

SENATE BILL NO. 65
INTRODUCED BY JENKINS

IN THE SENATE

JANUARY 4, 1989	INTRODUCED AND REFERRED TO COMMITTEE ON TAXATION.
	FIRST READING.
FEBRUARY 17, 1989	COMMITTEE RECOMMEND BILL DO PASS AS AMENDED. REPORT ADOPTED.
FEBRUARY 18, 1989	PRINTING REPORT.
FEBRUARY 20, 1989	SECOND READING, DO PASS.
	ENGROSSING REPORT.
FEBRUARY 21, 1989	THIRD READING, PASSED. AYES, 47; NOES, 3.
	TRANSMITTED TO HOUSE.

IN THE HOUSE

FEBRUARY 21, 1989	INTRODUCED AND REFERRED TO COMMITTEE ON TAXATION.
	FIRST READING.
MARCH 11, 1989	COMMITTEE RECOMMEND BILL BE CONCURRED IN AS AMENDED. REPORT ADOPTED.
MARCH 15, 1989	SECOND READING, CONCURRED IN.
MARCH 17, 1989	THIRD READING, CONCURRED IN. AYES, 87; NOES, 6.
	RETURNED TO SENATE WITH AMENDMENTS.

IN THE SENATE

RECEIVED FROM HOUSE.

APRIL 1, 1989

SECOND READING, AMENDMENTS NOT
CONCURRED IN.

APRIL 4, 1989

ON MOTION, FREE CONFERENCE COMMITTEE
REQUESTED AND APPOINTED.

IN THE HOUSE

APRIL 6, 1989

ON MOTION, FREE CONFERENCE COMMITTEE
REQUESTED AND APPOINTED.

IN THE SENATE

APRIL 14, 1989

FREE CONFERENCE COMMITTEE REPORTED.

APRIL 15, 1989

SECOND READING, FREE CONFERENCE
COMMITTEE REPORT ADOPTED.

APRIL 18, 1989

THIRD READING, FREE CONFERENCE
COMMITTEE REPORT ADOPTED.

IN THE HOUSE

APRIL 18, 1989

FREE CONFERENCE COMMITTEE
REPORT ADOPTED.

IN THE SENATE

APRIL 19, 1989

SENT TO ENROLLING.

REPORTED CORRECTLY ENROLLED.

1 *Senately* BILL NO. 65
2 INTRODUCED BY *Senately*
3
4 A BILL FOR AN ACT ENTITLED: "AN ACT REVISING THE PROPERTY
5 TAX FREEZE PROVISIONS BY GRANTING TAXING JURISDICTIONS
6 TEMPORARY AUTHORITY TO EXCEED STATUTORY MILL LEVY
7 LIMITATIONS; SPECIFYING THAT THE 5 PERCENT TAXABLE VALUATION
8 DECREASE PROVISION IS BASED ON A COMPARISON WITH 1986
9 VALUES; REMOVING THE TERMINATION PROVISION OF THE BILL
10 INTERPRETING THE PROPERTY TAX FREEZE; AMENDING SECTIONS
11 15-7-122 AND 15-10-412, MCA; REPEALING SECTION 6, CHAPTER
12 654, LAWS OF 1987; AND PROVIDING AN IMMEDIATE EFFECTIVE DATE
13 AND A RETROACTIVE APPLICABILITY DATE."
14

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

16 **Section 1.** Section 15-7-122, MCA, is amended to read:

17 "15-7-122. Temporary authority to exceed mill levy
18 limitations. Taxing jurisdictions may adopt and levy for a
19 budget equal to ~~105% of the preceding--year's~~ 100% of the
20 1986 budget, statutory mill levy limitations
21 notwithstanding, unless the taxable valuation therein has
22 increased to a level which would allow statutory mill levies
23 to produce a budget equal to ~~105% of the preceding-year's~~
24 100% of the 1986 budget."

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

1 "15-10-412. ~~{Temporary}~~-Property tax limited to 1986
2 levels -- clarification -- extension to all property
3 classes. Section 15-10-402 is interpreted and clarified as
4 follows:

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

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

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

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

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

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

23 (d) subdivision of real property;

24 (e) reclassification of property;

25 (f) increases in the amount of production or the value

1 of production for property described in 15-6-131 or
2 15-6-132;

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

5 (h) revaluations caused by:

6 (i) cyclical reappraisal; or

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

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

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

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

16 (c) reclassification of property;

17 (d) increases in the amount of production or the value
18 of production for property described in 15-6-131 or
19 15-6-132;

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

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

24 (5) Property in classes four, twelve, and fourteen is
25 valued according to the procedures used in 1986, including

1 the designation of 1982 as the base year, until the
2 reappraisal cycle beginning January 1, 1986, is completed
3 and new valuations are placed on the tax rolls and a new
4 base year designated, if the property is:

5 (a) new construction;

6 (b) expanded, deleted, replaced, or remodeled
7 improvements;

8 (c) annexed property; or

9 (d) property converted from tax-exempt to taxable
10 status.

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

16 (7) The limitation on the amount of taxes, as
17 clarified in this section, is intended to leave the property
18 appraisal and valuation methodology of the department of
19 revenue intact. Determinations of county classifications,
20 salaries of local government officers, and all other matters
21 in which total taxable valuation is an integral component
22 are not affected by 15-10-401 and 15-10-402 except for the
23 use of taxable valuation in fixing tax levies. In fixing tax
24 levies, the taxing units of local government may anticipate
25 the deficiency in revenues resulting from the tax

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

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

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

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

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

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

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

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

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

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

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

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

24 (11) The limitation on the amount of taxes levied by a
 25 taxing jurisdiction subject to a statutory maximum mill levy

1 does not prevent a taxing jurisdiction from increasing its
2 number of mills beyond the statutory maximum mill levy to
3 produce revenue equal to its 1986 revenue. †Terminates
4 December-31,-1989--sec:-6,-Ch:-654,-L:-1987-†"

5 NEW SECTION. Section 3. Repealer. Section 6, Chapter
6 654, Laws of 1987, is repealed.

7 NEW SECTION. Section 4. Extension of authority. Any
8 existing authority to make rules on the subject of the
9 provisions of [this act] is extended to the provisions of
10 [this act].

11 NEW SECTION. Section 5. Effective date -- retroactive
12 applicability. [This act] is effective on passage and
13 approval and applies retroactively, within the meaning of
14 1-2-109, to taxable years beginning after December 31, 1988.

-End-

STATE OF MONTANA - FISCAL NOTE

Form BD-15

In compliance with a written request, there is hereby submitted a Fiscal Note for SB065, as introduced.

DESCRIPTION OF PROPOSED LEGISLATION:

An act revising the property tax freeze provisions by granting taxing jurisdictions temporary authority to exceed statutory mill levy limitations; specifying that the 5 percent taxable valuation decrease provision is based on a comparison with 1986 values; removing the termination provision of the bill interpreting the property tax freeze; and providing an immediate effective date and a retroactive applicability date.

ASSUMPTIONS:

1. 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.
2. 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, BUDGET DIRECTOR 1/11/89
DATE


LOREN JENKINS, PRIMARY SPONSOR 1-17-89
DATE

OFFICE OF BUDGET AND PROGRAM PLANNING

Fiscal Note for SB065, as introduced

SB 65

Fiscal Note Request SB065, as introduced

Form BD-15

Page 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 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 2. However, SB 65 eliminates the termination date of December 31, 1989 in 15-10-412 (10), MCA (SB 2 does not).

The bill does not address the status of taxing jurisdictions created after tax year 1986.

SB 65

APPROVED BY COMMITTEE
ON TAXATION

SENATE BILL NO. 65

INTRODUCED BY JENKINS

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

Section 1. ~~Section 15-7-122, MCA, is amended to read:~~

~~"15-7-122. Temporary authority to exceed mill levy limitations. Taxing jurisdictions may adopt and levy for a budget equal to 105% of the preceding year's 100% of the 1986 budget, statutory mill levy limitations notwithstanding, unless the taxable valuation therein has increased to a level which would allow statutory mill levies to produce a budget equal to 105% of the preceding year's 100% of the 1986 budget."~~

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.

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 25 levies, the taxing units of local government may anticipate

1 the deficiency in revenues resulting from the tax
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1 taxing jurisdiction subject to a statutory maximum mill levy
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5 December-31,-1989--sec.-6,-Ch.-654,-B,-1987-}"

6 NEW SECTION. Section 2. Repealer. Section 6, Chapter
7 654, Laws of 1987, is repealed.

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

12 NEW SECTION. SECTION 4. COORDINATION INSTRUCTION. IF
13 15-10-401, 15-10-402, 15-10-411, AND 15-10-412 ARE REPEALED,
14 [THIS ACT] IS VOID.

15 NEW SECTION. Section 5. Effective date -- retroactive
16 applicability. [This act] is effective on passage and
17 approval and applies retroactively, within the meaning of
18 1-2-109, to taxable years beginning after December 31, 1988.

-End-

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provisions of [this act] is extended to the provisions of
[this act].

NEW SECTION. SECTION 4. COORDINATION INSTRUCTION. IF
15-10-401, 15-10-402, 15-10-411, AND 15-10-412 ARE REPEALED,
[THIS ACT] IS VOID.

NEW SECTION. Section 5. 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-

STANDING COMMITTEE REPORT

March 10, 1989
Page 2 of 2

March 10, 1989
Page 1 of 2

Mr. Speaker: We, the committee on Taxation report that SENATE BILL 65 (third reading copy -- blue) be concurred in as amended.

Signed: 
Dan Harrington, Chairman

[REP.  WILL CARRY THIS BILL ON THE HOUSE FLOOR]

And, that such amendments read:

1. Title, line 13.
Strike: "AND"
Insert: ", "
Following: "APPLICABILITY DATE"
Insert: ", AND A DELAYED APPLICABILITY DATE"
2. Page 2, line 10.
Following: "capped"
Insert: "interpreted to mean that the actual tax liability for an individual property is capped"
3. Page 2, line 14.
Following: "unit."
Insert: "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."
4. Page 3, line 6.
Following: "OR"
Insert: "a"
5. Page 3, line 7.
Strike: "STUDIES"
Insert: "study"
6. Page 3, line 14.
Following: "(a)"
Insert: "a revaluation caused by: (i)"

7. Page 3, line 15.
Following: ";"
Insert: "or
(ii) cyclical reappraisal or a sales assessment ratio study;"
8. Page 5, line 24.
Strike: "(g)"
Strike: "street lighting assessments;"
Renumber: subsequent subsection
9. Page 7, line 16.
Following: "applicability"
Insert: "-- delayed applicability"
10. Page 7, line 17.
Following: "applies"
Insert: ": (1)"
11. Page 7, line 18.
Following: "1988"
Insert: ", for the revisions made to [section 1(1)]; and
(2) to taxable years beginning after December 31,
1989, for the revisions made to [section 1(3)(h) and
(4)(a)]"

HOUSE

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SB 65

RT

SENATE BILL NO. 65

INTRODUCED BY JENKINS

A BILL FOR AN ACT ENTITLED: "AN ACT REVISING THE PROPERTY TAX FREEZE PROVISIONS; BY GRANTING TAXING JURISDICTIONS TEMPORARY AUTHORITY TO EXCEED STATUTORY MILL LEVY LIMITATIONS; SPECIFYING THAT THE 5 PERCENT TAXABLE VALUATION DECREASE PROVISION IS BASED ON A COMPARISON WITH 1986 VALUES; REMOVING THE TERMINATION PROVISION OF THE BILL INTERPRETING THE PROPERTY TAX FREEZE; AMENDING SECTIONS 15-7-122 AND SECTION 15-10-412, MCA; REPEALING SECTION 6, CHAPTER 654, LAWS OF 1987; AND PROVIDING AN IMMEDIATE EFFECTIVE DATE, AND A RETROACTIVE APPLICABILITY DATE, AND A DELAYED APPLICABILITY DATE."

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

Section 1. ~~Section 15-7-122, MCA, is amended to read:~~

~~"15-7-122. Temporary authority to exceed mill levy limitations. Taxing jurisdictions may adopt and levy for a budget equal to 105% of the preceding year's 100% of the 1986 budget, statutory mill levy limitations notwithstanding, unless the taxable valuation therein has increased to a level which would allow statutory mill levies to produce a budget equal to 105% of the preceding year's 100% of the 1986 budget."~~

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 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.~~ 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;

1 (b) construction, expansion, or remodeling of
 2 improvements;
 3 (c) transfer of property into a taxing unit;
 4 (d) subdivision of real property;
 5 (e) reclassification of property;
 6 (f) increases in the amount of production or the value
 7 of production for property described in 15-6-131 or
 8 15-6-132;
 9 (g) transfer of property from tax-exempt to taxable
 10 status; or
 11 (h) revaluations caused by:
 12 (i) cyclical reappraisal OR A SALES ASSESSMENT RATIO
 13 STUDIES STUDY; or
 14 (ii) expansion, addition, replacement, or remodeling of
 15 improvements.
 16 (4) The limitation on the amount of taxes levied does
 17 not mean that no further increase may be made in the taxable
 18 valuation or in the actual tax liability on individual
 19 property in each class as a result of:
 20 (a) A REVALUATION CAUSED BY:
 21 (I) construction, expansion, replacement, or
 22 remodeling of improvements that adds value to the property;
 23 OR
 24 (II) CYCLICAL REAPPRAISAL OR A SALES ASSESSMENT RATIO
 25 STUDY;

1 (b) transfer of property into a taxing unit;
 2 (c) reclassification of property;
 3 (d) 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 (e) annexation of the individual property into a new
 7 taxing unit; or
 8 (f) conversion of the individual property from
 9 tax-exempt to taxable status.
 10 (5) Property in classes four, twelve, and fourteen is
 11 valued according to the procedures used in 1986, including
 12 the designation of 1982 as the base year, until the
 13 reappraisal cycle beginning January 1, 1986, is completed
 14 and new valuations are placed on the tax rolls and a new
 15 base year designated, if the property is:
 16 (a) new construction;
 17 (b) expanded, deleted, replaced, or remodeled
 18 improvements;
 19 (c) annexed property; or
 20 (d) property converted from tax-exempt to taxable
 21 status.
 22 (6) Property described in subsections (5)(a) through
 23 (5)(d) that is not class four, class twelve, or class
 24 fourteen property is valued according to the procedures used
 25 in 1986 but is also subject to the dollar cap in each taxing

1 unit based on 1986 mills levied.

2 (7) The limitation on the amount of taxes, as
3 clarified in this section, is intended to leave the property
4 appraisal and valuation methodology of the department of
5 revenue intact. Determinations of county classifications,
6 salaries of local government officers, and all other matters
7 in which total taxable valuation is an integral component
8 are not affected by 15-10-401 and 15-10-402 except for the
9 use of taxable valuation in fixing tax levies. In fixing tax
10 levies, the taxing units of local government may anticipate
11 the deficiency in revenues resulting from the tax
12 limitations in 15-10-401 and 15-10-402, while understanding
13 that regardless of the amount of mills levied, a taxpayer's
14 liability may not exceed the dollar amount due in each
15 taxing unit for the 1986 tax year unless the taxing unit's
16 taxable valuation decreases by 5% or more from the previous
17 1986 tax year. If a taxing unit's taxable valuation
18 decreases by 5% or more from the previous 1986 tax year, it
19 may levy additional mills to compensate for the decreased
20 taxable valuation, but in no case may the mills levied
21 exceed a number calculated to equal the revenue from
22 property taxes for the 1986 tax year in that taxing unit.

23 (8) The limitation on the amount of taxes levied does
24 not apply to the following levy or special assessment
25 categories, whether or not they are based on commitments

1 made before or after approval of 15-10-401 and 15-10-402:

2 (a) rural improvement districts;
3 (b) special improvement districts;
4 (c) levies pledged for the repayment of bonded
5 indebtedness, including tax increment bonds;
6 (d) city street maintenance districts;
7 (e) tax increment financing districts;
8 (f) satisfaction of judgments against a taxing unit;
9 ~~(g) electric company street-lighting assessments;~~ and
10 ~~(h)~~ (G) revolving funds to support any categories
11 specified in this subsection (8).

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

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

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

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

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

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

1 revenue;

2 (f) a summary of the alternatives that the governing

3 body of the taxing unit has considered; and

4 (g) a statement of the need for the increased revenue

5 and how it will be used.

6 (10) The limitation on the amount of taxes levied does

7 not apply to levies required to address the funding of

8 relief of suffering of inhabitants caused by famine,

9 conflagration, or other public calamity.

10 (11) The limitation on the amount of taxes levied by a

11 taxing jurisdiction subject to a statutory maximum mill levy

12 does not prevent a taxing jurisdiction from increasing its

13 number of mills beyond the statutory maximum mill levy to

14 produce revenue equal to its 1986 revenue. (Terminates

15 December-31-1989--sec.-67-eh-654-b-1987.)

16 NEW SECTION. Section 2. Repealer. Section 6, Chapter

17 654, Laws of 1987, is repealed.

18 NEW SECTION. Section 3. Extension of authority. Any

19 existing authority to make rules on the subject of the

20 provisions of [this act] is extended to the provisions of

21 [this act].

22 NEW SECTION. SECTION 4. COORDINATION INSTRUCTION. IF

23 15-10-401, 15-10-402, 15-10-411, AND 15-10-412 ARE REPEALED,

24 [THIS ACT] IS VOID.

25 NEW SECTION. Section 5. Effective date -- retroactive

1 applicability -- DELAYED APPLICABILITY. [This act] is

2 effective on passage and approval and applies:

3 (1) retroactively, within the meaning of 1-2-109, to

4 taxable years beginning after December 31, 1988, FOR THE

5 REVISIONS MADE TO [SECTION 1(1)]; AND

6 (2) TO TAXABLE YEARS BEGINNING AFTER DECEMBER 31,

7 1989, FOR THE REVISIONS MADE TO [SECTION 1(3)(H) AND

8 (4)(A)].

-End-

Free Conference Committee Report
on SB 65
Report No. 1, April 12, 1989

Mr President and Mr. Speaker:

We, your Free Conference Committee on SB 65 met and considered:

The House Committee on Taxation amendments to SB 65 (third reading copy -- blue) dated March 10, 1989.

We recommend that SB 65 (reference copy -- salmon) be amended as follows:

1. Page 2, line 20.

Following: "UNIT"

Insert: "except in a taxing unit that levied a tax in tax years 1983 through 1985 but did not levy a tax in 1986, in which case the actual tax liability for an individual property is capped at the dollar amount due in that taxing unit for the 1985 tax year"

2. Page 6, line 9.

Following: "~~assessments,~~"

Insert: "(g) street lighting assessments;"

Renumber: subsequent subsection

3. Page 8, line 5.

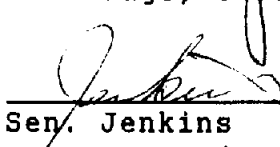
Strike: "[SECTION 1(1)]"

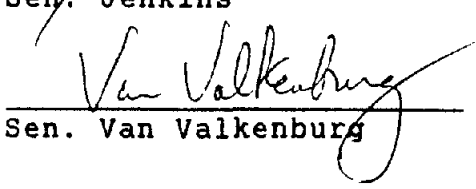
Insert: "[section 1(7)]"

And that this Conference Committee Report be adopted.

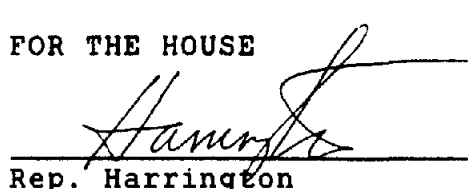
FOR THE SENATE

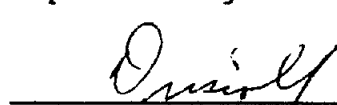

Sen. Gage, Chairman


Sen. Jenkins


Sen. Van Valkenburg

FOR THE HOUSE


Rep. Harrington


Rep. Driscoll


Rep. Hoffman

ADOPT

REJECT

SB 65

SENATE BILL NO. 65

INTRODUCED BY JENKINS

A BILL FOR AN ACT ENTITLED: "AN ACT REVISING THE PROPERTY TAX FREEZE PROVISIONS; BY GRANTING TAXING JURISDICTIONS TEMPORARY AUTHORITY TO EXCEED STATUTORY MILL LEVY LIMITATIONS; SPECIFYING THAT THE 5 PERCENT TAXABLE VALUATION DECREASE PROVISION IS BASED ON A COMPARISON WITH 1986 VALUES; REMOVING THE TERMINATION PROVISION OF THE BILL INTERPRETING THE PROPERTY TAX FREEZE; AMENDING SECTIONS 15-7-122 AND SECTION 15-10-412, MCA; REPEALING SECTION 6, CHAPTER 654, LAWS OF 1987; AND PROVIDING AN IMMEDIATE EFFECTIVE DATE, AND A RETROACTIVE APPLICABILITY DATE, AND A DELAYED APPLICABILITY DATE."

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

Section 1. ~~Section 15-7-122, MCA, is amended to read:~~

~~"15-7-122. Temporary authority to exceed mill levy limitations. Taxing jurisdictions may adopt and levy for a budget equal to 105% of the preceding year's 100% of the 1986 budget, statutory mill levy limitations notwithstanding, unless the taxable valuation therein has increased to a level which would allow statutory mill levies to produce a budget equal to 105% of the preceding year's 100% of the 1986 budget."~~

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~~ 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.~~ IN TAX YEARS THEREAFTER, THE PROPERTY MUST BE TAXED IN EACH TAXING UNIT AT THE 1986 CAP OR THE PRODUCT OF THE TAXABLE VALUE AND MILLS LEVIED, WHICHEVER IS LESS FOR EACH TAXING UNIT EXCEPT, IN A TAXING UNIT THAT LEVIED A TAX IN TAX YEARS 1983 THROUGH 1985 BUT DID NOT LEVY A TAX IN 1986, IN WHICH CASE THE ACTUAL TAX LIABILITY FOR AN INDIVIDUAL PROPERTY IS CAPPED AT THE DOLLAR AMOUNT DUE IN THAT TAXING UNIT FOR THE 1985 TAX YEAR.

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

1 not mean that no further increase may be made in the total
2 taxable valuation of a taxing unit as a result of:

3 (a) annexation of real property and improvements into
4 a taxing unit;

5 (b) construction, expansion, or remodeling of
6 improvements;

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

8 (d) subdivision of real property;

9 (e) reclassification of property;

10 (f) increases in the amount of production or the value
11 of production for property described in 15-6-131 or
12 15-6-132;

13 (g) transfer of property from tax-exempt to taxable
14 status; or

15 (h) revaluations caused by:

16 (i) cyclical reappraisal OR A SALES ASSESSMENT RATIO
17 STUDIES STUDY; or

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

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

24 (a) A REVALUATION CAUSED BY:

25 (I) construction, expansion, replacement, or

1 remodeling of improvements that adds value to the property;

2 OR

3 (II) CYCLICAL REAPPRAISAL OR A SALES ASSESSMENT RATIO
4 STUDY;

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

6 (c) reclassification of property;

7 (d) increases in the amount of production or the value
8 of production for property described in 15-6-131 or
9 15-6-132;

10 (e) annexation of the individual property into a new
11 taxing unit; or

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

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

20 (a) new construction;

21 (b) expanded, deleted, replaced, or remodeled
22 improvements;

23 (c) annexed property; or

24 (d) property converted from tax-exempt to taxable
25 status.

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

6 (7) The limitation on the amount of taxes, as
7 clarified in this section, is intended to leave the property
8 appraisal and valuation methodology of the department of
9 revenue intact. Determinations of county classifications,
10 salaries of local government officers, and all other matters
11 in which total taxable valuation is an integral component
12 are not affected by 15-10-401 and 15-10-402 except for the
13 use of taxable valuation in fixing tax levies. In fixing tax
14 levies, the taxing units of local government may anticipate
15 the deficiency in revenues resulting from the tax
16 limitations in 15-10-401 and 15-10-402, while understanding
17 that regardless of the amount of mills levied, a taxpayer's
18 liability may not exceed the dollar amount due in each
19 taxing unit for the 1986 tax year unless the taxing unit's
20 taxable valuation decreases by 5% or more from the previous
21 1986 tax year. If a taxing unit's taxable valuation
22 decreases by 5% or more from the previous 1986 tax year, it
23 may levy additional mills to compensate for the decreased
24 taxable valuation, but in no case may the mills levied
25 exceed a number calculated to equal the revenue from

1 property taxes for the 1986 tax year in that taxing unit.

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

- 6 (a) rural improvement districts;
- 7 (b) special improvement districts;
- 8 (c) levies pledged for the repayment of bonded
- 9 indebtedness, including tax increment bonds;
- 10 (d) city street maintenance districts;
- 11 (e) tax increment financing districts;
- 12 (f) satisfaction of judgments against a taxing unit;
- 13 ~~(g) electric--company street-lighting-assessments,~~
- 14 STREET LIGHTING ASSESSMENTS; and

15 ~~(h) (6) (H)~~ revolving funds to support any categories
16 specified in this subsection (8).

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

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

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

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

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

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

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

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

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

15 (11) The limitation on the amount of taxes levied by a
16 taxing jurisdiction subject to a statutory maximum mill levy
17 does not prevent a taxing jurisdiction from increasing its
18 number of mills beyond the statutory maximum mill levy to
19 produce revenue equal to its 1986 revenue. {Terminates
20 December-31-1989--sec-67-Ch-6547-E-1987-}"

21 NEW SECTION. Section 2. Repealer. Section 6, Chapter
22 654, Laws of 1987, is repealed.

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

1 [this act].

2 NEW SECTION. SECTION 4. COORDINATION INSTRUCTION. IF
3 15-10-401, 15-10-402, 15-10-411, AND 15-10-412 ARE REPEALED,
4 [THIS ACT] IS VOID.

5 NEW SECTION. Section 5. Effective date -- retroactive
6 applicability -- DELAYED APPLICABILITY. [This act] is
7 effective on passage and approval and applies:

8 (1) retroactively, within the meaning of 1-2-109, to
9 taxable years beginning after December 31, 1988, FOR THE
10 REVISIONS MADE TO {SECTION-1(1)} [SECTION 1(7)]; AND

11 (2) TO TAXABLE YEARS BEGINNING AFTER DECEMBER 31,
12 1989, FOR THE REVISIONS MADE TO [SECTION 1(3)(H) AND
13 (4)(A)].

-End-