A local government entity (incorporated city or county) council or commission may choose to place a local option tourism-focused assessment for public consideration. The assessment must meet criteria set by the state and will have flexibility in some areas to reflect the unique challenges and opportunities of each location.

The revenue from this assessment will be used for property tax reduction, infrastructure investment, and depending on local decisions, potentially public health and safety.

This proposal:

- Has a balance of state oversight and control while allowing local governments to advance tax policy and expenditures that reflect the local economy's unique needs.

- Attempts to soften any increased tax burden on Montana residents, low-income individuals, and renters while maintaining constitutional protections for all those involved in Montana commerce.

- Acknowledges that the industries who cater to tourists may incur increased administrative burden, and therefore a 0.25% of tax revenue will be allocated to offset collection administration at the retail level.

- Seeks to address the most significant concerns that have been raised with past iterations of local option sales taxes. It was created out of countless conversations, brain-storming sessions, data analysis, best practices, and a respect for our past while looking forward to our future.

General Provisions:

1. The question to implement the local option tax may be placed on a ballot by local governing body
    a. Must appear on a ballot in a general election of an even-numbered year
    b. Requires at least 40% voter ballot return/turnout to pass
    c. Categories of taxation and tax rate shall be outlined on the voter ballot
    d. Proposal must have a sunset/re-authorization of ten years
2. Board of directors will oversee tax collection and expenditure.
    a. To be governed by by-laws containing general provisions set out by the local governing body
    b. The board must consist of:
        i. at least three local citizens at large,
        ii. at least one city and/or county elected official,
        iii. mayor or chief executive (or their appointee),
        iv. at least one local legislator.
    c. Board of Directors will make recommendations to the local governing body regarding 40% of revenue allocation (see 7 (d))
3. Required annual reporting to the Montana legislature
4. The following categories are eligible for taxation at the local level
    a. Purchases at restaurants and retail drinking establishments
    b. Outfitter and guide services
    c. Rental cars
    d. Hotels, cabins, short-term rentals, camping facilities[1]
    e. Airport landings
    f. Non-SNAP grocery items, with the exception of:
        i. pet food
        ii. soap
        iii. paper products
        iv. cleaning supplies
        v. hygiene supplies
        vi. medicine

[1] *Hotel/cabin/short-term rental: Currently, these categories collect 8% on sales, 4% of which is for facilities use fee, and 4% of which is for lodging bed tax. This proposal seeks to divert the amount of revenue currently allocated to the General Fund (75% of the lodging bed tax) to the local entity in an assessed area. The tax on hotels/cabins/ST rentals remains 8% to the consumer.

5. Local governing body may choose which categories to tax and the rate of tax for each category. The rate may not exceed 4% for any one category.
6. Local governing body may choose up to three days per year upon which no sales tax will be collected.
7. Revenue from these assessments must be allocated as follows:
    a. At least 50% in direct 1:1 property tax reduction
        i. Residential and long-term rentals (over 30 days)
        ii. Residential property must be primary residence of owner
            1. Addition categories of restriction may be placed by local government officials for reduction eligibility
            2. Restriction categories must be limited to the following areas:
                a. Income of homeowner
                b. Requirements that the property tax reduction is passed on to renters of long-term property
                c. Administration methodology to be determined by local governing body
    b. 9.75% to a special revenue fund to be allocated to non-assessed areas for infrastructure maintenance/development
            1. Allocation from this fund to be determined by gas tax allocation formula [or formula from Rep. Fitzpatrick's '23 bill]
            2. If a non-assessed area doesn't have need for their allocated infrastructure money the amount shall roll over to the next biennium and be available to that area for one biennium *(or two – working with Infsx Coalition on this detail)*.
            3. In that biennium the rollover funds must be used first.
            4. If a non-assessed area doesn't have need for their allocated rollover funds plus their new infrastructure money, the money shall revert back to the fund as a whole for other areas.
    c. 0.25% for administrative offset to retailers responsible for collection of any tax
    d. 40% shall be allocated to one or a combination of:
        i. Direct property tax reduction
        ii. Public health and/or safety
        iii. Capital investment and/or maintenance of
            1. Roads
            2. Bridges
            3. Sewers
            4. Water system

        5. Other infrastructure and capital assets for the assessed area
        6. Housing
8. A community may not layer this local option tourism assessment over any existing resort area tax. The intention is for existing resort communities to continue as they exist today. A resort community *may* choose to adopt this model instead of their existing model.
9. In the event that a general statewide sales tax is implemented:
    a. Areas with a local option tax in place may lay their local tax on top of the general statewide sales tax
    b. The rate of the local tax would be capped at 2%
        i. Example: Park County votes to adopt a local option tax under this model of 3% in 2028. A general statewide sales tax of 2% is adopted a few years later. Park County could then choose to keep a reduced local sales tax. Items would then be taxed at 2-4%, depending on local decision.
    c. The revenue within locally assessed areas would continue to be allocated to local government.