HOUSE BILL NO. 125

INTRODUCED BY HARRINGTON, DAILY, LYNCH,
PAVLOVICH, GIACOMETTO, WHALEN

IN THE HOUSE

JANUARY 11, 1989	INTRODUCED AND REFERRED TO COMMITTEE ON TAXATION.
JANUARY 12, 1989	FIRST READING.
MARCH 28, 1989	COMMITTEE RECOMMEND BILL DO PASS AS AMENDED. REPORT ADOPTED.
MARCH 29, 1989	PRINTING REPORT.
	SECOND READING, DO PASS.
MARCH 30, 1989	ENGROSSING REPORT.
	THIRD READING, PASSED. AYES, 77; NOES, 22.
	TRANSMITTED TO SENATE.

IN THE SENATE

MARCH 31, 1989	INTRODUCED AND REFERRED TO COMMITTEE ON TAXATION.
	FIRST READING.
APRIL 5, 1989	COMMITTEE RECOMMEND BILL BE CONCURRED IN. REPORT ADOPTED.
APRIL 6, 1989	SECOND READING, CONCURRED IN.
APRIL 10, 1989	THIRD READING, CONCURRED IN. AYES, 45; NOES, 3.
	RETURNED TO HOUSE.

IN THE HOUSE

APRIL 10, 1989

RECEIVED FROM SENATE.

SENT TO ENROLLING.

REPORTED CORRECTLY ENROLLED.

House BILL NO. 125

INTRODUCED BY Harrington Daily Spaeth
Palmer Giacometto Whalen

A BILL FOR AN ACT ENTITLED: "AN ACT AMENDING PROVISIONS RELATING TO THE PROPERTY TAX FREEZE AND ALLOWING AN INCREASE IN THE NUMBER OF MILLS THAT MAY BE LEVIED BY A TAXING UNIT IF THE PURCHASING POWER OF THE TAXING UNIT HAS DECREASED BY AT LEAST 1 PERCENT IN THE PREVIOUS CALENDAR YEAR; PROVIDING AN EXEMPTION FROM THE FREEZE FOR LEVIES FOR ECONOMIC DEVELOPMENT AND FOR MANDATED OR UNCONTROLLABLE COSTS OF LOCAL GOVERNMENT UNITS AND SCHOOLS; ALLOWING LOCAL ELECTORS TO REMOVE THE 1986-LEVEL LIMITATION ON LEVIES OR TO INSTITUTE A DIFFERENT LIMITATION; EXTENDING THE TERMINATION DATE OF THE FREEZE; AMENDING SECTION 15-10-412, MCA, AND SECTION 6, CHAPTER 654, LAWS OF 1987; AND PROVIDING AN EFFECTIVE DATE."

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

NEW SECTION. **Section 1. Adjustment of taxing unit mill levies -- decrease in purchasing power.** (1) If the purchasing power of a taxing unit has decreased by at least 1% in the preceding calendar year, the governing body of the taxing unit may increase the limit provided in Title 15, chapter 10, part 4, on the number of mills that may be levied by a taxing unit by the same percentage as the

purchasing power has decreased. The increase must be computed on the number of mills the taxing unit was authorized to levy in the prior year, including all adjustments to the limitation provided in Title 15, chapter 10, part 4. A mill levy increase made pursuant to this section may not result in a local government levying a greater number of mills than the number set as a maximum by law under a provision other than in Title 15, chapter 10, part 4.

(2) Local government purchasing power is measured by the change from one calendar year's to the next calendar year's implicit price deflator for gross national product, for the state and local government sector, prepared by the U.S. department of labor, bureau of labor statistics, or other similar compilation that the bureau of business and economic research of the university of Montana may in the future recognize as the successor to that implicit price deflator.

Section 2. Section 15-10-412, MCA, is amended to read:

"**15-10-412. (Temporary) 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,

INTRODUCED BILL
HB 125

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:

(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 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 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 number of mills levied pursuant to this subsection (a) may not exceed a number calculated to equal the revenue from property taxes for the 1986 tax year in that taxing unit.

(b) the purchasing power of the taxing unit has decreased. If a taxing unit's purchasing power has decreased by at least 1%, additional mills may be levied pursuant to [section 1].

(8) The limitation on the amount of taxes levied does not apply to the following levy, budget category, 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) electric company street lighting assessments; ~~and~~

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

(i) levies for economic development authorized by 90-5-112; and

(j) levies to pay for items or programs that are mandated by federal or state government or over which the taxing unit has no control.

(9) (a) 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 at a general election. The voters in a taxing unit may approve the removal of the limitation or the establishment of a different limitation, either in the number of mills to be levied for one or more funds or in reference to the amount of a particular levy.

(b) The voters in a taxing unit may approve an increase in tax liability at a special election held following a resolution of the governing body of the taxing unit containing:

~~(a)~~(i) 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)~~(ii) an explanation of the nature of the financial emergency;

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

~~(d)~~(iv) a statement that applicable fund balances are

or by the end of the fiscal year will be depleted;

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

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

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

(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, conflagration, or other public calamity. (Terminates December 31, 1989--sec. 6, Ch. 654, L. 1987.)"

Section 3. Section 6, Chapter 654, Laws of 1987, is amended to read:

"Section 6. **Termination.** This act terminates December 31, ~~1989~~ 1991."

NEW SECTION. **Section 4.** Effective date. [This act] is effective April 4, 1989. If passage and approval occurs after April 4, 1989, [this act] is effective on passage and approval.

-End-

STATE OF MONTANA - FISCAL NOTE
Form BD-15

In compliance with a written request, there is hereby submitted a Fiscal Note for HB125 , as introduced.

DESCRIPTION OF PROPOSED LEGISLATION:

An act amending provisions relating to the property tax freeze and allowing an increase in the number of mills that may be levied by a taxing unit if the purchasing power of the taxing unit has decreased by at least 1 percent in the previous calendar year; providing an exemption from the freeze for levies for economic development and for mandated or uncontrollable costs of local government units and schools; allowing local electors to remove the 1986-level limitation on levies or to institute a different limitation; extending the termination date of the freeze; and providing an effective date.

FISCAL IMPACT:

This bill would allow local governments to increase property taxes: (1) to compensate for lost purchasing power as a result of inflation; (2) by increasing the levy for economic development (MCA 90-5-112), or for state or federally mandated programs over which the local jurisdiction has no control, and (3) with the approval of voters at a general election.

Clearly, an accurate assessment of the aggregate fiscal impact of this proposal is not possible without prior knowledge of which jurisdictions would choose to increase levies in response to the above options.

However, if the assumption is that all jurisdictions would increase mills to fully compensate for lost purchasing power, then revenues to local government would rise significantly over current law levels. Property taxes levied for all purposes in FY89 totaled $526,706,810. Allowing an increase for lost purchasing power would increase total revenue $29.4 million in FY90, and $61.3 million in FY91. (This assumes GNP deflators for state and local governments of 128.8, 136.0, and 143.8 in CY88, CY89, and CY90, respectively.) (Source-Wharton Econometrics).

Historically, if total property taxes had been allowed to increase only in response to changes in the GNP deflator for state and local government, the 1970 level of $177,287,940 would have increased to $529,177,639 by 1986. Actual property taxes in 1986 were $590,939,425.

Ray Shackleford 1/18/89
RAY SHACKLEFORD, BUDGET DIRECTOR DATE
OFFICE OF BUDGET AND PROGRAM PLANNING

Dan W. Harrington 1/20/89
DAN W. HARRINGTON DATE

Fiscal Note for HB 125, as introduced

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The bill makes no provision regarding the interaction of increases in taxable valuation, and increases in the GNP deflator for state and local government. If taxable valuations rise more than enough to compensate for lost purchasing power, local governments are assumed to be able to levy additional mills regardless.

The bill as drafted does not adequately define how to measure the decrease in local government purchasing power. (See Section 1, paragraph 2). Nowhere is decrease in purchasing power defined. Also when referring to implicit price deflators, the annual loss in purchasing power would be more appropriately defined as the percentage change in the deflator instead of the absolute change.

HB 125

APPROVED BY COMMITTEE
ON TAXATION

HOUSE BILL NO. 125

INTRODUCED BY HARRINGTON, DAILY, LYNCH, PAVLOVICH, GIACOMETTO, WHALEN

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"15-10-412. (Temporary) 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

SECOND READING

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:

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(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

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(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:

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(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~~:~~

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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~~ IN NO CASE MAY the ~~number-of~~ mills levied ~~pursuant-to--this--subsection (a)--may-not~~ exceed a number calculated to equal the revenue from property taxes for the 1986 tax year in that taxing unit.

~~(b)--the--purchasing--power--of--the--taxing--unit--has decreased.-If-a-taxing-unit's-purchasing-power-has-decreased by-at-least-1%,-additional-mills-may-be-levied--pursuant--to [section-1].~~

(8) The limitation on the amount of taxes levied does not apply to the following levy~~,-budget-category,~~ 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;

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(f) satisfaction of judgments against a taxing unit;

(g) electric company street lighting assessments; ~~and~~

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~~(c)~~(iii)(C) an estimate of the amount of funding

shortfall expected by the taxing unit;

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Section 2. Section 6, Chapter 654, Laws of 1987, is amended to read:

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NEW SECTION. **Section 3.** Effective date. [This act] is effective April 4, 1989. If passage and approval occurs after April 4, 1989, [this act] is effective on passage and approval.

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PAVLOVICH, GIACOMETTO, WHALEN

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

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

(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, conflagration, or other public calamity. (Terminates December 31, 1989--sec. 6, Ch. 654, L. 1987.)"

Section 2. Section 6, Chapter 654, Laws of 1987, is amended to read:

"Section 6. **Termination.** This act terminates December 31, ~~1989~~ 1991."

NEW SECTION. **Section 3.** Effective date. [This act] is effective April 4, 1989. If passage and approval occurs after April 4, 1989, [this act] is effective on passage and approval.

-End-

HOUSE BILL NO. 125

INTRODUCED BY HARRINGTON, DAILY, LYNCH,

PAVLOVICH, GIACOMETTO, WHALEN

A BILL FOR AN ACT ENTITLED: "AN ACT AMENDING PROVISIONS RELATING TO THE PROPERTY TAX FREEZE ~~AND ALLOWING AN INCREASE IN THE NUMBER OF MILLS THAT MAY BE LEVIED BY A TAXING UNIT IF THE PURCHASING POWER OF THE TAXING UNIT HAS DECREASED BY AT LEAST 1 PERCENT IN THE PREVIOUS CALENDAR YEAR~~; PROVIDING AN EXEMPTION FROM THE FREEZE FOR LEVIES FOR ECONOMIC DEVELOPMENT ~~AND FOR MANDATED OR UNCONTROLLABLE COSTS OF LOCAL GOVERNMENT UNITS AND SCHOOLS; ALLOWING LOCAL ELECTORS TO REMOVE THE 1986 LEVEL LIMITATION ON LEVIES OR TO INSTITUTE A DIFFERENT LIMITATION~~; EXTENDING THE TERMINATION DATE OF THE FREEZE; AMENDING SECTION 15-10-412, MCA, AND SECTION 6, CHAPTER 654, LAWS OF 1987; AND PROVIDING AN EFFECTIVE DATE."

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

~~NEW SECTION. Section 1. Adjustment of taxing unit mill levies -- decrease in purchasing power. (1) If the purchasing power of a taxing unit has decreased by at least 1% in the preceding calendar year, the governing body of the taxing unit may increase the limit provided in Title 15, chapter 10, part 4, on the number of mills that may be levied by a taxing unit by the same percentage as the purchasing power has decreased. The increase must be computed on the number of mills the taxing unit was authorized to levy in the prior year, including all adjustments to the limitation provided in Title 15, chapter 10, part 4. A mill levy increase made pursuant to this section may not result in a local government levying a greater number of mills than the number set as a maximum by law under a provision other than in Title 15, chapter 10, part 4.~~

~~(2) Local government purchasing power is measured by the change from one calendar year's to the next calendar year's implicit price deflator for gross national product, for the state and local government sector, prepared by the U.S. department of labor, bureau of labor statistics, or other similar compilation that the bureau of business and economic research of the university of Montana may in the future recognize as the successor to that implicit price deflator.~~

Section 1. Section 15-10-412, MCA, is amended to read:

"15-10-412. (Temporary) 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 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:

(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 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 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~~ IN NO CASE MAY the ~~number-of~~ mills levied ~~pursuant-to-this-subsection-(a)--may-not~~ exceed a number calculated to equal the revenue from property taxes for the 1986 tax year in that taxing unit.

~~(b)--the--purchasing--power--of--the--taxing--unit--has decreased;-if-a-taxing-unit's-purchasing-power-has-decreased by-at-least-1%;-additional-mills-may-be-levied--pursuant--to [section-1].~~

(8) The limitation on the amount of taxes levied does not apply to the following levy~~,-budget-category,~~ 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) electric company street lighting assessments; and

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

(i) levies for economic development authorized by 90-5-112~~;-and~~

~~(j)--levies--to--pay--for--items--or--programs-that-are mandated-by-federal-or-state-government-or--over--which--the taxing-unit-has-no-control.~~

(9) ~~(a)~~ 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 ~~at-a-general election.--The-voters--in--a--taxing--unit--may--approve--the removal---of--the--limitation--or--the--establishment--of--a different-limitation,-either-in-the-number-of--mills--to--be levied--for--one-or-more-funds-or-in-reference-to-the-amount of-a-particular-levy.~~

~~(b)--The--voters--in--a--taxing--unit--may--approve--an increase--in--tax--liability--at--a--special--election--held~~ following a resolution of the governing body of the taxing unit containing:

~~(a)~~~~(i)~~(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)~~~~(ii)~~(B) an explanation of the nature of the financial emergency;

~~(c)~~(iii)(C) an estimate of the amount of funding

shortfall expected by the taxing unit;

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

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

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

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

(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, conflagration, or other public calamity. (Terminates December 31, 1989--sec. 6, Ch. 654, L. 1987.)"

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-End-

State of Montana
Office of the Governor
Helena, Montana 59620
406-444-3111

STAN STEPHENS
GOVERNOR

April 20, 1989

The Honorable John Vincent
Speaker of the House
State Capitol
Helena, MT 59620

The Honorable Jack Galt
President of the Senate
State Capitol
Helena, MT 59620

Dear Representative Vincent and Senator Galt:

In accordance with the power vested in me as Governor by the Constitution and laws of the State of Montana, I hereby veto the adoption of House Bill 125, "AN ACT AMENDING PROVISIONS RELATING TO THE PROPERTY TAX FREEZE; PROVIDING AN EXEMPTION FROM THE FREEZE FOR LEVIES FOR ECONOMIC DEVELOPMENT; EXTENDING THE TERMINATION DATE OF THE FREEZE; AMENDING SECTION 15-10-412, MCA, AND SECTION 6, CHAPTER 654, LAWS OF 1987; AND PROVIDING AN EFFECTIVE DATE." for the following reasons.

Initiative 105 provided direction to the Montana Legislature and this Governor about increased reliance on the property tax increases in our state. House Bill 125 erodes that direction of no further property tax increase above the 1986 tax base year.

The economic development levy would become another exception to the desires expressed by the people of this state.

Certainly, economic development efforts, and especially <u>local</u> economic development efforts, are a key component of my philosophy for restoring growth and vitality of Montana's economy. But is the need for this specific spending authority so compelling that we should weaken I-105 and potentially

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The Honorable John Vincent
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increase the tax burden of Montanans? After much thought, I have decided it is not.

I therefore veto House Bill 125.

Sincerely,

STAN STEPHENS
Governor