



# Summary of Legislation Affecting the Department of Revenue

61<sup>st</sup> Legislative Assembly  
2009 Legislative Session



*June 2009*

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the Department of Revenue  
61<sup>st</sup> Legislative Assembly, 2009 Legislative Session**

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# Featured Legislation

## House Bill 658 – Mitigate Reappraisal

Montana statute provides for reappraisal of Class 3 agricultural land, Class 4 residential, commercial and industrial property, and Class 10 forest land every six years. Because the previous 6-year reappraisal cycle ended December 31, 2008, it fell to the 2009 Legislature to pass legislation addressing and mitigating the tax impacts of reappraisal for the ensuing 6-year period ending December 31, 2014.

During the legislative session, it was estimated that the market value of residential properties had increased 55% over the previous cycle; commercial and industrial properties had increased 34%; agricultural land had increased 29%; and forest land had increased 52%.

### *Primary Mitigation Strategy and Approach*

Prior to the 2009 session, Governor Schweitzer endorsed a reappraisal mitigation strategy that would provide for revenue neutrality statewide; that is, property tax revenues overall should neither rise nor fall as a consequence of reappraisal itself. The Montana Legislature ultimately supported this approach by passing legislation (House Bill 658, Mike Jopek sponsor) patterned after the mitigation strategy passed in the 2003 legislative session.

First, the Legislature continued the historic approach of phasing in new values for class 3, 4, and 10 properties over a six-year period in equal increments (16.66%) in each year of the period. This approach, designed to maintain taxable value neutrality statewide, provided for decreases in taxable valuation rates, and increases in residential and commercial property exemptions as follows:

<b>HB658 Taxable Valuation Rates for Class 3, 4, and 10 Property and Class 4 Residential and Commercial Exemption Percentages</b>				
<b>Tax Year</b>	<b>Class 3 &amp; 4 Tax Rate</b>	<b>Class 4 Exemption Percentages</b>		<b>Class 10 Tax Rate</b>
		<b>Residential</b>	<b>Commercial</b>	
2008	3.01%	34.0%	15.0%	0.35%
2009	2.93%	36.8%	14.2%	0.34%
2010	2.82%	39.5%	15.9%	0.33%
2011	2.72%	41.8%	17.5%	0.32%
2012	2.63%	44.0%	19.0%	0.31%
2013	2.54%	45.5%	20.3%	0.30%
2014	2.47%	47.0%	21.5%	0.29%

Prior to HB658, the class 4 homestead exemption amount applied to the full market value of all residential properties. HB658 modified that policy by providing that the exemption applies only to the first \$1.5 million or less of market value of the “dwelling” portion of residential properties.

In essence, this general approach to mitigating reappraisal ensures that residential properties having the average increase in market value will remain taxable value neutral over the ensuing reappraisal cycle. However, properties with valuation increases lower than the average will experience a decrease in taxable valuation over the period, whereas properties with a valuation increase larger than average will experience an increase in taxable value over the period.

#### *Extended Property Tax Assistance Program*

To address and further mitigate the impacts on residential properties with extraordinary increases in market value, HB658 continues the *Extended Property Tax Assistance Program (EPTAP)*, first implemented by the 2003 Legislature. Taxpayers whose household income falls within specified income ranges, whose increase in taxable valuation exceeds certain threshold levels, and who have an increase in tax liability of \$250 or more are eligible to participate in the program. Households with income exceeding \$75,000 are not eligible for the program. Under HB658, qualifying taxpayers will see a reduction in their tax rate based on specific formulas provided for in the bill.

#### *Periodic Sales/Assessment Ratio Studies*

The 2009 revaluation of all properties subject to cyclical reappraisal occurred at a time when housing prices nationally were declining significantly, particularly in places such as California, Florida, and Nevada. There was some indication that this national trend could also be affecting housing prices in Montana. For this reason, the Department of Revenue extended the target date for establishing new values for residential properties from January 1, 2008 to July 1, 2008.

The Legislature, concerned that housing prices may continue to fall in Montana, included in HB658 a provision requiring the Department to provide the Revenue and Transportation Interim Committee (RTIC) a sales/assessment ratio study at the end of the second and fourth year of the six-year reappraisal cycle. This will allow this interim committee to be apprised of housing market trends, and bring concerns and/or recommendations to the full legislative body.

#### *Newly Taxable Property*

Prior to HB658, any class 4 property that was constructed, expanded, or remodeled since the completion of the prior reappraisal cycle was included in newly taxable property only to the extent of any increase in *phase-in value*. HB658 provides that the full increase in *market value* of this property is to be included in newly taxable property for the purposes of calculating local

government mill levies pursuant to 15-10-420, MCA. This acts to reduce the tax base slightly when determining mill levies. Because the allowable mill levy is based on the ratio of the prior year's taxes to the tax base, this will provide local governments with a one-time increase in the maximum allowable mill levied in the first year of the coming reappraisal cycle. On the other hand, mill levies in subsequent years of the reappraisal cycle will be slightly lower than they otherwise would have been under prior law. Once the mill levy has been calculated, tax assessments will be based on each year's exemption level and taxable valuation rate applied to the phase-in value of property.

### *Advisory Committees and Interim Studies*

HB658 creates a Forest Lands Taxation Advisory Committee comprised of four members with expertise in forest matters appointed by the Legislature, and three members appointed by the Governor, whose terms expire on June 30 of the first year of each reappraisal cycle. The purpose of the Committee is to work with and advise the Department of Revenue on the appropriate information and methods to be used in determining forest land productivity values, and to recommend forest land valuation schedules to the Department.

HB658 also requests the Revenue and Transportation Interim Committee (RTIC) to review methods of providing assistance to property taxpayers, including general circuit breaker programs, and assistance to low-income, veteran, and elderly property owners, and whether that assistance should be provided through income tax or property taxation means.

### *Other Provisions*

HB658 also included the following provisions:

- Clarified who is a “qualified claimant” for the Property Tax Assistance Program (PTAP), and defined “total household income” for PTAP purposes.
- Clarified the term “qualified residence” for purposes of the Extended Property Tax Assistance Program (EPTAP).
- Provided that the Department is to include in certain annual assessment mailings, and that county treasurers are to send with the property tax billing notices required under MCA, 15-16-101, notification of the availability of all property tax assistance programs including PTAP, EPTAP, the disabled or deceased veteran's program, and the property tax credit for the elderly program.
- Revised the criteria used to value agricultural land by:
  - Increasing the base water cost from \$5.50 to \$15, and providing that total allowable water costs cannot exceed \$50 (previously \$40) for each acre of irrigated land;
  - increasing labor costs from \$0 to \$5 an acre for pivot sprinkler irrigation systems; from \$4.50 to \$10 an acre for tow lines, side roll,

and lateral sprinkler irrigation systems; and from \$9 to \$15 an acre for hand-moved and flood irrigation systems; and

- providing that the base crop for valuation of irrigated land is alfalfa hay adjusted to 80% of the sales price, and the base crop for valuation of nonirrigated land is spring wheat.
- Provided that the capitalization rate used to determine forest land productivity values is to be adopted by rule after consultation with the forest lands taxation advisory committee, but for tax years 2009 through 2014 cannot be less than 8%.
- Recognizing that legislation required to implement the reappraisal mitigation strategy may not be passed and signed in time for the Department to meet otherwise statutory deadlines, HB658 provided that for tax year 2009 all deadlines and due dates, other than the time limits allowed for filing an appeal, are extended as necessary and reasonable.
- Extending, for similar reasons, the deadlines by which taxpayers may apply for the property tax assistance program (PTAP), and the disabled or deceased veteran's residence property tax exemption program to July 15 for tax year 2009.
- Provided an appropriation of \$1,587,053 of state general funds to the Department for administration of the provisions of the bill.
- Impact on State General Fund (Compared to Present Law):

FY2010	FY2011	FY2012	FY2013
(\$10,040,809)	(\$19,306,418)	(\$31,639,997)	(\$44,768,029)

Impact on State General Fund (Compared to HJ2):

FY2010	FY2011	FY2012	FY2013
\$3,089,329	\$1,144,543	\$405,322	(\$1,074,383)

- HB658 took effect upon passage and approval, and applies retroactively to tax years beginning after December 31, 2008.

# Property Tax

**HB 487**     Short Title: **Classify as business inventories certain farm implements and construction equipment**

Primary Sponsor: Walter McNutt

Bill Description: HB487 exempts farm implements of farm implement dealers and construction equipment of construction equipment dealers that are rented under purchase incentive rental programs from property taxation by defining these implements and equipment as exempt business inventory.

Impact on State General Fund:

FY2010	FY2011	FY2012	FY2013
(\$73,273)	(\$61,537)	(\$64,060)	(\$66,686)

Effective Date: Passage and approval.

Applicability Date(s): Retroactive to tax year 2009

**HB 562**     Short Title: **Allow change in application of protested school taxes to GTB**

Primary Sponsor: Jill Cohenour

Bill Description:

This bill allows a school district by February 1 of each year to forfeit its share of taxes protested in the previous year in exchange for having the district's share of the protested taxable value removed from the district's current year GTB calculation.

Half of the forfeited taxes must be deposited in the state general fund, and half in a school district property tax protest state special revenue account. The Department of Revenue is responsible for maintaining the account that holds protested taxes for the schools that have waived their right to the protested taxes.

If the protest action is resolved adversely to the government entities originally levying the tax, the Department is required to refund to the taxpayer the school district's portion of protested taxes plus interest from the school district state special revenue account. If there are insufficient funds in the state special revenue account to fully refund

protested school taxes, then the remaining amount will be paid out of the state general fund.

Impact on State General Fund:

FY2010	FY2011	FY2012	FY2013
Unknown	Unknown	Unknown	Unknown

Effective Date: October 1, 2009.

Applicability Date(s): Applies to tax years beginning after December 31, 2009.

**HB 653**     Short Title: **Revise base taxable value of TIF for local disaster**  
Primary Sponsor: JP Pomnichowski

Bill Description: HB653 provides for the adjustment of base taxable value in an urban renewal area, an industrial district, or a technology district for tax increment financing purposes because of a local disaster. An explosion and fire in downtown Bozeman destroyed a large amount of property in the Bozeman TIF district.

Impact on State General Fund:

FY2010	FY2011	FY2012	FY2013
\$0	\$0	\$0	\$0

Effective Date: Passage and approval.

Applicability Date(s): Applies retroactively to tax years beginning after December 31, 2008.

**HB 670**     Short Title: **Provide local government discretion in reducing tax value for certain property**  
Primary Sponsor: Chas Vincent

Bill Description:

HB670 provides that for tax years 2009, 2010, and 2011 the governing bodies of a county or consolidated local government, incorporated city or town, and school district may through a joint resolution reduce by 95% the taxable value of certain Class 4 and Class 8 commercial real and personal property.

To qualify for the abatement, the taxpayer must not have been operating the property for 6 months prior to the request for reduction, and must not intend to use the property for at least 6 months following the reduction in value. The reduction may not be granted

for more than 3 tax years. Upon notification of the reduction from the approving jurisdictions, the Department is required to make the assessment change for each of the approving jurisdictions. Property receiving the abatement under this bill may not receive other property tax abatements provided for in law, and the abated amount is subject to recapture provisions as provided for in the bill.

Impact on State General Fund:

FY2010	FY2011	FY2012	FY2013
\$(14,850)	\$0	\$0	\$0

Effective Date: Passage and approval

Applicability Date(s): Applies retroactively to property tax years beginning after December 31, 2008

**SB 57**      Short Title: **Revise laws governing special districts**  
Primary Sponsor: Kim Gillan

Bill Description:

This bill allows the creation of special districts within and across county boundaries. It also requires that the Department of Revenue provide the Department of Administration with the legal descriptions for the boundaries so that the special districts can be mapped. These special districts will be administered just like existing districts.

Impact on State General Fund:

FY2010	FY2011	FY2012	FY2013
\$0	\$0	\$0	\$0

Effective Date: July 1, 2009

**SB 115**      Short Title: **Simplify income calculations for certain property tax assistance programs**  
Primary Sponsor: Christine Kaufmann

Bill Description: Before SB 115, taxpayers who are the head of a household for income tax purposes had the same eligibility requirements for the disabled veterans property tax exemption as single taxpayers. This bill makes head-of-household taxpayers subject to the same eligibility requirements as married couples. (Other provisions of this bill were removed by coordinating instructions in HB 658.)

Impact on State General Fund:

FY2010	FY2011	FY2012	FY2013
\$(1,800)	\$(1,800)	\$(1,800)	\$(1,800)

Effective Date: Passage and approval.

Applicability Date: This bill applies beginning with tax year 2009.

**SB 198**      **Short Title: Tax biomass generation facilities up to 25 megawatts as class 14 property**

Primary Sponsor: Dave Lewis

Bill Description: This bill changes the classification of electric generation facilities that use biomass to produce less than 25 megawatts to class 14 property. Depending on the ownership and attributes of the property, this reclassification will reduce the taxable valuation rate from 12%, 8%, or 6% to 3% of market value.

Impact on State General Fund:

FY2010	FY2011	FY2012	FY2013
\$0	\$0	\$0	\$0

Effective Date: October 1, 2010

Applicability Date(s): Applies to tax years beginning after Dec. 31, 2009

**SB 280**      **Short Title: Revise tax exemption of rental personal property**

Primary Sponsor: Kelly Gebhardt

Bill Description: Prior to SB280, items of class 8 rental or lease equipment that have an acquired cost of less than \$15,000 and which are owned by a rental or lease company are exempt from property taxation if the items are generally leased on an hourly, daily or weekly basis. SB280 extends this exemption to items that are generally leased on a semi-monthly or monthly basis.

Impact on State General Fund:

FY2010	FY2011	FY2012	FY2013
(\$23,338)	(\$24,498)	(\$25,497)	(\$26,537)

Effective Date: October 1, 2009

Applicability Date(s): Applies to tax years beginning after December 31, 2009

**SB 465**      Short Title: **Clarify ownership of streambeds concerning property taxes**

Primary Sponsor: Bradley Hamlett

Bill Description: This bill revises laws on treatment of property consisting of the bed of a navigable river or stream; provides for a reduction from tract land or grazing land before a reduction from irrigated land or non-irrigated land for property tax purposes; requires adjudication before navigability is determined and a collateral land exemption is applied; provides that in a dispute over the ownership of the bed of a river or stream a presumption may not be made based on the property tax status of the property; and other revisions.

With better technology in the performance of its reappraisal work in 2008, the department reduced taxable acreage in certain navigable streams and rivers that DNRC considered owned by the state. Given time and budget constraints, the department took the reduction from the land use based on the highest value for the parcel. All lands must be classified according to their use or uses and graded within each class according to soil and productive capacity (15-7-103, MCA). That reduction included 703 acres of tract land at a market value of \$13,093,854. This methodology reduced property tax bills for those affected property owners by an estimated \$223,342.

To comply with this legislation, DOR will notify property owners whose bills were reduced due to a reduced acreage calculation of their right to request a revised assessment for 2008 (and 2009). DOR will provide revised assessments to property owners that request it. The additional tax revenues will be collected in FY 2010. An estimated cost of \$13,970 for issuing revised assessments will be incurred by the department in FY 2010.

This bill was modified through amendments proposed by the Governor and concurred with by both houses of the legislature. The amendments will likely result in less revenue than estimated and reduced cost for the department.

Impact on State General Fund:

FY2010	FY2011	FY2012	FY2013
\$75,846	\$44,908	\$44,908	\$44,908

Additional Fiscal Impact: There is an additional \$5,642 in state special revenue for the university system in FY 2010 and \$2,821 in subsequent fiscal years. This bill is estimated to increase revenue for local governments by \$351,226 in FY 2010 and \$175,613 per year in subsequent fiscal years.

Effective Date: Passage and approval.

Applicability Date(s): Applies retroactively to tax years beginning with 2008.

**SB 489**     Short Title: **Revise taxation laws related to pipelines**  
Primary Sponsor: Jeff Essmann

Bill Description: SB489 addresses a recent Montana Supreme Court decision (Omimex Canada, Ltd. v. Montana, December 2, 2009), which resulted in the property of eight natural gas pipelines being moved from central assessment in class 9 (12% taxable rate) to personal property in class 8 (3% taxable rate).

SB489 provides that pipelines that are regulated by the Federal Energy Regulatory Commission (FERC) or the Public Service Commission (PSC), or that are common carriers, or that have over 500 miles of pipeline in the state are to be taxed as class 9, centrally-assessed property. SB489 clarifies that five of the eight natural gas pipelines, including Omimex, will be centrally assessed in class 9 for future years.

Liscom Creek Station, LLP, a small natural gas pipeline with property in two counties, will be taxed as class 8 personal property in future years.

Williston Basin Interstate Pipeline's centrally assessed pipeline property has historically included the pipeline property of two of its subsidiaries, Bitter Creek Gathering and Fidelity Exploration. The Department believes that under this bill Williston Basin's subsidiary Bitter Creek Gathering will still be centrally assessed as part of Williston Basin's property in class 9. However the status of Williston Basin's other subsidiary, Fidelity Exploration, is undetermined.

At present, the Department also cannot determine the future status of Devon Energy Production Company, LP natural gas pipeline property.

The Department supported an alternative bill, HB642, which would have restored the status quo prior to the Supreme Court decision. This clearer bill, however did not pass. SB489 results in a revenue increase relative to the situation that existed immediately after the Supreme Court decision. However, it does not fully recoup the revenue reduction arising as a result of the Supreme Court decision.

(See also the write-up for HB657 in the section on natural resource taxation.)

Impact on State General Fund:

FY2010	FY2011	FY2012	FY2013
\$3,978,327	\$3,619,189	\$3,804,152	\$3,993,850

Effective Date: May 11, 2009

Applicability Date(s): Retroactive to property tax years beginning after December 31, 2008.

**SB 509**      Short Title: **Revise contract sales price of underground mined coal**

Primary Sponsor: Kelly Gebhardt

Bill Description: SB509 provides that the costs of “washing” coal produced from an underground mine are not included in the calculation of the contract sales price of the coal. Contract sales price is used in the calculation of the coal severance tax and the coal gross proceeds tax. SB509 also clarifies when the Department of Revenue may impute the value of coal for purposes of calculating coal taxes.

The bill defines “coal washing” to mean any treatment that removes impurities from underground mined coal, including operations such as flotation, air, water, or heavy media separation, drying and related handling.

Impact on State General Fund:

FY2010	FY2011	FY2012	FY2013
\$0	\$0	\$0	\$0

Effective Date: Passage and approval.

Applicability Date(s): Applies to coal mined after June 30, 2009

**SB 510**      Short Title: **Abatement of half of coal gross proceeds tax for new underground mine**

Primary Sponsor: Kelly Gebhardt

Bill Description: SB510 allows a Board of County Commissioners, by resolution after a public hearing, to grant an abatement of 50% of the local government share of coal gross proceeds taxes on production from a “new” or “expanding” underground coal mine for a period of 5 years. The abatement may be extended for one more 5-year period.

In the case of a local abatement of local coal gross proceeds taxes, the department will calculate tax at a rate which results in payment to the state of an amount equivalent to what the state is due under current law, and which reflects the 50% reduction in the county portion of the tax.

The current law relative distribution of coal gross proceeds between the state, coal producing counties, and school districts is unchanged. Counties will remit the state share of coal gross proceeds revenue directly to the state.

For coal mines that began production before January 1, 1989, the state share is distributed in the relative proportions required by levies for state purposes in the same manner as property taxes were distributed in fiscal year 1990 (same as current law).

For coal mines that began production after December 31, 1988, the state share is distributed in the relative proportions required by levies for state purposes in the same manner as property taxes were distributed in the previous fiscal year (same as current law).

State taxes on coal gross proceeds from a new or expanding underground mine receiving a tax abatement are distributed in the relative proportion required by the appropriate levies for state purposes.

*See also HB588 in the Natural Resources section of this report.*

Impact on State General Fund:

FY2010	FY2011	FY2012	FY2013
\$0	\$0	\$0	\$0

Additional Fiscal Impact: This bill does not change the total amount of coal gross proceeds going to counties, but changes the relative distribution of those funds between the counties. Counties will keep the local share of coal gross proceeds generated in the county and

will no longer send the local share to the state to be redistributed back to the counties based upon the unit value calculation and distribution methodology in current statute.

Effective Date: October 1, 2009

Applicability Date(s): Applies to tax years beginning after December 31, 2009.

# Individual and Corporate Income Tax

**HB 21**      Short Title: **Repeal termination date for recycling tax incentives**  
Primary Sponsor: Sue Dickenson

Bill Description: HB21 makes the recycling incentives in 15-32-601 through 611, MCA permanent. These tax incentives previously were to expire at the end of 2011.

Sections 15-32-602 through 604 provide a credit against individual income tax or corporation license tax for a portion of the taxpayer's investment in property used to collect or process reclaimable materials or to manufacture products from reclaimed material. Section 15-32-609 and 610 provide an additional deduction for 10% of business expenses for the purchase of recycled material.

Impact on State General Fund:

FY2010	FY2011	FY2012	FY2013
\$0	\$0	\$(800,000)	\$(1,600,000)

Effective Date: July 1, 2009

**HB 163**      Short Title: **Revise tax incentives for motion picture industry**  
Primary Sponsor: Jill Cohenour

Bill Description: Part 9 of Title 15, Chapter 31, MCA provides tax credits for film and television production in Montana. HB163 extends the termination date for these credits from January 1, 2010 to January 1, 2015.

Impact on State General Fund:

FY2010	FY2011	FY2012	FY2013
\$0	\$(50,000)	\$(100,000)	\$(150,000)

Effective Date: Passage and approval.

**HB 262**      **Short Title: Revise list of low emission wood combustion devices that qualify for tax credit**

Primary Sponsor: Bob Ebinger

Bill Description: Sections 15-32-201 through 203, MCA provide an income tax credit for up to \$500 of the cost of installing an alternative energy system in the taxpayer's principal residence. HB 262 made two changes to this credit. It changed the definition of eligible wood-burning systems to include outdoor hydronic heaters that meet certain EPA qualifications, and masonry heaters that comply with certain building standards. It also limited the credit to heating systems.

The department cooperates with the Department of Environmental Quality in publicizing energy conservation incentives. The departments will need to update the information they provide to taxpayers.

Impact on State General Fund:

FY2010	FY2011	FY2012	FY2013
\$(28,000)	\$(43,000)	\$(43,000)	\$(43,000)

Effective Date: Passage and approval.

Applicability Date: This bill applies to tax years beginning after December 31, 2008.

**HB 315**      **Short Title: Increase amount and slow phase out of retiree exclusion from income**

Primary Sponsor: Anders Blewett

Bill Description: Section 15-30-111, MCA provides a partial income tax exemption of up to \$3,600 for pension and annuity income, with the exemption phasing out for taxpayers with federal adjusted gross income over \$30,000. HB 315 requires that the amount of the exemption and the phase-out threshold be adjusted for inflation each year beginning in 2010.

Impact on State General Fund:

FY2010	FY2011	FY2012	FY2013
\$0	\$(107,000)	\$(304,000)	\$(369,000)

Effective Date: July 1, 2009

**HB 635**

Short Title: **Repeal Montana equity capital investment act**

Primary Sponsor: Bill McChesney

Bill Description: The 2005 Legislature passed the Montana Equity Capital Investment Act, which was intended to create an investment fund that would provide private financing for qualifying Montana businesses. Investors in the fund were to be guaranteed a return, with tax credits making up any difference between the guaranteed return and actual earnings. The Department of Commerce was unable to implement the investment fund structure envisioned in the act.

By repealing the Montana Equity Capital Investment Act, HB 635 eliminates tax credits that were unlikely to ever be used.

Impact on State General Fund:

FY2010	FY2011	FY2012	FY2013
\$0	\$0	\$0	\$0

Effective Date: July 1, 2009

**HB 636**

Short Title: **Tax incentive to sell mobile home park to resident's group**

Primary Sponsor: Sue Dickenson

Bill Description: The amended bill excludes all or part of the gain from the sale of a mobile home park from taxable corporate income or taxable individual income if the sale was to a tenants' association or a mobile home park residents' association; a nonprofit organization that purchases a mobile home park on behalf of a tenants' association or mobile home park residents' association; a county housing authority; or a municipal housing authority. The exclusion of recognized gain is limited to 50% for mobile home parks with more than 50 lots; for mobile home parks with 50 lots or less the excluded gain is 100%.

Properties owned by municipal and county housing authorities are usually eligible for a property tax exemption; however, under provisions of this bill if the property subject to this income or corporate tax exclusion is used as a mobile home park, it is not eligible for a property tax exemption under Title 15, Chapter 6, Part 2.

No additional costs to the Department of Revenue due to tax form changes were anticipated; any changes were assumed to be made as part of the annual form and instruction revisions.

Impact on State General Fund:

FY2010	FY2011	FY2012	FY2013
\$(8,590)	\$(8,590)	\$(8,590)	\$(8,590)

Effective Date: Passage and approval.

Applicability Date(s): Tax years beginning after December 31, 2008.

**HB 676**     Short Title: **Statutory implementation of general appropriations act**

Primary Sponsor: Jon Sesso

Bill Description: Among other things, this bill repeals MCA, 15-30-169 which provided for a voluntary checkoff on individual income tax forms for assistance to persons suffering from end-stage renal disease. Because the bill is effective July 1, 2009, this checkoff will not appear on tax year 2009 and subsequent tax forms.

Impact on State General Fund (all provisions):

FY2010	FY2011	FY2012	FY2013
\$2,666,358	\$3,097,988	\$3,144,458	\$3,191,625

Effective Date: July 1, 2009

**SB 38**     Short Title: **Revise laws governing nurseries and plant dealers**

Primary Sponsor: Aubyn Curtiss

Bill Description: This bill creates a new licensing and fee structure for nurseries and plant dealers administered by the Department of Agriculture. The fee structure is based on the nursery or plant dealer's annual sales. The bill provides that the Department of Agriculture may seek verification from the Department of Revenue as to whether the sales levels provided for in the fee structure have in fact been met by selected nurseries and plant dealers.

Impact on State General Fund:

FY2010	FY2011	FY2012	FY2013
\$0	\$0	\$0	\$0

Effective Date: Passage and approval.

**SB 43****Short Title: Revise the list of countries considered tax havens****Primary Sponsor:** Christine Kaufmann

**Bill Description:** Montana requires corporations that have common ownership and that are part of a common line of business to file a combined return. The income of members or units of a combined or “unitary” group is apportioned to Montana based on the income and apportionment factors of the group, making the income apportioned to Montana independent of the financial arrangements between the group’s members.

The normal corporate license tax rate is 6.75% which is applied to the share of a corporation’s worldwide income apportioned to Montana and its Montana source income. Corporations have the option to include only United States income in the apportionment process and pay a higher rate of 7%. This is called a “water’s edge” election. When a corporation that is part of a unitary group makes a water’s-edge election, some of its foreign affiliates may be excluded from the apportionment process.

However, under current law, the income and apportionment factors of any member of an affiliated group of corporations incorporated in a tax haven must be included in the combined report. This bill updates the current list of tax havens by adding five countries and removing three countries.

**Impact on State General Fund:**

FY2010	FY2011	FY2012	FY2013
\$0	\$0	\$0	\$0

**Effective Date:** Passage and approval.**Applicability Date(s):** Applies to tax years beginning after December 31, 2008.**SB 135****Short Title: Revise Insure Montana program****Primary Sponsor:** Cliff Larsen

**Bill Description:** The Insure Montana Program gives eligible small businesses the option of receiving either subsidy payments or tax credits for providing group health insurance for employees. SB 135 makes several minor changes to this program, including a change to eligibility for the tax credit. Previously, an employer was ineligible if any employee, including an owner, partner, or shareholder, was paid more than \$75,000 per year. SB 135 makes the \$75,000 limit apply only to employees who are not owners, partners, or shareholders,

but it prohibits the employer from receiving a credit for providing insurance to an owner, partner, or shareholder who is paid more than \$75,000 per year or their dependents.

Impact on State General Fund:

FY2010	FY2011	FY2012	FY2013
\$0	\$0	\$0	\$0

Effective Date: Generally effective July 1, 2009 with the change to eligibility requirements effective January 1, 2010.

**SB 181**     Short Title: **Require tax information agents to report certain real estate transactions**

Primary Sponsor: John Esp

Bill Description: This bill would require information agents, primarily realty transfer companies, to file forms (Form 1099-S, Proceeds from Real Estate Transactions) reporting certain real estate transactions with the Department of Revenue.

No additional administrative costs associated with this bill were estimated; however the department may need to modify procedures or take other action to implement this bill.

Impact on State General Fund:

FY2010	FY2011	FY2012	FY2013
\$0	\$900,000	\$900,000	\$900,000

Effective Date: Passage and approval.

**SB 260**     Short Title: **Revise tax on publicly traded partnerships**

Primary Sponsor: Kim Gillan

Bill Description: Under current law (Title 15, Chapter 30), pass-through entities are required to **either** file a composite return and pay tax on behalf of the owners **or** file an agreement on behalf of each nonresident owner in which the owner agrees to file a return and pay tax. Publicly traded partnerships (PTPs) have difficulty complying with this requirement because certain ownership interests are traded on public markets, and ownership of these interests can change on a daily basis. Owners of publicly traded shares of PTPs may not be aware of the source of the income they receive from their partnership

interest, and therefore, may be incorrectly paying tax on this income to their home state rather than to the income source state.

The bill allows a PTP to file an annual information return with the department with the names, addresses and taxpayer identification numbers for each taxpayer with an interest in a partnership doing business in Montana resulting in Montana source income, or who has sold an interest in the partnership during the tax year. The PTP is then exempt from the requirements of Title 15, Chapter 30 discussed above. The information return must be in a sortable and exportable electronic format.

The bill provides that complying with the reporting requirement does not relieve persons or entities from their obligations to pay Montana income taxes. It also adds to the definition of Montana source income or gain from depletion and depreciation as determined by federal law (IRC 751) of a nonresident who sells an interest in a PTP doing business in Montana. The gain is apportioned as Montana source income via use of the Montana apportionment factor. The nonresident taxpayer may petition, or the DOR may require, use of another allocation method if the Montana apportionment factor does not represent a fair and equitable apportionment of the nonresident taxpayer's business activity interest.

The department will have additional information on taxpayers in PTPs, but using the information effectively for compliance purposes may require additional work.

Impact on State General Fund:

FY2010	FY2011	FY2012	FY2013
\$0	\$0	\$0	\$0

Effective Date: Passage and approval.

Applicability Date(s): Applies to tax years beginning after December 31, 2008.

**SB 418**

Short Title: **Revise administrative provisions of individual income tax**

Primary Sponsor: Gary Branae

Bill Description: SB 418 allows the department to grant a taxpayer relief from joint and several liability, changes the income limit for a person to be counted as a dependent for income tax purposes, changes the automatic extension for filing an income tax return to 6

months, and makes interest on a refund resulting from a late return payable from the date the return was filed.

When married taxpayers file a joint return, they agree to joint and several liability for tax due. This means that the department can collect tax due from either spouse. The IRS code allows one spouse to be relieved from joint and several liability for tax due because the other spouse understated income or overstated deductions or credits, provided the spouse asking for relief was not aware of the misstatement. Section 1 of SB 418 allows a taxpayer who has been granted relief from joint and several liability by the IRS to apply for the same relief from the state.

Section 2 changes the limit on income that a person can earn and be claimed as another's dependent from \$800 to the personal exemption amount. This section also replaces definitions of "child" and "student" with references to the IRS code.

Section 6 makes interest on a refund resulting from a late income tax return payable from the date the return was filed rather than the date the return was due.

Impact on State General Fund:

FY2010	FY2011	FY2012	FY2013
\$50,000	\$(124,038)	\$(129,705)	\$(133,752)

Effective Date: The "innocent spouse" provisions of the bill are effective on passage and approval, and apply retroactively to tax years beginning after December 31, 2002; the remainder of the bill is effective October 1, 2009 and applies to tax years beginning after December 31, 2009.

# Natural Resource Taxes

**HB 588**     Short Title: **Revise coal proceeds distribution**

Primary Sponsor: Duane Ankney

Bill Description: HB588 was modified substantially through coordination instructions in SB510 (see above in section on Property Tax), which voided Section 1 of HB588. Consequently, HB588 simply amends MCA, 17-7-502 to remove reference to a statutory appropriation previously used to administer the unit value approach to coal gross proceeds distributions across local governments, and repeals sections MCA, 15-23-705 through 707, which provided for the coal gross proceeds unit value calculation and distribution methodology.

Impact on State General Fund:

FY2010	FY2011	FY2012	FY2013
\$0	\$0	\$0	\$0

Effective Date: July 1, 2009.

Applicability Date(s): Applies retroactively to coal produced and sold after December 31, 2007. Applies to coal gross proceeds taxes distributed for fiscal years beginning after June 30, 2009.

**HB 657**     Short Title: **Study taxation of oil and natural gas property**

Primary Sponsor: Wayne Stahl

Bill Description: This bill directs the Revenue and Transportation Interim Committee to appoint a subcommittee to study the classification, valuation and taxation of oil and natural gas property. The bill references the Montana Supreme Court decision on Omimex Canada, Ltd. vs. the Department of Revenue. The committee is to prepare a report for the next biennial legislature. There is an appropriation of \$20,000 for legislative committee expenses.

The subcommittee work will likely require support from the department and may also have implications for property taxation and classification.

It is highly likely, however, that Senate Bill 489 (see the write-up for this bill in the section on property taxes), will result in substantial litigation during the interim regarding the proper taxation of selected natural gas pipelines. This litigation may interfere significantly with the successful completion of this interim study.

Impact on State General Fund:

FY2010	FY2011	FY2012	FY2013
\$(13,956)	\$(4,531)	\$0	\$0

Effective Date: Passage and approval.

**HB 678**

Short Title: **Revise opencut mining laws**

Primary Sponsor: JP Pomnichowski

Bill Description: This bill establishes an opencut fund and annual fee. Operators paying this new opencut fee would be exempt from paying the resource indemnity and ground water assessment (RIGWA) tax. The new opencut fee does not apply to bentonite mining operations, but primarily to sand and gravel operations. The annual fee is submitted to the Department of Environmental Quality (DEQ) which must meet specific deadlines in processing opencut permits and also comply with public notice and meeting requirements. Revenues deposited in the opencut fund will pay for the staff and contracted services required to meet provisions of the bill.

All opencut permit holders subject to the opencut annual fee must also submit a fee to DEQ of \$0.025 per cubic yard of material mined in the previous year. Under the bill, DEQ will deposit 85% of the fees collected in the opencut fund and will transfer the remaining 15% to the department for distribution in accordance with 15-38-106, MCA (RIGWAT).

This bill reduces the number of opencut operations paying the RIGWA fee to the department. However, the total number of taxpayers affected is relatively small and no additional costs or savings due to this bill were estimated for the department.

The bill clarifies that cities, counties and towns are responsible for the opencut annual report fee (82-4-437(2), MCA), but are exempt from the RIGWA fee.

The department is responsible for ensuring that the 15% of opencut fees transferred by DEQ are deposited in accordance with 17-2-124, MCA. The department may have to modify procedures to account for the changes in this bill.

Impact on State General Fund:

FY2010	FY2011	FY2012	FY2013
\$0	\$0	\$0	\$0

Additional Fiscal Impact: These opencut operations (not including bentonite mines) generated about \$70,000 in RIGWA taxes. These opencut operations will now be exempt from the RIGWA tax, reducing state special revenue by about \$70,000. However, the 15% of new opencut permit fee revenue to be transferred by DEQ to the department is estimated to be \$140,000 in FY 2010 and \$70,000 per year in subsequent fiscal years. These revenues will replace the state special revenue lost by exempting the opencut operations from RIGWA tax. On net, state special revenue to be distributed as directed by 15-38-106, MCA increases by \$70,000 in FY 2010. In subsequent years, net revenue is estimated to increase by less than \$200. This does not include revenue deposited in the new opencut fund for DEQ opencut operation permitting work.

Effective Date: Passage and approval.

Applicability Date(s): The provisions of the bill pertaining to the opencut permit fee, other than sections 7 and 8, apply retroactively to tax years beginning after December 31, 2007. Sections 7 and 8, excluding subsection 7(4)(c), pertain to DEQ and permit applicants' responsibilities for permit applications and amendment applications and are effective upon the effective date of the act. Subsection 7(4)(c) identifies when an application can be considered abandoned and allows an application to be considered abandoned if submitted before the effective date of the act when it meets certain criteria. The exemption from RIGWA tax for cities, counties and towns applies retroactively to tax years beginning after December 31, 2000.

**SB 11**      **Short Title: Clarify nontaxable amount of gross value of product - metal mines tax**

Primary Sponsor: Jim Peterson

Bill Description: Prior to SB11, MCA, 15-37-103 provided for an exemption from the metalliferous mines license tax for the first \$250,000 of concentrate shipped or processed without specifying the reporting period to which the exemption applied. SB11 clarifies that the exemption is an annual, not a semi-annual, exemption, thereby clarifying in law what previously had been current practice.

Impact on State General Fund:

FY2010	FY2011	FY2012	FY2013
\$0	\$0	\$0	\$0

Effective Date: Passage and approval.

Applicability Date(s): Applies retroactively to metalliferous mines license taxes for reporting periods beginning after December 31, 2002.

**SB 23**      Short Title: **Revise revenue streams to oil, gas, and coal natural resource account**

Primary Sponsor: David E Wanzenried

Bill Description: Prior to SB23, 2.9% of coal severance tax and a portion of oil and natural gas production taxes were allocated to an "oil, gas, and coal natural resource account". SB23 distinguishes these two sources of revenue by directing the coal severance tax portion to a new "coal natural resource account", and the oil and gas portion to a new "oil and gas natural resource distribution account". The bill further specifically allocates the coal tax distribution to the Coal Board provided for in MCA, 2-15-1821 and provides that these funds are to be used only for local impact grants, and costs related to the administration of grant awards. The bill does not change the total amount of revenue allocated for purposes related to the original account, by separating the allocation to the two new accounts.

Impact on State General Fund:

FY2010	FY2011	FY2012	FY2013
\$0	\$0	\$0	\$0

Effective Date: July 1, 2009

**SB 100**      Short Title: **Increase coal board funding**

Primary Sponsor: Jerry W Black

Bill Description: SB 100 changes the percentage of coal severance tax allocated to the Oil, Gas, and Coal Natural Resource Account from 2.9% of revenue to 5.8% for FY 2010 through FY 2013. This reduces coal severance tax revenue to the general fund by the same amount.

Impact on State General Fund:

FY2010	FY2011	FY2012	FY2013
\$(1,336,784)	\$(1,399,859)	\$(1,333,632)	\$(1,302,651)

Effective Date: July 1, 2009

Applicability Date: This bill applies to coal produced after June 30, 2009.

Termination Date: This bill terminates September 30, 2013.

**SB 292**

Short Title: **Revise coal severance tax**

Primary Sponsor: Kelly Gebhardt

Bill Description: SB 292 creates new coal severance tax rates for auger mining of 3.75% of value for coal under 7,000 Btu/lb and 5% for coal over 7,000 Btu/lb. By definition, auger mining applies only to surface mines; consequently, prior to SB292 coal mined using the auger mining method would have been taxed as surface coal at 10% of value for coal under 7,000 Btu/lb, and at 15% of value of coal over 7,000 Btu/lb.

Impact on State General Fund:

FY2010	FY2011	FY2012	FY2013
\$0	\$0	\$0	\$0

Effective Date: July 1, 2009

**SB 509**

Short Title: **Revise contract sales price of underground mined coal**

Primary Sponsor: Kelly Gebhardt

Bill Description: SB509 provides that the costs of “washing” coal produced from an underground mine are not included in the calculation of the contract sales price of the coal. Contract sales price is used in the calculation of the coal severance tax and the coal gross proceeds tax. SB509 also clarifies when the Department of Revenue may impute the value of coal for purposes of calculating coal taxes.

The bill defines “coal washing” to mean any treatment that removes impurities from underground mined coal, including operations such as flotation, air, water, or heavy media separation, drying and related handling.

Impact on State General Fund:

FY2010	FY2011	FY2012	FY2013
\$0	\$0	\$0	\$0

Effective Date: Passage and approval.

Applicability Date(s): Applies to coal mined after June 30, 2009

# Liquor and Tobacco Taxes

**HB 94**      Short Title: **Clarify liquor license laws related to security interests**

Primary Sponsor: Walter McNutt

Bill Description: HB94 allows a liquor license holder to use the license as collateral for a loan from a regulated lender, such as a bank, savings and loan, credit union, or insurance company. This would give the lender a security interest in the license. If the license holder defaults on the loan, the lender would be able to apply to the department to operate under the license or transfer the license to another party.

Impact on State General Fund:

FY2010	FY2011	FY2012	FY2013
\$0	\$0	\$0	\$0

Effective Date: This bill was effective on passage and approval.

**HB 195**      Short Title: **Revise restaurant beer and wine license laws**

Primary Sponsor: Robin Hamilton

Bill Description: HB195 revises the laws related to the qualifications and conditions for obtaining a restaurant beer and wine license. The bill clarifies the definition of a “restaurant” and eliminates the requirement that an unsuccessful lottery applicant be given a preference in future lotteries.

The bill further provides that if a successful lottery applicant does not use a license within 1 year of notification then the applicant loses the license, and the department will offer the license to the next eligible ranked lottery applicant.

Impact on State General Fund:

FY2010	FY2011	FY2012	FY2013
\$0	\$0	\$0	\$0

Effective Date: Passage and approval.

Applicability Date(s): Applies to restaurant beer and wine licenses and lotteries conducted after the effective date.

**HB 400**      Short Title: **Revise alcohol content of beer**  
Primary Sponsor: Deborah Kottel

Bill Description: HB400 changes the definition of “beer”. Prior to HB400, beer was defined as a malt beverage containing not more than 7% alcohol by weight.

HB400 changes the definition of beer to a malt beverage containing not more than 8.75% alcohol by volume, *or* an alcoholic beverage containing not more than 14% alcohol by volume that is:

- made by the alcoholic fermentation of an infusion or decoction, or a combination of both, in potable brewing water, of malted cereal grain; and
- in which the sugars used for fermentation of the alcoholic beverage are at least 75% derived from malted cereal grain measured as a percentage of the total dry weight of the fermentable ingredients.

Beer, porter, ale, stout and malt liquor containing more than 8.75% alcohol by volume, and not defined as “beer”, would be considered liquor and distributed through the state’s liquor distribution channels.

Impact on State General Fund:

FY2010	FY2011	FY2012	FY2013
\$0	\$0	\$0	\$0

Effective Date: October 1, 2010

**HB 412**      Short Title: **Revise liquor excise tax rates for small producers**  
Primary Sponsor: Brady Wiseman

Bill Description: Prior to HB412, the liquor excise tax was levied at a rate of 16% of retail selling price on companies selling more than 200,000 proof gallons, and at 13.8% on companies selling 200,000 proof gallons or less. HB412 creates lower tax rates for producers that produce less than 50,000 proof gallons of liquor nationwide under the following schedule:

<u>Quantity Produced</u>	<u>Tax Rate</u>
Less than 20,000 proof gallons	3%
20,000 to 50,000 proof gallons	8%
50,001 to 200,000 proof gallons	13.8%
Over 200,000 proof gallons	16%

Impact on State General Fund:

FY2010	FY2011	FY2012	FY2013
\$0	\$0	\$0	\$0

Effective Date: Passage and approval.

Applicability Date(s): Applies to liquor sold and delivered after July 1, 2009.

**HB 621**      Short Title: **Authorize local government beer and wine license for certain facilities**

Primary Sponsor: Bill Wilson

Bill Description: HB621 provides that upon approval by the department an existing beer or beer and wine license may be transferred to a political subdivision of the state. The political subdivision may own and operate the license, or lease the license to an entity approved by the department. Any license transferred to a political subdivision:

- may be transferred only to another political subdivision of the state;
- may not be used in conjunction with gambling activities other than horseracing;
- may be authorized only for a fairgrounds, and facilities on the fairgrounds;
- must be taken into account in determining license quota restrictions; and
- is subject to all license fees, laws, and rules applicable to beer or beer and wine licenses.

Impact on State General Fund:

FY2010	FY2011	FY2012	FY2013
\$0	\$0	\$0	\$0

Effective Date: Passage and approval.

**HB 656**      Short Title: **Revise liquor store commissions -- special sales to liquor stores**

Primary Sponsor: Wayne Stahl

Bill Description: This bill changes the prior year sales volume upon which the liquor commission rate is determined from \$500,000 to \$560,000. Under the bill, the commission rate paid by the state to

agency liquor stores operating under a franchise agreement with an annual sales volume in FY 2009 of \$560,000 or more will be 0.875% in FY 2010. For stores with an annual sales volume in FY 2009 less than \$560,000, the commission rate will be 1.5% percent in FY 2010.

By April 1 of each year, the dollar values of sales volumes upon which the commissions depend are to be adjusted by the change in the cost of liquor to agency liquor stores during the prior calendar year. The department must use rulemaking to set forth the method for determining the level at which the commission rate is established. The bill language suggests using a liquor specific base such as the annual change in the cost per case of the 25 items with the highest sales volume for a calendar year or another appropriate method of measuring the change in liquor prices.

Impact on State General Fund:

FY2010	FY2011	FY2012	FY2013
\$(30,062)	\$(32,556)	\$(38,308)	\$(40,258)

Effective Date: July 1, 2009

Applicability Date(s): Applies to fiscal years after passage.

**SB 395**

Short Title: **Clarify beer franchise laws**

Primary Sponsor: Kelly Gebhardt

Bill Description: SB395 provides for clarification of the legal relationship(s) between brewers or importers of beer and wholesalers of beer.

Prior law provided that it is unlawful for any brewer or beer importer to cancel or terminate any agreement or contract, or the franchise of any wholesaler, to sell beer manufactured by the brewer or imported by the importer, *except for just cause*, and under certain other circumstances. It also provided that the provisions of MCA, 16-3-221 through 226 must be a part of any franchise, contract, agreement or understanding between any wholesaler of beer and any manufacturer or importer.

SB395 clarifies that a wholesaler may not waive any of the protections or agree to any provision contrary to MCA, 16-3-221 through 226 by any conduct, including the signing of contracts or agreements with terms contrary to those provisions.

It further clarifies the term “just cause” as used above to mean that the wholesaler failed to comply with reasonable requirements as

specified in any written franchise, contract, or agreement between the two parties. The bill makes it clear that the sale or other restructuring of the brewer or beer importer by a successor does not constitute just cause, and that a successor is obligated to all of the terms and conditions of any franchise, contract, agreement, or understanding in effect on the date of succession.

Impact on State General Fund:

FY2010	FY2011	FY2012	FY2013
\$0	\$0	\$0	\$0

Effective Date: Passage and approval.

**SB 438**     Short Title: **Regulate sale of alcoholic energy drinks**  
Primary Sponsor: Carol Juneau

Bill Description: Prior to SB438, alcoholic beverages with caffeine or other stimulants were treated as beer. SB438 reclassifies alcoholic beverages with caffeine or other stimulants as “liquor”. These beverages will now have a higher tax rate and will be distributed through the liquor warehouse.

Impact on State General Fund:

FY2010	FY2011	FY2012	FY2013
\$36,206	\$49,196	\$50,117	\$51,037

Effective Date: October 1, 2009

**SB 511**     Short Title: **Retail license to sell table wine for sacramental purposes**  
Primary Sponsor: Mitch Tropila

Bill Description:  
This bill defines “sacramental wine” and creates a sacramental wine license permitting the retail sale of wine to rabbis, priests, pastors, ministers or other religious officials for off-premise consumption. The bill provides for an initial sacramental wine license fee of \$200, and an annual renewal fee of \$100.

This is a constituent services bill to allow a few retailers to be in compliance with Montana’s liquor laws.

Impact on State General Fund:

FY2010	FY2011	FY2012	FY2013
\$1,140	\$840	\$840	\$840

Effective Date: Passage and Approval

# Miscellaneous Taxes

**HB 71**      Short Title: **Repeal sunset of hospital bed tax**  
Primary Sponsor: Diane Sands

Bill Description: Title 15, Chapter 66 provides for the “hospital facility utilization fee”, which is levied on each inpatient bed day. The provisions of Chapter 66 were scheduled to sunset on June 30, 2009. HB71 repeals the sunset provision and provides that each hospital in the state must pay a utilization fee for each inpatient bed day.

Impact on State General Fund:

FY2010	FY2011	FY2012	FY2013
\$0	\$0	\$0	\$0

Effective Date: Passage and approval.

# General Administration

**HB 5**      **Short Title: Long-range building appropriations – include energy conservation**

Primary Sponsor: Jon Sesso

Bill Description: HB5 is the biennial bill providing appropriations for long-range building. The department tracked this bill because Section 1 provides an appropriation of \$2.21million - \$460,000 of state building energy conservation funds and \$1,750,000 of proprietary funds (liquor profits) - for energy conservation renovations to the state liquor warehouse. While there is no direct impact on the state general fund, the general fund in FY2090 will receive \$1.75 million less in liquor profits due to the appropriation from the proprietary fund for the renovation project.

Impact on State General Fund:

FY2010	FY2011	FY2012	FY2013
\$0	\$0	\$0	\$0

Effective Date: Passage and approval.

**HB 10**      **Short Title: Long range information technology funding bill**

Primary Sponsor: Brady Wiseman

Bill Description: This bill funds state information technology projects for the biennium ending June 30, 2011. The portion of the bill that pertains to the department is the funding for a high speed data imaging system. The bill appropriates \$3.366 million to cover the one-time only cost of \$3.226 million in FY 2010 for purchase and installation of the imaging system and the estimated on-going cost after installation of \$0.140 million in FY 2011. Estimated on-going costs are \$0.144 million in FY 2012, and \$0.147 million in FY 2013.

The department plans to use this equipment to improve collections and compliance for withholding. The estimated increase to general fund revenue is \$1.5 million in FY 2010, \$2.153 million in FY 2011, \$2.206 million in FY 2012 and \$2.261 million in FY 2013. The net change to general fund revenue is shown in the table below, and only reflects the change due to this department investment (not all investments for all departments covered by HB 10).

Impact on State General Fund:

FY2010	FY2011	FY2012	FY2013
\$(1,726,144)	\$2,012,966	\$2,062,465	\$2,113,877

Effective Date: Passage and approval.

**HB 27**      Short Title:    **Revise universal system benefit laws**  
Primary Sponsor:    Brady Wiseman

Bill Description: Under current law, a universal system benefits (USB) charge is assessed on local utility customers. This revenue funds utility conservation and renewable energy programs. Any revenue not used in the utility conservation programs is deposited in a state special revenue fund, the USB fund, and is used to fund low-income and other energy conservation programs. The low income programs are administered by the Department of Public Health and Human Services. The energy conservation programs are administered by the Department of Environmental Quality.

Under current law, the USB charge terminates December 31, 2009. This bill eliminates the termination date. The bill also directs the energy and telecommunications committee to review the USB programs before the biennial legislative session and make recommendations, if needed, to the legislature.

This bill does not require additional action by the department.

Impact on State General Fund:

FY2010	FY2011	FY2012	FY2013
\$0	\$0	\$0	\$0

Other Fiscal Impact: Estimated revenues for the low income programs are \$89,920 in FY 2010 and \$179,839 in FY 2011 through FY 2013. Estimated revenues for the energy conservation programs are \$60,462 in FY 2010 and \$120,923 in FY 2011 through FY 2013.

Effective Date: Passage and approval.

**HB 82**      Short Title:    **Revise deposit of stranded 911 revenue**  
Primary Sponsor:    Robyn Driscoll

Bill Description: This bill changes the distribution of revenue received from 9-1-1 fees received pursuant to MCA, 10-4-201. Previously, 3.74% of 9-1-1 fee revenue was deposited in the state

general fund. This bill repeals the general fund allocation, and provides that 2.74% of 9-1-1 fee revenue is to be deposited in a state special revenue account to be used for state administration of the 9-1-1 program, and further provides that any funds remaining in the administration account at the end of the fiscal year are to be distributed equally to each of the four 9-1-1 accounts provided for at MCA, 10-4-301.

This acts to reduce revenue to the state general fund, and increase the amount of 9-1-1 revenue flowing to counties for administration of the 9-1-1 program.

Impact on State General Fund:

FY2010	FY2011	FY2012	FY2013
\$(204,812)	\$(237,692)	\$(265,566)	\$(295,621)

Effective Date: July 1, 2009

**HB 155**     Short Title: **Require state agencies to develop procedures to protect personal information**

Primary Sponsor: Walter McNutt

Bill Description: HB155 generally provides that each state agency that maintains the social security number of an individual is to develop procedures to protect and safeguard the privacy of the number. The bill further provides that if the agency experiences a breach of security in a data system containing social security information the agency will make reasonable efforts to notify any person whose personal information is believed to have been acquired by an unauthorized person. The latter requirement also applies to other state agencies or third party persons authorized to use the individual's personal information.

Because the department already provides such safeguards, this legislation has little effect on the department.

Impact on State General Fund:

FY2010	FY2011	FY2012	FY2013
\$0	\$0	\$0	\$0

Effective Date: October 1, 2010

**HB 213**     Short Title: **Establish SW Montana veteran’s home**  
Primary Sponsor: John Sesso

Bill Description: This bill redistributes 1.2% of cigarette tax revenue in FY 2010 and FY 2011 to an account in the state special revenue fund to build a veterans home in southwestern Montana. This will decrease general fund revenue by the same amount deposited into the SW Montana veteran’s home fund.

Impact on State General Fund:

FY2010	FY2011	FY2012	FY2013
(\$977,000)	(\$987,000)	\$0	\$0

Effective Date: Changes in the distribution of cigarette taxes are effective July 1, 2009.

**SB 49**     Short Title: **Energy efficiency standards for construction of state buildings**  
Primary Sponsor: David Wanzenried

Bill Description: This bill affects all state agencies in that it provides that any new building constructed or major renovation undertaken, including new state-leased buildings, must be built and operated as “high-performance buildings”. New buildings must exceed the International Energy Conservation Code by 20%, and must integrate and optimize all major high-performance attributes, including energy efficiency and durability.

Impact on State General Fund:

FY2010	FY2011	FY2012	FY2013
\$0	\$0	\$0	\$0

Effective Date: Passage and approval.

Applicability Date(s): Applies to buildings constructed renovated, or leased after the effective date.

**SB 62**      Short Title: **Fix discrepancy in environmental contingency account funding**  
Primary Sponsor: Rick Liable

Bill Description:

This bill clarifies that the environmental contingency account established in MCA, 75-1-1101 is to receive \$175,000 in Resource Indemnity Trust Fund interest once each biennium, rather than at the beginning of each fiscal year.

Impact on State General Fund:

FY2010	FY2011	FY2012	FY2013
\$0	\$0	\$0	\$0

Effective Date: Passage and Approval

**SB 90**      Short Title: **Clarify sponsor notification for administrative rules**  
Primary Sponsor: Verdell Jackson

Bill Description: This bill affects all state agencies subject to statutory requirements addressing proposed rule notifications and review. It amends MCA, 2-4-302 to provide that when a state agency begins to work on the substantive content of *a proposed rule notice that initially implements legislation* that the agency is to contact the primary sponsor of the legislation to:

- obtain the legislator's comments;
- inform the legislator of the known dates by which each step of the rulemaking process must be completed; and
- provide the legislator with information about the time periods during which the legislator may comment on the proposed rule, including the opportunity to provide comment to the appropriate administrative rule committee.

In addition, agency personnel appointed to review each rule notice are required to include in the review whether the intended action is contrary to any comments submitted to the department by the primary sponsor of the legislation.

Finally, this bill requires a state agency to consider all written and oral submissions regarding proposed rules initially implementing legislation, including any comments submitted by the primary sponsor of the legislation. If the adopted rule does not reflect the primary sponsor's comments, the agency must provide a statement

explaining why the sponsor's comments were not incorporated into the adopted rule.

Impact on State General Fund:

FY2010	FY2011	FY2012	FY2013
\$0	\$0	\$0	\$0

Effective Date: Passage and approval.

**SB 123**

Short Title: **Revise MAPA regarding amendment of rationale**

Primary Sponsor: Carolyn Squires

Bill Description: This bill provides that if, during the rule making process, a state agency uses an amended proposal notice to amend a statement of reasonable necessity for reasons other than for corrections in citations of authority, citations of sections being implemented, or of a clerical nature, the agency must allow additional time for oral or written comments from the same interested persons who were notified of the original proposal notice, including from a primary sponsor, if primary sponsor notification was required under MCA, 2-4-302.

Impact on State General Fund:

FY2010	FY2011	FY2012	FY2013
\$0	\$0	\$0	\$0

Effective Date: Passage and approval.

**SB 430**

Short Title: **Revise administrative provisions relating to DOR**

Primary Sponsor: Bradley Hamlet

Bill Description:

This bill removes the requirement that coal mine operators report the tons of coal sold to individual purchasers, clarifies the procedure to compute tax liability for oil and natural gas production taxes when no return is filed, and directs initial cigarette tax appeals to the Department of Revenue rather than the State Tax Appeals Board.

Impact on State General Fund:

FY2010	FY2011	FY2012	FY2013
\$0	\$0	\$0	\$0

Effective Date: October 1, 2009

Applicability Date(s): Applies to tax periods beginning after  
December 31, 2008.