SENATE BILL 2

Introduced by Crippen

1/02	Introduced
1/02	Referred to Taxation
1/03	Fiscal Note Requested
1/10	Fiscal Note Received
1/11	Hearing
1/11	Fiscal Note Printed
2/17	Committee Report--Bill Passed as Amended
2/20	2nd Reading Passed
2/21	3rd Reading Passed

Transmitted to House

2/22	Referred to Taxation
3/09	Hearing
3/10	Tabled in Committee

SENATE BILL NO. 2

INTRODUCED BY CRIPPEN

BY REQUEST OF THE REVENUE OVERSIGHT COMMITTEE

A BILL FOR AN ACT ENTITLED: "AN ACT TO AMEND THE LAW LIMITING PROPERTY TAXES TO 1986 LEVELS TO ALLOW AN INCREASE IN TAX LIABILITY WHEN THERE IS A DECREASE IN TAXABLE VALUATION FROM THE 1986 TAX YEAR; AMENDING SECTION 15-10-412, MCA; AND PROVIDING AN IMMEDIATE EFFECTIVE DATE."

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

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

INTRODUCED BILL
SB 2

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 the taxing unit's taxable valuation decreases by 5% or more from the ~~previous~~ 1986 tax year. If a taxing unit's taxable valuation decreases by 5% or more from the ~~previous~~ 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.

(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) electric company street lighting assessments; and

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

(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) 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. **Extension of authority.** Any existing authority to make rules on the subject of the provisions of [this act] is extended to the provisions of [this act].

Section 3. **Effective date.** [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 SB002, as introduced

DESCRIPTION OF PROPOSED LEGISLATION:

An act to amend the law limiting property taxes to 1986 levels to allow an increase in tax liability when there is a decrease in taxable valuation from the 1986 tax year; and providing an immediate effective date.

ASSUMPTIONS:

1. The termination date of December 31, 1989 (15-10-142 (10), MCA) will not be in effect.
2. Under the proposal and current law, if the 5% taxable valuation drop criteria (15-10-412, (7), MCA) is met, local jurisdictions, including school districts, will levy mills to equal revenue from property taxes for the 1986 tax year.
3. The limitation on the amount of taxes levied subject to a statutory maximum mill levy does not prevent an increase of mills beyond the statutory maximum mill levy to produce revenue equal to its 1986 revenue.

FISCAL IMPACT:

The bill does not affect taxable valuation, therefore the university levy and school equalization program are not affected.

EFFECT ON COUNTY OR OTHER LOCAL REVENUE OR EXPENDITURES:

Under current law, 22 counties were eligible to levy additional mills due to the drop in taxable valuation from tax year 1987 to 1988 (i.e., these counties had a 5% or greater drop in taxable valuation from 1987 to 1988). Under the proposal, 36 counties would have been eligible to levy additional mills due to the drop in taxable valuation from tax year 1986 to 1988.

Examining the change in taxable valuation from tax year 1987 to 1988, eighteen counties not eligible to levy additional mills under current law would have been able to levy additional mills under the proposal (Carbon, Dawson, Deer Lodge, Fallon, Fergus, Flathead, Glacier, Liberty, Musselshell, Petroleum, Pondera, Powder River, Richland, Roosevelt, Sheridan, Sweet Grass, Toole and Wibaux). Generally, these are counties that experienced a significant (25% or more) drop in taxable valuation since 1986.

Ray Shackleford 1/9/89
RAY SHACKLEFORD, DIRECTOR DATE
Office of Budget and Program Planning

Bruce D. Crippen 1/10/89
BRUCE D. CRIPPEN, PRIMARY SPONSOR DATE

Fiscal Note for SB002, as introduced

SB 2

Examining the change of taxable valuation from tax year 1987 to 1988, four counties eligible to levy additional mills under current law would not have been eligible to levy additional mills under the proposal (Granite, Mineral, Sanders and Wheatland). Each of these counties experienced an increase in taxable valuation from tax year 1986 to 1987.

The effect of the proposal is dependent on future taxable valuations. Analyzing known data available (tax years 1986, 1987 and 1988), if the proposal were in effect, county and local school districts revenues would have increased by $16,500,000 relative to current law. Cities and towns would have seen an increase of $25,000.

TECHNICAL OR MECHANICAL DEFECTS OR CONFLICTS WITH EXISTING LEGISLATION:

The bill does not amend the termination date of December 31, 1989 in 15-10-142 (10), MCA.

The primary emphasis of the bill, changing the criteria for allowing additional mills to be levied from a 5% drop in taxable valuation from the previous year to a 5% drop in taxable valuation from tax year 1986 (15-10-412 (7), MCA) is also encompassed in SB 65. SB 65 does eliminate the termination date of December 31, 1989 in 15-10-412 (10), MCA.

APPROVED BY COMMITTEE
ON TAXATION

SENATE BILL NO. 2

INTRODUCED BY CRIPPEN

BY REQUEST OF THE REVENUE OVERSIGHT COMMITTEE

A BILL FOR AN ACT ENTITLED: "AN ACT TO AMEND THE LAW LIMITING PROPERTY TAXES TO 1986 LEVELS TO ALLOW AN INCREASE IN TAX LIABILITY WHEN THERE IS A DECREASE IN TAXABLE VALUATION FROM THE 1986 TAX YEAR; AMENDING SECTION 15-10-412, MCA; REPEALING SECTION 6, CHAPTER 654, LAWS OF 1987; AND PROVIDING AN IMMEDIATE EFFECTIVE DATE AND A RETROACTIVE APPLICABILITY DATE."

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

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~~ EXCEPT AS PROVIDED IN SUBSECTION (7), 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 SALES ASSESSMENT RATIO STUDIES; or

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

(4) The limitation on the amount of taxes levied does

SECOND READING

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 the taxing unit's taxable valuation decreases by 5% or more from the ~~previous~~ 1986 tax year. If a taxing unit's taxable valuation ~~decreases~~ HAS DECREASED by 5% or more from the ~~previous~~ 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.

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

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

(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) 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.)

NEW SECTION. **SECTION 2.** REPEALER. SECTION 6, CHAPTER 654, LAWS OF 1987, IS REPEALED.

NEW SECTION. **Section 3.** **Extension of authority.** Any existing authority to make rules on the subject of the provisions of [this act] is extended to the provisions of [this act].

NEW SECTION. **Section 4.** **Effective date** -- RETROACTIVE APPLICABILITY. [This act] is effective on passage and approval AND APPLIES RETROACTIVELY, WITHIN THE MEANING OF 1-2-109, TO TAXABLE YEARS BEGINNING AFTER DECEMBER 31, 1988.

-End-

SENATE BILL NO. 2

INTRODUCED BY CRIPPEN

BY REQUEST OF THE REVENUE OVERSIGHT COMMITTEE

A BILL FOR AN ACT ENTITLED: "AN ACT TO AMEND THE LAW LIMITING PROPERTY TAXES TO 1986 LEVELS TO ALLOW AN INCREASE IN TAX LIABILITY WHEN THERE IS A DECREASE IN TAXABLE VALUATION FROM THE 1986 TAX YEAR; AMENDING SECTION 15-10-412, MCA; REPEALING SECTION 6, CHAPTER 654, LAWS OF 1987; AND PROVIDING AN IMMEDIATE EFFECTIVE DATE AND A RETROACTIVE APPLICABILITY DATE."

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

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~~ EXCEPT AS PROVIDED IN SUBSECTION (7), 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 SALES ASSESSMENT RATIO STUDIES; 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 the taxing unit's taxable valuation decreases by 5% or more from the **previous** 1986 tax year. If a taxing unit's taxable valuation **decreases** HAS DECREASED by 5% or more from the **previous** 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.

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

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

(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;

SB 0002/02

(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) 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.)

NEW SECTION. **SECTION 2.** REPEALER. SECTION 6, CHAPTER 654, LAWS OF 1987, IS REPEALED.

NEW SECTION. **Section 3.** Extension of authority. Any existing authority to make rules on the subject of the provisions of [this act] is extended to the provisions of [this act].

NEW SECTION. **Section 4.** Effective date -- RETROACTIVE APPLICABILITY. [This act] is effective on passage and approval AND APPLIES RETROACTIVELY, WITHIN THE MEANING OF 1-2-109, TO TAXABLE YEARS BEGINNING AFTER DECEMBER 31, 1988.

-End-