

SENATE BILL NO. 327

INTRODUCED BY G. HERTZ

A BILL FOR AN ACT ENTITLED: "AN ACT REVISING REGISTRATION FEES FOR VEHICLES; REVISING
GENERAL FUND TRANSFERS OF MOTOR VEHICLE REVENUE DEPOSITED IN THE GENERAL FUND;
TEMPORARILY REVISING THE ENTITLEMENT SHARE GROWTH RATE TO ACCOUNT FOR THE
REDUCED VEHICLE REGISTRATION FEES; AND AMENDING SECTIONS 15-1-121, 15-1-122, 61-3-321,
AND 61-3-562, MCA; AND PROVIDING A DELAYED EFFECTIVE DATE."

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

SECTION 1. SECTION 15-1-121, MCA, IS AMENDED TO READ:

"15-1-121. Entitlement share payment -- purpose -- appropriation. (1) As described in 15-1-120(3), each local government is entitled to an annual amount that is the replacement for revenue received by local governments for diminishment of property tax base and various earmarked fees and other revenue that, pursuant to Chapter 574, Laws of 2001, amended by section 4, Chapter 13, Special Laws of August 2002, and later enactments, were consolidated to provide aggregation of certain reimbursements, fees, tax collections, and other revenue in the state treasury with each local government's share. The reimbursement under this section is provided by direct payment from the state treasury rather than the ad hoc system that offset certain state payments with local government collections due the state and reimbursements made by percentage splits, with a local government remitting a portion of collections to the state, retaining a portion, and in some cases sending a portion to other local governments.

(2) The sources of dedicated revenue that were relinquished by local governments in exchange for an entitlement share of the state general fund were:

(a) personal property tax reimbursements pursuant to sections 167(1) through (5) and 169(6), Chapter 584, Laws of 1999;

(b) vehicle, boat, and aircraft taxes and fees pursuant to:

(i) Title 23, chapter 2, part 5;

Amendment - 1st Reading/2nd House-blue - Requested by: Greg Hertz - (H) Taxation

- 2025

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Drafter: Megan Moore,

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- 1 (ii) Title 23, chapter 2, part 6;
- 2 (iii) Title 23, chapter 2, part 8;
- 3 (iv) 61-3-317;
- 4 (v) 61-3-321;
- 5 (vi) Title 61, chapter 3, part 5, except for 61-3-509(3), as that subsection read prior to the
- 6 amendment of 61-3-509 in 2001;
- 7 (vii) Title 61, chapter 3, part 7;
- 8 (viii) 5% of the fees collected under 61-10-122;
- 9 (ix) 61-10-130;
- 10 (x) 61-10-148; and
- 11 (xi) 67-3-205;
- 12 (c) gaming revenue pursuant to Title 23, chapter 5, part 6, except for the permit fee in 23-5-
- 13 612(2)(a);
- 14 (d) district court fees pursuant to:
- 15 (i) 25-1-201, except those fees in 25-1-201(1)(d), (1)(g), and (1)(j);
- 16 (ii) 25-1-202;
- 17 (iii) 25-9-506; and
- 18 (iv) 27-9-103;
- 19 (e) certificate of title fees for manufactured homes pursuant to 15-1-116;
- 20 (f) financial institution taxes collected pursuant to the former provisions of Title 15, chapter 31, part
- 21 7;
- 22 (g) all beer, liquor, and wine taxes pursuant to:
- 23 (i) 16-1-404;
- 24 (ii) 16-1-406; and
- 25 (iii) 16-1-411;
- 26 (h) late filing fees pursuant to 61-3-220;
- 27 (i) title and registration fees pursuant to 61-3-203;
- 28 (j) veterans' cemetery license plate fees pursuant to 61-3-459;

- 1 (k) county personalized license plate fees pursuant to 61-3-406;
2 (l) special mobile equipment fees pursuant to 61-3-431;
3 (m) single movement permit fees pursuant to 61-4-310;
4 (n) state aeronautics fees pursuant to 67-3-101; and
5 (o) department of natural resources and conservation payments in lieu of taxes pursuant to former
6 Title 77, chapter 1, part 5.

7 (3) Except as provided in subsection (7)(b), the total amount received by each local government in
8 the prior fiscal year as an entitlement share payment under this section is the base component for the
9 subsequent fiscal year distribution, and in each subsequent year the prior year entitlement share payment,
10 including any reimbursement payments received pursuant to subsection (7), is each local government's base
11 component. The sum of all local governments' base components is the fiscal year entitlement share pool.

12 (4) (a) Except as provided in subsections (4)(b)(iv) and (7)(b), the base entitlement share pool
13 must be increased annually by an entitlement share growth rate as provided for in this subsection (4). The
14 amount determined through the application of annual growth rates is the entitlement share pool for each fiscal
15 year.

16 (b) By October 1 of each year, the department shall calculate the growth rate of the entitlement
17 share pool for the next fiscal year in the following manner:

18 (i) The department shall calculate the entitlement share growth rate based on the ratio of two
19 factors of state revenue sources for the first, second, and third most recently completed fiscal years as
20 recorded on the statewide accounting, budgeting, and human resource system. The first factor is the sum of the
21 revenue for the first and second previous completed fiscal years received from the sources referred to in
22 subsections (2)(b), (2)(c), and (2)(g) divided by the sum of the revenue for the second and third previous
23 completed fiscal years received from the same sources multiplied by 0.75. The second factor is the sum of the
24 revenue for the first and second previous completed fiscal years received from individual income tax as
25 provided in Title 15, chapter 30, and corporate income tax as provided in Title 15, chapter 31, divided by the
26 sum of the revenue for the second and third previous completed fiscal years received from the same sources
27 multiplied by 0.25.

28 (ii) Except as provided in subsections (4)(b)(iii) and (4)(b)(iv), the entitlement share growth rate is

1 the lesser of:

2 (A) the sum of the first factor plus the second factor; or

3 (B) 1.03 for counties, 1.0325 for consolidated local governments, and 1.035 for cities and towns.

4 (iii) In no instance can the entitlement growth factor be less than 1. Subject to subsection (4)(b)(iv),
5 the entitlement share growth rate is applied to the most recently completed fiscal year entitlement payment to
6 determine the subsequent fiscal year payment.

7 (iv) The entitlement share growth rate, as described in this subsection (4), is:

8 (A) for fiscal ~~year 2018, 1.005~~ years 2028, 2029, and 2030, a minimum of not less than 1.024; and

9 ~~(B) for fiscal year 2019, 1.0187;~~

10 ~~(C) (B) for fiscal year 2020 2031 and thereafter, determined as provided in subsection (4)(b)(ii). The~~
11 ~~rate must be applied to the entitlement payment for the previous fiscal year as if the payment had been~~
12 ~~calculated using entitlement share growth rates for fiscal years 2018 and 2019 as provided in subsection~~
13 ~~(4)(b)(ii).~~

14 (5) As used in this section, "local government" means a county, a consolidated local government,
15 an incorporated city, and an incorporated town. A local government does not include a tax increment financing
16 district provided for in subsection (8). The county or consolidated local government is responsible for making an
17 allocation from the county's or consolidated local government's share of the entitlement share pool to each
18 special district within the county or consolidated local government in a manner that reasonably reflects each
19 special district's loss of revenue sources for which reimbursement is provided in this section. The allocation for
20 each special district that existed in 2002 must be based on the relative proportion of the loss of revenue in
21 2002.

22 (6) (a) The entitlement share pools calculated in this section, the amounts distributed under 15-1-
23 123(4) for local governments, the funding provided for in subsection (8) of this section, and the amounts
24 distributed under 15-1-123(5) for tax increment financing districts are statutorily appropriated, as provided in 17-
25 7-502, from the general fund to the department for distribution to local governments.

26 (b) (i) The growth amount is the difference between the entitlement share pool in the current fiscal
27 year and the entitlement share pool in the previous fiscal year. The growth factor in the entitlement share must
28 be calculated separately for:

- 1 (A) counties;
- 2 (B) consolidated local governments; and
- 3 (C) incorporated cities and towns.
- 4 (ii) In each fiscal year, the growth amount for counties must be allocated as follows:
- 5 (A) 50% of the growth amount must be allocated based upon each county's percentage of the prior
- 6 fiscal year entitlement share pool for all counties; and
- 7 (B) 50% of the growth amount must be allocated based upon the percentage that each county's
- 8 population bears to the state population not residing within consolidated local governments as determined by
- 9 the latest interim year population estimates from the Montana department of commerce as supplied by the
- 10 United States bureau of the census.
- 11 (iii) In each fiscal year, the growth amount for consolidated local governments must be allocated as
- 12 follows:
- 13 (A) 50% of the growth amount must be allocated based upon each consolidated local
- 14 government's percentage of the prior fiscal year entitlement share pool for all consolidated local governments;
- 15 and
- 16 (B) 50% of the growth amount must be allocated based upon the percentage that each
- 17 consolidated local government's population bears to the state's total population residing within consolidated
- 18 local governments as determined by the latest interim year population estimates from the Montana department
- 19 of commerce as supplied by the United States bureau of the census.
- 20 (iv) In each fiscal year, the growth amount for incorporated cities and towns must be allocated as
- 21 follows:
- 22 (A) 50% of the growth amount must be allocated based upon each incorporated city's or town's
- 23 percentage of the prior fiscal year entitlement share pool for all incorporated cities and towns; and
- 24 (B) 50% of the growth amount must be allocated based upon the percentage that each city's or
- 25 town's population bears to the state's total population residing within incorporated cities and towns as
- 26 determined by the latest interim year population estimates from the Montana department of commerce as
- 27 supplied by the United States bureau of the census.
- 28 (v) In each fiscal year, the amount of the entitlement share pool before the growth amount or

adjustments made under subsection (7) are applied is to be distributed to each local government in the same manner as the entitlement share pool was distributed in the prior fiscal year.

(a) If the legislature enacts a reimbursement provision that is to be distributed pursuant to this section, the department shall determine the reimbursement amount as provided in the enactment and add the appropriate amount to the entitlement share distribution under this section. The total entitlement share distributions in a fiscal year, including distributions made pursuant to this subsection, equal the local fiscal year entitlement share pool. The ratio of each local government's distribution from the entitlement share pool must be recomputed to determine each local government's ratio to be used in the subsequent year's distribution determination under subsections (6)(b)(ii)(A), (6)(b)(iii)(A), and (6)(b)(iv)(A).

(b) For fiscal year 2018 and thereafter, the growth rate provided for in subsection (4) does not apply to the portion of the entitlement share pool attributable to the reimbursement provided for in 15-1-123(1) and (2). The department shall calculate the portion of the entitlement share pool attributable to the reimbursement in 15-1-123(1) and (2), including the application of the growth rate in previous fiscal years, for counties, consolidated local governments, and cities and, for fiscal year 2018 and thereafter, apply the growth rate for that portion of the entitlement share pool as provided in 15-1-123(3).

(c) The growth amount resulting from the application of the growth rate in 15-1-123(3) must be allocated as provided in subsections (6)(b)(ii)(A), (6)(b)(iii)(A), and (6)(b)(iv)(A) of this section.

(a) Except for a tax increment financing district entitled to a reimbursement under 15-1-123(5), if a tax increment financing district was not in existence during the fiscal year ending June 30, 2000, then the tax increment financing district is not entitled to any funding. If a tax increment financing district referred to in subsection (8)(b) terminates, then the funding for the district provided for in subsection (8)(b) terminates.

(b) One-half of the payments provided for in this subsection (8)(b) must be made by November 30 and the other half by May 31 of each year. Subject to subsection (8)(a), the entitlement share for tax increment financing districts is as follows:

Flathead	Kalispell - District 2	\$4,638
Flathead	Kalispell - District 3	37,231
Flathead	Whitefish District	148,194

Gallatin	Bozeman - downtown	31,158
Missoula	Missoula - 1-1C	225,251
Missoula	Missoula - 4-1C	30,009

(9) The estimated fiscal year entitlement share pool and any subsequent entitlement share pool for local governments do not include revenue received from tax increment financing districts.

(10) When there has been an underpayment of a local government's share of the entitlement share pool, the department shall distribute the difference between the underpayment and the correct amount of the entitlement share. When there has been an overpayment of a local government's entitlement share, the local government shall remit the overpaid amount to the department.

(11) A local government may appeal the department's estimation of the base component, the entitlement share growth rate, or a local government's allocation of the entitlement share pool, according to the uniform dispute review procedure in 15-1-211.

(12) (a) Except as provided in 2-7-517, a payment required pursuant to this section may not be offset by a debt owed to a state agency by a local government in accordance with Title 17, chapter 4, part 1.

(b) A payment required pursuant to this section must be withheld if a local government:

(i) fails to meet a deadline established in 2-7-503(1), 7-6-611(2), 7-6-4024(3), or 7-6-4036(1); and
(ii) fails to remit any amounts collected on behalf of the state as required by 15-1-504 or as otherwise required by law within 45 days of the end of a month.

(c) A payment required pursuant to this section may be withheld if, for more than 90 days, a local government fails to:

(i) file a financial report required by 15-1-504;
(ii) remit any amounts collected on behalf of the state as required by 15-1-504; or
(iii) remit any other amounts owed to the state or another taxing jurisdiction."

SECTION 2. SECTION 15-1-122, MCA, IS AMENDED TO READ:

"15-1-122. Fund transfers. (1) There is transferred from the state general fund to the adoption services account, provided for in 42-2-105, a base amount of \$59,209, and the amount of the transfer must be increased by 10% in each succeeding fiscal year.

(2) For each fiscal year, there is transferred from the state general fund to the accounts, entities, or recipients indicated the following amounts:

(a) to the motor vehicle recycling and disposal program provided for in Title 75, chapter 10, part 5, ~~1.48%~~ 3% of the motor vehicle revenue deposited in the state general fund in each fiscal year. The amount of 9.48% of the allocation in each fiscal year must be used for the purpose of reimbursing the hired removal of abandoned vehicles. Any portion of the allocation not used for abandoned vehicle removal reimbursement must be used as provided in 75-10-532.

(b) to the noxious weed state special revenue account provided for in 80-7-816, ~~4.50%~~ 3% of the motor vehicle revenue deposited in the state general fund in each fiscal year;

(c) to the department of fish, wildlife, and parks:

(i) ~~0.46%~~ 0.92% of the motor vehicle revenue deposited in the state general fund, with the applicable percentage to be:

(A) used to:

(I) acquire and maintain pumpout equipment and other boat facilities, 4.8% in each fiscal year;

(II) administer and enforce the provisions of Title 23, chapter 2, part 5, 19.1% in each fiscal year;

(III) enforce the provisions of 23-2-804, 11.1% in each fiscal year; and

(IV) develop and implement a comprehensive program and to plan appropriate off-highway vehicle recreational use, 16.7% in each fiscal year; and

(B) deposited in the state special revenue fund established in 23-1-105 in an amount equal to 48.3% in each fiscal year;

(ii) ~~0.10%~~ 0.20% of the motor vehicle revenue deposited in the state general fund in each fiscal year, with 50% of the amount to be used for enforcing the purposes of Title 23, chapter 2, part 6, and 50% of the amount designated for use in the development, maintenance, and operation of snowmobile facilities; and

(iii) ~~0.16%~~ 0.32% of the motor vehicle revenue deposited in the state general fund in each fiscal year to be deposited in the motorboat account to be used as provided in 23-2-533;

(d) ~~0.81%~~ 1.62% of the motor vehicle revenue deposited in the state general fund in each fiscal year, with 24.55% to be deposited in the state veterans' cemetery account provided for in 10-2-603 and with 75.45% to be deposited in the veterans' services account provided for in 10-2-112(1); and

(e) to the search and rescue account provided for in 10-3-801, ~~0.04%~~0.08% of the motor vehicle revenue deposited in the state general fund in each fiscal year.

(3) In each fiscal year, the amount of:

(a) \$300,000 is transferred from the state general fund to the livestock loss mitigation restricted state special revenue account provided for in 81-1-112; ~~and~~

(b) \$100,000 is transferred from the state general fund to the livestock loss reduction restricted state special revenue account provided for in 81-1-113; ~~and~~

(c) \$1.6 million is transferred from the state general fund to the motor vehicle division administration state special revenue account provided for in 61-3-112.

(4) For the purposes of this section, "motor vehicle revenue deposited in the state general fund" means revenue received from:

(a) fees for issuing a motor vehicle title paid pursuant to 61-3-203;

(b) fees, fees in lieu of taxes, and taxes for vehicles, vessels, and snowmobiles registered or reregistered pursuant to 61-3-321 and 61-3-562;

(c) GVW fees for vehicles registered for licensing pursuant to Title 61, chapter 3, part 3; and

(d) all money collected pursuant to 15-1-504(3).

(5) The amounts transferred from the general fund to the designated recipient must be appropriated as state special revenue in the general appropriations act for the designated purposes."

Section 3. Section 61-3-321, MCA, is amended to read:

"61-3-321. Registration fees of vehicles and vessels -- certain vehicles exempt from registration fees -- disposition of fees -- definition. (1) Except as otherwise provided in this section, registration fees must be paid upon registration or, if applicable, renewal of registration of motor vehicles, snowmobiles, watercraft, trailers, semitrailers, and pole trailers as provided in subsections (2) through (20).

(2) (a) Except as provided in subsection (2)(b), unless a light vehicle is permanently registered under 61-3-562, the annual registration fee for light vehicles, trucks, and buses that weigh 1 ton or less and for logging trucks that weigh 1 ton or less is as follows:

(i) if the vehicle is 4 or less years old, ~~\$247~~ \$110;

- 1 (i) (A) the original fee and four times the renewal fee for personalized plates; or
- 2 (B) five times the renewal fees for personalized plates; or
- 3 (ii) if a new set of license plates is not being issued, an insurance verification fee of \$5, which must
- 4 be deposited in the account established under 61-6-158.
- 5 (b) The following series of license plates may not be used for purposes of permanent registration
- 6 of a light vehicle:
- 7 (i) Montana national guard license plates issued under 61-3-458(2)(b);
- 8 (ii) reserve armed forces license plates issued under 61-3-458(2)(c); and
- 9 (iii) amateur radio operator license plates issued under 61-3-422.
- 10 (2) In addition to the fees described in subsection (1), an owner of a truck with a manufacturer's
- 11 rated capacity of 1 ton or less that is permanently registered shall pay five times the applicable fees imposed
- 12 under 61-10-201.
- 13 (3) The owner of a motor vehicle that is permanently registered under this section is not subject to
- 14 additional registration fees or to other motor vehicle registration fees described in this section for as long as the
- 15 owner owns the vehicle.
- 16 (4) The county treasurer shall once each month remit to the state the amounts collected under this
- 17 section, other than the local option motor vehicle tax or flat fee and the fee collected pursuant to 61-3-573, for
- 18 the purposes of 61-3-321(2) and 61-10-201. The county treasurer shall retain the local option motor vehicle tax
- 19 or flat fee. The county treasurer or an authorized agent shall transmit the fee collected pursuant to 61-3-573 to
- 20 the state as provided in 15-1-504 for deposit to the credit of the department in the highway restricted account
- 21 provided for in 15-70-126.
- 22 (5) (a) The permanent registration of a light vehicle allowed by this section may not be transferred
- 23 to a new owner. If the light vehicle is transferred to a new owner, the department shall cancel the light vehicle's
- 24 permanent registration.
- 25 (b) Upon transfer of a light vehicle registered under this section to a new owner, the new owner
- 26 shall apply for a certificate of title under 61-3-201 and 61-3-216 and register the light vehicle under 61-3-303."
- 27

28 COORDINATION SECTION. **Section 5. Coordination instruction.** If both Senate Bill No. 324 and

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1 [this act] are passed and approved and if Senate Bill No. 324 repeals 61-3-111, then the amendments to 15-1-
2 122(3) in [this act] are void.

3

4 NEW SECTION. **Section 6. Effective date.** [This act] is effective January 1, 2026.

5

- END -

AMENDED