

HOUSE BILL NO. 565

INTRODUCED BY R. COOK

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A BILL FOR AN ACT ENTITLED: "AN ACT REVISING THE ENTITLEMENT SHARE PAYMENT LAWS; REVISING ENTITLEMENT SHARE GROWTH RATES FOR FISCAL YEARS 2018 AND 2019; PROVIDING REASONS FOR WHICH AN ENTITLEMENT SHARE PAYMENT MUST BE WITHHELD; AMENDING SECTION 15-1-121, MCA; AND PROVIDING AN IMMEDIATE EFFECTIVE DATE."

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

Section 1. Section 15-1-121, MCA, is amended to read:

"15-1-121. Entitlement share payment -- purpose -- appropriation. (1) As described in 15-1-120(3), each local government is entitled to an annual amount that is the replacement for revenue received by local governments for diminishment of property tax base and various earmarked fees and other revenue that, pursuant to Chapter 574, Laws of 2001, amended by section 4, Chapter 13, Special Laws of August 2002, and later enactments, were consolidated to provide aggregation of certain reimbursements, fees, tax collections, and other revenue in the state treasury with each local government's share. The reimbursement under this section is provided by direct payment from the state treasury rather than the ad hoc system that offset certain state payments with local government collections due the state and reimbursements made by percentage splits, with a local government remitting a portion of collections to the state, retaining a portion, and in some cases sending a portion to other local governments.

(2) The sources of dedicated revenue that were relinquished by local governments in exchange for an entitlement share of the state general fund were:

- (a) personal property tax reimbursements pursuant to sections 167(1) through (5) and 169(6), Chapter 584, Laws of 1999;
- (b) vehicle, boat, and aircraft taxes and fees pursuant to:
 - (i) Title 23, chapter 2, part 5;
 - (ii) Title 23, chapter 2, part 6;
 - (iii) Title 23, chapter 2, part 8;
 - (iv) 61-3-317;



- 1 (v) 61-3-321;
- 2 (vi) Title 61, chapter 3, part 5, except for 61-3-509(3), as that subsection read prior to the amendment
3 of 61-3-509 in 2001;
- 4 (vii) Title 61, chapter 3, part 7;
- 5 (viii) 5% of the fees collected under 61-10-122;
- 6 (ix) 61-10-130;
- 7 (x) 61-10-148; and
- 8 (xi) 67-3-205;
- 9 (c) gaming revenue pursuant to Title 23, chapter 5, part 6, except for the permit fee in 23-5-612(2)(a);
- 10 (d) district court fees pursuant to:
- 11 (i) 25-1-201, except those fees in 25-1-201(1)(d), (1)(g), and (1)(j);
- 12 (ii) 25-1-202;
- 13 (iii) 25-9-506; and
- 14 (iv) 27-9-103;
- 15 (e) certificate of title fees for manufactured homes pursuant to 15-1-116;
- 16 (f) financial institution taxes collected pursuant to the former provisions of Title 15, chapter 31, part 7;
- 17 (g) all beer, liquor, and wine taxes pursuant to:
- 18 (i) 16-1-404;
- 19 (ii) 16-1-406; and
- 20 (iii) 16-1-411;
- 21 (h) late filing fees pursuant to 61-3-220;
- 22 (i) title and registration fees pursuant to 61-3-203;
- 23 (j) veterans' cemetery license plate fees pursuant to 61-3-459;
- 24 (k) county personalized license plate fees pursuant to 61-3-406;
- 25 (l) special mobile equipment fees pursuant to 61-3-431;
- 26 (m) single movement permit fees pursuant to 61-4-310;
- 27 (n) state aeronautics fees pursuant to 67-3-101; and
- 28 (o) department of natural resources and conservation payments in lieu of taxes pursuant to Title 77,
29 chapter 1, part 5.
- 30 (3) ~~(a) Except as provided in subsection (3)(b), the~~ The total amount received by each local government

1 in the prior fiscal year as an entitlement share payment under this section is the base component for the
 2 subsequent fiscal year distribution, and in each subsequent year the prior year entitlement share payment,
 3 including any reimbursement payments received pursuant to subsection (7), is each local government's base
 4 component. ~~Subject to subsection (3)(b), the~~ The sum of all local governments' base components is the fiscal
 5 year entitlement share pool.

6 ~~(b) For fiscal year 2016, the fiscal year entitlement share pool is reduced by \$1,049,904.~~

7 (4) (a) ~~Subject to subsection (3)(b)~~ Except as provided in subsection (4)(b)(iv), the base entitlement
 8 share pool must be increased annually by an entitlement share growth rate as provided for in this subsection (4).
 9 The amount determined through the application of annual growth rates is the entitlement share pool for each
 10 fiscal year.

11 (b) By October 1 of each year, the department shall calculate the growth rate of the entitlement share
 12 pool for the next fiscal year in the following manner:

13 (i) The department shall calculate the entitlement share growth rate based on the ratio of two factors of
 14 state revenue sources for the first, second, and third most recently completed fiscal years as recorded on the
 15 statewide budgeting and accounting system. The first factor is the sum of the revenue for the first and second
 16 previous completed fiscal years received from the sources referred to in subsections (2)(b), (2)(c), and (2)(g)
 17 divided by the sum of the revenue for the second and third previous completed fiscal years received from the
 18 same sources multiplied by 0.75. The second factor is the sum of the revenue for the first and second previous
 19 completed fiscal years received from individual income tax as provided in Title 15, chapter 30, and corporate
 20 income tax as provided in Title 15, chapter 31, divided by the sum of the revenue for the second and third
 21 previous completed fiscal years received from the same sources multiplied by 0.25.

22 (ii) Except as provided in ~~subsection~~ subsections (4)(b)(iii) and (4)(b)(iv), the entitlement share growth
 23 rate is the lesser of:

24 (A) the sum of the first factor plus the second factor; or

25 (B) 1.03 for counties, 1.0325 for consolidated local governments, and 1.035 for cities and towns.

26 (iii) In no instance can the entitlement growth factor be less than 1. Subject to subsection (4)(b)(iv), the
 27 entitlement share growth rate is applied to the most recently completed fiscal year entitlement payment to
 28 determine the subsequent fiscal year payment.

29 (iv) ~~For fiscal year 2016, the entitlement share growth rate is applied to the most recently completed fiscal~~
 30 ~~year entitlement payment minus \$1,049,904 to determine the subsequent fiscal year payment~~ The entitlement

1 share growth rate, as described in this subsection (4), is:

2 (A) for fiscal year 2018, ~~1.0137~~, and 1.005;

3 (B) for fiscal year 2019, ~~1.01~~, 1.0187;

4 (C) FOR FISCAL YEAR 2020 AND THEREAFTER, DETERMINED AS PROVIDED IN SUBSECTION (4)(B)(II). THE RATE
 5 MUST BE APPLIED TO THE ENTITLEMENT PAYMENT FOR THE PREVIOUS FISCAL YEAR AS IF THE PAYMENT HAD BEEN
 6 CALCULATED USING ENTITLEMENT SHARE GROWTH RATES FOR FISCAL YEARS 2018 AND 2019 AS PROVIDED IN
 7 SUBSECTION (4)(B)(II).

8 (5) As used in this section, "local government" means a county, a consolidated local government, an
 9 incorporated city, and an incorporated town. A local government does not include a tax increment financing
 10 district provided for in subsection (8). The county or consolidated local government is responsible for making an
 11 allocation from the county's or consolidated local government's share of the entitlement share pool to each special
 12 district within the county or consolidated local government in a manner that reasonably reflects each special
 13 district's loss of revenue sources for which reimbursement is provided in this section. The allocation for each
 14 special district that existed in 2002 must be based on the relative proportion of the loss of revenue in 2002.

15 (6) (a) The entitlement share pools calculated in this section, the amounts determined under 15-1-123(2)
 16 for local governments, the funding provided for in subsection (8) of this section, and the amounts determined
 17 under 15-1-123(4) for tax increment financing districts are statutorily appropriated, as provided in 17-7-502, from
 18 the general fund to the department for distribution to local governments. Except for the distribution made under
 19 15-1-123(2)(b), the distributions must be made on a quarterly basis.

20 (b) (i) The growth amount is the difference between the entitlement share pool in the current fiscal year
 21 and the entitlement share pool in the previous fiscal year. The growth factor in the entitlement share must be
 22 calculated separately for:

23 (A) counties;

24 (B) consolidated local governments; and

25 (C) incorporated cities and towns.

26 (ii) In each fiscal year, the growth amount for counties must be allocated as follows:

27 (A) 50% of the growth amount must be allocated based upon each county's percentage of the prior fiscal
 28 year entitlement share pool for all counties; and

29 (B) 50% of the growth amount must be allocated based upon the percentage that each county's
 30 population bears to the state population not residing within consolidated local governments as determined by the

1 latest interim year population estimates from the Montana department of commerce as supplied by the United
2 States bureau of the census.

3 (iii) In each fiscal year, the growth amount for consolidated local governments must be allocated as
4 follows:

5 (A) 50% of the growth amount must be allocated based upon each consolidated local government's
6 percentage of the prior fiscal year entitlement share pool for all consolidated local governments; and

7 (B) 50% of the growth amount must be allocated based upon the percentage that each consolidated local
8 government's population bears to the state's total population residing within consolidated local governments as
9 determined by the latest interim year population estimates from the Montana department of commerce as
10 supplied by the United States bureau of the census.

11 (iv) In each fiscal year, the growth amount for incorporated cities and towns must be allocated as follows:

12 (A) 50% of the growth amount must be allocated based upon each incorporated city's or town's
13 percentage of the prior fiscal year entitlement share pool for all incorporated cities and towns; and

14 (B) 50% of the growth amount must be allocated based upon the percentage that each city's or town's
15 population bears to the state's total population residing within incorporated cities and towns as determined by the
16 latest interim year population estimates from the Montana department of commerce as supplied by the United
17 States bureau of the census.

18 (v) In each fiscal year, the amount of the entitlement share pool before the growth amount or adjustments
19 made under subsection (7) are applied is to be distributed to each local government in the same manner as the
20 entitlement share pool was distributed in the prior fiscal year.

21 (7) If the legislature enacts a reimbursement provision that is to be distributed pursuant to this section,
22 the department shall determine the reimbursement amount as provided in the enactment and add the appropriate
23 amount to the entitlement share distribution under this section. The total entitlement share distributions in a fiscal
24 year, including distributions made pursuant to this subsection, equal the local fiscal year entitlement share pool.
25 The ratio of each local government's distribution from the entitlement share pool must be recomputed to
26 determine each local government's ratio to be used in the subsequent year's distribution determination under
27 subsections (6)(b)(ii)(A), (6)(b)(iii)(A), and (6)(b)(iv)(A).

28 (8) (a) Except for a tax increment financing district entitled to a reimbursement under 15-1-123(4), if a
29 tax increment financing district was not in existence during the fiscal year ending June 30, 2000, then the tax
30 increment financing district is not entitled to any funding. If a tax increment financing district referred to in

1 subsection (8)(b) terminates, then the funding for the district provided for in subsection (8)(b) terminates.

2 (b) Except for the reimbursement made under 15-1-123(4)(b), one-half of the payments provided for in
3 this subsection (8)(b) must be made by November 30 and the other half by May 31 of each year. Subject to
4 subsection (8)(a), the entitlement share for tax increment financing districts is as follows:

5	Deer Lodge	TIF District 1	\$2,833
6	Deer Lodge	TIF District 2	2,813
7	Flathead	Kalispell - District 2	4,638
8	Flathead	Kalispell - District 3	37,231
9	Flathead	Whitefish District	148,194
10	Gallatin	Bozeman - downtown	31,158
11	Missoula	Missoula - 1-1C	225,251
12	Missoula	Missoula - 4-1C	30,009
13	Silver Bow	Butte - uptown	255,421

14 (9) The estimated fiscal year entitlement share pool and any subsequent entitlement share pool for local
15 governments do not include revenue received from tax increment financing districts, from countywide
16 transportation block grants, or from countywide retirement block grants.

17 (10) When there has been an underpayment of a local government's share of the entitlement share pool,
18 the department shall distribute the difference between the underpayment and the correct amount of the
19 entitlement share. When there has been an overpayment of a local government's entitlement share, the local
20 government shall remit the overpaid amount to the department.

21 (11) A local government may appeal the department's estimation of the base component, the entitlement
22 share growth rate, or a local government's allocation of the entitlement share pool, according to the uniform
23 dispute review procedure in 15-1-211.

24 (12) (a) ~~Except as provided in 2-7-517, a~~ payment required pursuant to this section may not be offset
25 by a debt owed to a state agency by a local government in accordance with Title 17, chapter 4, part 1.

26 (b) A payment required pursuant to this section must be withheld if a local government fails to:

27 (i) meet a statutory deadline provided for in 2-7-503(1), 7-6-611(2), 7-6-4024(3), or 7-6-4036(1); or AND

28 (ii) remit, within 45 days of the end of a month, any amounts collected on behalf of the state and owed
29 to another taxing jurisdiction or the state as required by law."

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2 NEW SECTION. **Section 2. Effective date.** [This act] is effective on passage and approval.

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