether the penalty and interest provisions of MCA 15-1-211 apply.