

## 1 HOUSE BILL NO. 641

2 INTRODUCED BY B. HANDS

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4 A BILL FOR AN ACT ENTITLED: "AN ACT REVISING THE PROCESS FOR THE REVIEW OF TAX  
5 EXPENDITURES; PROVIDING THAT THE DEPARTMENT OF REVENUE IS REQUIRED TO REPORT  
6 CERTAIN TAX EXPENDITURES IN THE BIENNIAL REPORT AND MAKE IT AVAILABLE TO THE PUBLIC;  
7 ALLOWING A FEE FOR PUBLISHING COSTS OF THE BIENNIAL REPORT; ENCOURAGING A STATEMENT  
8 OF PURPOSE IN TAX EXPENDITURE LEGISLATION; AMENDING SECTION 15-1-205, MCA; AND  
9 PROVIDING AN EFFECTIVE DATE."

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

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13 **Section 1.** Section 15-1-205, MCA, is amended to read:

14 **"15-1-205. Biennial report -- contents.** (1) The department shall transmit to the governor 20 days  
15 before the meeting of the legislature and make available to the legislature and the public a report of the  
16 department showing all the taxable property of the state, counties, and cities and its value. The department shall  
17 follow the provisions of 5-11-210 in preparing the report for the legislature.

18 (2) The report must also include the statewide average effective tax rate of taxable property in each class  
19 of property. The department may determine whether an appropriate effective tax rate may be derived for net  
20 proceeds, gross proceeds, agricultural land, and forest land.

21 (3) The report or supplements to the report ~~may~~ must also include:

22 (a) the gross dollar amount of revenue loss attributable to:

23 (i) personal income and corporation license tax exemptions;

24 (ii) property tax exemptions for which application to the department is necessary;

25 (iii) deferral of income;

26 (iv) credits allowed against Montana personal income tax or Montana corporation license tax, reported  
27 separately;

28 (v) deductions from income; and

29 (vi) any other identifiable preferential treatment of income or property;

30 (b) any change in tax revenue of the state or any unit of local government attributable to a change in

1 federal tax law; and

2 (c) any change in the revenue of any unit of local government attributable to a change in state tax law;:

3 (d) the year of enactment and provision of the Montana Code Annotated granting the tax benefits in

4 subsection (3)(a); and

5 (e) the number of taxpayers benefiting from each of the tax provisions listed in subsection (3)(a).

6 (4) ~~The~~ A distributional analysis of the data described in subsection (3); ~~if reported,~~ must be related to  
7 the income level and age of the taxpayer whenever the information is available.

8 (5) (a) When reporting the data described in subsection (3)(a), the department shall identify any known  
9 purpose of the preferential treatment.

10 (b) Based upon the purpose of the preferential treatment, the department shall outline the available data  
11 necessary to determine the effectiveness of the preferential treatment.

12 (6) In reporting the data described in subsection (3), the department shall report any comparable data,  
13 if available, from Wyoming, Idaho, North Dakota, and South Dakota and from any other state the department may  
14 choose.

15 (7) The department shall identify in a separate section of the report any changes that have been made  
16 or that are contemplated in property appraisal or assessment.

17 (8) The department may include a report, prepared by the department of transportation, showing the  
18 selling price of gasoline at the wholesale level in prime market centers of Montana and in surrounding states  
19 during the biennium, with indexes tabulated at sufficient intervals to show the comparative state price structures.

20 (9) The department shall provide an internet version of the report free of charge to the public and shall  
21 charge a fee for paper copies that is commensurate with the cost of printing the report."

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23 **NEW SECTION. Section 2. Tax expenditure criteria -- legislation.** (1) The legislature recognizes the  
24 value of relevant information when making determinations regarding tax policy and tax expenditures. The  
25 legislature also recognizes the need to reevaluate tax expenditures after enactment. In consideration of these  
26 policy goals, the legislature encourages a policy of providing an explicit purpose of a tax expenditure and  
27 termination dates of no more than 6 years in any legislation creating, expanding, or continuing a tax expenditure.

28 (2) As used in this section, the term "tax expenditures" means those revenue losses attributable to  
29 provisions of Montana tax laws that allow a special exclusion, exemption, or deduction from gross income or that  
30 provide a special credit, a preferential rate of tax, or a deferral of tax liability including:

- 1 (a) personal income and corporation license tax exemptions;
- 2 (b) property tax exemptions for which application to the department is necessary;
- 3 (c) deferral of income;
- 4 (d) credits allowed against Montana personal income tax or Montana corporation license tax;
- 5 (e) deductions from income; and
- 6 (f) any other identifiable preferential treatment of income or property.

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8 **NEW SECTION. Section 3. Codification instruction.** [Section 2] is intended to be codified as an  
9 integral part of Title 5, chapter 4, part 1, and the provisions of Title 5, chapter 4, part 1, apply to [section 2].

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11 **NEW SECTION. Section 4. Effective date.** [This act] is effective July 1, 2011.

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