

HOUSE BILL 435

Introduced by Giacometto, et al.

1/26	Introduced
1/26	Referred to Taxation
2/03	Hearing
3/10	Tabled in Committee

1 *HOUSE* BILL NO. *435*
 2 INTRODUCED BY *James L. Lynch* *Harvey*
 3
 4 A BILL FOR AN ACT ENTITLED: "AN ACT RELATING TO THE
 5 IMPLEMENTATION OF INITIATIVE MEASURE NO. 105; AUTHORIZING
 6 THE ELECTORS OF A COUNTY TO REMOVE PROPERTY TAX LIMITATIONS
 7 IMPOSED BY THE INITIATIVE MEASURE ON TAXING UNITS WITHIN THE
 8 COUNTY; PROVIDING THAT TAXING JURISDICTIONS MAY EXCEED
 9 STATUTORY MILL LEVY LIMITATIONS TO RAISE REVENUE EQUAL TO
 10 1986 REVENUE; CLARIFYING THAT STATE PROPERTY TAX REVENUES
 11 ARE CAPPED AT 1986 LEVELS; AMENDING SECTIONS 15-7-122 AND
 12 15-10-412, MCA; REPEALING SECTION 6, CHAPTER 654, LAWS OF
 13 1987; AND PROVIDING AN IMMEDIATE EFFECTIVE DATE AND A
 14 RETROACTIVE APPLICABILITY DATE."

15
 16 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF MONTANA:

17 NEW SECTION. **Section 1.** Vote by electorate of county
 18 to remove limitations on taxation of property. (1) The
 19 limitations on the taxation of property enacted by
 20 Initiative Measure No. 105 and by Chapter 654, Laws of 1987,
 21 or any other law purporting to implement, clarify,
 22 interpret, or extend that initiative measure, do not apply
 23 to the taxing units within a county, including county
 24 government, if the electors of the county, by a majority of
 25 those voting on the question, approve the removal of such

1 limitations.

2 (2) The removal of property tax limitations pursuant
 3 to subsection (1) does not remove limitations on property
 4 taxation made by:

5 (a) the state of Montana;

6 (b) a multicounty taxing unit, unless the electors of
 7 each affected county have voted to remove property tax
 8 limitations pursuant to subsection (1).

9 (3) Nothing in this section affects limitations on the
 10 taxation of property such as mill levy limitations,
 11 classifications, and other statutory provisions not intended
 12 to implement Initiative Measure No. 105.

13 **Section 2.** Section 15-7-122, MCA, is amended to read:

14 "15-7-122. Temporary authority to exceed mill levy
 15 limitations. Taxing jurisdictions may ~~adopt and~~ levy for a
 16 budget property tax revenue equal to ~~105% of the preceding~~
 17 ~~year's budget~~ 100% of 1986 property tax revenue, statutory
 18 mill levy limitations notwithstanding, unless the taxable
 19 valuation therein of the taxing jurisdiction has increased
 20 to a level which would allow statutory mill levies to
 21 produce ~~a budget property tax revenues greater than or~~ equal
 22 to ~~105% of the preceding--year's--budget~~ that received in
 23 1986."

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

25 "15-10-412. ~~Temporary~~-- Property tax limited to 1986

1 levels -- clarification -- extension to all property
2 classes. Section 15-10-402 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) (a) The limitation on the amount of taxes levied
8 is 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 (b) Any property tax levied by the state is limited to
15 the dollar amount collected by the state for that levy in
16 1986. For the purposes of this section, the state is not a
17 taxing unit.

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

21 (a) annexation of real property and improvements into
22 a taxing unit;

23 (b) construction, expansion, or remodeling of
24 improvements;

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

1 (d) subdivision of real property;

2 (e) reclassification of property;

3 (f) increases in the amount of production or the value
4 of production for property described in 15-6-131 or
5 15-6-132;

6 (g) transfer of property from tax-exempt to taxable
7 status; or

8 (h) revaluations caused by:

9 (i) cyclical reappraisal; or

10 (ii) expansion, addition, replacement, or remodeling of
11 improvements.

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

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

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

19 (c) reclassification of property;

20 (d) increases in the amount of production or the value
21 of production for property described in 15-6-131 or
22 15-6-132;

23 (e) annexation of the individual property into a new
24 taxing unit; or

25 (f) conversion of the individual property from

1 tax-exempt to taxable status.

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

8 (a) new construction;

9 (b) expanded, deleted, replaced, or remodeled
10 improvements;

11 (c) annexed property; or

12 (d) property converted from tax-exempt to taxable
13 status.

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

19 (7) The limitation on the amount of taxes, as
20 clarified in this section, is intended to leave the property
21 appraisal and valuation methodology of the department of
22 revenue intact. Determinations of county classifications,
23 salaries of local government officers, and all other matters
24 in which total taxable valuation is an integral component
25 are not affected by 15-10-401 and 15-10-402 except for the

1 use of taxable valuation in fixing tax levies. In fixing tax
2 levies, the taxing units of local government may anticipate
3 the deficiency in revenues resulting from the tax
4 limitations in 15-10-401 and 15-10-402, while understanding
5 that regardless of the amount of mills levied, a taxpayer's
6 liability may not exceed the dollar amount due in each
7 taxing unit for the 1986 tax year unless the taxing unit's
8 taxable valuation decreases by-5%-or-more from the previous
9 1986 tax year. If a taxing unit's taxable valuation
10 decreases by-5%-or-more-from the previous 1986 tax year, it
11 may levy additional mills to compensate for the decreased
12 taxable valuation, but in no case may the mills levied
13 exceed a number calculated to equal the revenue from
14 property taxes for the 1986 tax year in that taxing unit.

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

19 (a) rural improvement districts;

20 (b) special improvement districts;

21 (c) levies pledged for the repayment of bonded
22 indebtedness, including tax increment bonds;

23 (d) city street maintenance districts;

24 (e) tax increment financing districts;

25 (f) satisfaction of judgments against a taxing unit;

1 (g) electric company street lighting assessments; and
 2 (h) revolving funds to support any categories
 3 specified in this subsection (8).

4 (9) The limitation on the amount of taxes levied does
 5 not apply in a taxing unit if the voters:

6 (a) of a county remove such limitations for taxing
 7 units in the county pursuant to [section 1]; or

8 (b) in the taxing unit approve an increase in tax
 9 liability following a resolution of the governing body of
 10 the taxing unit containing:

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

14 (b)(ii) an explanation of the nature of the financial
 15 emergency;

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

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

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

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

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

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

5 (11) The limitation on the amount of taxes levied by a
 6 taxing jurisdiction subject to a statutory maximum mill levy
 7 does not prevent a taxing jurisdiction from increasing its
 8 number of mills beyond the statutory maximum mill levy to
 9 produce revenue equal to its 1986 revenue. (terminates
 10 December 31, 1989--sec 6, Ch. 654, B-1987-)"

11 NEW SECTION. Section 4. Repealer. Section 6, Chapter
 12 654, Laws of 1987, is repealed.

13 NEW SECTION. Section 5. Extension of authority. Any
 14 existing authority to make rules on the subject of the
 15 provisions of [this act] is extended to the provisions of
 16 [this act].

17 NEW SECTION. Section 6. Effective date -- retroactive
 18 applicability. [This act] is effective on passage and
 19 approval and applies retroactively, within the meaning of
 20 1-2-109, to taxable years beginning after December 31, 1988.

-End-