

HOUSE BILL NO. 23
INTRODUCED BY REAM, CRIPPEN

IN THE HOUSE

JUNE 20, 1989 INTRODUCED AND REFERRED TO COMMITTEE
 ON TAXATION.

 FIRST READING.

JUNE 22, 1989 COMMITTEE RECOMMEND BILL
 DO PASS AS AMENDED. REPORT ADOPTED.

JUNE 23, 1989 PRINTING REPORT.

JUNE 24, 1989 SECOND READING, DO PASS.

JUNE 26, 1989 ENGROSSING REPORT.

JUNE 27, 1989 THIRD READING, PASSED.
 AYES, 73; NOES, 25.

 TRANSMITTED TO SENATE.

IN THE SENATE

JUNE 28, 1989 INTRODUCED AND REFERRED TO COMMITTEE
 ON TAXATION.

 FIRST READING.

JULY 1, 1989 COMMITTEE RECOMMEND BILL BE
 CONCURRED IN. REPORT ADOPTED.

 SECOND READING, CONCURRED IN.

 THIRD READING, CONCURRED IN.
 AYES, 47; NOES, 2.

 RETURNED TO HOUSE.

IN THE HOUSE

RECEIVED FROM SENATE.

SENT TO ENROLLING.

REPORTED CORRECTLY ENROLLED.

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House BILL NO. 23
Ream

INTRODUCED BY
A BILL FOR AN ACT ENTITLED: "AN ACT TO EXEMPT ECONOMIC DEVELOPMENT LEVIES FROM THE PROPERTY TAX FREEZE; 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. 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, except as otherwise provided in this section, 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, except in a taxing unit that levied a tax in tax years 1983 through 1985 but



1 did not levy a tax in 1986, in which case the actual tax
2 liability for an individual property is capped at the dollar
3 amount due in that taxing unit for the 1985 tax year.
4 (3) The limitation on the amount of taxes levied does
5 not mean that no further increase may be made in the total
6 taxable valuation of a taxing unit as a result of:
7 (a) annexation of real property and improvements into
8 a taxing unit;
9 (b) construction, expansion, or remodeling of
10 improvements;
11 (c) transfer of property into a taxing unit;
12 (d) subdivision of real property;
13 (e) reclassification of property;
14 (f) increases in the amount of production or the value
15 of production for property described in 15-6-131 or
16 15-6-132;
17 (g) transfer of property from tax-exempt to taxable
18 status;
19 (h) revaluations caused by:
20 (i) cyclical reappraisal; or
21 (ii) expansion, addition, replacement, or remodeling of
22 improvements; or
23 (i) increases in property valuation pursuant to
24 15-7-111(4) through (8) in order to equalize property values
25 annually.

INTRODUCED BILL

HB 23

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

5 (a) a revaluation caused by:
6 (i) construction, expansion, replacement, or
7 remodeling of improvements that adds value to the property;
8 or

9 (ii) cyclical reappraisal;
10 (b) transfer of property into a taxing unit;
11 (c) reclassification of property;
12 (d) increases in the amount of production or the value
13 of production for property described in 15-6-131 or
14 15-6-132;

15 (e) annexation of the individual property into a new
16 taxing unit;

17 (f) conversion of the individual property from
18 tax-exempt to taxable status; or

19 (g) increases in property valuation pursuant to
20 15-7-111(4) through (8) in order to equalize property values
21 annually.

22 (5) Property in classes four, twelve, and fourteen is
23 valued according to the procedures used in 1986, including
24 the designation of 1982 as the base year, until the
25 reappraisal cycle beginning January 1, 1986, is completed

1 and new valuations are placed on the tax rolls and a new
2 base year designated, if the property is:

3 (a) new construction;
4 (b) expanded, deleted, replaced, or remodeled
5 improvements;

6 (c) annexed property; or
7 (d) property converted from tax-exempt to taxable
8 status.

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

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

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

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

- 14 (a) rural improvement districts;
- 15 (b) special improvement districts;
- 16 (c) levies pledged for the repayment of bonded
 17 indebtedness, including tax increment bonds;
- 18 (d) city street maintenance districts;
- 19 (e) tax increment financing districts;
- 20 (f) satisfaction of judgments against a taxing unit;
- 21 (g) street lighting assessments; and
- 22 (h) revolving funds to support any categories
 23 specified in this subsection (8); and
- 24 (i) levies for economic development authorized by
 25 90-5-112.

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

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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.

4 (12) The limitation on the amount of taxes levied does
5 not apply to a levy increase to repay taxes paid under
6 protest in accordance with 15-1-402."

7 NEW SECTION. **Section 2.** Effective date. [This act] is
8 effective on passage and approval.

-End-

APPROVED BY COMMITTEE
ON TAXATION

HOUSE BILL NO. 23

INTRODUCED BY REAM, CRIPPEN

A BILL FOR AN ACT ENTITLED: "AN ACT TO EXEMPT ECONOMIC DEVELOPMENT LEVIES FROM THE PROPERTY TAX FREEZE IF THE AUTHORIZATION FOR THE LEVY OCCURRED PRIOR TO DECEMBER 31, 1990; AMENDING SECTION SECTIONS 15-10-412 AND 90-5-112, 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. 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, except as otherwise provided in this section, 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, 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 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;

(h) revaluations caused by:

(i) cyclical reappraisal; or

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

(i) increases in property valuation pursuant to 15-7-111(4) through (8) in order to equalize property values

1 annually.

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

3 not mean that no further increase may be made in the taxable

4 valuation or in the actual tax liability on individual

5 property in each class as a result of:

6 (a) a revaluation caused by:

7 (i) construction, expansion, replacement, or

8 remodeling of improvements that adds value to the property;

9 or

10 (ii) cyclical reappraisal;

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

12 (c) reclassification of property;

13 (d) increases in the amount of production or the value

14 of production for property described in 15-6-131 or

15 15-6-132;

16 (e) annexation of the individual property into a new

17 taxing unit;

18 (f) conversion of the individual property from

19 tax-exempt to taxable status; or

20 (g) increases in property valuation pursuant to

21 15-7-111(4) through (8) in order to equalize property values

22 annually.

23 (5) Property in classes four, twelve, and fourteen is

24 valued according to the procedures used in 1986, including

25 the designation of 1982 as the base year, until the

1 reappraisal cycle beginning January 1, 1986, is completed

2 and new valuations are placed on the tax rolls and a new

3 base year designated, if the property is:

4 (a) new construction;

5 (b) expanded, deleted, replaced, or remodeled

6 improvements;

7 (c) annexed property; or

8 (d) property converted from tax-exempt to taxable

9 status.

10 (6) Property described in subsections (5)(a) through

11 (5)(d) that is not class four, class twelve, or class

12 fourteen property is valued according to the procedures used

13 in 1986 but is also subject to the dollar cap in each taxing

14 unit based on 1986 mills levied.

15 (7) The limitation on the amount of taxes, as

16 clarified in this section, is intended to leave the property

17 appraisal and valuation methodology of the department of

18 revenue intact. Determinations of county classifications,

19 salaries of local government officers, and all other matters

20 in which total taxable valuation is an integral component

21 are not affected by 15-10-401 and 15-10-402 except for the

22 use of taxable valuation in fixing tax levies. In fixing tax

23 levies, the taxing units of local government may anticipate

24 the deficiency in revenues resulting from the tax

25 limitations in 15-10-401 and 15-10-402, while understanding

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

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

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

1 90-5-112 PURSUANT TO 90-5-112(4).

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

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

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

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

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

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

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

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

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

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

1 taxing jurisdiction subject to a statutory maximum mill levy
 2 does not prevent a taxing jurisdiction from increasing its
 3 number of mills beyond the statutory maximum mill levy to
 4 produce revenue equal to its 1986 revenue.

5 (12) The limitation on the amount of taxes levied does
 6 not apply to a levy increase to repay taxes paid under
 7 protest in accordance with 15-1-402."

8 **SECTION 2.** SECTION 90-5-112, MCA, IS AMENDED TO READ:

9 "90-5-112. Economic development levy. (1) Upon an
 10 affirmative vote of a majority of the qualified voters
 11 voting in a city, county, or town on the question of whether
 12 the governing body may levy a tax for economic development,
 13 the governing body of that city, county, or town is
 14 authorized to levy in any one election up to 1 mill upon the
 15 taxable value of all the property in the county, city, or
 16 town subject to taxation for the purpose of economic
 17 development for a period not to exceed 5 years.

18 (2) Funds derived from this levy may be used for
 19 purchasing land for industrial parks, constructing buildings
 20 to house manufacturing and processing operations, conducting
 21 preliminary feasibility studies, promoting economic
 22 development opportunities in a particular area, and other
 23 activities generally associated with economic development.
 24 These funds may not be used to directly assist an industry's
 25 operations by loan or grant or to pay the salary or salary

1 supplements of government employees.

2 (3) The governing body of the county, city, or town
 3 may use the funds derived from this levy to contract with
 4 local development companies and other associations or
 5 organizations capable of implementing the economic
 6 development function.

7 (4) The authorization to levy up to 1 mill for the
 8 purpose of economic development, as provided in subsection
 9 (1), is not subject to the provisions of Title 15, chapter
 10 10, part 4, if voter authorization for the levy occurred
 11 prior to December 31, 1990."

12 **NEW SECTION.** Section 3. Effective date. [This act] is
 13 effective on passage and approval.

-End-

HOUSE BILL NO. 23

INTRODUCED BY REAM, CRIPPEN

A BILL FOR AN ACT ENTITLED: "AN ACT TO EXEMPT ECONOMIC DEVELOPMENT LEVIES FROM THE PROPERTY TAX FREEZE IF THE AUTHORIZATION FOR THE LEVY OCCURRED PRIOR TO DECEMBER 31, 1990; AMENDING SECTION SECTIONS 15-10-412 AND 90-5-112, MCA; AND PROVIDING AN IMMEDIATE EFFECTIVE DATE."

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(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, except as otherwise provided in this section, 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, 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 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;

(h) revaluations caused by:

(i) cyclical reappraisal; or

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

(i) increases in property valuation pursuant to 15-7-111(4) through (8) in order to equalize property values

1 annually.

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

6 (a) a revaluation caused by:

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8 remodeling of improvements that adds value to the property;
9 or

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

16 (e) annexation of the individual property into a new
17 taxing unit;

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19 tax-exempt to taxable status; or

20 (g) increases in property valuation pursuant to
21 15-7-111(4) through (8) in order to equalize property values
22 annually.

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

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

4 (a) new construction;

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

7 (c) annexed property; or

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

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

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

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

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

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

1 90-5-112 PURSUANT TO 90-5-112(4).

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

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

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

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

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

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

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

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

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

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

1 taxing jurisdiction subject to a statutory maximum mill levy
 2 does not prevent a taxing jurisdiction from increasing its
 3 number of mills beyond the statutory maximum mill levy to
 4 produce revenue equal to its 1986 revenue.

5 (12) The limitation on the amount of taxes levied does
 6 not apply to a levy increase to repay taxes paid under
 7 protest in accordance with 15-1-402."

8 **SECTION 2. SECTION 90-5-112, MCA, IS AMENDED TO READ:**

9 **"90-5-112. Economic development levy.** (1) Upon an
 10 affirmative vote of a majority of the qualified voters
 11 voting in a city, county, or town on the question of whether
 12 the governing body may levy a tax for economic development,
 13 the governing body of that city, county, or town is
 14 authorized to levy in any one election up to 1 mill upon the
 15 taxable value of all the property in the county, city, or
 16 town subject to taxation for the purpose of economic
 17 development for a period not to exceed 5 years.

18 (2) Funds derived from this levy may be used for
 19 purchasing land for industrial parks, constructing buildings
 20 to house manufacturing and processing operations, conducting
 21 preliminary feasibility studies, promoting economic
 22 development opportunities in a particular area, and other
 23 activities generally associated with economic development.
 24 These funds may not be used to directly assist an industry's
 25 operations by loan or grant or to pay the salary or salary

1 supplements of government employees.

2 (3) The governing body of the county, city, or town
 3 may use the funds derived from this levy to contract with
 4 local development companies and other associations or
 5 organizations capable of implementing the economic
 6 development function.

7 **(4) The authorization to levy up to 1 mill for the**
 8 **purpose of economic development, as provided in subsection**
 9 **(1), is not subject to the provisions of Title 15, chapter**
 10 **10, part 4, if voter authorization for the levy occurred**
 11 **prior to December 31, 1990."**

12 **NEW SECTION. Section 3. Effective date.** [This act] is
 13 effective on passage and approval.

-End-

HOUSE BILL NO. 23

INTRODUCED BY REAM, CRIPPEN

A BILL FOR AN ACT ENTITLED: "AN ACT TO EXEMPT ECONOMIC DEVELOPMENT LEVIES FROM THE PROPERTY TAX FREEZE IF THE AUTHORIZATION FOR THE LEVY OCCURRED PRIOR TO DECEMBER 31, 1990; AMENDING SECTION SECTIONS 15-10-412 AND 90-5-112, MCA; AND PROVIDING AN IMMEDIATE EFFECTIVE DATE."

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

"15-10-412. 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, except as otherwise provided in this section, 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, 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 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;

(h) revaluations caused by:

(i) cyclical reappraisal; or

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

(i) increases in property valuation pursuant to 15-7-111(4) through (8) in order to equalize property values

1 annually.

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

3 not mean that no further increase may be made in the taxable

4 valuation or in the actual tax liability on individual

5 property in each class as a result of:

6 (a) a revaluation caused by:

7 (i) construction, expansion, replacement, or

8 remodeling of improvements that adds value to the property;

9 or

10 (ii) cyclical reappraisal;

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

12 (c) reclassification of property;

13 (d) increases in the amount of production or the value

14 of production for property described in 15-6-131 or

15 15-6-132;

16 (e) annexation of the individual property into a new

17 taxing unit;

18 (f) conversion of the individual property from

19 tax-exempt to taxable status; or

20 (g) increases in property valuation pursuant to

21 15-7-111(4) through (8) in order to equalize property values

22 annually.

23 (5) Property in classes four, twelve, and fourteen is

24 valued according to the procedures used in 1986, including

25 the designation of 1982 as the base year, until the

1 reappraisal cycle beginning January 1, 1986, is completed

2 and new valuations are placed on the tax rolls and a new

3 base year designated, if the property is:

4 (a) new construction;

5 (b) expanded, deleted, replaced, or remodeled

6 improvements;

7 (c) annexed property; or

8 (d) property converted from tax-exempt to taxable

9 status.

10 (6) Property described in subsections (5)(a) through

11 (5)(d) that is not class four, class twelve, or class

12 fourteen property is valued according to the procedures used

13 in 1986 but is also subject to the dollar cap in each taxing

14 unit based on 1986 mills levied.

15 (7) The limitation on the amount of taxes, as

16 clarified in this section, is intended to leave the property

17 appraisal and valuation methodology of the department of

18 revenue intact. Determinations of county classifications,

19 salaries of local government officers, and all other matters

20 in which total taxable valuation is an integral component

21 are not affected by 15-10-401 and 15-10-402 except for the

22 use of taxable valuation in fixing tax levies. In fixing tax

23 levies, the taxing units of local government may anticipate

24 the deficiency in revenues resulting from the tax

25 limitations in 15-10-401 and 15-10-402, while understanding

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

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

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

1 90-5-112 PURSUANT TO 90-5-112(4).

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

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

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

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

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

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

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

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

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

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

1 taxing jurisdiction subject to a statutory maximum mill levy
 2 does not prevent a taxing jurisdiction from increasing its
 3 number of mills beyond the statutory maximum mill levy to
 4 produce revenue equal to its 1986 revenue.

5 (12) The limitation on the amount of taxes levied does
 6 not apply to a levy increase to repay taxes paid under
 7 protest in accordance with 15-1-402."

8 **SECTION 2. SECTION 90-5-112, MCA, IS AMENDED TO READ:**

9 **"90-5-112. Economic development levy.** (1) Upon an
 10 affirmative vote of a majority of the qualified voters
 11 voting in a city, county, or town on the question of whether
 12 the governing body may levy a tax for economic development,
 13 the governing body of that city, county, or town is
 14 authorized to levy in any one election up to 1 mill upon the
 15 taxable value of all the property in the county, city, or
 16 town subject to taxation for the purpose of economic
 17 development for a period not to exceed 5 years.

18 (2) Funds derived from this levy may be used for
 19 purchasing land for industrial parks, constructing buildings
 20 to house manufacturing and processing operations, conducting
 21 preliminary feasibility studies, promoting economic
 22 development opportunities in a particular area, and other
 23 activities generally associated with economic development.
 24 These funds may not be used to directly assist an industry's
 25 operations by loan or grant or to pay the salary or salary

1 supplements of government employees.

2 (3) The governing body of the county, city, or town
 3 may use the funds derived from this levy to contract with
 4 local development companies and other associations or
 5 organizations capable of implementing the economic
 6 development function.

7 (4) The authorization to levy up to 1 mill for the
 8 purpose of economic development, as provided in subsection
 9 (1), is not subject to the provisions of Title 15, chapter
 10 10, part 4, if voter authorization for the levy occurred
 11 prior to December 31, 1990."

12 **NEW SECTION. Section 3. Effective date.** [This act] is
 13 effective on passage and approval.

-End-