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, 1989COMMITTEE 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.
 - THIRD READING, PASSED. AYES, 73; NOES, 25.
 - TRANSMITTED TO SENATE.

IN THE SENATE

JUNE 28, 1989

JULY 1, 1989

JUNE 27, 1989

INTRODUCED AND REFERRED TO COMMITTEE ON TAXATION.

FIRST READING.

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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fau SE BILL NO. 1 INTRODUCED BY 2 3 A BILL FOR AN ACT ENTITLED: "AN ACT TO EXEMPT ECONOMIC 4 5 DEVELOPMENT LEVIES FROM THE PROPERTY TAX FREEZE: AMENDING SECTION 15-10-412, MCA; AND PROVIDING AN IMMEDIATE EFFECTIVE 6 7 DATE." 8 9 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF MONTANA: Section 1. Section 15-10-412, MCA, is amended to read: 10 "15-10-412. Property tax limited to 1986 levels --11 12 clarification -- extension to all property classes. Section 13 15-10-402 is interpreted and clarified as follows: (1) The limitation to 1986 levels is extended to apply 14 15 to all classes of property described in Title 15, chapter 6, 16 part 1. 17 (2) The limitation on the amount of taxes levied is 18 interpreted to mean that, except as otherwise provided in 19 this section, the actual tax liability for an individual 20 property is capped at the dollar amount due in each taxing 21 unit for the 1986 tax year. In tax years thereafter, the 22 property must be taxed in each taxing unit at the 1986 cap 23 or the product of the taxable value and mills levied, 24 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 1 liability for an individual property is capped at the dollar 2 3 amount due in that taxing unit for the 1985 tax year. (3) The limitation on the amount of taxes levied does 4 not mean that no further increase may be made in the total 5 6 taxable valuation of a taxing unit as a result of: 7 (a) annexation of real property and improvements into я 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 of production for property described in 15-6-131 or 15 16 15-6-132; 17 (g) transfer of property from tax-exempt to taxable 18 status: (h) revaluations caused by: 19 20 (i) cyclical reappraisal; or 21 (ii) expansion, addition, replacement, or remodeling of 22 improvements; or (i) increases in property valuation pursuant to 23 24 15-7-111(4) through (8) in order to equalize property values

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(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:

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;

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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.

(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

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

(a) new construction;

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

(c) annexed property; or

7 (d) property converted from tax-exempt to taxable8 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 that regardless of the amount of mills levied, a taxpayer's 25

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liability may not exceed the dollar amount due in each 1 taxing unit for the 1986 tax year unless the taxing unit's 2 taxable valuation decreases by 5% or more from the 1986 tax 3 year. If a taxing unit's taxable valuation decreases by 5% 4 or more from the 1986 tax year, it may levy additional mills -5 to compensate for the decreased taxable valuation, but in no 6 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 bonded17 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 not apply in a taxing unit if the voters in the taxing unit 2 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 and 15-10-402; 7 (b) an explanation of the nature of the financial 8 9 emergency; 10 (c) an estimate of the amount of funding shortfall . expected by the taxing unit; 11 12 (d) a statement that applicable fund balances are or 13 by the end of the fiscal year will be depleted; (e) a finding that there are no alternative sources of 14 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. (10) The limitation on the amount of taxes levied does 20 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.

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

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does not prevent a taxing jurisdiction from increasing its
 number of mills beyond the statutory maximum mill levy to
 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-

HB 0023/02

on 6/89

APPROVED BY COMMITTEE ON TAXATION

1 HOUSE BILL NO. 23 2 INTRODUCED BY REAM, CRIPPEN 3 "AN ACT TO EXEMPT ECONOMIC A BILL FOR AN ACT ENTITLED: 4 DEVELOPMENT LEVIES FROM THE PROPERTY TAX FREEZE IF THE 5 6 AUTHORIZATION FOR THE LEVY OCCURRED PRIOR TO DECEMBER 31, AMENDING SECTIONS 15-10-412 AND 90-5-112, 7 1990; MCA: AND PROVIDING AN IMMEDIATE EFFECTIVE DATE." 8

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10 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:

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

(2) The limitation on the amount of taxes levied is 18 19 interpreted to mean that, except as otherwise provided in this section, the actual tax liability for an individual 20 property is capped at the dollar amount due in each taxing 21 22 unit for the 1986 tax year. In tax years thereafter, the 23 property must be taxed in each taxing unit at the 1986 cap 24 or the product of the taxable value and mills levied, 25 whichever is less for each taxing unit, except in a taxing

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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.

5 (3) The limitation on the amount of taxes levied does 6 not mean that no further increase may be made in the total 7 taxable valuation of a taxing unit as a result of:

8 (a) annexation of real property and improvements into
9 a taxing unit;

10 (b) construction, expansion, or remodeling of 11 improvements;

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

13 (d) subdivision of real property;

14 (e) reclassification of property;

15 (f) increases in the amount of production or the value 16 of production for property described in 15-6-131 or 17 15-6-132;

18 (g) transfer of property from tax-exempt to taxable 19 status;

20 (h) revaluations caused by:

21 (i) cyclical reappraisal; or

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

24 (i) increases in property valuation pursuant to
25 15-7-111(4) through (8) in order to equalize property values

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1 annually. 1 2 (4) The limitation on the amount of taxes levied does 2 3 not mean that no further increase may be made in the taxable 3 4 valuation or in the actual tax liability on individual 4 5 property in each class as a result of: 5 б (a) a revaluation caused by: 6 improvements; 7 (i) construction. expansion, replacement, OT 7 8 remodeling of improvements that adds value to the property; 8 9 or 9 status. 10 (ii) cyclical reappraisal; 10 11 (b) transfer of property into a taxing unit; 11 12 (c) reclassification of property; 12 13 (d) increases in the amount of production or the value 13 14 production for property described in 15-6-131 or of 14 15 15-6-132; 15 16 (e) annexation of the individual property into a new 16 17 taxing unit; 17 18 (f) conversion of the individual property from 18 19 tax-exempt to taxable status; or 19 20 (g) increases in property valuation pursuant to 20 21 15-7-111(4) through (8) in order to equalize property values 21 22 annually. 22 23 (5) Property in classes four, twelve, and fourteen is 23 24 valued according to the procedures used in 1986, including 24 25 the designation of 1982 as the base year, until the 25 -3-HB 23

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;

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(b) expanded, deleted, replaced, or remodeled

(c) annexed property; or

property converted from tax-exempt to taxable

(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, aş 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

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1	that regardless of the amount of mills levied, a taxpayer's	1 90-5-112 PURSUANT TO 90-5-112(4).	
2	liability may not exceed the dollar amount due in each	2 (9) The limitation on the amount of taxes levie	ed does
3	taxing unit for the 1986 tax year unless the taxing unit's	3 not apply in a taxing unit if the voters in the tax:	ing unit
4	taxable valuation decreases by 5% or more from the 1986 tax	4 approve an increase in tax liability following a res	solution
5	year. If a taxing unit's taxable valuation decreases by 5%	5 of the governing body of the taxing unit containing:	
6	or more from the 1986 tax year, it may levy additional mills	6 (a) a finding that there are insufficient :	funds to
7	to compensate for the decreased taxable valuation, but in no	7 adequately operate the taxing unit as a result of 1	5-10-401
8	case may the mills levied exceed a number calculated to	8 and 15-10-402;	
9	equal the revenue from property taxes for the 1986 tax year	9 (b) an explanation of the nature of the f	inancial
10	in that taxing unit.	10 emergency;	
11	(8) The limitation on the amount of taxes levied does	11 (c) an estimate of the amount of funding s	hortfall
12	not apply to the following levy or special assessment	<pre>12 expected by the taxing unit;</pre>	
13	categories, whether or not they are based on commitments	13 (d) a statement that applicable fund balance	s are or
14	made before or after approval of 15-10-401 and 15-10-402:	14 by the end of the fiscal year will be depleted;	
15	(a) rural improvement districts;	15 (e) a finding that there are no alternative so	ources of
16	(b) special improvement districts;	16 revenue;	
17	(c) levies pledged for the repayment of bonded	17 (f) a summary of the alternatives that the g	joverning
18	indebtedness, including tax increment bonds;	18 body of the taxing unit has considered; and	
19	(d) city street maintenance districts;	19 (g) a statement of the need for the increased	i revenue
20	(e) tax increment financing districts;	20 and how it will be used.	
21	(f) satisfaction of judgments against a taxing unit;	21 (10) The limitation on the amount of taxes levi	ied does
22	(g) street lighting assessments; and	22 not apply to levies required to address the fu	unding of
23	(h) revolving funds to support any categories	23 relief of suffering of inhabitants caused by	famine,
24	specified in this subsection (8); and	24 conflagration, or other public calamity.	
25	(i) levies for economic development authorized by	25 (11) The limitation on the amount of taxes lev	vied by a
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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."

SECTION 2. SECTION 90-5-112, MCA, IS AMENDED TO READ: 8 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 to house manufacturing and processing operations, conducting 20 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 may use the funds derived from this levy to contract with local development companies and other associations or organizations capable of implementing the economic 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
- 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.

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1	HOUSE BILL NO. 23	1 unit that levied a tax in tax years 1983 through 1985 but
2	INTRODUCED BY REAM, CRIPPEN	2 did not levy a tax in 1986, in which case the actual tax
3		3 liability for an individual property is capped at the dollar
4	A BILL FOR AN ACT ENTITLED: "AN ACT TO EXEMPT ECONOMIC	4 amount due in that taxing unit for the 1985 tax year.
5	DEVELOPMENT LEVIES FROM THE PROPERTY TAX FREEZE IF THE	5 (3) The limitation on the amount of taxes levied does
6	AUTHORIZATION FOR THE LEVY OCCURRED PRIOR TO DECEMBER 31,	6 not mean that no further increase may be made in the total
7	<u>1990; AMENDING SBCTION SECTIONS 15-10-412 AND 90-5-112,</u>	7 taxable valuation of a taxing unit as a result of:
8	MCA; AND PROVIDING AN IMMEDIATE EFFECTIVE DATE."	8 (a) annexation of real property and improvements into
9		9 a taxing unit;
10	BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF MONTANA:	10 (b) construction, expansion, or remodeling of
11	Section 1. Section 15-10-412, MCA, is amended to read:	<pre>11 improvements;</pre>
12	"15-10-412. Property tax limited to 1986 levels	12 (c) transfer of property into a taxing unit;
13	clarification extension to all property classes. Section	13 (d) subdivision of real property;
14	15-10-402 is interpreted and clarified as follows:	14 (e) reclassification of property;
15	(1) The limitation to 1986 levels is extended to apply	15 (f) increases in the amount of production or the value
16	to all classes of property described in Title 15, chapter 6,	16 of production for property described in 15-6-131 or
17	part 1.	17 15-6-132;
18	(2) The limitation on the amount of taxes levied is	18 (g) transfer of property from tax-exempt to taxable
19	interpreted to mean that, except as otherwise provided in	19 status;
- 20	this section, the actual tax liability for an individual	20 (h) revaluations caused by:
21	property is capped at the dollar amount due in each taxing	21 (i) cyclical reappraisal; or
22	unit for the 1986 tax year. In tax years thereafter, the	22 (ii) expansion, addition, replacement, or remodeling of
23	property must be taxed in each taxing unit at the 1986 cap	23 improvements; or
24	or the product of the taxable value and mills levied,	24 (i) increases in property valuation pursuant to
25	whichever is less for each taxing unit, except in a taxing	25 15-7-111(4) through (8) in order to equalize property values

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THIRD READING

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	<pre>(c) reclassification of property;</pre>		
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		

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;

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

(c) annexed property; or

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

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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

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

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1 98-5-112 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 financial10 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 or14 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 governing18 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.

(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.

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

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taxing jurisdiction subject to a statutory maximum mill levy
 does not prevent a taxing jurisdiction from increasing its
 number of mills beyond the statutory maximum mill levy to
 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 gualified voters 11 voting in a city, county, or town on the guestion of whether 12 the governing body may levy a tax for economic development. the governing body of that city, county, or town is 13 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 .

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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 <u>NEW SECTION.</u> Section 3. Effective date. [This act] is

13 effective on passage and approval.

-End-

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2 INTRODUCED BY REAM, CRIPPEN 3 4 A BILL FOR AN ACT ENTITLED: "AN ACT TO EXEMPT ECONOMIC 5 DEVELOPMENT LEVIES FROM THE PROPERTY TAX FREEZE IF THE 6 AUTHORIZATION FOR THE LEVY OCCURRED PRIOR TO DECEMBER 31, 7 1990; AMENDING SECTIONS 15-10-412 AND 90-5-112, 8 MCA; AND PROVIDING AN IMMEDIATE EFFECTIVE DATE." 9 10 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF MONTANA: 11 **Section 1.** Section 15-10-412, MCA, is amended to read: 12 "15-10-412. Property tax limited to 1986 levels --

HOUSE BILL NO. 23

13 clarification -- extension to all property classes. Section
14 15-10-402 is interpreted and clarified as follows:

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

(2) The limitation on the amount of taxes levied is 18 19 interpreted to mean that, except as otherwise provided in 20 this section, the actual tax liability for an individual property is capped at the dollar amount due in each taxing 21 22 unit for the 1986 tax year. In tax years thereafter, the 23 property must be taxed in each taxing unit at the 1986 cap 24 or the product of the taxable value and mills levied, 25 whichever is less for each taxing unit, except in a taxing

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1	unit that levied a tax in tax years 1983 through 1985 but		
2	did not levy a tax in 1986, in which case the actual tax		
3	liability for an individual property is capped at the dollar		
4	4 amount due in that taxing unit for the 1985 tax year.		
5	(3) The limitation on the amount of taxes levied does		
6	not mean that no further increase may be made in the total		
7	7 taxable valuation of a taxing unit as a result of:		
8	(a) annexation of real property and improvements into		
9	a taxing unit;		
10	(b) construction, expansion, or remodeling of		
11	ll improvements;		
12	<pre>(c) transfer of property into a taxing unit;</pre>		
13	<pre>(d) subdivision of real property;</pre>		
14	<pre>(e) reclassification of property;</pre>		
15	(f) increases in the amount of production or the value		
16	of production for property described in 15-6-131 or		
17	17 15-6-132;		
18	(g) transfer of property from tax-exempt to taxable		
19	19 status;		
20	(h) revaluations caused by:		
21	(i) cyclical reappraisal; or		
22	(ii) expansion, addition, replacement, or remodeling of		
23	23 improvements; or		
24	(i) increases in property valuation pursuant to		

25 15-7-111(4) through (8) in order to equalize property values

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REFERENCE BILL

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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, в 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 production for property described in 15-6-131 or of 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 valued according to the procedures used in 1986, including 24 25 the designation of 1982 as the base year, until the

2 and new valuations are placed on the tax rolls and a new base year designated, if the property is: 3 4 (a) new construction; (b) expanded, deleted, replaced, or remodeled 5 6 improvements: 7 (c) annexed property; or (d) property converted from tax-exempt to taxable R 9 status. (6) Property described in subsections (5)(a) through 10 (5)(d) that is not class four, class twelve, or class 11 12 fourteen property is valued according to the procedures used in 1986 but is also subject to the dollar cap in each taxing 13 unit based on 1986 mills levied. 14 15 (7) The limitation on the amount of taxes, as 16 clarified in this section, is intended to leave the property 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 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 use of taxable valuation in fixing tax levies. In fixing tax 22 23 levies, the taxing units of local government may anticipate 24 the deficiency in revenues resulting from the tax limitations in 15-10-401 and 15-10-402, while understanding 25 - 4 -HB 23

reappraisal cycle beginning January 1, 1986, is completed

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l	that regardless of the amount of mills levied, a taxpayer's	1	98-5-112 PURSUANT TO 90-5-112(4).
2	liability may not exceed the dollar amount due in each	2	(9) The limitation on the amount of taxes levied does
3	taxing unit for the 1986 tax year unless the taxing unit's	3	not apply in a taxing unit if the voters in the taxing unit
4	taxable valuation decreases by 5% or more from the 1986 tax	4	approve an increase in tax liability following a resolution
5	year. If a taxing unit's taxable valuation decreases by 5%	5	of the governing body of the taxing unit containing:
6	or more from the 1986 tax year, it may levy additional mills	6	(a) a finding that there are insufficient funds to
7	to compensate for the decreased taxable valuation, but in no	7	adequately operate the taxing unit as a result of 15-10-401
8	case may the mills levied exceed a number calculated to	8	and 15-10-402;
9	equal the revenue from property taxes for the 1986 tax year	9	(b) an explanation of the nature of the financial
10	in that taxing unit.	10	emergency;
11	(8) The limitation on the amount of taxes levied does	11	(c) an estimate of the amount of funding shortfall
12	not apply to the following levy or special assessment	12	expected by the taxing unit;
13	categories, whether or not they are based on commitments	13	(d) a statement that applicable fund balances are or
14	made before or after approval of 15-10-401 and 15-10-402:	14	by the end of the fiscal year will be depleted;
15	(a) rural improvement districts;	15	(e) a finding that there are no alternative sources of
16	(b) special improvement districts;	16	revenue;
17	(c) levies pledged for the repayment of bonded	17	(f) a summary of the alternatives that the governing
18	indebtedness, including tax increment bonds;	18	body of the taxing unit has considered; and
19	(d) city street maintenance districts;	19	(g) a statement of the need for the increased revenue
20	(e) tax increment financing districts;	20	and how it will be used.
21	(f) satisfaction of judgments against a taxing unit;	21	(10) The limitation on the amount of taxes levied does
22	(g) street lighting assessments; and	22	not apply to levies required to address the funding of
23	(h) revolving funds to support any categories	23	relief of suffering of inhabitants caused by famine,
24	specified in this subsection (8); and	24	conflagration, or other public calamity.
25	(i) levies for economic development authorized by	25	(11) The limitation on the amount of taxes levied by a
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taxing jurisdiction subject to a statutory maximum mill levy
 does not prevent a taxing jurisdiction from increasing its
 number of mills beyond the statutory maximum mill levy to
 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."

SECTION 2. SECTION 90-5-112, MCA, IS AMENDED TO READ: 8 "90-5-112. Economic development levy, (1) Upon an 9 10 affirmative vote of a majority of the qualified voters 11 voting in a city, county, or town on the guestion 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 preliminary feasibility studies, promoting 21 economic development opportunities in a particular area, and other 22 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-

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