

MINUTES OF THE HOUSE TAXATION COMMITTEE MEETING
January 29, 1981

A meeting of the House Taxation Committee was called to order by Chairman Rep. Ken Nordtvedt at 8:00 a.m. on Thursday, January 29, 1981 at 8:00 a.m. in Room 102 of the State Capitol. All members were present except Rep. Harrington, who was absent, and Rep. Roth who was excused. HOUSE BILLS 234, 374, 428 and 483 were heard.

The first bill to be heard was HOUSE BILL 234, sponsored by Rep. John Harp. He submitted that the present system of vehicle registration is a burden on County assessors, and as administrative costs rise, this will be magnified. He also stated that the present system penalizes the citizen for the use of energy-saving vehicles, and places a burden on the taxpayer who has to wait in line. Discontinuing decals on front plates will save a little more than \$17,000. He reported that in Flathead County, soon after the new Deer Lodge computer system was started, some vehicles were left off of the taxable valuation rolls. The Missoula County Assessor, Doug Campbell, adds 5% to the amount of vehicles on that county's rolls. He submitted that the computer is hard to double-check, and a hard copy of the information needs to be made available. We need a change in the present accounting system. All four of the largest counties in the State complain of a lack of cooperation from the State in trying to resolve the disparity in figures which they are experiencing.

There were no other PROPONENTS to HB 234.

The first OPPONENT to speak was Kal Kennedy, representing the City of Missoula. Right now, Missoula gets about 6% of their total budget from the motor vehicle tax. If the bill goes into effect, these tax levies will be reduced and the City will be in trouble. He distributed a handout which gave some of the facts and figures on the situation; see Exhibit "A." He stated that the Fiscal Note said that Missoula would lose about 14% of its revenues, and his own figures put it at 14% the first year, and substantially more the next year, possibly even as much as 45%. Since Missoula is getting about \$500,000 of its revenue from vehicles, it would be very important that the lost revenue be replaced.

Mike Stéphen, Executive Director of the Montana Association of Counties, then spoke. He expressed concern over the lack of data concerning the effects of this bill on the county level. He said that he hoped some of the innovative ideas presented in some of the fee bills, such as the energy savings provision in HB 234, could be incorporated in any fee legislation that was passed.

Sally Price, Assessors Association, then spoke. She is against any loss of taxable valuation to the counties. She realizes the bill says that the workload will be taken away from the assessors, but she thinks that it will just be transferred to the Treasurer's office. They will have to make a new form and mail it out under this bill, also. She testified that the assessment process will become harder when personal contact is lost.

Daryll Schoen, Motor Vehicle Division, Department of Justice, then

spoke. Regarding the Fiscal Note, the figures were probably derived from about six or seven months' worth of statistics.

Questions were then asked. Rep. Williams asked Rep. Harp if he had a proposal for an alternative form of income for the counties which would suffer a loss of revenue. Rep. Harp stated that under a fee system revenue would be saved because of reduced administrative costs. Rep. Williams then said, based on the Fiscal Note, in 35 counties, the fee will go above what it is at present; he wanted to know how this increase would be compensated for. Rep. Harp stated that he did not believe the increase would be on an individual basis; it depended on the number of vehicles in the county and the mill levy amount. He added that since there was so much confusion about the actual number of vehicles in the State, the Fiscal Note was probably not very accurate anyway.

Rep. Underdal pointed out that not all vehicles are getting on the taxable valuation rolls, and as a result more mills have to be charged to those who do pay, because the valuation is down. It was brought out that under a fee system, this would no longer have to be addressed.

Rep. Nordtvedt stated that under a fee system, low mill levy counties might experience an increase in taxes, and in high mill areas the tax would go down substantially.

Rep. Sivertsen then brought up the issue of the disparity between the computer's estimate of the numbers of vehicles and the counties' figures. The tax and registration are being collected, but the numbers assessed are not being properly taken care of. Flathead County dropped close to \$1 million in valuation in one year, and he was sure that many vehicles didn't move out of the County. He wanted to know how this was happening. Rep. Harp replied that new insurance requirements have caused some people to avoid reregistration, but he doesn't know how else the disparity can be explained. It was also pointed out that getting the vehicles on the computer system is a delayed process.

Rep. Sivertsen added that part of the problem was coming from the fact that staggered registration causes the information to not be received on a timely basis. Rep. Harp said that some vehicles are being missed by the counties not properly understanding how the computer system works.

Bob Hoffman, Montana Assessors Association, added that anything on the tax rolls after July 1 is not budgeted against and with the staggered registration, a great deal of valuation is lost.

Rep. Harp then closed, and the hearing on HB 234 was closed.

HOUSE BILL 374, sponsored by Rep. Joe Quilici, was then heard. He explained that the bill had been introduced because his constituents wanted license plate costs reduced. This is the same bill that was introduced in 1979 as HB 848; with one exception: this bill contains language (P. 2, lines 3, 4, and 5) which protects the counties as far as bonding capacity is concerned. If this is not workable, maybe the percentage of bonding could be increased. He stated that he believed the fees listed in the bill would be adequate, but it was up to the Fee Bill Subcommittee to decide which level of fee would be best. One thing that isn't in the bill is a rebate to the counties. It is rumored that the Executive branch will be coming out with a bill to reimburse the counties, so they didn't come out with this in this bill. Also included in the bill are fees for motorcycles and motorboats. He expressed hope that the parts of this bill that would be beneficial could be used in the Subcommittee.

Jerry Raunig, Montana Automobile Dealers Association, then expressed the Association's long-standing support of the fee concept and offered his assistance to the Subcommittee.

Larry Tobiason, Montana Automobile Association, rose in support of the concept. He cautioned the Committee that the new car sales tax should be left alone. This means about \$4 million to the Highway Trust Account.

Mike Stephen, Montana Association of Counties, then rose in OPPOSITION to the bill. In conjunction with the Office of Budget and Planning, a list of the local government statutes which would be affected was drawn up, and it is extensive, and the effects would include cities, school districts, counties and many other areas.

Bob Hoffman, Montana Assessors' Association, then testified in opposition to the measure. The Assessors are opposed to any type of fee system. They have always adhered to the advalorem approach. There is no reason why vehicle taxes should be the same all over the State. One district that is spending a lot of money shouldn't pay the same as one with no new projects.

Kal Kennedy, City of Missoula, wished to go on record that Missoula is against this because of the effect on local revenues; this bill would decrease revenues more than the other bills being heard at the meeting.

Questions were then asked.

Rep. Williams pointed out that two years ago he was on a sub-committee that addressed the subject of taxable valuation under a fee system and the Attorney General and the U. S. Department of Revenue said that anything that was not considered on the basis of an advalorem tax could not be used as part of the property tax base.

Rep. Quilici then closed. The hearing on HB 374 was then closed.

HOUSE BILL 483, sponsored by Rep. Steve Waldron, was then heard. He urged the Fee Bill Subcommittee to cautiously approach bonding capacity, because many areas are already close to their limits. He added that the fee schedule in the bill had been taken from an interim study done several years back. He urged the Subcommittee to take a close look at the study. Under the fee schedule there will be a loss of revenue to some local governments and an increase to others. Some of the loss in revenue may be made up in that in the high millage areas people won't go to cheaper counties to pay their fees. Another critical feature of the bill is that it provides for an automatic increase in the fees on a yearly basis, based on the Consumer Price Index. He urged the Committee to protect the future increases in revenue that local governments will lose under a fee system, and also to protect their bonding capacity. He endorsed the Governor's fee system proposal, but if it isn't approved, the elements of this bill should be incorporated in the final bill.

There were no further PROPONENTS to HB 483.

Dale Skaalure, Choteau County, then rose in OPPOSITION to HB 483. He concluded that this bill does not address the problem of calculating taxable valuation under a fee system. He stated that big cars and trucks were being discriminated against. The mill levy approach would more actively reflect each local government. Under a fee system, equality has to be legislated, and voter consciousness isn't a factor. He feels that the ability to pay is a legitimate basis of taxation. He submitted that the losses in revenue under a fee system wouldn't be made up through the shorter lines at the Assessor's office. He stated that six months' worth of revenue that isn't accounted for is used in the computation of the total county tax, but he doesn't feel this is abused. As a member of the Association of Counties and a concerned consumer he is opposed to this bill. However, if a fee system is adopted, he feels Rep. Waldron's bill is on the right track.

Bob Hoffman, Montana Assessors Association then spoke, in opposition to any type of fee system. He sees no need for a change in the entire concept of taxation. There is no need for anyone to stand in line; registration can be done by mail, and this is no reason to change the law.

Questions were then asked. Rep. Switzer asked Rep. Waldron if he had ever considered the fact that an automatic increase in the fees is against what the voters have said about indexing. Rep. Waldron said that what he has done in the bill is a type of indexing. Rep. Switzer commented that it was reverse indexing.

Rep. Harp asked Mr. Hoffman if the problem of a fee system reducing the taxable valuation and thus the salaries of officials in some

counties could be adequately addressed in subcommittee, would he then be in favor of this bill. He replied that this hadn't been a part of their opposition to the measure.

Rep. Underdal asked Mr. Skaalure if he knew of any method of replacing the lost tax base resulting from a fee system. He replied that he hadn't had the opportunity to go through all the fee bills, but when talking about a system of taxation, we must remember that we live in a community. If one community decides to upgrade services or activities, it should be responsible for enacting this kind of thing. This is what mill levies do. The whole principle of taxation is involved with what the local people want. A statewide plan just does not make sense to him. Nobody wants to pay a tax, but we have to pay. Rep. Harp asked Mr. Skaalure how he addressed the issue of unrealistic increases in market value. He replied that it was the Department of Revenue that set these values. Mr. John Clark, Department of Revenue, added that the Department was following what the statutes said, and the Department would prefer to use lower values.

Rep. Asay questioned, if a lower value was used, would mill levies have to be increased in order to generate the same level of revenue. Mr. Clark said that if the lower value was used there would be a redistribution of the tax burden, and every jurisdiction would have a different mix of vehicles, and thus the effect would vary from county to county. Rep. Asay then said, if we don't want to raise the mill levy, then taxable valuation has to be increased.

Rep. Waldron then closed. The opposition from local government to the fee bills has legitimate concerns regarding loss of revenue. He urged the committee to keep this fact in mind. The loss is going to have to be made up someplace else. Regarding the lines in the courthouse, he feels the lines have been reduced under staggered registration. He would be strongly opposed to going back to the old system. The hearing was then closed.

The meeting was then turned over to Rep. Sivertsen and HOUSE BILL 428, sponsored by Rep. Ken Nordtvedt was heard. This bill is a statewide uniform vehicle tax bill. The distinction between a tax and a fee is that the tax will be based on the value of the vehicle. This bill provides for a uniform tax throughout the state; central calculation and computation of this tax will be adopted. He said that the computer in Deer Lodge would store the blue book values and send out the tax notices. One blue book in the computer would be all that would be needed, and it would be updated monthly. The problem of using the high book value as the figure for assessing is addressed in the bill: average wholesale value will be used instead of retail value. Two years ago fee bills were introduced that would be advantageous to cities, because they transferred rural revenue throughout the equalization program. Under this bill, fee distribution would be based on mill levies.

of the 2 1/2% would go for school equalization and the university 6 mill levy. The 1/2% could be eliminated if the state budget could afford to pick it up. This would be a form of property tax relief. He recommended that the 2 1/2% be changed to 2%, and the general fund absorb the 1/2%. 100% of the money would then stay in the local jurisdictions, to be divided, according to the number of mills in the various funds, excluding the 40 mill and the 6 mill levies. The fee could be paid by mail or in person, to the county, if the bill were amended. Rep. Nordtvedt explained that his objection with fee systems was that they don't reflect fee differences between expensive and inexpensive vehicles. He took a poll on the fee system: 65% wanted the advantages of a uniform system; 85% wanted the tax or fee to reflect value; and 85% said that if lowering taxes on vehicles meant raising taxes on their homes, forget it. He pointed out that if the average tax on vehicles is lowered, ways to relieve the revenue loss to the counties need to be found, but one issue shouldn't cloud the other and separate bills were needed. Under a uniform tax system, the payment is still based on value, and it would still be deductible on the federal income tax, and if there was a fee this wouldn't be possible. If this deductibility was lost, \$5 - \$6 million per year would be lost by the taxpayers. Finally, by staying with a uniform tax, we have a better chance of adjusting the problem of keeping the tax base intact.

Mike Stephen, Montana Association of Counties, then rose in support of the bill, at least the concept of the value of the vehicle being imposed. The counties are locked into getting their money from a value system, because of the Legislature's decisions. This bill wouldn't drastically change the value system which the counties are presently using, but if a new system is adopted with a lot of unknowns, problems will be encountered. Changing to a fee system would be difficult; the lack of impact data supports this.

Jerry Raunig, Montana Automobile Dealers Association, then rose in support of the bill. He stated that using trade-in value for assessing would be the way to go if a fee system wasn't adopted. He submitted that trade-in values never went below 60%, so there wouldn't be that much of a disparity in revenue.

Mr. Bob Hoffman, Montana Assessors Association, then rose in OPPOSITION to HB 428. He does not see the logic in changing a system which has worked very well since 1889. Even though it might need some modifications, we shouldn't change the basic concept. He was in support of using trade-in values for assessing. He doesn't understand Rep. Nordtvedt's argument that we should gear ourselves to be paying the same percentage of our taxes to a certain entity.

Tom Crowley, City Engineer for the City of Missoula, then spoke. Vehicle taxes are used for street improvements and from 1971 - 1980,

the average cost of street construction has gone up at an average rate of 11%. He expressed agreement with Rep. Nordtvedt that the vehicle should pay its way. It is a shame it has to be via a property tax. Gas taxes and vehicle taxes are used for street improvements, and if he had his way, he would prefer to relieve the property tax from picking up the lion's share of street improvements, and move it over to a gas tax, but the people are afraid to ask the Legislature to increase the gas tax.

Mr. John Clark, Department of Revenue, then spoke. He summarized all of the bills heard at this meeting. The fiscal note for HB 234 is based on one year of motor vehicle taxes. There may well be more vehicles in the State; probably many vehicles are not reregistered, but this not in the Department's control. He feels the statistical sample is fairly representative. He then presented a comparative effect of the bills. He said that on the face sheet of HB 234's Fiscal Note there was an error; it should read \$820,000 instead of \$82,000. 92% as much revenue should be raised under HB 234. HB 374 would raise about 75% as much revenue. He added that it would be impossible to include property which was classified as "fee in lieu of tax" in the tax base, as this bill proposes to do. HB 428 is much harder to calculate, but it would probably raise about 83% as much on the statewide basis. He added that SB 252 sets a fee at about the same level as the tax in HB 428. HB 483 has a fee schedule identical to HB 86, so the impact would be a 5-6% increase in revenue statewide, but some jurisdictions would be getting less than now and some more.

Questions were then asked. 100% of the revenue would be staying right in the counties, if the bill was amended. Rep. Williams wanted to know why part of the fund was earmarked for the School Equalization Fund. Right now, 40% of all property taxes in the General Fund go to this program, and are earmarked and this bill would maintain that status quo. The same revenue would be generated if 40 mills were raised: 17 1/2% of the 2 1/2%. However, the provision could just as well be taken out of the bill and the percentage would become 2%, and the General Fund could pick up the contribution to the Equalization Program. Rep. Nordtvedt agreed that it would be simpler to leave all the money in the counties. When the 2% figure is used, then revenue to the State decreases, but local government revenue is unaffected. That 1/2%, if taken off, would have a fiscal impact on the General Fund or other earmarked funds of \$5 million per year.

Rep. Bertelsen wanted to know why the bill is taking a figure less than what the counties are presently getting, namely, 83%. He was told that it was a reflection of the constituents' desire to lower the vehicle tax. He pointed out that vehicle tax percentages are much higher than other personal property taxes. Two things are being done to cut back: (1) a change in the valuation method, and (2) a lower percentage. Rep. Bertelsen said that he felt this would mean more than the estimated 17% in lost revenue. Rep. Nordtvedt

stated that a decision has to be made as to whether and how local governments are going to be given revenue-raising options. However, he feels this question needs to be addressed separately.

Mr. Skaalure stated that local government has to take care of local affairs, and when we put restrictions on it, we interfere with this responsibility.

Rep. Sivertsen argued in favor of local control; if a local government isn't responsible for its own revenue, it may develop a tendency to overspend the State's money.

Rep. Nordtvedt then closed. The problem with most of the fee bills is that the vehicles share the taxes which tend not to keep up with inflation. The uniform tax approach would be able to adjust for inflation. This approach does not shift money from one group of taxpayers to another. Under this system every dollar collected on a vehicle stays in the county it is collected in. The hearing on HB 428 was then closed.

Control of the meeting was relinquished to Rep. Nordtvedt.

HOUSE BILL 389, sponsored by Rep. Marjorie Hart, was then heard. There has been a problem with enforcement of the current law covering nonresident motor vehicle registration. Under the present law a license plate is issued for \$10, and at the end of 90 days the individual is supposed to pay the registration. Many people have not bothered to pay their registration fees, and law enforcement has a difficult time identifying the offenders because they have regular license plates. This bill would provide for a temporary decal, and the tax would be paid at the same time the decal was received. Also, the bill provides for registration on a quarterly basis; with color-coded decals for each quarter. There is a problem with the present law in the counties which border state lines. It is only right that people should pay a 90-day pro rata fee for driving on Montana's roads.

Bob Hoffman then spoke up on behalf of the Assessors Association, stating that this bill should take care of the needs that aren't being met at present. The people that are abusing the present law are a source of stress for the Assessors' Offices. To his knowledge, none of the people from out of state object to this bill.

Daryll Schoen, Motor Vehicle System, said they did not oppose this bill, but motor homes, travel trailers, etc., are covered under motor vehicles, and he stated that possibly a fee in lieu of tax provision should be included in the bill to cover them.

Rep. Switzer then rose in support of the bill.

John Clark, Department of Revenue, said that he supported giving the Assessors this tool.

There were no OPPONENTS to HB 389. Questions were then asked. Rep.

Hart said that she would not object to amending the bill to clarify the language pertaining to motor homes. There was discussion regarding where to place the decal on the vehicle.

Rep. Hart then closed. She added that if the Legislature adopted a fee system, some of the language in the bill would have to be changed. The hearing on HB 389 was then closed.

A Subcommittee was set up to study the vehicle fee bills. Rep. Sivertsen was appointed Chairman, and Reps. Harrington, Harp, Williams, Underdal, Neuman, Switzer, and Nordtvedt (when available), were assigned to the Subcommittee. Chairman Nordtvedt charged them to come up with one or more bills which they felt could incorporate everything the Subcommittee wanted to accomplish.

The meeting was adjourned at 10:00 a.m.

Rep. Asay announced that the Subcommittee on HB 92 would meet at 11:00 a.m. in Room 102.



Rep. Ken Nordtvedt, Chairman

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VISITORS' REGISTER

HOUSE Taxation

COMMITTEE

ROLL H.B. 234

Date 1/21/21

SPONSOR Harp

NAME	RESIDENCE	REPRESENTING	SUPPORT	OPPOS
Harry Rainey	Helena	Met. Anti-Slavery Socy	✓	
Arthur E. Johnson	Home Lodge	Met. Anti-Slavery Socy		
John Clark	Helena	Dept of Rev		
Nike Stephaed	Helena	Mt Assoc. of Co		X
DALE SKANLURE	Big Sandy	MAYO Okon Cty		X
Walter Johnson	Helena	diff		
Annelle Tallan	Helena	Met. Ch	✓	
Samy Tobia	"	Met. A.A.	✓	
Tom Crawley	Missoula	Cit. of Missoula		✓
Kal Kennedy	Ms la	City of Missoula		✓
Eric E. Anselm	Miss City	Met. Petrol. Assoc		

IF YOU CARE TO WRITE COMMENTS, ASK SECRETARY FOR LONGER FORM.
PLEASE LEAVE PREPARED STATEMENT WITH SECRETARY.

VISITORS' REGISTER

HOUSE TRAVEL COMMITTEE

BILL HB 374

Date 1/29/51

SPONSOR Guthrie

NAME	RESIDENCE	REPRESENTING	SUPPORT	OPPOSE
Jerry Raming	Helena	Mont. Auto Dealers Assoc	✓	
John Clark	Helena	DEPT OF REV		
Tom Crowley	Missoula	City of Missoula		✓
Kal Kennedy	Missoula	✓	✓	✓
Jim Yedlicka	Fromberg	Visitor		✓
Ed Yedlicka	"	"		✓
Mike Stephen	Helena	MT Assoc of Co		X
DALE SKAALURE	BIG SANDY, MT	MAGO		X
Evelyn Janna	Helena	Self		
Ryan Costigan	Helena	Leg Aide		
Camille Fallon	Helena	Mont Chamber	—	
Gary Tobiasson	"	Mont. Auto Assoc.	—	
Kelly J. White	Superior	Assoc		✓
Bryce Johnson	Helena	leg. Intern		
Alan Sweeper Rep.	Dist 54			

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PLEASE LEAVE PREPARED STATEMENT WITH SECRETARY.

VISITORS' REGISTER

HOUSE Taxation COMMITTEEBILL H3 452Date 1/27/81SPONSOR Waldron

NAME	RESIDENCE	REPRESENTING	SUPPORT	OPPOSE
Jung Kaimy	Helena	mt Auto Dealers Assoc	✓	
Ernest E. Nelson	Deer Lodge	Motor Vehicle Div.		
John Clark	Helena	Dist of Rev		
Nike Stephen	Helena	MT Assoc of Co		X
DALE SKAALURE	BIG SANDY	MADCO - City of Miss		X
Evelyn Joppy	Helena	self		
Paulle Fallon	Helena	Mont. Ch.	✓	
Larry Tobiason	"	Mont. Auto Assoc.	✓	
Tom Crowley	Missoula	City of Missoula		✓
Kal Kennedy	Missoula	City of Missoula		✓

IF YOU CARE TO WRITE COMMENTS, ASK SECRETARY FOR LONGER FORM.

PLEASE LEAVE PREPARED STATEMENT WITH SECRETARY.

VISITORS' REGISTER

HOUSE Taxation COMMITTEE

RI L HB 428

Date 1/29/51

SOR Neidhardt

NAME	RESIDENCE	REPRESENTING	SUPPORT	OPPOSE
Jerry Panning	Helena	Int. Auto Dealers ^{Assoc.}	✓	
Will E Nelson	Deer Lodge	Mont. Vehicle Rec		
John Clark	Helena	Dist of Rev		
Evelyn Papp	Helena	Self	✓	
Vanellie Fallon	Helena	Meat Chamber	✓	
Ray Gibson	"	Mont. A. A.	✓	
John Crowley	Missoula	City of Missoula		✓
Kal Kennedy	msla	City		✓

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 PLEASE LEAVE PREPARED STATEMENT WITH SECRETARY.

VISITORS' REGISTER

HOUSE TAXATION COMMITTEE

FILE NO HD 389

Date 1/29/51

SUBJECT Hurt

NAME	RESIDENCE	REPRESENTING	SUPPORT	OPPOSE
George E. Johnson	Green Lodge	National Vehicle Inc		
John Clark	Helena	Dept of Rev		
Buelyn Gypa	Helena	Self		
George F. Feltner	Helena	Mont Co	<u>—</u>	

IF YOU CARE TO WRITE COMMENTS, ASK SECRETARY FOR LONGER FORM.
PLEASE LEAVE PREPARED STATEMENT WITH SECRETARY.

STANDING COMMITTEE REPORT

February 4, 19 21

MR. **SPEAKER**

We, your committee on **TAXATION**

having had under consideration **HOUSE** Bill No. **389**

A BILL FOR AN ACT ENTITLED: "AN ACT PROVIDING FOR ANNUAL OR QUARTERLY REGISTRATION OF MOTOR VEHICLES OWNED BY NONRESIDENTS TEMPORARILY EMPLOYED IN MONTANA; SUBJECTING SUCH VEHICLES TO TAXATION; AND ESTABLISHING WINDOW DECALS AS THE FORM OF LICENSE EVIDENCING QUARTERLY REGISTRATION; AMENDING SECTIONS 15-24-301, 15-24-302, 61-3-701, AND 61-3-703, MCA."

Respectfully report as follows: That **HOUSE** Bill No. **389**

DO PASS

STANDING COMMITTEE REPORT

March 23, 19 81

MR. SPEAKER

We, your committee on TAXATION

having had under consideration HOUSE Bill No. 428

A BILL FOR AN ACT ENTITLED: "AN ACT TO ESTABLISH A UNIFORM VEHICLE TAX SYSTEM FOR AUTOMOBILES AND LIGHT TRUCKS; PROVIDING FOR THE DISPOSITION OF THE TAX; PROVIDING FOR REREGISTRATION BY MAIL; AND AMENDING SECTIONS 15-6-139, 15-6-140, 61-3-303, 61-3-304, 61-3-322, 61-3-503, 61-3-504, and 61-3-509, MCA."

Respectfully report as follows: That HOUSE Bill No. 428

introduced (white), be amended as follows:

1. Title, line 7.

Following: "MAIL;"

Insert: "ADJUSTING THE PERCENTAGE LIMITS ON CERTAIN FINANCIAL ACTIVITIES BY LOCAL GOVERNMENTS BECAUSE OF THE CHANGE IN TAX BASE;"

Following: "SECTIONS"

Insert: "7-1-211, 7-3-1321, 7-6-2211, 7-6-4121, 7-6-4254, 7-7-107, 7-7-108, 7-7-2101, 7-7-2203, 7-7-4201, 7-7-4202, 7-13-4103, 7-14-236, 7-14-2524, 7-14-2525, 7-14-4402, 7-16-2327, 7-16-4104, 7-31-106, 7-31-107, 7-34-2131,"

2. Title, line 8.

Following: "15-6-140,"

Insert: "15-8-201, 15-8-202, 19-11-503, 19-11-504, 20-9-406, 20-9-502,"

(Page 1 of 3 pages)

~~XORPASS~~

COMMITTEE ON TAXATION AMENDMENTS TO HOUSE BILL 428:

3. Title.

Following: line 8

Strike: "AND"

Following: "61-3-509,"

Insert: "AND 85-7-2001."

4. Page 1, line 15.

Following: "automobiles,"

Strike: "buses, and"

5. Page 1, line 18.

Following: "tons"

Insert: ", and buses"

6. Page 8, lines 22 through 24.

Following: "trucks" on line 22

Strike: line 22 through "shall" on line 24

Insert: ", "

7. Page 9, line 5.

Following: "mail, the"

Strike: "department"

Insert: "county treasurer"

8. Page 9, line 6.

Following: "shall"

Strike: "notify the motor vehicle division of the department of justice;
the division shall then"

9. Page 9, lines 8 through 10.

Following: "owner." on line 8

Strike: lines 8 through 10 in their entirety

10. Page 9, line 13.

Following: "tax of"

Strike: "\$15 plus 2 1/2%"

Insert: "3 1/2%"

11. Page 9, line 15.

Following: "recent"

Insert: ", comprehensive, semiannual"

12. Page 9, line 18.

Following: "recent"

Insert: ", comprehensive, semiannual"

(Page 2 of 3 pages)

COMMITTEE ON TAXATION AMENDMENTS TO HOUSE BILL 428:

13. Page 9, line 21.

Following: "The"

Strike: "department of revenue and"

Following: "county"

Strike: "treasurers"

Insert: "treasurer"

14. Page 9, line 22 through line 6 on page 10.

Following: "10]" on line 22

Strike: line 22 through "distributed" on page 10, line 6

Following: "to" on page 10, line 6

Strike: "the"

15. Page 10, line 7.

Following: "registered"

Strike: "to be allocated"

16. Page 10.

Following: line 8

Strike: "that taxing jurisdiction"

Insert: "the county"

17. Page 10.

Following: line 14

Insert: attached material

Renumber: subsequent sections

(Page 3 of 3 pages)

See attached material

AND AS AMENDED

DO PASS

SECTION 13. SECTION 15-8-201, MCA, IS AMENDED TO READ:

"15-8-201. General assessment day. (1) The department of revenue, or its agent must, between January 1 and the second Monday of July in each year, ascertain the names of all taxable inhabitants and assess all property subject to taxation in each county. The department or its agent must assess property to the person by whom it was owned or claimed or in whose possession or control it was at midnight of January 1 next preceding. It must also ascertain and assess all mobile homes arriving in the county after midnight of January 1 next preceding. No mistake in the name of the owner or supposed owner of real property, however, renders the assessment invalid.

(2) The procedure provided by this section may not apply to:

(a) motor vehicles that are required by 15-8-202 to be assessed on January 1 or upon their anniversary registration date;

(b) automobiles and trucks having a rated capacity of three-quarters of a ton or less;

~~(b)~~(c) motor homes and travel trailers subject to a fee in lieu of property tax;

~~(c)~~(d) livestock;

~~(d)~~(e) property defined in 61-1-104(2) as "special mobile equipment" that is subject to assessment for personal property taxes on the date that application is made for a special mobile equipment plate; and

~~(e)~~(f) mobile homes held by a distributor or dealer of mobile homes as a part of his stock-in-trade.

(3) Credits must be assessed as provided in 15-1-101(1)(c)."

SECTION 14. SECTION 15-8-202, MCA, IS AMENDED TO READ:

"15-8-202. Motor vehicle assessment. (1) (a) The department or its agent must, in each year, ascertain and assess all motor vehicles other than automobiles, trucks having a rated capacity of three-quarters of a ton or less, motor homes, travel trailers, or mobile homes in each county subject to taxation as of January 1 or as of the anniversary registration date of those vehicles subject to 61-3-313 through 61-3-316 and 61-3-501. The motor vehicles shall be assessed in each year to the persons by whom owned or claimed or in whose possession or control they were at midnight of January 1 or the anniversary registration date thereof, whichever is applicable.

(b) No tax may be assessed against motor vehicles subject to taxation that constitute inventory of motor vehicle dealers as of January 1. These vehicles and all other motor vehicles subject to taxation brought into the state subsequent to January 1 as motor vehicle dealers' inventories shall be assessed to their respective purchasers as of the dates the vehicles are registered by the purchasers.

(c) "Purchasers" includes dealers who apply for registration or reregistration of motor vehicles, except as otherwise provided by 61-3-502.

(d) Goods, wares, and merchandise of motor vehicle dealers, other than new motor vehicles and new mobile homes, shall be assessed at market value as of January 1.

(2) In all cases where taxes or a fee in lieu of tax were required to be paid, the applicant for registration or

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reregistration of a motor vehicle, other than a mobile home, is not relieved of the duty of paying taxes or the fee in lieu of tax if the taxes or fees have not been paid by a prior applicant or owner."

SECTION 15. SECTION 7-1-2111, MCA, IS AMENDED TO READ:

"7-1-2111. Classification of counties. (1) For the purpose of regulating the compensation and salaries of all county officers, not otherwise provided for, and for fixing the penalties of officers' bonds, the several counties of this state shall be classified according to that percentage of the true and full valuation of the property therein upon which the tax levy is made, as follows:

{1}(a) first class--all counties having such a taxable valuation of \$50 million or over;

{2}(b) second class--all counties having such a taxable valuation of more than \$30 million and less than \$50 million;

{3}(c) third class--all counties having such a taxable valuation of more than \$20 million and less than \$30 million;

{4}(d) fourth class--all counties having such a taxable valuation of more than \$15 million and less than \$20 million;

{5}(e) fifth class--all counties having such a taxable valuation of more than \$10 million and less than \$15 million;

{6}(f) sixth class--all counties having such a taxable valuation of more than \$5 million and less than \$10 million;

{7}(g) seventh class--all counties having such a taxable valuation of less than \$5 million.

(2) As used in this section, taxable valuation means the taxable value of taxable property in the county as of the time of determination plus that portion of the taxable value of the county on December 31, 1981, attributable to automobiles and trucks having a rated capacity of three-quarters of a ton or less."

SECTION 16. SECTION 7-3-1321, MCA, IS AMENDED TO READ:

"7-3-1321. Authorization to incur indebtedness -- limitation. (1) The consolidated municipality may borrow money or issue bonds for any municipal purpose to the extent and in the manner provided by the constitution and laws of Montana for the borrowing of money or issuing of bonds by counties and cities and towns.

(2) The municipality shall ~~may~~ not become indebted in any manner or for any purpose to an amount, including existing indebtedness, in the aggregate exceeding ~~5%~~ 28% of the taxable value of the taxable property therein, as ascertained by the last assessment for state and county taxes prior to incurring such indebtedness. All warrants, bonds, or obligations in excess of such amount given by or on behalf of the municipality shall be void."

SECTION 17. SECTION 7-6-2211, MCA, IS AMENDED TO READ:

"7-6-2211. Authorization to conduct county business on a cash basis. (1) In case the total indebtedness of a county, lawful when incurred, exceeds the limit of ~~18%~~ 22.5% established in 7-7-2101 by reason of great diminution of taxable value, the county may conduct its business affairs on a cash basis and pay the reasonable and necessary current expenses of the county out of the cash in the county treasury derived from its current revenue and under such

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restrictions and regulations as may be imposed by the board of county commissioners of the county by a resolution duly adopted and included in the minutes of the board.

(2) Nothing in this section restricts the right of the board to make the necessary tax levies for interest and sinking fund purposes, and nothing in this section affects the right of any creditor of the county to pursue any remedy now given him by law to obtain payment of his claim."

SECTION 18. SECTION 7-6-4121, MCA, IS AMENDED TO READ:

"7-6-4121. Authorization to conduct municipal business on a cash basis. (1) In case the total indebtedness of a city or town has reached ~~11%~~ 17% of the total taxable value of the property of the city or town subject to taxation, as ascertained by the last assessment for state and county taxes, the city or town may conduct its affairs and business on a cash basis as provided by subsection (2).

(2) (a) Whenever a city or town is conducting its business affairs on a cash basis, the reasonable and necessary current expenses of the city or town may be paid out of the cash in the city or town treasury and derived from its current revenues, under such restrictions and regulations as the city or town council may by ordinance prescribe.

(b) In the event that payment is made in advance, the city or town may require a cash deposit as collateral security and indemnity, equal in amount to such payment, and may hold the same as a special deposit with the city treasurer or town clerk, in package form, as a pledge for the fulfillment and performance of the contract or obligation for which the advance is made.

(c) Before the payment of the current expenses mentioned above, the city or town council shall first set apart sufficient money to pay the interest upon its legal, valid, and outstanding bonded indebtedness and any sinking funds therein provided for and shall be authorized to pay all valid claims against funds raised by tax especially authorized by law for the purpose of paying such claims."

SECTION 19. SECTION 7-6-4254, MCA, IS AMENDED TO READ:

"7-6-4254. Limitation on amount of emergency budgets and appropriations. (1) The total of all emergency budgets and appropriations made therein in any one year and to be paid from any city fund ~~shall~~ may not exceed ~~25%~~ 38% of the total amount which could be produced for such city fund by a maximum levy authorized by law to be made for such fund, as shown by the last completed assessment roll of the county.

(2) The term "taxable property", as used herein, means the percentage of the value at which such property is assessed and which percentage is used for the purposes of computing taxes and does not mean the assessed value of such property as the same appears on the assessment roll."

SECTION 20. SECTION 7-7-107, MCA, IS AMENDED TO READ:

"7-7-107. Limitation on amount of bonds for city-county consolidated units. (1) Except as provided in 7-7-108, no city-county consolidated local government may issue bonds for any purpose which, with all outstanding indebtedness, may exceed ~~27%~~ 39% of the taxable value of the property therein subject to taxation as ascertained by the last assessment for state and county taxes.

(2) The issuing of bonds for the purpose of funding or refunding outstanding warrants or bonds is not the incurring

of a new or additional indebtedness but is merely the changing of the evidence of outstanding indebtedness."

SECTION 21. SECTION 7-7-108, MCA, IS AMENDED TO READ:

"7-7-108. Authorization for additional indebtedness for water or sewer systems. (1) For the purpose of constructing a sewer system or procuring a water supply or constructing or acquiring a water system for a city-county consolidated government which shall own and control such water supply and water system and devote the revenues therefrom to the payment of the debt, a city-county consolidated government may incur an additional indebtedness by borrowing money or issuing bonds.

(2) The additional indebtedness which may be incurred by borrowing money or issuing bonds for the construction of a sewer system or for the procurement of a water supply or for both such purposes may not in the aggregate exceed 10% over and above the 27% 39% referred to in 7-7-107 of the taxable value of the property therein subject to taxation as ascertained by the last assessment for state and county taxes."

SECTION 22. SECTION 7-7-2101, MCA, IS AMENDED TO READ:

"7-7-2101. Limitation on amount of county indebtedness. (1) No county may become indebted in any manner or for any purpose to an amount, including existing indebtedness, in the aggregate exceeding ~~18%~~ 23% of the taxable value of the property therein subject to taxation as ascertained by the last assessment for state and county taxes previous to the incurring of such indebtedness.

(2) No county may incur indebtedness or liability for any single purpose to an amount exceeding \$40,000 without the approval of a majority of the electors thereof voting at an election to be provided by law, except as provided in 7-21-3413 and 7-21-3414."

SECTION 23. SECTION 7-7-2203, MCA, IS AMENDED TO READ:

"7-7-2203. Limitation on amount of bonded indebtedness. (1) Except as provided in subsections (2) and (3), no county may issue general obligation bonds for any purpose which, with all outstanding bonds and warrants except county high school bonds and emergency bonds, will exceed 9% 11.25% of the taxable value of the property therein, to be ascertained by the last assessment for state and county taxes prior to the proposed issuance of bonds.

(2) A county may issue bonds which, with all outstanding bonds and warrants, will exceed 9% 11.25% but will not exceed ~~29%~~ 37% of the taxable value of such property, when necessary to do so, for the purpose of acquiring land for a site for county high school buildings and for erecting or acquiring buildings thereon and furnishing and equipping the same for county high school purposes.

(3) The foregoing limitation shall not apply to refunding bonds issued for the purpose of paying or retiring county bonds lawfully issued prior to January 1, 1932."

SECTION 24. SECTION 7-7-4201, MCA, IS AMENDED TO READ:

"7-7-4201. Limitation on amount of bonded indebtedness. (1) Except as otherwise provided, no city or town may issue bonds or incur other indebtedness for any purpose in an amount which with all outstanding and unpaid indebtedness will exceed ~~18%~~ 28% of the taxable value of the property therein subject to taxation, to be ascertained by

the last assessment for state and county taxes.

(2) The issuing of bonds for the purpose of funding or refunding outstanding warrants or bonds is not the incurring of a new or additional indebtedness but is merely the changing of the evidence of outstanding indebtedness."

SECTION 25. SECTION 7-7-4202, MCA, IS AMENDED TO READ:

"7-7-4202. Special provisions relating to water and sewer systems. (1) Notwithstanding the provisions of 7-7-4201, for the purpose of constructing a sewer system, procuring a water supply, or constructing or acquiring a water system for a city or town which owns and controls the water supply and water system and devotes the revenues therefrom to the payment of the debt, a city or town may incur an additional indebtedness by borrowing money or issuing bonds.

(2) The additional total indebtedness that may be incurred by borrowing money or issuing bonds for the construction of a sewer system, for the procurement of a water supply, or for both such purposes, including all indebtedness theretofore contracted which is unpaid or outstanding, may not in the aggregate exceed ~~36%~~ 55% over and above the ~~18%~~ 28%, referred to in 7-7-4201, of the taxable value of the property therein subject to taxation as ascertained by the last assessment for state and county taxes."

SECTION 26. SECTION 7-13-4103, MCA, IS AMENDED TO READ:

"7-13-4103. Limitation on indebtedness for acquisition of natural gas system. The total amount of indebtedness authorized to be contracted in any form, including the then-existing indebtedness, must not at any time exceed ~~11%~~ 17% of the total taxable value of the property of the city or town subject to taxation as ascertained by the last assessment for state and county taxes."

SECTION 27. SECTION 7-14-236, MCA, IS AMENDED TO READ:

"7-14-236. Limitation on bonded indebtedness. The amount of bonds issued to provide funds for the district and outstanding at any time shall not exceed ~~5%~~ 28% of the taxable value of taxable property therein as ascertained by the last assessment for state and county taxes previous to the issuance of such bonds."

SECTION 28. SECTION 7-14-2524, MCA, IS AMENDED TO READ:

"7-14-2524. Limitation on amount of bonds issued -- excess void. (1) Except as otherwise provided hereafter and in 7-7-2203 and 7-7-2204, no county shall issue bonds which, with all outstanding bonds and warrants except county high school bonds and emergency bonds, will exceed ~~9%~~ 11.25% of the taxable value of the property therein. The taxable property shall be ascertained by the last assessment for state and county taxes prior to the issuance of such bonds.

(2) A county may issue bonds which, with all outstanding bonds and warrants except county high school bonds, will exceed ~~9%~~ 11.25% but will not exceed ~~18%~~ 22.5% of the taxable value of such property when necessary for the purpose of replacing, rebuilding, or repairing county buildings, bridges, or highways which have been destroyed or damaged by an act of God, disaster, catastrophe, or accident.

(3) The value of the bonds issued and all other

outstanding indebtedness of the county, except county high school bonds, shall not exceed ~~18%~~ 22.5% of the taxable value of the property within the county as ascertained by the last preceding general assessment."

SECTION 29. SECTION 7-14-2525, MCA, IS AMENDED TO

READ:

"7-14-2525. Refunding agreements and refunding bonds authorized. (1) Whenever the total indebtedness of a county exceeds ~~18%~~ 22.5% of the taxable value of the property therein and the board determines that the county is unable to pay such indebtedness in full, the board may:

(a) negotiate with the bondholders for an agreement whereby the bondholders agree to accept less than the full amount of the bonds and the accrued unpaid interest thereon in satisfaction thereof;

(b) enter into such agreement;

(c) issue refunding bonds for the amount agreed upon.

(2) These bonds may be issued in more than one series, and each series may be either amortization or serial bonds.

(3) The plan agreed upon between the board and the bondholders shall be embodied in full in the resolution providing for the issue of the bonds."

SECTION 30. SECTION 7-14-4402, MCA, IS AMENDED TO

READ:

"7-14-4402. Limit on indebtedness to provide bus service. The total amount of indebtedness authorized under 7-14-4401(1) to be contracted in any form, including the then-existing indebtedness, may not at any time exceed ~~18%~~ 28% of the total taxable value of the property of the city or town subject to taxation as ascertained by the last assessment for state and county taxes. No money may be borrowed or bonds issued for the purposes specified in 7-14-4401(1) until the proposition has been submitted to the vote of the taxpayers of the city or town and the majority vote cast in its favor."

SECTION 31. SECTION 7-16-2327, MCA, IS AMENDED TO

READ:

"7-16-2327. Indebtedness for park purposes. (1) Subject to the provisions of subsection (2), a county park board, in addition to powers and duties now given under law, shall have the power and duty to contract an indebtedness in behalf of a county, upon the credit thereof, for the purposes of 7-16-2321(1) and (2).

(2) (a) The total amount of indebtedness authorized to be contracted in any form, including the then-existing indebtedness, must not at any time exceed ~~3%~~ 13% of the taxable value of the taxable property of in the county ascertained by the last assessment for state and county taxes previous to the incurring of such indebtedness.

(b) No money ~~must~~ may be borrowed on bonds issued for the purchase of lands and improving same for any such purpose until the proposition has been submitted to the vote of those qualified under the provisions of the state constitution to vote at such election in the county affected thereby and a majority vote is cast in favor thereof."

SECTION 32. SECTION 7-16-4104, MCA, IS AMENDED TO

READ:

"7-16-4104. Authorization for municipal indebtedness for various cultural, social, and recreational purposes. (1) A city or town council or commission may contract an

indebtedness on behalf of the city or town, upon the credit thereof, by borrowing money or issuing bonds:

(a) for the purpose of purchasing and improving lands for public parks and grounds;

(b) for procuring by purchase, construction, or otherwise swimming pools, athletic fields, skating rinks, playgrounds, museums, a golf course, a site and building for a civic center, a youth center, or combination thereof; and

(c) for furnishing and equipping the same.

(2) The total amount of indebtedness authorized to be contracted in any form, including the then-existing indebtedness, may not at any time exceed ~~3%~~ 16.5% of the taxable value of the taxable property of the city or town as ascertained by the last assessment for state and county taxes previous to the incurring of such indebtedness. No money may be borrowed on bonds issued for the purchase of lands and improving the same for any such purpose until the proposition has been submitted to the vote of the qualified electors of the city or town and a majority vote is cast in favor thereof."

SECTION 33. SECTION 7-31-106, MCA, IS AMENDED TO READ:

"7-31-106. Authorization for county to issue bonds -- election required. (1) If the petition is presented to the board of county commissioners, it shall be the duty of the board, for the purpose of raising money to meet the payments under the terms and conditions of said contract and other necessary and proper expenses in and about the same and for the approval or disapproval thereof:

(a) to ascertain, within 30 days after submission of the petition, the existing indebtedness of the county in the aggregate; and

(b) to submit, within 60 days after ascertaining the same, to the electors of such county the proposition to approve or disapprove the contract and the issuance of bonds necessary to carry out the same.

(2) The amount of the bonds authorized by this section shall ~~may~~ not exceed ~~5%~~ 22.5% of the taxable value of the taxable property therein, inclusive of the existing indebtedness thereof, to be ascertained by the last assessment for state and county taxes previous to the issuance of said bonds and incurring of said indebtedness."

SECTION 34. SECTION 7-31-107, MCA, IS AMENDED TO READ:

"7-31-107. Authorization for municipality to issue bonds -- election required. (1) If said petition is presented to the council of any incorporated city or town, the council, for the purpose of raising money to meet the payments under the terms and conditions of said contract and other necessary and proper expenses in and about the same and for the approval or disapproval thereof:

(a) shall ascertain, within 30 days after submission of the petition, the aggregate indebtedness of such city or town; and

(b) shall submit, within 60 days after ascertaining the same, to the electors of such city or town the proposition to approve or disapprove said contract and the issuance of bonds necessary to carry out the same.

(2) The amount of the bonds authorized by this section shall ~~may~~ not exceed ~~3%~~ 16.5% of the taxable value of the taxable property therein, inclusive of the existing indebtedness thereof, to be ascertained in the manner

provided in this part."

SECTION 35. SECTION 7-34-2131, MCA, IS AMENDED TO READ:

"7-34-2131. Hospital district bonds authorized. (1) A hospital district may borrow money by the issuance of its bonds to provide funds for payment of part or all of the cost of acquisition, furnishing, equipment, improvement, extension, and betterment of hospital facilities and to provide an adequate working capital for a new hospital.

(2) The amount of bonds issued for such purpose and outstanding at any time shall ~~may~~ not exceed 5% 22.5% of the taxable value of the property therein as ascertained by the last assessment for state and county taxes previous to the issuance of such bonds.

(3) Such bonds shall be authorized, sold, and issued and provisions made for their payment in the manner and subject to the conditions and limitations prescribed for bonds of second- or third-class school districts by Title 20, chapter 9, part 4.

(4) Nothing herein shall be construed to preclude the provisions of Title 50, chapter 6, part 1, allowing the state to apply for and accept federal funds."

SECTION 36. SECTION 19-11-503, MCA, IS AMENDED TO READ:

"19-11-503. Special tax levy for fund required. (1) The purpose of this section is to provide a means by which each disability and pension fund may be maintained at a level equal to 2% 3% of the taxable valuation of all taxable property within the limits of the city or town.

(2) Whenever the fund contains less than 2% 3% of the taxable valuation of all taxable property within the limits of the city or town, the governing body of the city or town shall, at the time of the levy of the annual tax, levy a special tax as provided in 19-11-504. The special tax shall be collected as other taxes are collected and, when so collected, shall be paid into the disability and pension fund."

SECTION 37. SECTION 19-11-504, MCA, IS AMENDED TO READ:

"19-11-504. Amount of special tax levy. (1) Whenever the total amount of the fund is less than 2% 3% of the taxable valuation of all taxable property within the limits of the city or town, the special tax levy shall be:

(a) not less than 1 mill or more than 4 mills on each dollar of taxable valuation of all taxable property within the limits of the city or town; and

(b) an amount sufficient to provide a growth per year in the fund, considering all sources of income to the fund and the payment of obligations out of the fund, equal to the sum produced by 1 mill levied on the taxable valuation of all the taxable property in the city or town.

(2) The special tax levy shall be a fractional part of 1 mill whenever:

(a) the total amount of the fund is less than 2% 3% but more than 1% 1.5% of the taxable valuation of all taxable property within the city or town; and

(b) the special tax levy of a fractional part of 1 mill will produce sufficient revenue to cause the fund, considering all sources of income to the fund and all payments to be made out of the fund, to exceed 2% 3% of the

taxable valuation of all taxable property within the city or town.

(3) In cities of the third class, when the fund contains an amount which is less than 2% 3% of the taxable valuation of all taxable property in the city or town, the city council shall levy an annual special tax of not less than 1 mill and not more than 4 mills on each dollar of taxable valuation of all taxable property within the city or town."

SECTION 38. SECTION 20-9-406, MCA, IS AMENDED TO READ:

"20-9-406. Limitations on amount of bond issue. (1) The maximum amount for which each school district may become indebted by the issuance of bonds, including all indebtedness represented by outstanding bonds of previous issues and registered warrants, is 29% 45% of the taxable value of the property subject to taxation as ascertained by the last completed assessment for state, county, and school taxes previous to the incurring of such indebtedness. The 29% 45% maximum, however, may not pertain to indebtedness imposed by special improvement district obligations or assessments against the school district. All bonds issued in excess of such amount shall be null and void, except as provided in this section.

(2) When the total indebtedness of a school district has reached the 29% 45% limitation prescribed in this section, the school district may pay all reasonable and necessary expenses of the school district on a cash basis in accordance with the financial administration provisions of this chapter.

(3) Whenever bonds are issued for the purpose of refunding bonds, any moneys to the credit of the debt service fund for the payment of the bonds to be refunded are applied towards the payment of such bonds and the refunding bond issue is decreased accordingly."

SECTION 39. SECTION 20-9-502, MCA, IS AMENDED TO READ:

"20-9-502. Purpose and authorization of a building reserve fund by an election. (1) The trustees of any district, with the approval of the qualified electors of the district, may establish a building reserve for the purpose of raising money for the future construction, equipping, or enlarging of school buildings or for the purpose of purchasing land needed for school purposes in the district. In order to submit to the qualified electors of the district a building reserve proposition for the establishment of or addition to a building reserve, the trustees shall pass a resolution that specifies:

- (a) the purpose or purposes for which the new or addition to the building reserve will be used;
- (b) the duration of time over which the new or addition to the building reserve will be raised in annual, equal installments;
- (c) the total amount of money that will be raised during the duration of time specified in subsection (1)(b); and
- (d) any other requirements under 20-20-201 for the calling of an election.

(2) The total amount of building reserve when added to the outstanding indebtedness of the district shall not be more than 5% 45% of the taxable value of the taxable property of the district. Such limitation shall be

determined in the manner provided in 20-9-406. A building reserve tax authorization shall not be for more than 20 years.

(3) The election shall be conducted in accordance with the school election laws of this title, and the electors qualified to vote in the election shall be qualified under the provisions of 20-20-301. The ballot for a building reserve proposition shall be substantially in the following form:

OFFICIAL BALLOT

SCHOOL DISTRICT BUILDING RESERVE ELECTION

INSTRUCTIONS TO VOTERS: Make an X or similar mark in the vacant square before the words "BUILDING RESERVE--YES" if you wish to vote for the establishment of a building reserve (addition to the building reserve); if you are opposed to the establishment of a building reserve (addition to the building reserve) make an X or similar mark in the square before the words "BUILDING RESERVE--NO".

Shall the trustees be authorized to impose an additional levy each year for years to establish a building reserve (add to the building reserve) of this school district to raise a total amount of dollars (\$....), for the purpose(s) (here state the purpose or purposes for which the building reserve will be used)?

BUILDING RESERVE--YES.

BUILDING RESERVE--NO.

(4) The building reserve proposition shall be approved if a majority of those electors voting at the election approve the establishment of or addition to such building reserve. The annual budgeting and taxation authority of the trustees for a building reserve shall be computed by dividing the total authorized amount by the specified number of years. The authority of the trustees to budget and impose the taxation for the annual amount to be raised for the building reserve shall lapse when, at a later time, a bond issue is approved by the qualified electors of the district for the same purpose or purposes for which the building reserve fund of the district was established. Whenever a subsequent bond issue is made for the same purpose or purposes of a building reserve, the money in the building reserve shall be used for such purpose or purposes before any money realized by the bond issue is used."

SECTION 40. SECTION 85-7-2001, MCA, IS AMENDED TO READ:

"85-7-2001. Limitations on debt-incurring power. (1) The board of commissioners or other officers of the district may not incur any debt or liability, either by issuing bonds or otherwise, except as provided in this chapter. No irrigation district may become indebted, in any manner or for any purpose in any one year, in an amount exceeding ~~15%~~ 18.75% of the assessed valuation of the district, except as provided in subsection (2).

(2) (a) For the purpose of organization; for any of the immediate purposes of this chapter; to make or purchase surveys, plans, and specifications; for stream gauging and gathering data; or to make any repairs occasioned by any calamity or other unforeseen contingency, the board of commissioners may, in any one year, incur the indebtedness of as many dollars as there are acres in the district and may cause warrants of the district to issue therefor.

(b) For the purpose of organization, for any of the immediate purposes of this chapter, or to meet the expenses occasioned by any calamity or other unforeseen contingency, the board of commissioners may, in any one year, incur (in addition to the ~~15%~~ 18.75% limitation of subsection (1)) an additional indebtedness not exceeding ~~10%~~ 12.5% of the assessed valuation of the district and may cause warrants of the district to issue therefor.

(c) The limitation of subsection (1) does not apply to warrants issued for unpaid interest on the valid bonds of any irrigation district.

(d) The limitation of subsection (1) does not apply to any bonds issued under this chapter pursuant to a provision which expressly supersedes the limitation.

(3) Any debt or liability incurred in excess of the limitations provided by the irrigation district laws is void."

SECTION 41. VALIDATION. NOTWITHSTANDING ANY PROVISIONS OF THIS ACT, ANY OUTSTANDING INDEBTEDNESS OR BOND ISSUE ON JANUARY 1, 1982, OF ANY GOVERNMENTAL SUBDIVISION IS NOT INVALIDATED BECAUSE OF ANY CHANGES IN THE TAXABLE VALUATION OF THE SUBDIVISION DUE TO REMOVAL OF AUTOMOBILES AND TRUCKS HAVING A RATED CAPACITY OF THREE-QUARTERS OF A TON OR LESS FROM THE TAX BASE.