

1994 VOTER INFORMATION PAMPHLET

Dear Montana Voter:

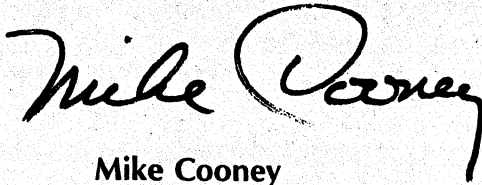
One of the most important rights that we share as Montanan's is the right to vote. On November 8th you will be asked to exercise that right and help determine the outcome of eight ballot issues, as well as the election of state and local candidates.

This Voter Information Pamphlet is designed to provide you with information on the statewide ballot issues that will appear on the general election ballot. Included you will find the full text of the measures, as well as arguments of the proponents and opponents. Each issue that is approved by the majority of the voters on November 8th will become part of Montana's law and Constitution, so study this information carefully.

Large print versions of this pamphlet, as well as an audio version on cassette are available through your local library.

Don't forget that October 11th is the deadline for registering to vote for the November 8th general election!

See you at the polls on Tuesday November 8th!



Mike Cooney
Secretary of State



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CONSTITUTIONAL AMENDMENT 25

How the issue will appear on the ballot:

CONSTITUTIONAL AMENDMENT NO. 25

An amendment to the Constitution proposed by the Legislature

AN ACT SUBMITTING TO THE QUALIFIED ELECTORS OF MONTANA AN AMENDMENT TO ARTICLE VIII, SECTION 13, OF THE MONTANA CONSTITUTION TO PROVIDE FOR INVESTMENT OF PUBLIC PENSION ASSETS; ENACTING A PROVISION REQUIRING THAT ALL EXISTING AND FUTURE ASSETS OF PUBLIC PENSION TRUST FUNDS MUST BE PROTECTED AND EXCLUSIVELY ADMINISTERED BY THE GOVERNING BOARDS IN AN ACTUARIALLY SOUND MANNER AND THAT ALL ASSETS ARE HELD IN TRUST FOR THE EXCLUSIVE PURPOSE OF EFFICIENTLY AND PROMPTLY PROVIDING BENEFITS AND SERVICES TO CURRENT AND FUTURE PUBLIC EMPLOYEE RETIREES AND THEIR BENEFICIARIES; AND PROVIDING AN EFFECTIVE DATE.

The Legislature submitted this proposal for a vote. It would amend the Montana Constitution to prohibit the legislature from spending public pension fund assets, reducing funding levels or borrowing against assets of the public retirement system. Funds could only be used to provide benefits or to pay costs of administering the funds. It would require that public retirement systems be funded on an actuarially sound basis and managed carefully in accordance with recognized standards of financial management. It does not change existing law concerning investment of public funds.

FISCAL NOTE: The only apparent fiscal impact would be on the Judges Retirement System, which may need an infusion of \$1 million to make it actuarially sound as required by the amendment.

- ☐ FOR protection of public pension funds and beneficiaries.
- ☐ AGAINST protection of public pension funds and beneficiaries.

◆ ARGUMENT FOR CONSTITUTIONAL AMENDMENT 25

C25 – the Public Pension Security Act – amends Montana's Constitution to protect the financial health of our state, local government and school pension funds. C25:

- prohibits the use of current public pension assets or future pension revenues for purposes unrelated to pension administration or benefit distribution;
- requires the governing boards of our public pension systems to administer the systems and manage fund assets as "fiduciaries" or legally responsible fiscal agents for the funds, workers and their beneficiaries;
- maintains – without change – the

effective day-to-day investment authority of the Montana Board of Investments;

- does not expand or provide any new benefit to public employees or retirees and

- stabilizes the tax burdens expected of the public-at-large, as well as by government employers and employees making payroll deduction contributions to the retirement funds.

C25 prevents the types of "stop-gap" pension raiding and pension underfunding that a dozen other states have engaged in during recent years. Passage of C25 assures that future tax bills will not be increased because we failed to adequately fund our pension programs now.

C25 is honest with public employees and taxpayers. Currently, with the possible exception of the Judges Retirement System, all state retirement systems are properly funded. C25 will keep them that way. Passage of C25 will not prevent future Legislatures from making responsible adjustments in funding of the state retirement systems as required by changing economic conditions. *C25 will, however, assure that changes that may be needed – for example with the Judges' system – are made in a timely and prudent manner so that taxpayers will not be burdened with future tax bills to pay for today's costs.*

C25 is supported by Governor Racicot, the governing boards of the Public Employee and Teachers' Retirement Systems, by employee, civic and retiree organizations, both political parties and by the Montana Taxpayers Association! C25 offers Montana the best aspects of bipartisanship, sound fiscal management and good government. *Please join with us on the one issue about which all Montanans agree – VOTE "YES" ON C25!*

This measure's PROPONENTS' argument and rebuttal were prepared by Senator Judy Jacobson, Senator Bob Brown and Representative Liz Smith.

◆ ARGUMENT AGAINST CONSTITUTIONAL AMENDMENT 25

A constitutional amendment is not needed to protect the pension funds. If the State is so insecure that it can not borrow the funds at a reasonable rate of interest, than the legislature had better see that the State becomes a secure place. Using any fund should be to the best advantage of the State and the fund.

Anytime we admit that the State is too insecure to pay back borrowed money from a fund or any other source, a message is being sent to all bond investors and others that we are worried about the fiscal conditions of the State.

This measure's OPPONENTS' arguments and

rebuttal were prepared by Representative Roger DeBruycker.

◆ PROPONENTS' REBUTTAL OF THE ARGUMENT OPPOSING CONSTITUTIONAL AMENDMENT 25

The Argument Against C25 ignores the fact that, currently, money "borrowed" from retirement funds does not need to be repaid with interest or otherwise. At present, the State could – without Constitutional liability – rob the pension funds to pay for some other short-term expense of government. It is difficult to imagine how the potential of pension raiding as allowed by current law promotes security among bond investors, taxpayers, pension fund administrators, or among workers and retirees.

Enactment of C25 assures the public, current and future taxpayers, policymakers and workers that money collected to pay for promised retirement benefits will be collected in an orderly business-like fashion and that it will be used for the purpose for which it was collected. C25 guarantees that Montana will not play a shell game with our public pensions and that we will not "rob Peter to pay Paul."

VOTE FOR PENSION SECURITY BY VOTING FOR C25!

◆ OPPONENTS' REBUTTAL OF THE ARGUMENT SUPPORTING CONSTITUTIONAL AMENDMENT 25

No rebuttal was submitted.

The Attorney General wrote the ballot title and explanatory statements for each ballot issue, as required by law. The fiscal note was prepared for the Attorney General by the Office of Budget and Program Planning.

The arguments and the rebuttals for and against the ballot proposals are printed here exactly as written by the committees preparing the arguments and rebuttals.

CONSTITUTIONAL AMENDMENT 26

How the issue will appear on the ballot:

CONSTITUTIONAL AMENDMENT NO. 26

An amendment to the Constitution proposed by the Legislature

AN ACT SUBMITTING TO THE QUALIFIED ELECTORS OF MONTANA AN AMENDMENT TO ARTICLE VI, SECTION 10, OF THE MONTANA CONSTITUTION TO PROVIDE A UNIFORM TIME LIMIT FOR GUBERNATORIAL ACTION ON LEGISLATION BY INCREASING THE TIME THE GOVERNOR HAS TO ACT ON A BILL WHILE THE LEGISLATURE IS IN SESSION AND REDUCING THE TIME THE GOVERNOR HAS TO ACT ON A BILL AFTER THE LEGISLATURE HAS ADJOURNED.

The Legislature submitted this proposal for a vote. The Montana Constitution currently provides that the governor must act on a bill passed by the legislature within five days after the bill is delivered to him if the legislature is in session, but gives the governor 25 days to act on a bill if the legislature has adjourned. This measure would amend the Constitution to provide a uniform period of 10 days for the governor to sign or veto a bill, whether or not the legislature is in session when the bill is delivered to him.

- ☐ FOR providing a uniform time limit for gubernatorial action on bills.
- ☐ AGAINST providing a uniform time limit for gubernatorial action on bills.

◆ ARGUMENT FOR CONSTITUTIONAL AMENDMENT 26

The Montana Constitution presently provides that each bill passed by the Legislature shall be submitted to the Governor for his signature. If the Governor does not sign or veto the bill within five (5) days after its delivery to him if the Legislature is in session or within twenty-five (25) days if the Legislature is adjourned, it shall become law. The Governor may return any bill to the Legislature with his recommendation for amendment. If the Legislature passes the bill in accordance with the Governor's recommendation, it shall again return the bill to the Governor for his reconsideration. If after receipt of a veto message, two-thirds of the members of each House present approve the bill, it shall become law. If the Legislature is not in session when the Governor vetoes a bill approved by two-thirds of the members present, the Governor shall return the bill with his reasons therefor to the Secretary of State who shall poll the members of the Legislature by mail and send each member a copy of the Governor's veto message. If two-thirds or more of the members of each House vote to override the veto, the bill shall become law. The Legislature may reconvene to reconsider

any bill vetoed by the Governor when the Legislature is not in session.

If approved by the voters, this amendment standardizes the time that the Governor has to act on a bill by increasing the time while the Legislature is in session from five (5) days to ten (10) days and by reducing the time after the Legislature has adjourned from twenty-five (25) days to ten (10) days. This change was requested by the legislative council and was supported by Governor Marc Racicot. The purpose of the change is to allow the Governor and staff additional time during the busy legislative session to consider bills and/or proposed amendments to bills that are passed by the Legislature. Thus, the amendment will allow the Governor more time to make in-depth reviews of proposed bills and to recommend amendatory changes.

In addition, the approval of this change lets the sponsor of a bill, the Legislature and the general public know the bill's outcome in a more timely manner and permits a more timely publication of laws in the Montana Sessions Laws because it reduces the length of time after the Legislature adjourns within which the Governor must declare

his intentions with respect to bills.

In summary, the proposed change (a) standardizes the time involved to complete the legislative cycle; (b) increases the time while the Legislature is in session for the Governor to consider whether to veto a bill or to propose amendatory changes, allowing a better opportunity to consider the bill; and (c) shortens the time for the Governor to consider whether to veto a bill after the Legislature is out of session which results in a more prompt publication of the laws for public availability.

This measure's PROPONENTS' argument and rebuttal were prepared by Senator Gary Aklestad, Representative Dick Simpkins and Richard Martin.

◆ ARGUMENT AGAINST CONSTITUTIONAL AMENDMENT 26

The Constitution is intended to provide stability and continuity for generations of Montanans. Clearly, it should be amended only when a compelling need arises through changes in circumstances or unmet needs of the people occur.

This amendment would give the governor an additional five days during legislative sessions to veto a bill and 15 fewer days after adjournment of the session.

It is not an earthshaking amendment and will do no serious damage to the legislative process. We believe it will not help the process either. It was put forth primarily for the convenience of the governor during the session and for legislative staff after the session.

The problem for the legislature is that it will add to the time crunch during the last days of the session.

There is no compelling need for this change. The voters should vote 'no' on Constitutional Amendment 26.

This measure's OPPONENTS' argument and rebuttal were prepared by Senator Dorothy Eck, Representative Linda Nelson and Bob Campbell.

◆ PROPONENTS' REBUTTAL OF THE ARGUMENT OPPOSING CONSTITUTIONAL AMENDMENT 26

The theme of the argument against C-26 is that the proposed amendment is a trivial change to the Montana Constitution and does not warrant consideration by the voters. This argument completely misses the logic for the change. This amendment will improve the working relations between the legislative and executive branches of government. By allowing the Governor more time to propose constructive modifications to bills sent to his office for action, the better the final product will be.

The "time crunch" referred to by the opponents is caused by the Legislature delaying the transmittal of bills to the Governor's office until the waning hours of the session. The Legislature has the ability to avoid the time crunch by operating more efficiently.

The Montana Constitution is a living document which requires occasional change to meet the demands of a contemporary society. This change will enable the Governor to be a more active participant in the lawmaking process by adding more time to prepare gubernatorial recommendations.

The compelling reason to make this change to the Constitution is to improve government. Voters are encouraged to support the 115 legislators who recommended this constitutional change.

◆ OPPONENTS' REBUTTAL OF THE ARGUMENT SUPPORTING CONSTITUTIONAL AMENDMENT 26

The proponents argue that the amendment will allow the Governor and his staff more time to review a bill prior to deciding whether or not to veto the bill. We argue that the Governor has sufficient time.

The Governor always has the opportunity to follow bills as they go through the legislative process. His office frequently testifies for or against bills of special concern to them.

Constitutional Amendment 26 (continued)

When a bill has been passed by both houses there is usually a time lag of from five to ten days or more while the bill is being enrolled and signed by the Speaker of the House and the President of the Senate before the bill is transmitted to the Governor. The Governor's final review process can start from the time the bill has passed both houses, allowing more than ten days to make a decision. The additional days this amendment proposes are not necessary.

Controversial legislation not passed by a two

thirds vote would be subject to political manipulation in trying to delay action so as to avoid the possibility of getting enough votes during the session to override a veto.

The Constitutional Amendment process should not be used to micro manage the administrative process of the legislature.

Constitutional Amendment 26 is not needed and should be defeated.

CONSTITUTIONAL AMENDMENT 27

How the issue will appear on the ballot:

CONSTITUTIONAL AMENDMENT NO. 27

An amendment to the Constitution proposed by the Legislature

AN ACT SUBMITTING TO THE QUALIFIED ELECTORS OF MONTANA AN AMENDMENT TO ARTICLE VIII OF THE MONTANA CONSTITUTION TO LIMIT TO 4 PERCENT THE RATE OF A GENERAL STATEWIDE SALES TAX OR USE TAX; AND PROVIDING AN EFFECTIVE DATE.

The Legislature submitted this proposal for a vote. It would add a new section to the Montana Constitution providing that if a general statewide sales tax or use tax is enacted, the rate of tax could not exceed 4%. If passed, the amendment would apply to any general statewide sales or use tax, whether enacted by the Legislature or by public vote.

☐ FOR limiting the rate of a state sales tax or use tax to 4%.

☐ AGAINST limiting the rate of a state sales tax or use tax to 4%.

◆ ARGUMENT FOR CONSTITUTIONAL AMENDMENT 27

A taxation system should include a balance between funding sources rather than being too dependent on any one source of revenue. If Montanans ever do enact a general sales tax statewide, we must be assured that state government will never become overly reliant on sales tax revenue by legislative action. To insure that our voice will be heard, please vote for placing a constitutional limit of 4% on a state sales tax.

This measure's **PROPOSERS'** argument and rebuttal were prepared by Senator Mignon Waterman, Representative Chase Hibbard and C.

Gordon Morris.

◆ ARGUMENT AGAINST CONSTITUTIONAL AMENDMENT 27

We urge you to reject C-27. Here's why. Voters defeated a sales tax measure by three to one in the vote in June, 1994. C-27 was part of the same tax measure, yet required a separate vote since a constitutional change must be voted on in a general election. We believe that changing the constitution to limit a sales tax is a bad idea for several reasons:

1) C-27 is not needed since voters resoundingly defeated the sales tax measure in June. C-27 was meant to give citizens

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confidence that a Montana sales tax would not experience "tax creep" as we have seen in so many states. Without a sales tax, this is not an issue.

2) We should not change our constitution for specific tax policy. The constitution is meant to define how to govern, not to set specific policies. We need the constitution to provide a basis for our policy decisions. We should keep the constitution clean and simple so it retains maximum flexibility to reflect the times. It is more difficult to change a constitution, and it should be. Let's not clutter it with measures which are more appropriately defined by laws. If and when we want to limit the impact of a sales tax, we should do it through law, not through a constitutional change.

3) C-27 inappropriately limits the powers of our representative government. We elect representatives to make laws which govern us. Representatives express the will of the people by fair representation from all parts of the state. We rule by a majority vote. This is our democratic process, and to work it needs to change as the times change, unlike the constitution which is meant to represent unchanging principles. If your representative does not do their job well, you need to work to elect someone who does. We urge you to reject C-27 and keep the democratic process working.

This measure's OPPONENTS' argument and

CONSTITUTIONAL AMENDMENT 28

How the issue will appear on the ballot:

CONSTITUTIONAL AMENDMENT NO. 28

An amendment to the Constitution proposed by the Legislature

AN ACT SUBMITTING TO THE QUALIFIED ELECTORS OF MONTANA AN AMENDMENT TO ARTICLE VIII, SECTION 3, OF THE MONTANA CONSTITUTION TO ALLOW EQUALIZATION OF PROPERTY

rebuttal were prepared by Senator Steve Doherty, Representative Emily Swanson and Dennis Burr.

◆ PROPONENTS' REBUTTAL OF THE ARGUMENT OPPOSING CONSTITUTIONAL AMENDMENT 27

C-27 is needed for the very reason cited by the opponent's that we have representatives to make laws. The fact that one legislature submitted the issue of a sales tax to the voters does not mean that a future legislator would do likewise.

As a result, having a constitutional limit on a potential sales tax at 4% will ensure that regardless of how such a tax comes into existence, it cannot exceed the cap authorized under C-27. This is not a question of majority rule, but a guarantee that once implemented a sales tax could not creep up as a result of legislative actions and allow Montana finances to become overly dependent upon any one funding source.

We urge you to support C-27 and constitutionally assure that a general statewide sales tax could never exceed 4%.

◆ OPPONENTS' REBUTTAL OF THE ARGUMENT SUPPORTING CONSTITUTIONAL AMENDMENT 27

Montana does not have a sales tax. We should keep unnecessary concepts out of the constitution. When and if Montana enacts a sales tax we will debate how to limit it. Vote AGAINST limiting a sales tax in Montana's constitution since we don't have a sales tax and may never have one.

Constitutional Amendment 28 (continued)

VALUES FOR PROPERTY TAX PURPOSES TO BE BASED ON CLASSIFICATION AND ON ACQUISITION VALUES AND TO LIMIT INCREASES IN VALUATION OF PROPERTY AS PROVIDED BY LAW.

The Legislature submitted this measure for a vote. It would amend the Montana Constitution to allow but not require, the Legislature to establish property values for tax purposes based on the value of property at the time of purchase. It would also allow the Legislature to limit increases in property values for property tax purposes.

FISCAL NOTE: The constitutional amendment in and of itself has no fiscal impact. The legislature would have to pass enabling legislation.

☐ FOR allowing property taxes to be based on acquisition value and allowing limits on annual increases in valuation of property.

☐ AGAINST allowing property taxes to be based on acquisition value and allowing limits on annual increases in valuation of property.

◆ ARGUMENT FOR CONSTITUTIONAL AMENDMENT 28

In order to make the property tax as fair as possible, Montana law requires periodic revaluation of property for tax purposes. The law requires property to be reassessed every three years to current market value so that all property owners are paying taxes on what their property is actually worth. Administrative problems in state government often delay the reappraisal. In fact, seven years elapsed between the 1986 and 1993 reappraisals. As a result, some Montanans were subject to massive increases in value on their property and large, unanticipated increases in their taxes last year. Double-digit tax increases occurred in many counties in western Montana. Residential property taxes increased an average of 44% in Granite County, 29% in Jefferson, 40% in Mineral, 22% in Lake County and 15% in Flathead County. Central and eastern Montana were also affected. There were average tax increases of more than 10% in Meagher, Fallon, Hill, Richland, Phillips, Stillwater, Wibaux and Yellowstone Counties. Some citizens in every county in Montana were subject to substantial tax increases for which they had no warning and were not prepared to pay.

During the November 1993 Special Legislative Session, several attempts were made to change the tax system so that property owners would not be ambushed by large valuation increases in any one year. These attempts were in vain because

the constitution does not allow the legislature to alter the results of reappraisals conducted by the Department of Revenue.

C-28 will allow the legislature to consider alterations to the current system. First, the legislature could pass a law saying that property would be reassessed only when it is so warranted. Property owners would experience no increase in value as long as they owned their home or business. Second, the legislature could set a limit on the increase in value the Department of Revenue could apply to any piece of property one year. C-28 does not require the legislature to do anything but it would allow our elected representatives to adjust the tax system in a way that would bring some relief to property owners. C-28 provides two methods of easing the hardship treatment experienced by property owners as a result of periodic reappraisals of property. I urge your support for this constitutional amendment.

This measure's **PROPOSERS'** arguments and rebuttal were prepared by Senator John Harp, Representative Ray Brandewie and Dennis Burr.

◆ ARGUMENT AGAINST CONSTITUTIONAL AMENDMENT 28

Don't be fooled by the ballot wording. Oppose Constitutional Initiative 28! C-28 will do nothing to reduce, freeze or limit property taxes. Not

does C-28 address the subject of government spending, a driving force behind tax increases. If you are looking for tax reform, C-28 is not it.

C-28 would create a radical change in Montana's Constitution. It would *eliminate* the requirement that government treat property owners equally. Right now our Constitution assures that you will be treated no differently than all other property owners paying property taxes. C-28 would wipe out that guarantee.

How is this unfair? People who own comparable property would pay very different amounts of property tax. C-28 is not a tax freeze or a decrease in property tax, it is a tax shift. The burden of increasing property taxes is shifted to recent buyers and to property owners in areas that are not experiencing a booming real estate market. Rather than everyone paying their fair tax share and government trying to contain costs, acquisition value rewards property owners who have enjoyed an increase in their home's market value over time at the expense of the new property owner. Existing or new businesses purchasing property would be subject to higher property taxes based on the acquisition cost of the property. Thus, certain businesses would be subject to a competitive disadvantage before they even opened their doors.

How is it regressive? Property owners who have not enjoyed an increase in the equity in their homes typically have less wealth. For example, first time home buyers, owners of mobile homes and people living in areas where property values are falling will all pay more than their share of the cost of government services under C-28.

Not only is C-28 unfair in theory, in application you may be the property owner who pays more property taxes than his neighbor. The idea of taxing "the newcomer" may hold some appeal but that "newcomer" may be you. Both the young couple who needs to buy a bigger home and the older couple who sells to them and buys a smaller place will be "newcomers". Their property taxes will go up and they will pay more than their fair share under an acquisition value system.

California is a state that has dared to use this radical acquisition value system. The devastating results were reported earlier this year by *Money* magazine, in an article titled: "The Tax Revolt that Wrecked California". *Money* reports that neighbors with identical properties now pay taxes that differ by as much as 1,000%! Is this what we want in Montana? Do you want to pay ten times more property tax than your neighbor?

C-28 will also hurt Montana jobs and discourage the creation of new jobs. Small businesses, the lifeblood of Montana's economy, will find expanding or moving to better locations unaffordable. Since new businesses created or relocated to Montana would be stuck with higher taxes than their competitors, C-28 will stifle Montana's economy.

Montanans deserve genuine property tax reform. Making Montana more like California won't solve anything.

This measures OPPONENTS' argument and rebuttal were prepared by Senator Mike Halligan, Representative Debbie Shea and GERALYN DRISCOLL.

◆ PROPONENTS' REBUTTAL OF THE ARGUMENT OPPOSING CONSTITUTIONAL AMENDMENT 28

The argument against Constitutional Amendment 28 first tells you that it doesn't do anything and then provides a laundry list of its ill effects. The truth is that C-28 provides the Montana Legislature with the tools it needs to limit tax increases caused by the reappraisal of property. If enacted, it will allow the legislature to limit increases in property values that are the inevitable result of periodic appraisals. The legislature could also study and possibly adopt a property tax system based on acquisition value. Taxes would be based on known values, rather than the opinion of state employees.

According to a study conducted by the University of California, the use of acquisition value in California has made the tax system more progressive, not less, and values used for tax purposes vary less from market value than they

Constitutional Amendment 28 (continued)

did under the old appraisal system. Limiting appraisal increases to 2% per year means that homeowners in California always know how much their taxes will be. There are no "surprises" such as the tax increases Montanans faced last year.

Opponents of C-28 ignored the last paragraph in the "Money Magazine" article concerning California. Part of it reads, "But in the end there is no real political will to fight Proposition 13. In fact, Proposition 13 may be forever... it's awful-but Californians love it."

We urge you to vote in favor of C-28.

◆ OPPONENTS' REBUTTAL OF THE ARGUMENT SUPPORTING CONSTITUTIONAL AMENDMENT 28

The fatal flaw in C-28 is that it amends Montana's Constitutional guarantee that all property owners must be treated equally. C-28 should therefore be rejected.

Don't be misled by proponents' argument that increases in appraisal values are the main cause of property tax increases. Rising appraisal values increase mill values, not taxes; property taxes depend on the number of mills levied to fund government spending.

CONSTITUTIONAL INITIATIVE 66

How the issue will appear on the ballot:

CONSTITUTIONAL INITIATIVE NO. 66

An amendment to the Constitution proposed by Initiative petition

This initiative would amend the Montana Constitution to require voter approval of any new or increased tax imposed by state and local governments or school districts. Voter approval would be required for revenue increases caused by elimination of tax deductions or credits or by increases in property values except those attributable to new construction or capital improvements. In a state of emergency, a law could be enacted by a 3/4 majority of the legislature with approval of the governor, but could not be in effect longer than 12 months. The amendment would apply to fiscal periods beginning July 1, 1995.

FISCAL NOTE: The exact fiscal impact of this proposed constitutional amendment is unknown; however, it will limit the increase in government revenue and spending if voters do not approve proposed increases.

True tax reform is achieved by controlling spending. This requires serious review of the services citizens want and how to provide them fairly and economically. Reform isn't achieved by increasing the taxes of homeowners who have enjoyed rising property values, which is what C-28 would allow.

Department of Revenue data shows that property values fell in 27 counties but many of those counties still experienced tax increases. This could result in taxpayers in counties with falling property values paying more, not less, property taxes.

Montana needs tax reform but not C-28. It would create gross unfairness, shift the tax burden to those least able to pay, and hurt jobs.

California enacted acquisition value and capped property taxes in 1979. Now, inequities are enormous. In a case before the U.S. Supreme Court, one homeowner's tax was almost 17 times more than her neighbors in comparable modest homes and only a few dollars less than the tax on a luxurious beach home. So many homeowners paid 17 times more than their neighbors in comparable homes. Don't allow California's system to be enacted in Montana.

☐ FOR amending the Constitution to require voter approval of all new or increased taxes imposed by state and local governments and school districts.

☐ AGAINST amending the Constitution to require voter approval of all new or increased taxes imposed by state and local governments and school districts.

◆ ARGUMENT FOR CONSTITUTIONAL INITIATIVE 66

In Montana, since the inception of statehood, local governments and the legislature have had the power to levy taxes. History shows this power was used with prudence until recently. Over the past ten years total state and local taxes have increased by 48%, while the state has experienced virtually no growth in population.

In an effort to slow this rate of increase in taxes, Initiative 105 (I-105) was passed by the people with the intention of freezing property taxes at the 1986 level. Since I-105 froze property taxes in 1986, the legislature has circumvented the will of Montana taxpayers by amending the statute and increased property taxes by \$84 million. In the last ten years property taxes alone increased by \$170 million.

These increased tax burdens are more often than not enacted by narrow majorities at the urging of special interest groups. Concerns of the individual taxpayer are no longer considered. CI-66 will allow the individual taxpayer to be heard. It will shift control and decision making on most tax matters from the politicians to the people.

CI-66 was drafted by the people, not the politicians. It was qualified for the ballot by the people, not the politicians. It does not handcuff government. CI-66 does not cut any taxes. CI-66 mandates that any new or increased taxes or fees be approved by the people. It allows for government growth as the taxable base increases as a result of increased income, improvements and new construction.

Twenty three states now have some type of tax limitation initiative. This year voters in as many as six states will have the opportunity to vote on initiatives similar to CI-66. When designed properly they have been an effective tool for restraining the growth of both taxes and spending.

Passage of CI-66 will result in fewer costly elections. Many communities have four to six elections per year, with as many as three attempts for school elections. CI-66 will limit the number of elections to no more than two per year.

Elected officials derive their powers from the consent of the governed. They can spend only what the people will let them take. By passing CI-66—requiring elected officials to obtain permission of the voters before raising taxes—voters can reclaim their role as the givers of consent. They can prioritize the government services they want and need and determine how much they are willing to pay for those services.

This measure's PROPONENTS' argument and rebuttal were prepared by Wes C. Higgins, Joseph W. Sabol and Elton Ringsak.

◆ ARGUMENT AGAINST CONSTITUTIONAL INITIATIVE 66

1. Many private and public sector associations with long, distinguished Montana histories oppose CI-66. These associations include the Montana Taxpayers Association, Stockgrowers Association, Mining Association, Montana Chamber of Commerce, League of Cities and Towns, Association of Counties, School Boards Association, Education Association and AFL-CIO.
2. CI-66 compels all levels of government, from weed districts to the legislature, to prepare complicated ballot revenue proposals and conduct expensive elections.
3. CI-66 suggests a patchwork system of taxation wherein all voters may approve specific taxes on targeted taxpayers.

4. CI-66 invites proposals to tax economic interests with a minority of voting constituencies. Specific industries may be adversely affected and Montana's economy damaged.
5. CI-66 will cause the legislature to raid existing earmarked revenue sources, such as professional license fees, fish and game permits and the 4% accommodations tax, to pay for general government.
6. CI-66 requires voter approval of emergency taxing authority to meet extraordinary and unexpected needs. If the legislature does not budget for a bad fire year, a costly election will be necessary to raise the money to pay for fire protection already received.
7. CI-66 freezes existing inequities in property and income taxes. Voters must approve any proposed reform that might shift some of the tax burden from one source to another or change how any tax burden is calculated.
8. CI-66 will confound communities with fluctuating property tax valuation. If property valuation falls, people must vote to raise the same revenue as before. Millage cannot be raised without a vote. If property valuation increases due to economic conditions other than new construction or capital improvements, millage must be lowered so no new revenue is raised.
9. CI-66 ignores inflation! In ten years, 4% inflation means it will cost \$1.48 to buy \$1.00 worth of goods and services. Voters will be constantly asked to vote inflation increases with no corresponding increase in services.
10. CI-66 does not affect all fees. For example, CI-66 leaves untouched kindergarten through graduate school public school tuition and fees. Public school activity fees and college and

university tuition will zoom out of sight.

11. CI-66 invites rampant litigation. Any taxpayer may sue to enforce CI-66. If successful, the taxpayer must be reimbursed for all costs of litigation.
12. CI-66 assaults our representative form of government. Since the formation of this great state, we have prospered under government that permits citizens elected by us to consider tax and spend issues in a "give and take" forum and judiciously balance the interest of all, minorities and majorities.
13. CI-66 requires Montanans to vote on revenues separately without benefit of time or information to judge how well revenues match government ability to provide essential and demanded programs and services.
14. CI-66 will disempower elected officials, lead to legislative inaction, result in unresponsive political leadership and destroy political accountability for tax and spend decisions.
15. CI-66 will serve as a huge disincentive for citizens to run for and serve in elected positions.

This measure's OPPONENTS' arguments and rebuttal were prepared by David Owen, Al Nicholson, Eric Feaver, Senator Fred V. Valkenburg and Ann Mary Dussault.

◆ PROPONENTS' REBUTTAL OF THE ARGUMENT OPPOSING CONSTITUTIONAL INITIATIVE 66

Most opposition to CI-66 comes from political and special interest groups who benefit from increasing taxes. These are the people responsible for amending I-105, the initiative passed by the people to freeze property taxes at the 1986 level. CI-66 lets the people speak on financial matters that impact their tax burden.

Only tax increases, not revenues or budgets will be voted on by the people. No more than 2 elections per year are allowed under CI-66. Elected officials, feeling the need for additional taxes, would develop and propose increases and submit them to the voters. Legislators could target minority groups as they have in the past but the voters will have an opportunity to reject selective taxation.

Taxes for emergencies may be passed by the Legislature with the approval of the Governor.

Property reappraisals will no longer result in tax increases with local governments keeping the windfall. CI-66 deals with dollars, not mills. By requiring voter approval, elected officials will be forced to address real tax reform instead of the patchwork approach seen in the past.

CI-66 allows government to grow with an expanding economy through increased income and property taxes from new construction and improvements.

CI-66 will not destroy representative government, but restores it to a government of the people. Are the votes of 400,000 citizens less representative than the votes of 150 legislators?

◆ OPPONENTS' REBUTTAL OF THE ARGUMENT SUPPORTING CONSTITUTIONAL INITIATIVE 66

1. Proponents of CI-66 claim their proposal is necessary because state and local taxes have increased 48% over the last decade. Unfortunately, they have forgotten or ignored the fact that inflation and personal income have increased at about the same rate over that same period. Just like the private sector, state and local governments

must pay for inflation-caused increases in utilities, supplies, health care and salaries.

2. Similarly, proponents have forgotten or ignored the primary purpose of the backers of I-105 was not to freeze property taxes but to compel the legislature to adopt a general sales tax. Despite such attempt, the people overwhelmingly rejected a sales tax last year.
3. Regrettably, Montana remains overly dependent on property taxes largely to fund public schools. Ironically, the people already vote on a substantial portion of their property taxes through local school levies and bond-issue elections. CI-66 changes nothing in this regard.
4. Contrary to proponents' claims, CI-66 will result in many expensive elections. In the first year after Colorado voters adopted a similar proposal, there were more than forty elections!
5. A very small group of people, far fewer than the number who serve in the legislature, drafted CI-66. CI-66 was not subjected to open or public hearings before its placement on the ballot. Its passage will result in confusion, animosity, lawsuits and avoidance of responsibility by elected officials.
6. Even without CI-66, the people will retain the right to suspend and/or repeal taxes through their vote.

Vote no on CI-66.

CONSTITUTIONAL INITIATIVE 67

How the issue will appear on the ballot:

CONSTITUTIONAL INITIATIVE NO. 67
An amendment to the Constitution proposed by Initiative Petition

Constitutional Initiative 67 (continued)

This initiative would amend the Montana Constitution to require a 2/3 vote of the legislature for any new or increased tax or fee or for a surcharge on any tax or fee. Such legislation could not include any other subject matter. It also requires a 2/3 vote of the legislature to exceed the previous biennium's spending level. Any new or increased taxes, fees, or surcharges or increased spending by any other state or local government entity would require in excess of 2/3 approval by its governing body. This amendment would take effect January 1, 1995.

FISCAL NOTE: The exact fiscal impact of this proposed constitutional amendment is unknown; however, it will limit the increase in government revenue and spending if a 2/3 majority of the state or local governing body does not approve proposed increases in taxes, fees or spending.

☐ FOR amending the Constitution to require a 2/3 vote of any governing body to enact new or increased taxes or fees or to increase spending.

☐ AGAINST amending the Constitution to require a 2/3 vote of any governing body to enact new or increased taxes or fees or to increase spending.

◆ ARGUMENT FOR CONSTITUTIONAL INITIATIVE 67

CI-67 offers voters the best chance at meaningful tax reform in many years. Recent attempts to reform Montana's tax system have been derailed by narrow partisan votes that were doomed to failure before the ink had dried on the documents.

CI-67 will require more than 2/3 of elected officials to increase taxes, fees or spending. The measure applies to the state legislature, counties, cities and school boards.

The state legislature sets the tax rates for many kinds of taxes and fees. Legislators also set the spending for the state. That body overspends its budget regularly. Between 1979 and 1990, state spending increased 144% while the population remained stagnant. Growth explosion occurred when the state's coffers were being filled by a seemingly endless supply of money from the coal and oil industries. Spending surged.

Oil prices declined and coal companies were driven elsewhere in the eighties. Although the state no longer had the revenues, Montana continued to spend as though the money were rolling in. By using accounting gimmicks and draining other funds, the legislature balanced its books. Then came the wild swings in Montana tax policy that characterized the last several legislative sessions. The ridiculous '7%%

solution', the huge income tax increase and a sales tax that was drubbed at the polls by a margin of 3 to 1. These taxes were passed by razor thin majorities over partisan shrieks.

Excessive government spending drives the need for ever increasing taxes at all levels of government.

Applying CI-67 will also restrict government growth at the local level. The majority of property taxes fund public schools. School districts have taken advantage of naturally occurring growth to boost their budgets. Higher appraisals and prosperity need not mean tax hikes to people who have lived in their homes for years. When schools do not lower the mill levy that increased growth spells trouble for the taxpayer. Districts budget more and foist the blame for the tax increase to reappraisal. When values are up, local governments can lower the number of mills levied to receive the same amount of cash as before. In practice, many either do not lower the mills at all, or they lower them a token amount and receive a windfall. Taxpayers have to gulp and cough it up or risk losing their homes.

This vicious cycle will be broken with the passage of CI-67. To increase taxes, fees, or spending at any level in the state, in excess of 2% of elected officials must vote to raise them.

Taxes and spending can only be increased with the consent of both political parties, forcing elected officials to serve all Montanans, not party leaders. Bitter partisan battles will be an unpleasant memory.

Taxpayers need the protection offered by CI-67. Spending will be examined closely to ensure that Montanans are getting the 'bang' for their tax buck. Taxes will be evenly distributed, with no one group singled out to shoulder the tax burden alone.

CI-67 is fiscally conservative, yet responsible. It will signal the end to politics as usual.

This measure's PROPONENTS' argument and rebuttal were prepared by Senator Gary Aklestad, Representative Gary Feland and Representative Ernest Bergsagel.

◆ ARGUMENT AGAINST CONSTITUTIONAL INITIATIVE 67

The American way of deciding elections and making legislative decisions by a simple majority gives equal weight to the votes of all citizens and their elected representatives.

America's traditional "majority rule" is the only way to allow all individuals to participate equally when voting. The requirement of a 2/3 majority, a so-called "supermajority," results in the votes of the minority having greater weight than those of the majority.

Assume 100 people consider the need for additional money for prison construction, school construction or better roads and 66 of the 100 vote for more money and 34 vote against it. Under majority rule, the decision of the majority would be clear, but if CI-67 becomes a part of our state constitution, the 34 would always prevail over the 66. That is because CI-67's "supermajority" rule gives twice as much weight to those who vote NO as to those who vote YES.

CI-67's inflexible 2/3 requirement applies to any idea for new money for anything at any level of government: state, county or city. It directly violates the most sacred feature of our American

system: government by consent of the governed. Montanans could speak effectively at the polls, but then their elected representatives could not act effectively in the state capital, the courthouse or city hall.

CI-67's supporters argue that a 2/3 requirement exists now. However, it is limited, as it should be to such major matters as amending the constitution, overriding a Governor's veto and impeachment. CI-67 trivializes the extraordinary vote requirement to the same level as local license fees.

Supporters of CI-67 also argue that such a requirement is already in effect in California, Mississippi, Arkansas, Oklahoma, Louisiana, Delaware, Florida, Arizona, Colorado and South Dakota. Consider this: The average rate of adult illiteracy in these states is nearly twice that of Montana. Their per capital tax burden averages more than 12% higher than ours. Their per capital state debt averages nearly double ours. And their rate of bankruptcy petitions filed averages 60% higher than in Montana. Is this what we want in Montana?

Our state Constitution already requires our budget to be balanced. CI-67 can't help us with the national debt or tax increases imposed by Congress. But it can guarantee gridlock and stagnation in state and local government. In county governments, where nearly all commissions are three, it creates the potential for one person tyranny. **CI-67 can distort our democracy and subvert the will of the voters by giving a "superminority" absolute power over the majority.**

Montana is changing rapidly. A government is legitimate only if it rests on the consent of the majority. A state government held hostage by a minority will be neither efficient nor effective when we face the challenges of the coming years. Vote NO on CI-67.

This measure's OPPONENTS' argument and rebuttal were prepared by Senator Bob Brown, Representative Bea McCarthy, Linda Stoll-Anderson, Gordon Morris and Jack Galt.

**◆ PROPONENTS' REBUTTAL OF THE
ARGUMENT OPPOSING CONSTITUTIONAL
INITIATIVE 67**

Opponents mistakenly assert that majority rule is threatened under CI-67. Actually, CI-67 levels the playing field for all Montanans. Charges that the minority will control tax policy are ridiculous. The minority can only say "NO" to tax and spending increases, they cannot dictate them. Taxes will have to pass with broader support than they do now; that strengthens majority rule while providing the minority with the protection it deserves.

Supermajorities, mentioned 8 times in the Montana constitution, are used for the more important decisions. The bigger the decision, the bigger the majority, as much as 3/4 to invade the Coal Tax. CI-67's 2/3 + 1 is flexible and responsible.

Two thirds will be harder to achieve initially. But the result will, by necessity, be better. Having passed tougher muster, the action will be more defensible, workable and equitable.

Opponents claim the supermajority should only be required for "major matters". Taxes are "major matters" to those who pay them whether they are senior citizens scrimping to pay their property taxes or small business owners struggling to keep their employees on the job.

Comparisons to other states' experiences are meaningless; none of them has a mechanism that resembles CI-67.

"Politics- as- usual" types say that CI-67 is unnecessary. Before you believe them, before you believe US, conduct your own research. Ask the ten citizens you meet this question: "SHOULD GOVERNMENT BE REQUIRED TO SPEND OUR MONEY MORE WISELY BEFORE THEY COLLECT ADDITIONAL TAXES?" If a supermajority says YES, vote YES on CI-67.

**◆ OPPONENTS' REBUTTAL OF THE
ARGUMENT SUPPORTING CONSTITUTIONAL
INITIATIVE 67**

Proponents say CI-67 would lead to "meaningful tax reform." In reality it would make reform nearly impossible.

Perhaps greater fairness could result by reducing some taxes with revenue from increases in others. CI-67 would make tax reductions as difficult to achieve as the increases necessary to make them possible

We share proponents concern about growth in state spending, 1979-90. But the CPI outstripped state spending by 36% in that period. Now, our budget is actually 2.4% less in real dollars than the preceding budget.

Proponents point out property reappraisal can result in tax increases when schools and local governments don't reduce mills to offset increased values. The super-majority requirement of CI-67 would not prevent increases and could hinder the chances of reductions. Currently millages can be reduced by a majority vote. Under CI-67 one commissioner or two school board members could create absolute gridlock.

Would CI-67 make "bitter partisan battles" only a memory? California has had a requirement similar to CI-67 since 1979. Is California the conflict free utopian dream world the proponents envision for Montana?

CI-67 does not insure that spending will be more closely examined. It encourages political wheeling and dealing by giving minorities leverage to extort favors from the majority. There would be no accountability for the intensified maneuvering that CI-67 minority-style government would cause.

CI-67 would not end "politics as usual." CI-67 would end the fundamental principle of majority rule. Keep the American tradition of government by the consent of the governed. Reject CI-67.

How the issue will appear on the ballot:

INITIATIVE NO. 118
A law proposed by Initiative Petition

This initiative would amend Montana's campaign finance laws to limit contributions to candidates for public office, forbid carryover of surplus campaign funds, restrict contributions to elected officials' leadership political committees, and include in-kind contributions within aggregate limits for contributions by political committees to state legislative candidates. For each election, contribution limits for individuals and political committees would be: \$400 for governor/lt. governor; \$200 for other statewide offices; and \$100 for other offices. Limits on contributions from all political party organizations would include: \$15,000 for governor/lt. governor; \$5,000 for most statewide offices; \$800 for state senator; and \$500 for other offices.

FISCAL NOTE: This measure should have no major fiscal impact on state or local governments. The Commissioner of Political Practices estimates the initiative would result in a workload increase that would require an additional \$54,900 in fiscal year 1995 and \$67,800 in fiscal year 1996 and subsequent fiscal years.

- ☐ FOR revising campaign finance laws in Montana.
- ☐ AGAINST revising campaign finance laws in Montana.

◆ **ARGUMENT FOR INITIATIVE 118**

There is just way too much money in Montana politics. Passage of Initiative 118 works to solve this problem by: limiting campaign contributions from special interests and the wealthy; stopping incumbent politicians from building up carry-over campaign war chests; preventing special interests from evading current limits; and forbidding politicians from making personal use of campaign funds.

Money from special interests and the wealthy is drowning out the voice of regular people in Montana politics. The legislature has been asked over the years to address these many problems but the very interests that dominate the process have prevented any solutions. The political system is a mess and needs to be rebuilt.

The growth of money in Montana politics is unprecedented. In 1992 candidates for governor raised \$2.16 million; a 500% increase from 1976 when \$437,000 was spent. Likewise in 1992, candidates for the Montana legislature raised \$1.1 million; a four fold increase since 1976.

Much of that increase comes from special interests (PACs) and the wealthy. I-118 changes Montana's laws to lower and standardize the maximum contribution that special interests and the wealthy can make to a candidate in any one election.

I-118 limits contribution amounts for a candidate for governor to \$400, down from the current \$1,500 per individual and \$8,000 per PAC. For candidates for auditor, secretary of state, attorney general, superintendent of public instruction, supreme court justice, and clerk of the supreme court the I-118 limit is \$200, down from the current \$750 per individual and \$2,000 per PAC. For candidates for public service commissioner, district judge, legislature, and county and local offices the I-118 limit is \$100, down from the current limit of \$250 to \$400 per individual and \$300 to \$1,000 per PAC, depending on the office.

I-118 takes four additional steps to solve the problem of too much money in Montana politics.

Initiative 118 (continued)

First, it strengthens Montana's aggregate PAC limits for legislative candidates by treating non-cash PAC contributions the same as cash. Currently, PACs often evade existing law by sending candidates rolls of postage stamps or by paying debts for the candidate.

Second, I-118 forbids the carryover of any campaign funds from one election to the next election. It also forbids the personal use of surplus campaign funds. If limits are to have any meaning then each candidate needs to start from zero.

Third, under I-118, donations to any political committee controlled by a candidate are added together. This prevents a political leader from setting up and using multiple political committees, thereby avoiding contribution limits.

Fourth, I-118 combines all contributions to any one candidate from a political party (which can now give to candidates through a number of state and local committees) and sets a limit on the total amount of money which a political party can give to a candidate.

I-118 works to solve the serious problem of too much money in Montana politics.

I-118 is endorsed by the Montana League of Women Voters, Montana Common Cause, Montana Public Interest Research Group (MontPIRG) and Montana People's Action.

This measure's PROPONENTS' argument and rebuttal were prepared by Jonathan Motl, C.B. Pearson and Linda Lee.

◆ ARGUMENT AGAINST INITIATIVE 118

There are many reasons why you should vote "no" on I-118. Among the most important arguments against it are:

- Montana's existing contribution limits are among the lowest in the fifty states.

- Montana law already limits contributions and requires detailed reporting of them so that the public and press can scrutinize

sources and amounts of campaign contributions.

- Campaign contributions are too vital a link between candidates and Montanans to be unreasonably limited, as would be the case if I-118 were adopted, because contributions enable candidates to communicate with voters.

- The absence of corruption or abuse is compelling proof that Montana's existing system for limiting contributions works well.

- Independent voters, who consider themselves neither Republicans nor Democrats, will be further removed from the political process, because I-118 favors political parties. By increasing existing limits on political party contributions, I-118 would shift even more influence to existing political parties, which have already caused too much gridlock in our government.

- If you or a member of your family decides to run for office, you should remember that, if adopted, I-118 would further restrict the ability of first-time candidates, who are not as well known as their incumbent opponents, to get their positions and names known to the voters.

- I-118 is not the proposal it claims. In fact, it works just the opposite. Since there is no contribution limit for candidates contributing to their own campaigns, wealthy candidates can "buy" elections, while their opponents scramble for contributions limited by I-118.

- Many of the same people who are pushing for taxpayer funding of federal elections are also promoting I-118, which suggests that adoption of I-118 could lead to taxpayer financing of Montana elections.

- State taxpayers will experience an

immediate impact because the Montana Commissioner of Political Practices will have to hire several more state employees to administer the work load required by the passage of I-118.

•Representative government is fundamental and must be kept in the hands of all the people, which our present system now accomplishes.

Two years ago thousands of Montanans contributed to the highly competitive campaigns of Marc Racicot and Dorothy Bradley. There were no allegations or reports that people gave too much to these candidates, or that certain individuals "controlled" the candidates through campaign contributions. Rather, these were properly financed campaigns which provided the proper information to the public and press.

I-118 seeks to fix something that is not broken. Montana's existing system for controlling campaign contributions works. Let's leave it alone!

This measure's **OPPONENTS'** argument and rebuttal were prepared by Senator Tom Keating, William Brooke, Steve Browning, John Delano and Tom Ebzery.

◆ PROPOSERS' REBUTTAL OF THE ARGUMENT OPPOSING INITIATIVE 118

Help end "politics as usual". VOTE FOR I-118.

There is just too much money in politics. The political system is broken, drowning out the voice of ordinary citizens, and needs to be fixed.

The 1992 Governor's race, where both nominated candidates each raised one million dollars, is a effective example of too much money in politics.

As is clear from their arguments, the opponents like the current system. That is because Steve Browning, John Delano and Tom Ebzery are among the most influential corporate lobbyists and political operatives in Montana. They represent some 20 special interests such as: oil, gas and chemical corporations; tobacco companies; the banking industry; health care businesses; and, utilities. And, State Senator Tom

Keating took \$3,533 from special interest PACs for his 1992 campaign, including \$2,233 in payments for postage and printing, and other "in-kind" expenses through a loophole that will be closed by I - 118.

The opponents arguments against I -118 are flawed because they are part of the problem. They represent the very interests whose money and influence have drowned out citizen voices, caused government gridlock and blocked political reform.

I-118 has no major fiscal impact. I - 118 addresses the problem of too much money in Montana politics by:

- limiting political contributions and PAC money,
- stopping the personal use and carry-over of campaign funds, and
- taking away advantages incumbent politicians have over challengers.

VOTE FOR REVISING CAMPAIGN FINANCE LAWS IN MONTANA.

◆ OPPONENTS' REBUTTAL OF THE ARGUMENT SUPPORTING INITIATIVE 118

Campaign contributions are already limited. Montana's limits are among the nation's lowest. All contributors and PACs(no matter their wealth) are limited and cannot dominate our elections.

The supporters of I-118 are special interest groups with their own agendas. They say that the "wealthy" are controlling our elections, but their claim is not proven.

To set the record straight: I-118 applies only to state elections and not US Senate or House campaigns.

I-118 proponents are trying to confuse the voters by discussing 1976 campaign expenditures for Governor. In 1992 eight candidates campaigned for Governor, but only two ran in 1976, when advertising costs had not been increased by inflation. Naturally, more money would have been spent now than then. We stick with our earlier arguments against

I-118 – it's an initiative that is not needed. Our system for regulating campaigns is not broken! Please read the arguments printed above showing why to vote against I-118.

I-118 would cost too much! Since our system is not broken, why pass a law that costs our taxpayers more money? A vote for I-118 does not make good sense.

There are no secrets about campaign contributions in Montana. If you want to know about contributions in a campaign, you and the press can easily obtain that information. When you do, you will learn that modest sums are contributed, as compared with other states.

Please vote NO on I-118. Thanks!

INITIATIVE REFERENDUM 112

How the issue will appear on the ballot:

INITIATIVE REFERENDUM NO. 112

An act by the Legislature referred by Referendum Petition

This measure was passed by the 1993 Legislature as House Bill 671, revising state income tax laws. It enacts a single income tax rate of 6.7%, instead of the previous rates of 2% to 11%. It increases income tax revenue but shifts the income tax burden. It eliminates itemized deductions and increases standard deductions and personal exemptions, with inflation adjustments at one-half the previous rate. A husband and wife may deduct 10% of the lower wage-earner's income, up to \$3,000. These reductions are phased out for incomes exceeding \$100,000. It increases minimum corporate taxes and imposes graduated corporate tax rates.

FISCAL NOTE: If approved by the voters, this measure raises a total of \$72.7 million additional revenue from increased corporate and individual income taxes for tax years 1993 and 1994, with comparable impacts for subsequent fiscal years.

☐ **APPROVE** House Bill 671, revising the state income tax system, increasing income tax revenue, and shifting the income tax burden.

☐ **REJECT** House Bill 671, revising the state income tax system, increasing income tax revenue, and shifting the income tax burden.

◆ ARGUMENT FOR INITIATIVE REFERENDUM 112

In addition to creating a greatly simplified and reformed income tax for Montanans, HB 671 provides additional tax revenue for programs, such as school funding, that have been cut drastically over the past 3 years.

While many people would see an increase in their income taxes, 60% of Montanans would have lower taxes, or no change at all.

Montana has the highest income tax rate in the nation, as well as a complex and confusing

system of rates, exemptions, and itemized deductions. Some economists argue that high income tax rates stifle economic growth.

Complex tax laws favor people who can afford to hire lawyers and accountants to work the loopholes to those taxpayers' advantage. This raises taxes for everybody else who cannot use these special tax laws.

HB 671 does what middle-class Montanans have been arguing for: make the tax laws the same for everyone by eliminating loopholes that only certain taxpayers can use, then, tax everybody's

income at the same low rate.

In the case of HB 671, all itemized deductions are eliminated, and all income is taxed at the low rate of 6.7%, as opposed to the current top rate of 11%. Exemptions and standard deductions are doubled to protect the working poor and middle class, and to offset the reason that itemized deductions were introduced in the first place.

Virtually anyone who usually files a standard income tax form will have lower taxes. People who itemize deductions will no longer need the expense of a tax preparer, thus helping offset any tax increase they may have.

Certainly someone will pay more, and they will be those people who have used special tax treatment over the years.

All well and good, you may say, but why should we vote in an overall tax increase when the state budget is in good shape? First, the budget is in good shape only on paper. The recent suspension of HB 671 pending this referendum vote caused some \$50 million to be cut from the budget.

While this money was cut from the state budget, the need for it did not vanish. The state merely cut the share of the taxpayers' dollars that it gives to schools, cities, and counties. This lost money is still needed locally, and has been made up by raising property taxes.

For example, the largest share of the income tax dollar goes to pay for elementary and high school education. In 1993, the state cut school funding by \$19,000,000, but allowed school districts to recover most of the difference by increasing local property taxes without a vote. This was in response to the loss of tax dollars due to the petition suspending HB 671.

Even so, the state will spend 9% less per student in 1994 than in 1992. Classes are overcrowded. There are fewer teachers per student in 1994 than in 1992.

Our overall taxes are not lower because HB 671 was suspended, our property taxes are higher,

and our services are worse.

This measure's **PROPOSERS'** argument and rebuttal were prepared by Representative Jim Elliott, Representative William Endy and Dennis Lind.

◆ ARGUMENT AGAINST INITIATIVE REFERENDUM 112

"Unnecessary taxation is unjust taxation."
(Democratic national platform, 1884)

With Montana now enjoying a projected \$50,000,000 budget surplus, there is no need for IR-112, a major income tax hike. We urge you to vote "**No.**"

IR-112 – formerly "House Bill 671" – was called the "blackmail tax", because it was to hit us with full force only if we defeated the sales tax.

IR-112 would raise our taxes \$73,000,000 in this budget period alone, retroactive to January 1, 1993.

IR-112 adds insult to injury by ending property tax deductions at a time of soaring property taxes. IR-112 also ends deductions for federal taxes paid. So IR-112 actually taxes you on the portion of your income that goes to pay taxes!

IR-112 threatens home values and construction jobs by ending home mortgage interest deductions and property tax deductions.

IR-112 hurts Montanans facing large medical bills, especially the elderly, by eliminating medical deductions.

IR-112 hurts charities, schools, churches and the poor by abolishing tax deductions for charitable and educational giving. By drying up the flow of funds to private charities, IR-112 could create a new "crisis", with inefficient government bureaucracies expanding to fill the void left by shrinking private charities.

IR-112 hurts everyone by abolishing 1/2 of the inflation protection we voted for in 1980: Under

IR-112 the government takes an ever rising share of your income, even if your paycheck barely keeps pace with inflation.

By raising the overall tax burden, IR-112 will hurt all Montanans - whether they pay the extra cost in higher direct taxes or in higher prices, lower income, or fewer jobs. IR-112 proponents say, "We won't tax you, we'll tax your neighbor." But we know the truth: Our neighbor may have to lay us off to pay his tax bill. In the words of President Franklin D. Roosevelt:

Taxes are paid in the sweat of every man who labors. If those taxes are excessive, they are reflected in idle factories, in tax-sold farms, and in hordes of hungry people, tramping the streets and seeking jobs in vain. Our workers may never see a tax bill, but they pay. They pay in deductions from wages, in increased cost of what they buy, or in unemployment throughout the land.

Tax increases drive sorely needed jobs out of state, and our young people with them.

For all these many reasons, IR-112 was the first Montana law suspended by citizen petition in 35 years.

Finally, IR-112 is a ticket to more big government. If we pass IR-112 despite the projected budget surplus, the politicians will fritter the money away.

Voters should keep the \$73 million themselves or contribute it to the charities of their choice - not give an undeserved bonus to government. **Just Say No to IR-112.**

This measure's **OPPONENTS'** argument and rebuttal were prepared by Professor Rob Natelson, Walt Kero, C.P.A. and Joseph R. Balyeat, C.P.A.

◆ PROPONENTS' REBUTTAL OF THE
ARGUMENT OPPOSING INITIATIVE
REFERENDUM 112

The opponents of HB-671 (IR-112) are using fear

tactics to persuade voters to reject HB-671. These are:

FEAR: HB-671 is retroactive, and will raise taxes back to 1993.

FACT: Legislation has been requested that will make HB-671 not effective until January 1, 1995.

FEAR: Because HB-671 ends itemized deductions, it will raise taxes on people who use them.

FACT: The very idea of HB-671 is to end major loopholes that only select taxpayers can use. Most taxpayers who use itemized deductions will be protected by HB-671's generous standard deductions and exemptions. They will also pay no tax preparation fee for Montana's complex income tax forms.

FEAR: Because HB-671 ends itemized deductions, it will hurt charitable donations.

FACT: People do not make charitable contributions because they are tax deductible.

FEAR: There is a \$50 million state surplus, why vote a tax increase?

FACT: The opponents have doubled the actual projected surplus of \$25 million, which is fast being eaten away by the cost of fighting this years forest fires (\$11 million), and escalating medicaid payments.

FEAR: HB-671 is a ticket to more big government.

FACT: Is giving more income tax dollars to grade schools so that property owners can have lower taxes "big government"? Is providing dentures and eyeglasses again to senior citizens "frittering" tax dollars away? These are the very areas that were shorted when HB-671 was suspended, and our property

rose to make up most of the difference.

671 is fair, honest, and simple. Vote to ACCEPT HB-671.

◆ OPPONENTS' REBUTTAL OF THE ARGUMENT SUPPORTING INITIATIVE REFERENDUM 112

IR-112's proponents repeatedly misstate the facts:

They say IR-112 eliminates "special loopholes"? **Wrong.** It retroactively eliminates **basic deductions** – medical expenses; home mortgage interest; and donations to charities, churches, and schools. Abolishing these deductions won't result in "fairness"; but rather **gross unfairness** from ill-conceived legislation: massive tax increases on widowed elderly, reduced charity for the poor, double-taxation on those selling houses on contract, etc.

Montana "cut school funding by \$19,000,000"? - **Wrong.** The state budget office says school funding isn't "down drastically", it's up dramatically (+\$10,000,000) this biennium. **Montana now ranks 1st in the nation in per capita public school employees.**

"60% of Montanans would have lower taxes or no change"? - **Wrong.** This false statistic understates present deductions and ignores economic growth and inflation. **Eventually all Montanans would have higher taxes under IR-112, because it cuts taxpayer inflation-protection in half.**

6.7% is "a low rate"? - **Wrong.** 6.7% may be the **highest single-rate income tax in the nation!** Montana's lowest tax rate now is only 2%.

The current \$50,000,000 surplus is "only on paper"? **Wrong.** Those so-called "budget cuts" were only on paper. **Montana's all-funds budget actually rose hundreds of millions of dollars this biennium!**

"Our overall taxes are not lower because HB671 was suspended"? - **Wrong.** Proponents contradict themselves, admitting **IR-112 is "an overall tax increase".**

Here's the bottom line: When politicians continue talking out of both sides of their mouths, they show that they already have too much of our money. **Please vote "No" on IR-112's \$73,000,000 tax increase.**

COMPLETE TEXT OF PROPOSED BALLOT ISSUES

Complete Text of Constitutional Amendment 25

AN ACT SUBMITTING TO THE QUALIFIED ELECTORS OF MONTANA AN AMENDMENT TO ARTICLE VIII, SECTION 13, OF THE MONTANA CONSTITUTION TO PROVIDE FOR INVESTMENT OF PUBLIC PENSION ASSETS; ENACTING A PROVISION REQUIRING THAT ALL EXISTING AND FUTURE ASSETS OF PUBLIC PENSION TRUST FUNDS MUST BE PROTECTED AND EXCLUSIVELY ADMINISTERED BY THE GOVERNING BOARDS IN AN ACTUARIALLY SOUND MANNER AND THAT ALL ASSETS ARE HELD IN TRUST FOR THE EXCLUSIVE PURPOSE OF EFFICIENTLY AND PROMPTLY PROVIDING BENEFITS AND SERVICES TO CURRENT AND FUTURE PUBLIC EMPLOYEE RETIREES AND THEIR BENEFICIARIES; AND PROVIDING AN EFFECTIVE DATE.

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

Section 1. Article VIII, section 13, of The Constitution of the State of Montana is amended to read:

Section 13. Investment of public funds and public retirement system assets. (1) The legislature shall provide for a unified investment program for public funds and public retirement system assets and provide rules therefor, including supervision of investment of surplus funds of all counties, cities, towns, and other local governmental entities. Each fund

forming a part of the unified investment program shall be separately identified. Except for monies contributed to retirement funds as provided in subsection (3), no public funds shall be invested in private corporate capital stock. The investment program shall be audited at least annually and a report thereof submitted to the governor and legislature.

(2) The public school fund and the permanent funds of the Montana university system and all other state institutions of learning shall be safely and conservatively invested in:

- (a) Public securities of the state, its subdivisions, local government units, and districts within the state, or
- (b) Bonds of the United States or other securities fully guaranteed as to principal and interest by the United States, or
- (c) Such other safe investments bearing a fixed rate of interest as may be provided by law.

(3) Investment of public retirement system assets shall be managed in a fiduciary capacity in the same manner that a prudent expert acting in a fiduciary capacity and familiar with the circumstances would use in the conduct of an enterprise of a similar character with similar aims. Public retirement system assets may be invested in private corporate capital stock."

Section 2. Article VIII of The Constitution of the State of Montana is

Complete Text – Constitutional Amendment 25 (continued)

amended by adding a new section 15 that reads:

Section 15. Public retirement system assets. (1) Public retirement systems shall be funded on an actuarially sound basis. Public retirement system assets, including income and actuarially required contributions, shall not be encumbered, diverted, reduced, or terminated and shall be held in trust to provide benefits to participants and their beneficiaries and to defray administrative expenses.

(2) The governing boards of public retirement systems shall administer the system, including actuarial determinations, as fiduciaries of system participants and their beneficiaries.

The Complete Text of Constitutional Amendment 26

AN ACT SUBMITTING TO THE QUALIFIED ELECTORS OF MONTANA AN AMENDMENT TO ARTICLE VI, SECTION 10, OF THE MONTANA CONSTITUTION TO PROVIDE A UNIFORM TIME LIMIT FOR GUBERNATORIAL ACTION ON LEGISLATION BY INCREASING THE TIME THE GOVERNOR HAS TO ACT ON A BILL WHILE THE LEGISLATURE IS IN SESSION AND REDUCING THE TIME THE GOVERNOR HAS TO ACT ON A BILL AFTER THE LEGISLATURE HAS ADJOURNED.

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

Section 1. Article VI, section 10, of The Constitution of the State of Montana is amended to read:

"Section 10. Veto power. (1) Each bill passed by the legislature, except bills proposing amendments to the Montana constitution, bills ratifying proposed amendments to the United States constitution, resolutions, and initiative and referendum measures, shall be submitted to the governor for his signature. If he does not sign or veto the bill within ~~five~~ 10 days after its delivery to him ~~if the legislature is in session or within 25 days if the legislature is adjourned~~, it shall become law. The governor shall return a vetoed bill to the legislature with a statement of his reasons therefor.

(2) The governor may return any bill to the legislature with his recommendation for amendment. If the legislature passes the bill in accordance with the governor's recommendation, it shall again return the bill to the governor for his reconsideration. The governor shall not return

The Complete Text of Constitutional Amendment 27

AN ACT SUBMITTING TO THE QUALIFIED ELECTORS OF MONTANA AN AMENDMENT TO ARTICLE VIII OF THE MONTANA CONSTITUTION TO LIMIT TO 4 PERCENT THE RATE OF A GENERAL STATEWIDE SALES TAX OR USE TAX; AND PROVIDING AN EFFECTIVE DATE.

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

Section 1. Article VIII of The Constitution of the State of Montana is amended by adding a new section 15 that reads:

Section 15. Limitation on sales tax or use tax rates. The rate of a general statewide sales tax or use tax may not exceed 4%.

The Complete Text of Constitutional Amendment 28

AN ACT SUBMITTING TO THE QUALIFIED ELECTORS OF MONTANA AN AMENDMENT TO ARTICLE VIII, SECTION 3, OF THE MONTANA CONSTITUTION TO ALLOW EQUALIZATION OF PROPERTY VALUES FOR PROPERTY TAX PURPOSES TO BE BASED ON CLASSIFICATION AND ON ACQUISITION VALUES AND TO LIMIT INCREASES IN VALUATION OF PROPERTY AS PROVIDED BY LAW.

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

Section 1. Article VIII, section 3, of The Constitution of the State of Montana is amended to read:

"Section 3. Property tax administration – valuation limitations. (1) (a) The Subject to the provisions of subsection (1)(b), the state shall appraise,

Section 3. Effective date. If approved by the electorate, the amendments in sections 1 and 2 are effective January 1, 1995.

Section 4. Submission to electorate. The amendments set forth in sections 1 and 2 shall be submitted to the qualified electors of Montana at the general election to be held in November 1994 by printing on the ballot the full title of this act and the following:

- ☐ FOR protection of public pension funds and beneficiaries.
- ☐ AGAINST protection of public pension funds and beneficiaries.

a bill for amendment a second time.

(3) If after receipt of a veto message, two-thirds of the members of each house present approve the bill, it shall become law.

(4)(a) If the legislature is not in session when the governor vetoes a bill approved by two-thirds of the members present, he shall return the bill with his reasons therefor to the secretary of state. The secretary of state shall poll the members of the legislature by mail and shall send each member a copy of the governor's veto message. If two-thirds or more of the members of each house vote to override the veto, the bill shall become law.

(b) The legislature may reconvene as provided by law to reconsider any bill vetoed by the governor when the legislature is not in session.

(5) The governor may veto items in appropriation bills, and in such instances the procedure shall be the same as upon veto of an entire bill."

Section 2. Submission to electorate. This amendment shall be submitted to the qualified electors of Montana at the general election to be held in November 1994 by printing on the ballot the full title of this act and the following:

- ☐ FOR providing a uniform time limit for gubernatorial action on bills.
- ☐ AGAINST providing a uniform time limit for gubernatorial action on bills.

Section 2. Effective date. This amendment is effective upon approval by the electorate.

Section 3. Submission to electorate. The amendment set forth in section 1 shall be submitted to the qualified electors of Montana at the general election to be held November 8, 1994, by printing on the ballot the full title of this act and the following:

- ☐ FOR limiting the rate of a state sales tax or use tax to 4%.
- ☐ AGAINST limiting the rate of a state sales tax or use tax to 4%.

assess, and equalize the valuation of all property which is to be taxed in the manner provided by law.

(b) Equalized valuation of residential and commercial property may be achieved through the classification of property and may be based on acquisition value.

(2) For property tax purposes, increases in the value of any class of property may be limited by law."

Section 2. Submission to electorate. This amendment shall be submitted to the qualified electors of Montana at the general election to be held in November 1994 by printing on the ballot the full title of this act and the following:

Complete Text – Constitutional Amendment 28 (continued)

☐ FOR allowing property taxes to be based on acquisition value and allowing limits on annual increases in valuation of property.

☐ AGAINST allowing property taxes to be based on acquisition value and allowing limits on annual increases in valuation of property.

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The Complete Text of Constitutional Initiative 66

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

Section 1. Article VIII of The Constitution of the State of Montana is amended by adding a new Section 15 that reads:

Section 15. People's right to approve all taxes. Any new tax or tax increase shall require approval by the people, as follows:

(1)(a) A new tax may not be levied and a tax or tax rate may not be increased by any governmental unit unless the tax or tax increase is first approved by a majority of voters voting on the question. The question submitted to the voters shall clearly describe the proposed new tax or tax increase and the reasonably estimated annual dollar amount of the proposed new tax or tax increase.

(b) For the purpose of this section, the term "governmental unit" includes state government, any subdivision of state government, any local government established under the authority of Article XI, and all school districts.

(2)(a) Any elimination or reduction of tax exemptions, credits, deductions, exclusions or cost-of-living indexing that results in a revenue increase shall be considered a tax increase.

(b) Any extension of an expiring tax shall be considered a tax increase.

(c) Any increase in revenue resulting from a property tax or personal property tax imposed by a governmental unit shall be considered a tax increase unless the amount of the increase is not greater than the previous millage rate multiplied by the taxable value of new construction and new capital improvements within the boundary of the governmental unit imposing the tax.

(d) The limitation on property tax revenue in the immediately preceding paragraph does not apply if the revenue is to be used solely to pay the interest and principal on voter-approved bonded indebtedness incurred since the effective date of this section.

(e) A redefinition of any tax base that results in a tax increase.

(3) The following revenue may not be considered taxes or tax increases for purposes of this section:

(a) fees charged for public utility services and port operations by public districts or port authorities to the extent that such fees do not exceed the actual, reasonable costs of such services or operations;

(b) school, college or university tuition and fees;

(c) assessments for the actual costs of capital construction in a special improvement district authorized by Article VIII, section 5(2), provided a majority of the owners of property directly benefitted thereby have agreed in writing to such assessments;

(d) user fees paid voluntarily for specific services that are not monopolized by government;

(e) increases in charges for monopolized products and services solely to pass through increased costs except costs attributable to labor costs of the governmental unit or otherwise subject to control by the governmental unit;

(f) fines or forfeitures for violations of law; and

(g) earnings from interest, investments, donations or asset sales.

(4) Any fee levied by a governmental unit or other charge not listed in subsection (3) that results in a revenue increase shall be considered a tax for the purposes of this section.

(5) Except in the case of a state of emergency, new taxes or tax increases may be submitted to voters at the following election dates only:

(a) one primary election date in each even-numbered year;

(b) the general election date in each even-numbered year; and

(c) up to two election dates, designated by law, in each odd-numbered year.

(6) A governmental unit may combine requests for multiple tax changes into a single measure to be submitted to the voters. Such a combined measure shall be considered to embrace one subject.

(7) This section does not require a vote of the people when increases in government revenue occur solely because of change in federal tax law, increases in income, or other changes in the circumstances of individual taxpayers.

(8) If a state of emergency is declared as provided by law, the legislature and governor may override this section and enact by law particular taxes or authorize particular local taxes without a vote of the people if the taxes are approved by a three-fourths vote in each house and signed into law by the governor. Such emergency taxes may not be enacted without the governor's signature. Any taxes authorized or enacted by such action shall be specifically designated for the declared emergency and shall be in effect no longer than 12 months. Revenue from such taxes in excess of the amount required by the emergency shall be returned to the people in a timely manner. During any such emergency, this section shall remain in effect for all other taxes.

(9) A governmental unit that levies taxes in violation of this section shall refund any tax amounts collected in violation of this section, plus interest, to taxpayers in the 12 months following the determination of violation. Interest paid shall be computed as the cost-of-living change plus six percent per year, compounded for the period from collection of the taxes to payment of the refunds.

(10) A taxpayer may sue to enforce this section and the laws implementing it. If successful, the taxpayer shall be reimbursed for all reasonable costs of litigation at trial and on appeal.

New Section 2. Severability. If a part of Section 1 is invalid, all valid parts that are severable from the invalid part remain in effect. If a part of Section 1 is invalid in one or more of its applications, the part remains in effect in all valid applications that are severable from the invalid applications.

New Section 3. Applicability. Section 1 applies to all fiscal periods for every governmental unit that begin after June 30, 1995.

New Section 4. Effective date. If approved by the electorate, this initiative is effective January 1, 1995.

The Complete Text of Constitutional Initiative 67

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

Section 1. Article VIII of The Constitution of the State of Montana is amended by adding a new section 15 that reads:

Section 15. Restrictions on government finance. (1)(a) The state, a county, city, a town, a school district, or any other governmental entity shall not increase any tax or fee, impose a surcharge on any existing tax or fee, or enact a new tax or fee unless authorized:

for the state, except the board of regents of higher education, by a two-thirds vote of the members of each house of the legislature; or

for the board of regents of higher education or any other governmental entity, by a vote in excess of two-thirds of its governing body.

A measure that may result in an increase of any tax or fee, a surcharge

on any tax or fee, or a new tax or fee shall not contain any other subject matter.

(2) Appropriations by the legislature or by the governing body of a county, a city, a town, a school district, or any other governmental entity shall not exceed the actual expenditures in the previous appropriation cycle of the state or other governmental entity unless authorized:

(a) by a two-thirds vote of the members of each house of the legislature for appropriations made by the legislature; or

(b) by a vote in excess of two-thirds of any other governing body for appropriations made by it.

NEW SECTION. Section 2. Effective date. If approved by the electorate, this amendment is effective January 1, 1995.

NEW SECTION. Section 3. Severability. If a part of this amendment is invalid, all valid parts that are severable from the invalid part remain in

effect. If a part of this amendment is invalid in one or more of its applications, the part remains in effect in all valid applications that are severable from the invalid applications.

The Complete Text of Initiative 118

Be it enacted by the People of the State of Montana:

SECTION 1. Section 13-37-216, MCA, is amended to read: "**13-37-216. Limitations on contributions.** (1)(a) Aggregate contributions for all ~~elections~~ each election in a campaign by a political committee or by an individual, other than the candidate, to a candidate and political committees organized on his behalf are limited as follows: (a) (i) for candidates filed jointly for the office of governor and lieutenant governor, not to exceed ~~\$1500 \$400~~; (b) (ii) for a candidate to be elected for state office in a statewide election, other than the candidates for governor and lieutenant governor, not to exceed ~~\$750 \$200~~; (c) ~~for a candidate for public service commissioner, district court judge, or state senator, not to exceed \$400~~; and (d) (iii) for a candidate for any other public office, not to exceed ~~\$250 \$100~~. (b) A contribution to a candidate includes contributions made to the candidate's committee and to any political committee organized on the candidate's behalf.

(2) (a) A political committee that is not independent of the candidate is considered to be organized on the candidate's behalf. For the purposes of this subsection, an independent committee means a committee which is not specifically organized on behalf of a particular candidate or which is not controlled either directly or indirectly by a candidate or candidate's committee and which does not act jointly with a candidate or candidate's committee in conjunction with the making of expenditures or accepting contributions. (b) A leadership political committee maintained by a political officeholder is considered to be organized on the political officeholder's behalf.

(3) All political committees except those of political party organizations are subject to the provisions of subsections (1) and (2). For the ~~purpose~~ purposes of limitation on contributions this subsection, "political party organization" organizations are independent committees means any political organization that was represented on the official ballot at the most recent gubernatorial election. ~~Aggregate contributions by an independent committee to a candidate and political committees organized on his behalf for all elections in a campaign are limited as follows. Political party organizations may form political committees that are subject to the following aggregate limitations from all political party committees: (a) for candidates filed jointly for the offices of governor and lieutenant governor, not to exceed \$8,000 \$15,000; (b) for a candidate to be elected for state office in a statewide election, other than the candidates for governor and lieutenant governor, not to exceed \$2,000 \$5,000; (c) for a candidate for public service commissioner, not to exceed \$1,000 \$2,000; (d) for a candidate for the state senate, not to exceed \$600 \$800; (e) for a candidate for any other public office, not to exceed \$300 \$500.~~

(3)(4) The limitations imposed by this section do not apply to public funds contributed to a candidate under part 3 of this chapter may not accept any contributions in excess of the limits in this section.

(5) For purposes of this section, "election" means the general election or a primary election that involves two or more candidates for the same nomination. If there is not a contested primary, there is only one election

to which the contribution limits apply. If there is a contested primary, then there are two elections to which the contribution limits apply.

Section 2. Section 13-37-218, MCA, is amended to read:

13-27-218. Limitations on receipts from political committees.

(1) A candidate for the state senate may receive no more than \$1,000 in total combined monetary contributions from all political committees contributing to the campaign, and a candidate for the state house of representatives may receive no more than \$600 in total combined monetary contributions from all political committees contributing to the campaign. The foregoing limitations must be multiplied by the inflation factor as defined in subsection (2) for the year in which general elections are held, and the resulting figure must be rounded off to the nearest \$50 increment. The commissioner of political practices shall publish the revised limitations as a rule. In-kind contributions ~~may not must~~ be included in computing these limitation totals. The limitation provided in this section does not apply to contributions made by a political party eligible for a primary election under 13-10-601. (2) "Inflation factor" means a number determined for each year by dividing the consumer price index for June of the year by the consumer price index for June 1980. The consumer price index to be used in determining the inflation factor is the consumer price index, United States city average, for all items, using the 1967 base of 100 as published by the bureau of labor statistics of the U.S. department of labor.

NEW SECTION. Section 3. Surplus campaign funds. (1) A candidate shall dispose of any surplus funds from the candidate's campaign within 120 days after the time of filing the closing campaign report pursuant to 13-37-228. In disposing of the surplus funds, a candidate may not contribute the funds to another campaign, including the candidate's own future campaign, or use the funds for personal benefit. The candidate shall provide a supplement to the closing campaign report to the commissioner showing the disposition of any surplus campaign funds.

(2) For purposes of this section, "personal benefit" means a use that will provide a direct or indirect benefit of any kind to the candidate or any member of the candidate's immediate family.

NEW SECTION. Section 4. Severability. If a part of this act is invalid, all valid parts that are severable from the invalid part remain in effect. If a part of this act is invalid in one or more of its applications, the part remains in effect in all valid applications that are severable from the invalid applications.

NEW SECTION. Section 5. Codification instruction. Section 4 is intended to be codified as an integral part of Title 13, chapter 37, part 2, and the provisions of Title 13, chapter 37, part 2, apply to section 3.

NEW SECTION. Section 6. Effective date. If approved by the electorate, this act is effective January 1, 1995.

The Complete Text of Initiative Referendum 112

AN ACT GENERALLY REVISING INDIVIDUAL INCOME TAX LAWS AND AMENDING CORPORATE LICENSE AND INCOME TAX LAWS; PROVIDING A SINGLE INCOME TAX RATE; REPLACING ITEMIZED INCOME TAX DEDUCTIONS WITH STANDARD DEDUCTIONS AND INCREASING THE EXEMPTION AMOUNT; CHANGING THE METHOD OF INDEXING THE STANDARD DEDUCTION AND EXEMPTION AMOUNTS; PROVIDING FOR A ONE-TIME TAX CREDIT RESULTING FROM GAIN FROM THE SALE OF A BUSINESS HELD FOR 15 OR MORE YEARS; INCREASING THE RATE OF THE CORPORATE LICENSE OR INCOME TAX FOR CORPORATIONS WITH TAXABLE INCOME OVER \$500,000; INCREASING THE MINIMUM CORPORATE TAX TO \$100; INCREASING THE SMALL BUSINESS CORPORATION MINIMUM FEE TO \$25; AMENDING SECTIONS 13-37-218, 15-30-101, 15-30-103, 15-30-105, 15-30-111, 15-30-112, 15-30-117, 15-30-122, 15-30-126, 15-30-131,

15-30-137, 15-30-142, 15-30-323, 15-31-121, 15-31-131, 15-31-202, 15-31-204, AND 15-32-303, MCA; REPEALING SECTIONS 15-30-121, 15-30-156, 15-30-157, 15-30-159, 15-30-160, AND 15-30-199, MCA; AND PROVIDING AN IMMEDIATE EFFECTIVE DATE AND A RETROACTIVE APPLICABILITY DATE.

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF MONTANA: Section 1. Section 15-30-101, MCA, is amended to read:

"15-30-101. Definitions. For the purpose of this chapter, unless otherwise required by the context, the following definitions apply:

(1) "Base year structure" means the following elements of the income tax structure:

(a) ~~the tax brackets established in 15-30-103, but unadjusted by subsection (2) of 15-30-103, in effect on June 30 of the taxable year;~~

exemptions contained in 15-30-112, but unadjusted by 15-30-~~in effect on June 30 of the taxable year;~~
the maximum standard deduction provided in 15-30-122, but
adjusted by subsection (2) (4) of 15-30-122, ~~in effect on June 30 of the~~
~~a year.~~

"Consumer price index" means the consumer price index for all urban
consumers, United States city average, for all items, using the ~~1967 1982-~~
~~base index~~ of 100, as that base index is periodically adjusted, as
published by the bureau of labor statistics of the U.S. department of labor.
"Department" means the department of revenue.

"Dividend" means any distribution made by a corporation out of its
assets or profits to its shareholders or members, whether in cash or in
property or in stock of the corporation, other than stock dividends
~~redefined~~. "Stock dividends" means new stock issued, for surplus
profits capitalized, to shareholders in proportion to their previous
holdings.

"Fiduciary" means a guardian, trustee, executor, administrator,
receiver, conservator, or any person, whether individual or corporate,
acting in any fiduciary capacity for any person, trust, or estate.

"Foreign country" or "foreign government" means any jurisdiction
other than the one embraced within the United States, its territories and
possessions.

"Gross income" means the taxpayer's gross income for federal income
tax purposes as defined in section 61 of the Internal Revenue Code of
1954 or as that section may be amended, excluding
employment compensation included in federal gross income under the
provisions of section 85 of the Internal Revenue Code of 1954 as
amended.

"Inflation factor" means a number determined for each taxable year by
dividing the consumer price index for June of the taxable year by the
consumer price index for June, ~~1980 1993~~, then subtracting 1, then
multiplying by 0.5, then adding 1.

"Information agents" includes all individuals, corporations,
partnerships, and associations, in whatever capacity acting, including
attorneys, accountants, appraisers, brokers, real estate brokers, mortgage
lenders, and all officers and employees of the state or of
any municipal corporation or political subdivision of the state, having the
control, receipt, custody, disposal, or payment of interest, rent, salaries,
fees, premiums, annuities, compensations, remunerations, emoluments,
or other fixed or determinable annual or periodical gains, profits, and
income with respect to which any person or fiduciary is taxable under this
chapter.

(10) "Knowingly" is as defined in 45-2-101.

(11) "Net income" means the adjusted gross income of a taxpayer less the
deductions allowed by this chapter.

(12) "Paid", for the purposes of the deductions and credits under this
chapter, means paid or accrued or paid or incurred, and the terms "paid
or incurred" and "paid or accrued" shall must be construed according to
the method of accounting upon the basis of which the taxable income is
computed under this chapter.

(13) "Pension and annuity income" means:

- (a) systematic payments of a definitely determinable amount from a
qualified pension plan, as that term is used in section 401 of the Internal
Revenue Code, or systematic payments received as the result of
contributions made to a qualified pension plan that are paid to the
recipient or recipient's beneficiary upon the cessation of employment;
- (b) payments received as the result of past service and cessation of
employment in the uniformed services of the United States;
- (c) lump-sum distributions from pension or profitsharing plans to the
extent that the distributions are included in federal adjusted gross income;
- (d) distributions from individual retirement, deferred compensation, and
self-employed retirement plans recognized under sections 401 through 408
of the Internal Revenue Code to the extent that the distributions are not
considered to be premature distributions for federal income tax purposes;
or
- (e) amounts after cessation of regular employment received from fully
matured, privately purchased annuity contracts.

(14) "Purposely" is as defined in 45-2-101.

(15) "Received", for the purpose of computation of taxable income under
this chapter, means received or accrued and the term "received or
accrued" shall must be construed according to the method of accounting

upon the basis of which the taxable income is computed under this
chapter.

(16) "Resident" applies only to natural persons and includes, for the
purpose of determining liability to the tax imposed by this chapter with
reference to the income of any taxable year, any person domiciled in the
state of Montana and any other person who maintains a permanent place
of abode within the state even though temporarily absent from the state
and has not established a residence elsewhere.

(17) "Taxable income" means the adjusted gross income of a taxpayer less
the deductions and exemptions provided for in this chapter.

(18) "Taxable year" means the taxpayer's taxable year for federal income
tax purposes.

(19) "Taxpayer" includes any person or fiduciary, resident or nonresident,
subject to a tax imposed by this chapter and does not include
corporations."

Section 2. Section 15-30-103, MCA, is amended to read:

"15-30-103. Rate of tax – adjustment. (1) ~~There shall be Subject to~~
~~subsection (2), there is levied, collected, and paid for each taxable year~~
~~commencing on or after December 31, 1968 1992, upon the taxable~~
~~income of every taxpayer individual subject to this tax, after making~~
~~allowance for exemptions and deductions as hereinafter provided, a tax at~~
~~the rate of 6.7% of the individual's taxable income on the following~~
~~brackets of taxable income as adjusted under subsection (2) at the~~
~~following rates:~~

- (a) ~~on the first \$1,000 of taxable income or any part thereof, 2%;~~
- (b) ~~on the next \$1,000 of taxable income or any part thereof, 3%;~~
- (c) ~~on the next \$2,000 of taxable income or any part thereof, 4%;~~
- (d) ~~on the next \$2,000 of taxable income or any part thereof, 5%;~~
- (e) ~~on the next \$2,000 of taxable income or any part thereof, 6%;~~
- (f) ~~on the next \$2,000 of taxable income or any part thereof, 7%;~~
- (g) ~~on the next \$4,000 of taxable income or any part thereof, 8%;~~
- (h) ~~on the next \$6,000 of taxable income or any part thereof, 9%;~~
- (i) ~~on the next \$15,000 of taxable income or any part thereof, 10%;~~
- (j) ~~on any taxable income in excess of \$35,000 or any part thereof, 11%.~~

(2) By November 1 of each year, the department shall multiply the bracket
amount contained in subsection (1) by the inflation factor for that taxable
year and round the cumulative brackets to the nearest \$100. The resulting
adjusted brackets are effective for that taxable year and shall be used as
the basis for imposition of the tax in subsection (1) of this section (a) The
department shall, pursuant to subsection (2)(b), adjust the tax rate provided
in subsection (1) to reflect changes in federal adjusted gross income. The
adjustment must maintain a rate that produces revenue that does not
exceed 6.7% of taxable income based upon the definition of federal
adjusted gross income as provided in 26 U.S.C. 62 on January 1, 1993.
Prior to adopting a change in rate, the department shall present the
proposed change to the revenue oversight committee for review by the
committee.

(b) (i) For purposes of subsection (2)(a), for tax year 1994 and each tax
year thereafter, the department shall in the succeeding year determine the
change in the amount of revenue collected resulting from changes made
by the United States congress to federal adjusted gross income, as defined
by the Internal Revenue Code, effective for that year.

(ii) Based on the determination in subsection (2)(b)(i), the tax rate for the
tax year following the determination must be adjusted in increments of
0.1%.

(iii) A change in the rate may not be made unless the amount of change
exceeds \$4.5 million."

Section 3. Section 15-30-105, MCA, is amended to read:

"15-30-105. Tax on nonresident – alternative tax based on gross sales.

(1) A like tax is imposed upon every person not resident of this state,
which tax shall must be levied, collected, and paid annually at the rates
rate specified in 15-30-103 with respect to his entire net the person's
taxable income. After calculating the tax imposed, the tax due and payable
must be determined based upon the ratio of income earned in Montana to
total income. Interest income from installment sales of real or tangible
commercial or business property located in Montana is considered income
earned in Montana.

(2) Pursuant to the provisions of Article III, section 2, of the Multistate Tax
Compact, every nonresident taxpayer required to file a return and whose
only activity in Montana consists of making sales and who does not own
or rent real estate or tangible personal property within Montana and whose

annual gross volume of sales made in Montana during the taxable year does not exceed \$100,000 may elect to pay an income tax of 1/2 of 1% of the dollar volume of gross sales made in Montana during the taxable year. ~~Such The tax shall be~~ is in lieu of the tax imposed under 15-30-103. The gross volume of sales made in Montana during the taxable year ~~shall~~ must be determined according to the provisions of Article IV, sections 16 and 17, of the Multistate Tax Compact."

Section 4. Section 15-30-111, MCA, is amended to read:

"15-30-111. Adjusted gross income. (1) Adjusted gross income ~~shall be~~ is the taxpayer's federal income tax adjusted gross income as defined in section 62 of the Internal Revenue Code of 1954 or as that section may be labeled or amended and in addition ~~shall include~~ includes the following:

(a) interest received on obligations of another state or territory or county, municipality, district, or other political subdivision thereof;

~~(b) refunds received of federal income tax, to the extent the deduction of such tax resulted in a reduction of Montana income tax liability;~~

~~(c)(b)~~ that portion of a shareholder's income under subchapter S of Chapter 1 of the Internal Revenue Code of 1954, that has been reduced by any federal taxes paid by the subchapter S corporation on the income; and

~~(d)(c)~~ depreciation or amortization taken on a title plant as defined in 33-25-105(15).

(2) Notwithstanding the provisions of the federal Internal Revenue Code of 1954, as labeled or amended, adjusted gross income does not include the following which are exempt from taxation under this chapter:

(a) all interest income from obligations of the United States government, the state of Montana, county, municipality, district, or other political subdivision thereof;

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

(c) (i) except as provided in subsection (2)(c)(ii), the first \$3,600 of all pension and annuity income received as defined in 15-30-101;

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

(A) each taxpayer filing singly, head of household, or married filing separately shall reduce the total amount of the exclusion provided in (2)(c)(i) by \$2 for every \$1 of federal adjusted gross income in excess of \$30,000 as shown on the taxpayer's return;

(B) in the case of married taxpayers filing jointly, if both taxpayers are receiving pension or annuity income or if only one taxpayer is receiving pension or annuity income, the exclusion claimed as provided in subsection (2)(c)(i) must be reduced by \$2 for every \$1 of federal adjusted gross income in excess of \$30,000 as shown on their joint return;

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

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

(f) all tips covered by section 3402(k) of the Internal Revenue Code of 1954, as amended and applicable on January 1, 1983, and service charges received by persons for services rendered by them to patrons of premises licensed to provide food, beverage, or lodgings. For the purposes of this subsection (f), "service charge" means an arbitrary fixed charge added to the customer's bill by the person's employer in lieu of a tip. It is collected by the employer and paid to the person by the employer.

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

(h) all health insurance premiums paid by an employer for an employee if attributed as income to the employee under federal law; and

(i) all money received because of a settlement agreement or judgment in a lawsuit brought against a manufacturer or distributor of "agent orange" for damages resulting from exposure to "agent orange"; and

(j) except as provided in subsection (7), for a single joint return of husband and wife, an amount, not to exceed \$3,000, equal to 10% of the earned income received by the spouse that earned the least amount of earned income in the tax year.

(3) A shareholder of a DISC that is exempt from the corporation license tax under 15-31-102(1)(l) shall include in ~~his the shareholder's~~ adjusted gross income the earnings and profits of the DISC in the same manner as provided by federal law (section 995, Internal Revenue Code) for all periods for which the DISC election is effective.

(4) A taxpayer who, in determining federal adjusted gross income, has reduced ~~his the taxpayer's~~ business deductions by an amount for wages and salaries for which a federal tax credit was elected under section 44B of the Internal Revenue Code of 1954 or as that section may be labeled or

amended is allowed to deduct the amount of the wages and salaries paid regardless of the credit taken. The deduction must be made in the year the wages and salaries were used to compute the credit. In the case of a partnership or small business corporation, the deduction must be made to determine the amount of income or loss of the partnership or small business corporation.

(5) Married taxpayers filing a joint federal return who must include part of their social security benefits or part of their tier 1 railroad retirement benefits in federal adjusted gross income may split the federal base used in calculation of federal taxable social security benefits or federal taxable tier 1 railroad retirement benefits when they file separate Montana income tax returns. The federal base must be split equally on the Montana return.

(6) A taxpayer receiving retirement disability benefits who has not attained age 65 by the end of the taxable year and who has retired as permanently and totally disabled may exclude from adjusted gross income up to \$100 per week received as wages or payments in lieu of wages for a period during which the employee is absent from work due to the disability. If the adjusted gross income before this exclusion and before application of the two-earner married couple deduction exceeds \$15,000, the excess reduces the exclusion by an equal amount. This limitation affects the amount of exclusion, but not the taxpayer's eligibility for the exclusion. If eligible, married individuals shall apply the exclusion separately, but the limitation for income exceeding \$15,000 is determined with respect to the spouses on their combined adjusted gross income. For the purpose of this subsection, permanently and totally disabled means unable to engage in any substantial gainful activity by reason of any medically determined physical or mental impairment lasting or expected to last at least 12 months.

(7) The amount specified in subsection (2)(i) is reduced by 6.25% for every \$5,000 of federal adjusted gross income in excess of \$100,000. (Subsection (2)(f) terminates on occurrence of contingency—sec. 3, Ch. 634, L. 1983.)"

Section 5. Section 15-30-112, MCA, is amended to read:

"15-30-112. Exemptions. (1) Except as provided in subsection (6), in the case of an individual, the exemptions provided by subsections (2) through (5) ~~shall be~~ are allowed as deductions in computing taxable income.

(2) (a) An exemption of ~~\$800~~ \$2,710 ~~shall be~~ is allowed for taxable years beginning after December 31, ~~1978~~ 1992, for the taxpayer.

(b) An additional exemption of ~~\$800~~ \$2,710 ~~shall be~~ is allowed for taxable years beginning after December 31, ~~1978~~ 1992, for the spouse of the taxpayer if a separate return is made by the taxpayer and if the spouse, for the calendar year in which the taxable year of the taxpayer begins, has no gross income and is not the dependent of another taxpayer.

(3) (a) An additional exemption of ~~\$800~~ \$2,710 ~~shall be~~ is allowed for taxable years beginning after December 31, ~~1978~~ 1992, for the taxpayer if ~~he the taxpayer~~ has attained the age of 65 before the close of ~~his the taxpayer's~~ taxable year.

(b) An additional exemption of ~~\$800~~ \$2,710 ~~shall be~~ is allowed for taxable years beginning after December 31, ~~1978~~ 1992, for the spouse of the taxpayer if a separate return is made by the taxpayer and if the spouse has attained the age of 65 before the close of ~~such the~~ taxable year and, for the calendar year in which the taxable year of the taxpayer begins, has no gross income and is not the dependent of another taxpayer.

(4) (a) An additional exemption of ~~\$800~~ \$2,710 ~~shall be~~ is allowed for taxable years beginning after December 31, ~~1978~~ 1992, for the taxpayer if ~~he the taxpayer~~ is blind at the close of ~~his the taxpayer's~~ taxable year.

(b) An additional exemption of ~~\$800~~ \$2,710 ~~shall be~~ is allowed for taxable years beginning after December 31, ~~1978~~ 1992, for the spouse of the taxpayer if a separate return is made by the taxpayer and if the spouse is blind and, for the calendar year in which the taxable year of the taxpayer begins, has no gross income and is not the dependent of another taxpayer. For the purposes of this subsection ~~(4)(b)~~ (b), the determination of whether the spouse is blind ~~shall~~ must be made as of the close of the taxable year of the taxpayer, except that if the spouse dies during ~~such the~~ taxable year, ~~such the~~ determination ~~shall~~ must be made as of the time of ~~such~~ death.

(c) For purposes of this subsection (4), an individual is blind only if ~~his the individual's~~ central visual acuity does not exceed 20/200 in the better eye with correcting lenses or if ~~his the individual's~~ visual acuity is greater than 20/200 but is accompanied by a limitation in the fields of vision such that the widest diameter of the visual field subtends an angle no greater than 20 degrees.

(5) (a) An exemption of ~~\$800~~ \$2,710 ~~shall be~~ is allowed for taxable years

beginning after December 31, ~~1978~~ 1992, for each dependent:

- (i) whose gross income for the calendar year in which the taxable year of the taxpayer begins is less than ~~\$800~~ \$2,710; or
- (ii) who is a child of the taxpayer and who:
 - (A) has not attained the age of 19 years at the close of the calendar year in which the taxable year of the taxpayer begins; or
 - (B) is a student.

(b) ~~No~~ An exemption ~~shall be~~ is not allowed under this subsection (5) for any dependent who has made a joint return with ~~his~~ the dependent's spouse for the taxable year beginning in the calendar year in which the taxable year of the taxpayer begins.

(c) For purposes of subsection (5)(a)(ii), the term "child" means an individual who is a son, stepson, daughter, or stepdaughter of the taxpayer.

(d) For purposes of subsection (5)(a)(ii)(B), the term "student" means an individual who, during each of 5 calendar months during the calendar year in which the taxable year of the taxpayer begins:

- (i) is a full-time student at an educational institution; or
- (ii) is pursuing a full-time course of institutional on-farm training under the supervision of an accredited agent of an educational institution or of a state or political subdivision of a state. For purposes of this subsection (5)(d)(ii) (ii), the term "educational institution" means only an educational institution which ~~that~~ normally maintains a regular faculty and curriculum and normally has a regularly organized body of students in attendance at the place where its educational activities are carried on.

(6) (a) The exemptions provided for in this section are reduced by 6.25% for every \$5,000 of federal adjusted gross income in excess of \$100,000.

(b) For tax years beginning after December 31, 1993, the department, by November 1 of each year, shall multiply all the exemptions provided in this section by the inflation factor for that taxable year and round the product to the nearest \$10. The resulting adjusted exemptions are effective for that taxable year and shall must be used in calculating the tax imposed in 15-30-103."

Section 6. Section 15-30-117, MCA, is amended to read:

"15-30-117. Net operating loss – computation. (1) A Montana net operating loss for a loss incurred in tax years beginning after December 31, 1992, must be determined in accordance with section 172 of the Internal Revenue Code of 1954 or as that section may be labeled or amended and in accordance with the following:

(a) The net operating loss deduction for Montana purposes is increased by the following:

~~(i) that portion of the federal income tax and motor vehicle tax allowed as a deduction under 15-30-121 or 15-30-131 which is attributable to income from a Montana trade or business; and~~

~~(ii) Montana wages and salaries allowed as a business deduction under 15-30-111(4).~~

(b) The net operating loss deduction for Montana purposes is decreased by the following:

~~(i) interest received on obligations of another state or territory or of a county, municipality, district, or political subdivision thereof allowed as nonbusiness income under 15-30-111(1)(a);~~

~~(ii) federal income tax refunds required to be reported under 15-30-111 and 15-30-131 as Montana business income;~~

~~(iii) state income tax; and~~

~~(iv) any other nonbusiness deductions allowed under 15-30-121 in excess of nonbusiness income.~~

(2) Notwithstanding the provisions of section 172 of the Internal Revenue Code of 1954 or as that section may be labeled or amended, a net operating loss does not include:

~~(a) income defined as exempt from state taxation under 15-30-111(2); or~~
~~(b) a zero-bracket deduction provided for under section 63 of the Internal Revenue Code of 1954 or as that section may be labeled or amended."~~

Section 7. Section 15-30-122, MCA, is amended to read:

"15-30-122. Standard deduction. (1) A standard deduction ~~equal to 20% of adjusted gross income shall be~~ is allowed if elected by the taxpayer on his or her taxpayer's return. The standard deduction shall be in lieu of all deductions allowed under 15-30-121. The maximum

(2) (a) Except as provided in subsections (2)(b) through (2)(e), the standard deduction shall be \$1,500 is 40% of Montana adjusted gross income, but not more than \$5,000, as adjusted under the provisions of subsection (2), except that in the case of

(b) For a single joint return of husband and wife, the standard deduction is 40% of Montana adjusted gross income, but not more than \$10,000, or

in the case of

(c) For a single individual who qualifies to file as a head of household on his or her individual's federal income tax return, the maximum standard deduction shall be \$3,000 is 40% of Montana adjusted gross income, but not more than \$7,500, as adjusted under the provisions of subsection (2).

(d) The standard deduction shall not be allowed to either the husband or the wife if the tax of one of the spouses is determined without regard to the standard deduction for married taxpayers filing separately is 40% of Montana adjusted gross income, but not more than \$5,000.

(e) The standard deductions provided for in this subsection (2) are reduced by 6.25% for every \$5,000 of federal adjusted gross income in excess of \$100,000.

(3) For purposes of this section, the determination of whether an individual is married ~~shall~~ must be made as of the last day of the taxable year; ~~provided, however,~~ However, if one of the spouses dies during the taxable year, the determination ~~shall~~ must be made as of the date of death.

~~(2)(4) By For taxable years beginning after December 31, 1993, by November 1 of each year, the department shall multiply the maximum standard deduction for single returns, qualified head-of-household returns, and joint returns by the inflation factor for that taxable year and round the product to the nearest \$10. The standard deduction for joint returns and qualified head-of-household returns shall be twice the amount for single returns. The resulting adjusted deductions are effective for that taxable year and shall must be used in calculating the tax imposed in 15-30-103."~~

Section 8. Credit for sale of business. (1) (a) For tax years beginning after December 31, 1992, an individual who realizes a gain that must be included in Montana adjusted gross income, from the sale of a business, trade, or profession, is allowed a one-time credit against the tax imposed by 15-30-103.

(b) To be eligible for the credit, the individual, including the individual's parents, grandparents, children, and grandchildren, must have held the interest in the business, trade, or profession for at least 15 years.

(2) (a) Subject to the limitation contained in subsection (2)(b), the credit must be computed by multiplying the gain that was included in the Montana adjusted gross income from the sale, times the individual's highest federal tax rate in the tax year in which the gain from the sale is reported times this state's highest tax rate for that individual in the same year.

(b) For an individual who realized a gain in excess of \$1 million, the credit is reduced at the rate of 1% for every \$20,000 of gain in excess of \$1 million.

(c) The credit provided for in this section is not refundable, nor may it be carried back or carried forward.

(3) For sales that occurred prior to December 31, 1992, and for which the gain for the sale of the business, trade, or profession is being reported on the installment basis, the individual shall satisfy the requirements of subsection (1)(b).

Section 9. Section 15-30-126, MCA, is amended to read:

"15-30-126. Small business corporation – deduction for donation of computer equipment to schools. A small business corporation, as defined in 15-31-201, is allowed a deduction equal to the fair market value, not to exceed 30% of the small business corporation's net income, of a computer or other sophisticated technological equipment or apparatus intended for use with the computer donated to an elementary, secondary, or accredited postsecondary school located in Montana if:

(1) the contribution is made no later than 5 years after the manufacture of the donated property is substantially completed;

(2) the property is not transferred by the donee in exchange for money, other property, or services; and

(3) the electing small business corporation receives a written statement from the donee in which the donee agrees to accept the property and representing that the use and disposition of the property will be in accordance with the provisions of subsection (2); and

~~(4) the deduction allowed in this section is in lieu of the deduction allowed under 15-30-121 for charitable contributions."~~

Section 10. Section 15-30-131, MCA, is amended to read:

"15-30-131. Nonresident and temporary part-year resident taxpayers – adjusted gross income. (1) In the case of a nonresident or part-year resident taxpayer other than a resident of this state, adjusted gross income includes the entire amount of adjusted gross income as provided for in 15-30-111 from sources within this state but does not include income from annuities, interest on bank deposits, interest on bonds, notes, or other interest-bearing obligations, or dividends on stock of corporations, except to the extent to which the income from annuities, interest on bank

deposits, interest on bonds, notes, or other interest-bearing obligations, or dividends on stock of corporations are a part of income from any business, trade, profession, or occupation carried on in this state. Interest income from installment sales of real or tangible commercial or business property located in Montana must be included in Montana adjusted gross income. Adjusted gross income from sources within and outside of this state must be allocated and apportioned under rules adopted by the department in accordance with the Multistate Tax Compact.

(2) For purposes of this section, "installment sales" means sales in which the buyer agrees to pay the seller in one or more deferred installments.

(3) The deductions allowed in computing net income are restricted to a prorated standard deduction, as adjusted, allowed under 15-30-122 and prorated exemptions, as adjusted, allowed under 15-30-112. The standard deduction and the claimable exemptions must be prorated according to the ratio that the taxpayer's Montana adjusted gross income bears to the taxpayer's federal adjusted gross income."

Section 11. Section 15-30-137, MCA, is amended to read:

"15-30-137. **Determination of tax of estates and trusts.** The amount of tax must be determined from taxable income of an estate or trust in the same manner as the tax on taxable income of individuals, by applying the rates rate contained in 15-30-103. Credits allowed individuals under Title 15, chapter 30, also apply to estates and trusts when applicable."

Section 12. Section 15-30-142, MCA, is amended to read:

"15-30-142. **Returns and payment of tax – penalty and interest – refunds – credits.** (1) A return must be filed as provided in subsections (2)(a) through (2)(d) on forms and according to rules prescribed by the department. The filing status used in subsection (2) must be the same status used for the individual's or married couple's federal income tax return.

(2) A return must be filed by:

(a) ~~Every each single individual and every married individual not filing a joint return with his or her spouse and~~ having a gross income for the taxable year of more than \$1,000, the combined amount of the standard deduction for a single individual plus the amount for the exemption claimable by the individual as provided in 15-30-112; ~~as adjusted under the provisions of subsection (7), and~~

(b) ~~each individual filing as a head of household having gross income for the taxable year of more than the combined amount of the standard deduction for a head of household plus the amount for the exemption claimable by the individual as provided in 15-30-112;~~

(c) ~~married individuals not filing separate returns and having a combined gross income for the taxable year of more than \$2,000, the combined amount of the standard deduction for married individuals not filing separately plus the amount for the exemption claimable by the individuals as provided in 15-30-112; and~~

(d) ~~as adjusted under the provisions of subsection (7), shall be liable for a return to be filed on such forms and according to such rules as the department may prescribe married individuals filing separately with combined gross income exceeding one-half of the combined amount of the standard deduction for married individuals not filing separately plus the amount for the exemption claimable by the individual as provided in 15-30-112. The gross income amounts referred to in the preceding sentence shall be increased by \$800, as adjusted under the provisions of 15-30-112(6), for each additional personal exemption allowance the taxpayer is entitled to claim for himself and his spouse under 15-30-112(3) and (4).~~

(3) A nonresident ~~shall be~~ is required to file a return if his the nonresident's gross income for the taxable year derived from sources within Montana exceeds the total amount of the prorated exemption deduction and prorated standard deduction he is entitled to claim for himself and his claimable by the nonresident and the nonresident's spouse under the provisions of 15-30-112(2), (3), and (4).

(2)(4) In accordance with instructions set forth by the department, every taxpayer who is married, and who is living with husband or wife the taxpayer's spouse, and who is required to file a return may, at his or her the taxpayer's option, file a joint return with husband or wife the spouse even though one of the spouses has neither gross income nor deductions. If a joint return is made, the tax shall must be computed on the aggregate taxable income and the liability with respect to the tax shall be is joint and several. If a joint return has been filed for a taxable year, the spouses may not file separate returns after the time for filing the return of either has expired unless the department so consents.

(3)(5) If any such a taxpayer is unable to make his own a return that is required to be made by the taxpayer, the return shall must be made by a duly authorized agent or by a guardian or other person charged with the

care of the person or property of such the taxpayer.

(4)(6) All taxpayers, including but not limited to those subject to the provisions of 15-30-202 and 15-30-241, shall compute the amount of income tax payable and shall, at the time of filing the return required by this chapter, pay to the department any balance of income tax remaining unpaid after crediting the amount withheld as provided by 15-30-202 and/or and any payment made by reason of an estimated tax return provided for in 15-30-241, provided, however, if the tax so computed is greater by \$1 than the amount withheld and/or or paid by estimated return as provided in this chapter. If the amount of tax withheld and/or or payment of estimated tax exceeds by more than \$1 the amount of income tax as computed, the taxpayer shall be is entitled to a refund of the excess.

(5)(7) As soon as practicable after the return is filed, the department shall examine and verify the tax.

(6)(8) If the amount of tax as verified is greater than the amount theretofore paid, the excess shall must be paid by the taxpayer to the department within 60 days after notice of the amount of the tax as computed, with interest added at the rate of 9% per annum or fraction thereof of a year on the additional tax. In such that case, there shall be is no penalty because of such the understatement, provided the deficiency is paid within 60 days after the first notice of the amount is mailed to the taxpayer.

(7)(9) By November 1 of each year, the department shall multiply determine the minimum amount of gross income necessitating the filing of a return by the inflation factor for the taxable year. These adjusted amounts are effective for that taxable year, and persons having gross incomes less than these adjusted amounts are not required to file a return.

(8)(10) Individual income tax forms distributed by the department for each taxable year must contain instructions and tables based on the adjusted base year structure for that taxable year.

(11) For the purposes of this section:

(a) "exemption" means an exemption provided by 15-30-112 and includes the adjustment provided in 15-30-112(6); and

(b) "standard deduction" means a deduction provided by 15-30-122 and includes the adjustment provided in 15-30-122(4)."

Section 13. Section 15-30-323, MCA, is amended to read:

"15-30-323. **Penalty for deficiency.** (1) If the payment required by 15-30-142(6)(8) is not made within 60 days or if the understatement is due to negligence on the part of the taxpayer but without fraud, there shall must be added to the amount of the deficiency 5% thereof, provided, however, that no of the deficiency. However, a deficiency penalty shall may not be less than \$2. Interest will must be computed at the rate of 9% per annum or fraction thereof of a year on the additional assessment. Except as otherwise expressly provided in this subsection, the interest shall must in all cases be computed from the date the return and tax were originally due as distinguished from the due date as it may have been extended to the date of payment.

(2) If the time for filing a return is extended, the taxpayer shall pay in addition interest thereon on the tax due at the rate of 9% per annum from the time when the return was originally required to be filed to the time of payment."

Section 14. Section 15-31-121, MCA, is amended to read:

"15-31-121. **(Temporary for tax year 1993) Rate of tax – minimum tax – surtax.** (1) Except as provided in subsection (2), the percentage of net income to be paid under 15-31-101 shall be is:

(a) ~~6-3/4%~~ 7.08% of all the first \$500,000 of net income for the taxable period; and

(b) 7.57% of all net income in excess of \$500,000 for the taxable period. The rate set forth in this subsection (1) shall be effective for all taxable years ending on or after February 28, 1971. This rate is retroactive to and effective for all taxable years ending on or after February 28, 1971.

(2) For a taxpayer making a water's-edge election, the percentage of net income to be paid under 15-31-101 shall be is:

(a) ~~7%~~ of all 7.33% of the first \$500,000 of taxable net income for the taxable period; and

(b) 7.82% of all net income in excess of \$500,000 for the taxable period.

(3) Every corporation subject to taxation under this part shall, in any event, pay a minimum tax of not less than \$50 \$100.

(4) After the amount of tax liability has been computed under subsections (1) through (3), each corporation subject to taxation under this part shall add, as a surtax for tax year 1992, 2.3% of the tax liability and, as a surtax for tax year 1993, 4.7% of the tax liability, and the amount so derived is the amount due the state.

(5) The additional tax collected under subsection (4) must be deposited to the credit of the state general fund.

15-31-121. (Effective on receipt of taxes for tax year 1993 1994 and thereafter) Rate of tax – minimum tax – surtax. (1) Except as provided in subsection (2), the percentage of net income to be paid under 15-31-101 shall be is:

(a) 6 3/4% of all the first \$500,000 of net income for the taxable period; and

(b) 7 1/4% of all net income in excess of \$500,000 for the taxable period. The rate set forth in this subsection (1) shall be effective for all taxable years ending on or after February 28, 1971. This rate is retroactive to and effective for all taxable years ending on or after February 28, 1971.

(2) For a taxpayer making a water's-edge election, the percentage of net income to be paid under 15-31-101 shall be is:

(a) 7% of all the first \$500,000 of taxable net income for the taxable period; and

(b) 7.5% of all net income in excess of \$500,000 for the taxable period.

(3) Every corporation subject to taxation under this part shall, in any event, pay a minimum tax of not less than \$50 \$100.

(4) ~~After the amount of tax liability has been computed under subsections (1) through (3), each corporation subject to taxation under this part shall add, as a surtax for tax year 1988, 4% of the tax liability, and the amount so derived is the amount due the state.~~

Section 15. Section 15-31-202, MCA, is amended to read:

"15-31-202. Small business corporation not subject to chapter. (1) A small business corporation is not subject to the taxes imposed by this chapter. The corporate net income or loss of the corporation is included in the stockholders' adjusted gross income as defined in 15-30-111.

(2) Each small business corporation is required to pay the minimum fee of \$40 \$25 required by 15-31-204."

Section 16. Section 15-31-204, MCA, is amended to read:

"15-31-204. Minimum fee of small business corporations unaffected. Notwithstanding the provisions of 15-31-121, small business corporations shall pay a minimum fee of \$40 \$25."

Section 17. Section 15-31-131, MCA, is amended to read:

"15-31-131. Credit for dependent care assistance. (1) There is a credit against the taxes otherwise due under this chapter allowable to an employer for amounts paid or incurred during the taxable year by the employer for dependent care assistance actually provided to or on behalf of an employee if the assistance is furnished by a registered or licensed day-care provider and pursuant to a program that meets the requirements of section 89(k) and 129(d)(2) through (6) of the Internal Revenue Code.

(2) (a) The amount of the credit allowed under subsection (1) is 20% of the amount paid or incurred by the employer during the taxable year, but the credit may not exceed \$1,250 of day-care assistance actually provided to or on behalf of the employee.

(b) For the purposes of this subsection, marital status must be determined under the rules of section 21(e)(3) and (4) of the Internal Revenue Code.

(c) In the case of an onsite facility, the amount upon which the credit allowed under subsection (1) is based, with respect to any dependent, must be based upon utilization and the value of the services provided.

(3) An amount paid or incurred during the taxable year of an employer in providing dependent care assistance to or on behalf of any employee does not qualify for the credit allowed under subsection (1) if the amount was paid or incurred to an individual described in section 129(c)(1) or (2) of the Internal Revenue Code. (4) An amount paid or incurred by an employer to provide dependent care assistance to or on behalf of an employee does not qualify for the credit allowed under subsection (1):

(a) to the extent the amount is paid or incurred pursuant to a salary reduction plan; or

(b) if the amount is paid or incurred for services not performed within this state.

(5) If the credit allowed under subsection (1) is claimed, the amount of any deduction allowed or allowable under this chapter for the amount that qualifies for the credit (or upon which the credit is based) must be reduced by the dollar amount of the credit allowed. The election to claim a credit allowed under this section must be made at the time of filing the tax return.

(6) The amount upon which the credit allowed under subsection (1) is based may not be included in the gross income of the employee to whom the dependent care assistance is provided. However, the amount excluded from the income of an employee under this section may not exceed the limitations provided in section 129(b) of the Internal Revenue Code. For purposes of Title 15, chapter 30, part 2, with respect to an employee to whom dependent care assistance is provided, "wages" does not include

any amount excluded under this subsection. ~~Amounts excluded under this subsection do not qualify as expenses for which a deduction is allowed to the employee under 15-30-121.~~

(7) Any tax credit otherwise allowable under this section that is not used by the taxpayer in a particular year may be carried forward and offset against the taxpayer's tax liability for the next succeeding tax year. Any credit remaining unused in the next succeeding tax year may be carried forward and used in the second succeeding tax year, and likewise through the fifth year succeeding the tax year in which the credit was first allowed or allowable. A credit may not be carried forward beyond the fifth succeeding tax year.

(8) If the taxpayer is an S corporation, as defined in section 1361 of the Internal Revenue Code, and the taxpayer elects to take tax credit relief, the election may be made on behalf of the corporation's shareholders. A shareholder's credit must be computed using the shareholder's pro rata share of the corporation's costs that qualify for the credit. In all other respects, the effect of the tax credit applies to the corporation as otherwise provided by law.

(9) For purposes of the credit allowed under subsection (1):

(a) The definitions and special rules contained in section 129(e) of the Internal Revenue Code apply to the extent applicable.

(b) "Employer" means an employer carrying on a business, trade, occupation, or profession in this state.

(c) "Internal Revenue Code" means the federal Internal Revenue Code as amended and in effect on January 1, 1989."

Section 18. Section 15-32-303, MCA, is amended to read:

"15-32-303. Deduction for purchase of Montana produced organic fertilizer. In addition to all other deductions ~~from adjusted gross individual income allowed in computing taxable income under Title 15, chapter 30,~~ or from gross corporate income allowed in computing net income under Title 15, chapter 31, part 1, a taxpayer may deduct his expenditures made by the taxpayer for organic fertilizer produced in Montana and used in Montana if the expenditure was not otherwise deducted in computing taxable income."

Section 19. Section 13-37-218, MCA, is amended to read:

"13-37-218. Limitations on receipts from political committees. (1) A candidate for the state senate may receive no more than \$1,000 in total combined monetary contributions from all political committees contributing to his the campaign, and a candidate for the state house of representatives may receive no more than \$600 in total combined monetary contributions from all political committees contributing to his the campaign. The foregoing limitations shall must be multiplied by the inflation factor as defined in 15-30-101(8) subsection (2) for the year in which general elections are held ~~after 1984,~~ and the resulting figure shall must be rounded off to the nearest \$50 increment. The commissioner of political practices shall publish the revised limitations as a rule. In-kind contributions may not be included in computing these limitation totals. The limitation provided in this section does not apply to contributions made by a political party eligible for a primary election under 13-10-601. (2) "Inflation factor" means a number determined for each year by dividing the consumer price index for June of the year by the consumer price index for June 1980. The consumer price index to be used in determining the inflation factor is the consumer price index, United States city average, for all items, using the 1967 base of 100 as published by the bureau of labor statistics of the U.S. department of labor.

Section 20. **Codification instruction.** [Section 8] is intended to be codified as an integral part of Title 15, chapter 30, and the provisions of Title 15, chapter 30, apply to [section 8].

Section 21. **Transition.** (1) Notwithstanding the provisions of 15-30-111, the adjusted gross income of an individual includes refunds of federal income tax received for tax years prior to December 31, 1992, to the extent that the deduction of the tax resulted in a reduction of Montana income tax liability.

(2) Notwithstanding the provisions of 15-30-122, all itemized deductions allowed pursuant to 26 U.S.C. 161 and 211 that may be carried forward, including but not limited to the contributions carryover, investment interest expense carryover, home mortgage interest amortization, bond premium amortization, and deduction for income in respect of a decedent, may be continued to be carried forward for a period not to exceed 5 years.

Section 22. **Repealer.** Sections 15-30-121, 15-30-156, 15-30-157, 15-30-159, 15-30-160, and 15-30-199, MCA, are repealed.

Section 23. **Effective date – retroactive applicability.** [This act] is effective on passage and approval and applies retroactively, within the meaning of 1-2-109, to tax years beginning after December 31, 1992.

WHAT IS THE VOTER INFORMATION PAMPHLET?

The Voter Information Pamphlet (or VIP) is a publication printed by the Secretary of State to provide Montana voters with the information on the ballot issues that will be appearing on the statewide ballot. The Secretary of State distributes the pamphlets to the county election administrators who mail a VIP to each household with a registered voter.

WHAT'S IN THE VIP?

The VIP shows how the ballot measure will appear on the ballot. This includes:

1) the ballot number; 2) the method of placement on the ballot; 3) the title of the measure; 4) the Attorney General's explanatory statement; 5) the fiscal statement; 6) the statements of implication (the FOR and AGAINST statements); 7) the arguments advocating adoption and rejection written by the appointed committees; and 8) the full text of the measures so you can read and decide for yourself how you will vote on November 8, 1994.

WHO WRITES THE INFORMATION IN THE VIP?

Attorney General - The Attorney General writes an explanatory statement for the measure. This statement, not to exceed 100 words, is a true and impartial explanation of the purpose of the measure in easy to understand language. The fiscal note, also prepared for the Attorney General, is a statement of

the impact the measure would have on the State's revenues, expenditures, or fiscal liability. Additionally the Attorney General writes the for and against ballot statements.

Pro and Con Arguments - The members of the committee that write the arguments and rebuttals for each measure are appointed in a procedure set out by state law. Arguments are limited to 500 words and rebuttals to 250 words.

WHAT IF I CAN'T VOTE ON ELECTION DAY?

You can vote by absentee ballot if you cannot get to the polls because you: 1) expect to be absent from your precinct or county on election day, 2) are physically incapacitated, 3) suffer from chronic illness or general ill health, or 4) have a health emergency between 5 p.m. on November 4th and noon on election day.

If you qualify for an absentee ballot, contact your county election administrator (usually the clerk and recorder) to request an absentee ballot application.

HOW CAN I FIND OUT IF I'M REGISTERED?

If you failed to vote in the 1992 Presidential Election, you are no longer registered and need to re-register. If you are not sure if you are or where you are registered, you should contact your County Election Administrator. The registration deadline for the general election is October 11, 1994.

Additional copies of the Voter Information Pamphlet are available upon request from your County Election Administrator or Mike Cooney, Secretary of State.

THIS DOCUMENT PRINTED ON RECYCLED PAPER.

420,000 copies of this public document were published at an estimated cost of 5.6¢ per copy, for a total of \$23,520.00, which includes \$23,520.00 for printing. Distribution costs paid for by county governments.

COUNTY ELECTION ADMINISTRATOR
County Courthouse

DO NOT FORWARD