

HOUSE BILL 557

Introduced by McCaffree, et al.

2/10	Introduced
2/10	Referred to Taxation
2/10	First Reading
2/10	Fiscal Note Requested
2/16	Hearing
2/16	Fiscal Note Received
2/17	Fiscal Note Printed
2/18	Tabled in Committee

1 House BILL NO. 557
 2 INTRODUCED BY Walter Hays CH ROSE
 3 Bob Rea Steve Tuck Don Brady Bob Smith
 4 A BILL FOR AN ACT ENTITLED: "AN ACT PROVIDING THAT THE
 5 MILLS AUTHORIZED BY A BOARD OF COUNTY COMMISSIONERS FOR
 6 EXTENSION WORK ARE NOT SUBJECT TO THE PROPERTY TAX
 7 LIMITATIONS OF TITLE 15, CHAPTER 10, PART 4, MCA; REQUIRING
 8 THE COOPERATIVE EXTENSION SERVICE TO MAINTAIN ITS CURRENT
 9 LEVEL OF FUNDING FOR THE COUNTY PROGRAM; AMENDING SECTION
 10 15-10-412, MCA; AND PROVIDING AN IMMEDIATE EFFECTIVE DATE
 11 AND AN APPLICABILITY DATE."
 12
 13 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF MONTANA:

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

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

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

21 (2) The limitation on the amount of taxes levied is
 22 interpreted to mean that, except as otherwise provided in
 23 this section, the actual tax liability for an individual
 24 property is capped at the dollar amount due in each taxing
 25 unit for the 1986 tax year. In tax years thereafter after

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

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

11 (a) annexation of real property and improvements into a
 12 taxing unit;

13 (b) construction, expansion, or remodeling of
 14 improvements;

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

16 (d) subdivision of real property;

17 (e) reclassification of property;

18 (f) increases in the amount of production or the value
 19 of production for property described in 15-6-131 or
 20 15-6-132;

21 (g) transfer of property from tax-exempt to taxable
 22 status; or

23 (h) revaluations caused by:

24 (i) cyclical reappraisal; or

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

1 improvements.

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

6 (a) a revaluation caused by:

7 (i) construction, expansion, replacement, or remodeling
8 of improvements that adds value to the property; 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; or

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

19 (5) Property in classes four and eleven is valued
20 according to the procedures used in 1986, including the
21 designation of 1982 as the base year, until the reappraisal
22 cycle beginning January 1, 1986, is completed and new
23 valuations are placed on the tax rolls and a new base year
24 designated, if the property is:

25 (a) new construction;

1 (b) expanded, deleted, replaced, or remodeled
2 improvements;

3 (c) annexed property; or

4 (d) property converted from tax-exempt to taxable
5 status.

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

11 (7) The limitation on the amount of taxes, as clarified
12 in this section, is intended to leave the property appraisal
13 and valuation methodology of the department of revenue
14 intact. Determinations of county classifications, salaries
15 of local government officers, and all other matters in which
16 total taxable valuation is an integral component are not
17 affected by 15-10-401 and 15-10-402 except for the use of
18 taxable valuation in fixing tax levies. In fixing tax
19 levies, the taxing units of local government may anticipate
20 the deficiency in revenues resulting from the tax
21 limitations in 15-10-401 and 15-10-402, while understanding
22 that regardless of the amount of mills levied, a taxpayer's
23 liability may not exceed the dollar amount due in each
24 taxing unit for the 1986 tax year unless:

25 (a) the taxing unit's taxable valuation decreases by 5%

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

(b) a levy authorized under Title 20 raised less revenue in 1986 than was raised in either 1984 or 1985, in which case the taxing unit may, after approval by the voters in the taxing unit, raise each year thereafter an additional number of mills but may not levy more revenue than the 3-year average of revenue raised for that purpose during 1984, 1985, and 1986;

(c) a levy authorized in 50-2-111 that was made in 1986 was for less than the number of mills levied in either 1984 or 1985, in which case the taxing unit may, after approval by the voters in the taxing unit, levy each year thereafter an additional number of mills but may not levy more than the 3-year average number of mills levied for that purpose during 1984, 1985, and 1986.

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

(a) rural improvement districts;

(b) special improvement districts;

(c) levies pledged for the repayment of bonded indebtedness, including tax increment bonds;

(d) city street maintenance districts;

(e) tax increment financing districts;

(f) satisfaction of judgments against a taxing unit;

(g) street lighting assessments;

(h) revolving funds to support any categories specified in this subsection (8);

(i) levies for economic development authorized pursuant to 90-5-112(4);

(j) levies authorized under 7-6-502 for juvenile detention programs; and

(k) elementary and high school districts.

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

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

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

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

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

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

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

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

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

13 (b) The limitation set forth in this chapter on the
14 amount of taxes levied does not apply to levies to support:

15 (i) a city-county board of health as provided in Title
16 50, chapter 2, if the governing bodies of the taxing units
17 served by the board of health determine, after a public
18 hearing, that public health programs require funds to ensure
19 the public health. A levy for the support of a local board
20 of health may not exceed the 5-mill limit established in
21 50-2-111.

22 (ii) county, city, or town ambulance services authorized
23 by a vote of the electorate under 7-34-102(2);

24 (iii) extension work in agriculture and home economics,
25 as provided under 7-21-3203, authorized by the board of

1 county commissioners after a public hearing. The Montana
2 state university cooperative extension service shall
3 continue funding the county programs at the rates contained
4 in existing contracts, plus a cost-of-living adjustment.

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

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

13 NEW SECTION. Section 2. Effective date --
14 applicability. [This act] is effective on passage and
15 approval and applies to contracts entered into on or after
16 [the effective date of this act].

-End-

STATE OF MONTANA - FISCAL NOTE

Form BD-15

In compliance with a written request, there is hereby submitted a Fiscal Note for HB0557, as introduced.

DESCRIPTION OF PROPOSED LEGISLATION:

An act providing that the mills authorized by a board of county commissioners for extension work are not subject to the property tax limitations of title 15, chapter 10, part 4, MCA; requiring the cooperative extension service to maintain its current level of funding for the county program; and providing an immediate effective date and an applicability date.

ASSUMPTIONS:

1. County Extension Fund Budgets will remain static at FY93 levels throughout the FY94-95 biennium.
2. The Cooperative Extension Service will maintain its current level of funding county extension programs through the FY94-95 biennium (FY93 - \$1,889,975).
3. The percent change in the consumer price index (cost of living) is estimated to be 3.93% for FY94 and 4.11% for FY95 (HJR3).

FISCAL IMPACT:


The proposed cost of living adjustment required of the Cooperative Extension Service to fund the county programs would be \$74,276 in FY94 and \$80,731 in FY95 (General Fund).

EFFECT ON COUNTY REVENUES OR EXPENDITURES:

The impact depends on the mill levies set by county commissioners.

TECHNICAL NOTES:

The proposal does not define which index will be used as a measure of cost of living.


DAVID LEWIS, BUDGET DIRECTOR DATE
Office of Budget and Program Planning

 2/17/93
ED MCCAFFREE, PRIMARY SPONSOR DATE

Fiscal Note for HB0557, as introduced

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