

SENATE BILL NO. 468
INTRODUCED BY D. HARRINGTON

A BILL FOR AN ACT ENTITLED: "AN ACT ENACTING A 10 PERCENT SURTAX ON INDIVIDUAL INCOME TAXES AND CORPORATION LICENSE TAXES FOR TAX YEARS 2003 AND 2004; ALLOCATING THE ADDITIONAL REVENUE TO K-12 EDUCATION, THE UNIVERSITY SYSTEM, AND HEALTH CARE IF CIGARETTE TAXES ARE NOT INCREASED TO FUND HEALTH CARE; AMENDING SECTION 15-31-121, MCA; AND PROVIDING AN IMMEDIATE EFFECTIVE DATE AND A RETROACTIVE APPLICABILITY DATE."

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

NEW SECTION. **Section 1. Surtax.** Each person required to file a Montana individual income tax return shall pay, in addition to the tax liability computed as required in 15-30-103, a surtax of 10% of the tax liability in tax years 2003 and 2004. The additional tax collected under this section must be deposited to the credit of the state special revenue fund account established in [section 3].

Section 2. Section 15-31-121, MCA, is amended to read:

"15-31-121. Rate of tax -- minimum tax. (1) Except as provided in subsection (2), the percentage of net income to be paid under 15-31-101 is 6 3/4% of all net income for the taxable period.

(2) For a taxpayer making a water's-edge election, the percentage of net income to be paid under 15-31-101 is 7% of all taxable net income for the taxable period.

(3) Each corporation subject to taxation under this part shall pay a minimum tax of not less than \$50.

(4) After the amount of the tax liability has been computed under subsections (1) through (3), each corporation subject to taxation under this part shall add as a surtax 10% of the tax liability in tax years 2003 and 2004. The additional tax collected under this section must be deposited to the credit of the state special revenue fund account established in [section 3]."

NEW SECTION. **Section 3. Surtax on income and corporate tax proceeds.** The additional tax collections from the income tax surtax provided for in [section 1] and the corporation license tax surtax provided for in 15-31-121(4) must be deposited in the state special revenue fund and are allocated, in equal amounts, to funding K-12 education, the university system, and health care if the tax on cigarettes is not increased by the 58th

legislature for the purposes of funding health care. If the tax on cigarettes is increased, the money in the fund must be equally allocated to K-12 education and the university system.

NEW SECTION. **Section 4. Codification instruction.** (1) [Section 1] is intended to be codified as an integral part of Title 15, chapter 30, and the provisions of Title 15, chapter 30, apply to [section 1].

(2) [Section 3] is intended to be codified as an integral part of Title 15, chapter 1, part 5, and the provisions of Title 15, chapter 1, part 5, apply to [section 3].

NEW SECTION. **Section 5. Effective date.** [This act] is effective on passage and approval.

NEW SECTION. **Section 6. Retroactive applicability.** [This act] applies retroactively, within the meaning of 1-2-109, to tax years beginning after December 31, 2002.

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