

SENATE BILL NO. 71

INTRODUCED BY GAGE, HOFMAN, KEATING

IN THE SENATE

JANUARY 8, 1987	INTRODUCED AND REFERRED TO COMMITTEE ON TAXATION.
JANUARY 20, 1987	COMMITTEE RECOMMEND BILL DO PASS. REPORT ADOPTED.
JANUARY 21, 1987	PRINTING REPORT.
JANUARY 22, 1987	ON MOTION, TAKEN FROM SECOND READING AND REREFERRED TO COMMITTEE ON TAXATION.
FEBRUARY 19, 1987	ON MOTION, TAKEN FROM COMMITTEE ON TAXATION, AS AMENDED, PRINTED, AND PLACED ON SECOND READING.
FEBRUARY 20, 1987	PRINTING REPORT.
FEBRUARY 21, 1987	SECOND READING, DO PASS.
FEBRUARY 23, 1987	ENGROSSING REPORT.
	THIRD READING, PASSED. AYES, 33; NOES, 16.
	TRANSMITTED TO HOUSE.

IN THE HOUSE

FEBRUARY 24, 1987                   INTRODUCED AND REFERRED TO COMMITTEE  
ON TAXATION.

APRIL 6, 1987                        COMMITTEE RECOMMEND BILL BE  
CONCURRED IN AS AMENDED. REPORT  
ADOPTED.

APRIL 9, 1987                        SECOND READING, CONCURRED IN.

APRIL 10, 1987                      ON MOTION, TAKEN FROM THIRD READING  
AND PLACED ON SECOND READING.

                                      ON MOTION, CONSIDERATION PASSED  
FOR THE DAY.

APRIL 11, 1987                      SECOND READING, CONCURRED IN AS  
AMENDED.

APRIL 14, 1987                      THIRD READING, CONCURRED IN.  
AYES, 89; NOES, 10.

                                      RETURNED TO SENATE WITH AMENDMENTS.

IN THE SENATE

APRIL 16, 1987                      RECEIVED FROM HOUSE.

                                      SECOND READING, AMENDMENTS  
CONCURRED IN.

                                      ON MOTION, SEGREGATED FROM COMMITTEE  
OF THE WHOLE REPORT.

APRIL 17, 1987                      SECOND READING, AMENDMENTS NOT  
CONCURRED IN.

                                      ON MOTION, FREE CONFERENCE COMMITTEE  
REQUESTED AND APPOINTED.

IN THE HOUSE

APRIL 21, 1987

ON MOTION, FREE CONFERENCE COMMITTEE  
REQUESTED AND APPOINTED.

IN THE SENATE

APRIL 22, 1987

FREE CONFERENCE COMMITTEE REPORTED.

ON MOTION, RULES SUSPENDED TO PLACE  
BILL ON SECOND READING THIS DAY.

SECOND READING, FREE CONFERENCE  
COMMITTEE REPORT ADOPTED.

ON MOTION, RULES SUSPENDED TO PLACE  
BILL ON THIRD READING THIS DAY.

THIRD READING, FREE CONFERENCE  
COMMITTEE REPORT ADOPTED.

IN THE HOUSE

APRIL 22, 1987

FREE CONFERENCE  
COMMITTEE REPORT ADOPTED.

IN THE SENATE

APRIL 23, 1987

SENT TO ENROLLING.

**SENATE**

1 *Senate* BILL NO. *71*  
2 INTRODUCED BY *[Signature]* *[Signature]*  
3

4 A BILL FOR AN ACT ENTITLED: "AN ACT PROVIDING FOR A FREEZE  
5 AT 1986 LEVELS IN THE AMOUNT OF PROPERTY TAX PAYABLE ON  
6 PROPERTY DESCRIBED IN SECTIONS 15-6-131, 15-6-132, 15-6-135,  
7 15-6-137, 15-6-138, 15-6-140, 15-6-141, 15-6-143, AND  
8 15-6-145 THROUGH 15-6-149, MCA; AND PROVIDING A CONTINGENT  
9 EFFECTIVE DATE."

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

12 Section 1. Property tax limited to 1986 levels. (1)  
13 Except as provided in subsections (2) and (3), the amount of  
14 taxes levied on property described in 15-6-131, 15-6-132,  
15 15-6-135, 15-6-137, 15-6-138, 15-6-140, 15-6-141, 15-6-143,  
16 and 15-6-145 through 15-6-149 may not, for any taxing  
17 jurisdiction, exceed the amount levied for taxable year  
18 1986.

19 (2) The limitation contained in subsection (1) does  
20 not apply to levies for rural improvement districts, Title  
21 7, chapter 12, part 21; special improvement districts, Title  
22 7, chapter 12, part 41; or bonded indebtedness.

23 (3) New construction or improvements to or deletions  
24 from property described in subsection (1) is subject to  
25 taxation at 1986 levels.

1 (4) As used in this section, the "amount of taxes  
2 levied" and the "amount levied" mean the actual dollar  
3 amount of taxes imposed on an individual piece of property,  
4 notwithstanding an increase or decrease in value due to  
5 inflation, reappraisal, adjustments in the percentage  
6 multiplier used to convert appraised value to taxable value,  
7 changes in the number of mills levied, or increase or  
8 decrease in the value of a mill.

9 Section 2. Contingent effective date. (1) Except as  
10 provided in subsection (2), this act is effective July 1,  
11 1987, and applies to taxable year 1987.

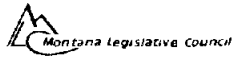
12 (2) This act will not become effective if, prior to  
13 July 1, 1987, an act is passed and approved that:

14 (a) states that it is being enacted in response to  
15 this act;

16 (b) reduces property tax on a statewide basis on  
17 property described in 15-6-131, 15-6-132, 15-6-135,  
18 15-6-137, 15-6-138, 15-6-140, 15-6-141, 15-6-143, and  
19 15-6-145 through 15-6-149; and

20 (c) establishes alternative revenue sources to replace  
21 revenue lost to local governments, school districts, the  
22 university system, and other property taxing jurisdictions  
23 as a result of the reduced property taxes.

-End-



-2- INTRODUCED BILL  
58-71

STATE OF MONTANA - FISCAL NOTE

Form BD-15

In compliance with a written request, there is hereby submitted a Fiscal Note for SB071, as introduced.

DESCRIPTION OF PROPOSED LEGISLATION:

An act providing for a freeze at 1986 levels in the amount of property tax payable on property described in sections 15-6-131, 15-6-132, 15-6-135, 15-6-137, 15-6-138, 15-6-140, 15-6-141, 15-6-143, and 15-6-145 through 15-6-149, MCA; and providing for a contingent effective date.

ASSUMPTIONS:

1. The taxable value of the state will be \$1,997,193,000 in FY88 and \$2,024,661,000 in FY89 (REAC).
2. The university mill levy will be 6 mills; the school foundation mill levy will be 45 mills.
3. The 1986 taxable valuation level of \$2,308,229,404 applies to FY87 revenues.
4. This proposal affects assessment year 1987 and applies to FY88 revenues.

FISCAL IMPACT:

The fiscal impact of the proposed legislation cannot be estimated. The proposal freezes the amount of taxes levied at the 1986 level on property in those classes that were not affected by Initiative 105. The amount of taxes levied on this type of property in each taxing jurisdiction would be frozen at the 1986 level. If the tax base of a taxing jurisdiction is decreased due to deletions of property, revenue would be decreased to that jurisdiction. If the tax base of a taxing jurisdiction is increased due to new construction or the addition of property, the revenues would be increased by the 1986 taxes levied applied to the additional property. If the tax base remains the same, the taxing jurisdiction would collect the same amount of revenue. At the state level, the university levy and school foundation program revenues would be dependent upon the taxable valuation of the state. If the taxable valuation decreases, revenue would decline; if the taxable valuation increases due to new construction or additional property, revenue would too; and if the valuation remains constant, revenues would remain the same.

EFFECT ON COUNTY OR OTHER LOCAL REVENUE OR EXPENDITURES:

N/A

LONG-RANGE EFFECTS OF PROPOSED LEGISLATION:

N/A

TECHNICAL OR MECHANICAL DEFECTS IN PROPOSED LEGISLATION OR CONFLICTS WITH EXISTING LEGISLATION:

Litigation which has arisen or may arise subsequent to the passage of Initiative 105 may prevent local governments from taxing property covered in this proposal differently than property that the Initiative applies to.

David L. Hunter DATE 1/16/87  
DAVID L. HUNTER, BUDGET DIRECTOR  
Office of Budget and Program Planning

Delwyn C. Cage DATE 1-17-87  
DELWYN CAGE, PRIMARY SPONSOR

Fiscal Note for SB071, as introduced.

**SB 71**

Re-referred to Comm. on Taxation=  
no recommendation

ON MOTION, PRINTED AND  
PLACED ON SECOND READING  
AS AMENDED

SENATE BILL NO. 71

INTRODUCED BY GAGE, HOFMAN, KEATING

A BILL FOR AN ACT ENTITLED: "AN ACT PROVIDING FOR A FREEZE AT 1986 LEVELS IN THE AMOUNT OF PROPERTY TAX PAYABLE ON PROPERTY DESCRIBED IN SECTIONS 15-6-131, 15-6-132, 15-6-135, 15-6-137, 15-6-138, 15-6-140, 15-6-141, 15-6-143, AND 15-6-145 THROUGH 15-6-149, MCA; AND PROVIDING A CONTINGENT EFFECTIVE DATE."

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

Section 1. Property tax limited to 1986 levels. (1) Except as provided in subsections (2) and (3), the amount of taxes levied on property described in 15-6-131, 15-6-132, 15-6-135, 15-6-137, 15-6-138, 15-6-140, 15-6-141, 15-6-143, and 15-6-145 through 15-6-149 may not, for any taxing jurisdiction, exceed the amount levied for taxable year 1986.

(2) The limitation contained in subsection (1) does not apply to levies for rural improvement districts, Title 7, chapter 12, part 21; special improvement districts, Title 7, chapter 12, part 41; or bonded indebtedness.

(3) New construction or improvements to or deletions from property described in subsection (1) is subject to taxation at 1986 levels.

(4) As (A) EXCEPT AS PROVIDED IN SUBSECTION (4)(B) FOR PROPERTY DESCRIBED IN 15-6-131 OR 15-6-132, AS used in this section, the "amount of taxes levied" and the "amount levied" mean the actual dollar amount of taxes imposed on an individual piece of property, notwithstanding an increase or decrease in value due to inflation, reappraisal, adjustments in the percentage multiplier used to convert appraised value to taxable value, changes in the number of mills levied, or increase or decrease in the value of a mill.

(B) THE "AMOUNT OF TAXES LEVIED" AND THE "AMOUNT LEVIED" MEAN THE NUMBER OF MILLS LEVIED IN TAXABLE YEAR 1986 AS THEY APPLY TO PROPERTY DESCRIBED IN 15-6-131 OR 15-6-132.

Section 2. Contingent effective date. (1) Except as provided in subsection (2), this act is effective July 1, 1987, and applies to taxable year 1987.

(2) This act will not become effective if, prior to July 1, 1987, an act is passed and approved that:

(a) states that it is being enacted in response to this act;

(b) reduces property tax on a statewide basis on property described in 15-6-131, 15-6-132, 15-6-135, 15-6-137, 15-6-138, 15-6-140, 15-6-141, 15-6-143, and 15-6-145 through 15-6-149; and

(c) establishes alternative revenue sources to replace revenue lost to local governments, school districts, the



SB 0071/02

1 university system, and other property taxing jurisdictions  
2 as a result of the reduced property taxes.

-End-

## 1 SENATE BILL NO. 71

2 INTRODUCED BY GAGE, HOFMAN, KEATING

3  
4 A BILL FOR AN ACT ENTITLED: "AN ACT PROVIDING FOR A FREEZE  
5 AT 1986 LEVELS IN THE AMOUNT OF PROPERTY TAX PAYABLE ON  
6 PROPERTY DESCRIBED IN SECTIONS 15-6-131, 15-6-132, 15-6-135,  
7 15-6-137, 15-6-138, 15-6-140, 15-6-141, 15-6-143, AND  
8 15-6-145 THROUGH 15-6-149, MCA; AND PROVIDING A CONTINGENT  
9 EFFECTIVE DATE."

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

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13 Except as provided in subsections (2) and (3), the amount of  
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15 15-6-135, 15-6-137, 15-6-138, 15-6-140, 15-6-141, 15-6-143,  
16 and 15-6-145 through 15-6-149 may not, for any taxing  
17 jurisdiction, exceed the amount levied for taxable year  
18 1986.

19 (2) The limitation contained in subsection (1) does  
20 not apply to levies for rural improvement districts, Title  
21 7, chapter 12, part 21; special improvement districts, Title  
22 7, chapter 12, part 41; or bonded indebtedness.

23 (3) New construction or improvements to or deletions  
24 from property described in subsection (1) is subject to  
25 taxation at 1986 levels.

1 (4) As (A) EXCEPT AS PROVIDED IN SUBSECTION (4)(B) FOR  
2 PROPERTY DESCRIBED IN 15-6-131 OR 15-6-132, AS used in this  
3 section, the "amount of taxes levied" and the "amount  
4 levied" mean the actual dollar amount of taxes imposed on an  
5 individual piece of property, notwithstanding an increase or  
6 decrease in value due to inflation, reappraisal, adjustments  
7 in the percentage multiplier used to convert appraised value  
8 to taxable value, changes in the number of mills levied, or  
9 increase or decrease in the value of a mill.

10 (B) THE "AMOUNT OF TAXES LEVIED" AND THE "AMOUNT  
11 LEVIED" MEAN THE NUMBER OF MILLS LEVIED IN TAXABLE YEAR 1986  
12 AS THEY APPLY TO PROPERTY DESCRIBED IN 15-6-131 OR 15-6-132.

13 Section 2. Contingent effective date. (1) Except as  
14 provided in subsection (2), this act is effective July 1,  
15 1987, and applies to taxable year 1987.

16 (2) This act will not become effective if, prior to  
17 July 1, 1987, an act is passed and approved that:

18 (a) states that it is being enacted in response to  
19 this act;

20 (b) reduces property tax on a statewide basis on  
21 property described in 15-6-131, 15-6-132, 15-6-135,  
22 15-6-137, 15-6-138, 15-6-140, 15-6-141, 15-6-143, and  
23 15-6-145 through 15-6-149; and

24 (c) establishes alternative revenue sources to replace  
25 revenue lost to local governments, school districts, the



SB 0071/02

- 1 university system, and other property taxing jurisdictions
- 2 as a result of the reduced property taxes.

-End-

1                   SENATE BILL NO. 71  
2                   INTRODUCED BY GAGE, HOFMAN, KEATING  
3  
4   A BILL FOR AN ACT ENTITLED: "AN ACT PROVIDING FOR A FREEZE  
5   AT 1986 LEVELS IN THE AMOUNT OF PROPERTY TAX PAYABLE ON  
6   PROPERTY DESCRIBED IN SECTIONS 15-6-131, 15-6-132, 15-6-135,  
7   15-6-137, 15-6-138, 15-6-140, 15-6-141, 15-6-143, AND  
8   15-6-145 THROUGH 15-6-149, MCA; CLARIFYING PROVISIONS OF  
9   INITIATIVE NO. 105 APPROVED BY THE ELECTORS OF MONTANA; AND  
10   PROVIDING ~~A--CONTINGENT~~ AN IMMEDIATE EFFECTIVE DATE, A  
11   RETROACTIVE APPLICABILITY DATE, AND A TERMINATION DATE."  
12  
13       WHEREAS, THE ELECTORS OF MONTANA APPROVED INITIATIVE  
14   NO. 105, LIMITING CERTAIN PROPERTY TAXES TO 1986 LEVELS  
15   UNLESS THE LEGISLATURE REDUCES PROPERTY TAXES PRIOR TO JULY  
16   1, 1987, AND ESTABLISHES ALTERNATIVE REVENUE SOURCES; AND  
17       WHEREAS, INITIATIVE NO. 105 WAS NOT INTENDED BY ITS  
18   DRAFTERS AND PROPONENTS TO ENCOMPASS THE NUMEROUS  
19   INTERCONNECTING STATUTORY PROVISIONS THAT WOULD REQUIRE  
20   AMENDMENT TO FACILITATE IMPLEMENTATION OF THE MEASURE; AND  
21       WHEREAS, IT IS THE INTENT OF THE LEGISLATURE TO ENACT  
22   PROVISIONS COMPATIBLE WITH THE WILL OF THE ELECTORS IN  
23   LIMITING CERTAIN PROPERTY TAXES TO 1986 LEVELS WHILE  
24   PROVIDING PROCEDURES TO ENABLE THE DEPARTMENT OF REVENUE AND  
25   LOCAL GOVERNMENT UNITS TO FUNCTION SMOOTHLY UNDER SUCH

1   LIMITS.  
2  
3   BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF MONTANA:  
4                   (Refer to Third Reading Bill)  
5       Strike everything after the enacting clause and insert:  
6           Section 1. Declaration of policy -- clarification --  
7   extension to all property classes. [Section 1 of Initiative  
8   No. 105] is interpreted, clarified, and extended as follows:  
9           (1) In order to avoid constitutional challenges based  
10   on discriminatory treatment of taxpayers in tax classes not  
11   enumerated in [Initiative No. 105], the limitation to 1986  
12   levels is extended to apply to all classes of property  
13   described in Title 15, chapter 6, part 1.  
14           (2) The policy declaration in [subsection (5) of  
15   section 1 of Initiative No. 105] that no further property  
16   tax increases be imposed is interpreted to mean no further  
17   increase may be made in the tax rate applied to property in  
18   each class in 1986.  
19           (3) No new class of property may be created solely to  
20   circumvent the policy underlying [Initiative No. 105]. If a  
21   new class of property is created in order to afford  
22   preferential treatment to a category of property, the  
23   taxable rate that applies may not exceed the rate at which  
24   such property was taxed in 1986.  
25       Section 2. Property tax limited to 1986 levels --



1 clarification -- extension to all property classes. [Section  
2 2 of Initiative No. 105] is interpreted and clarified as  
3 follows:

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

7 (2) The limitation on the amount of taxes levied is  
8 interpreted to mean that the actual tax liability for an  
9 individual property is capped at the dollar amount due in  
10 each taxing unit for the 1986 tax year. In tax years  
11 thereafter, the property must be taxed in each taxing unit  
12 at the 1986 cap or the product of the taxable value and  
13 mills levied, whichever is less for each taxing unit.

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

17 (a) annexation of real property and improvements into  
18 a taxing unit;

19 (b) construction, expansion, or remodeling of  
20 improvements;

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

22 (d) subdivision of real property;

23 (e) reclassification of property;

24 (f) increases in the amount of production or the value  
25 of production for property described in 15-6-131 or

1 15-6-132;

2 (g) transfer of property from tax-exempt to taxable  
3 status; or

4 (h) revaluations caused by:

5 (i) cyclical reappraisal; or

6 (ii) expansion, addition, replacement, or remodeling of  
7 improvements.

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

12 (a) construction, expansion, replacement, or  
13 remodeling of improvements that adds value to the property;

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

15 (c) reclassification of property;

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

19 (e) annexation of the individual property into a new  
20 taxing unit; or

21 (f) conversion of the individual property from  
22 tax-exempt to taxable status.

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

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

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

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

15 (7) The limitation on the amount of taxes, as  
16 clarified in this section, is intended to leave the property  
17 appraisal and valuation methodology of the department of  
18 revenue intact. Determinations of county classifications,  
19 salaries of local government officers, and all other matters  
20 in which total taxable valuation is an integral component  
21 are not affected by [Initiative No. 105] except for the use  
22 of taxable valuation in fixing tax levies. In fixing tax  
23 levies, the taxing units of local government may anticipate  
24 the deficiency in revenues resulting from the tax  
25 limitations in [Initiative No. 105], while understanding

1 that regardless of the amount of mills levied, a taxpayer's  
2 liability may not exceed the dollar amount due in each  
3 taxing unit for the 1986 tax year unless the taxing unit's  
4 taxable valuation decreases by 5% or more from the previous  
5 tax year. If a taxing unit's taxable valuation decreases by  
6 5% or more from the previous tax year, it may levy  
7 additional mills to compensate for the decreased taxable  
8 valuation, but in no case may the mills levied exceed a  
9 number calculated to equal the revenue from property taxes  
10 for the 1986 tax year in that taxing unit.

11 (8) The limitation on the amount of taxes levied does  
12 not apply to the following levy or special assessment  
13 categories, whether or not they are based on commitments  
14 made before or after approval of [Initiative No. 105]:

- 15 (a) rural improvement districts;
- 16 (b) special improvement districts;
- 17 (c) levies pledged for the repayment of bonded  
18 indebtedness, including tax increment bonds;
- 19 (d) city street maintenance districts;
- 20 (e) tax increment financing districts;
- 21 (f) satisfaction of judgments against a taxing unit;
- 22 (g) electric company street lighting assessments; and
- 23 (h) revolving funds to support any categories  
24 specified in this subsection (8).

25 Section 3. Codification instruction. Sections 1 and 2

1 are intended to be codified as an integral part of Title 15,  
2 chapter 10, and the provisions of Title 15, chapter 10,  
3 apply to sections 1 and 2.

4 Section 4. Extension of authority. Any existing  
5 authority of the department of revenue to make rules on the  
6 subject of the provisions of this act is extended to the  
7 provisions of this act.

8 Section 5. Effective date -- applicability. (1) This  
9 act is effective on passage and approval.

10 (2) This act applies retroactively, within the meaning  
11 of 1-2-109, to taxable years beginning after December 31,  
12 1986.

13 Section 6. Termination. This act terminates December  
14 31, 1989.

-End-

SENATE BILL NO. 71

INTRODUCED BY GAGE, HOFMAN, KEATING

A BILL FOR AN ACT ENTITLED: "AN ACT PROVIDING FOR A FREEZE AT 1986 LEVELS IN THE AMOUNT OF PROPERTY TAX PAYABLE ON PROPERTY DESCRIBED IN SECTIONS 15-6-131, 15-6-132, 15-6-135, 15-6-137, 15-6-138, 15-6-140, 15-6-141, 15-6-143, AND 15-6-145 THROUGH 15-6-149, MCA; CLARIFYING PROVISIONS OF INITIATIVE NO. 105 APPROVED BY THE ELECTORS OF MONTANA; AND PROVIDING A--CONTINGENT AN IMMEDIATE EFFECTIVE DATE, A RETROACTIVE APPLICABILITY DATE, AND A TERMINATION DATE."

WHEREAS, THE ELECTORS OF MONTANA APPROVED INITIATIVE NO. 105, LIMITING CERTAIN PROPERTY TAXES TO 1986 LEVELS UNLESS THE LEGISLATURE REDUCES PROPERTY TAXES PRIOR TO JULY 1, 1987, AND ESTABLISHES ALTERNATIVE REVENUE SOURCES; AND

WHEREAS, INITIATIVE NO. 105 WAS NOT INTENDED BY ITS DRAFTERS AND PROPONENTS TO ENCOMPASS THE NUMEROUS INTERCONNECTING STATUTORY PROVISIONS THAT WOULD REQUIRE AMENDMENT TO FACILITATE IMPLEMENTATION OF THE MEASURE; AND

WHEREAS, IT IS THE INTENT OF THE LEGISLATURE TO ENACT PROVISIONS COMPATIBLE WITH THE WILL OF THE ELECTORS IN LIMITING CERTAIN PROPERTY TAXES TO 1986 LEVELS WHILE PROVIDING PROCEDURES TO ENABLE THE DEPARTMENT OF REVENUE AND LOCAL GOVERNMENT UNITS TO FUNCTION SMOOTHLY UNDER SUCH

LIMITS.

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF MONTANA: (Refer to Third Reading Bill)

Strike everything after the enacting clause and insert:

Section 1. Declaration of policy -- clarification -- extension to all property classes. [Section 1 of Initiative No. 105] is interpreted, clarified, and extended as follows:

(1) In order to avoid constitutional challenges based on discriminatory treatment of taxpayers in tax classes not enumerated in [Initiative No. 105], the limitation to 1986 levels is extended to apply to all classes of property described in Title 15, chapter 6, part 1.

(2) The policy declaration in [subsection (5) of section 1 of Initiative No. 105] that no further property tax increases be imposed is interpreted to mean no further increase may be made in the tax rate applied to property in each class in 1986.

(3) No new class of property may be created solely to circumvent the policy underlying [Initiative No. 105]. If a new class of property is created in order to afford preferential treatment to a category of property, the taxable rate that applies may not exceed the rate at which such property was taxed in 1986.

Section 2. Property tax limited to 1986 levels --

REFERENCE BILL

SB 71

SECOND PRINTING AS AMENDED



1 clarification -- extension to all property classes. [Section  
2 of Initiative No. 105] is interpreted and clarified as  
3 follows:

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

7 (2) The limitation on the amount of taxes levied is  
8 interpreted to mean that the actual tax liability for an  
9 individual property is capped at the dollar amount due in  
10 each taxing unit for the 1986 tax year. In tax years  
11 thereafter, the property must be taxed in each taxing unit  
12 at the 1986 cap or the product of the taxable value and  
13 mills levied, whichever is less for each taxing unit.

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

17 (a) annexation of real property and improvements into  
18 a taxing unit;

19 (b) construction, expansion, or remodeling of  
20 improvements;

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

22 (d) subdivision of real property;

23 (e) reclassification of property;

24 (f) increases in the amount of production or the value  
25 of production for property described in 15-6-131 or

1 15-6-132;

2 (g) transfer of property from tax-exempt to taxable  
3 status; or

4 (h) revaluations caused by:

5 (i) cyclical reappraisal; or

6 (ii) expansion, addition, replacement, or remodeling of  
7 improvements.

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

12 (a) construction, expansion, replacement, or  
13 remodeling of improvements that adds value to the property;

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

15 (c) reclassification of property;

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

19 (e) annexation of the individual property into a new  
20 taxing unit; or

21 (f) conversion of the individual property from  
22 tax-exempt to taxable status.

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

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

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

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

15 (7) The limitation on the amount of taxes, as  
16 clarified in this section, is intended to leave the property  
17 appraisal and valuation methodology of the department of  
18 revenue intact. Determinations of county classifications,  
19 salaries of local government officers, and all other matters  
20 in which total taxable valuation is an integral component  
21 are not affected by [Initiative No. 105] except for the use  
22 of taxable valuation in fixing tax levies. In fixing tax  
23 levies, the taxing units of local government may anticipate  
24 the deficiency in revenues resulting from the tax  
25 limitations in [Initiative No. 105], while understanding

1 that regardless of the amount of mills levied, a taxpayer's  
2 liability may not exceed the dollar amount due in each  
3 taxing unit for the 1986 tax year unless the taxing unit's  
4 taxable valuation decreases by 5% or more from the previous  
5 tax year. If a taxing unit's taxable valuation decreases by  
6 5% or more from the previous tax year, it may levy  
7 additional mills to compensate for the decreased taxable  
8 valuation, but in no case may the mills levied exceed a  
9 number calculated to equal the revenue from property taxes  
10 for the 1986 tax year in that taxing unit.

11 (8) The limitation on the amount of taxes levied does  
12 not apply to the following levy or special assessment  
13 categories, whether or not they are based on commitments  
14 made before or after approval of [Initiative No. 105]:

- 15 (a) rural improvement districts;
- 16 (b) special improvement districts;
- 17 (c) levies pledged for the repayment of bonded  
18 indebtedness, including tax increment bonds;
- 19 (d) city street maintenance districts;
- 20 (e) tax increment financing districts;
- 21 (f) satisfaction of judgments against a taxing unit;
- 22 (g) electric company street lighting assessments; and
- 23 (h) revolving funds to support any categories  
24 specified in this subsection (8).

25 (9) THE LIMITATION ON THE AMOUNT OF TAXES LEVIED DOES



1 NOT APPLY IN A TAXING UNIT IF THE VOTERS IN THE TAXING UNIT  
2 APPROVE AN INCREASE IN TAX LIABILITY FOLLOWING A RESOLUTION  
3 OF THE GOVERNING BODY OF THE TAXING UNIT CONTAINING:

4 (A) A FINDING THAT THERE ARE INSUFFICIENT FUNDS TO  
5 ADEQUATELY OPERATE THE TAXING UNIT AS A RESULT OF INITIATIVE  
6 NO. 105;

7 (B) AN EXPLANATION OF THE NATURE OF THE FINANCIAL  
8 EMERGENCY;

9 (C) AN ESTIMATE OF THE AMOUNT OF FUNDING SHORTFALL  
10 EXPECTED BY THE TAXING UNIT;

11 (D) A STATEMENT THAT APPLICABLE FUND BALANCES ARE OR  
12 BY THE END OF THE FISCAL YEAR WILL BE DEPLETED;

13 (E) A FINDING THAT THERE ARE NO ALTERNATIVE SOURCES OF  
14 REVENUE;

15 (F) A SUMMARY OF THE ALTERNATIVES THAT THE GOVERNING  
16 BODY OF THE TAXING UNIT HAS CONSIDERED; AND

17 (G) A STATEMENT OF THE NEED FOR THE INCREASED REVENUE  
18 AND HOW IT WILL BE USED.

19 Section 3. Codification instruction. Sections 1 and 2  
20 are intended to be codified as an integral part of Title 15,  
21 chapter 10, and the provisions of Title 15, chapter 10,  
22 apply to sections 1 and 2.

23 Section 4. Extension of authority. Any existing  
24 authority of the department of revenue to make rules on the  
25 subject of the provisions of this act is extended to the

1 provisions of this act.

2 Section 5. Effective date -- applicability. (1) This  
3 act is effective on passage and approval.

4 (2) This act applies retroactively, within the meaning  
5 of 1-2-109, to taxable years beginning after December 31,  
6 1986.

7 Section 6. Termination. This act terminates December  
8 31, 1989.

-End-

# CONFERENCE COMMITTEE REPORT

Report No. 1

April 20, 1987

MR. PRESIDENT

We, your FREE Conference Committee on

Senate Bill 71

met and considered Senate Bill 71 in its entirety

We recommend as follows:

THAT SENATE BILL 71, reference copy salmon, BE AMENDED AS FOLLOWS;

1. Page 7, following line 18.

Insert: "(10) 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, ~~destitution~~, conflagration, or other public calamity."

And that this Conference Committee report be adopted.

FOR THE SENATE

FOR THE HOUSE

John B. Blaylock  
Blaylock, Chairman

Ramirez  
Ramirez

Beck  
Beck

Gilbert  
Gilbert

Gage  
Gage

Kadas  
Kadas

ADOPT REJECT

HOUSE STANDING COMMITTEE REPORT

Page 1 of 5 APRIL 6 19 87

SB 71 April 6, 1987 Page 2 of 5

Mr. Speaker: We, the committee on HOUSE TAXATION

report SENATE BILL NO. 71

- do pass, do not pass, be concurred in, be not concurred in, was amended, statement of intent attached

Signature of Representative Jack Ramirez, Chairman

Be amended as follows:

1. Title, line 8. Following: "MCA;" Insert: "CLARIFYING PROVISIONS OF INITIATIVE NO. 105 APPROVED BY THE ELECTORS OF MONTANA;"

Following: "PROVIDING" Strike: "A CONTINGENT" Insert: "AN IMMEDIATE"

2. Title, line 9. Following: "DATE" Insert: ", A RETROACTIVE APPLICABILITY DATE, AND A TERMINATION DATE"

3. Page 1. Following: line 9 Insert: "WHEREAS, the electors of Montana approved Initiative No. 105, limiting certain property taxes to 1986 levels unless the Legislature reduces property taxes prior to July 1, 1987, and establishes alternative revenue sources; and WHEREAS, Initiative No. 105 was not intended by its drafters and proponents to encompass the numerous interconnecting statutory provisions that would require amendment to facilitate implementation of the measure; and WHEREAS, it is the intent of the Legislature to enact provisions compatible with the will of the electors in limiting certain property taxes to 1986 levels while providing procedures to enable the Department of Revenue and local government units to function smoothly under such limits."

4 Page 1, line 11 through line 2, page 3. Following: the enacting clause Strike: the remainder of the bill Insert: "Section 1 . Declaration of policy -- clarification -- extension to all property classes. [Section 1 of Initiative No. 105] is interpreted, clarified, and extended as follows: (1) In order to avoid constitutional challenges based on discriminatory treatment of taxpayers in tax classes not enumerated in [Initiative No. 105], the limitation to 1986 levels is extended to apply to all classes of property described in Title 15, chapter 6, part 1. (2) The policy declaration in [subsection (5) of section 1 of Initiative No. 105] that no further property tax increases be imposed is interpreted to mean no further increase may be made in the tax rate applied to property in each class in 1986. (3) No new class of property may be created solely to circumvent the policy underlying [Initiative No. 105]. If a new class of property is created in order to afford preferential treatment to a category of property, the taxable rate that applies may not exceed the rate at which such property was taxed in 1986. Section 2 . Property tax limited to 1986 levels -- clarification -- extension to all property classes. [Section 2 of Initiative No. 105] 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 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. (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:

Representative Jack Ramirez, Chairman

Signature of Representative Jack Ramirez, Chairman

- (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; or
- (h) revaluations caused by:
  - (i) cyclical reappraisal; or
  - (ii) expansion, addition, replacement, or remodeling of improvements.

(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) construction, expansion, replacement, or remodeling of improvements that adds value to the property;
- (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; or
- (f) conversion of the individual property from tax-exempt to taxable status.

(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 [Initiative No. 105], 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 [Initiative No. 105], 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 the taxing unit's taxable valuation decreases by 5% or more from the previous tax year. If a taxing unit's taxable valuation decreases by 5% or more from the previous 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.

(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 [Initiative No. 105]:

- (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) electric company street lighting assessments; and

*Ramirez*  
Representative Jack Ramirez

Chairman.

*Ramirez*  
Representative Jack Ramirez

Chairman.

(h) revolving funds to support any categories specified in this subsection (8).

Section 3 . Codification instruction.

Sections 1 and 2 are intended to be codified as an integral part of Title 15, chapter 10, and the provisions of Title 15, chapter 10, apply to sections 1 and 2.

Section 4 . Extension of authority. Any existing authority of the department of revenue to make rules on the subject of the provisions of this act is extended to the provisions of this act.

Section 5 . Effective date -- applicability.

(1) This act is effective on passage and approval.

(2) This act applies retroactively, within the meaning of 1-2-109, to taxable years beginning after December 31, 1986.

Section 6 . Termination. This act terminates December 31, 1989."

*Carried by Rep. Kadas*  
jhl/e:sb71am.txt

*Ramirez*  
Representative Jack Ramirez  
Chairman.

# COMMITTEE OF THE WHOLE AMENDMENT

4-11-87

DATE

11:30

TIME

MR. CHAIRMAN: I MOVE TO AMEND SB 71

Reference reading copy ( salmon ) as follows:  
Color

1. Page 6.

Following: line 24

Insert: "(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 Initiative No. 105;

(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;

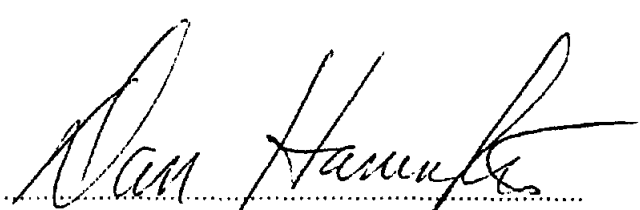
(f) a summary of the alternatives that the governing body of the taxing unit has considered; and

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

ADOPT

REJECT

4111130S.CW

  
Rep. Harrington

## 1 SENATE BILL NO. 71

2 INTRODUCED BY GAGE, HOFMAN, KEATING

3  
4 A BILL FOR AN ACT ENTITLED: "AN ACT PROVIDING FOR A FREEZE  
5 AT 1986 LEVELS IN THE AMOUNT OF PROPERTY TAX PAYABLE ON  
6 PROPERTY DESCRIBED IN SECTIONS 15-6-131, 15-6-132, 15-6-135,  
7 15-6-137, 15-6-138, 15-6-140, 15-6-141, 15-6-143, AND  
8 15-6-145 THROUGH 15-6-149, MCA; CLARIFYING PROVISIONS OF  
9 INITIATIVE NO. 105 APPROVED BY THE ELECTORS OF MONTANA; AND  
10 PROVIDING A--CONTINGENT AN IMMEDIATE EFFECTIVE DATE, A  
11 RETROACTIVE APPLICABILITY DATE, AND A TERMINATION DATE."  
12

13 WHEREAS, THE ELECTORS OF MONTANA APPROVED INITIATIVE  
14 NO. 105, LIMITING CERTAIN PROPERTY TAXES TO 1986 LEVELS  
15 UNLESS THE LEGISLATURE REDUCES PROPERTY TAXES PRIOR TO JULY  
16 1, 1987, AND ESTABLISHES ALTERNATIVE REVENUE SOURCES; AND

17 WHEREAS, INITIATIVE NO. 105 WAS NOT INTENDED BY ITS  
18 DRAFTERS AND PROPONENTS TO ENCOMPASS THE NUMEROUS  
19 INTERCONNECTING STATUTORY PROVISIONS THAT WOULD REQUIRE  
20 AMENDMENT TO FACILITATE IMPLEMENTATION OF THE MEASURE; AND

21 WHEREAS, IT IS THE INTENT OF THE LEGISLATURE TO ENACT  
22 PROVISIONS COMPATIBLE WITH THE WILL OF THE ELECTORS IN  
23 LIMITING CERTAIN PROPERTY TAXES TO 1986 LEVELS WHILE  
24 PROVIDING PROCEDURES TO ENABLE THE DEPARTMENT OF REVENUE AND  
25 LOCAL GOVERNMENT UNITS TO FUNCTION SMOOTHLY UNDER SUCH

1 LIMITS.2  
3 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF MONTANA:

4 (Refer to Third Reading Bill)

5 Strike everything after the enacting clause and insert:

6 Section 1. Declaration of policy -- clarification --  
7 extension to all property classes. [Section 1 of Initiative  
8 No. 105] is interpreted, clarified, and extended as follows:

9 (1) In order to avoid constitutional challenges based  
10 on discriminatory treatment of taxpayers in tax classes not  
11 enumerated in [Initiative No. 105], the limitation to 1986  
12 levels is extended to apply to all classes of property  
13 described in Title 15, chapter 6, part 1.

14 (2) The policy declaration in [subsection (5) of  
15 section 1 of Initiative No. 105] that no further property  
16 tax increases be imposed is interpreted to mean no further  
17 increase may be made in the tax rate applied to property in  
18 each class in 1986.

19 (3) No new class of property may be created solely to  
20 circumvent the policy underlying [Initiative No. 105]. If a  
21 new class of property is created in order to afford  
22 preferential treatment to a category of property, the  
23 taxable rate that applies may not exceed the rate at which  
24 such property was taxed in 1986.

25 Section 2. Property tax limited to 1986 levels --

1 clarification -- extension to all property classes. [Section  
2 2 of Initiative No. 105] is interpreted and clarified as  
3 follows:

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

7 (2) The limitation on the amount of taxes levied is  
8 interpreted to mean that the actual tax liability for an  
9 individual property is capped at the dollar amount due  
10 each taxing unit for the 1986 tax year. In tax years  
11 thereafter, the property must be taxed in each taxing unit  
12 at the 1986 cap or the product of the taxable value and  
13 mills levied, whichever is less for each taxing unit.

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

17 (a) annexation of real property and improvements into  
18 a taxing unit;

19 (b) construction, expansion, or remodeling of  
20 improvements;

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

22 (d) subdivision of real property;

23 (e) reclassification of property;

24 (f) increases in the amount of production or the value  
25 of production for property described in 15-6-131 or

1 15-6-132;

2 (g) transfer of property from tax-exempt to taxable  
3 status; or

4 (h) revaluations caused by:

5 (i) cyclical reappraisal; or

6 (ii) expansion, addition, replacement, or remodeling of  
7 improvements.

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

12 (a) construction, expansion, replacement, or  
13 remodeling of improvements that adds value to the property;

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

15 (c) reclassification of property;

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

19 (e) annexation of the individual property into a new  
20 taxing unit; or

21 (f) conversion of the individual property from  
22 tax-exempt to taxable status.

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



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

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

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

15 (7) The limitation on the amount of taxes, as  
16 clarified in this section, is intended to leave the property  
17 appraisal and valuation methodology of the department of  
18 revenue intact. Determinations of county classifications,  
19 salaries of local government officers, and all other matters  
20 in which total taxable valuation is an integral component  
21 are not affected by [Initiative No. 105] except for the use  
22 of taxable valuation in fixing tax levies. In fixing tax  
23 levies, the taxing units of local government may anticipate  
24 the deficiency in revenues resulting from the tax  
25 limitations in [Initiative No. 105], while understanding

1 that regardless of the amount of mills levied, a taxpayer's  
2 liability may not exceed the dollar amount due in each  
3 taxing unit for the 1986 tax year unless the taxing unit's  
4 taxable valuation decreases by 5% or more from the previous  
5 tax year. If a taxing unit's taxable valuation decreases by  
6 5% or more from the previous tax year, it may levy  
7 additional mills to compensate for the decreased taxable  
8 valuation, but in no case may the mills levied exceed a  
9 number calculated to equal the revenue from property taxes  
10 for the 1986 tax year in that taxing unit.

11 (8) The limitation on the amount of taxes levied does  
12 not apply to the following levy or special assessment  
13 categories, whether or not they are based on commitments  
14 made before or after approval of [Initiative No. 105]:

- 15 (a) rural improvement districts;
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18 indebtedness, including tax increment bonds;
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- 20 (e) tax increment financing districts;
- 21 (f) satisfaction of judgments against a taxing unit;
- 22 (g) electric company street lighting assessments; and
- 23 (h) revolving funds to support any categories  
24 specified in this subsection (8).

25 (9) THE LIMITATION ON THE AMOUNT OF TAXES LEVIED DOES

1 NOT APPLY IN A TAXING UNIT IF THE VOTERS IN THE TAXING UNIT  
 2 APPROVE AN INCREASE IN TAX LIABILITY FOLLOWING A RESOLUTION  
 3 OF THE GOVERNING BODY OF THE TAXING UNIT CONTAINING:

4 (A) A FINDING THAT THERE ARE INSUFFICIENT FUNDS TO  
 5 ADEQUATELY OPERATE THE TAXING UNIT AS A RESULT OF INITIATIVE  
 6 NO. 105;

7 (B) AN EXPLANATION OF THE NATURE OF THE FINANCIAL  
 8 EMERGENCY;

9 (C) AN ESTIMATE OF THE AMOUNT OF FUNDING SHORTFALL  
 10 EXPECTED BY THE TAXING UNIT;

11 (D) A STATEMENT THAT APPLICABLE FUND BALANCES ARE OR  
 12 BY THE END OF THE FISCAL YEAR WILL BE DEPLETED;

13 (E) A FINDING THAT THERE ARE NO ALTERNATIVE SOURCES OF  
 14 REVENUE;

15 (F) A SUMMARY OF THE ALTERNATIVES THAT THE GOVERNING  
 16 BODY OF THE TAXING UNIT HAS CONSIDERED; AND

17 (G) A STATEMENT OF THE NEED FOR THE INCREASED REVENUE  
 18 AND HOW IT WILL BE USED.

19 (10) THE LIMITATION ON THE AMOUNT OF TAXES LEVIED DOES  
 20 NOT APPLY TO LEVIES REQUIRED TO ADDRESS THE FUNDING OF  
 21 RELIEF OF SUFFERING OF INHABITANTS CAUSED BY FAMINE,  
 22 CONFLAGRATION, OR OTHER PUBLIC CALAMITY.

23 Section 3. Codification instruction. Sections 1 and 2  
 24 are intended to be codified as an integral part of Title 15,  
 25 chapter 10, and the provisions of Title 15, chapter 10,

1 apply to sections 1 and 2.

2 Section 4. Extension of authority. Any existing  
 3 authority of the department of revenue to make rules on the  
 4 subject of the provisions of this act is extended to the  
 5 provisions of this act.

6 Section 5. Effective date -- applicability. (1) This  
 7 act is effective on passage and approval.

8 (2) This act applies retroactively, within the meaning  
 9 of 1-2-109, to taxable years beginning after December 31,  
 10 1986.

11 Section 6. Termination. This act terminates December  
 12 31, 1989.

-End-