

HOUSE BILL 267

Introduced by Ream, et al.

|      |                      |
|------|----------------------|
| 1/18 | Introduced           |
| 1/18 | Referred to Taxation |
| 1/19 | First Reading        |
| 3/27 | Tabled in Committee  |

1 *House* BILL NO. *267*  
 2 INTRODUCED BY *Ream* *Phillip* *✓* *Balk* *Spencer*  
 3 *Fitz* *Harrington*

4 A BILL FOR AN ACT ENTITLED: "AN ACT ALLOWING COUNTIES AND  
 5 MUNICIPALITIES TO LEVY UP TO 4 MILLS FOR CAPITAL  
 6 IMPROVEMENTS; EXEMPTING THE LEVY FROM THE PROPERTY TAX  
 7 FREEZE; AMENDING SECTIONS 7-6-2220, 7-6-4134, AND 15-10-412,  
 8 MCA; AND PROVIDING AN EFFECTIVE DATE."

9  
 10 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF MONTANA:

11 **Section 1.** Section 7-6-2220, MCA, is amended to read:

12 "7-6-2220. Levy Levies for capital improvement fund.  
 13 Money for the capital improvement fund is to be derived  
 14 from:

15 (1) a special mill levy not to exceed 4 mills on the  
 16 taxable value of property within the county but outside the  
 17 corporate limits of any city or town, the entire proceeds of  
 18 which must be appropriated to the capital improvement fund;

19 or

20 (2) the multiple levies authorized by statute and  
 21 appropriated to the capital improvement fund. However, no  
 22 more than 10% of the money derived from any one levy may be  
 23 appropriated to the capital improvement fund."

24 **Section 2.** Section 7-6-4134, MCA, is amended to read:

25 "7-6 4134. Capital improvement program fund. An amount

1 not to exceed ~~5% of the money received from and as a part of~~  
 2 ~~the aforesaid all-purpose levy~~ 4 mills of special tax  
 3 authority may be placed in a separate fund, known as the  
 4 capital improvement program fund, to be earmarked for the  
 5 replacement and acquisition of property, plant, or equipment  
 6 costing in excess of \$5,000, with a life expectancy of 5  
 7 years or more, provided that a capital improvement program  
 8 has been formally adopted by city or town ordinance. The  
 9 special tax levy authorized in this section may be made in  
 10 addition to the all-purpose mill levy established by  
 11 7-6-4451 through 7-6-4453."

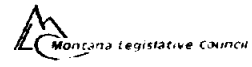
12 **Section 3.** Section 15-10-412, MCA, is amended to read:

13 "15-10-412. Property tax limited to 1986 levels --  
 14 clarification -- extension to all property classes. Section  
 15 15-10-402 is interpreted and clarified as follows:

16 (1) The limitation to 1986 levels is extended to apply  
 17 to all classes of property described in Title 15, chapter 6,  
 18 part 1.

19 (2) The limitation on the amount of taxes levied is  
 20 interpreted to mean that, except as otherwise provided in  
 21 this section, the actual tax liability for an individual  
 22 property is capped at the dollar amount due in each taxing  
 23 unit for the 1986 tax year. In tax years thereafter, the  
 24 property must be taxed in each taxing unit at the 1986 cap  
 25 or the product of the taxable value and mills levied,

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1 whichever is less for each taxing unit, except in a taxing  
 2 unit that levied a tax in tax years 1983 through 1985 but  
 3 did not levy a tax in 1986, in which case the actual tax  
 4 liability for an individual property is capped at the dollar  
 5 amount due in that taxing unit for the 1985 tax year.

6 (3) The limitation on the amount of taxes levied does  
 7 not mean that no further increase may be made in the total  
 8 taxable valuation of a taxing unit as a result of:

9 (a) annexation of real property and improvements into a  
 10 taxing unit;

11 (b) construction, expansion, or remodeling of  
 12 improvements;

13 (c) transfer of property into a taxing unit;

14 (d) subdivision of real property;

15 (e) reclassification of property;

16 (f) increases in the amount of production or the value  
 17 of production for property described in 15-6-131 or  
 18 15-6-132;

19 (g) transfer of property from tax-exempt to taxable  
 20 status;

21 (h) revaluations caused by:

22 (i) cyclical reappraisal; or

23 (ii) expansion, addition, replacement, or remodeling of  
 24 improvements; or

25 (i) increases in property valuation pursuant to

1 15-7-111(4) through (8) in order to equalize property values  
 2 annually.

3 (4) The limitation on the amount of taxes levied does  
 4 not mean that no further increase may be made in the taxable  
 5 valuation or in the actual tax liability on individual  
 6 property in each class as a result of:

7 (a) a revaluation caused by:

8 (i) construction, expansion, replacement, or remodeling  
 9 of improvements that adds value to the property; or

10 (ii) cyclical reappraisal;

11 (b) transfer of property into a taxing unit;

12 (c) reclassification of property;

13 (d) increases in the amount of production or the value  
 14 of production for property described in 15-6-131 or  
 15 15-6-132;

16 (e) annexation of the individual property into a new  
 17 taxing unit;

18 (f) conversion of the individual property from  
 19 tax-exempt to taxable status; or

20 (g) increases in property valuation pursuant to  
 21 15-7-111(4) through (8) in order to equalize property values  
 22 annually.

23 (5) Property in classes four, twelve, and fourteen is  
 24 valued according to the procedures used in 1986, including  
 25 the designation of 1982 as the base year, until the

1 reappraisal cycle beginning January 1, 1986, is completed  
2 and new valuations are placed on the tax rolls and a new  
3 base year designated, if the property is:

- 4 (a) new construction;
- 5 (b) expanded, deleted, replaced, or remodeled  
6 improvements;
- 7 (c) annexed property; or
- 8 (d) property converted from tax-exempt to taxable  
9 status.

10 (6) Property described in subsections (5)(a) through  
11 (5)(d) that is not class four, class twelve, or class  
12 fourteen property is valued according to the procedures used  
13 in 1986 but is also subject to the dollar cap in each taxing  
14 unit based on 1986 mills levied.

15 (7) The limitation on the amount of taxes, as clarified  
16 in this section, is intended to leave the property appraisal  
17 and valuation methodology of the department of revenue  
18 intact. Determinations of county classifications, salaries  
19 of local government officers, and all other matters in which  
20 total taxable valuation is an integral component are not  
21 affected by 15-10-401 and 15-10-402 except for the use of  
22 taxable valuation in fixing tax levies. In fixing tax  
23 levies, the taxing units of local government may anticipate  
24 the deficiency in revenues resulting from the tax  
25 limitations in 15-10-401 and 15-10-402, while understanding

1 that regardless of the amount of mills levied, a taxpayer's  
2 liability may not exceed the dollar amount due in each  
3 taxing unit for the 1986 tax year unless:

4 (a) the taxing unit's taxable valuation decreases by 5%  
5 or more from the 1986 tax year. If a taxing unit's taxable  
6 valuation decreases by 5% or more from the 1986 tax year, it  
7 may levy additional mills to compensate for the decreased  
8 taxable valuation, but in no case may the mills levied  
9 exceed a number calculated to equal the revenue from  
10 property taxes for the 1986 tax year in that taxing unit.

11 (b) a levy authorized under Title 20 raised less  
12 revenue in 1986 than was raised in either 1984 or 1985, in  
13 which case the taxing unit may, after approval by the voters  
14 in the taxing unit, raise each year thereafter an additional  
15 number of mills but may not levy more revenue than the  
16 3-year average of revenue raised for that purpose during  
17 1984, 1985, and 1986;

18 (c) a levy authorized in 50-2-111 that was made in 1986  
19 was for less than the number of mills levied in either 1984  
20 or 1985, in which case the taxing unit may, after approval  
21 by the voters in the taxing unit, levy each year thereafter  
22 an additional number of mills but may not levy more than the  
23 3-year average number of mills levied for that purpose  
24 during 1984, 1985, and 1986.

25 (8) The limitation on the amount of taxes levied does

1 not apply to the following levy or special assessment  
2 categories, whether or not they are based on commitments  
3 made before or after approval of 15-10-401 and 15-10-402:

- 4 (a) rural improvement districts;
- 5 (b) special improvement districts;
- 6 (c) levies pledged for the repayment of bonded  
7 indebtedness, including tax increment bonds;
- 8 (d) city street maintenance districts;
- 9 (e) tax increment financing districts;
- 10 (f) satisfaction of judgments against a taxing unit;
- 11 (g) street lighting assessments;
- 12 (h) revolving funds to support any categories specified  
13 in this subsection (8);
- 14 (i) levies for economic development authorized pursuant  
15 to 90-5-112(4); and
- 16 (j) elementary and high school districts; and
- 17 (k) levies for the municipal capital improvement  
18 program fund authorized in 7-6-4134 and the county capital  
19 improvement fund referred to in 7-6-2220.

20 (9) The limitation on the amount of taxes levied does  
21 not apply in a taxing unit if the voters in the taxing unit  
22 approve an increase in tax liability following a resolution  
23 of the governing body of the taxing unit containing:

- 24 (a) a finding that there are insufficient funds to  
25 adequately operate the taxing unit as a result of 15-10-401

1 and 15-10-402;

- 2 (b) an explanation of the nature of the financial  
3 emergency;
- 4 (c) an estimate of the amount of funding shortfall  
5 expected by the taxing unit;
- 6 (d) a statement that applicable fund balances are or by  
7 the end of the fiscal year will be depleted;
- 8 (e) a finding that there are no alternative sources of  
9 revenue;
- 10 (f) a summary of the alternatives that the governing  
11 body of the taxing unit has considered; and
- 12 (g) a statement of the need for the increased revenue  
13 and how it will be used.
- 14 (10) (a) The limitation on the amount of taxes levied  
15 does not apply to levies required to address the funding of  
16 relief of suffering of inhabitants caused by famine,  
17 conflagration, or other public calamity.
- 18 (b) The limitation set forth in this chapter on the  
19 amount of taxes levied does not apply to levies to support a  
20 city-county board of health as provided in Title 50, chapter  
21 2, if the governing bodies of the taxing units served by the  
22 board of health determine, after a public hearing, that  
23 public health programs require funds to ensure the public  
24 health. A levy for the support of a local board of health  
25 may not exceed the 5-mill limit established in 50-2-111.

1       (11) The limitation on the amount of taxes levied by a  
2 taxing jurisdiction subject to a statutory maximum mill levy  
3 does not prevent a taxing jurisdiction from increasing its  
4 number of mills beyond the statutory maximum mill levy to  
5 produce revenue equal to its 1986 revenue.

6       (12) The limitation on the amount of taxes levied does  
7 not apply to a levy increase to repay taxes paid under  
8 protest in accordance with 15-1-402."

9       NEW SECTION. **Section 4.** Effective date. [This act] is  
10 effective July 1, 1991.

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