

HOUSE BILL NO. 25

INTRODUCED BY COHEN, B. BROWN, CONNELLY,  
BOHARSKI, WHALEN, MENAHAN

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 AND  
MENAHAN 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, 54; NOES, 38.

                                  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 *Harris* BILL NO. *25*  
2 INTRODUCED BY *Alan Bob Brown* *County*  
3

4 A BILL FOR AN ACT ENTITLED: "AN ACT TO ALLOW TAXING UNITS  
5 SERVED BY A CITY-COUNTY BOARD OF HEALTH TO INCREASE THE  
6 MAXIMUM NUMBER OF MILLS THEY MAY LEVY TO A 3-YEAR AVERAGE IF  
7 THE 1986 LEVY WAS LESS THAN THE NUMBER OF MILLS LEVIED IN  
8 EITHER 1984 OR 1985; TO AUTHORIZE THE GOVERNING BODIES OF  
9 THE TAXING UNITS SERVED BY A CITY-COUNTY BOARD OF HEALTH, IF  
10 NECESSARY TO ENSURE PUBLIC HEALTH, TO LEVY UP TO THE 5-MILL  
11 STATUTORY MAXIMUM MILL LEVY TO SUPPORT THE CITY-COUNTY BOARD  
12 OF HEALTH; AMENDING SECTION 15-10-412, MCA; AND PROVIDING AN  
13 IMMEDIATE EFFECTIVE DATE AND A RETROACTIVE APPLICABILITY  
14 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;



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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 in 50-2-111 that was made in  
 18 1986 was for less than the number of mills levied in either  
 19 1984 or 1985, in which case the taxing unit may levy an  
 20 additional number of mills but may not levy more than the  
 21 3-year average number of mills levied for that purpose  
 22 during 1984, 1985, and 1986.

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

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

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

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

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

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

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

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

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

1 revenue;

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

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

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

10 (b) The limitation set forth in this chapter on the  
11 amount of taxes levied does not apply to levies to support a  
12 city-county board of health as provided in Title 50, chapter  
13 2, if the governing bodies of the taxing units served by the  
14 board of health determine, after a public hearing, that  
15 public health programs require funds to ensure the public  
16 health. A levy for the support of a local board of health  
17 may not exceed the 5-mill limit established in 50-2-111.

18 (11) The limitation on the amount of taxes levied by a  
19 taxing jurisdiction subject to a statutory maximum mill levy  
20 does not prevent a taxing jurisdiction from increasing its  
21 number of mills beyond the statutory maximum mill levy to  
22 produce revenue equal to its 1986 revenue.

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

1 NEW SECTION. **Section 2.** Effective date -- retroactive  
2 applicability. (1) [This act] is effective on passage and  
3 approval.  
4 (2) [This act] applies retroactively, within the  
5 meaning of 1-2-109, to taxable years beginning after  
6 December 31, 1988.

-End-

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

7 and how it will be used.

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

9 does 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 (b) The limitation set forth in this chapter on the

13 amount of taxes levied does not apply to levies to support a

14 city-county board of health as provided in Title 50, chapter

15 2, if the governing bodies of the taxing units served by the

16 board of health determine, after a public hearing, that

17 public health programs require funds to ensure the public

18 health. A levy for the support of a local board of health

19 may not exceed the 5-mill limit established in 50-2-111.

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

21 taxing jurisdiction subject to a statutory maximum mill levy

22 does not prevent a taxing jurisdiction from increasing its

23 number of mills beyond the statutory maximum mill levy to

24 produce revenue equal to its 1986 revenue.

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

1 not apply to a levy increase to repay taxes paid under

2 protest in accordance with 15-1-402."

3 NEW SECTION. Section 2. Effective date -- retroactive

4 applicability. (1) [This act] is effective on passage and

5 approval.

6 (2) [This act] applies retroactively, within the

7 meaning of 1-2-109, to taxable years beginning after

8 December 31, 1988.

-End-

1 HOUSE BILL NO. 25

2 INTRODUCED BY COHEN, B. BROWN, CONNELLY,  
3 BOHARSKI, WHALEN, MENAHAN  
4

5 A BILL FOR AN ACT ENTITLED: "AN ACT TO ALLOW TAXING UNITS  
6 SERVED BY A CITY-COUNTY BOARD OF HEALTH TO INCREASE, WITH  
7 VOTER APPROVAL, THE MAXIMUM NUMBER OF MILLS THEY MAY LEVY TO  
8 A 3-YEAR AVERAGE IF THE 1986 LEVY WAS LESS THAN THE NUMBER  
9 OF MILLS LEVIED IN EITHER 1984 OR 1985; TO AUTHORIZE THE  
10 GOVERNING BODIES OF THE TAXING UNITS SERVED BY A CITY-COUNTY  
11 BOARD OF HEALTH, IF NECESSARY TO ENSURE PUBLIC HEALTH, TO  
12 LEVY UP TO THE 5-MILL STATUTORY MAXIMUM MILL LEVY TO SUPPORT  
13 THE CITY-COUNTY BOARD OF HEALTH; AMENDING SECTION 15-10-412,  
14 MCA; AND PROVIDING AN IMMEDIATE EFFECTIVE DATE AND A  
15 RETROACTIVE APPLICABILITY DATE."  
16

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

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

19 "15-10-412. Property tax limited to 1986 levels --  
20 clarification -- extension to all property classes. Section  
21 15-10-402 is interpreted and clarified as follows:

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

25 (2) The limitation on the amount of taxes levied is

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

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

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

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

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

20 (d) subdivision of real property;

21 (e) reclassification of property;

22 (f) increases in the amount of production or the value  
23 of production for property described in 15-6-131 or  
24 15-6-132;

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

1 status;

2 (h) revaluations caused by:

3 (i) cyclical reappraisal; or

4 (ii) expansion, addition, replacement, or remodeling of

5 improvements; or

6 (i) increases in property valuation pursuant to

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

8 annually.

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

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

11 valuation or in the actual tax liability on individual

12 property in each class as a result of:

13 (a) a revaluation caused by:

14 (i) construction, expansion, replacement, or

15 remodeling of improvements that adds value to the property;

16 or

17 (ii) cyclical reappraisal;

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

19 (c) reclassification of property;

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

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

22 15-6-132;

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

24 taxing unit;

25 (f) conversion of the individual property from

1 tax-exempt to taxable status; or

2 (g) increases in property valuation pursuant to

3 15-7-111(4) through (8) in order to equalize property values

4 annually.

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

6 valued according to the procedures used in 1986, including

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

8 reappraisal cycle beginning January 1, 1986, is completed

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

10 base year designated, if the property is:

11 (a) new construction;

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

13 improvements;

14 (c) annexed property; or

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

16 status.

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

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

19 fourteen property is valued according to the procedures used

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

21 unit based on 1986 mills levied.

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

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

24 appraisal and valuation methodology of the department of

25 revenue intact. Determinations of county classifications,



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

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

18 (b) a levy authorized in 50-2-111 that was made in  
 19 1986 was for less than the number of mills levied in either  
 20 1984 or 1985, in which case the taxing unit may, AFTER  
 21 APPROVAL BY THE VOTERS IN THE TAXING UNIT, levy EACH YEAR  
 22 THEREAFTER an additional number of mills but may not levy  
 23 more than the 3-year average number of mills levied for that  
 24 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;

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) (a) The limitation on the amount of taxes levied

9 does 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.

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