

1 _____ BILL NO. _____

2 INTRODUCED BY _____
3 (Primary Sponsor)

4 A BILL FOR AN ACT ENTITLED: "AN ACT AUTHORIZING A LOCAL OPTION TAX OF UP TO 4% ON
5 DESIGNATED GOODS AND SERVICES; PROVIDING THAT AN INCORPORATED MUNICIPALITY OR
6 CONSOLIDATED CITY-COUNTY GOVERNMENT MAY LEVY A LOCAL OPTION TAX UPON AN AFFIRMATIVE
7 VOTE OF THE ELECTORS; PROVIDING THAT LOCAL OPTION TAX REVENUE MUST BE USED FOR
8 PROPERTY TAX OFFSET AND MAY BE USED FOR ANY PURPOSE REFLECTED IN THE RESOLUTION
9 AUTHORIZING THE LOCAL OPTION TAX; AND PROVIDING A DELAYED EFFECTIVE DATE."

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

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13 NEW SECTION. **Section 1. Purpose.** Local government and local school district property tax levies
14 constitute 75% to 80% of property taxes levied on Montana property taxpayers in most jurisdictions. It is the intent
15 of the legislature to provide Montana taxpayers within incorporated municipalities the ability to adopt through an
16 election a local option tax in order to provide an alternative revenue source that may be used for property tax relief
17 and to create a new revenue source designed to collect taxes from the millions of people who visit our state and
18 communities each year. The legislature also recognizes that the economic impacts on municipalities from
19 numerous causes, including unexpected population growth and increased tourism, vary from locality to locality.

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21 NEW SECTION. **Section 2. Power to authorize tax -- rate -- applicability.** (1) Incorporated
22 municipalities and consolidated city-county governments are specifically delegated the power to authorize a tax
23 on the sale of goods or services specifically designated by the electorate of the incorporated municipality or
24 consolidated city-county government as provided in [sections 1 through 6].

25 (2) The rate of the tax may not exceed 4% of the retail value of the designated goods and services sold
26 within the boundaries of the incorporated municipality or consolidated city-county government adopting a uniform
27 local option tax as provided in [sections 1 through 6].

28
29 NEW SECTION. **Section 3. Use of local option tax proceeds -- property tax offset.** After payment
30 of the vendor allowance provided for in [section 5], at least 30% of the proceeds of a local option tax imposed by



1 an incorporated municipality or consolidated city-county government must be used to reduce locally adopted
2 property taxes by offset. The balance of the revenue derived from a local option tax may be appropriated and
3 used for expenditures approved by the voters under [section 4].

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5 **NEW SECTION. Section 4. Uniform local option tax -- election required -- procedure -- notice.** (1)

6 An incorporated municipality or consolidated city-county government may impose, reauthorize, amend, or repeal
7 a local option tax after the local option tax question has been submitted to the electorate of the incorporated
8 municipality or consolidated city-county government and approved by a majority of the electors voting on the
9 question.

10 (2) The question of imposing, reauthorizing, amending, or repealing a local option tax may be presented
11 to the electors of an incorporated municipality or consolidated city-county government by:

12 (a) a petition of the electors as provided by 7-1-4130, 7-5-131 through 7-5-135, and 7-5-137, except that
13 the petition needs 5% of the electors of the incorporated municipality or consolidated city-county government to
14 place the question on the ballot; or

15 (b) a resolution of the governing body of the incorporated municipality or consolidated city-county
16 government.

17 (3) The petition or resolution referring the local option tax question must state:

18 (a) the duration of the local option tax, which may not exceed 10 years;

19 (b) the date when the local option tax becomes effective, which may not be earlier than 90 days after
20 the election;

21 (c) a description of the specific types of goods and services subject to the tax;

22 (d) the tax rate, not to exceed 4%, to be applied to the sale of specifically designated goods and services;

23 (e) the percentage that will be used to reduce locally adopted property taxes by offset; and

24 (f) the purposes that may be funded by the local option tax revenue.

25 (4) A petition or resolution for repeal of a local option tax must state the date the repeal becomes
26 effective.

27 (5) Upon receipt of an adequate petition or adoption of the necessary resolution, the governing body may
28 have the question of imposing, reauthorizing, amending, or repealing a local option tax placed on the ballot at
29 the next regularly scheduled statewide general election or submitted by mail ballot as provided in Title 13, chapter
30 19.

1 (6) (a) Before the local option tax question is submitted to the electorate of an incorporated municipality
2 or consolidated city-county government, the governing body shall publish notice of the election on the question
3 of imposing, reauthorizing, amending, or repealing a uniform tax on designated goods and services in a
4 newspaper that meets the qualifications provided in subsection (6)(b). The notice must be published twice, with
5 at least 6 days separating the publications. The first publication must be no more than 30 days prior to the
6 election and the last no less than 3 days prior to the election.

7 (b) The newspaper must meet the requirements of 7-1-4127 for an incorporated municipality or 7-1-2121
8 for a consolidated city-county government.

9 (7) The question of the imposition, reauthorization, or repeal of a local option tax may not be placed
10 before the electors more than once in a fiscal year. The question of an amendment to the local option tax may
11 be placed before the electors more than once in a fiscal year provided that each question is for a different
12 amendment.

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14 **NEW SECTION. Section 5. Vendor allowance.** Each vendor and commercial establishment may
15 withhold 5% of the local option tax collected to defray its costs for the administration of the tax collection.
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17 **NEW SECTION. Section 6. Tax administration.** (1) Not less than 30 days prior to the date that the
18 local option tax becomes effective, the governing body shall enact an administrative ordinance governing the
19 collection and reporting of the local option tax. This administrative ordinance may be amended at any time as may
20 be necessary to effectively administer the local option tax.

21 (2) The administrative ordinance must specify:

22 (a) the times that local option taxes collected by businesses are to be remitted to the governing body;

23 (b) the office, officer, or employee of the governing body responsible for receiving and accounting for
24 the local option tax receipts;

25 (c) the office, officer, or employee of the governing body responsible for enforcing the collection of the
26 local option tax and the methods and procedures to be used in enforcing the collection of local option taxes due;
27 and

28 (d) the penalties for failure to report local option taxes due, failure to remit taxes due, and violations of
29 the administrative ordinance. The penalties may include:

30 (i) criminal penalties not to exceed a fine of \$1,000, imprisonment for 6 months, or both;

- 1 (ii) civil penalties if the governing body prevails in a suit for the collection of local option taxes, not to
- 2 exceed 50% of the taxes found due plus the costs and attorney fees incurred by the governing body in the action;
- 3 (iii) revocation of a business license issued by the local government that is held by the offender; and
- 4 (iv) any other penalties that may be applicable for violation of an ordinance.
- 5 (e) any authorization for business administration and prepayment discounts; and
- 6 (f) other administrative details necessary for the efficient and effective administration of the tax.

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8 **NEW SECTION. Section 7. Codification instruction.** [Sections 1 through 6] are intended to be codified

9 as an integral part of Title 7, chapter 6, and the provisions of Title 7, chapter 6, apply to [sections 1 through 6].

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11 **NEW SECTION. Section 8. Effective date.** [This act] is effective January 1, 2018.

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