

**State Tax Commissioner
Budget 127
Senate Bill No. 2006**

	FTE Positions	General Fund	Other Funds	Total
2003-05 legislative appropriation	137.00	\$21,154,695	\$115,044	\$21,269,739
2001-03 legislative appropriation	<u>143.00</u>	<u>22,343,661</u>	<u>709,729</u>	<u>23,053,390</u>
2003-05 appropriation increase (decrease) to 2001-03 appropriation	(6.00)	(\$1,188,966)	(\$594,685)	(\$1,783,651)

Item Description

Tax amnesty program - Senate Bill No. 2015 authorized the Tax Commissioner to conduct a one-time tax amnesty program beginning before December 31, 2003. The Legislative Assembly estimated general fund revenues for the 2003-05 biennium included \$550,000 for the tax amnesty program.

Status/Result

The Tax Department established program requirements and administered an amnesty program from October 1, 2003, through January 31, 2004. Taxpayers who filed under tax amnesty avoided legal actions, penalty fees, and had 75 percent of the interest normally charged forgiven. (The normal interest rate is 12 percent per year.) The Tax Commissioner's office indicated that a total of \$6.9 million was collected from taxpayers who filed under the tax amnesty program, of which approximately \$807,000 was from new filers. The majority of funds, approximately \$6.1 million, were payments identified by the Tax Department to be from existing liabilities included in the revenue forecast. Collections from new filers are:

Sales and use tax	\$437,000
Individual income tax	179,000
Corporate income tax	55,000
Total general fund collections	\$671,000
Estate, motor fuels, and other miscellaneous non-general fund revenues	136,000
Total new collections - All funds	\$807,000

Homestead tax credit program - For eligible homeowners, the homestead tax program provides for a graduated reduction in the taxable value and resulting taxes of a person's homestead based on the applicant's income level.

For eligible renters, the program provides a direct payment of up to \$240 to renters of the amount by which 20 percent of the total rent (representing the property tax portion) exceeds 4 percent of the applicant's annual income.

The homestead tax credit is available to homeowners or renters 65 years of age or older or any person who is permanently disabled. A homeowner or renter may not have income exceeding \$14,000 per year to be eligible for the program.

The schedules below present the number of eligible homeowners and renters and the payments made in recent years:

Number Eligible for Program			
Year	Homeowners	Renters	Total
1999	4,943	1,454	6,397
2000	4,457	1,508	5,965
2001	4,231	1,417	5,648
2002	4,341	1,329	5,670
2003	4,060	1,288	5,348

Payments Made Under Program			
Year	Homeowners	Renters	Total
1999	\$1,852,124	\$173,370	\$2,025,494
2000	\$1,817,552	\$190,211	\$2,007,763

2001	\$1,814,130	\$178,406	\$1,992,536
2002	\$1,768,001	\$173,754	\$1,941,755
2003	\$1,676,737	\$172,224	\$1,848,961

Streamlined sales and use tax agreement - North Dakota Century Code Section 57-39.4-09 provides that pursuant to the streamlined sales and use tax agreement, member states may not have multiple state sales and use tax rates on items of personal property or services **after December 31, 2005**, except that a member state may impose a single additional rate, which may be zero, on food and food ingredients and drugs as defined by state law. The streamlined sales tax provisions do not apply to sales and use taxes levied on electricity, piped natural or artificial gas or other heating fuel delivered by the seller, or the retail sale or transfer of motor vehicles, aircraft, watercraft, modular homes, manufactured homes, or mobile homes. Within member states, local jurisdictions may not impose more than one rate of sales or use tax per local jurisdiction.

The 2003 Legislative Assembly approved Senate Bill No. 2337, which provides for an **additional 1 percent sales tax on lodging** for promotion of the Lewis and Clark Bicentennial celebration **effective through June 30, 2007**. The 2005 Legislative Assembly may need to consider either repealing or redefining the 1 percent lodging tax in order to comply with the streamlined sales and use tax agreement. In addition, the 2005 Legislative Assembly may need to consider replacing the sales tax exemption for Montana residents with a refund program. Sections 19 and 20 of 2003 Senate Bill No. 2906 redefined sales and use taxes on farm machinery and alcoholic beverages with an equivalent gross receipts tax.