



GOVERNOR'S OFFICE OF
BUDGET AND PROGRAM PLANNING

Fiscal Note 2023 Biennium

Bill # SB0073

Title: Provide for local distribution of lodging sales tax revenue

Primary Sponsor: Regier, Keith

Status: As Introduced

- Significant Local Gov Impact
 Needs to be included in HB 2
 Technical Concerns
 Included in the Executive Budget
 Significant Long-Term Impacts
 Dedicated Revenue Form Attached

FISCAL SUMMARY

	<u>FY 2022 Difference</u>	<u>FY 2023 Difference</u>	<u>FY 2024 Difference</u>	<u>FY 2025 Difference</u>
Expenditures:				
General Fund	\$0	\$0	\$0	\$0
State Special Revenue	\$30,589,000	\$36,378,000	\$40,515,000	\$43,604,000
Revenue:				
General Fund	(\$30,589,000)	(\$36,378,000)	(\$40,515,000)	(\$43,604,000)
State Special Revenue	\$30,589,000	\$36,378,000	\$40,515,000	\$43,604,000
Net Impact-General Fund Balance:	<u>(\$30,589,000)</u>	<u>(\$36,378,000)</u>	<u>(\$40,515,000)</u>	<u>(\$43,604,000)</u>

Description of fiscal impact: SB 73 redirects 75% of the 4% sales tax on lodging that is currently distributed to the general fund, to the local government where the tax was collected. The estimated impact would be a decrease in general fund revenue of \$30,589,000 in FY 2022, \$36,378,000 in FY 2023, \$40,515,000 in FY 2024, and \$43,604,000 in FY 2025.

FISCAL ANALYSIS

Assumptions:

Department of Revenue

- SB 73 would change the distribution of the accommodation sales tax revenue in 15-68-820, MCA.
- Under current law, 75% of accommodations sales tax collections are distributed to the general fund. This bill would change that distribution from the general fund to a state special revenue account for distribution to municipalities and counties where the sales occurred.
- Based on the HJ 2 estimates for accommodations sales tax collections, this bill would reduce general fund collections by about \$30,589,000 in FY 2022, \$36,378,000 in FY 2023, \$40,515,000 in FY 2024, and \$43,604,000 in FY 2025.
- State special revenue would increase by these same amounts but be fully offset as transfers to localities would be expenditures to municipalities and counties. Therefore, there would be no net change to state special

revenue but an increase in local government revenue. At least two-thirds of the revenue allocated to the local governments must be used to reduce property taxes, and the remainder may be used at the discretion of the local government.

- The department would expect no significant additional costs associated with this bill.

Department of Commerce

- There is a 4% sales tax on lodging. Currently 75% of the tax is distributed to the general fund. The remaining 25% is distributed to accounts in various other agencies including Department of Commerce.
- SB 73 makes no change to the distribution of the 25%.
- There is no fiscal impact to the Department of Commerce.

<u>Fiscal Impact:</u>	<u>FY 2022</u>	<u>FY 2023</u>	<u>FY 2024</u>	<u>FY 2025</u>
	<u>Difference</u>	<u>Difference</u>	<u>Difference</u>	<u>Difference</u>
Department of Revenue				
FTE	0.00	0.00	0.00	0.00
<u>Expenditures:</u>				
Transfers (to Local Governments)	\$30,589,000	\$36,378,000	\$40,515,000	\$43,604,000
TOTAL Expenditures	\$30,589,000	\$36,378,000	\$40,515,000	\$43,604,000
<u>Funding of Expenditures:</u>				
General Fund (01)	\$0	\$0	\$0	\$0
State Special Revenue (02)	\$30,589,000	\$36,378,000	\$40,515,000	\$43,604,000
TOTAL Funding of Exp.	\$30,589,000	\$36,378,000	\$40,515,000	\$43,604,000
<u>Revenues:</u>				
General Fund (01)	(\$30,589,000)	(\$36,378,000)	(\$40,515,000)	(\$43,604,000)
State Special Revenue (02)	\$30,589,000	\$36,378,000	\$40,515,000	\$43,604,000
TOTAL Revenues	\$0	\$0	\$0	\$0

Net Impact to Fund Balance (Revenue minus Funding of Expenditures):

General Fund (01)	(\$30,589,000)	(\$36,378,000)	(\$40,515,000)	(\$43,604,000)
State Special Revenue (02)	\$0	\$0	\$0	\$0

Effect on County or Other Local Revenues or Expenditures:

Department of Revenue

- SB 73 would increase local revenues by an amount equal to the reduction in general fund accommodation tax revenue. Two-thirds of the accommodation sales tax transfers are to be allocated to offset local property tax. The remaining revenue may be used by the city or county for any purpose allowed by law.

Montana Association of Counties (MACO)

- Counties will be required to revise tax notices to include the amount that property tax levies were reduced by accommodations tax revenues, which may lead to additional but minimal printing and/or printing set up costs. Calculation models for the appropriate collection of property taxes will also need to be revised to incorporate the new deduction.

Technical Notes:

1. The added language requiring the physical address of the accommodation in 15-68-502, MCA, may prove difficult for online, third-party platform companies to comply with, as they are required to collect and pay the taxes on behalf of the owners who use their services.
2. It may be useful to coordinate the timing of the August 31 transfer report, with the release of certified taxable values to facilitate local jurisdiction budget setting.

NO SPONSOR SIGNATURE

Sponsor's Initials *Date*

KA *1/11/21*

Budget Director's Initials *Date*