

SENATE BILL NO. 427

INTRODUCED BY HALLIGAN
BY REQUEST OF THE SENATE TAXATION COMMITTEE

IN THE SENATE

FEBRUARY 20, 1993	INTRODUCED AND REFERRED TO COMMITTEE ON TAXATION.
	FIRST READING.
MARCH 23, 1993	COMMITTEE RECOMMEND BILL DO PASS. REPORT ADOPTED.
MARCH 24, 1993	PRINTING REPORT.
	SECOND READING, DO PASS.
MARCH 25, 1993	ENGROSSING REPORT.
	THIRD READING, PASSED. AYES, 49; NOES, 0.
	TRANSMITTED TO HOUSE.

IN THE HOUSE

MARCH 26, 1993	INTRODUCED AND REFERRED TO COMMITTEE ON TAXATION.
	FIRST READING.
APRIL 7, 1993	COMMITTEE RECOMMEND BILL BE CONCURRED IN. REPORT ADOPTED.
APRIL 12, 1993	SECOND READING, CONCURRED IN.
APRIL 13, 1993	THIRD READING, CONCURRED IN. AYES, 77; NOES, 23.
APRIL 14, 1993	RETURNED TO SENATE.

IN THE SENATE

APRIL 15, 1993	SENT TO ENROLLING.
	REPORTED CORRECTLY ENROLLED.

1 Senate BILL NO. 427
2 INTRODUCED BY Valley
3 BY REQUEST OF THE SENATE TAXATION COMMITTEE
4

5 A BILL FOR AN ACT ENTITLED: "AN ACT ALLOWING A TAXING
6 JURISDICTION THAT INCLUDED SPECIAL IMPROVEMENT DISTRICT
7 REVOLVING FUND LEVIES IN THE LIMITATION ON THE AMOUNT OF
8 TAXES LEVIED TO CONTINUE TO INCLUDE THE AMOUNT OF THE LEVY
9 WITHIN THE DOLLAR AMOUNT LIMITATION; AMENDING SECTION
10 15-10-412, MCA; AND PROVIDING AN IMMEDIATE EFFECTIVE DATE."
11

12 WHEREAS, Initiative Measure No. 105 limited certain
13 property taxes to 1986 levels; and

14 WHEREAS, the Legislature enacted Chapter 654, Laws of
15 1987 (Senate Bill No. 71), in order to clarify the
16 application of the provisions of Initiative Measure No. 105;
17 and

18 WHEREAS, during the implementation of the limit on
19 property taxes, ambiguity existed in the application of the
20 various pieces of implementing legislation to certain mill
21 levies.
22

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

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

25 "15-10-412. Property tax limited to 1986 levels --

1 clarification -- extension to all property classes. Section
2 15-10-402 is interpreted and clarified as follows:

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

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

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

21 (a) annexation of real property and improvements into a
22 taxing unit;

23 (b) construction, expansion, or remodeling of
24 improvements;

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

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

1 taxing unit; or
 2 (f) conversion of the individual property from
 3 tax-exempt to taxable status.
 4 (5) Property in classes four and eleven is valued
 5 according to the procedures used in 1986, including the
 6 designation of 1982 as the base year, until the reappraisal
 7 cycle beginning January 1, 1986, is completed and new
 8 valuations are placed on the tax rolls and a new base year
 9 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 or class eleven property is
 18 valued according to the procedures used in 1986 but is also
 19 subject to the dollar cap in each taxing unit based on 1986
 20 mills levied.
 21 (7) The limitation on the amount of taxes, as clarified
 22 in this section, is intended to leave the property appraisal
 23 and valuation methodology of the department of revenue
 24 intact. Determinations of county classifications, salaries
 25 of local government officers, and all other matters in which

1 total taxable valuation is an integral component are not
 2 affected by 15-10-401 and 15-10-402 except for the use of
 3 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 5%
 11 or more from the 1986 tax year. If a taxing unit's taxable
 12 valuation decreases by 5% or more from the 1986 tax year, it
 13 may levy additional mills to compensate for the decreased
 14 taxable valuation, but in no case may the mills levied
 15 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 raised less
 18 revenue in 1986 than was raised in either 1984 or 1985, in
 19 which case the taxing unit may, after approval by the voters
 20 in the taxing unit, raise each year thereafter an additional
 21 number of mills but may not levy more revenue than the
 22 3-year average of revenue raised for that purpose during
 23 1984, 1985, and 1986;

24 (c) a levy authorized in 50-2-111 that was made in 1986
 25 was for less than the number of mills levied in either 1984

1 or 1985, in which case the taxing unit may, after approval
 2 by the voters in the taxing unit, levy each year thereafter
 3 an additional number of mills but may not levy more than the
 4 3-year average number of mills levied for that purpose
 5 during 1984, 1985, and 1986.

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

- 10 (a) rural improvement districts;
- 11 (b) special improvement districts;
- 12 (c) levies pledged for the repayment of bonded
- 13 indebtedness, including tax increment bonds;
- 14 (d) city street maintenance districts;
- 15 (e) tax increment financing districts;
- 16 (f) satisfaction of judgments against a taxing unit;
- 17 (g) street lighting assessments;
- 18 (h) revolving funds to support any categories specified
- 19 in this subsection (8);
- 20 (i) levies for economic development authorized pursuant
- 21 to 90-5-112(4);
- 22 (j) levies authorized under 7-6-502 for juvenile
- 23 detention programs; and
- 24 (k) elementary and high school districts.
- 25 (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;

(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) (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) 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) 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.

(13) A taxing jurisdiction that included special improvement district revolving fund levies in the limitation on the amount of taxes levied prior to [the effective date of this act] may continue to include the amount of the levies within the dollar amount due in each taxing unit for the 1986 tax year even if the necessity for the revolving fund has diminished and the levy authority has been transferred."

NEW SECTION. Section 2. Effective date. [This act] is

LC 1568/01

1 effective on passage and approval.

-End-

APPROVED BY COMMITTEE
ON TAXATION

BILL NO. 427

INTRODUCED BY

BY REQUEST OF THE SENATE TAXATION COMMITTEE

A BILL FOR AN ACT ENTITLED: "AN ACT ALLOWING A TAXING JURISDICTION THAT INCLUDED SPECIAL IMPROVEMENT DISTRICT REVOLVING FUND LEVIES IN THE LIMITATION ON THE AMOUNT OF TAXES LEVIED TO CONTINUE TO INCLUDE THE AMOUNT OF THE LEVY WITHIN THE DOLLAR AMOUNT LIMITATION; AMENDING SECTION 15-10-412, MCA; AND PROVIDING AN IMMEDIATE EFFECTIVE DATE."

WHEREAS, Initiative Measure No. 105 limited certain property taxes to 1986 levels; and

WHEREAS, the Legislature enacted Chapter 654, Laws of 1987 (Senate Bill No. 71), in order to clarify the application of the provisions of Initiative Measure No. 105; and

WHEREAS, during the implementation of the limit on property taxes, ambiguity existed in the application of the various pieces of implementing legislation to certain mill levies.

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;

1 (d) subdivision of real property;
 2 (e) reclassification of property;
 3 (f) increases in the amount of production or the value
 4 of production for property described in 15-6-131 or
 5 15-6-132;
 6 (g) transfer of property from tax-exempt to taxable
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1 taxing unit; or
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 4 (5) Property in classes four and eleven is valued
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 24 intact. Determinations of county classifications, salaries
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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 that regardless of the amount of mills levied, a taxpayer's liability may not exceed the dollar amount due in each taxing unit for the 1986 tax year unless:

(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

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(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;
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 - (c) levies pledged for the repayment of bonded indebtedness, including tax increment bonds;
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 - (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
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6 and 15-10-402;

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16 body of the taxing unit has considered; and

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18 improvement district revolving fund levies in the limitation
19 on the amount of taxes levied prior to [the effective date
20 of this act] may continue to include the amount of the
21 levies within the dollar amount due in each taxing unit for
22 the 1986 tax year even if the necessity for the revolving
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25 NEW SECTION. Section 2. Effective date. [This act] is

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

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3 BY REQUEST OF THE SENATE TAXATION COMMITTEE

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 - (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;

(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) (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) 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) 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.

(13) A taxing jurisdiction that included special improvement district revolving fund levies in the limitation on the amount of taxes levied prior to [the effective date of this act] may continue to include the amount of the levies within the dollar amount due in each taxing unit for the 1986 tax year even if the necessity for the revolving fund has diminished and the levy authority has been transferred."

NEW SECTION. Section 2. Effective date. [This act] is

SB 0427/02

1 effective on passage and approval.

-End-