

HOUSE BILL NO. 742

INTRODUCED BY T. WOODS

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3
4 A BILL FOR AN ACT ENTITLED: "AN ACT REVISING INCOME TAX LAWS TO REDUCE PROPERTY TAXES
5 THAT FUND EDUCATION; REVISING INDIVIDUAL INCOME TAX RATES; REVISING THE TAXATION OF
6 SOCIAL SECURITY INCOME; MODIFYING THE FEDERAL CALCULATION FOR TAXATION OF SOCIAL
7 SECURITY BENEFITS ON A STATE RETURN; REDUCING THE STATE EQUALIZATION AID LEVY;
8 INCREASING GUARANTEED TAX BASE AID TO SCHOOL DISTRICTS; INCREASING SCHOOL RETIREMENT
9 GUARANTEED TAX BASE AID; INCREASING SCHOOL TRANSPORTATION REIMBURSEMENTS;
10 INCREASING FUNDING FOR THE SCHOOL FACILITY AND TECHNOLOGY ACCOUNT; PROVIDING FOR
11 AN APPROPRIATION; AMENDING SECTIONS 15-30-2103, 15-30-2110, 20-9-360, 20-9-366, 20-10-141,
12 20-10-144, 20-10-145, AND 20-10-146, MCA; AND PROVIDING APPLICABILITY DATES."

13

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

15

16 **Section 1.** Section 15-30-2103, MCA, is amended to read:

17 **"15-30-2103. Rate of tax.** (1) There must be levied, collected, and paid for each tax year upon the
18 taxable income of each taxpayer subject to this tax, after making allowance for exemptions and deductions as
19 provided in this chapter, a tax on the brackets of taxable income as follows:

- 20 ~~(a) on the first \$2,900 of taxable income or any part of that income, 1%;~~
21 ~~—— (b) on the next \$2,200 of taxable income or any part of that income, 2%;~~
22 ~~—— (c) on the next \$2,700 of taxable income or any part of that income, 3%;~~
23 ~~—— (d) on the next \$2,700 of taxable income or any part of that income, 4%;~~
24 ~~—— (e) on the next \$3,000 of taxable income or any part of that income, 5%;~~
25 ~~—— (f) on the next \$3,900 of taxable income or any part of that income, 6%;~~
26 ~~—— (g) on any taxable income in excess of \$17,400 or any part of that income, 6.9%.~~
27 (a) on the first \$3,200 of taxable income or any part of that income, 1%;
28 (b) on the next \$3,200 of taxable income or any part of that income, 2%;
29 (c) on the next \$6,500 of taxable income or any part of that income, 3%;
30 (d) on the next \$6,400 of taxable income or any part of that income, 4%;

- 1 (e) on the next \$6,500 of taxable income or any part of that income, 5.5%;
 2 (f) on the next \$6,400 of taxable income or any part of that income, 6.5%;
 3 (g) on the next \$12,900 of taxable income or any part of that income, 7.5%;
 4 (h) on the next \$19,300 of taxable income or any part of that income, 8.5%;
 5 (i) on the next \$48,300 of taxable income or any part of that income, 9.5%;
 6 (j) on any taxable income in excess of \$112,700 or any part of that income, 10.5%.

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

11
 12 **Section 2.** Section 15-30-2110, MCA, is amended to read:

13 **"15-30-2110. Adjusted gross income.** (1) Subject to subsection (14), adjusted gross income is the
 14 taxpayer's federal adjusted gross income as defined in section 62 of the Internal Revenue Code, 26 U.S.C. 62,
 15 and in addition includes the following:

16 (a) (i) interest received on obligations of another state or territory or county, municipality, district, or other
 17 political subdivision of another state, except to the extent that the interest is exempt from taxation by Montana
 18 under federal law;

19 (ii) exempt-interest dividends as defined in section 852(b)(5) of the Internal Revenue Code, 26 U.S.C.
 20 852(b)(5), that are attributable to the interest referred to in subsection (1)(a)(i);

21 (b) refunds received of federal income tax, to the extent that the deduction of the tax resulted in a
 22 reduction of Montana income tax liability as determined under subsection (15);

23 (c) that portion of a shareholder's income under subchapter S. of Chapter 1 of the Internal Revenue
 24 Code that has been reduced by any federal taxes paid by the subchapter S. corporation on the income;

25 (d) depreciation or amortization taken on a title plant as defined in 33-25-105;

26 (e) the recovery during the tax year of an amount deducted in any prior tax year to the extent that the
 27 amount recovered reduced the taxpayer's Montana income tax in the year deducted;

28 (f) if the state taxable distribution of an estate or trust is greater than the federal taxable distribution of
 29 the same estate or trust, the difference between the state taxable distribution and the federal taxable distribution
 30 of the same estate or trust for the same tax period; and

1 (g) except for exempt-interest dividends described in subsection (2)(a)(ii), the amount of any dividend
2 to the extent that the dividend is not included in federal adjusted gross income; and

3 (h) certain social security and tier 1 retirement benefits as determined under subsection (5).

4 (2) Notwithstanding the provisions of the Internal Revenue Code, adjusted gross income does not
5 include the following, which are exempt from taxation under this chapter:

6 (a) (i) all interest income from obligations of the United States government, the state of Montana, or a
7 county, municipality, district, or other political subdivision of the state and any other interest income that is exempt
8 from taxation by Montana under federal law;

9 (ii) exempt-interest dividends as defined in section 852(b)(5) of the Internal Revenue Code, 26 U.S.C.
10 852(b)(5), that are attributable to the interest referred to in subsection (2)(a)(i);

11 (b) interest income earned by a taxpayer who is 65 years of age or older in a tax year up to and including
12 \$800 for a taxpayer filing a separate return and \$1,600 for each joint return;

13 (c) (i) except as provided in subsection (2)(c)(ii) and subject to subsection (16), the first \$4,070 of all
14 pension and annuity income received as defined in 15-30-2101;

15 (ii) subject to subsection (16), for pension and annuity income described under subsection (2)(c)(i), as
16 follows:

17 (A) each taxpayer filing singly, head of household, or married filing separately shall reduce the total
18 amount of the exclusion provided in subsection (2)(c)(i) by \$2 for every \$1 of federal adjusted gross income in
19 excess of \$33,910 as shown on the taxpayer's return;

20 (B) in the case of married taxpayers filing jointly, if both taxpayers are receiving pension or annuity
21 income or if only one taxpayer is receiving pension or annuity income, the exclusion claimed as provided in
22 subsection (2)(c)(i) must be reduced by \$2 for every \$1 of federal adjusted gross income in excess of \$33,910
23 as shown on their joint return;

24 (d) all Montana income tax refunds or tax refund credits;

25 (e) gain required to be recognized by a liquidating corporation under 15-31-113(1)(a)(ii);

26 (f) all tips or gratuities that are covered by section 3402(k) or service charges that are covered by section
27 3401 of the Internal Revenue Code of 1954, 26 U.S.C. 3402(k) or 3401, as amended and applicable on January
28 1, 1983, received by a person for services rendered to patrons of premises licensed to provide food, beverage,
29 or lodging;

30 (g) all benefits received under the workers' compensation laws;

- 1 (h) all health insurance premiums paid by an employer for an employee if attributed as income to the
2 employee under federal law;
- 3 (i) all money received because of a settlement agreement or judgment in a lawsuit brought against a
4 manufacturer or distributor of "agent orange" for damages resulting from exposure to "agent orange";
- 5 (j) principal and income in a medical care savings account established in accordance with 15-61-201
6 or withdrawn from an account for eligible medical expenses, as defined in 15-61-102, including a medical care
7 savings account inherited by an immediate family member as provided in 15-61-202(6);
- 8 (k) principal and income in a first-time home buyer savings account established in accordance with
9 15-63-201 or withdrawn from an account for eligible costs, as provided in 15-63-202(7), for the first-time purchase
10 of a single-family residence;
- 11 (l) contributions or earnings withdrawn from a family education savings account or from a qualified tuition
12 program established and maintained by another state as provided by section 529(b)(1)(A)(ii) of the Internal
13 Revenue Code, 26 U.S.C. 529(b)(1)(A)(ii), for qualified higher education expenses, as defined in 15-62-103, of
14 a designated beneficiary;
- 15 (m) the recovery during the tax year of any amount deducted in any prior tax year to the extent that the
16 recovered amount did not reduce the taxpayer's Montana income tax in the year deducted;
- 17 (n) if the federal taxable distribution of an estate or trust is greater than the state taxable distribution of
18 the same estate or trust, the difference between the federal taxable distribution and the state taxable distribution
19 of the same estate or trust for the same tax period;
- 20 (o) deposits, not exceeding the amount set forth in 15-30-3003, deposited in a Montana farm and ranch
21 risk management account, as provided in 15-30-3001 through 15-30-3005, in any tax year for which a deduction
22 is not provided for federal income tax purposes;
- 23 (p) income of a dependent child that is included in the taxpayer's federal adjusted gross income pursuant
24 to the Internal Revenue Code. The child is required to file a Montana personal income tax return if the child and
25 taxpayer meet the filing requirements in 15-30-2602.
- 26 (q) principal and income deposited in a health care expense trust account, as defined in 2-18-1303, or
27 withdrawn from the account for payment of qualified health care expenses as defined in 2-18-1303;
- 28 (r) the amount of the gain recognized from the sale or exchange of a mobile home park as provided in
29 15-31-163;
- 30 (s) the amount of a scholarship to an eligible student by a student scholarship organization pursuant to

1 15-30-3104; and

2 (t) a payment received by a private landowner for providing public access to public land pursuant to Title
3 76, chapter 17, part 1; and

4 (u) certain social security and tier 1 retirement benefits as determined under subsection (5).

5 (3) A shareholder of a DISC that is exempt from the corporate income tax under 15-31-102(1)(l) shall
6 include in the shareholder's adjusted gross income the earnings and profits of the DISC in the same manner as
7 provided by section 995 of the Internal Revenue Code, 26 U.S.C. 995, for all periods for which the DISC election
8 is effective.

9 (4) (a) A taxpayer who, in determining federal adjusted gross income, has reduced the taxpayer's
10 business deductions:

11 (i) by an amount for wages and salaries for which a federal tax credit was elected under sections 38 and
12 51(a) of the Internal Revenue Code, 26 U.S.C. 38 and 51(a), is allowed to deduct the amount of the wages and
13 salaries paid regardless of the credit taken; or

14 (ii) for which a federal tax credit was elected under the Internal Revenue Code is allowed to deduct the
15 amount of the business expense paid when there is no corresponding state income tax credit or deduction,
16 regardless of the credit taken.

17 (b) The deductions in subsection (4)(a) must be made in the year that the wages, salaries, or business
18 expenses were used to compute the credit. In the case of a partnership or small business corporation, the
19 deductions in subsection (4)(a) must be made to determine the amount of income or loss of the partnership or
20 small business corporation.

21 (5) ~~Married taxpayers filing a joint federal return~~ Taxpayers who are required to include part of their social
22 security benefits or part of their tier 1 railroad retirement benefits in federal adjusted gross income ~~may split the~~
23 ~~federal base used in calculation of federal taxable social security benefits or federal taxable tier 1 railroad~~
24 ~~retirement benefits when they file separate Montana income tax returns. The federal base must be split equally~~
25 ~~on the Montana return~~ shall calculate the amount included in Montana adjusted gross income as provided for in
26 section 86 of the Internal Revenue Code, 26 U.S.C. 86, except that:

27 (a) for each taxpayer filing singly or head of household, "base amount" means \$30,000 and "adjusted
28 base amount" means \$39,000;

29 (b) in the case of married taxpayers filing jointly, "base amount" means \$60,000 and "adjusted base
30 amount" means \$72,000; and

1 (c) for each taxpayer filing married filing separately, "base amount" means \$20,000 and "adjusted base
2 amount" means \$26,000.

3 (6) Married taxpayers filing a joint federal return who are allowed a capital loss deduction under section
4 1211 of the Internal Revenue Code, 26 U.S.C. 1211, and who file separate Montana income tax returns may
5 claim the same amount of the capital loss deduction that is allowed on the federal return. If the allowable capital
6 loss is clearly attributable to one spouse, the loss must be shown on that spouse's return; otherwise, the loss
7 must be split equally on each return.

8 (7) In the case of passive and rental income losses, married taxpayers filing a joint federal return and
9 who file separate Montana income tax returns are not required to recompute allowable passive losses according
10 to the federal passive activity rules for married taxpayers filing separately under section 469 of the Internal
11 Revenue Code, 26 U.S.C. 469. If the allowable passive loss is clearly attributable to one spouse, the loss must
12 be shown on that spouse's return; otherwise, the loss must be split equally on each return.

13 (8) Married taxpayers filing a joint federal return in which one or both of the taxpayers are allowed a
14 deduction for an individual retirement contribution under section 219 of the Internal Revenue Code, 26 U.S.C.
15 219, and who file separate Montana income tax returns may claim the same amount of the deduction that is
16 allowed on the federal return. The deduction must be attributed to the spouse who made the contribution.

17 (9) (a) Married taxpayers filing a joint federal return who are allowed a deduction for interest paid for a
18 qualified education loan under section 221 of the Internal Revenue Code, 26 U.S.C. 221, and who file separate
19 Montana income tax returns may claim the same amount of the deduction that is allowed on the federal return.
20 The deduction may be split equally on each return or in proportion to each taxpayer's share of federal adjusted
21 gross income.

22 (b) Married taxpayers filing a joint federal return who are allowed a deduction for qualified tuition and
23 related expenses under section 222 of the Internal Revenue Code, 26 U.S.C. 222, and who file separate Montana
24 income tax returns may claim the same amount of the deduction that is allowed on the federal return. The
25 deduction may be split equally on each return or in proportion to each taxpayer's share of federal adjusted gross
26 income.

27 (10) A taxpayer receiving retirement disability benefits who has not attained 65 years of age by the end
28 of the tax year and who has retired as permanently and totally disabled may exclude from adjusted gross income
29 up to \$100 a week received as wages or payments in lieu of wages for a period during which the employee is
30 absent from work due to the disability. If the adjusted gross income before this exclusion exceeds \$15,000, the

1 excess reduces the exclusion by an equal amount. This limitation affects the amount of exclusion, but not the
2 taxpayer's eligibility for the exclusion. If eligible, married individuals shall apply the exclusion separately, but the
3 limitation for income exceeding \$15,000 is determined with respect to the spouses on their combined adjusted
4 gross income. For the purpose of this subsection, "permanently and totally disabled" means unable to engage
5 in any substantial gainful activity by reason of any medically determined physical or mental impairment lasting
6 or expected to last at least 12 months.

7 (11) (a) An individual who contributes to one or more accounts established under the Montana family
8 education savings program or to a qualified tuition program established and maintained by another state as
9 provided by section 529(b)(1)(A)(ii) of the Internal Revenue Code, 26 U.S.C. 529(b)(1)(A)(ii), may reduce adjusted
10 gross income by the lesser of \$3,000 or the amount of the contribution. In the case of married taxpayers, each
11 spouse is entitled to a reduction, not in excess of \$3,000, for the spouses' contributions to the accounts. Spouses
12 may jointly elect to treat half of the total contributions made by the spouses as being made by each spouse. The
13 reduction in adjusted gross income under this subsection applies only with respect to contributions to an account
14 of which the account owner is the taxpayer, the taxpayer's spouse, or the taxpayer's child or stepchild if the
15 taxpayer's child or stepchild is a Montana resident. The provisions of subsection (1)(e) do not apply with respect
16 to withdrawals of contributions that reduced adjusted gross income.

17 (b) Contributions made pursuant to this subsection (11) are subject to the recapture tax provided in
18 15-62-208.

19 (12) (a) An individual who contributes to one or more accounts established under the Montana achieving
20 a better life experience program or to a qualified program established and maintained by another state as
21 provided by section 529A(e)(7) of the Internal Revenue Code, 26 U.S.C. 529A(e)(7), may reduce adjusted gross
22 income by the lesser of \$3,000 or the amount of the contribution. In the case of married taxpayers, each spouse
23 is entitled to a reduction, not to exceed \$3,000, for the spouses' contributions to the accounts. Spouses may
24 jointly elect to treat one-half of the total contributions made by the spouses as being made by each spouse. The
25 reduction in adjusted gross income under this subsection (12)(a) applies only with respect to contributions to an
26 account for which the account owner is the taxpayer, the taxpayer's spouse, or the taxpayer's child or stepchild
27 if the taxpayer's child or stepchild is a Montana resident. The provisions of subsection (1)(e) do not apply with
28 respect to withdrawals of contributions that reduced adjusted gross income.

29 (b) Contributions made pursuant to this subsection (12) are subject to the recapture tax provided in
30 53-25-118.

1 (13) (a) A taxpayer may exclude the amount of the loan payment received pursuant to subsection
2 (13)(a)(iv), not to exceed \$5,000, from the taxpayer's adjusted gross income if the taxpayer:

3 (i) is a health care professional licensed in Montana as provided in Title 37;

4 (ii) is serving a significant portion of a designated geographic area, special population, or facility
5 population in a federally designated health professional shortage area, a medically underserved area or
6 population, or a federal nursing shortage county as determined by the secretary of health and human services
7 or by the governor;

8 (iii) has had a student loan incurred as a result of health-related education; and

9 (iv) has received a loan payment during the tax year made on the taxpayer's behalf by a loan repayment
10 program described in subsection (13)(b) as an incentive to practice in Montana.

11 (b) For the purposes of subsection (13)(a), a loan repayment program includes a federal, state, or
12 qualified private program. A qualified private loan repayment program includes a licensed health care facility, as
13 defined in 50-5-101, that makes student loan payments on behalf of the person who is employed by the facility
14 as a licensed health care professional.

15 (14) Notwithstanding the provisions of subsection (1), adjusted gross income does not include 40% of
16 capital gains on the sale or exchange of capital assets before December 31, 1986, as capital gains are
17 determined under subchapter P. of Chapter 1 of the Internal Revenue Code as it read on December 31, 1986.

18 (15) A refund received of federal income tax referred to in subsection (1)(b) must be allocated in the
19 following order as applicable:

20 (a) to federal income tax in a prior tax year that was not deducted on the state tax return in that prior tax
21 year;

22 (b) to federal income tax in a prior tax year that was deducted on the state tax return in that prior tax year
23 but did not result in a reduction in state income tax liability in that prior tax year; and

24 (c) to federal income tax in a prior tax year that was deducted on the state tax return in that prior tax year
25 and that reduced the taxpayer's state income tax liability in that prior tax year.

26 (16) By November 1 of each year, the department shall multiply the amount of pension and annuity
27 income contained in subsection (2)(c)(i) and the federal adjusted gross income amounts in subsection (2)(c)(ii)
28 by the inflation factor for the following tax year, rounded to the nearest \$10. The resulting amounts are effective
29 for that following tax year and must be used as the basis for the exemption determined under subsection (2)(c).
30 (Subsection (2)(f) terminates on occurrence of contingency--sec. 3, Ch. 634, L. 1983; subsection (2)(o) terminates

1 on occurrence of contingency--sec. 9, Ch. 262, L. 2001; subsection (2)(s) terminates December 31, 2023--sec.
2 33, Ch. 457, L. 2015; subsection (2)(t) terminates June 30, 2027--sec. 10, Ch. 374, L. 2017.)"

3

4 **Section 3.** Section 20-9-360, MCA, is amended to read:

5 **"20-9-360. State equalization aid levy.** Subject to 15-10-420, there is a levy of ~~40~~ 10 mills imposed by
6 the county commissioners of each county on all taxable property within the state, except property for which a tax
7 or fee is required under 61-3-321(2) or (3), 61-3-529, 61-3-537, 61-3-562, 61-3-570, and 67-3-204. Proceeds of
8 the levy must be remitted to the department of revenue, as provided in 15-1-504, and must be deposited to the
9 credit of the state general fund for state equalization aid to the public schools of Montana."

10

11 **Section 4.** Section 20-9-366, MCA, is amended to read:

12 **"20-9-366. Definitions.** As used in 20-9-366 through 20-9-371, the following definitions apply:

13 (1) "County retirement mill value per elementary ANB" or "county retirement mill value per high school
14 ANB" means the sum of the taxable valuation in the previous year of all property in the county divided by 1,000,
15 with the quotient divided by the total county elementary ANB count or the total county high school ANB count
16 used to calculate the elementary school districts' and high school districts' prior year total per-ANB entitlement
17 amounts.

18 (2) (a) "District guaranteed tax base ratio" for guaranteed tax base funding for the BASE budget of an
19 eligible district means the taxable valuation in the previous year of all property in the district, except for property
20 value disregarded because of protested taxes under 15-1-409(2) or property subject to the creation of a new
21 school district under 20-6-326, divided by the district's prior year GTBA budget area.

22 (b) "District mill value per ANB", for school facility entitlement purposes, means the taxable valuation in
23 the previous year of all property in the district, except for property subject to the creation of a new school district
24 under 20-6-326, divided by 1,000, with the quotient divided by the ANB count of the district used to calculate the
25 district's prior year total per-ANB entitlement amount.

26 (3) "Facility guaranteed mill value per ANB", for school facility entitlement guaranteed tax base purposes,
27 means the sum of the taxable valuation in the previous year of all property in the state, multiplied by 140% and
28 divided by 1,000, with the quotient divided by the total state elementary ANB count or the total state high school
29 ANB count used to calculate the elementary school districts' and high school districts' prior year total per-ANB
30 entitlement amounts.

1 (4) "Guaranteed tax base aid budget area" or "GTBA budget area" means the portion of a district's BASE
2 budget after the following payments are subtracted:

- 3 (a) direct state aid;
4 (b) the total data-for-achievement payment;
5 (c) the total quality educator payment;
6 (d) the total at-risk student payment;
7 (e) the total Indian education for all payment;
8 (f) the total American Indian achievement gap payment; and
9 (g) the state special education allowable cost payment.

10 (5) (a) "Statewide elementary guaranteed tax base ratio" or "statewide high school guaranteed tax base
11 ratio", for guaranteed tax base funding for the BASE budget of an eligible district, means the sum of the taxable
12 valuation in the previous year of all property in the state, multiplied by 193% for fiscal year 2018, 216% for fiscal
13 year 2019, 224% for fiscal year 2020, and ~~232%~~ 341% for fiscal year 2021 and each succeeding fiscal year and
14 divided by the prior year statewide GTBA budget area for the state elementary school districts or the state high
15 school districts.

16 (b) "Statewide mill value per elementary ANB" or "statewide mill value per high school ANB", for school
17 retirement guaranteed tax base purposes, means the sum of the taxable valuation in the previous year of all
18 property in the state, multiplied by 121% through fiscal year 2020 and 153% for fiscal year 2021 and each
19 succeeding fiscal year and divided by 1,000, with the quotient divided by the total state elementary ANB count
20 or the total state high school ANB amount used to calculate the elementary school districts' and high school
21 districts' prior year total per-ANB entitlement amounts."
22

23 **Section 5.** Section 20-10-141, MCA, is amended to read:

24 **"20-10-141. Schedule of maximum reimbursement by mileage rates.** (1) The mileage rates in
25 subsection (2) for school transportation constitute the maximum reimbursement to districts for school
26 transportation from state and county sources of transportation revenue under the provisions of 20-10-145 and
27 20-10-146. These rates may not limit the amount that a district may budget in its transportation fund budget in
28 order to provide for the estimated and necessary cost of school transportation during the ensuing school fiscal
29 year. All bus miles traveled on bus routes approved by the county transportation committee are reimbursable.
30 Nonbus mileage is reimbursable for a vehicle driven by a bus driver to and from an overnight location of a school

1 bus when the location is more than 10 miles from the school. A district may approve additional bus or nonbus
 2 miles within its own district or approved service area but may not claim reimbursement for the mileage. Any
 3 vehicle, the operation of which is reimbursed for bus mileage under the rate provisions of this schedule, must be
 4 a school bus, as defined by this title, driven by a qualified driver on a bus route approved by the county
 5 transportation committee and the superintendent of public instruction.

6 (2) (a) The rate for each bus mile traveled must be determined in accordance with the following
 7 schedule:

8 (i) ~~50 cents~~ \$1.40 for a school bus as defined in 20-10-101(4)(a)(ii);

9 (ii) ~~95 cents~~ \$1.85 for a school bus with a rated capacity of not more than 49 passenger seating positions;

10 (iii) ~~\$1.15~~ \$2.05 for a school bus with a rated capacity of 50 to 59 passenger seating positions;

11 (iv) ~~\$1.36~~ \$2.26 for a school bus with a rated capacity of 60 to 69 passenger seating positions;

12 (v) ~~\$1.57~~ \$2.47 for a school bus with a rated capacity of 70 to 79 passenger seating positions; and

13 (vi) ~~\$1.80~~ \$2.70 for a school bus with 80 or more passenger seating positions.

14 (b) Nonbus mileage, as provided in subsection (1), must be reimbursed at a rate of ~~50 cents~~ \$1.40 a
 15 mile.

16 (3) The rated capacity is the number of passenger seating positions of a school bus as determined under
 17 the policy adopted by the board of public education. If modification of a school bus to accommodate pupils with
 18 disabilities reduces the rated capacity of the bus, the reimbursement to a district for pupil transportation is based
 19 on the rated capacity of the bus prior to modification.

20 (4) The number of pupils riding the school bus may not exceed the passenger seating positions of the
 21 bus."

22

23 **Section 6.** Section 20-10-144, MCA, is amended to read:

24 **"20-10-144. Computation of revenue and net tax levy requirements for district transportation fund**
 25 **budget.** Before the second Monday of August, the county superintendent shall compute the revenue available
 26 to finance the transportation fund budget of each district. The county superintendent shall compute the revenue
 27 for each district on the following basis:

28 (1) The "schedule amount" of the budget expenditures that is derived from the rate schedules in
 29 20-10-141 and 20-10-142 must be determined by adding the following amounts:

30 (a) the sum of the maximum reimbursable expenditures for all approved school bus routes maintained

1 by the district (to determine the maximum reimbursable expenditure, multiply the applicable rate for each bus mile
2 by the total number of miles to be traveled during the ensuing school fiscal year on each bus route approved by
3 the county transportation committee and maintained by the district); plus

4 (b) the total of all individual transportation per diem reimbursement rates for the district as determined
5 from the contracts submitted by the district multiplied by the number of pupil-instruction days scheduled for the
6 ensuing school attendance year; plus

7 (c) any estimated costs for supervised home study or supervised correspondence study for the ensuing
8 school fiscal year; plus

9 (d) the amount budgeted in the budget for the contingency amount permitted in 20-10-143, except if the
10 amount exceeds 10% of the total of subsections (1)(a), (1)(b), and (1)(c) or \$100, whichever is larger, the
11 contingency amount on the budget must be reduced to the limitation amount and used in this determination of
12 the schedule amount; plus

13 (e) any estimated costs for transporting a child out of district when the child has mandatory approval to
14 attend school in a district outside the district of residence.

15 (2) (a) The schedule amount determined in subsection (1) or the total transportation fund budget,
16 whichever is smaller, ~~is divided by 2 and~~ is used to determine the available state and county revenue to be
17 budgeted on the following basis:

18 (i) ~~one-half~~ 70% is the budgeted state transportation reimbursement; and

19 (ii) ~~one-half~~ 30% is the budgeted county transportation fund reimbursement and must be financed in the
20 manner provided in 20-10-146.

21 (b) When the district has a sufficient amount of fund balance for reappropriation and other sources of
22 district revenue, as determined in subsection (3), to reduce the total district obligation for financing to zero, any
23 remaining amount of district revenue and fund balance reappropriated must be used to reduce the county
24 financing obligation in subsection (2)(a)(ii) and, if the county financing obligations are reduced to zero, to reduce
25 the state financial obligation in subsection (2)(a)(i).

26 (c) The county revenue requirement for a joint district, after the application of any district money under
27 subsection (2)(b), must be prorated to each county incorporated by the joint district in the same proportion as the
28 ANB of the joint district is distributed by pupil residence in each county.

29 (3) The total of the money available for the reduction of property tax on the district for the transportation
30 fund must be determined by totaling:

- 1 (a) anticipated federal money received under the provisions of 20 U.S.C. 7701, et seq., or other
2 anticipated federal money received in lieu of that federal act;
- 3 (b) anticipated payments from other districts for providing school bus transportation services for the
4 district;
- 5 (c) anticipated payments from a parent or guardian for providing school bus transportation services for
6 a child;
- 7 (d) anticipated or reappropriated interest to be earned by the investment of transportation fund cash in
8 accordance with the provisions of 20-9-213(4);
- 9 (e) anticipated revenue from coal gross proceeds under 15-23-703;
- 10 (f) anticipated oil and natural gas production taxes;
- 11 (g) anticipated transportation payments for out-of-district pupils under the provisions of 20-5-320 through
12 20-5-324;
- 13 (h) any other revenue anticipated by the trustees to be earned during the ensuing school fiscal year that
14 may be used to finance the transportation fund; and
- 15 (i) any fund balance available for reappropriation as determined by subtracting the amount of the
16 end-of-the-year fund balance earmarked as the transportation fund operating reserve for the ensuing school fiscal
17 year by the trustees from the end-of-the-year fund balance in the transportation fund. The operating reserve may
18 not be more than 20% of the final transportation fund budget for the ensuing school fiscal year and is for the
19 purpose of paying transportation fund warrants issued by the district under the final transportation fund budget.
- 20 (4) The district levy requirement for each district's transportation fund must be computed by:
- 21 (a) subtracting the schedule amount calculated in subsection (1) from the total preliminary transportation
22 budget amount; and
- 23 (b) subtracting the amount of money available to reduce the property tax on the district, as determined
24 in subsection (3), from the amount determined in subsection (4)(a).
- 25 (5) The transportation fund levy requirements determined in subsection (4) for each district must be
26 reported to the county commissioners on or before the later of the first Tuesday in September or within 30
27 calendar days after receiving certified taxable values by the county superintendent as the transportation fund levy
28 requirements for the district, and the levy must be made by the county commissioners in accordance with
29 20-9-142."
- 30

1 **Section 7.** Section 20-10-145, MCA, is amended to read:

2 **"20-10-145. State transportation reimbursement.** (1) A district providing school bus transportation or
3 individual transportation in accordance with this title, board of public education transportation policy, and
4 superintendent of public instruction transportation rules must receive a state reimbursement of its transportation
5 expenditures under the transportation reimbursement rate provisions of 20-10-141 and 20-10-142. The state
6 transportation reimbursement is ~~one-half~~ 70% of the reimbursement amounts established in 20-10-141 and
7 20-10-142 or ~~one-half~~ 70% of the district's transportation fund budget, whichever is smaller, and must be
8 computed on the basis of the number of days the transportation services were actually rendered to transport
9 eligible transportees, as defined in 20-10-101, to or from school to participate in the minimum aggregate hours
10 of instruction required pursuant to 20-1-301. In determining the amount of the state transportation reimbursement,
11 an amount claimed by a district may not be considered for reimbursement unless the amount has been paid in
12 the regular manner provided for the payment of other financial obligations of the district.

13 (2) Requests for the state transportation reimbursement must be made by each district semiannually
14 during the school fiscal year on the claim forms and procedure promulgated by the superintendent of public
15 instruction. The claims for state transportation reimbursements must be routed by the district to the county
16 superintendent, who after reviewing the claims shall send them to the superintendent of public instruction. The
17 superintendent of public instruction shall establish the validity and accuracy of the claims for the state
18 transportation reimbursements by determining compliance with this title, board of public education transportation
19 policy, and the transportation rules of the superintendent of public instruction. After making any necessary
20 adjustments to the claims, the superintendent of public instruction shall order a disbursement from the state
21 money appropriated by the legislature of the state of Montana for the state transportation reimbursement.

22 (3) The superintendent of public instruction shall make the disbursement to each school district according
23 to the following schedule:

24 (a) By September 1 of each year, the superintendent of public instruction shall make a payment equal
25 to 50% of the state transportation reimbursement paid to the district in the previous school year.

26 (b) By March 31 of each year, the superintendent of public instruction shall make a payment to the district
27 equal to the approved amount of state reimbursement for first semester transportation claims less the amount
28 distributed to the district under subsection (3)(a).

29 (c) By June 30 of each year, the superintendent of public instruction shall make a payment to the district
30 to pay the balance of the approved amount due to the district for first and second semester transportation.

1 (4) The payment of all the district's claims within one county must be made to the county treasurer of the
 2 county, and the county superintendent shall apportion the payment in accordance with the apportionment order
 3 supplied by the superintendent of public instruction.

4 (5) After adopting a budget amendment for the transportation fund in accordance with 20-9-161 through
 5 20-9-166, the district shall send to the superintendent of public instruction a copy of each new or amended
 6 individual transportation contract and each new or amended bus route form to which the budget amendment
 7 applies. State reimbursement for the additional obligations must be paid as provided in subsection (1)."

8

9 **Section 8.** Section 20-10-146, MCA, is amended to read:

10 **"20-10-146. County transportation reimbursement.** (1) The apportionment of the county transportation
 11 reimbursement by the county superintendent for school bus transportation or individual transportation that is
 12 actually rendered by a district in accordance with this title, board of public education transportation policy, and
 13 the transportation rules of the superintendent of public instruction must be ~~the same as the state transportation~~
 14 ~~reimbursement payment~~ 30% of the reimbursement rates established in 20-10-141 and 20-10-142, except that:

15 (a) if any cash was used to reduce the budgeted county transportation reimbursement under the
 16 provisions of 20-10-144(2)(b), the annual apportionment is limited to the budget amount;

17 (b) when the county transportation reimbursement for a school bus has been prorated between two or
 18 more counties because the school bus is conveying pupils of more than one district located in the counties, the
 19 apportionment of the county transportation reimbursement must be adjusted to pay the amount computed under
 20 the proration; and

21 (c) when county transportation reimbursement is required under the mandatory attendance agreement
 22 provisions of 20-5-321.

23 (2) The county transportation net levy requirement for the financing of the county transportation fund
 24 reimbursements to districts is computed by:

25 (a) totaling the net requirement for all districts of the county, including reimbursements to a special
 26 education cooperative or prorated reimbursements to joint districts or reimbursements under the mandatory
 27 attendance agreement provisions of 20-5-321;

28 (b) determining the sum of the money available to reduce the county transportation net levy requirement
 29 by adding:

30 (i) anticipated money that may be realized in the county transportation fund during the ensuing school

1 fiscal year;

2 (ii) oil and natural gas production taxes;

3 (iii) coal gross proceeds taxes under 15-23-703;

4 (iv) any fund balance available for reappropriation from the end-of-the-year fund balance in the county

5 transportation fund;

6 (v) federal forest reserve funds allocated under the provisions of 17-3-213; and

7 (vi) other revenue anticipated that may be realized in the county transportation fund during the ensuing

8 school fiscal year; and

9 (c) subtracting the money available, as determined in subsection (2)(b), to reduce the levy requirement

10 from the county transportation net levy requirement.

11 (3) The net levy requirement determined in subsection (2)(c) must be reported to the county

12 commissioners on or before the later of the first Tuesday in September or within 30 calendar days after receiving

13 certified taxable values by the county superintendent, and a levy must be set by the county commissioners in

14 accordance with 20-9-142.

15 (4) The county superintendent of each county shall submit a report of the revenue amounts used to

16 establish the levy requirements to the superintendent of public instruction on or before September 15. The report

17 must be completed on forms supplied by the superintendent of public instruction.

18 (5) The county superintendent shall apportion the county transportation reimbursement from the

19 proceeds of the county transportation fund. The county superintendent shall order the county treasurer to make

20 the apportionments in accordance with 20-9-212(2) and after the receipt of the semiannual state transportation

21 reimbursement payments."

22

23 NEW SECTION. Section 9. Transfer. Beginning fiscal year 2020, \$10 million is transferred annually

24 to the school facility and technology account provided for in 20-9-516 from the general fund.

25

26 NEW SECTION. Section 10. Appropriation. If House Bill No. 2 and [this act] are passed and approved,

27 the appropriation to the office of public instruction for school facility reimbursement in House Bill No. 2 is

28 increased by \$10 million for fiscal year 2020 and for fiscal year 2021.

29

30 NEW SECTION. Section 11. Applicability. (1) [Sections 1 and 2] apply to income tax years beginning

1 after December 31, 2019.

2 (2) [Section 3] applies to property tax years beginning after December 31, 2020.

3 (3) [Sections 5 through 8] apply to reimbursements for transportation beginning July 1, 2020.

4 - END -