FISCAL NOTE

Bill #: SB2

Title: Reduce foreign capital depository tax rate and revise computation

Primary Sponsor: Mike Sprague

Status: As Introduced (Revised Fiscal Note)

(Signed on FAX, copy available at OBPP)

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Sponsor signature Date | Dave Lewis, Budget Director Date

Fiscal Summary

	FY2001 Difference	FY2002 Difference	FY2003 Difference
Expenditures:			
General Fund – Tax relief		$5,062,500	$6,375,000
Revenue:			
General Fund	$7,125,000	$12,750,000	$13,312,500
Net Impact on General Fund Balance:	**$7,125,000**	**$7,687,500**	**$6,937,500**

Yes	No		Yes	No	
	X	Significant Local Gov. Impact		X	Technical Concerns
	X	Included in the Executive Budget		X	Significant Long-Term Impacts

Fiscal Analysis

ASSUMPTIONS:

Department of Commerce:

1. There will be no foreign capital depository established in Montana at current tax rates.
2. SB2 reduces the annual foreign capital depository tax rate from 1.50% to 0.75%. Since the passage of the Foreign Capital Depository Act, the state has been unable to attract any depositories and therefore has not collected any tax revenues. Potentially reducing the tax rates has already encouraged one applicant to formally file an application for the state's first foreign capital depository, and it is thought that passage of LC0018 would encourage other applicants to open depositories in Montana.
3. Assuming SB2 is adopted, and the first depository is opened with assets in the amount of $1.775 billion, the state would be looking at potential tax inflows to the general fund in excess of $13.3 million each year ($1.775 billion * 0.75% = $13.3125 million). For the purposes of this fiscal note, it is assumed one depository will open on or about July 1, 2000 with 1st quarter FY2001deposits of $350

million, and that additional deposits of $400 million would be made in each remaining quarter of the fiscal year. For FY2002, it is assumed that an additional deposit of $150 million would be made in the 1st quarter.

4. Section 15-30-192, MCA; requires the assessment made on June 15 of each year to be redistributed to taxpayers as income tax relief. The tax relief would be made upon filing in the next fiscal year.
5. There would be no fiscal impact to the Banking and Financial Institutions Division.

FISCAL IMPACT:

	FY2001 Difference	FY2002 Difference	FY2003 Difference
Expenditures			
General Fund(01)		$5,062,500	$6,375,000
Revenues:			
General Fund (01)	$7,125,000	$12,750,000	$13,312,500
Net Impact to Fund Balance (Revenue minus Expenditure):			
General Fund (01)	$7,125,000	$7,687,500	$6,937,500