

Resolution #2020-7

LOCAL OPTION TAX

BACKGROUND

Municipal fiscal authority in Montana is limited to property taxes, with a small exception for certain smaller communities with a population of less than 5,500 where the majority of local employment is related to businesses catering to the recreational and personal needs of tourist visitors. The existing state resort tax statute imposes strict limitations on local resort taxes: the tax must be approved by the qualified electors of the municipality; the tax rate ceiling is 3%, plus an additional 1% that can be used only for local infrastructure needs; the tax may only be imposed on lodging facilities, restaurants, and bars; and no less than 5% of the revenues received from the tax must be used to reduce property taxes within the municipality. Currently, only five municipalities in Montana qualify under the statutory definition of “resort community” and have enacted a resort tax approved by their voters (Whitefish, Red Lodge, Virginia City, West Yellowstone, and Columbia Falls). These communities have access to an additional source of funding for “any activity, undertaking, or administrative service that the municipality is authorized by law to perform,” including infrastructure, public services, and the like. The resort tax provides an additional flexible source of revenue that allows local residents to decide locally whether to impose additional taxes on luxury items and local business services that serve primarily visiting tourists.

ACTION

The League will support legislation to allow all Montana municipalities, with the approval of their voters, the authority to enact a local option tax to help fund local infrastructure projects and other local services.