

HOUSE BILL NO. 24

INTRODUCED BY COHEN, B. BROWN, RICE, O'KEEFE,  
WHALEN, MENAHAN, DRISCOLL

IN THE HOUSE

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

                                  FIRST READING.

JUNE 22, 1989                   ON MOTION BY CHIEF SPONSOR,  
REPRESENTATIVES WHALEN, MENAHAN, AND  
DRISCOLL ADDED AS SPONSORS.

                                  COMMITTEE RECOMMEND BILL  
DO PASS. REPORT ADOPTED.

JUNE 23, 1989                   PRINTING REPORT.

JUNE 26, 1989                   SECOND READING, DO PASS AS AMENDED.

JUNE 27, 1989                   ENGROSSING REPORT.

JUNE 28, 1989                   THIRD READING, PASSED.  
AYES, 60; NOES, 34.

                                  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.

JULY 1, 1989

IN THE HOUSE

RECEIVED FROM SENATE.

SENT TO ENROLLING.

REPORTED CORRECTLY ENROLLED.

1 House BILL NO. 24  
2 INTRODUCED BY Cohen Bob Brown  
3 Wolfe

4 A BILL FOR AN ACT ENTITLED: "AN ACT ALLOWING TAXING UNITS  
5 THAT IMPOSE PROPERTY TAX LEVIES UNDER THE AUTHORITY OF TITLE  
6 20, MCA, GOVERNING SCHOOLS, COMMUNITY COLLEGES, AND OTHER  
7 EDUCATIONAL ENTITIES, TO INCREASE THE MAXIMUM NUMBER OF  
8 MILLS THEY MAY LEVY TO A 3-YEAR AVERAGE IF THE NUMBER OF  
9 MILLS LEVIED IN 1986 WAS LESS THAN THE NUMBER OF MILLS  
10 LEVIED IN EITHER 1984 OR 1985; AMENDING SECTION 15-10-412,  
11 MCA; AND PROVIDING AN IMMEDIATE EFFECTIVE DATE AND A  
12 RETROACTIVE APPLICABILITY DATE."  
13

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

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

16 "15-10-412. Property tax limited to 1986 levels --  
17 clarification -- extension to all property classes. Section  
18 15-10-402 is interpreted and clarified as follows:

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

22 (2) The limitation on the amount of taxes levied is  
23 interpreted to mean that, except as otherwise provided in  
24 this section, the actual tax liability for an individual  
25 property is capped at the dollar amount due in each taxing

1 unit for the 1986 tax year. In tax years thereafter, the  
2 property must be taxed in each taxing unit at the 1986 cap  
3 or the product of the taxable value and mills levied,  
4 whichever is less for each taxing unit, except in a taxing  
5 unit that levied a tax in tax years 1983 through 1985 but  
6 did not levy a tax in 1986, in which case the actual tax  
7 liability for an individual property is capped at the dollar  
8 amount due in that taxing unit for the 1985 tax year.

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

- 12 (a) annexation of real property and improvements into
- 13 a taxing unit;
- 14 (b) construction, expansion, or remodeling of
- 15 improvements;
- 16 (c) transfer of property into a taxing unit;
- 17 (d) subdivision of real property;
- 18 (e) reclassification of property;
- 19 (f) increases in the amount of production or the value
- 20 of production for property described in 15-6-131 or
- 21 15-6-132;
- 22 (g) transfer of property from tax-exempt to taxable
- 23 status;
- 24 (h) revaluations caused by;
- 25 (i) cyclical reappraisal; or



-2- INTRODUCED BILL  
HB 24

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

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

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

10 (a) a revaluation caused by:

11 (i) construction, expansion, replacement, or  
12 remodeling of improvements that adds value to the property;  
13 or

14 (ii) cyclical reappraisal;

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;

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

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

1 annually.

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

8 (a) new construction;

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

11 (c) annexed property; or

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

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

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

1 use of taxable valuation in fixing tax levies. In fixing tax  
2 levies, the taxing units of local government may anticipate  
3 the deficiency in revenues resulting from the tax  
4 limitations in 15-10-401 and 15-10-402, while understanding  
5 that regardless of the amount of mills levied, a taxpayer's  
6 liability may not exceed the dollar amount due in each  
7 taxing unit for the 1986 tax year unless:

8 (a) the taxing unit's taxable valuation decreases by  
9 5% or more from the 1986 tax year. If a taxing unit's  
10 taxable valuation decreases by 5% or more from the 1986 tax  
11 year, it may levy additional mills to compensate for the  
12 decreased taxable valuation, but in no case may the mills  
13 levied exceed a number calculated to equal the revenue from  
14 property taxes for the 1986 tax year in that taxing unit.

15 (b) a levy authorized under Title 20 that was made in  
16 1986 was for less than the number of mills levied in either  
17 1984 or 1985, in which case the taxing unit may levy an  
18 additional number of mills but may not levy more than the  
19 3-year average number of mills levied for that purpose  
20 during 1984, 1985, and 1986.

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

25 (a) rural improvement districts;

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

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

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

17 (b) an explanation of the nature of the financial  
18 emergency;

19 (c) an estimate of the amount of funding shortfall  
20 expected by the taxing unit;

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

23 (e) a finding that there are no alternative sources of  
24 revenue;

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

1 body of the taxing unit has considered; and

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

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

8 (11) The limitation on the amount of taxes levied by a  
9 taxing jurisdiction subject to a statutory maximum mill levy  
10 does not prevent a taxing jurisdiction from increasing its  
11 number of mills beyond the statutory maximum mill levy to  
12 produce revenue equal to its 1986 revenue.

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

16 NEW SECTION. **Section 2.** Effective date -- retroactive  
17 applicability. (1) [This act] is effective on passage and  
18 approval.

19 (2) [This act] applies retroactively, within the  
20 meaning of 1-2-109, to taxable years beginning after  
21 December 31, 1988.

-End-

APPROVED BY COMMITTEE  
ON TAXATION

HOUSE BILL NO. 24

INTRODUCED BY COHEN, B. BROWN, RICE, O'KEEFE,

WHALEN, MENAHAN, DRISCOLL

A BILL FOR AN ACT ENTITLED: "AN ACT ALLOWING TAXING UNITS THAT IMPOSE PROPERTY TAX LEVIES UNDER THE AUTHORITY OF TITLE 20, MCA, GOVERNING SCHOOLS, COMMUNITY COLLEGES, AND OTHER EDUCATIONAL ENTITIES, TO INCREASE THE MAXIMUM NUMBER OF MILLS THEY MAY LEVY TO A 3-YEAR AVERAGE IF THE NUMBER OF MILLS LEVIED IN 1986 WAS LESS THAN THE NUMBER OF MILLS LEVIED IN EITHER 1984 OR 1985; AMENDING SECTION 15-10-412, MCA; AND PROVIDING AN IMMEDIATE EFFECTIVE DATE AND A RETROACTIVE APPLICABILITY DATE."

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

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

"15-10-412. 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:

1 (i) cyclical reappraisal; or  
 2 (ii) expansion, addition, replacement, or remodeling of  
 3 improvements; or  
 4 (i) increases in property valuation pursuant to  
 5 15-7-111(4) through (8) in order to equalize property values  
 6 annually.  
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 8 base year designated, if the property is:  
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 15 (6) Property described in subsections (5)(a) through  
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 17 fourteen property is valued according to the procedures used  
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 19 unit based on 1986 mills levied.  
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 21 clarified in this section, is intended to leave the property  
 22 appraisal and valuation methodology of the department of  
 23 revenue intact. Determinations of county classifications,  
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 2 use of taxable valuation in fixing tax levies. In fixing tax  
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 13 decreased taxable valuation, but in no case may the mills  
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 17 1986 was for less than the number of mills levied in either  
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17 **NEW SECTION. Section 2. Effective date -- retroactive**  
18 **applicability. (1) [This act] is effective on passage and**  
19 **approval.**

20 (2) [This act] applies retroactively, within the  
21 meaning of 1-2-109, to taxable years beginning after  
22 December 31, 1988.

-End-

1 HOUSE BILL NO. 24

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8 EDUCATIONAL ENTITIES, TO INCREASE RAISE, WITH VOTER  
9 APPROVAL, THE MAXIMUM NUMBER OF MILLS THEY MAY LEVY TO A  
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 21 ~~VOTERS IN THE TAXING UNIT, levy RAISE EACH YEAR THEREAFTER~~  
 22 ~~an additional number of mills but may not levy more REVENUE~~  
 23 ~~than the 3-year average number-of-mills-levied OF REVENUE~~  
 24 ~~RAISED for that purpose during 1984, 1985, and 1986.~~

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1 not apply to the following levy or special assessment  
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-End-

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3 WHALEN, MENAHAN, DRISCOLL

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5 A BILL FOR AN ACT ENTITLED: "AN ACT ALLOWING TAXING UNITS  
6 THAT IMPOSE PROPERTY TAX LEVIES UNDER THE AUTHORITY OF TITLE  
7 20, MCA, GOVERNING SCHOOLS, COMMUNITY COLLEGES, AND OTHER  
8 EDUCATIONAL ENTITIES, TO INCREASE RAISE, WITH VOTER  
9 APPROVAL, THE MAXIMUM NUMBER OF MILLS THEY MAY LEVY TO A  
10 3-YEAR AVERAGE IF THE NUMBER-OF-MILLS-LEVIED REVENUE RAISED  
11 IN 1986 WAS LESS THAN THE NUMBER-OF-MILLS-LEVIED REVENUE  
12 RAISED IN EITHER 1984 OR 1985; AMENDING SECTION 15-10-412,  
13 MCA; AND PROVIDING AN IMMEDIATE EFFECTIVE DATE AND A  
14 RETROACTIVE APPLICABILITY DATE."

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

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

18 "15-10-412. Property tax limited to 1986 levels --  
19 clarification -- extension to all property classes. Section  
20 15-10-402 is interpreted and clarified as follows:

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

24 (2) The limitation on the amount of taxes levied is  
25 interpreted to mean that, except as otherwise provided in

1 this section, the actual tax liability for an individual  
2 property is capped at the dollar amount due in each taxing  
3 unit for the 1986 tax year. In tax years thereafter, the  
4 property must be taxed in each taxing unit at the 1986 cap  
5 or the product of the taxable value and mills levied,  
6 whichever is less for each taxing unit, except in a taxing  
7 unit that levied a tax in tax years 1983 through 1985 but  
8 did not levy a tax in 1986, in which case the actual tax  
9 liability for an individual property is capped at the dollar  
10 amount due in that taxing unit for the 1985 tax year.

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

14 (a) annexation of real property and improvements into  
15 a taxing unit;

16 (b) construction, expansion, or remodeling of  
17 improvements;

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

19 (d) subdivision of real property;

20 (e) reclassification of property;

21 (f) increases in the amount of production or the value  
22 of production for property described in 15-6-131 or  
23 15-6-132;

24 (g) transfer of property from tax-exempt to taxable  
25 status;

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

1 (g) increases in property valuation pursuant to  
 2 15-7-111(4) through (8) in order to equalize property values  
 3 annually.  
 4 (5) Property in classes four, twelve, and fourteen is  
 5 valued according to the procedures used in 1986, including  
 6 the designation of 1982 as the base year, until the  
 7 reappraisal cycle beginning January 1, 1986, is completed  
 8 and new valuations are placed on the tax rolls and a new  
 9 base year designated, if the property is:  
 10 (a) new construction;  
 11 (b) expanded, deleted, replaced, or remodeled  
 12 improvements;  
 13 (c) annexed property; or  
 14 (d) property converted from tax-exempt to taxable  
 15 status.  
 16 (6) Property described in subsections (5)(a) through  
 17 (5)(d) that is not class four, class twelve, or class  
 18 fourteen property is valued according to the procedures used  
 19 in 1986 but is also subject to the dollar cap in each taxing  
 20 unit based on 1986 mills levied.  
 21 (7) The limitation on the amount of taxes, as  
 22 clarified in this section, is intended to leave the property  
 23 appraisal and valuation methodology of the department of  
 24 revenue intact. Determinations of county classifications,  
 25 salaries of local government officers, and all other matters



1 in which total taxable valuation is an integral component  
 2 are not affected by 15-10-401 and 15-10-402 except for the  
 3 use of taxable valuation in fixing tax levies. In fixing tax  
 4 levies, the taxing units of local government may anticipate  
 5 the deficiency in revenues resulting from the tax  
 6 limitations in 15-10-401 and 15-10-402, while understanding  
 7 that regardless of the amount of mills levied, a taxpayer's  
 8 liability may not exceed the dollar amount due in each  
 9 taxing unit for the 1986 tax year unless:

10 (a) the taxing unit's taxable valuation decreases by  
 11 5% or more from the 1986 tax year. If a taxing unit's  
 12 taxable valuation decreases by 5% or more from the 1986 tax  
 13 year, it may levy additional mills to compensate for the  
 14 decreased taxable valuation, but in no case may the mills  
 15 levied exceed a number calculated to equal the revenue from  
 16 property taxes for the 1986 tax year in that taxing unit.

17 (b) ~~a levy authorized under Title 20 that was made in~~  
 18 ~~1986--was--for--less--than--the--number--of--mills--levied~~ RAISED  
 19 ~~LESS REVENUE IN 1986 THAN WAS RAISED~~ in either 1984 or 1985,  
 20 ~~in which case the taxing unit may, AFTER APPROVAL BY THE~~  
 21 ~~VOTERS IN THE TAXING UNIT, levy RAISE EACH YEAR THEREAFTER~~  
 22 ~~an additional number of mills but may not levy more~~ REVENUE  
 23 ~~than the 3-year average number-of-mills-levied~~ OF REVENUE  
 24 ~~RAISED for that purpose during 1984, 1985, and 1986.~~

25 (8) The limitation on the amount of taxes levied does

1 not apply to the following levy or special assessment  
 2 categories, whether or not they are based on commitments  
 3 made before or after approval of 15-10-401 and 15-10-402:

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

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

- 18 (a) a finding that there are insufficient funds to
- 19 adequately operate the taxing unit as a result of 15-10-401
- 20 and 15-10-402;
- 21 (b) an explanation of the nature of the financial
- 22 emergency;
- 23 (c) an estimate of the amount of funding shortfall
- 24 expected by the taxing unit;
- 25 (d) a statement that applicable fund balances are or

1 by the end of the fiscal year will be depleted;

-End-

2 (e) a finding that there are no alternative sources of  
3 revenue;

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

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

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

12 (11) The limitation on the amount of taxes levied by a  
13 taxing jurisdiction subject to a statutory maximum mill levy  
14 does not prevent a taxing jurisdiction from increasing its  
15 number of mills beyond the statutory maximum mill levy to  
16 produce revenue equal to its 1986 revenue.

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

20 NEW SECTION. Section 2. Effective date -- retroactive  
21 applicability. (1) [This act] is effective on passage and  
22 approval.

23 (2) [This act] applies retroactively, within the  
24 meaning of 1-2-109, to taxable years beginning after  
25 December 31, 1988.