

Senate Bill 184

In 2000, the Local Government Funding and Structure Committee took an honest look at all of the arguments arrayed against local option tax bills in past sessions of the Legislature, and came up with fair and practical answers to the most troubling questions. For years, many members of the Legislature thought of local option bills as nothing more than a way for large cities and trade centers to collect tax money from rural areas. The committee considered these arguments, and came up with a way to balance the benefits of local taxing authority among all areas of the state.

Under bills considered by the 2001 and 2003 Legislatures, cities and counties that enacted option taxes would have deposited a portion of the receipts in a special account. This money would then have been distributed on a population formula to small cities and towns and rural counties that would not otherwise have benefited from option tax authority.

The 2005 version of these earlier bills will allow local voters to approve a 4% tax on lodging facilities, bars, restaurants, rental cars, admissions, recreation and other goods and services that are the foundation of the tourist economy.

The Department of Revenue estimates that a 4% tourist tax imposed by every city and county in the state would raise almost \$75 million per year.

The following table shows the revenue potential of the proposed bill:

Revenue Potential from Local Option Sales Tax on Tourist Goods and Services

<u>Tax Base Item</u>	<u>Forecast Sales (\$millions)</u>	<u>Revenue at 4% (\$millions)</u>
Restaurant meals	\$ 798.1	\$31.9
Accommodations	316.6	12.7
Drinks sold in Bars	182.4	7.3
Other Food & Drinks	105.4	4.2
Car Rentals	34.7	1.4
Event Tickets	165.8	6.6
Sightseeing Fares	8.3	0.3
Souvenirs	105.4	4.2
Recreation Services	153.5	6.1
Total	1,870.2	74.5

If the seven most populous counties imposed the tax, total collections would be \$31 million. Under the benefit sharing provision, the bill would allocate 25% or almost \$8 million to other cities, towns and counties in other areas of the state. **The distributions to these local governments would average about \$15 per capita.** These estimates were based on the Economic Census for lodging and eating and drinking places. Actual tax collections and distributions could be higher by 25% to 30%.

Local governments could use this money to reduce property taxes, build safe and healthy communities and establish the foundation of public services, programs and facilities that are essential to the future of the Montana economy.

The Department of Revenue also estimates 47% of the proceeds of the proposed local option tax would be collected from tourists and other travelers who live beyond the borders of Montana. This is telling statistical evidence in support of option authority, because the Legislature has considered few bills in recent years that bring new, non-resident tax dollars into Montana.

If the Legislature approves this bill, visitors will pay as they go, and local property owners will no longer be required to subsidize higher levels of police and fire protection, street and road maintenance and other services essential to the tourist economy.

Senate Bill 184 offers the following advantages to the state, city and county governments and Montana taxpayers:

1. The proposed law will generate new revenues for cities and counties which will make it possible to maintain existing services with significantly lower mill levies.
2. The public vote requirement will allow local governments to engage their citizens in decisions on services, facilities, tax rates and all the other elements of public finance.
3. The bill will connect the tax system to what is happening in the economy, and it will require tourists to pay a fair share of the cost of the services they use in Montana.
4. It will require large cities, urban counties and trade centers to share revenues with rural areas and provide the broadest possible distribution of the benefits of local taxing authority.
5. It will leave Montana travel businesses in a competitive position and encourage the community investment that could be the catalyst for an economic revival across Montana.
6. A poll conducted last fall by the Lee Newspapers indicated that Montana voters supported option tax authority for local governments by a 46% to 34% margin with 20% undecided.

The table on the next page shows results from the enactment of the Resort Tax in Whitefish. It is an indication of potential benefits for other local governments across the state if SB-184 is adopted.

Comparative City of Whitefish Data

FY-95 and FY-04

	1995	2004
Population	4,700	6,300
Taxable value	\$7,114,287	\$13,398,957
Value of new construction	12,189,081	57,638,143
Investment in capital projects	1,849,136	5,000,000 (est.)
Vote on resort tax	56% to 44%	76% to 24%

Senate Bill 184

as adopted by the

Senate Taxation Committee

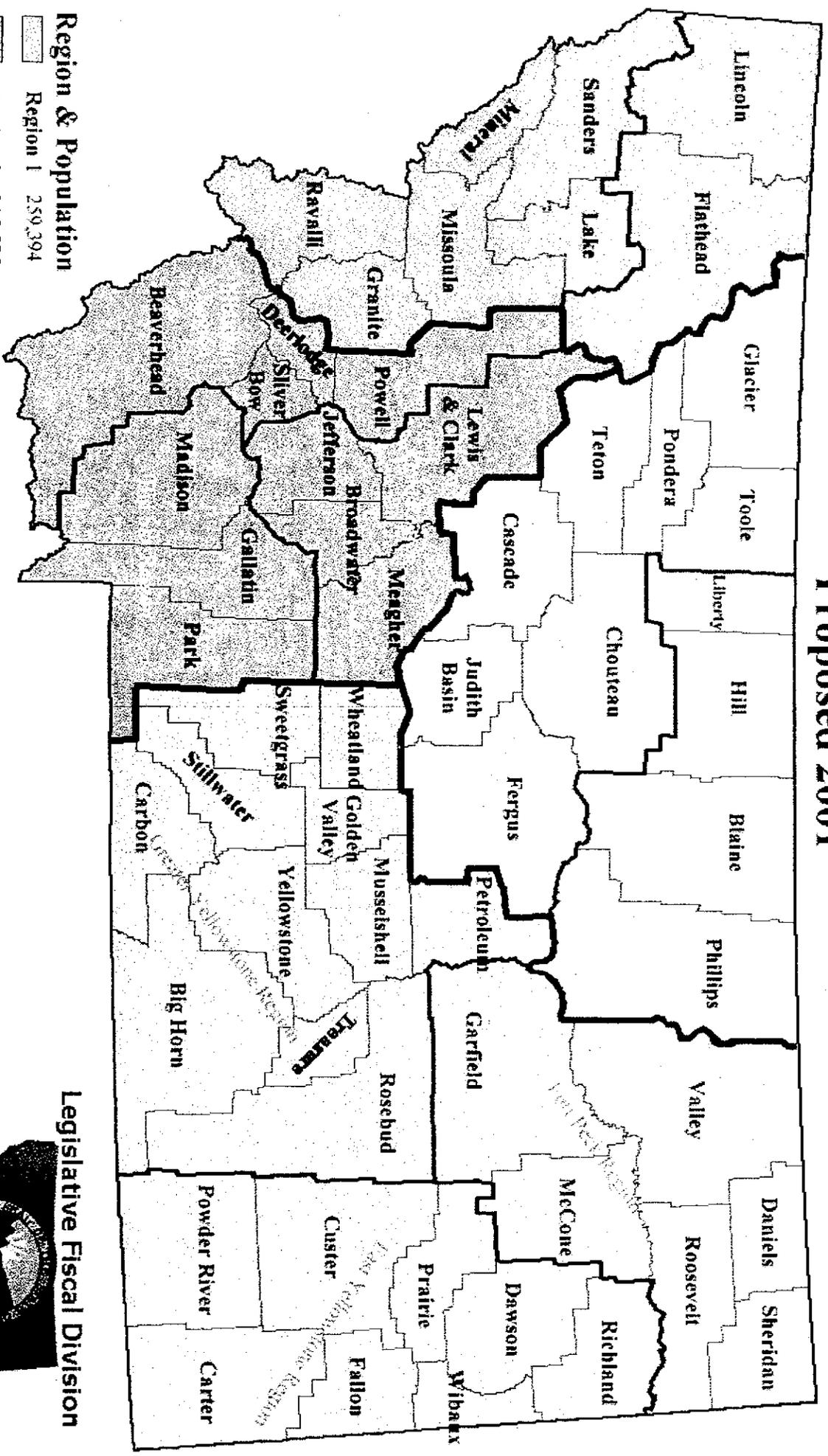
Legislative Fiscal Division

Local Option Tax Distribution Model

Worksheet is protected. Yellow areas can be modified.

Sn	Regi		County	Apply	Rate	Major	Population	Tax	70.00%	10.00%	20.00%	0.00%	100.00%	Per Capita
	on	Sub							To Local	To Sub-Region	To Region	To Statewide	Total	
15	1	1	11 Flathead	Y	4.00%	Y	66,898	\$5,283,535	\$55.29	\$6.16	\$7.10	\$0.00	\$4,585,612	\$68.55
27	1	1	11 Lincoln	N	4.00%		18,819	\$0	\$0.00	\$6.16	\$12.76	\$0.00	\$356,119	\$18.92
20	1	2	12 Granite	N	4.00%		2,662	\$0	\$0.00	\$3.47	\$12.76	\$0.00	\$43,208	\$16.23
24	1	2	12 Lake	N	4.00%		25,885	\$0	\$0.00	\$3.47	\$12.76	\$0.00	\$420,147	\$16.23
31	1	2	12 Mineral	N	4.00%		3,867	\$0	\$0.00	\$3.47	\$12.76	\$0.00	\$62,766	\$16.23
32	1	2	12 Missoula	Y	4.00%	Y	89,344	\$5,825,840	\$45.64	\$3.47	\$5.66	\$0.00	\$4,894,171	\$54.78
41	1	2	12 Ravalli	N	4.00%		35,811	\$0	\$0.00	\$3.47	\$12.76	\$0.00	\$581,258	\$16.23
45	1	2	12 Sanders	N	4.00%		10,233	\$0	\$0.00	\$3.47	\$12.76	\$0.00	\$166,095	\$16.23
1	2	1	21 Beaverhead	N	4.00%		8,790	\$0	\$0.00	\$3.22	\$8.93	\$0.00	\$106,796	\$12.15
12	2	1	21 Deer Lodge	N	4.00%		9,721	\$0	\$0.00	\$3.22	\$8.93	\$0.00	\$118,108	\$12.15
39	2	1	21 Powell	N	4.00%		6,945	\$0	\$0.00	\$3.22	\$8.93	\$0.00	\$84,380	\$12.15
47	2	1	21 Silver Bow	Y	4.00%	Y	33,954	\$1,912,560	\$39.43	\$3.22	\$6.75	\$0.00	\$1,677,294	\$49.40
16	2	2	22 Gallatin	Y	4.00%	Y	56,685	\$2,483,360	\$30.67	\$3.12	\$5.68	\$0.00	\$2,237,070	\$39.46
28	2	2	22 Madison	N	4.00%		6,927	\$0	\$0.00	\$3.12	\$8.93	\$0.00	\$83,474	\$12.05
34	2	2	22 Park	N	4.00%		15,982	\$0	\$0.00	\$3.12	\$8.93	\$0.00	\$192,592	\$12.05
4	2	3	23 Broadwater	N	4.00%		4,167	\$0	\$0.00	\$3.86	\$8.93	\$0.00	\$53,294	\$12.79
22	2	3	23 Jefferson	N	4.00%		10,367	\$0	\$0.00	\$3.86	\$8.93	\$0.00	\$132,589	\$12.79
25	2	3	23 Lewis & Clark	Y	4.00%	Y	54,075	\$2,716,200	\$35.16	\$3.86	\$5.43	\$0.00	\$2,403,797	\$44.45
30	2	3	23 Meagher	N	4.00%		1,777	\$0	\$0.00	\$3.86	\$8.93	\$0.00	\$22,727	\$12.79
3	3	1	31 Blaine	N	4.00%		7,074	\$0	\$0.00	\$0.00	\$11.15	\$0.00	\$78,847	\$11.15
21	3	1	31 Hill	N	4.00%		17,050	\$0	\$0.00	\$0.00	\$11.15	\$0.00	\$190,041	\$11.15
26	3	1	31 Liberty	N	4.00%		2,253	\$0	\$0.00	\$0.00	\$11.15	\$0.00	\$25,112	\$11.15
36	3	1	31 Phillips	N	4.00%		4,692	\$0	\$0.00	\$0.00	\$11.15	\$0.00	\$52,297	\$11.15
7	3	2	32 Cascade	Y	4.00%	Y	78,282	\$4,387,480	\$39.23	\$3.58	\$0.25	\$0.00	\$3,371,225	\$43.07
8	3	2	32 Chouteau	N	4.00%		5,066	\$0	\$0.00	\$3.58	\$11.15	\$0.00	\$74,625	\$14.73
14	3	2	32 Fergus	N	4.00%		12,180	\$0	\$0.00	\$3.58	\$11.15	\$0.00	\$179,418	\$14.73
18	3	2	32 Glacier	N	4.00%		12,603	\$0	\$0.00	\$3.58	\$11.15	\$0.00	\$185,649	\$14.73
23	3	2	32 Judith Basin	N	4.00%		2,284	\$0	\$0.00	\$3.58	\$11.15	\$0.00	\$33,645	\$14.73
37	3	2	32 Pondera	N	4.00%		6,244	\$0	\$0.00	\$3.58	\$11.15	\$0.00	\$91,978	\$14.73
50	3	2	32 Teton	N	4.00%		6,432	\$0	\$0.00	\$3.58	\$11.15	\$0.00	\$94,747	\$14.73
51	3	2	32 Toole	Y	4.00%		4,638	\$190,920	\$28.82	\$3.58	\$10.90	\$0.00	\$200,816	\$43.30
2	4	1	41 Big Horn	N	4.00%		12,573	\$0	\$0.00	\$4.61	\$13.86	\$0.00	\$232,240	\$18.47
5	4	1	41 Carbon	N	4.00%		7,305	\$0	\$0.00	\$4.61	\$13.86	\$0.00	\$134,933	\$18.47
19	4	1	41 Golden Valley	N	4.00%		1,049	\$0	\$0.00	\$4.61	\$13.86	\$0.00	\$19,376	\$18.47
33	4	1	41 Musselshell	N	4.00%		4,552	\$0	\$0.00	\$4.61	\$13.86	\$0.00	\$84,081	\$18.47
35	4	1	41 Petroleum	N	4.00%		506	\$0	\$0.00	\$4.61	\$13.86	\$0.00	\$9,346	\$18.47
44	4	1	41 Rosebud	N	4.00%		9,869	\$0	\$0.00	\$4.61	\$13.86	\$0.00	\$182,293	\$18.47
48	4	1	41 Stillwater	N	4.00%		8,328	\$0	\$0.00	\$4.61	\$13.86	\$0.00	\$153,829	\$18.47
49	4	1	41 Sweet Grass	N	4.00%		3,584	\$0	\$0.00	\$4.61	\$13.86	\$0.00	\$66,201	\$18.47
52	4	1	41 Treasure	N	4.00%		859	\$0	\$0.00	\$4.61	\$13.86	\$0.00	\$15,867	\$18.47
54	4	1	41 Wheatland	N	4.00%		2,276	\$0	\$0.00	\$4.61	\$13.86	\$0.00	\$42,041	\$18.47
56	4	1	41 Yellowstone	Y	4.00%	Y	127,258	\$8,213,160	\$45.18	\$4.61	\$0.00	\$0.00	\$6,335,874	\$49.79
6	4	2	42 Carter	N	4.00%		1,454	\$0	\$0.00	\$0.00	\$13.86	\$0.00	\$20,154	\$13.86
9	4	2	42 Custer	N	4.00%		11,837	\$0	\$0.00	\$0.00	\$13.86	\$0.00	\$164,076	\$13.86
11	4	2	42 Dawson	N	4.00%		8,670	\$0	\$0.00	\$0.00	\$13.86	\$0.00	\$120,177	\$13.86
13	4	2	42 Fallon	N	4.00%		2,885	\$0	\$0.00	\$0.00	\$13.86	\$0.00	\$39,990	\$13.86
38	4	2	42 Powder River	N	4.00%		1,777	\$0	\$0.00	\$0.00	\$13.86	\$0.00	\$24,632	\$13.86
40	4	2	42 Prairie	N	4.00%		1,360	\$0	\$0.00	\$0.00	\$13.86	\$0.00	\$18,851	\$13.86
42	4	2	42 Richland	N	4.00%		10,053	\$0	\$0.00	\$0.00	\$13.86	\$0.00	\$139,348	\$13.86
55	4	2	42 Wibaux	N	4.00%		1,117	\$0	\$0.00	\$0.00	\$13.86	\$0.00	\$15,483	\$13.86
10	4	3	43 Daniels	N	4.00%		1,963	\$0	\$0.00	\$0.00	\$13.86	\$0.00	\$27,210	\$13.86
17	4	3	43 Garfield	N	4.00%		1,420	\$0	\$0.00	\$0.00	\$13.86	\$0.00	\$19,683	\$13.86
29	4	3	43 McCone	N	4.00%		1,924	\$0	\$0.00	\$0.00	\$13.86	\$0.00	\$26,669	\$13.86
43	4	3	43 Roosevelt	N	4.00%		10,912	\$0	\$0.00	\$0.00	\$13.86	\$0.00	\$151,254	\$13.86
46	4	3	43 Sheridan	N	4.00%		4,100	\$0	\$0.00	\$0.00	\$13.86	\$0.00	\$56,831	\$13.86
53	4	3	43 Valley	N	4.00%		8,132	\$0	\$0.00	\$0.00	\$13.86	\$0.00	\$112,720	\$13.86

Montana Economic Regions Proposed 2001



Region & Population

Region 1	259,394
Region 2	216,586
Region 3	158,798
Region 4	247,106



January 25, 2001

Legislative Fiscal Division

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