

HOUSE BILL NO. 772  
INTRODUCED BY J. BALYEAT

A BILL FOR AN ACT ENTITLED: "AN ACT REQUIRING THE BIPARTISAN REVENUE AND TRANSPORTATION INTERIM COMMITTEE TO DESIGN, AFTER SUBSTANTIAL RESEARCH, ANALYSIS, AND DISCUSSION, AN APPROPRIATE STATEWIDE, GENERAL RETAIL SALES AND USE TAX AS A REVENUE SOURCE TO REPLACE THE REVENUE FROM THE MONTANA INDIVIDUAL INCOME TAX; REQUIRING THE BIPARTISAN REVENUE AND TRANSPORTATION INTERIM COMMITTEE TO PREPARE DRAFT LEGISLATION THAT INCORPORATES THE SALES AND USE TAX DESIGN FOR CONSIDERATION BY THE 59TH LEGISLATURE; AND PROVIDING AN IMMEDIATE EFFECTIVE DATE."

WHEREAS, Montana's system of taxation is based largely on ideas, practices, and principles that are nearly a century old; and

WHEREAS, Montana is physically located in an economic region in which three states impose virtually no taxes on personal income; and

WHEREAS, Montana's highest nominal rate of personal income taxation is anecdotally and perhaps empirically a significant deterrent that keeps many entrepreneurs from creating or maintaining businesses in Montana and that promotes the emigration of highly successful Montana entrepreneurs to other states; and

WHEREAS, if the electorate approves \_\_\_Bill No. \_\_\_ [LC 0985] at the general election in November 2004, Montana's individual income tax will be repealed beginning January 1, 2006; and

WHEREAS, the 58th Legislature, in anticipation that \_\_\_Bill No. \_\_\_ [LC 0985] will be approved by the voters, also anticipates that the 59th Legislature will need to adopt an alternative source of revenue to offset the loss of revenue from the individual income tax; and

WHEREAS, the 2003-04 interim will provide sufficient time for the Legislature's bipartisan Revenue and Transportation Interim Committee to research, analyze, contemplate, and develop a statewide, general retail sales and use tax as the alternative revenue source to the Montana individual income tax.

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

**NEW SECTION. Section 1. Sales and use tax design -- duty of revenue and transportation interim committee -- requirements and limits.** (1) Before December 31, 2004, the revenue and transportation interim

committee, provided for in 5-5-227, shall:

(a) research, analyze, and discuss all aspects of a statewide, general retail sales and use tax suitable for Montana; and

(b) design and make available for introduction as legislation for the 59th legislature a statewide, general retail sales and use tax that encompasses the findings, conclusions, and recommendations of the interim committee.

(2) The rate of the proposed sales and use tax must result in an estimate of revenue from the proposed sales and use tax that equals but does not exceed the actual amount of individual income tax revenue collected for tax year 2004 or equals but does not exceed the estimated amount of individual income tax revenue to be collected for tax year 2005, whichever amount is greater.

(3) The proposed sales and use tax must delineate the goods and services to be exempted from the sales and use tax or to be treated as nontaxable transactions under certain conditions.

(4) The revenue and transportation interim committee:

(a) is authorized to call upon the staff resources of the legislative services division, the legislative fiscal division, and the department of revenue; and

(b) may request assistance from any other entity of the executive branch of state government, any political subdivision of the state or any entity that represents political subdivisions of the state, or any other public or private entity that may have information or insight relevant to the constructs of a statewide, general retail sales and use tax.

(5) The revenue and transportation interim committee shall, on or before December 31, 2004, complete draft legislation that incorporates the sales and use tax design and shall make the draft legislation generally available to the public, including posting the draft legislation on the legislature's internet website.

**NEW SECTION. Section 2. Notification to tribal governments.** The secretary of state shall send a copy of [this act] to each tribal government located on the seven Montana reservations and to the Little Shell band of Chippewa.

**NEW SECTION. Section 3. Coordination instruction.** If \_\_\_ Bill No. \_\_\_ [LC 0985] is not approved by the senate and the house of representatives, then [this act] is void.

**NEW SECTION. Section 4. Effective date.** [This act] is effective on passage and approval.

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