

1 SENATE BILL NO. 182

2 INTRODUCED BY G. HERTZ

3
4 A BILL FOR AN ACT ENTITLED: "AN ACT GENERALLY REVISING STATE FINANCE LAWS; CREATING
5 THE TAX REDUCTION FUND; PROVIDING FOR A REDUCTION OF TAX RATE ON PERSONAL INCOME
6 BASED ON STATE FISCAL HEALTH; PROVIDING FOR CRITERIA FOR REDUCING THE TAX RATE ON
7 PERSONAL INCOME; PROVIDING FOR TRANSFERS; AMENDING SECTIONS 10-3-312, 15-30-2103, 17-7-
8 130, AND 76-13-150, MCA; AND PROVIDING AN EFFECTIVE DATE, AN APPLICABILITY DATE, AND A
9 TERMINATION DATE."

10

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

12

13 NEW SECTION. **Section 1. Tax reduction fund.** (1) There is an account in the state special revenue
14 fund established in 17-2-102 known as the tax reduction fund.

15 (2) The account is funded through transfers made pursuant to 10-3-312 and 17-7-130 or other
16 legislative transfers.

17 (3) Money in this account is used to reduce the individual income tax rate as provided in 15-30-2103
18 depending on the state's fiscal health.

19 (4) The money in the account must be invested pursuant to Title 17, chapter 6. The income and
20 earnings on the account must be deposited in the account.

21 (5) All funds in the account are transferred to the state general fund when the individual income tax
22 rate is reduced pursuant to 15-30-2103.

23

24 **Section 2.** Section 10-3-312, MCA, is amended to read:

25 **"10-3-312. Maximum expenditure by governor -- appropriation.** (1) Whenever a disaster or an
26 emergency, including an energy emergency as defined in 90-4-302 or an invasive species emergency declared
27 under 80-7-1013, is declared by the governor, there is statutorily appropriated to the office of the governor, as
28 provided in 17-7-502, and, subject to subsection (2), the governor is authorized to expend from the general fund

1 an amount not to exceed \$16 million in any biennium, minus any amount appropriated pursuant to 10-3-310 in
 2 the same biennium. The statutory appropriation in this subsection may be used by any state agency designated
 3 by the governor.

4 (2) In the event of the recovery of money expended under this section, the spending authority must be
 5 reinstated to a level reflecting the recovery.

6 (3) If a disaster is declared by the president of the United States, there is statutorily appropriated to
 7 the office of the governor, as provided in 17-7-502, and the governor is authorized to expend from the general
 8 fund an amount not to exceed \$500,000 during the biennium to meet the state's share of the individuals and
 9 households grant programs as provided in 42 U.S.C. 5174. The statutory appropriation in this subsection may
 10 be used by any state agency designated by the governor.

11 (4) ~~At the end of each biennium,~~ Except as provided in subsection (5), by August 15 of every odd-
 12 numbered year, an amount equal to the unexpended and unencumbered balance of the \$16 million statutory
 13 appropriation in subsection (1), minus any amount appropriated pursuant to 10-3-310 in the same biennium,
 14 must be transferred by the state treasurer from the state general fund to the fire suppression account provided
 15 for in 76-13-150.

16 (5) If the transfer provided for in subsection (4) would cause the fund balance in the fire suppression
 17 account provided for in 76-13-150 to exceed 4% of all general fund appropriations in the second year of the
 18 biennium, the state treasurer shall transfer from the general fund:

19 (a) to the fire suppression account, that portion required to bring the fund balance in the fire
 20 suppression account to 4% of all general fund appropriations in the second year of the biennium; and

21 (b) half the remaining amount of the transfer provided for in subsection (4) to the tax reduction fund
 22 provided for in [section 1]."

23

24 **Section 3.** Section 15-30-2103, MCA, is amended to read:

25 "**15-30-2103. Rate of tax -- reduction in rate.** (1) ~~There~~ Except as provided in subsections (3) and
 26 (4), there must be levied, collected, and paid for each tax year upon the taxable income of each taxpayer
 27 subject to this tax, after making allowance for exemptions and deductions as provided in this chapter, a tax on
 28 the brackets of taxable income as follows:

- 1 (a) on the first \$2,900 of taxable income or any part of that income, 1%;
- 2 (b) on the next \$2,200 of taxable income or any part of that income, 2%;
- 3 (c) on the next \$2,700 of taxable income or any part of that income, 3%;
- 4 (d) on the next \$2,700 of taxable income or any part of that income, 4%;
- 5 (e) on the next \$3,000 of taxable income or any part of that income, 5%;
- 6 (f) on the next \$3,900 of taxable income or any part of that income, 6%;
- 7 (g) on any taxable income in excess of \$17,400 or any part of that income, 6.9%.

8 (2) By November 1 of each year, the department shall multiply the bracket amount contained in
9 subsection (1) by the inflation factor for the following tax year and round the cumulative brackets to the nearest
10 \$100. The resulting adjusted brackets are effective for that following tax year and must be used as the basis for
11 imposition of the tax in subsection (1) of this section.

12 (3) The tax rate provided for in subsection (1)(g), is reduced pursuant to the calculation provided for in
13 subsection (4) only if all of the following conditions are met:

14 (a) the balance in the budget stabilization reserve fund provided for in 17-7-130 is at least 4.5% of all
15 general fund appropriations in the second year of the biennium;

16 (b) the balance in the fire suppression account provided for in 76-13-150 is at least 3% of all general
17 fund appropriations in the second year of the biennium;

18 (c) the budget director determines that the growth rate, as defined in 17-7-130, exceeds the ratio of
19 current year population to previous year population multiplied by the ratio of the current consumer price index to
20 the previous year consumer price index. The budget director will use the rates provided by the state's
21 contracted econometric analysis and data provider in making the determination.

22 (d) the budget director determines that the reduction to the tax rate in the following tax year would not
23 require reductions pursuant to 17-7-140.

24 (4) (a) On September 1 of every even-numbered year, the department of administration shall certify
25 to the legislative fiscal analyst and the budget director the balance in the tax reduction fund provided for in
26 [section 1].

27 (b) The tax rate provided in subsection (1)(g) is reduced depending on the balance of tax relief fund
28 as follows:

- 1 (i) at least \$20 million and less than \$40 million, the rate is reduced by 0.05%;
 2 (ii) at least \$40 million and less than \$60 million, the rate is reduced by 0.1%;
 3 (iii) at least \$60 million and less than \$80 million, the rate is reduced by 0.15%;
 4 (iv) at least \$80 million and less than \$100 million, the rate is reduced by 0.2%;
 5 (v) \$100 million or more, the rate is rate is reduced by 0.25%;
 6 (c) The total reduction to the tax rate may not exceed 0.25% in a biennium.
 7 (d) The reduced rate replaces the rate provided for in subsection (1)(g) and applies to subsequent tax
 8 years.
 9 (e) The reduced rate must be further reduced in a subsequent odd-numbered tax year if the
 10 conditions in subsection (3) and this subsection (4) are met.
 11 (5) If the tax rate is reduced pursuant to subsection (4), the entire fund balance in the tax reduction
 12 fund provided for in [section1] must be transferred to the state general fund by September 15 following the
 13 September 1 certification of the balance in the tax relief fund.
 14 (6) Once the budget director determines that the tax rate is reduced pursuant to this section, the
 15 budget director shall:
 16 (a) notify the revenue interim committee, the legislative finance committee, and the department of
 17 revenue of the determination; and
 18 (b) direct the department of revenue to adjust withholding based on the tax rate reduction for
 19 subsequent tax years."

- 20
 21 **Section 4.** Section 17-7-130, MCA, is amended to read:
 22 **"17-7-130. Budget stabilization reserve fund -- rules for deposits and transfers -- purpose. (1)**
 23 There is an account in the state special revenue fund established by 17-2-102 known as the budget
 24 stabilization reserve fund.
 25 (2) The purpose of the budget stabilization reserve fund is:
 26 (a) to mitigate budget reductions when there is a revenue shortfall; and
 27 (b) when there are funds in excess of the reserve level, to:
 28 (i) pay down the debt service on bonds for capital projects previously authorized by the legislature if

1 allowed without penalty by the terms of the bond issuance; and

2 (ii) delay, forego, or reduce the amount of an issuance of bonds authorized by the legislature.

3 (3) By August 1 of each year, the department of administration shall certify to the legislative fiscal
4 analyst and the budget director the following:

5 (a) the unaudited, unassigned ending fund balance of the general fund for the prior fiscal year;

6 (b) the unaudited, unassigned fund balance of the fire suppression account for the prior fiscal year;

7 and

8 ~~(b)(c)~~ the amount of unaudited general fund revenue and transfers into the general fund received in
9 the prior fiscal year recorded when that fiscal year's statewide accounting, budgeting, and human resource
10 system records are closed. General fund revenue and transfers into the general fund are those recorded in the
11 statewide accounting, budgeting, and human resource system using generally accepted accounting principles
12 in accordance with 17-1-102.

13 ~~(4) For the fiscal years beginning July 1, 2016, through July 1, 2020, if actual general fund revenue~~
14 ~~exceeds the revenue estimate established pursuant to 5-5-227 for that fiscal year, excess revenue over the~~
15 ~~amount of revenue that exceeds the revenue estimate by \$15 million is allocated as follows:~~

16 ~~(a) 50% remains in the general fund; and~~

17 ~~(b) 50% is transferred into the budget stabilization reserve fund on or before August 15 of the~~
18 ~~following fiscal year.~~

19 ~~(5)(4)~~ Starting in the fiscal year beginning July 1, 2021, the By August 15, the state treasurer shall
20 transfer, ~~by August 15 of the following fiscal year,~~ from the general fund to the budget stabilization reserve fund
21 an amount equal to ~~50%~~ 75% of the excess revenue for the fiscal year as defined in subsection (6).

22 ~~(6)(5)~~ After a transfer is made pursuant to subsection (4), ~~or (5),~~ if the balance of the fund exceeds an
23 amount equal to 4.5% of all general fund appropriations in the second year of the biennium ~~in the subsequent~~
24 ~~fiscal year,~~ then any funds in excess of that amount must be transferred by August 16 of each fiscal year as
25 follows:

26 (a) 50% to the account established in 17-7-208 by August 16 of each fiscal year; and

27 (b) 50% to the tax reduction fund established in [section 1].

28 ~~(7)(6)~~ For the purposes of this section, the following definitions apply:

1 (a) "Adjusted revenue" means general fund revenue for the ~~prior~~ most recently completed fiscal year
2 plus the growth amount.

3 (b) "Excess revenue" means the amount of general fund revenue, including transfers in, for the most
4 recently completed fiscal year minus adjusted revenue.

5 (c) "Growth amount" means general fund revenue for the prior fiscal year multiplied by the growth
6 rate.

7 (d) "Growth rate" means the average compound rate of growth of general fund revenue for the most
8 recently completed 6 fiscal years."

9

10 **Section 5.** Section 76-13-150, MCA, is amended to read:

11 **"76-13-150. Fire suppression account -- fund transfer.** (1) There is a fire suppression account in
12 the state special revenue fund to the credit of the department.

13 (2) The legislature may transfer money from other funds to the account, and the money in the account
14 is subject to legislative fund transfers.

15 (3) Funds received for restitution by private parties must be deposited in the account.

16 (4) Money in the account may be used only for:

17 (a) fire suppression costs;

18 (b) fuel reduction and mitigation;

19 (c) forest restoration;

20 (d) grants for the purchase of fire suppression equipment for county cooperatives;

21 (e) forest management projects on federal land;

22 (f) support for collaborative groups that include at least one representative of an affected county
23 commission that is engaged with a federal forest project and for local governments engaged in litigation related
24 to federal forest projects; and

25 (g) road maintenance on federal lands.

26 (5) Interest earned on the balance of the account is retained in the account.

27 (6) Except as provided in subsections (7) ~~and~~ (8), and (9), by August 15 following the end of each
28 fiscal year, an amount equal to the balance of unexpended and unencumbered general fund money

1 appropriated in excess of 0.5% of the total general fund money appropriated for that fiscal year must be
 2 transferred by the state treasurer from the general fund to the fire suppression account. General fund
 3 appropriations that continue from a fiscal year to the next fiscal year and any general fund appropriations made
 4 pursuant to 10-3-310 or 10-3-312 are excluded from the calculation.

5 (7) If the transfer provided for in subsection (6) would cause the fund balance in the fire suppression
 6 account to exceed 4% of all general fund appropriations in the second year of the biennium, the state treasurer
 7 shall transfer from the general fund:

8 (a) to the fire suppression account, that portion required to bring the fund balance in the account to
 9 4% of all general fund appropriations in the second year of the biennium; and

10 (b) half the remaining amount of the transfer provided for in subsection (6) to the tax reduction fund
 11 provided for in [section 1].

12 ~~(7)(8)~~ The provisions of subsection (6) do not apply in a fiscal year in which reductions required by
 13 17-7-140 occur or if a transfer pursuant to subsection (6) would require reductions pursuant to 17-7-140.

14 ~~(8)(9)~~ The fund balance in the account may not exceed 4% of all general fund appropriations in the
 15 second year of the biennium.

16 ~~(9)(10)~~ By August 15 of each even-numbered fiscal year, if the balance in the account at the end of the
 17 most recently completed odd-numbered fiscal year exceeds \$40 million, the excess, up to \$5 million, must be
 18 used in the biennium for the purposes in subsections (4)(b) through (4)(g). Of that amount, no more than 5%
 19 may be used for the purposes of subsection (4)(f).

20 ~~(10)(11)~~ Money in the account is statutorily appropriated, as provided in 17-7-502, to the department
 21 for the purposes described in subsection (4)."

22
 23 **NEW SECTION. Section 6. Codification instruction.** [Section 1] is intended to be codified as an
 24 integral part of Title 17, chapter 7, part 1, and the provisions of Title 17, chapter 7, part 1, apply to [section 1].

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 26 **NEW SECTION. Section 7. Effective dates.** (1) Except as provided in subsection (2), [this act] is
 27 effective July 1, 2021.

28 (2) [Section 4] and this section are effective on passage and approval.

