

SENATE BILL NO. 396
INTRODUCED BY FORRESTER

IN THE SENATE

FEBRUARY 15, 1993	INTRODUCED AND REFERRED TO COMMITTEE ON TAXATION.
	FIRST READING.
MARCH 10, 1993	COMMITTEE RECOMMEND BILL DO PASS. REPORT ADOPTED.
MARCH 11, 1993	PRINTING REPORT.
MARCH 12, 1993	ON MOTION, REREFERRED TO COMMITTEE ON TAXATION.
MARCH 22, 1993	COMMITTEE RECOMMEND BILL DO PASS. REPORT ADOPTED.
	PRINTING REPORT.
MARCH 24, 1993	SECOND READING, DO PASS.
MARCH 25, 1993	ENGROSSING REPORT.
	THIRD READING, PASSED. AYES, 46; NOES, 0.
	TRANSMITTED TO HOUSE.

IN THE HOUSE

MARCH 26, 1993	INTRODUCED AND REFERRED TO COMMITTEE ON NATURAL RESOURCES.
	FIRST READING.
MARCH 30, 1993	ON MOTION, REREFERRED TO COMMITTEE ON TAXATION.
APRIL 1, 1993	COMMITTEE RECOMMEND BILL BE CONCURRED IN. REPORT ADOPTED.
APRIL 2, 1993	SECOND READING, CONCURRED IN.
APRIL 5, 1993	THIRD READING, CONCURRED IN. AYES, 62; NOES, 38.

APRIL 6, 1993

RETURNED TO SENATE.

IN THE SENATE

APRIL 7, 1993

SENT TO ENROLLING.

REPORTED CORRECTLY ENROLLED.

1 *Senate* BILL NO. *396*
2 INTRODUCED BY *Forster*
3
4 A BILL FOR AN ACT ENTITLED: "AN ACT ALLOWING A TAXING UNIT
5 THAT EXPERIENCED A 5 PERCENT OR MORE DECREASE IN TAXABLE
6 VALUATION FROM THE 1986 TAX YEAR TO CONTINUE TO LEVY
7 ADDITIONAL MILLS WHEN THE TAXING UNIT'S TAXABLE VALUATION IS
8 GREATER THAN 95 PERCENT BUT LESS THAN 100 PERCENT OF THE
9 TAXING UNIT'S TAXABLE VALUATION IN TAX YEAR 1986; AMENDING
10 SECTION 15-10-412, MCA; AND PROVIDING AN IMMEDIATE EFFECTIVE
11 DATE AND A RETROACTIVE 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, the

1 property must be taxed in each taxing unit at the 1986 cap
2 or the product of the taxable value and mills levied,
3 whichever is less for each taxing unit, except in a taxing
4 unit that levied a tax in tax years 1983 through 1985 but
5 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;

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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) except as provided in subsection (8)(a), the taxing

1 unit's taxable valuation decreases by 5% or more from the
 2 1986 tax year. If a taxing unit's taxable valuation
 3 decreases by 5% or more from the 1986 tax year, it may levy
 4 additional mills to compensate for the decreased taxable
 5 valuation, but in no case may the mills levied exceed a
 6 number calculated to equal the revenue from property taxes
 7 for the 1986 tax year in that taxing unit.

8 (b) a levy authorized under Title 20 raised less
 9 revenue in 1986 than was raised in either 1984 or 1985, in
 10 which case the taxing unit may, after approval by the voters
 11 in the taxing unit, raise each year thereafter an additional
 12 number of mills but may not levy more revenue than the
 13 3-year average of revenue raised for that purpose during
 14 1984, 1985, and 1986;

15 (c) a levy authorized in 50-2-111 that was made in 1986
 16 was for less than the number of mills levied in either 1984
 17 or 1985, in which case the taxing unit may, after approval
 18 by the voters in the taxing unit, levy each year thereafter
 19 an additional number of mills but may not levy more than the
 20 3-year average number of mills levied for that purpose
 21 during 1984, 1985, and 1986.

22 (8) (a) Except as provided in subsection (8)(b), if a
 23 taxing unit has levied additional mills under subsection
 24 (7)(a) to compensate for a decrease in taxable valuation, it
 25 may continue to levy additional mills to equal the revenue

1 from property taxes for the 1986 tax year when the taxing
 2 unit's taxable valuation is greater than 95% but less than
 3 100% of the taxing unit's taxable valuation in tax year
 4 1986.

5 (b) When the taxable valuation of a taxing unit that
 6 levied additional mills under subsection (7)(a) or (8)(a) is
 7 equal to or greater than the taxing unit's taxable valuation
 8 in tax year 1986, it may not levy additional mills to
 9 compensate for a subsequent decrease in taxable valuation
 10 unless the conditions of subsection (7)(a) are satisfied.

11 †8†(9) The limitation on the amount of taxes levied
 12 does 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;
- 23 (h) revolving funds to support any categories specified
- 24 in this subsection †8†(9);
- 25 (i) levies for economic development authorized pursuant

1 to 90-5-112(4);

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

4 (k) elementary and high school districts.

5 ~~(9)~~(10) The limitation on the amount of taxes levied
6 does not apply in a taxing unit if the voters in the taxing
7 unit approve an increase in tax liability following a
8 resolution of the governing body of the taxing unit
9 containing:

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

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

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

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

19 (e) a finding that there are no alternative sources of
20 revenue;

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

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

25 ~~(10)~~(11) (a) The limitation on the amount of taxes

1 levied does not apply to levies required to address the
2 funding of relief of suffering of inhabitants caused by
3 famine, conflagration, or other public calamity.

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

6 (i) a city-county board of health as provided in Title
7 50, chapter 2, if the governing bodies of the taxing units
8 served by the board of health determine, after a public
9 hearing, that public health programs require funds to ensure
10 the public health. A levy for the support of a local board
11 of health may not exceed the 5-mill limit established in
12 50-2-111.

13 (ii) county, city, or town ambulance services authorized
14 by a vote of the electorate under 7-34-102(2).

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

20 ~~(12)~~(13) The limitation on the amount of taxes levied
21 does not apply to a levy increase to repay taxes paid under
22 protest in accordance with 15-1-402."

23 **NEW SECTION. Section 2. Effective date -- retroactive**
24 **applicability.** [This act] is effective on passage and
25 approval and applies retroactively, within the meaning of

LC 1499/01

1 1-2-109, to tax years beginning after December 31, 1992.

-End-

APPROVED BY COMMITTEE
ON TAXATION

1 *Senators* BILL NO. *396*
2 INTRODUCED BY *Toussie*
3

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18 (f) increases in the amount of production or the value

THERE ARE NO CHANGES IN THIS BILL
AND WILL NOT BE REPRINTED. PLEASE
REFER TO YELLOW COPY FOR COMPLETE TEXT.

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2 INTRODUCED BY FORRESTER

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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) except as provided in subsection (8)(a), the taxing

1 unit's taxable valuation decreases by 5% or more from the
 2 1986 tax year. If a taxing unit's taxable valuation
 3 decreases by 5% or more from the 1986 tax year, it may levy
 4 additional mills to compensate for the decreased taxable
 5 valuation, but in no case may the mills levied exceed a
 6 number calculated to equal the revenue from property taxes
 7 for the 1986 tax year in that taxing unit.

8 (b) a levy authorized under Title 20 raised less
 9 revenue in 1986 than was raised in either 1984 or 1985, in
 10 which case the taxing unit may, after approval by the voters
 11 in the taxing unit, raise each year thereafter an additional
 12 number of mills but may not levy more revenue than the
 13 3-year average of revenue raised for that purpose during
 14 1984, 1985, and 1986;

15 (c) a levy authorized in 50-2-111 that was made in 1986
 16 was for less than the number of mills levied in either 1984
 17 or 1985, in which case the taxing unit may, after approval
 18 by the voters in the taxing unit, levy each year thereafter
 19 an additional number of mills but may not levy more than the
 20 3-year average number of mills levied for that purpose
 21 during 1984, 1985, and 1986.

22 (8) (a) Except as provided in subsection (8)(b), if a
 23 taxing unit has levied additional mills under subsection
 24 (7)(a) to compensate for a decrease in taxable valuation, it
 25 may continue to levy additional mills to equal the revenue

1 from property taxes for the 1986 tax year when the taxing
 2 unit's taxable valuation is greater than 95% but less than
 3 100% of the taxing unit's taxable valuation in tax year
 4 1986.

5 (b) When the taxable valuation of a taxing unit that
 6 levied additional mills under subsection (7)(a) or (8)(a) is
 7 equal to or greater than the taxing unit's taxable valuation
 8 in tax year 1986, it may not levy additional mills to
 9 compensate for a subsequent decrease in taxable valuation
 10 unless the conditions of subsection (7)(a) are satisfied.

11 (8)(9) The limitation on the amount of taxes levied
 12 does 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;
- 23 (h) revolving funds to support any categories specified
- 24 in this subsection (8)(9);
- 25 (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)~~(10) 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;

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

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

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

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

~~(10)~~(11) (a) 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.

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

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

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

~~(11)~~(12) The limitation on the amount of taxes levied by a 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.

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

NEW SECTION. Section 2. Effective date -- retroactive applicability. [This act] is effective on passage and approval and applies retroactively, within the meaning of

SB 0396/02

1 1-2-109, to tax years beginning after December 31, 1992.

-End-