

## **MINUTES**

### **MONTANA SENATE 52nd LEGISLATURE - REGULAR SESSION**

#### **COMMITTEE ON TAXATION**

**Call to Order:** By Senator Mike Halligan, on February 15, 1991,  
at 8:10 a.m.

#### **ROLL CALL**

**Members Present:**

Mike Halligan, Chairman (D)  
Dorothy Eck, Vice Chairman (D)  
Robert Brown (R)  
Steve Doherty (D)  
Delwyn Gage (R)  
John Harp (R)  
Francis Koehnke (D)  
Gene Thayer (R)  
Thomas Towe (D)  
Van Valkenburg (D)  
Bill Yellowtail (D)

**Members Excused:** NONE.

**Staff Present:** Jeff Martin (Legislative Council).

**Please Note:** These are summary minutes. Testimony and  
discussion are paraphrased and condensed.

**Announcements/Discussion:** NONE.

#### **EXECUTIVE ACTION ON SENATE BILL 236**

**Motion:**

Senator Harp moved amendments (sb023601.ajm) to Senate Bill  
236.

Senator Harp moved Senate Bill 236 DO PASS as amended.

**Discussion:**

Senator Harp explained the amendments.

Steve Bender explained the amendments have succeeded in  
holding the University System harmless. He explained the hold  
harmless payments from the Foundation program. The foundation  
program pays the tax increment districts under current law

because of the drop in local levies. Those payments will be reduced for the new property by the 5 year extension.

Senator Towe asked what the mechanics are for holding the University System harmless. Of the tax increment portion the University System is taken out first.

Senator Towe asked the same question regarding the foundation program. Steve Bender explained it was not as straight forward as the University System. He explained a current provision. Because of the reduction in local school levies (House Bill 28) the foundation program reimburses the tip district for the decline in local levies. The amendments take the foundation on the five year extension property and reduces that payment by the like amount.

**Recommendation and Vote:**

The motion to amend CARRIED.

The motion to DO PASS as amended CARRIED.

**EXECUTIVE ACTION ON SENATE BILL 275**

**Motion:**

Senator Gage moved amendments (sb027501.ajm) to Senate Bill 275.

Senator Gage moved Senate Bill 275 DO PASS as amended.

**Discussion:**

The amendment would exclude the cement producers from the repeal provisions.

Senator Halligan told the Committee Denis Adams is in support of the amendment.

Senator Towe asked Senator Gage about the coal retailers license tax. He explained the testimony was not clear as to whether there were any coal retailers in Montana or whether the state was simply not collecting the tax. Senator Gage explained the feeling of the department was there could be, but the cost effectiveness of determination is doubtful.

**Recommendation and Vote:**

The motion to amend CARRIED.

The motion to DO PASS as amended CARRIED.

EXECUTIVE ACTION ON SENATE BILL 122

Motion:

Senator Van Valkenburg moved to amend Senate Bill 122 to take royalties out.

Senator Van Valkenburg moved Senate Bill 122 DO PASS as amended.

Discussion:

Jeff Martin told the Committee in sub 2 (b) of 60-3-216, the only language being struck if the amount allocated from the royalties.

Senator Gage asked Jeff Martin if this was not a statutory appropriation. Senator Van Valkenburg explained in was earmarked.

Senator Towe explained this is the amount from earmarking highway funds from the coal tax.

Senator Van Valkenburg explained the purpose of sub (b) is to earmark that portion of the gas and diesel fuel tax which is appropriated for the highway reconstruction trust fund.

Senator Van Valkenburg commented this legislation is "one of the very best things done" and he is in hopes of finding gas tax monies to provide funding for the program for the next 10 years.

Recommendation and Vote:

The motion to amend CARRIED with Senator Harp voting NO.

The motion to DO PASS as amended CARRIED.

EXECUTIVE ACTION ON SENATE BILL 206

Motion:

Senator Towe moved the amendments in the "gray bill".

Senator Van Valkenburg moved Senate Bill 206 DO PASS as amended.

Discussion:

Senator Halligan asked Mark Staples of the Tavern Owners Association to comment on the amendments. He told the Committee this accomplishes everything the proponents wanted while

safeguarding the rights of others. He explained the Department of Revenue feels the statute is "cleaned up", and the three parties testifying before the Committee have reached agreement.

Senator Towe pointed to Page 14 where it affects the right to revoke licenses at time of renewal.

Mark Staples explained if the neighborhood has had a hearing, and the proposal is not approved based on criteria deemed allowable for the neighborhood; the next application, if approved, is subject to conditions set in that criteria. If the criteria does not continue to be met after approval, the department has the right to revoke the license.

#### Amendments, Discussion, and Votes:

Senator Eck commented about complaints at having to travel to Helena for hearing. She asked that the language "at its office in Helena" be struck.

Dave Woodgerd explained it would not be within their budget to go outside of Helena for hearings.

Senator Eck moved to amend Page 7, Line 15 by striking "at its office in Helena.". Motion CARRIED.

#### Recommendation and Vote:

Motion to amend CARRIED.

Motion to DO PASS as amended CARRIED.

#### EXECUTIVE ACTION ON SENATE BILL 272

#### Discussion:

Senator Halligan explained a brief discussion would take place on Senate Bill 272.

Senator Towe asked Evan Barrett, Executive Director of the Butte Local Development Corporation what the new language proposed in Senate Bill 272 will do to his program.

Mr. Barrett told the Committee the language as proposed would severely restrict the use of the flexibility of those districts. He explained it creates no competitive advantage in terms in locating value adding industries in those areas. He explained all around the state the feeling has been to not do anything or define it more specifically to involve public and private infrastructural development possibilities.

Senator Towe asked why it is restrictive. Mr. Barrett explained a public purpose is defined as creating value adding industrial growth and jobs. Direct assistance is specified in

statute and can be given to private sector industries in their acquisition of land and infrastructure. If this bill did not pass at all, Mr. Barrett explained most people in the economic development community feel they are already empowered to do private infrastructural assistance. It has not been specified directly as to what the nature of that infrastructural assistance was. He told the Committee the language in Senate Bill 272 would take it out of private assistance totally to the public side. The amendment more specifically defines infrastructure and industrial infrastructure to include the public side and the private side.

Mr. Barrett told the Committee Senate Bill 272 as introduced would be detrimental to their ability to attract economic development. Value adding industries are very capital intensive and infrastructure intensive. Competition is between other countries and other states. Montana has in comparison to other states a high personal property tax on equipment. That acts as a red flag to those with a large amount of infrastructure, not to come to Montana. He explained an example of a proposal to a company in Canada. He received a letter from the company saying it was the best proposal they had received out of 80. He told the Committee Montana needs to "forge a competitive advantage situation" in terms of attracting industrialization. He explained that tax increment financing is a good vehicle for aggregating capital that can be used to the advantage of industrialization.

Senator Eck told Mr. Barrett she had spoke with commissioners from Missoula who were opposed to changing the current understanding of infrastructure. Mr. Barrett explained Missoula is an exception. He told the Committee he has a basic disagreement (along with others in the economic development arena). He explained by converting peoples taxes into a real incentive that affects their bottom line that makes a difference.

Senator Eck told the Committee it appears there is an understanding of what infrastructure is, and buildings and machinery are not part. She asked if it were not better to broaden the bill to say in addition to infrastructure these others can be done. Mr. Barrett explained the bill specifies the meaning of infrastructure. The amendment as proposed defines infrastructure and industrial infrastructure as both public and private; and does allow both the generalized usual public definition, as well as the commonly accepted definition of industrial infrastructure in economic development circles.

Senator Eck commented that Butte is the only community using the broadened definition. Mr. Barrett pointed out Butte is the only one, thus far. Senator Eck commented by changing the definition of infrastructure the approval of the governing body to allow the additional purposes should be attained. Mr. Barrett explained, under current statute, a tax increment district has to be created by the local governing body, and it is then an arm of

the government with all decisions made being governmental decisions.

Mr. Barrett explained the amendment is a clarification of existing circumstances rather than a restriction.

Senator Eck asked if it would be possible for another community to make use of tax increment districts by limiting their use to the traditional. Mr. Barrett told the Committee each community in the normal governmental processes would adopt a program to be presented to anyone wanting to locate in the tax increment district. Each community has to opportunity to be as limiting or as expansive as it wants within the statute.

Senator Van Valkenburg asked Mr. Barrett if he thinks Missoula is wrong in limiting the application of industrial tax increment financing to public purposes.

Mr. Barrett explained he and his Missoula counterpart have a difference on the use of this type of funds. He explained the feeling in Missoula is it should be limited to public. He told the Committee the rest of the state should have to limit to Missoula's feel of how it should be utilized. He said most of the rest of the state feels it should to available.

Senator Van Valkenburg stated "maybe the rest of the state is feeling like if they don't get down to lowest level, they are going to loss out in terms of any ability to compete with those who would hand over public tax money to private entities". He said he felt that was what Mr. Barrett was proposing.

Mr. Barrett told the Committee in doing economic development they have to be competitive. He explained too often competition is looked at within Montana; but the competition is not often within Montana with each other. Mr. Barrett expressed his opinion that possibly someone in Missoula does not want to be in a competitive situation, but that he does not see that as an issue. Each community has assets to call upon to attract industry.

Senator Gage commented he did not like the change from governmental unit to municipality. He asked Mr. Barrett how he felt about just having personal property under private. Mr. Barrett explained in statute, municipality, for the purpose of the statute only, is defined to include cities and city-county consolidated governments, therefore the use of it in the amendment is appropriate. In terms of limiting the private side to personal property he felt is a detriment because buildings are a significant infrastructural assistance.

Senator Towe asked Mr. Barrett if in another proposal there is governmental instead of municipality. Mr. Barrett explained in the initial draft it was that way, but municipality would be appropriate because of the definition of municipality in this

statute.

Senator Towe asked if building purchase/lease is typical of what is done in urban tax increment financing districts. Mr. Barrett told the Committee it was. He explained it is very common that grants and loans programs to the private sector in the urban districts. These are generally associated with improvements to buildings. The concept of building a building is an accepted practice in economic development.

Evan Barrett furnished a packet to members of the Committee. (Exhibit #1 and Exhibit #2)

#### EXECUTIVE ACTION ON SENATE BILL 333

##### Motion:

Senator Gage moved Senate Bill 333 DO PASS.

##### Discussion:

Senator Gage commented on amendments proposed by Mr. Tim Wylder. Senator Gage told the Committee if individuals do not want to pay on non-distributed revenue they should not have made the Sub S election.

Senator Towe explained all advantage goes to the taxpayer during transition.

Senator Thayer pointed out Mr. Wylder contacted the department to determine the existing policy. Senator Thayer commented individuals should not be taxed on previous years.

Senator Gage agreed that all cases through tax year 1991 would be based on the rules and statutes in effect at that time.

##### Recommendation and Vote:

The motion to DO PASS CARRIED with Senator Doherty and Senator Thayer voting NO.

#### EXECUTIVE ACTION ON SENATE BILL 279

##### Motion:

Senator Thayer moved to reconsider Senate Bill 279 passed out of Committee on February 14, 1991 for purpose of amending.

Senator Towe moved amendments to Senate Bill 279; Page 3 Line 17, to strike "or other applicable appeal procedures"; Page 4 Line 24, change the word "appeal" to "review"; Page 4 insert (b) following Line 25 (renumber other two letters accordingly)

"providing easily understandable information on appeal procedures".

Senator Towe moved Senate Bill 279 DO PASS as amended.

Discussion:

Senate Gage explained concerns expressed by John McNaught, Chair of the Tax Appeals Board: Page 3, Line 16-17 "after exhaustion of all appropriate administrative remedies or other applicable". Senator Gage said the taxpayer should have immediate appeal rights. Another concern was Page 4, Line 24 "appeal". The department is not in the appeal process and the suggestion is to change the word "appeal" to "review".

Dave Woodgerd told the Committee the department has not objection to changing the word "appeal" to "review". He explained the department needs the language on exhaustion of administrative remedies, and in fact the law requires that. He told the Committee they agreed on Page 3, Line 17 deleting the language "or other applicable appeal procedures".

John McNaught, Chairman of the State Tax Appeal Board told the Committee he supports Senate Bill 279 with the amendments.

Senator Van Valkenburg asked if discussion had taken place on taxpayer responsibilities in addition to taxpayer rights. He told the Committee taxpayer responsibilities should be addressed.

Thayer motion to reconsider CARRIED.

Towe motion to amend Senate Bill 279 CARRIED.

Towe motion to DO PASS as amended CARRIED.

EXECUTIVE ACTION ON SENATE BILL 115

Motion:

Senator Van Valkenburg moved to amend the Title, Page 1, Line 5 by striking the words "any type of tax not prohibited by law"; insert the words "a local option, income, sales and use, and property taxes".

Senator Brown moved to amend Senate Bill 115 (sb011501.ajm). He later withdrew his motion based on Senator Van Valkenburg suggestion to draft a committee bill.

Senator Brown moved to amend Senate Bill 115 (sb011502.ajm).

Senator Van Valkenburg moved the Committee request the drafting of a bill which would provide for a voter approved local option exemption from requirements of I105 by all property tax



jurisdictions.

Discussion:

Senator Halligan informed the Committee Senate Bill 115's "gray bill" #2 with all amendments included (except sub (4) on Page 6) have been adopted, including language on situs of property originally proposed by Senator Van Valkenburg. The language which passed in the form of a motion was proposed by Senator Towe.

Senator Gage posed an example under Senator Van Valkenburg's language: A county had a total county-wide valuation of such that 1 mill raised \$100,000. The county wanted to generate \$100,000 for a specific project. If 90% of that value was in the municipality the county, in order to get \$100,000, would have assess 10 mill, because nine (9) mills would go to the municipality. Maybe municipality only needed \$100,000 but would get \$900,000.

Senator Towe said he concurred with that assessment asking Senator Van Valkenburg if it were correct.

Senator Van Valkenburg said that is correct. He said the question is whether it were good public policy? Under Senator Towe's language the municipality will be, if not practically precluded, certainly legally precluded, from raising any money itself. If the county decides it has a \$100,000 project and imposes the county mill on the municipal taxpayers the municipality would not be able to raise money for any purpose it might desire. If there is an understanding between the county and the municipality that the county project is of paramount importance and there is 90% of the property valuation within the municipality, there will be an agreement under sub (2) that says "local option tax imposed by a county must be levied county wide and, unless otherwise provided by agreement with the municipalities, the county shall distribute according to the formula". Therefore if the municipality agrees that the county-wide function, i.e., a jail, a law enforcement facility, etc. is of paramount importance the municipality will then agree that it will not receive any of the tax revenue. He explained his language is attempting to preclude the county from disregarding the municipality's wishes.

Senator Towe explained the protection is with the voters. If the 90% living in the city believe their tax base is being taken away they are going to oppose it. He suggested Senator Van Valkenburg was asking for a default option. He explained the best option is to have an agreement between the city and the county, but the default option under his (Senator Towe's) language has the all of the distribution going to the county for a county-wide property tax. He suggested Senator Van Valkenburg wanted the default option to be to the city, if its located in the city.

Senator Van Valkenburg told the Committee an important thing to remember about property tax is that voters don't necessarily coincide with property valuation.

Senator Halligan asked Jeff Martin to read the language. Jeff read sub (c) under the distribution, "Property taxes must be distributed to the county for county purposes only, unless by agreement, a different distribution is presented in the proposal".

Senator Van Valkenburg stated it virtually makes the cities get nothing. He told the Committee Senator Towe's language duplicates sub (2) which says, "on a local option tax the county tax is levied county wide".

Senator Towe agreed to the duplication. He explained it offers the alternative of an agreement.

Senator Van Valkenburg commented he is trying to treat property taxes in the same consistency as sales and income tax in the bill. He commented property tax is being treated differently than sales and income tax in terms of a distribution.

Senator Towe explained from a policy standpoint it is reasonable. He stated in a community where one city is so dominant that the county would be excluded from making those decisions, the county would find it difficult getting money for a particular county-wide project. If the city gets on the ballot first, the county is excluded. He explained it would be the same under Senator Van Valkenburg's provision. There would be no way for a county to get on the ballot, even if they obtained enough signatures to put it on. If the county was successful, they would not receive anything unless the city agreed to do so (which they are not obliged to do). There would be no way for the county to get the money.

Senator Van Valkenburg said he felt Senator Towe was looking at this solely from the perspective of a situation where one city dominates the county. That is not the case in all of Montana.

Senator Towe explained in the other situation if the city gets its local option on the ballot for a particular project, the county has less of getting their's passed, because the people in that particular city will feel they are being taxed twice. There's some incentive for the county to make an agreement with the municipality.

Senator Halligan asked Alec Hansen if he had suggestions regarding the language of Senator Towe's amendment.

Alec Hansen of the Montana League of Cities and Towns told the Committee their concern if there is to be a local option property tax, the city taxpayers have an option to increase mill levies above statutory limits and the county taxpayers have

option to increase mill levies above statutory limits. The issues should be handled separately by the voters in those jurisdictions. The language allowing for agreement and another method of distribution has the prospect of promoting cooperation and possibly joint projects.

Senator Harp asked Mr. Hansen if the bill before the Committee the cities and the counties could offer a referendum on their dealing with property tax. Mr. Hansen said that was correct.

Senator Van Valkenburg explained except a local option tax imposed by a county under Section 5 sub (2) must be imposed county-wide. This would include all the property within the municipalities. This provision would not provide for any unique distribution. It would all go to the county unless an agreement has been made with the municipality. He explained either there would be double taxation if the city decides to have a local option property tax and the county does also; or the cities will be precluded from the local property tax option.

Senator Eck commented the county could levy a tax only in the county portion and exclude the cities. She asked if were clear the cities would not be precluded. She suggested the possibility of a small town in a county imposing a significant property tax increase for a couple of years for a specific purpose. She explained the city should be allowed the opportunity to set the levy. She asked Jeff Martin if the bill allowed for an interlocal agreement.

Jeff Martin expressed concern about the double-taxation prohibit provision.

Senator Gage questioned if the statement of intent should contain language with regards to sales tax and property tax.

Jeff Martin told the Committee there would not be any particular need. He explained unless in statute with specific direction to how these taxes are treated at the local level, other than what the department should do relative to rules distributing income taxes, he did not feel it would be necessary.

Senator Harp told the Committee local governments must be allowed to make agreement on distribution.

Senator Van Valkenburg told the Committee Senate Bill 115 is "too important to get tangled up".

Senator Thayer asked if, for example, the city of Great Falls does not want to impose a tax, why cannot the county the Cascade exclude the people inside the city.

Senator Harp commented on the problem that would cause with determining property boundaries, jurisdictions, SIDs, fire

districts, etc. He told the Committee he did not feel the city and county would ask at the same time for the same issue dealing with property tax.

Senator Towe told the Committee the best protection for all concerned is taxpayers right now are not inclined to support anything. He explained cities and counties will have to work together.

Mr. Hansen explained any multiply election situation would fail. He told the Committee if Senate Bill 155 becomes law cities and counties will have to cooperate.

Senator Thayer asked Mr. Hansen if he felt any cities or counties would use the property tax option. Mr. Hansen said he felt they would, particularly smaller towns.

Senator Harp commented about the city manager from Scobey who felt the issue would "sell".

Senator Van Valkenburg pointed out towns (large and small) all across Montana vote for property taxes for schools, bond elections, etc. When the voter knows exactly what they are receiving, agree it is what they want, they will vote for it.

Jeff Martin explained the amendments proposed by Senator Brown. Mr. Martin told the Committee the amendments allow community colleges to participate in the local option property tax. It defines a community college, and creates a section authorizes community colleges for local option property tax.

Senator Towe asked what the territorial jurisdiction is with which this tax relates. Senator Brown explained it depended on the community college. Senator Towe asked if each had a district in existence. Senator Brown told the Committee there was Miles City Community College (Custer County), and Dawson Community College (Glendive), Flathead Valley Community College (Flathead County).

Senator Towe asked if it were appropriate to be considering this under Senate Bill 115, or should it be separate. Senator Halligan told the Committee he was giving them leeway, as Chair, he felt he could rule it outside the Title of Senate Bill 115.

Senator Eck asked if there was other legislation removing community colleges from provisions of 1105. Senator Brown that legislation had been discussed. Senator Eck felt this would confuse the issue unless the provisions were removed for double taxation.

Senator Van Valkenburg commented if going beyond municipalities and county governments, why not include rural fire districts, hospital districts, etc.

Senator Yellowtail told the Committee this issue points out the fundamental problem with the entire local option tax idea. He explained there are counties and towns exempt from I105, while other entities are "frozen". He expressed a desire for a "comprehensive vehicle". He told the Committee "if we are going to repeal I105, let's trot it out here and do it".

Senator Van Valkenburg suggested a committee bill be drafted which would provide local option exemption from I105 for all other entities such as rural fire, community colleges, etc. If the voters of a particular taxing jurisdiction for property tax purposes want to exceed that, it would be appropriate.

Senator Brown proposed an amendment which would not allow a pyramid the local option tax on the lodging facility tax.

**Recommendation and Vote:**

Van Valkenburg motion to amend CARRIED.


Brown motion to amend FAILED, 4 YES (Senators Yellowtail, Harp, Thayer, Brown), 6 NO (Senators Gage, Van Valkenburg, Doherty, Towe, Eck, Halligan, Koehnke).

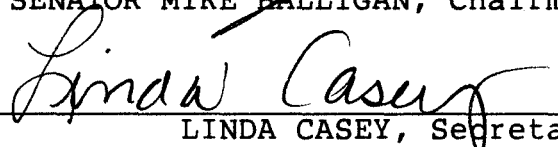
Towe motion to DO PASS as amended CARRIED with Senator Yellowtail and Senator Gage voting NO.

Van Valkenburg motion for Committee Bill Drafting CARRIED UNANIMOUS.

**ADJOURNMENT**

Adjournment At: 9:55 a.m.

  
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SENATOR MIKE HALLIGAN, Chairman

  
\_\_\_\_\_  
LINDA CASEY, Secretary

MH/11c

ROLL CALL

SENATE TAXATION COMMITTEE

DATE 2/15/91

LEGISLATIVE SESSION

NAME	PRESENT	ABSENT	EXCUSED
SEN. HALLIGAN	P		
SEN. ECK	P		
SEN. BROWN	P		
SEN. DOHERTY	P		
SEN. GAGE	P		
SEN. HARP	X P		
SEN. KOEHNKE	P		
SEN. THAYER	P		
SEN. TOWE	P		
SEN. VAN VALKENBURG	P		
SEN. YELLOWTAIL	P		

Each day attach to minutes.

SENATE STANDING COMMITTEE REPORT

Page 1 of 7  
February 16, 1991

MR. PRESIDENT:

We, your committee on Taxation having had under consideration Senate Bill No. 115 (first reading copy -- white), respectfully report that Senate Bill No. 115 be amended and as so amended do pass:

1. Title, line 5.

Strike: "ANY TYPE OF TAX NOT PROHIBITED BY LAW"

Insert: "LOCAL OPTION INCOME, SALES, OR PROPERTY TAXES"

2. Title, line 6.

Strike: "IT IS"

3. Title, line 7.

Following: "ADMINISTRATION"

Insert: "AND DISTRIBUTION"

Strike: "TAX"

Insert: "TAXES"

Strike: "AND"

4. Title, line 9.

Strike: "TAX"

Insert: "TAXES; EXEMPTING LOCAL OPTION PROPERTY TAXES FROM THE PROVISIONS OF TITLE 15, CHAPTER 10, PART 3, MCA, AND AMENDING SECTION 15-10-412, MCA"

5. Page 1, line 14.

Strike: "section"

Insert: "sections"

Following: "3"

Insert: "and 6"

6. Page 1, lines 21 through 25.

Strike: subsection (3) in its entirety

ReNUMBER: subsequent subsections

7. Page 2, line 2.

Strike: "and"

8. Page 2, line 6.

Following: "the tax"

Insert: "; and

(5) establish procedures to ensure that no taxpayer is subject to double taxation"

9. Page 2, line 19.

Following: line 18

Insert: "(5) "Utility services" means the sale of gas, electricity, water, sewer services, garbage and sanitation services, and telecommunication services except cable television services."

10. Page 2, line 23.

Following: "on"

Insert: "individual"

11. Page 2, line 24.

Following: "the"

Insert: "general"

Following: "sale"

Insert: "or use"

Following: "services"

Insert: ", except utility services"

12. Page 3, line 9.

Following: "exclusions"

Insert: ", deductions."

13. Page 3, line 23.

Following: line 22

Insert: "(6) A local option property tax is not subject to the provisions of Title 15, chapter 10, part 4."

14. Page 3, line 24.

Strike: "-- nonresidents"

15. Page 4, lines 1 through 3.

Strike: the second "or" on line 1 through "municipality" on line 3

16. Page 4, line 6.

Following: "tax."

Insert: "The provisions of Title 15, chapter 30, part 3, apply to a local option income tax administered by the department."

17. Page 4, line 10.

Following: "shall"

Insert: ", except as provided in subsection (4)."

18. Page 4, line 15.

Strike: "1%"

Insert: "5%"



19. Page 4, lines 16 through 19.

Strike: "A" on line 16 through "tax" on line 19

Insert: "If there is partial payment of income taxes, the payment must first be applied to the state income tax obligation before it is applied to the local income tax obligation"

20. Page 5, line 9.

Following: line 8

Insert: "(3) The department may administer other local option taxes provided there is a corresponding state tax."

21. Page 5, line 16.

Following: "distribute"

Insert: ":

22. Page 5, lines 17 through 21.

Strike: the first "the" on line 17 through "municipality" on line 21

Insert: "(a) sales tax revenue in the following manner:

(i) 50% of the amount collected in the county based on the ratio of the population of the municipalities to the population of the county derived from the most recent population estimates provided by the U.S. bureau of census or, if estimates are not available, derived from the 1990 census; and

(ii) 50% based on the point of origin of the sales tax revenue;

(b) income tax revenue based on the ratio of the population of the municipalities to the population of the county derived from the most recent population estimates provided by the U.S. bureau of census or, if estimates are not available, derived from the 1990 census; and

(c) property tax revenue to the county for county purposes only if by agreement a different distribution is presented in the proposal.

(3) After a pro rata deduction for its administrative expenses, the county shall distribute tax revenue to each municipality, as provided in subsection (2)(a) or (2)(b), and shall retain tax revenue not distributed to the municipalities"

23. Page 5, line 22.

Following: "prohibited"

Insert: "-- department to adopt rules"

24. Page 6, line 9.

Following: line 8

Insert: "(3) The department shall adopt rules to prevent double taxation under local option taxes and to resolve the administration and allocation of taxes among local governments for taxes administered by the department.

NEW SECTION. Section 7. Local government tax administration account. (1) There is within the state special revenue fund a local government tax administration account.

(2) The amounts deducted under [section 3(3)(c)] must be deposited by the department of revenue into the local government tax administration account.

(3) There must be retained in the local government tax administration account the amounts necessary for the department to administer the tax.

Section 8. Section 15-10-412, MCA, is amended to read:

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

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

(2) The limitation on the amount of taxes levied is interpreted to mean that, except as otherwise provided in this section, the actual tax liability for an individual property is capped at the dollar amount due in each taxing unit for the 1986 tax year. In tax years thereafter, the property must be taxed in each taxing unit at the 1986 cap or the product of the taxable value and mills levied, whichever is less for each taxing unit, except in a taxing unit that levied a tax in tax years 1983 through 1985 but did not levy a tax in 1986, in which case the actual tax liability for an individual property is capped at the dollar amount due in that taxing unit for the 1985 tax year.

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

- (a) annexation of real property and improvements into a taxing unit;
- (b) construction, expansion, or remodeling of improvements;
- (c) transfer of property into a taxing unit;
- (d) subdivision of real property;
- (e) reclassification of property;
- (f) increases in the amount of production or the value of production for property described in 15-6-131 or 15-6-132;
- (g) transfer of property from tax-exempt to taxable status;
- (h) revaluations caused by:
- (i) cyclical reappraisal; or
- (ii) expansion, addition, replacement, or remodeling of improvements; or

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

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

- (a) a revaluation caused by:
  - (i) construction, expansion, replacement, or remodeling of improvements that adds value to the property; or
  - (ii) cyclical reappraisal;
- (b) transfer of property into a taxing unit;
- (c) reclassification of property;
- (d) increases in the amount of production or the value of production for property described in 15-6-131 or 15-6-132;
- (e) annexation of the individual property into a new taxing unit;
- (f) conversion of the individual property from tax-exempt to taxable status; or

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

(5) Property in classes four, twelve, and fourteen is valued according to the procedures used in 1986, including the designation of 1982 as the base year, until the reappraisal cycle beginning January 1, 1986, is completed and new valuations are placed on the tax rolls and a new base year designated, if the property is:

- (a) new construction;
  - (b) expanded, deleted, replaced, or remodeled improvements;
  - (c) annexed property; or
  - (d) property converted from tax-exempt to taxable status.
- (6) Property described in subsections (5)(a) through (5)(d) that is not class four, class twelve, or class fourteen property is valued according to the procedures used in 1986 but is also subject to the dollar cap in each taxing unit based on 1986 mills levied.

(7) The limitation on the amount of taxes, as clarified in this section, is intended to leave the property appraisal and valuation methodology of the department of revenue intact. Determinations of county classifications, salaries of local government officers, and all other matters in which total taxable valuation is an integral component are not affected by 15-10-401 and 15-10-402 except for the use of taxable valuation in fixing tax levies. In fixing tax levies, the taxing units of local government may anticipate the deficiency in revenues resulting from the tax limitations in 15-10-401 and 15-10-402, while understanding that regardless of the amount of mills levied, a taxpayer's liability may not exceed the dollar amount due in each taxing unit for the 1986 tax year unless:

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

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

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

(8) The limitation on the amount of taxes levied does not apply to the following levy or special assessment categories, whether or not they are based on commitments made before or after approval of 15-10-401 and 15-10-402:

- (a) rural improvement districts;
- (b) special improvement districts;
- (c) levies pledged for the repayment of bonded indebtedness, including tax increment bonds;
- (d) city street maintenance districts;
- (e) tax increment financing districts;
- (f) satisfaction of judgments against a taxing unit;
- (g) street lighting assessments;
- (h) revolving funds to support any categories specified in this subsection (8);
- (i) levies for economic development authorized pursuant to 90-5-112(4); ~~and~~
- (j) elementary and high school districts; ~~and~~
- (k) local option property tax levies authorized pursuant to [section 2].

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

(a) a finding that there are insufficient funds to adequately operate the taxing unit as a result of 15-10-401 and 15-10-402;

(b) an explanation of the nature of the financial emergency;

(c) an estimate of the amount of funding shortfall expected by the taxing unit;

(d) a statement that applicable fund balances are or by the end of the fiscal year will be depleted;

(e) a finding that there are no alternative sources of revenue;

(f) a summary of the alternatives that the governing body of the taxing unit has considered; and

(g) a statement of the need for the increased revenue and how it will be used.

(10) (a) The limitation on the amount of taxes levied does not apply to levies required to address the funding of relief of suffering of inhabitants caused by famine, conflagration, or other public calamity.

(b) The limitation set forth in this chapter on the amount of taxes levied does not apply to levies to support a city-county board of health as provided in Title 50, chapter 2, if the governing bodies of the taxing units served by the board of health determine, after a public hearing, that public health programs require funds to ensure the public health. A levy for the support of a local board of health may not exceed the 5 mill limit established in 50-2-111.

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

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

Renumber: subsequent section

25. Page 6, line 9.

Following: "."

Insert: "(1)"

26. Page 6, line 13.

Following: line 12

Insert: "(2) [Section 7] is intended to be codified as an integral part of Title 15, chapter 1, and the provisions of Title 15, chapter 1, apply to [section 7]."

Signed: \_\_\_\_\_

Mike Halligan, Chairman

Feb 2-16-91  
And. Coord.

Sec. of Senate SB 2-16

## SENATE STANDING COMMITTEE REPORT

Page 1 of 3  
February 15, 1991

MR. PRESIDENT:

We, your committee on Taxation having had under consideration Senate Bill No. 122 (first reading copy -- white), respectfully report that Senate Bill No. 122 be amended and as so amended do pass:

1. Title, line 7.

Strike: "20-9-343"

Insert: "15-36-108"

2. Page 2, line 1.

Following: "and"

Insert: "and"

3. Page 2, lines 2 through 5.

Strike: subsection (b) in its entirety

Remember: subsequent subsection

4. Page 2, line 3.

Following: "in"

Insert: "in"

5. Page 2, lines 9 and 10.

Strike: "when" on line 9 through "(2)(b)" on line 10

6. Page 2, line 13 through page 5, line 1.

Strike: sections 3 through 5 in their entirety

7. Page 5, line 2.

Following: line 1

Insert: "Section 3. Section 15-35-108, MCA, is amended to read:

"15-35-108. (Temporary) Disposal of severance taxes.

Severance taxes collected under this chapter must be allocated according to the provisions in effect on the date the tax is due under 15-35-104. Severance taxes collected under the provisions of this chapter are allocated as follows:

(1) To the trust fund created by Article IX, section 5, of the Montana constitution, 50% of total coal severance tax collections. The trust fund moneys shall be deposited in the fund established under 17-6-203(5) and invested by the board of investments as provided by law.

(2) Starting July 1, 1987, and ending June 30, ~~1993~~ 2003, 12% of coal severance tax collections are allocated to the highway reconstruction trust fund account in the state special revenue fund.

(3) Coal severance tax collections remaining after the allocations provided by subsections (1) and (2) are allocated in the following percentages of the remaining balance:

(a) 17.5% to the credit of the local impact account. Unencumbered funds remaining in the local impact account at the end of each biennium are allocated to the state special revenue fund for state equalization aid to public schools of the state.

(b) 30% to the state special revenue fund for state equalization aid to public schools of the state;

(c) 1% to the state special revenue fund to the credit of the county land planning account;

(d) 14% to the credit of the renewable resource development bond fund;

(e) 5% to a nonexpendable trust fund for the purpose of parks acquisition or management, protection of works of art in the state capitol, and other cultural and aesthetic projects. Income from this trust fund shall be appropriated as follows:

(i) 1/3 for protection of works of art in the state capitol and other cultural and aesthetic projects; and

(ii) 2/3 for the acquisition, development, operation, and maintenance of any sites and areas described in 23-1-102.

(f) 1% to the state special revenue fund to the credit of the state library commission for the purposes of providing basic library services for the residents of all counties through library federations and for payment of the costs of participating in regional and national networking.

(g) 1/2 of 1% to the state special revenue fund for conservation districts;

(h) 14% to the debt service fund type to the credit of the water development debt service fund;

(i) 2% to the state special revenue fund for the Montana Growth Through Agriculture Act;

(j) all other revenues from severance taxes collected under the provisions of this chapter to the credit of the general fund of the state. (Terminates July 1, ~~1993~~ 2003--sec. 7, Ch. 541, L. 1983.)

**15-35-108. (Effective July 1, ~~1993~~ 2003) Disposal of severance taxes.** Severance taxes collected under this chapter must be allocated according to the provisions in effect on the date the tax is due under 15-35-104. Severance taxes collected under the provisions of this chapter are allocated as follows:

(1) To the trust fund created by Article IX, section 5, of the Montana constitution, 50% of total coal severance tax collections. The trust fund moneys shall be deposited in the fund established under 17-6-203(5) and invested by the board of investments as provided by law.

(2) Coal severance tax collections remaining after allocation to the trust fund under subsection (1) are allocated in the following percentages of the remaining balance:

- (a) 17.5% to the credit of the local impact account.  
Unencumbered funds remaining in the local impact account at the end of each biennium are allocated to the state special revenue fund for state equalization aid to public schools of the state.
- (b) 30% to the state special revenue fund for state equalization aid to public schools of the state;
- (c) 1% to the state special revenue fund to the credit of the county land planning account;
- (d) 1% to the credit of the renewable resource development bond fund;
- (e) 5% to a nonexpendable trust fund for the purpose of parks acquisition or management, protection of works of art in the state capitol, and other cultural and aesthetic projects. Income from this trust fund shall be appropriated as follows:
- (i) 1/3 for protection of works of art in the state capitol and other cultural and aesthetic projects; and
- (ii) 2/3 for the acquisition, development, operation, and maintenance of any sites and areas described in 23-1-101;
- (f) 1% to the state special revenue fund to the credit of the state library commission for the purposes of providing basic library services for the residents of all counties through library federations and for payment of the costs of participating in regional and national networking;
- (g) 1/2 of 1% to the state special revenue fund for conservation districts;
- (h) 1% to the debt service fund type to the credit of the water development debt service fund;
- (i) 2% to the state special revenue fund for the Montana Growth Through Agriculture Act;
- (j) all other revenues from severance taxes collected under the provisions of this chapter to the credit of the general fund of the state."

Renumber: subsequent section

8. Page 5, lines 3 and 4.

Strike: "[Sections 1 through 6] are"

Insert: "[This act] is"

9. Page 5, line 7.

Strike: "4"

Insert: "3"

Signed: \_\_\_\_\_

Mike Halligan, Chairman

101 2-15-91  
And. Coord.

513 2-15 4:50  
Sec. of Senate



# SENATE STANDING COMMITTEE REPORT

Page 1 of 2  
February 18, 1991

MR. PRESIDENT:

We, your committee on Taxation having had under consideration Senate Bill No. 206 (first reading copy -- white), respectfully report that Senate Bill No. 206 be amended and as so amended do pass:

1. Title, lines 9 and 10.

Strike: "BECAUSE" on line 9 through "VICINITY" on line 10

Insert: "FOR CERTAIN REASONS"

2. Page 2, lines 15 and 16.

Strike: "based" on line 15 through "year" on line 16

Insert: "-- five-year"

3. Page 2, lines 19 through 21.

Strike: "because" on line 19 through "affected" on line 21

Insert: "for any reason provided in 16-4-405"

4. Page 2, line 24.

Following: "years"

Insert: "unless the department, using the criteria described in subsection (3), determines that the proposed use is significantly different from the use that was rejected"

5. Page 3, lines 1 through 4.

Strike: "of" on line 1 through "licensing" on line 4

Insert: "the judicial decision is final"

6. Page 3, lines 6 through 9.

Strike: "the" on line 6 through "licensing" on line 9

Insert: "any reason for denial provided in 16-4-405"

7. Page 3, lines 10 through 12.

Strike: the first "that" on line 10 through "affected" on line 12

Insert: "denying the application for any reason provided in 16-4-405"

8. Page 3, line 16.

Following: line 15

Insert: "(3) The department shall determine whether a proposed use is substantially different by considering:

(a) the capacity of the proposed use;

(b) the nature of the establishment;

(c) the presence and character of any entertainment; and

(d) the characteristics of the neighborhood."

9. Page 5, line 16.

Following: "~~Act,~~"

Insert: ", upon a hearing held pursuant to the Montana  
Administrative Procedure Act,"

10. Page 5, line 18.

Following: "necessity."

Insert: "If there is no opposition to the application for  
issuance or transfer of the license, a hearing is not  
required."

11. Page 7, line 15.

Strike: "at its office in Helena"

Signed: \_\_\_\_\_  
Mike Halligan, Chairman

Jan 2-18-91  
Amd. Coord.

Jan 2-18-91  
Sec. of Senate

## SENATE STANDING COMMITTEE REPORT

Page 1 of 2  
February 15, 1991

MR. PRESIDENT:

We, your committee on Taxation having had under consideration Senate Bill No. 236 (first reading copy -- white), respectfully report that Senate Bill No. 236 be amended and as so amended do pass:

1. Title, line 8.

Following: "FINANCING;"

Insert: "PROVIDING FOR THE REDUCTION IN TAX INCREMENT  
DISTRIBUTIONS UNDER CERTAIN CONDITIONS;"

2. Title, line 9.

Following: "7-15-4258,"

Insert: "7-15-4286,"

3. Page 3, line 21.

Following: "exception"

Insert: "-- reduction in tax increment distribution"

4. Page 5, line 1.

Following: page 4, line 25

Insert: "(5)(a) If a municipality issues bonds secured in whole or in part by a tax increment provision after the 10th year following a tax increment provision adopted after January 1, 1980, or after the 12th year following a tax increment provision adopted before January 1, 1980, it is not entitled to the full distribution provided in 20-9-360(2).

(b) The state treasurer shall reduce the distribution to the municipality in each fiscal year after the fiscal year in which the bonds referred to in subsection (5)(a) are issued by an amount equal to the increased taxable value of the project property multiplied by the total number of mills levied and assessed for school district purposes against the property in the previous calendar year. The department of revenue shall certify to the state treasurer by September 1 of each year the increased taxable value of the project property.

(c) If the municipality issues more than one bond series after January 1, 1991, the distribution to the municipality as provided in 20-9-360(2) is reduced, as determined in subsection (5)(b), by the sum of the amounts of each bond issue.

(6) For the purposes of subsection (5):

(a) "project property" is the value of property within an urban renewal area affected by an urban renewal project to be financed in whole or in part from the proceeds of the bonds issued pursuant to subsection (5)(a), certified by the municipality to the department of revenue at the time the bonds are issued and identified by a tax identification number. Property is affected by an urban renewal project if the property:

(i) is to be acquired or improved as part of the urban renewal project;

(ii) is located on property that is to be acquired or improved as part of the urban renewal project;

(iii) is contiguous to or located on property contiguous to, property referred to in subsection (6)(a)(i) or (6)(a)(ii), including adjacent property separated by a road, stream, street, or railroad; or

(iv) is included in an agreement between a person and the municipality in connection with the urban renewal project for the issuance of the bonds and if under the agreement, the person undertakes to develop or redevelop the property; and

(b) "increased taxable value" means the difference between the taxable value of the project property for the current fiscal year and the taxable value of the project property for the fiscal year in which the bonds were issued.

Section 4. Section 7-15-4286, MCA, is amended to read:

"7-15-4286. Procedure to determine and disburse tax increment. (1) Mill rates of taxing bodies for taxes levied after the effective date of the tax increment provision shall be calculated on the basis of the sum of the taxable value, as shown by the last equalized assessment roll, of all taxable property located outside the urban renewal area or industrial district and the base taxable value of all taxable property located within the urban renewal area or industrial district. The mill rate so determined shall be levied against the sum of the actual taxable value of all taxable property located within as well as outside the urban renewal area or industrial district.

(2) (a) The tax increment, if any, received in each year from the levy of the combined mill rates of all the affected taxing bodies against the incremental taxable value within the urban renewal area or industrial district, except for the university system mills levied and assessed against property as defined in 7-15-4292(6)(a), shall be paid into a special fund held by the treasurer of the municipality and used as provided in 7-15-4282 through 7-15-4292.

(b) The balance of the taxes collected in each year shall be paid to each of the taxing bodies as otherwise provided by law."

Renumber: subsequent section

Signed: \_\_\_\_\_

Mike Halligan, Chairman

2-15-91  
Add. Coord.

2-15  
Sec. of Senate

1:00

SENATE STANDING COMMITTEE REPORT

Page 1 of 1  
February 15, 1991

MR. PRESIDENT:

We, your committee on Taxation having had under consideration Senate Bill No. 275 (first reading copy -- white), respectfully report that Senate Bill No. 275 be amended and as so amended do pass:

1. Title, line 5.

Strike: "TO REPEAL"

Insert: "REPEALING"

2. Title, lines 8 through 10.

Strike: "REPEALING" on line 8 through "TAX;" on line 10

3. Title, line 14.

Following: "15-58-125,"

Insert: "AND"

4. Title, lines 14 through 19.

Strike: "15-59-101" on line 14 through "15-59-221," on line 19

5. Page 2, lines 13 through 22.

Strike: sections 3 and 4 in their entirety

Renumber: subsequent sections

Signed: \_\_\_\_\_

Mike Halligan, Chairman

*JP* 2-15-91  
And. Coord.

CR - 2/15 1:00  
Sec. of Senate

SENATE STANDING COMMITTEE REPORT

Page 1 of 1  
February 15, 1991

MR. PRESIDENT:

We, your committee on Taxation having had under consideration Senate Bill NO. 279 (first reading copy -- white), respectfully report that Senate Bill NO. 279 be amended and as so amended do pass:

1. Page 3, lines 17 and 18.

Strike: "or" on line 17 through "procedures" on line 18

2. Page 4, line 24.

Strike: "appeal"

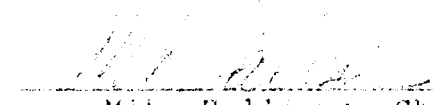
Insert: "review"

3. Page 5, line 1.

Following: page 5, line 25

Insert: "(b) providing easily understandable information on appeal procedures;"

Re-number: subsequent subsections

Signed. 

Mike Balligan, Chairman

2-15-91  
Amd. Coord.

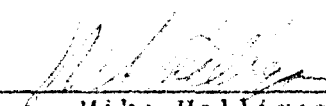
2-15 1:10  
Sec. of Senate

SENATE STANDING COMMITTEE REPORT

Page 1 of 1  
February 15, 1991

MR. PRESIDENT:

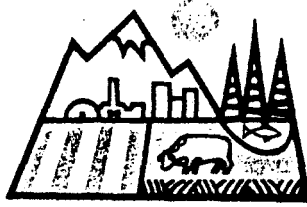
We, your committee on Taxation having had under consideration Senate Bill No. 333 (first reading copy -- white), respectfully report that Senate Bill No. 333 do pass.

Signed:   
Mike Halligan, Chairman

MB 2-15-91  
And. Coord.

MB 2-15 1:00  
Sec. of Senate

3511513C.8j1



## MONTANA CHAMBER OF COMMERCE

P. O. BOX 1730

• HELENA, MONTANA 59624

• PHONE 442-2405

February 15, 1991

The Honorable Mike Halligan  
State Senator  
Chairman, Senate Taxation Committee  
State Capitol  
Helena, MT 59620

Dear Senator Halligan and members of the Senate Taxation Committee:

We commend Senator Gene Thayer and other members of the Senate who have supported the Tax Increment Financing Industrial Development Act. This legislation has helped Montana and its potential for enhancing future economic growth is enormous.

Regarding the current bill before you, SB 272, we note that it does not provide for building or personal property within the definition of "industrial infrastructure" and "infrastructure". We respectfully asked that the Committee favorably consider an amendment prepared by the Butte Local Development Corporation which incorporates buildings and personal property within the frame work of SB 272. Without this amendment, Montana will certainly forfeit the opportunity to competitively seek start-up and expansion businesses.

We appreciate your consideration.

Respectfully,

*Buck Boles*

F.H. "Buck" Boles  
President

FHB/dd

SENATE TAXATION

EXHIBIT NO. 2

DATE 2/15/91

BILL NO. SB 272





# BUTTE LOCAL DEVELOPMENT CORPORATION

DATE: February 14, 1991

TO: Members of the Senate Taxation Committee

FROM: Evan Barrett, Executive Director *EB*

SUBJ: Amendments to SB272

Attached are suggested amendments to SB272. These amendments are supported by virtually every economic development organization in Montana. We agree that if the amendments are not added to the bill, SB272 should be killed.

Economic development is a very difficult task for us in Montana. In order to attract industrial growth, particularly in the infrastructure- and capital-intensive value-adding fields, we must demonstrate that Montana provides a competitive advantage to prospective companies. The current tax increment financing industrial district (TIFID) laws provide us with a vehicle to make Montana competitive.

High personal property taxes are a disincentive to industries locating in Montana. Use of the TIFID allows local governments to convert those high taxes into infrastructure assistance for prospective industries. It is a creative tool that makes a real difference in the really competitive world of economic development.

The TIFID law provides that a TIFID can provide "direct assistance" to industries in their "acquisition of infrastructure and land". If this bill passes unamended, it would limit that assistance to helping industry with curbs, gutters, waterlines, etc. I can assure you, as can all other economic developers in Montana, that the provision of those items to industry provides NO competitive advantage. After all, you can get curbs, roads, etc. anywhere.

The way to be competitive is to impact an industry's bottom line. That can be done through direct assistance in the acquisition of THEIR land and THEIR infrastructure.

SENATE TAXATION

EXHIBIT NO. 1

DATE

For many years we have had as many economic development incentives as any other state. Existence of these incentives has not created dramatic economic growth in Montana. However, the existence of the TIFID legislation, and its emerging use in Montana, puts us ahead of most other states in our ability to creatively attract value-adding economic growth.

Passage of this bill unamended would do irreparable harm to Montana's economic development capabilities. We urge you to respond to the economic development community and amend the bill before passage. If you don't amend it, we request that you kill it.

Thank you.

phc

February 14, 1991

The Honorable Mike Halligan  
Montana State Senator  
Chairman, Senate Taxation Committee  
State Capital  
Helena, Montana 59620

RE: Senate Bill Number 272

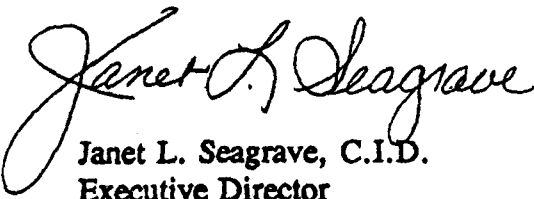
Dear Senator Halligan and Members of the Senate Taxation Committee:

I support and request consideration of the following amendment to Senate Bill Number 272:

- (1) "Industrial infrastructure" and "infrastructure" means streets, roads, curbs, alleys, gutters, sidewalks, parking lots, offstreet parking facilities, sewers, sewer lines, sewage treatment facilities, storm sewers, bridges, buildings, personal property or other improvements owned or operated by a governmental or private industrial entity which contribute to the creation of jobs within the tax increment financing industrial district.

The Tax Increment Financing Industrial Development Act has been an effective program for improvements and development and must remain a viable tool for economic development in Great Falls, Cascade County. I feel that this program should be available for worthy project.

Cordially,



Janet L. Seagrave, C.I.D.  
Executive Director



**GREAT  
FALLS AREA  
CHAMBER OF COMMERCE**

P.O. BOX 2127  
926 CENTRAL AVENUE  
GREAT FALLS, MONTANA 59403  
(406) 761-4434

February 14, 1991

The Honorable Mike Halligan  
Montana State Senator  
Chairman, Senate Taxation Committee  
State Capital  
Helena, Montana 59620

RE: Senate Bill Number 272

Dear Sen. Halligan and Members of the Senate Taxation Committee:

The Great Falls Area Chamber of Commerce supports the proposed Amendment to SB 272 which reads:

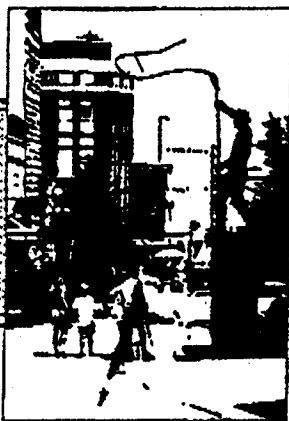
(1) "Industrial infrastructure" and "infrastructure" mean streets, roads, curbs, alleys, gutters, sidewalks, parking lots, offstreet parking facilities, water ways, water lines, water treatment facilities, sewers, sewer lines, sewage treatment facilities, storm sewers, bridges, buildings, personal property or other improvements owned or operated by a governmental or private industrial entity which contribute to the creation of jobs within the tax increment financing industrial district.

The Amendment will allow the flexibility to consider public private partnership projects which may contribute to the creation of tax base and jobs.

Sincerely,

C. Dennis Anderson  
President

CDA:jls



# HELENA AREA ECONOMIC DEVELOPMENT CORP.

P.O. Box 221 • Helena, Montana 59624 • 442-6882

TO: Senator Mike Halligan, Chairman  
Members of the Senate Taxation Committee

FROM: Rose Leavitt, Executive Director *Rose Leavitt*  
Helena Area Economic Development Corporation

DATE: February 13, 1991

RE: Senate Bill 272

On behalf of the Helena Area Economic Development Corporation, I would like to go on record in support of the proposed amendments to SB 272. Tax Increment Financing Industrial Districts (TIFIDS) is a solid economic development tool to allow creative financing of projects for local governments and private industrial entities which can be used to promote growth of better paying jobs and an expanded tax base for our state.

Tax Increment Financing has proven itself as applied to other uses and that experience can now be applied to industrial development.

We appreciate the support of the Senate Taxation Committee to pass this bill with the amendments. However, we believe that unless the amendments are incorporated into this bill that it should be killed.

Thank you very much for your attention and assistance.

# County of Yellowstone



COMMISSIONERS

(408) 256-2701

Box 35000  
Billings, MT 59107

February 14, 1991

Senate Taxation Committee  
Montana Legislature  
Helena, MT 59620

Dear Legislators:

Regarding Senate Bill 272: tax increment financing industrial districts are important tools in local areas trying to promote economic development.

As drafted, SB272 too narrowly confines the description of "industrial infrastructure."

Paragraph (1) needs to be changed as follows:

(1) "Industrial infrastructure" and "infrastructure" mean streets, roads, curbs, alleys, gutters, sidewalks, parking lots, offstreet parking facilities, water ways, water lines, water treatment facilities, sewers, sewer lines, sewage treatment facilities, storm sewers, bridges, buildings, personal property and/or other improvements owned or operated by a municipality or a private industrial entity which contribute to the creation of jobs within the tax increment financing industrial district.

Without this amendment, SB272 shouldn't be let out of committee.

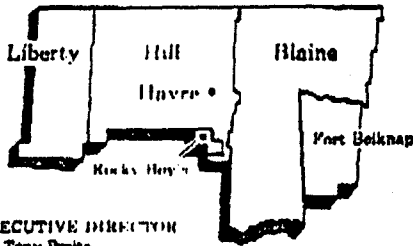
Sincerely,



Cal Cumin, Director  
Economic Development

CC:ljn

**BEAR PAW  
ECONOMIC DEVELOPMENT DISTRICT**



**EXECUTIVE DIRECTOR**  
Tony Preite  
**DEPUTY DIRECTOR**  
Dick King  
**ADMINISTRATIVE ASSISTANT**  
Janny Morse

**Bear Paw Development Corporation  
of  
Northern Montana**

P.O. BOX 1549 HAYRE, MONTANA 59501

TELEPHONE: 406-265-9226  
406-265-5602

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February 14, 1991

Senator Mike Halligan, Chairman  
Taxation Committee  
Montana Legislature

Dear Mike:

This is in reference to proposed Senate Bill No. 272  
introduced by Senator Farrell.

Please be advised that we strongly support the amended  
version as presented by the Butte Local Development Corpora-  
tion and others.

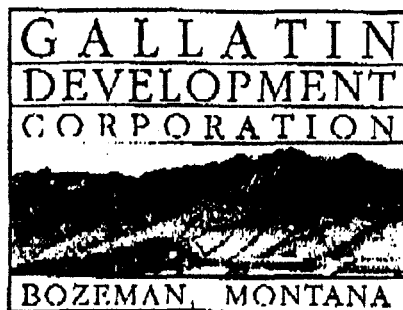
Tax Increment Financing Industrial Districts are impor-  
tant to the growth of economic development opportunities.  
They are an important local economic development tool.

Please be advised that without the proposed amendment  
to the Farrell Bill, we strongly recommend that the proposal  
be killed.

Thank you for your consideration.

Sincerely,

  
Tony Preite  
Executive Director



Date: February 14, 1991

To: Members of the Senate Taxation Committee

From: Dixie F. Swenson, Executive Director *JS*

Re: Opposition to SB 272: "An Act Defining Industrial Infrastructure and Infrastructure as Used in the Tax Increment Financing Industrial Development Act"

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Tax Increment Financing Industrial Districts (TIFIDs) can be used as a very effective tool for economic development. Although we do not have such a district in Bozeman, many other municipalities in Montana have used this mechanism for providing infrastructure improvements in industrial areas.

Montana communities are hard-pressed to compete with the incentives offered by neighboring states, and our tools need to be as broad-based as possible. We believe SB 272 is unduly restrictive.

We would, however, support this legislation if it were amended to provide a broader definition of the terms "industrial infrastructure" and "infrastructure".



# ANACONDA

LOCAL DEVELOPMENT CORPORATION

P.O. BOX 842  
ANACONDA,  
MONTANA 59711  
TELEPHONE (406) 563-5538

February 14, 1991

Senator Mike Halligan  
Capitol Station  
Helena, MT

Dear Senator Halligan:

I would like to take this means to give you my insights and experiences concerning Tax Increment Financing Industrial District, particularly as it relates to SB 272.

Because the current laws appear to be so restrictive, our community has been reluctant to establish such a district.

While we recognize the value of the TIFID financing such items as streets and utility lines to assist businesses, oftentimes these amenities are in place and other areas of infrastructure must be addressed. Currently the law is too "grey" in some of these areas.

Each situation is unique, each community is unique in what is needed and to the degree is willing to invest in infrastructure and industrial support facilities.

The definition should be expanded so as to provide the broadest range of possibilities and hope you would expand the definition to include:

- (1) "Industrial infrastructure" and "infrastructure" mean streets, roads, curbs, alleys, gutters, sidewalks, parking lots, offstreet parking facilities, water ways, water lines, water treatment facilities, sewers, sewer lines, sewage treatment facilities, storm sewers, bridges, buildings, personal property and/or other improvements owned or operated by a municipality or by a private industrial entity which contribute to the creation of jobs within the tax increment financing industrial district.

(1) "Industrial infrastructure" and "infrastructure" mean streets, roads, curbs, alleys, gutters, sidewalks, parking lots, offstreet parking facilities, water ways, waterlines, water treatment facilities, sewers, sewer lines, sewage treatment facilities, storm sewers, bridges, buildings, personal property or other improvements owned or operated by a municipality or by a private industrial entity which contribute to the creation of jobs within the tax increment financing industrial district.

THIS IS HOW THE SECTION WOULD  
READ FOLLOWING AMENDMENT —

AMENDMENT IS ON FOLLOWING SHEET —

AMENDMENTS TO SB272

On line 12, following "industrial infrastructure", insert "and 'infrastructure'".

On line 12, strike "means", and insert "mean".

On line 12, following "roads,", insert "curbs, alleys, gutters,".

On line 13, following "sidewalks,", insert "parking lots, offstreet parking facilities, water ways,".

On line 13, following "water", insert "treatment".

On line 13, following "sewers,", insert "sewer lines, sewage treatment facilities,".

On line 14, following "bridges,", insert "buildings, personal property".

On line 14, strike the first word "and", and insert "or".

On line 14, strike all of the language following "improvements" through line 17 "use.", and insert "owned or operated by a municipality or by a private industrial entity which contribute to the creation of jobs within the tax increment financing industrial district."

Strike all language on lines 18, 19, 20 and 21.

# Taxation

2/5/91

[illegible]

(Please leave prepared statement with Secretary)