Fisher Denny Wm E Boharski

Forbes Masolo

SENATE BILL NO. 417

INTRODUCED BY Keating Somerville Mercer Grosfield Hart

BY REQUEST OF THE OFFICE OF THE GOVERNOR

Anderson Aklestad Benedict Barnett Estrada Curtiss Knox Stovall

A BILL FOR AN ACT ENTITLED: "AN ACT REDUCING THE TAX RATE ON BUSINESS EQUIPMENT FROM 9 PERCENT TO 6 PERCENT; PROVIDING THAT THE REDUCTION IN TAX RATES IS PHASED IN; REIMBURSING LOCAL TAXING JURISDICTIONS; PROGRESSIVELY REDUCING THE REIMBURSEMENTS; PROGRESSIVELY REDUCING THE CURRENT REMITTANCE TO COUNTY TREASURERS TO REIMBURSE LOCAL GOVERNMENTS FOR THE PREVIOUS REDUCTION IN PERSONAL PROPERTY TAX RATES; ESTABLISHING AN ADVISORY COMMITTEE TO REVIEW LOCAL GOVERNMENT FUNDING; AND AMENDING SECTIONS 15-1-111, 15-6-138, AND 15-24-102, MCA."

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

Section 1. Section 15-6-138, MCA, is amended to read:

"**15-6-138. Class eight property -- description -- taxable percentage.** (1) Class eight property includes:

(a) all agricultural implements and equipment;

(b) all mining machinery, fixtures, equipment, tools that are not exempt under 15-6-201(1)(r), and supplies except those included in class five;

(c) all manufacturing machinery, fixtures, equipment, tools that are not exempt under 15-6-201(1)(r), and supplies except those included in class five;

(d) all trailers and semitrailers, including those prorated under 15-24-102, except those subject to taxation under 61-3-504(2) or exempt under 15-6-201(1)(v);

(e) all goods and equipment intended for rent or lease, except goods and equipment specifically included and taxed in another class;

(f) buses and trucks having a rated capacity of more than 1 ton, including those prorated under 15-24-102;

(g) truck toppers weighing more than 300 pounds;

(h) furniture, fixtures, and equipment, except that specifically included in another class, used in commercial establishments as defined in this section;

(i) x-ray and medical and dental equipment;

(j) citizens' band radios and mobile telephones;

(k) radio and television broadcasting and transmitting equipment;

(l) cable television systems;

(m) coal and ore haulers;

(n) theater projectors and sound equipment; and

(o) all other property not included in any other class in this part, except that property subject to a fee in lieu of a property tax.

(2) As used in this section, "coal and ore haulers" means nonhighway vehicles that exceed 18,000 pounds per axle and that are primarily designed and used to transport coal, ore, or other earthen material in a mining or quarrying environment.

(3) "Commercial establishment" includes any hotel; motel; office; petroleum marketing station; or service, wholesale, retail, or food-handling business.

(4) Class eight property is taxed at:

(a) 9% of its market value for tax years ending on or before December 31, 1996;

(b) 8% of its market value for tax year 1997;

(c) 7% of its market value for tax year 1998; and

(d) 6% of its market value for tax years beginning after December 31, 1998."

NEW SECTION. **Section 2. Business equipment tax rate reduction reimbursement to local government taxing jurisdictions.** (1) On or before January 1, 1997, for the reduction in payment under subsection (4) and by June 1, of 1997, 1998, and 1999, for all other reimbursements in this section, the department of revenue shall determine a reimbursement amount associated with reducing the tax rate in 15-6-138 and provide that information to each county treasurer. The reimbursement amount must be determined for each local government taxing jurisdiction that levied mills on the taxable value of property described in 15-6-138 in the corresponding tax year. However, the reimbursement does not apply to property described in 15-6-138 that has a reduced tax rate under 15-24-1402.

(2) (a) The reimbursement amount to be used as the basis for the payment reduction under subsection (4) is the product of multiplying the tax year 1996 taxable value of property described in

15-6-138 for each local government taxing jurisdiction by the tax year 1996 mill levy for the jurisdiction and then multiplying by 1/9th.

(b) (i) The reimbursement amount for each local government taxing jurisdiction for tax year 1997 is the amount determined under subsection (2)(a) unless the tax year 1997 market value of property described in 15-6-138, for the particular local government taxing jurisdiction, is more than the tax year 1996 market value for property described in 15-6-138 in the same jurisdiction.

(ii) If the tax year 1997 market value is greater than the tax year 1996 market value for a particular jurisdiction, then the reimbursement amount for tax year 1997 is the result of subtracting the simulated 1997 tax from the 1996 tax. The 1996 tax is the tax for the particular jurisdiction, determined by multiplying the actual taxable valuation of property described in 15-6-138, for tax year 1996, by the tax year 1996 mill levy for the jurisdiction. The simulated 1997 tax for the particular jurisdiction is the actual tax year 1997 taxable value multiplied by the tax year 1996 mill levy for the particular jurisdiction. If the simulated 1997 tax is greater than the 1996 tax, the reimbursement amount is zero.

(c) (i) The reimbursement amount for each local government taxing jurisdiction for tax year 1998 is the amount determined under subsection (2)(a) multiplied by two unless the tax year 1998 market value of property described in 15-6-138, for the particular local government taxing jurisdiction, is more than the tax year 1996 market value for property described in 15-6-138 in the same jurisdiction.

(ii) If the tax year 1998 market value is greater than the tax year 1996 market value for a particular jurisdiction, then the reimbursement amount for tax year 1998 is the result of subtracting the simulated 1998 tax from the 1996 tax. The 1996 tax is the tax for the particular jurisdiction, determined by multiplying the actual taxable valuation of property described in 15-6-138, for tax year 1996, by the tax year 1996 mill levy for the jurisdiction. The simulated 1998 tax for the particular jurisdiction is the actual tax year 1998 taxable value multiplied by the tax year 1996 mill levy for the particular jurisdiction. If the simulated 1998 tax is greater than the 1996 tax, the reimbursement amount is zero.

(d) (i) The reimbursement amount for each local government taxing jurisdiction for tax year 1999 is the amount determined under subsection (2)(a) multiplied by three unless the tax year 1999 market value of property described in 15-6-138, for the particular local government taxing jurisdiction, is more than the tax year 1996 market value for property described in 15-6-138 in the same jurisdiction.

(ii) If the tax year 1999 market value is greater than the tax year 1996 market value for a particular jurisdiction, then the reimbursement amount for tax year 1999 is the result of subtracting the simulated

1999 tax from the 1996 tax. The 1996 tax is the tax for the particular jurisdiction, determined by multiplying the actual taxable valuation of property described in 15-6-138, for tax year 1996, by the tax year 1996 mill levy for the jurisdiction. The simulated 1999 tax for the particular jurisdiction is the actual tax year 1999 taxable value multiplied by the tax year 1996 mill levy for the particular jurisdiction. If the simulated 1999 tax is greater than the 1996 tax, the reimbursement amount is zero.

(3) (a) For purposes of this section, "local government taxing jurisdiction" means a local government rather than a state taxing jurisdiction that levied mills against property described in 15-6-138, including county governments, incorporated city and town governments, consolidated county and city governments, tax increment financing districts, local elementary and high school districts, local community college and vocational-technical center districts, miscellaneous districts, and special districts. The term includes countywide mills levied for equalization of school retirement or transportation.

(b) The term does not include county or state school equalization levies provided for in 20-9-331, 20-9-333, and 20-9-360 or the university levy provided for in 15-10-106. It also does not include any state levy for welfare programs provided for in 53-2-813.

(4) County treasurers shall reduce the county payment to the state equalization aid account in June of 1997 by an amount equal to 38% of the reimbursement amount determined under subsection (2)(a) for all of the local government taxing jurisdictions in the county. The school equalization aid account payment is the amount collected by the county pursuant to the mill levies provided for in 20-9-331, 20-9-333, and 20-9-360, which must be sent to the state.

(5) County treasurers shall reduce the county payment to the state equalization aid account in December of 1997 by an amount equal to 31% of the reimbursement amount for tax year 1997 for all of the local government taxing jurisdictions in the county, as determined by the department under subsection (2).

(6) County treasurers shall reduce the county payment to the state equalization aid account in June of 1998 by an amount equal to 31% of the reimbursement amount for tax year 1997 for all of the local government taxing jurisdictions in the county and by an amount equal to 38% of the reimbursement amount for tax year 1998 for all of the local government taxing jurisdictions in the county, as determined by the department under subsection (2).

(7) County treasurers shall reduce the county payment to the state equalization aid account in December of 1998 by an amount equal to 31% of the reimbursement amount for tax year 1998 for all of

the local government taxing jurisdictions in the county, as determined by the department under subsection (2).

(8) County treasurers shall reduce the county payment to the state equalization aid account in June of 1999 by an amount equal to 31% of the reimbursement amount for tax year 1998 for all of the local government taxing jurisdictions in the county and by an amount equal to 38% of the reimbursement amount for tax year 1999 for all of the local government taxing jurisdictions in the county, as determined by the department under subsection (2).

(9) County treasurers shall reduce the county payment to the state equalization aid account in December of 1999 by an amount equal to 31% of the reimbursement amount for tax year 1999 for all of the local government taxing jurisdictions in the county, as determined by the department under subsection (2).

(10) County treasurers shall reduce the county payment to the state equalization aid account in June of 2000 by an amount equal to 69% of the reimbursement amount for tax year 1999 for all of the local government taxing jurisdictions in the county, as determined by the department under subsection (2).

(11) County treasurers shall reduce the county payment to the state equalization aid account in December of the years 2000 through 2008 by an amount equal to 31% of the reimbursement amount determined in subsection (13) for all of the local government taxing jurisdictions in the county, as determined by the department under subsection (2).

(12) County treasurers shall reduce the county payment to the state equalization aid account in June of the years 2001 through 2009 by an amount equal to 69% of the reimbursement amount determined in subsection (13) for all of the local government taxing jurisdictions in the county, as determined by the department under subsection (2).

(13) (a) The reimbursement amount for tax year 2000 and each subsequent tax year for 9 years must be progressively reduced each year by 10% of the reimbursement amount for tax year 1999, according to the following schedule:

Tax Year	Percentage of 1999 Reimbursement Amount
2000	90
2001	80
2002	70
2003	60

2004	50
2005	40
2006	30
2007	20
2008	10
2009 and following years	0

(b) The reimbursement amount for each tax year must be the basis for reducing the state equalization aid account in December of the same year and June of the following year.

(14) The county treasurer shall use the funds from the reduced payment to the state equalization aid account to reimburse each local government taxing jurisdiction in the amount determined by the department under subsection (2). The reimbursement must be distributed to entities within districts in the same manner as taxes on personal property are distributed in the same year.

(15) Each local government taxing jurisdiction receiving reimbursements shall consider the amount of reimbursement that will be received and lower the mill levy otherwise necessary to fund the budget by the amount that would otherwise have to be raised by the mill levy.

(16) A local government taxing jurisdiction that ceases to exist after [the effective date of this act] will no longer be considered for revenue loss or reimbursement purposes. A local government taxing jurisdiction that is created after January 1, 1997, will not be considered for revenue loss or reimbursement purposes. If a local government taxing jurisdiction that existed prior to January of 1997 is split between two or more taxing jurisdictions, the department shall determine how much of the revenue loss and reimbursement is attributed to the new jurisdictions.

NEW SECTION. **Section 3. Advisory committee -- review of local government funding.** (1) It is the intent of the legislature to thoroughly review funding for local governments, other than public schools, because local governments have come under increasing financial pressures over the last several years and it is clear that viable solutions to funding issues must be found in order for Montana citizens to continue to receive those services traditionally provided by local governments.

(2) The governor shall appoint an advisory committee to study the financing of services provided by local governments, other than public schools. The membership of the committee must include:

(a) three members representing county governments;

(b) three members representing city or town governments;

(c) two members with expertise in government financing and representing executive branch agencies;

(d) two members from the general public representing taxpayer interests; and

(e) two members of the legislature, not of the same political party, one of whom must be a member of the senate and one of whom must be a member of the house of representatives.

(3) The committee shall study:

(a) the current sources of funding for local government services, other than public schools;

(b) the continued viability of current funding sources;

(c) the need for additional or alternative funding sources;

(d) the financial and funding restraints currently imposed on local governments;

(e) the challenges facing local governments in providing traditional services in the future;

(f) the need for more flexibility in meeting future financial challenges;

(g) the ability of local governments to meet their budget requirements in the future; and

(h) other issues related to local government finances.

(4) The committee shall make a written report to the governor by September of 1996. The report must contain findings on the issues listed in subsection (3) and recommendations for legislation to solve the financial problems facing local governments, other than public schools. The report or an executive summary of the report must be delivered to the 55th legislature.

(5) The legislative branch shall provide general staff assistance to the committee, including research and report writing.

(6) The legislative and public members of the committee must be reimbursed by the legislature for expenses in attending any meetings of the committee, in accordance with state law.

Section 4. Section 15-1-111, MCA, is amended to read:

"**15-1-111. Reimbursement to local governments and schools -- duties of department and county treasurer -- statutory appropriation.** (1) Prior to September 1, 1990, the department's agent in the county shall supply the following information to the department for each taxing jurisdiction within the county:

(a) the number of mills levied in the jurisdiction for tax year 1989;

(b) the number of mills levied in the jurisdiction for tax year 1990;

(c) the total taxable valuation for tax years 1989 and 1990, reported separately for each year, of all personal property not secured by real property; and

(d) the total taxable valuation for tax years 1989 and 1990, reported separately for each year, of all personal property secured by real property.

(2) After receipt of the information from its agent, the department shall calculate the amount of revenue lost to each taxing jurisdiction, using current year mill levies, due to the annual reduction in personal property tax rates set forth in 15-6-138, prior to 1995, and any reduction in taxes based upon recalculation of the effective tax rate for property in 15-6-145, prior to 1995. The department shall total the amounts for all taxing jurisdictions within the county.

(3) (a) The department shall remit to the county treasurer 50% of the amount of revenue reimbursable, determined pursuant to subsection (1), on or before November 30 and the remaining 50% on or before May 31.

(b) For tax year 1993 ~~and for each tax year thereafter~~ through tax year 1999, the department shall remit to the county treasurer of each county the same amount remitted to the county treasurer for the fiscal year 1991, as adjusted by the result of dissolved or combined taxing jurisdictions, as provided for in subsection (7). Fifty percent of the amount must be remitted on or before November 30 and the remaining 50% on or before May 31.

(c) (i) For tax year 2000 through tax year 2009, the department shall remit to the county treasurer of each county the same amount remitted to the county treasurer for the fiscal year 1991, progressively reduced by 10% of the 1991 amount each year, in accordance with the following schedule:

Tax Year	Percentage of 1991 Remittance Amount
2000	90
2001	80
2002	70
2003	60
2004	50
2005	40
2006	30
2007	20
2008	10

2009 and following years 0

(ii) The amount remitted must be adjusted by the result of dissolved or combined taxing jurisdictions, as provided for in subsection (7). Fifty percent of the amount must be remitted on or before November 30 and the remaining 50% on or before May 31.

(4) Upon receipt of the reimbursement from the department, the county treasurer shall distribute the reimbursement to each taxing jurisdiction as calculated by the department.

(5) For the purposes of this section and subject to subsection (7), "taxing jurisdiction" means a jurisdiction levying mills against personal property and includes but is not limited to a county, city, school district, tax increment financing district, and miscellaneous taxing district and the state of Montana.

(6) The amounts necessary for the administration of this section are statutorily appropriated, as provided in 17-7-502, from the general fund to reimburse eligible taxing jurisdictions for reductions in tax rates on personal property.

(7) The following apply to taxing jurisdictions that were altered after tax year 1989:

(a) A taxing jurisdiction that existed in tax year 1989 and that no longer exists is not entitled to reimbursement under this section.

(b) A taxing jurisdiction that existed in tax year 1989 and that is split into two or more taxing jurisdictions is entitled to reimbursement based on the portion of 1989 taxable value within each new taxing jurisdiction. The department shall determine the portion of 1989 taxable value located in each taxing jurisdiction.

(c) A taxing jurisdiction that did not exist in tax year 1989 is not entitled to reimbursement under this section unless the jurisdiction was created as described in subsection (7)(b)."

Section 5. Section 15-24-102, MCA, is amended to read:

"15-24-102. Valuation of interstate fleets -- determination of aggregate tax due -- exemption from mill levies. The department of revenue shall assess the taxable vehicles of any interstate motor vehicle fleet making application for proportional registration, as follows:

(1) The purchase price of the taxable vehicles depreciated by a schedule as prescribed by the department determines the depreciated value.

(2) The depreciated value multiplied by the percent of miles traveled in Montana, as prescribed by

61-3-721, is the market value.

(3) The sum of the market value of all taxable vehicles included in the fleet multiplied by ~~9%~~ the tax rate for class eight property in 15-6-138 is the taxable value for the entire fleet as provided in 15-6-138.

(4) To determine the amount of tax due, the taxable value of the entire fleet must be multiplied by the statewide average county mill levy plus state levies as provided in 15-24-103.

(5) To determine the tax due under this chapter, state levies applicable to interstate motor vehicle fleets include but are not limited to levies imposed under 15-10-101, 15-10-106, 20-9-331, 20-9-333, 20-9-360, and 53-2-813.

(6) All taxes and fees collected on motor vehicle fleets under this chapter must be deposited and distributed as provided in 15-24-105."

NEW SECTION. **Section 6. Codification instruction.** [Section 2] is intended to be codified as an integral part of Title 15, chapter 1, and the provisions of Title 15, chapter 1, apply to [section 2].

-END-

STATE OF MONTANA - FISCAL NOTE

Fiscal Note for SB0417, as introduced

DESCRIPTION OF PROPOSED LEGISLATION:
An act generally reducing the tax rate on business equipment from 9 percent to 6 percent; providing that the reduction in tax rates is phased in; reimbursing local taxing jurisdictions; progressively reducing the reimbursements; progressively reducing the current remittance to county treasurers to reimburse local governments for the previous reduction in personal property tax rates; establishing an advisory committee to review local government funding.

ASSUMPTIONS:
1. The tax year 1994 taxable value of class 8 personal property subject to a 9% taxable rate was $248,468,690. The average annual growth rate in taxable value of this property was 3.5% over the last five years. The taxable value of this property in tax year 1996 is estimated to be $266,165,872.
2. The tax year 1994 average statewide mill levy applied to class 8 personal property subject to a 9% taxable rate was 353.028 mills. The average annual growth rate in this statewide average mill levy was 3.1% over the last five years. The average statewide mill levy applied to class 8 personal property subject to a 9% taxable rate in tax year 1996 is estimated to be 375.255 mills.
3. It is estimated that, statewide, 38% of all class 8 property is personal property that is not liened to real property. Taxes on personal property not liened to real property are due and collected in the spring of each tax year.

FISCAL IMPACT:

The proposal will impact FY97 revenues (assumption 3). It is estimated that implementation of subsection 4 of section 2 of the proposal would result in a reduction in payments to the school equalization aid account in June 1997 (FY97) of $4,217,159.

Revenues:

	FY96 Difference	FY97 Difference
State Equalization (95 mills)	0	($ 4,217,159)

(See page 2 for Local Government Impact and Long-Range Effects)

Dave Lewis 2-28-95
DAVE LEWIS, BUDGET DIRECTOR DATE
Office of Budget and Program Planning

Keating 3-1-95
TOM KEATING, PRIMARY SPONSOR DATE
Fiscal Note for SB0417, as introduced

SB 417

EFFECT ON COUNTY OR OTHER LOCAL REVENUES OR EXPENDITURES:

Local governments will be impacted differently in this first phase of tax rate reduction and reimbursement. Applying the statewide average 38% of personal property not liened to real property to each individual taxing jurisdiction will over-reimburse those taxing jurisdictions in which the ratio of personal property not liened to real property is actually smaller than 38%, and will under-reimburse those taxing jurisdictions in which the actual ratio is larger than 38%. Long range impacts are significant (see below).

LONG-RANGE EFFECTS OF PROPOSED LEGISLATION:

The long range impact of the proposal is a combination of two factors: one, a reduction in property tax revenues due to decreasing the tax rate on class 8 property; and second, the reimbursement mechanism and eventual phasing out of these reimbursement payments and the phasing out of the current HB20 personal property tax reduction payments (section 4 of the proposal).

The "cost" of the proposal can be measured in the amount of reduced property tax revenue from class 8 property and the phasing out of the current HB20 personal property tax reduction payments. Reducing the taxable rate on class 8 property as proposed, assuming no growth from tax year 1996 valuations, would result in total reductions in property tax revenues as reflected in the table below. Note the accompanying reduction in property tax revenue from railroads and airlines (RR/AL) that is a result of the reduced tax rate for class 8 property.

Reduction in Property Tax Revenue Resulting from Decreasing the Class 8 Tax Rate

Fiscal Year	Class 8 Cost	RR/AL Cost	Total Cost
1998	$11,100,000	$ 680,000	$11,780,000
1999	$22,200,000	$1,400,000	$23,600,000
2000 and each subsequent year	$33,300,000	$2,000,000	$35,300,000

Currently, all governments are reimbursed a total of $18,400,000 each fiscal year under the HB20 reimbursement program. Under the proposal, this total reimbursement will be reduced by $1,840,000 each fiscal year beginning in fiscal year 2001 until the HB20 reimbursement program is eventually phased out in fiscal year 2010.

Initially, the cost of the proposal will be primarily borne by the state equalization account. This is due to the reimbursement mechanism of the proposal. Most local governments will realize some decrease in property tax revenues due to the nature of the reimbursement mechanism and the reduction in property tax revenues from railroads and airlines. The proposal contains a phase out of the reimbursement payments that would result in the cost of the proposal being eventually spread out over all governments. The share of the cost would be proportionate to the share of current class 8 property tax revenues (1.7% universities, 27.5% school equalization account, 21.2% county governments, 43.7% local schools, and 5.8% city/town governments).

Fisher Denny Wm E Boharski

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INTRODUCED BY Keating Somerville Mercer

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Anderson Forrest AKLESTAD Benedict Foster Devlin Barnett Curtiss Hayne Knox Grinde

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(2) (a) The reimbursement amount to be used as the basis for the payment reduction under subsection (4) is the product of multiplying the tax year 1996 taxable value of property described in

15-6-138 for each local government taxing jurisdiction by the tax year 1996 mill levy for the jurisdiction and then multiplying by 1/9th.

(b) (i) The reimbursement amount for each local government taxing jurisdiction for tax year 1997 is the amount determined under subsection (2)(a) unless the tax year 1997 market value of property described in 15-6-138, for the particular local government taxing jurisdiction, is more than the tax year 1996 market value for property described in 15-6-138 in the same jurisdiction.

(ii) If the tax year 1997 market value is greater than the tax year 1996 market value for a particular jurisdiction, then the reimbursement amount for tax year 1997 is the result of subtracting the simulated 1997 tax from the 1996 tax. The 1996 tax is the tax for the particular jurisdiction, determined by multiplying the actual taxable valuation of property described in 15-6-138, for tax year 1996, by the tax year 1996 mill levy for the jurisdiction. The simulated 1997 tax for the particular jurisdiction is the actual tax year 1997 taxable value multiplied by the tax year 1996 mill levy for the particular jurisdiction. If the simulated 1997 tax is greater than the 1996 tax, the reimbursement amount is zero.

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(3) (a) For purposes of this section, "local government taxing jurisdiction" means a local government rather than a state taxing jurisdiction that levied mills against property described in 15-6-138, including county governments, incorporated city and town governments, consolidated county and city governments, tax increment financing districts, local elementary and high school districts, local community college and vocational-technical center districts, miscellaneous districts, and special districts. The term includes countywide mills levied for equalization of school retirement or transportation.

(b) The term does not include county or state school equalization levies provided for in 20-9-331, 20-9-333, and 20-9-360 or the university levy provided for in 15-10-106. It also does not include any state levy for welfare programs provided for in 53-2-813.

(4) County treasurers shall reduce the county payment to the state equalization aid account in June of 1997 by an amount equal to 38% of the reimbursement amount determined under subsection (2)(a) for all of the local government taxing jurisdictions in the county. The school equalization aid account payment is the amount collected by the county pursuant to the mill levies provided for in 20-9-331, 20-9-333, and 20-9-360, which must be sent to the state.

(5) County treasurers shall reduce the county payment to the state equalization aid account in December of 1997 by an amount equal to 31% of the reimbursement amount for tax year 1997 for all of the local government taxing jurisdictions in the county, as determined by the department under subsection (2).

(6) County treasurers shall reduce the county payment to the state equalization aid account in June of 1998 by an amount equal to 31% of the reimbursement amount for tax year 1997 for all of the local government taxing jurisdictions in the county and by an amount equal to 38% of the reimbursement amount for tax year 1998 for all of the local government taxing jurisdictions in the county, as determined by the department under subsection (2).

(7) County treasurers shall reduce the county payment to the state equalization aid account in December of 1998 by an amount equal to 31% of the reimbursement amount for tax year 1998 for all of

the local government taxing jurisdictions in the county, as determined by the department under subsection (2).

(8) County treasurers shall reduce the county payment to the state equalization aid account in June of 1999 by an amount equal to 31% of the reimbursement amount for tax year 1998 for all of the local government taxing jurisdictions in the county and by an amount equal to 38% of the reimbursement amount for tax year 1999 for all of the local government taxing jurisdictions in the county, as determined by the department under subsection (2).

(9) County treasurers shall reduce the county payment to the state equalization aid account in December of 1999 by an amount equal to 31% of the reimbursement amount for tax year 1999 for all of the local government taxing jurisdictions in the county, as determined by the department under subsection (2).

(10) County treasurers shall reduce the county payment to the state equalization aid account in June of 2000 by an amount equal to 69% of the reimbursement amount for tax year 1999 for all of the local government taxing jurisdictions in the county, as determined by the department under subsection (2).

(11) County treasurers shall reduce the county payment to the state equalization aid account in December of the years 2000 through 2008 by an amount equal to 31% of the reimbursement amount determined in subsection (13) for all of the local government taxing jurisdictions in the county, as determined by the department under subsection (2).

(12) County treasurers shall reduce the county payment to the state equalization aid account in June of the years 2001 through 2009 by an amount equal to 69% of the reimbursement amount determined in subsection (13) for all of the local government taxing jurisdictions in the county, as determined by the department under subsection (2).

(13) (a) The reimbursement amount for tax year 2000 and each subsequent tax year for 9 years must be progressively reduced each year by 10% of the reimbursement amount for tax year 1999, according to the following schedule:

Tax Year	Percentage of 1999 Reimbursement Amount
2000	90
2001	80
2002	70
2003	60

2004	50
2005	40
2006	30
2007	20
2008	10
2009 and following years	0

(b) The reimbursement amount for each tax year must be the basis for reducing the state equalization aid account in December of the same year and June of the following year.

(14) The county treasurer shall use the funds from the reduced payment to the state equalization aid account to reimburse each local government taxing jurisdiction in the amount determined by the department under subsection (2). The reimbursement must be distributed to entities within districts in the same manner as taxes on personal property are distributed in the same year.

(15) Each local government taxing jurisdiction receiving reimbursements shall consider the amount of reimbursement that will be received and lower the mill levy otherwise necessary to fund the budget by the amount that would otherwise have to be raised by the mill levy.

(16) A local government taxing jurisdiction that ceases to exist after [the effective date of this act] will no longer be considered for revenue loss or reimbursement purposes. A local government taxing jurisdiction that is created after January 1, 1997, will not be considered for revenue loss or reimbursement purposes. If a local government taxing jurisdiction that existed prior to January of 1997 is split between two or more taxing jurisdictions, the department shall determine how much of the revenue loss and reimbursement is attributed to the new jurisdictions.

NEW SECTION. **Section 3. Advisory committee -- review of local government funding.** (1) It is the intent of the legislature to thoroughly review funding for local governments, other than public schools, because local governments have come under increasing financial pressures over the last several years and it is clear that viable solutions to funding issues must be found in order for Montana citizens to continue to receive those services traditionally provided by local governments.

(2) The governor shall appoint an advisory committee to study the financing of services provided by local governments, other than public schools. The membership of the committee must include:

(a) three members representing county governments;

(b) three members representing city or town governments;

(c) two members with expertise in government financing and representing executive branch agencies;

(d) two members from the general public representing taxpayer interests; and

(e) two members of the legislature, not of the same political party, one of whom must be a member of the senate and one of whom must be a member of the house of representatives.

(3) The committee shall study:

(a) the current sources of funding for local government services, other than public schools;

(b) the continued viability of current funding sources;

(c) the need for additional or alternative funding sources;

(d) the financial and funding restraints currently imposed on local governments;

(e) the challenges facing local governments in providing traditional services in the future;

(f) the need for more flexibility in meeting future financial challenges;

(g) the ability of local governments to meet their budget requirements in the future; and

(h) other issues related to local government finances.

(4) The committee shall make a written report to the governor by September of 1996. The report must contain findings on the issues listed in subsection (3) and recommendations for legislation to solve the financial problems facing local governments, other than public schools. The report or an executive summary of the report must be delivered to the 55th legislature.

(5) The legislative branch shall provide general staff assistance to the committee, including research and report writing.

(6) The legislative and public members of the committee must be reimbursed by the legislature for expenses in attending any meetings of the committee, in accordance with state law.

Section 4. Section 15-1-111, MCA, is amended to read:

"**15-1-111. Reimbursement to local governments and schools -- duties of department and county treasurer -- statutory appropriation.** (1) Prior to September 1, 1990, the department's agent in the county shall supply the following information to the department for each taxing jurisdiction within the county:

(a) the number of mills levied in the jurisdiction for tax year 1989;

(b) the number of mills levied in the jurisdiction for tax year 1990;

(c) the total taxable valuation for tax years 1989 and 1990, reported separately for each year, of all personal property not secured by real property; and

(d) the total taxable valuation for tax years 1989 and 1990, reported separately for each year, of all personal property secured by real property.

(2) After receipt of the information from its agent, the department shall calculate the amount of revenue lost to each taxing jurisdiction, using current year mill levies, due to the annual reduction in personal property tax rates set forth in 15-6-138, prior to 1995, and any reduction in taxes based upon recalculation of the effective tax rate for property in 15-6-145, prior to 1995. The department shall total the amounts for all taxing jurisdictions within the county.

(3) (a) The department shall remit to the county treasurer 50% of the amount of revenue reimbursable, determined pursuant to subsection (1), on or before November 30 and the remaining 50% on or before May 31.

(b) For tax year 1993 ~~and for each tax year thereafter~~ through tax year 1999, the department shall remit to the county treasurer of each county the same amount remitted to the county treasurer for the fiscal year 1991, as adjusted by the result of dissolved or combined taxing jurisdictions, as provided for in subsection (7). Fifty percent of the amount must be remitted on or before November 30 and the remaining 50% on or before May 31.

(c) (i) For tax year 2000 through tax year 2009, the department shall remit to the county treasurer of each county the same amount remitted to the county treasurer for the fiscal year 1991, progressively reduced by 10% of the 1991 amount each year, in accordance with the following schedule:

Tax Year	Percentage of 1991 Remittance Amount
2000	90
2001	80
2002	70
2003	60
2004	50
2005	40
2006	30
2007	20
2008	10

2009 and following years	0

(ii) The amount remitted must be adjusted by the result of dissolved or combined taxing jurisdictions, as provided for in subsection (7). Fifty percent of the amount must be remitted on or before November 30 and the remaining 50% on or before May 31.

(4) Upon receipt of the reimbursement from the department, the county treasurer shall distribute the reimbursement to each taxing jurisdiction as calculated by the department.

(5) For the purposes of this section and subject to subsection (7), "taxing jurisdiction" means a jurisdiction levying mills against personal property and includes but is not limited to a county, city, school district, tax increment financing district, and miscellaneous taxing district and the state of Montana.

(6) The amounts necessary for the administration of this section are statutorily appropriated, as provided in 17-7-502, from the general fund to reimburse eligible taxing jurisdictions for reductions in tax rates on personal property.

(7) The following apply to taxing jurisdictions that were altered after tax year 1989:

(a) A taxing jurisdiction that existed in tax year 1989 and that no longer exists is not entitled to reimbursement under this section.

(b) A taxing jurisdiction that existed in tax year 1989 and that is split into two or more taxing jurisdictions is entitled to reimbursement based on the portion of 1989 taxable value within each new taxing jurisdiction. The department shall determine the portion of 1989 taxable value located in each taxing jurisdiction.

(c) A taxing jurisdiction that did not exist in tax year 1989 is not entitled to reimbursement under this section unless the jurisdiction was created as described in subsection (7)(b)."

Section 5. Section 15-24-102, MCA, is amended to read:

"**15-24-102. Valuation of interstate fleets -- determination of aggregate tax due -- exemption from mill levies.** The department of revenue shall assess the taxable vehicles of any interstate motor vehicle fleet making application for proportional registration, as follows:

(1) The purchase price of the taxable vehicles depreciated by a schedule as prescribed by the department determines the depreciated value.

(2) The depreciated value multiplied by the percent of miles traveled in Montana, as prescribed by

61-3-721, is the market value.

(3) The sum of the market value of all taxable vehicles included in the fleet multiplied by ~~9%~~ the tax rate for class eight property in 15-6-138 is the taxable value for the entire fleet as provided in 15-6-138.

(4) To determine the amount of tax due, the taxable value of the entire fleet must be multiplied by the statewide average county mill levy plus state levies as provided in 15-24-103.

(5) To determine the tax due under this chapter, state levies applicable to interstate motor vehicle fleets include but are not limited to levies imposed under 15-10-101, 15-10-106, 20-9-331, 20-9-333, 20-9-360, and 53-2-813.

(6) All taxes and fees collected on motor vehicle fleets under this chapter must be deposited and distributed as provided in 15-24-105."

NEW SECTION. **Section 6. Codification instruction.** [Section 2] is intended to be codified as an integral part of Title 15, chapter 1, and the provisions of Title 15, chapter 1, apply to [section 2].

-END-

SENATE BILL NO. 417

INTRODUCED BY KEATING, SOMERVILLE, MERCER, GROSFIELD, HARP, FISHER, FORBES, BAER, MILLS, DENNY, MASOLO, BOHARSKI, ROSE, CRIPPEN, BECK, HARGROVE, MCKEE, COLE, ANDERSON, SLITER, MURDOCK, FORRESTER, BROWN, HERRON, HERTEL, JABS, AKLESTAD, MOHL, JENKINS, EMERSON, BENEDICT, SPRAGUE, CRISMORE, GAGE, SWYSGOOD, FOSTER, DEVLIN, BARNETT, ESTRADA, HARDING, TVEIT, VICK, MCGEE, REHBEIN, BOHLINGER, M. HANSON, CURTISS, GRADY, SIMPKINS, DEBRUYCKER, WISEMAN, AHNER, STOVALL, HAYNE, KNOX, OHS, S. SMITH, HIBBARD, MARSHALL, KEENAN, ORR, ZOOK, TASH, JORE, MARTINEZ, GRINDE

BY REQUEST OF THE OFFICE OF THE GOVERNOR

A BILL FOR AN ACT ENTITLED: "AN ACT REDUCING THE TAX RATE ON BUSINESS EQUIPMENT FROM 9 PERCENT TO 6 PERCENT; PROVIDING THAT THE REDUCTION IN TAX RATES IS PHASED IN; REIMBURSING LOCAL TAXING JURISDICTIONS; PROGRESSIVELY REDUCING THE REIMBURSEMENTS; PROGRESSIVELY REDUCING THE CURRENT REMITTANCE TO COUNTY TREASURERS TO REIMBURSE LOCAL GOVERNMENTS FOR THE PREVIOUS REDUCTION IN PERSONAL PROPERTY TAX RATES; ESTABLISHING AN ADVISORY COMMITTEE TO REVIEW LOCAL GOVERNMENT FUNDING; REVISING LOCAL GOVERNMENT DEBT AND INDEBTEDNESS LIMITATIONS TO OFFSET THE TAX REDUCTION; AND AMENDING SECTIONS 7-7-2101, 7-7-2203, 7-7-4201, 7-7-4202, 15-1-111, 15-6-138, ~~AND~~ 15-24-102, AND 20-9-406, MCA."

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

Section 1. Section 15-6-138, MCA, is amended to read:

"**15-6-138. Class eight property -- description -- taxable percentage.** (1) Class eight property includes:

(a) all agricultural implements and equipment;

(b) all mining machinery, fixtures, equipment, tools that are not exempt under 15-6-201(1)(r), and supplies except those included in class five;

(c) all manufacturing machinery, fixtures, equipment, tools that are not exempt under 15-6-201(1)(r), and supplies except those included in class five;

(d) all trailers and semitrailers, including those prorated under 15-24-102, except those subject to taxation under 61-3-504(2) or exempt under 15-6-201(1)(v);

(e) all goods and equipment intended for rent or lease, except goods and equipment specifically included and taxed in another class;

(f) buses and trucks having a rated capacity of more than 1 ton, including those prorated under 15-24-102;

(g) truck toppers weighing more than 300 pounds;

(h) furniture, fixtures, and equipment, except that specifically included in another class, used in commercial establishments as defined in this section;

(i) x-ray and medical and dental equipment;

(j) citizens' band radios and mobile telephones;

(k) radio and television broadcasting and transmitting equipment;

(l) cable television systems;

(m) coal and ore haulers;

(n) theater projectors and sound equipment; and

(o) all other property not included in any other class in this part, except that property subject to a fee in lieu of a property tax.

(2) As used in this section, "coal and ore haulers" means nonhighway vehicles that exceed 18,000 pounds per axle and that are primarily designed and used to transport coal, ore, or other earthen material in a mining or quarrying environment.

(3) "Commercial establishment" includes any hotel; motel; office; petroleum marketing station; or service, wholesale, retail, or food-handling business.

(4) Class eight property is taxed at:

(a) 9% of its market value for tax years ending on or before December 31, 1996;

(b) 8% of its market value for tax year 1997;

(c) 7% of its market value for tax year 1998; and

(d) 6% of its market value for tax years beginning after December 31, 1998."

NEW SECTION. **Section 2. Business equipment tax rate reduction reimbursement to local government taxing jurisdictions.** (1) On or before January 1, 1997, for the reduction in payment under subsection (4) and by June 1, of 1997, 1998, and 1999, for all other reimbursements in this section, the department of revenue shall determine a reimbursement amount associated with reducing the tax rate in 15-6-138 and provide that information to each county treasurer. The reimbursement amount must be determined for each local government taxing jurisdiction that levied mills on the taxable value of property described in 15-6-138 in the corresponding tax year. However, the reimbursement does not apply to property described in 15-6-138 that has a reduced tax rate under 15-24-1402.

(2) (a) The reimbursement amount to be used as the basis for the payment reduction under subsection (4) is the product of multiplying the tax year 1996 taxable value of property described in 15-6-138 for each local government taxing jurisdiction by the tax year 1996 mill levy for the jurisdiction and then multiplying by 1/9th.

(b) (i) The reimbursement amount for each local government taxing jurisdiction for tax year 1997 is the amount determined under subsection (2)(a) unless the tax year 1997 market value of property described in 15-6-138, for the particular local government taxing jurisdiction, is more than the tax year 1996 market value for property described in 15-6-138 in the same jurisdiction.

(ii) If the tax year 1997 market value is greater than the tax year 1996 market value for a particular jurisdiction, then the reimbursement amount for tax year 1997 is the result of subtracting the simulated 1997 tax from the 1996 tax. The 1996 tax is the tax for the particular jurisdiction, determined by multiplying the actual taxable valuation of property described in 15-6-138, for tax year 1996, by the tax year 1996 mill levy for the jurisdiction. The simulated 1997 tax for the particular jurisdiction is the actual tax year 1997 taxable value <u>OF PROPERTY DESCRIBED IN 15-6-138</u> multiplied by the tax year 1996 mill levy for the particular jurisdiction. If the simulated 1997 tax is greater than the 1996 tax, the reimbursement amount is zero.

(c) (i) The reimbursement amount for each local government taxing jurisdiction for tax year 1998 is the amount determined under subsection (2)(a) multiplied by two unless the tax year 1998 market value of property described in 15-6-138, for the particular local government taxing jurisdiction, is more than the tax year 1996 market value for property described in 15-6-138 in the same jurisdiction.

(ii) If the tax year 1998 market value is greater than the tax year 1996 market value for a particular jurisdiction, then the reimbursement amount for tax year 1998 is the result of subtracting the simulated 1998 tax from the 1996 tax. The 1996 tax is the tax for the particular jurisdiction, determined by multiplying the actual taxable valuation of property described in 15-6-138, for tax year 1996, by the tax year 1996 mill levy for the jurisdiction. The simulated 1998 tax for the particular jurisdiction is the actual tax year 1998 taxable value OF PROPERTY DESCRIBED IN 15-6-138 multiplied by the tax year 1996 mill levy for the particular jurisdiction. If the simulated 1998 tax is greater than the 1996 tax, the reimbursement amount is zero.

(d) (i) The reimbursement amount for each local government taxing jurisdiction for tax year 1999 is the amount determined under subsection (2)(a) multiplied by three unless the tax year 1999 market value of property described in 15-6-138, for the particular local government taxing jurisdiction, is more than the tax year 1996 market value for property described in 15-6-138 in the same jurisdiction.

(ii) If the tax year 1999 market value is greater than the tax year 1996 market value for a particular jurisdiction, then the reimbursement amount for tax year 1999 is the result of subtracting the simulated 1999 tax from the 1996 tax. The 1996 tax is the tax for the particular jurisdiction, determined by multiplying the actual taxable valuation of property described in 15-6-138, for tax year 1996, by the tax year 1996 mill levy for the jurisdiction. The simulated 1999 tax for the particular jurisdiction is the actual tax year 1999 taxable value OF PROPERTY DESCRIBED IN 15-6-138 multiplied by the tax year 1996 mill levy for the particular jurisdiction. If the simulated 1999 tax is greater than the 1996 tax, the reimbursement amount is zero.

(3) (a) For purposes of this section, "local government taxing jurisdiction" means a local government rather than a state taxing jurisdiction that levied mills against property described in 15-6-138, including county governments, incorporated city and town governments, consolidated county and city governments, tax increment financing districts, local elementary and high school districts, local community college and vocational-technical center districts, miscellaneous districts, and special districts. The term includes countywide mills levied for equalization of school retirement or transportation.

(b) The term does not include county or state school equalization levies provided for in 20-9-331, 20-9-333, and 20-9-360 or the university levy provided for in 15-10-106. It also does not include any state levy for welfare programs provided for in 53-2-813.

(C) EACH TAX INCREMENT FINANCING DISTRICT MUST RECEIVE THE BENEFIT OF THE STATE MILL ON THE INCREMENTAL TAXABLE VALUE OF THE DISTRICT.

(4) County treasurers shall reduce the county payment to the state ~~equalization aid account~~ FOR THE LEVY IMPOSED UNDER 20-9-360 in June of 1997 by an amount equal to 38% of the reimbursement amount determined under subsection (2)(a) for all of the local government taxing jurisdictions in the county.

~~The school equalization aid account payment is the amount collected by the county pursuant to the mill levies provided for in 20-9-331, 20-9-333, and 20-9-360, which must be sent to the state.~~

(5) County treasurers shall reduce the county payment to the state ~~equalization aid account~~ FOR THE LEVY IMPOSED UNDER 20-9-360 in December of 1997 by an amount equal to 31% of the reimbursement amount for tax year 1997 for all of the local government taxing jurisdictions in the county, as determined by the department under subsection (2).

(6) County treasurers shall reduce the county payment to the state ~~equalization aid account~~ FOR THE LEVY IMPOSED UNDER 20-9-360 in June of 1998 by an amount equal to 31% of the reimbursement amount for tax year 1997 for all of the local government taxing jurisdictions in the county and by an amount equal to 38% of the reimbursement amount for tax year 1998 for all of the local government taxing jurisdictions in the county, as determined by the department under subsection (2).

(7) County treasurers shall reduce the county payment to the state ~~equalization aid account~~ FOR THE LEVY IMPOSED UNDER 20-9-360 in December of 1998 by an amount equal to 31% of the reimbursement amount for tax year 1998 for all of the local government taxing jurisdictions in the county, as determined by the department under subsection (2).

(8) County treasurers shall reduce the county payment to the state ~~equalization aid account~~ FOR THE LEVY IMPOSED UNDER 20-9-360 in June of 1999 by an amount equal to 31% of the reimbursement amount for tax year 1998 for all of the local government taxing jurisdictions in the county and by an amount equal to 38% of the reimbursement amount for tax year 1999 for all of the local government taxing jurisdictions in the county, as determined by the department under subsection (2).

(9) County treasurers shall reduce the county payment to the state ~~equalization aid account~~ FOR THE LEVY IMPOSED UNDER 20-9-360 in December of 1999 by an amount equal to 31% of the reimbursement amount for tax year 1999 for all of the local government taxing jurisdictions in the county, as determined by the department under subsection (2).

(10) County treasurers shall reduce the county payment to the state ~~equalization aid account~~ FOR THE LEVY IMPOSED UNDER 20-9-360 in June of 2000 by an amount equal to 69% of the reimbursement amount for tax year 1999 for all of the local government taxing jurisdictions in the county, as determined by the department under subsection (2).

(11) County treasurers shall reduce the county payment to the state ~~equalization aid account~~ FOR THE LEVY IMPOSED UNDER 20-9-360 in December of the years 2000 through 2008 by an amount equal

to 31% of the reimbursement amount determined in subsection (13) for all of the local government taxing jurisdictions in the county, as determined by the department under subsection (2).

(12) County treasurers shall reduce the county payment to the state ~~equalization aid account~~ FOR THE LEVY IMPOSED UNDER 20-9-360 in June of the years 2001 through 2009 by an amount equal to 69% of the reimbursement amount determined in subsection (13) for all of the local government taxing jurisdictions in the county, as determined by the department under subsection (2).

(13) (a) The reimbursement amount for tax year 2000 and each subsequent tax year for 9 years must be progressively reduced each year by 10% of the reimbursement amount for tax year 1999, according to the following schedule:

Tax Year	Percentage of 1999 Reimbursement Amount
2000	90
2001	80
2002	70
2003	60
2004	50
2005	40
2006	30
2007	20
2008	10
2009 and following years	0

(b) The reimbursement amount for each tax year must be the basis for reducing THE AMOUNT REMITTED TO the state ~~equalization aid account~~ FOR THE LEVY IMPOSED UNDER 20-9-360 in December of the same year and June of the following year.

(14) The county treasurer shall use the funds from the reduced payment to the state ~~equalization aid account~~ FOR THE LEVY IMPOSED UNDER 20-9-360 to reimburse each local government taxing jurisdiction in the amount determined by the department under subsection (2). The reimbursement must be distributed to ~~entities~~ FUNDS within ~~districts~~ LOCAL GOVERNMENT TAXING JURISDICTIONS in the same manner as taxes on ~~personal~~ property DESCRIBED IN 15-6-138 are distributed ~~in the same year.~~. THE REIMBURSEMENT IN JUNE MUST BE DISTRIBUTED BASED ON THE PRIOR YEAR'S MILL LEVY, AND THE REIMBURSEMENT IN DECEMBER MUST BE BASED ON THE CURRENT YEAR'S MILL LEVY.

(15) Each local government taxing jurisdiction receiving reimbursements shall consider the amount of reimbursement that will be received and lower the mill levy otherwise necessary to fund the budget by the amount that would otherwise have to be raised by the mill levy.

(16) A local government taxing jurisdiction that ceases to exist after [the effective date of this act] will no longer be considered for revenue loss or reimbursement purposes. A local government taxing jurisdiction that is created after January 1, 1997, will not be considered for revenue loss or reimbursement purposes. If a local government taxing jurisdiction that existed prior to January of 1997 is split between two or more taxing jurisdictions <u>OR IS ANNEXED TO OR IS CONSOLIDATED WITH ANOTHER TAXING JURISDICTION</u>, the department shall determine how much of the revenue loss and reimbursement is attributed to the new jurisdictions.

<u>NEW SECTION.</u> **Section 3. Advisory committee -- review of local government funding.** (1) It is the intent of the legislature to thoroughly review funding for local governments, other than public schools, because local governments have come under increasing financial pressures over the last several years and it is clear that viable solutions to funding issues must be found in order for Montana citizens to continue to receive those services traditionally provided by local governments.

(2) The governor shall appoint an advisory committee to study the financing of services provided by local governments, other than public schools. The membership of the committee must include:

(a) three members representing county governments;

(b) three members representing city or town governments;

(c) two members with expertise in government financing and representing executive branch agencies;

(d) two members from the general public representing taxpayer interests; and

(e) two members of the legislature, not of the same political party, one of whom must be a member of the senate and one of whom must be a member of the house of representatives.

(3) The committee shall study:

(a) the current sources of funding for local government services, other than public schools;

(b) the continued viability of current funding sources;

(c) the need for additional or alternative funding sources;

(d) the financial and funding restraints currently imposed on local governments;

(e) the challenges facing local governments in providing traditional services in the future;

(f) the need for more flexibility in meeting future financial challenges;

(g) the ability of local governments to meet their budget requirements in the future; and

(h) other issues related to local government finances.

(4) The committee shall make a written report to the governor by September of 1996. The report must contain findings on the issues listed in subsection (3) and recommendations for legislation to solve the financial problems facing local governments, other than public schools. The report or an executive summary of the report must be delivered to the 55th legislature.

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Section 4. Section 15-1-111, MCA, is amended to read:

"**15-1-111. Reimbursement to local governments and schools -- duties of department and county treasurer -- statutory appropriation.** (1) Prior to September 1, 1990, the department's agent in the county shall supply the following information to the department for each taxing jurisdiction within the county:

(a) the number of mills levied in the jurisdiction for tax year 1989;

(b) the number of mills levied in the jurisdiction for tax year 1990;

(c) the total taxable valuation for tax years 1989 and 1990, reported separately for each year, of all personal property not secured by real property; and

(d) the total taxable valuation for tax years 1989 and 1990, reported separately for each year, of all personal property secured by real property.

(2) After receipt of the information from its agent, the department shall calculate the amount of revenue lost to each taxing jurisdiction, using current year mill levies, due to the annual reduction in personal property tax rates set forth in 15-6-138<u>, prior to 1995</u>, and any reduction in taxes based upon recalculation of the effective tax rate for property in 15-6-145<u>, prior to 1995</u>. The department shall total the amounts for all taxing jurisdictions within the county.

(3) (a) The department shall remit to the county treasurer 50% of the amount of revenue reimbursable, determined pursuant to subsection (1), on or before November 30 and the remaining 50%

on or before May 31.

(b) For tax year 1993 ~~and for each tax year thereafter~~ through tax year 1999, the department shall remit to the county treasurer of each county the same amount remitted to the county treasurer for the fiscal year 1991, as adjusted by the result of dissolved or combined taxing jurisdictions, as provided for in subsection (7). Fifty percent of the amount must be remitted on or before November 30 and the remaining 50% on or before May 31.

(c) (i) For tax year 2000 through tax year 2009, the department shall remit to the county treasurer of each county the same amount remitted to the county treasurer for the fiscal year 1991, progressively reduced by 10% of the 1991 amount each year, in accordance with the following schedule:

Tax Year	Percentage of 1991 Remittance Amount
2000	90
2001	80
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2009 and following years	0

(ii) The amount remitted must be adjusted by the result of dissolved or combined taxing jurisdictions, as provided for in subsection (7). Fifty percent of the amount must be remitted on or before November 30 and the remaining 50% on or before May 31.

(4) Upon receipt of the reimbursement from the department, the county treasurer shall distribute the reimbursement to each taxing jurisdiction as calculated by the department.

(5) For the purposes of this section and subject to subsection (7), "taxing jurisdiction" means a jurisdiction levying mills against personal property and includes but is not limited to a county, city, school district, tax increment financing district, and miscellaneous taxing district and the state of Montana.

(6) The amounts necessary for the administration of this section are statutorily appropriated, as provided in 17-7-502, from the general fund to reimburse eligible taxing jurisdictions for reductions in tax

rates on personal property.

(7) The following apply to taxing jurisdictions that were altered after tax year 1989:

(a) A taxing jurisdiction that existed in tax year 1989 and that no longer exists is not entitled to reimbursement under this section.

(b) A taxing jurisdiction that existed in tax year 1989 and that is split into two or more taxing jurisdictions OR THAT IS ANNEXED TO OR IS CONSOLIDATED WITH ANOTHER TAXING JURISDICTION is entitled to reimbursement based on the portion of 1989 taxable value within each new taxing jurisdiction. The department shall determine the portion of 1989 taxable value located in each taxing jurisdiction.

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"**15-24-102. Valuation of interstate fleets -- determination of aggregate tax due -- exemption from mill levies.** The department of revenue shall assess the taxable vehicles of any interstate motor vehicle fleet making application for proportional registration, as follows:

(1) The purchase price of the taxable vehicles depreciated by a schedule as prescribed by the department determines the depreciated value.

(2) The depreciated value multiplied by the percent of miles traveled in Montana, as prescribed by 61-3-721, is the market value.

(3) The sum of the market value of all taxable vehicles included in the fleet multiplied by ~~9%~~ the tax rate for class eight property in 15-6-138 is the taxable value for the entire fleet as provided in 15-6-138.

(4) To determine the amount of tax due, the taxable value of the entire fleet must be multiplied by the statewide average county mill levy plus state levies as provided in 15-24-103.

(5) To determine the tax due under this chapter, state levies applicable to interstate motor vehicle fleets include but are not limited to levies imposed under 15-10-101, 15-10-106, 20-9-331, 20-9-333, 20-9-360, and 53-2-813.

(6) All taxes and fees collected on motor vehicle fleets under this chapter must be deposited and distributed as provided in 15-24-105."

SECTION 6. SECTION 7-7-2101, MCA, IS AMENDED TO READ:

"**7-7-2101. Limitation on amount of county indebtedness.** (1) A county may not become indebted in any manner or for any purpose to an amount, including existing indebtedness, in the aggregate exceeding 23% of the total of the taxable value of the property in the county subject to taxation, plus the amount of taxes levied on new production, production from horizontally completed wells, and incremental production divided by the appropriate tax rates described in 15-23-607(2)(a), (2)(b), or (2)(c) and multiplied by 60%, plus the amount of value represented by new production and production from horizontally completed wells exempted from tax as provided in 15-23-612 multiplied by 60%, plus the value of any other production occurring after December 31, 1988, multiplied by 60%, as ascertained by the last assessment for state and county taxes previous to the incurring of the indebtedness, plus, for indebtedness to be incurred during fiscal year 1998, an additional 11% of the taxable value of class eight property within the county for tax year 1996, for indebtedness to be incurred during fiscal year 1999, an additional 22% of the taxable value of class eight property within the county for tax year 1996, and for indebtedness to be incurred during fiscal years 2000 through 2009, an additional 33% of the taxable value of class eight property within the county for tax year 1996, in each case of class eight property, multiplied by 23%.

(2) A county may not incur indebtedness or liability for any single purpose to an amount exceeding $500,000 without the approval of a majority of the electors of the county voting at an election to be provided by law, except as provided in 7-21-3413 and 7-21-3414.

(3) This section does not apply to the acquisition of conservation easements as set forth in Title 76, chapter 6."

SECTION 7. SECTION 7-7-2203, MCA, IS AMENDED TO READ:

"**7-7-2203. Limitation on amount of bonded indebtedness.** (1) Except as provided in subsections (2) through (4), a county may not issue general obligation bonds for any purpose that, with all outstanding bonds and warrants except county high school bonds and emergency bonds, will exceed 11.25% of the total of the taxable value of the property in the county, plus the amount of taxes levied on new production, production from horizontally completed wells, and incremental production divided by the appropriate tax rates described in 15-23-607(2)(a), (2)(b), or (2)(c) and multiplied by 60%, plus the amount of value represented by new production and production from horizontally completed wells exempted from tax as provided in 15-23-612 multiplied by 60%, plus the value of any other production occurring after December

31, 1988, multiplied by 60%, to be ascertained by the last assessment for state and county taxes prior to the proposed issuance of bonds, plus, for general obligation bonds to be issued during fiscal year 1998, an additional 11% of the taxable value of class eight property within the county for tax year 1996, for general obligation bonds to be issued during fiscal year 1999, an additional 22% of the taxable value of class eight property within the county for tax year 1996, and for general obligation bonds to be issued during fiscal years 2000 through 2009, an additional 33% of the taxable value of class eight property within the county for tax year 1996, in each case of class eight property, multiplied by 11.25%.

(2) In addition to the bonds allowed by subsection (1), a county may issue bonds that, with all outstanding bonds and warrants, will not exceed 27.75% of the total of the taxable value of the property in the county subject to taxation, plus the amount of taxes levied on new production, production from horizontally completed wells, and incremental production divided by the appropriate tax rates described in 15-23-607(2)(a), (2)(b), or (2)(c) and multiplied by 60%, plus the amount of value represented by new production and production from horizontally completed wells exempted from tax as provided in 15-23-612 multiplied by 60%, when necessary to do so, plus the value of any other production occurring after December 31, 1988, multiplied by 60%, to be ascertained by the last assessment for state and county taxes, plus, for bonds to be issued during fiscal year 1998, an additional 11% of the taxable value of class eight property within the county for tax year 1996, for bonds to be issued during fiscal year 1999, an additional 22% of the taxable value of class eight property within the county for tax year 1996, and for bonds to be issued during fiscal years 2000 through 2009, an additional 33% of the taxable value of class eight property within the county for tax year 1996, in each case of class eight property, multiplied by 27.75%, for the purpose of acquiring land for a site for county high school buildings and for erecting or acquiring buildings on the site and furnishing and equipping the buildings for county high school purposes.

(3) In addition to the bonds allowed by subsections (1) and (2), a county may issue bonds for the construction or improvement of a jail that will not exceed 12.5% of the taxable value of the property in the county subject to taxation, plus the adjustments permitted by 7-7-2101.

(4) The limitation in subsection (1) does not apply to refunding bonds issued for the purpose of paying or retiring county bonds lawfully issued prior to January 1, 1932, or to bonds issued for the repayment of tax protests lost by the county."

SECTION 8. SECTION 7-7-4201, MCA, IS AMENDED TO READ:

"**7-7-4201. Limitation on amount of bonded indebtedness.** (1) Except as otherwise provided, ~~no~~ a city or town may not issue bonds or incur other indebtedness for any purpose in an amount ~~which~~ that with all outstanding and unpaid indebtedness will exceed 28% of the taxable value of the property ~~therein~~ in the city or town subject to taxation, to be ascertained by the last assessment for state and county taxes, plus, for bonds to be issued or other indebtedness to be incurred during fiscal year 1998, an additional 11% of the taxable value of class eight property within the city or town for tax year 1996, for bonds to be issued or other indebtedness to be incurred during fiscal year 1999, an additional 22% of the taxable value of class eight property within the city or town for tax year 1996, and for bonds to be issued or other indebtedness to be incurred during fiscal years 2000 through 2009, an additional 33% of the taxable value of class eight property within the city or town for tax year 1996, in each case of class eight property, multiplied by 28%.

(2) The issuing of bonds for the purpose of funding or refunding outstanding warrants or bonds is not the incurring of a new or additional indebtedness but is merely the changing of the evidence of outstanding indebtedness.

(3) The limitation in subsection (1) does not apply to bonds issued for the repayment of tax protests lost by the city or town."

SECTION 9. SECTION 7-7-4202, MCA, IS AMENDED TO READ:

"**7-7-4202. Special provisions relating to water and sewer systems.** (1) Notwithstanding the provisions of 7-7-4201, for the purpose of constructing a sewer system, procuring a water supply, or constructing or acquiring a water system for a city or town ~~which~~ that owns and controls the water supply and water system and devotes the ~~revenues therefrom~~ revenue from the water supply and water system to the payment of the debt, a city or town may incur an additional indebtedness by borrowing money or issuing bonds.

(2) The additional total indebtedness that may be incurred by borrowing money or issuing bonds for the construction of a sewer system, for the procurement of a water supply, or for both ~~such~~ of the purposes, including all indebtedness ~~theretofore~~ that is contracted ~~which~~ and that is unpaid or outstanding, may not in the aggregate exceed 55% over and above the 28%, referred to in 7-7-4201, of the taxable value of the property ~~therein~~ in the city or town subject to taxation ~~as~~ to be ascertained by the last assessment for state and county taxes, plus, for indebtedness to be incurred during fiscal year 1998, an

additional 11% of the taxable value of class eight property within the city or town for tax year 1996, for indebtedness to be incurred during fiscal year 1999, an additional 22% of the taxable value of class eight property within the city or town for tax year 1996, and for indebtedness to be incurred during fiscal years 2000 through 2009, an additional 33% of the taxable value of class eight property within the city or town for tax year 1996, in each case of class eight property, multiplied by 55%."

SECTION 10. SECTION 20-9-406, MCA, IS AMENDED TO READ:

"**20-9-406. Limitations on amount of bond issue.** (1) (a) Except as provided in subsection (1)(c), the maximum amount for which an elementary district or a high school district may become indebted by the issuance of bonds, including all indebtedness represented by outstanding bonds of previous issues and registered warrants, is 45% of the taxable value of the property subject to taxation ~~as~~ to be ascertained by the last completed assessment for state, county, and school taxes previous to the incurring of the indebtedness, plus, for bonds to be issued during fiscal year 1998, an additional 11% of the taxable value of class eight property within the district for tax year 1996, for bonds to be issued during fiscal year 1999, an additional 22% of the taxable value of class eight property within the district for tax year 1996, and for bonds to be issued during fiscal years 2000 through 2009, an additional 33% of the taxable value of class eight property within the district for tax year 1996, in each case of class eight property, multiplied by 45%.

(b) Except as provided in subsection (1)(c), the maximum amount for which a K-12 school district, as formed pursuant to 20-6-701, may become indebted by the issuance of bonds, including all indebtedness represented by outstanding bonds of previous issues and registered warrants, is up to 90% of the taxable value of the property subject to taxation ~~as~~ to be ascertained by the last-completed assessment for state, county, and school taxes previous to the incurring of the indebtedness, plus, for bonds to be issued during fiscal year 1998, an additional 11% of the taxable value of class eight property within the district for tax year 1996, for bonds to be issued during fiscal year 1999, an additional 22% of the taxable value of class eight property within the district for tax year 1996, and for bonds to be issued during fiscal years 2000 through 2009, an additional 33% of the taxable value of class eight property within the district for tax year 1996, in each case of class eight property, multiplied by 90%. The total indebtedness of the high school district with an attached elementary district must be limited to the sum of 45% of the taxable value of the property for elementary school program purposes and 45% of the taxable value of the property for high school program purposes, adjusted as provided in this section.

(c) The maximum amount for which an elementary district or a high school district that qualifies for guaranteed tax base aid under the provisions of 20-9-367 may become indebted by the issuance of bonds, including all indebtedness represented by outstanding bonds of previous issues and registered warrants, is 45% of the corresponding statewide mill value per ANB times 1,000 times the ANB of the district. For a K-12 district, the maximum amount for which the district may become indebted is 45% of the sum of the statewide mill value per elementary ANB times 1,000 times the elementary ANB of the district and the statewide mill value per high school ANB times 1,000 times the high school ANB of the district.

(2) The maximum amounts determined in subsection (1), however, may not pertain to indebtedness imposed by special improvement district obligations or assessments against the school district or to bonds issued for the repayment of tax protests lost by the district. All bonds issued in excess of the amount are void, except as provided in this section.

(3) When the total indebtedness of a school district has reached the limitations prescribed in this section, the school district may pay all reasonable and necessary expenses of the school district on a cash basis in accordance with the financial administration provisions of this chapter.

(4) Whenever bonds are issued for the purpose of refunding bonds, any money to the credit of the debt service fund for the payment of the bonds to be refunded is applied toward the payment of the bonds and the refunding bond issue is decreased accordingly."

<u>NEW SECTION.</u> **Section 11. Codification instruction.** [Section 2] is intended to be codified as an integral part of Title 15, chapter 1, and the provisions of Title 15, chapter 1, apply to [section 2].

-END-

HOUSE STANDING COMMITTEE REPORT

April 6, 1995

Mr. Speaker: We, the committee on **Taxation** report that **Senate Bill 417** (third reading copy -- blue) **be concurred in as amended.**

Signed: ______________________
Chase Hibbard, Chair

And, that such amendments read: **Carried by: Rep. Somerville**

1. Title, line 16.
Strike: "AN ADVISORY COMMITTEE"
Insert: "A TASK FORCE"
Following: "FUNDING"
Insert: "AND TO EXAMINE ALL ASPECTS OF TAXATION IN MONTANA AND MAKE RECOMMENDATIONS TO THE GOVERNOR AND THE LEGISLATURE ON SHORT-TERM AND LONG-TERM TAX POLICY STRATEGIES; APPROPRIATING FUNDING FOR THE TASK FORCE"

2. Title, line 17.
Strike: "AND"

3. Title, line 19.
Following: "MCA"
Insert: "; AND PROVIDING A TERMINATION DATE"

4. Page 2, line 24.
Strike: "1996"
Insert: "1995"

5. Page 2, line 25.
Strike: "year"
Insert: "years 1996 and"

6. Page 2, line 30.
Strike: "1997"

SB 417

Committee Vote:
Yes 15, No 5.

HOUSE
791637SC.Hdh

Insert: "1996"

7. Page 3, lines 8, 9, 14, 15, 17 (twice), 18, 19, 20, 21, 26, 27, 29 (twice), and 30.
Strike: "1996"
Insert: "1995"

8. Page 3, line 11.
Strike: "year"
Insert: "years 1996 and"

9. Page 3, line 12.
Following: "unless the"
Insert: "current"
Strike: "1997"

10. Page 3, line 15.
Following: "If the"
Insert: "current"
Strike: "1997"

11. Page 3, line 16.
Following: "for"
Insert: "the"
Strike: "1997"

12. Page 3, line 17.
Strike: "1997"
Insert: "current"

13. Page 3, line 19.
Strike: "1997"
Insert: "current"

14. Page 3, line 20.
Strike: "1997"

15. Page 3, line 21.
Strike: "1997"
Insert: "current"

16. Page 4, lines 1, 2, 3, 8, 9, 11 (twice), 12, 13, 14, and 15.
Strike: "1996"
Insert: "1995"

17. Page 4, line 29.
Following: "June of"
Insert: "1996 and"

18. Page 5, line 4.
Following: "December of"
Insert: "1996 and"

19. Page 5, line 5.
Following: "amount for"
Insert: "that"
Strike: "1997"

20. Page 7, lines 12 and 13.
Strike: "Advisory committee"
Insert: "Task force"
Following: "of"
Insert: "taxation and"
Following: "(1)" on line 12
Strike: remainder of line 12 through "review" on line 13
Insert: "There is a Montana tax policy task force to study all aspects of taxation in Montana and to make findings regarding the burden of state and local taxation borne by various segments of the state's economy and by various categories of individual taxpayers. The task force in its study shall consider but not limit itself to:

(a) the existing sources and levels of taxation, with particular attention given to the classification of property and the taxable percentages applied to that property, and an evaluation of the sources and levels of taxation;

(b) the relationship between federal income tax laws and state income tax laws and the impact of federal tax laws on the state;

(c) the relative portion of the total amount of taxes that is collected from each segment of the business community and each category of individual taxpayer;

(d) the impact of state and local taxation on economic development;

(e) the relationship between taxes and the revenue needs of the state and local governments;

(f) the relationship between tax burden, ability to pay, and benefits received from government;

(g) alternative methods of taxation from existing sources as well as new sources of revenue and an evaluation of the alternative methods and new sources; and

(h)"

21. Page 7, lines 17 through 25.
Strike: subsection (2) in its entirety
Insert: "(2) Based on the findings pursuant to the study required under subsection (1), the task force shall develop

recommendations, alternatives, or both, for 2-year, 10-year, and 25-year tax policy strategies for Montana.

(3) The task force, in its deliberations, shall solicit the knowledge and advice of economists, tax policy experts, representatives of tax reform coalitions, local governments, small business organizations, large industries, agriculture, the Montana chamber of commerce, appropriate state agencies, and the general public."

Renumber: subsequent subsections

22. Page 7, line 26.
Strike: "The committee"
Insert: "In reviewing local government funding, the task force"

23. Page 8, lines 5 through 12.
Strike: subsections (4) through (6) in their entirety
Insert: "(5) The task force is allocated to the department of revenue for administrative purposes only as provided in 2-15-121.

NEW SECTION. **Section 4. Membership -- appointment -- vacancies.** (1) The task force created by [section 3] is composed of the following members:

(a) eight members appointed by the governor, who are broadly representative of taxpayer groups, business and industry, labor organizations, local government, and consumers of governmental services;

(b) four members of the house of representatives, of which no more than two may be of the same political party, appointed by the speaker of the house; and

(c) four members of the senate, of which no more than two may be of the same political party, appointed by the committee on committees.

(2) Task force members must be appointed and designated no later than July 15, 1995.

(3) The task force shall elect its presiding officer.

(4) A vacancy occurring on the task force must be filled in the same manner as the original appointment.

NEW SECTION. **Section 5. Remuneration.** (1) Each member of the task force provided for in [section 3], except the legislative members, is entitled to reimbursement for expenses as provided in 2-18-501 through 2-18-503.

(2) Each legislative member of the task force is entitled to compensation as provided in 5-2-301 and 5-2-302, as applicable.

(3) In addition to expenditures referred to in subsections (1) and (2), task force funds may be spent for staff support,

contracted services, and other expenses required to fulfill the purpose and needs of the task force.

NEW SECTION. **Section 6. Meetings -- report to governor and legislature.** (1) The task force provided for in [section 3] shall meet by September 15, 1995, and at the request of the presiding officer thereafter.

(2) The task force shall submit its findings and recommendations to the governor and the legislature on or before October 1, 1996.

NEW SECTION. **Section 7. Gifts and grants.** The task force provided for in [section 3] may accept payments, contributions, gifts, and grants, in money or otherwise, for the purposes set forth in [section 3]. All payments, monetary contributions, gifts, and grants received by the task force must be deposited in an account in the state special revenue fund provided for in [section 8].

NEW SECTION. **Section 8. Special revenue account.** There is an account in the state special revenue fund. The account consists of all payments, monetary contributions, gifts, and grants received pursuant to [section 7]."
Renumber: subsequent sections

24. Page 11, line 11.
Page 12, line 2.
Page 12, line 16.
Page 13, line 5.
Page 13, line 30.
Page 14, line 13.
Page 14, line 23.
Strike: "1998"
Insert: "1997"

25. Page 11, line 12.
Page 11, line 13.
Page 11, line 15.
Page 12, line 3.
Page 12, line 5.
Page 12, line 7.
Page 12, line 17.
Page 12, line 18.
Page 12, line 20.
Page 13, line 6.
Page 13, line 8.
Page 13, line 10.
Page 14, line 1.

Page 14, line 3.
Page 14, line 5.
Page 14, line 14.
Page 14, line 15.
Page 14, line 17.
Page 14, line 24.
Page 14, line 25.
Page 14, line 27.
Strike: "1996"
Insert: "1995"

26. Page 15, line 19.
Insert: "NEW SECTION. **Section 16. Appropriation.** There is appropriated from the general fund to the department of revenue $15,000 for the use of the task force provided for in [section 3]."
Renumber: subsequent section

27. Page 15, line 22.
Insert: "NEW SECTION. **Section 18. Termination.** [Sections 4 through 8] terminate June 30, 1997."

-END-

HOUSE COMMITTEE OF THE WHOLE AMENDMENT

Senate Bill 417
Representative Somerville

April 7, 1995 11:40 am

Mr. Chairman: I move to amend **Senate Bill 417** (third reading copy -- ~~blue~~).

Signed: ______________________
Representative Somerville

And, that such amendments to Senate Bill 417 read as follows:

AMEND HOUSE COMMITTEE TAX COMMITTEE REPORT DATED APRIL 6, 1995, AS FOLLOWS:

Strike amendments 4 through 19 in their entirety
Strike amendments 24 and 25 in their entirety

AND THAT SENATE BILL NO. 417, THIRD READING COPY, BE FURTHER AMENDED AS FOLLOWS:

1. Page 2, line 24.
Strike: "1996"
Insert: "1995"

2. Page 2, line 25.
Strike: "1997"
Insert: "1996"

3. Page 2, lines 26 and 27.
Strike: "1998"
Insert: "1997"

4. Page 2, line 30.
   Page 3, line 1, 11, 12, 15, 16, 17, 19, 20, 21.
   Page 4, line 29.
   Page 5, lines 4, 5, and 9.
   Page 7, lines 6 and 7.
Strike: "1997"

SB 417

ADOPT 75-22

REJECT

HOUSE

801140CW.Hbk

Insert: "1996"

5. Page 3, lines 1, 23, 24, 27, 28, 29.
   Page 4, lines 1, 2, and 3.
   Page 5, lines 8, 10, 13, 14, and 18.
Strike: "1998"
Insert: "1997"

6. Page 3, line 1.
   Page 4, lines 5, 6, 9, 10, 11, 13, 14, 15.
   Page 5, lines 17, 19, 22, 23, 27.
Strike: "1999"
Insert: "1998"

7. Page 3, lines 8, 9, 14, 15, 17, 18, 19, 20, 21, 26, 27, 29 (twice) and 30.
   Page 4,. lines 1, 2, 3, 8, 9, 11 (twice), 12, 13, 14, and 15.
Strike: "1996"
Insert: "1995"

8. Page 5, lines 26 and 30.
   Page 6, lines 7 and 11.
Strike: "2000"
Insert: "1999"

9. Page 5, line 30.
Strike: "2008"
Insert: "2007"

10. Page 6, lines 4 and 12.
Strike: "2001"
Insert: "2000"

11. Page 6, lines 4 and 20.
Strike: "2009"
Insert: "2008"

12. Page 6, line 13.
Strike: "2002"
Insert: "2001"

13. Page 6, line 14.
Strike: "2003"
Insert: "2002"

14. Page 6, line 15.
Strike: "2004"
Insert: "2003"

15. Page 6, line 16.
Strike: "2005"
Insert: "2004"

16. Page 6, line 17.
Strike: "2006"
Insert: "2005"

17. Page 6, line 18.
Strike: "2007"
Insert: "2006"

18. Page 6, line 19.
Strike: "2008"
Insert: "2007"

19. Page 8, line 26.
Page 8, line 27.
Strike: "<u>1995</u>"
Insert: "1994"

20. Page 9, line 2.
Strike: "<u>1999</u>"
Insert: "1998"

21. Page 9, lines 7 and 11.
Strike: "<u>2000</u>"
Insert: "1999"

22. Page 9, lines 7 and 20.
Strike: "<u>2009</u>"
Insert: "2008"

23. Page 9, line 12.
Strike: "<u>2001</u>"
Insert: "2000"

24. Page 9, line 13.
Strike: "<u>2002</u>"
Insert: "2001"

25. Page 9, line 14.
Strike: "<u>2003</u>"
Insert: "2002"

26. Page 9, line 15.
Strike: "<u>2004</u>"
Insert: "2003"

27. Page 9, line 16.
Strike: "2005"
Insert: "2004"

28. Page 9, line 17.
Strike: "2006"
Insert: "2005"

29. Page 9, line 18.
Strike: "2007"
Insert: "2006"

30. Page 9, line 19.
Strike: "2008"
Insert: "2007"

31. Page 11, line 11.
Page 12, lines 2 and 16.
Page 13, lines 5 and 30.
Page 14, line 23.
Strike: "1998"
Insert: "1997"

32. Page 11, lines 12, 13, and 15.
Page 12, lines 3, 5, 7, 17, 18, and 20.
Page 13, lines 6, 8, and 10.
Page 14, lines 1, 3, 5, 14, 15, 17, 24, 25, and 27.
Strike: "1996"
Insert: "1995"

33. Page 11, line 12.
Page 12, lines 4 and 17.
Page 13, line 7.
Page 14, lines 2, 14, and 24.
Strike: "1999"
Insert: "1998"

34. Page 11, line 14.
Page 12, lines 6 and 19.
Page 13, line 9.
Page 14, line 4, 16, and 25.
Strike: "2000"
Insert: "1999"

35. Page 11, line 14.
Page 12, lines 6 and 19.
Page 13, line 9.
Page 14, lines 4, 16, and 26.

Strike: "2009"
Insert: "2008"

-END-

HOUSE COMMITTEE OF THE WHOLE AMENDMENT

Senate Bill 417
Representative Cobb

April 7, 1995 1:48 pm

Mr. Chairman: I move to amend **Senate Bill 417** (third reading copy -- blue).

Signed: Cobb
Representative Cobb

And, that such amendments to Senate Bill 417 read as follows:

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1. Page 15, line 22.
Insert: "NEW SECTION. Section 19. Coordination. If House Bill
     No. 497 is not passed and approved, then [this act] is
     void."
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-END-

SB 417

ADOPT 91-6

REJECT

HOUSE

801347CW.Hbk

SENATE BILL NO. 417

INTRODUCED BY KEATING, SOMERVILLE, MERCER, GROSFIELD, HARP, FISHER, FORBES, BAER, MILLS, DENNY, MASOLO, BOHARSKI, ROSE, CRIPPEN, BECK, HARGROVE, MCKEE, COLE, ANDERSON, SLITER, MURDOCK, FORRESTER, BROWN, HERRON, HERTEL, JABS, AKLESTAD, MOHL, JENKINS, EMERSON, BENEDICT, SPRAGUE, CRISMORE, GAGE, SWYSGOOD, FOSTER, DEVLIN, BARNETT, ESTRADA, HARDING, TVEIT, VICK, MCGEE, REHBEIN, BOHLINGER, M. HANSON, CURTISS, GRADY, SIMPKINS, DEBRUYCKER, WISEMAN, AHNER, STOVALL, HAYNE, KNOX, OHS, S. SMITH, HIBBARD, MARSHALL, KEENAN, ORR, ZOOK, TASH, JORE, MARTINEZ, GRINDE

BY REQUEST OF THE OFFICE OF THE GOVERNOR

A BILL FOR AN ACT ENTITLED: "AN ACT REDUCING THE TAX RATE ON BUSINESS EQUIPMENT FROM 9 PERCENT TO 6 PERCENT; PROVIDING THAT THE REDUCTION IN TAX RATES IS PHASED IN; REIMBURSING LOCAL TAXING JURISDICTIONS; PROGRESSIVELY REDUCING THE REIMBURSEMENTS; PROGRESSIVELY REDUCING THE CURRENT REMITTANCE TO COUNTY TREASURERS TO REIMBURSE LOCAL GOVERNMENTS FOR THE PREVIOUS REDUCTION IN PERSONAL PROPERTY TAX RATES; ESTABLISHING ~~AN ADVISORY COMMITTEE~~ A TASK FORCE TO REVIEW LOCAL GOVERNMENT FUNDING AND TO EXAMINE ALL ASPECTS OF TAXATION IN MONTANA AND MAKE RECOMMENDATIONS TO THE GOVERNOR AND THE LEGISLATURE ON SHORT-TERM AND LONG-TERM TAX POLICY STRATEGIES; APPROPRIATING FUNDING FOR THE TASK FORCE; REVISING LOCAL GOVERNMENT DEBT AND INDEBTEDNESS LIMITATIONS TO OFFSET THE TAX REDUCTION; ~~AND~~ AMENDING SECTIONS 7-7-2101, 7-7-2203, 7-7-4201, 7-7-4202, 15-1-111, 15-6-138, ~~AND~~ 15-24-102, AND 20-9-406, MCA; AND PROVIDING A TERMINATION DATE."

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

Section 1. Section 15-6-138, MCA, is amended to read:

"**15-6-138. Class eight property -- description -- taxable percentage.** (1) Class eight property includes:

(a) all agricultural implements and equipment;

(b) all mining machinery, fixtures, equipment, tools that are not exempt under 15-6-201(1)(r), and

REFERENCE BILL
AS AMENDED

supplies except those included in class five;

(c) all manufacturing machinery, fixtures, equipment, tools that are not exempt under 15-6-201(1)(r), and supplies except those included in class five;

(d) all trailers and semitrailers, including those prorated under 15-24-102, except those subject to taxation under 61-3-504(2) or exempt under 15-6-201(1)(v);

(e) all goods and equipment intended for rent or lease, except goods and equipment specifically included and taxed in another class;

(f) buses and trucks having a rated capacity of more than 1 ton, including those prorated under 15-24-102;

(g) truck toppers weighing more than 300 pounds;

(h) furniture, fixtures, and equipment, except that specifically included in another class, used in commercial establishments as defined in this section;

(i) x-ray and medical and dental equipment;

(j) citizens' band radios and mobile telephones;

(k) radio and television broadcasting and transmitting equipment;

(l) cable television systems;

(m) coal and ore haulers;

(n) theater projectors and sound equipment; and

(o) all other property not included in any other class in this part, except that property subject to a fee in lieu of a property tax.

(2) As used in this section, "coal and ore haulers" means nonhighway vehicles that exceed 18,000 pounds per axle and that are primarily designed and used to transport coal, ore, or other earthen material in a mining or quarrying environment.

(3) "Commercial establishment" includes any hotel; motel; office; petroleum marketing station; or service, wholesale, retail, or food-handling business.

(4) Class eight property is taxed at:

(a) 9% of its market value for tax years ending on or before December 31, ~~1996~~ ~~1995~~ ~~1996~~ 1995;

(b) 8% of its market value for tax ~~year~~ ~~YEARS 1996 AND~~ YEAR ~~1997~~ 1996;

(c) 7% of its market value for tax year ~~1998~~ 1997; and

(d) 6% of its market value for tax years beginning after December 31, ~~1998~~ 1997."

NEW SECTION. **Section 2. Business equipment tax rate reduction reimbursement to local government taxing jurisdictions.** (1) On or before January 1, ~~1997~~ ~~1996~~ ~~1997~~ 1996, for the reduction in payment under subsection (4) and by June 1 of ~~1997~~ 1996, ~~1998~~ 1997, and ~~1999~~ 1998, for all other reimbursements in this section, the department of revenue shall determine a reimbursement amount associated with reducing the tax rate in 15-6-138 and provide that information to each county treasurer. The reimbursement amount must be determined for each local government taxing jurisdiction that levied mills on the taxable value of property described in 15-6-138 in the corresponding tax year. However, the reimbursement does not apply to property described in 15-6-138 that has a reduced tax rate under 15-24-1402.

(2) (a) The reimbursement amount to be used as the basis for the payment reduction under subsection (4) is the product of multiplying the tax year ~~1996~~ ~~1995~~ ~~1996~~ 1995 taxable value of property described in 15-6-138 for each local government taxing jurisdiction by the tax year ~~1996~~ ~~1995~~ ~~1996~~ 1995 mill levy for the jurisdiction and then multiplying by 1/9th.

(b) (i) The reimbursement amount for each local government taxing jurisdiction for tax ~~year~~ ~~YEARS~~ ~~1996 AND~~ YEAR ~~1997~~ 1996 is the amount determined under subsection (2)(a) unless the ~~CURRENT~~ tax year ~~1997~~ ~~1997~~ 1996 market value of property described in 15-6-138, for the particular local government taxing jurisdiction, is more than the tax year ~~1996~~ ~~1995~~ ~~1996~~ 1995 market value for property described in 15-6-138 in the same jurisdiction.

(ii) If the ~~CURRENT~~ tax year ~~1997~~ ~~1997~~ 1996 market value is greater than the tax year ~~1996~~ ~~1995~~ ~~1996~~ 1995 market value for a particular jurisdiction, then the reimbursement amount for ~~THE~~ tax year ~~1997~~ ~~1997~~ 1996 is the result of subtracting the simulated ~~1997~~ ~~CURRENT~~ ~~1997~~ 1996 tax from the ~~1996~~ ~~1995~~ ~~1996~~ 1995 tax. The ~~1996~~ ~~1995~~ ~~1996~~ 1995 tax is the tax for the particular jurisdiction, determined by multiplying the actual taxable valuation of property described in 15-6-138, for tax year ~~1996~~ ~~1995~~ ~~1996~~ 1995, by the tax year ~~1996~~ ~~1995~~ ~~1996~~ 1995 mill levy for the jurisdiction. The simulated ~~1997~~ ~~CURRENT~~ ~~1997~~ 1996 tax for the particular jurisdiction is the actual tax year ~~1997~~ ~~1997~~ 1996 taxable value OF PROPERTY DESCRIBED IN 15-6-138 multiplied by the tax year ~~1996~~ ~~1995~~ ~~1996~~ 1995 mill levy for the particular jurisdiction. If the simulated ~~1997~~ ~~CURRENT~~ ~~1997~~ 1996 tax is greater than the ~~1996~~ ~~1995~~ ~~1996~~ 1995 tax, the reimbursement amount is zero.

(c) (i) The reimbursement amount for each local government taxing jurisdiction for tax year ~~1998~~ 1997 is the amount determined under subsection (2)(a) multiplied by two unless the tax year ~~1998~~ 1997 market value of property described in 15-6-138, for the particular local government taxing jurisdiction, is more than the tax year ~~1996~~ ~~1995~~ ~~1996~~ 1995 market value for property described in 15-6-138 in the same jurisdiction.

(ii) If the tax year ~~1998~~ 1997 market value is greater than the tax year ~~1996~~ ~~1995~~ ~~1996~~ 1995 market value for a particular jurisdiction, then the reimbursement amount for tax year ~~1998~~ 1997 is the result of subtracting the simulated ~~1998~~ 1997 tax from the ~~1996~~ ~~1995~~ ~~1996~~ 1995 tax. The ~~1996~~ ~~1995~~ ~~1996~~ 1995 tax is the tax for the particular jurisdiction, determined by multiplying the actual taxable valuation of property described in 15-6-138, for tax year ~~1996~~ ~~1995~~ ~~1996~~ 1995, by the tax year ~~1996~~ ~~1995~~ ~~1996~~ 1995 mill levy for the jurisdiction. The simulated ~~1998~~ 1997 tax for the particular jurisdiction is the actual tax year ~~1998~~ 1997 taxable value OF PROPERTY DESCRIBED IN 15-6-138 multiplied by the tax year ~~1996~~ ~~1995~~ ~~1996~~ 1995 mill levy for the particular jurisdiction. If the simulated ~~1998~~ 1997 tax is greater than the ~~1996~~ ~~1995~~ ~~1996~~ 1995 tax, the reimbursement amount is zero.

(d) (i) The reimbursement amount for each local government taxing jurisdiction for tax year ~~1999~~ 1998 is the amount determined under subsection (2)(a) multiplied by three unless the tax year ~~1999~~ 1998 market value of property described in 15-6-138, for the particular local government taxing jurisdiction, is more than the tax year ~~1996~~ ~~1995~~ ~~1996~~ 1995 market value for property described in 15-6-138 in the same jurisdiction.

(ii) If the tax year ~~1999~~ 1998 market value is greater than the tax year ~~1996~~ ~~1995~~ ~~1996~~ 1995 market value for a particular jurisdiction, then the reimbursement amount for tax year ~~1999~~ 1998 is the result of subtracting the simulated ~~1999~~ 1998 tax from the ~~1996~~ ~~1995~~ ~~1996~~ 1995 tax. The ~~1996~~ ~~1995~~ ~~1996~~ 1995 tax is the tax for the particular jurisdiction, determined by multiplying the actual taxable valuation of property described in 15-6-138, for tax year ~~1996~~ ~~1995~~ ~~1996~~ 1995, by the tax year ~~1996~~ ~~1995~~ ~~1996~~ 1995 mill levy for the jurisdiction. The simulated ~~1999~~ 1998 tax for the particular jurisdiction is the actual tax year ~~1999~~ 1998 taxable value OF PROPERTY DESCRIBED IN 15-6-138 multiplied by the tax year ~~1996~~ ~~1995~~ ~~1996~~ 1995 mill levy for the particular jurisdiction. If the simulated ~~1999~~ 1998 tax is greater than the ~~1996~~ ~~1995~~ ~~1996~~ 1995 tax, the reimbursement amount is zero.

(3) (a) For purposes of this section, "local government taxing jurisdiction" means a local government rather than a state taxing jurisdiction that levied mills against property described in 15-6-138, including county governments, incorporated city and town governments, consolidated county and city governments, tax increment financing districts, local elementary and high school districts, local community

college and vocational-technical center districts, miscellaneous districts, and special districts. The term includes countywide mills levied for equalization of school retirement or transportation.

(b) The term does not include county or state school equalization levies provided for in 20-9-331, 20-9-333, and 20-9-360 or the university levy provided for in 15-10-106. It also does not include any state levy for welfare programs provided for in 53-2-813.

(C) EACH TAX INCREMENT FINANCING DISTRICT MUST RECEIVE THE BENEFIT OF THE STATE MILL ON THE INCREMENTAL TAXABLE VALUE OF THE DISTRICT.

(4) County treasurers shall reduce the county payment to the state ~~equalization aid account~~ FOR THE LEVY IMPOSED UNDER 20-9-360 in June of ~~1996 AND~~ ~~1997~~ 1996 by an amount equal to 38% of the reimbursement amount determined under subsection (2)(a) for all of the local government taxing jurisdictions in the county. ~~The school equalization aid account payment is the amount collected by the county pursuant to the mill levies provided for in 20-9-331, 20-9-333, and 20-9-360, which must be sent to the state.~~

(5) County treasurers shall reduce the county payment to the state ~~equalization aid account~~ FOR THE LEVY IMPOSED UNDER 20-9-360 in December of ~~1996 AND~~ ~~1997~~ 1996 by an amount equal to 31% of the reimbursement amount for ~~THAT~~ tax year ~~1997~~ ~~1997~~ 1996 for all of the local government taxing jurisdictions in the county, as determined by the department under subsection (2).

(6) County treasurers shall reduce the county payment to the state ~~equalization aid account~~ FOR THE LEVY IMPOSED UNDER 20-9-360 in June of ~~1998~~ 1997 by an amount equal to 31% of the reimbursement amount for tax year ~~1997~~ 1996 for all of the local government taxing jurisdictions in the county and by an amount equal to 38% of the reimbursement amount for tax year ~~1998~~ 1997 for all of the local government taxing jurisdictions in the county, as determined by the department under subsection (2).

(7) County treasurers shall reduce the county payment to the state ~~equalization aid account~~ FOR THE LEVY IMPOSED UNDER 20-9-360 in December of ~~1998~~ 1997 by an amount equal to 31% of the reimbursement amount for tax year ~~1998~~ 1997 for all of the local government taxing jurisdictions in the county, as determined by the department under subsection (2).

(8) County treasurers shall reduce the county payment to the state ~~equalization aid account~~ FOR THE LEVY IMPOSED UNDER 20-9-360 in June of ~~1999~~ 1998 by an amount equal to 31% of the reimbursement amount for tax year ~~1998~~ 1997 for all of the local government taxing jurisdictions in the county and by an amount equal to 38% of the reimbursement amount for tax year ~~1999~~ 1998 for all of the

local government taxing jurisdictions in the county, as determined by the department under subsection (2).

(9) County treasurers shall reduce the county payment to the state ~~equalization aid account~~ FOR THE LEVY IMPOSED UNDER 20-9-360 in December of ~~1999~~ 1998 by an amount equal to 31% of the reimbursement amount for tax year ~~1999~~ 1998 for all of the local government taxing jurisdictions in the county, as determined by the department under subsection (2).

(10) County treasurers shall reduce the county payment to the state ~~equalization aid account~~ FOR THE LEVY IMPOSED UNDER 20-9-360 in June of ~~2000~~ 1999 by an amount equal to 69% of the reimbursement amount for tax year ~~1999~~ 1998 for all of the local government taxing jurisdictions in the county, as determined by the department under subsection (2).

(11) County treasurers shall reduce the county payment to the state ~~equalization aid account~~ FOR THE LEVY IMPOSED UNDER 20-9-360 in December of the years ~~2000~~ 1999 through ~~2008~~ 2007 by an amount equal to 31% of the reimbursement amount determined in subsection (13) for all of the local government taxing jurisdictions in the county, as determined by the department under subsection (2).

(12) County treasurers shall reduce the county payment to the state ~~equalization aid account~~ FOR THE LEVY IMPOSED UNDER 20-9-360 in June of the years ~~2001~~ 2000 through ~~2009~~ 2008 by an amount equal to 69% of the reimbursement amount determined in subsection (13) for all of the local government taxing jurisdictions in the county, as determined by the department under subsection (2).

(13) (a) The reimbursement amount for tax year ~~2000~~ 1999 and each subsequent tax year for 9 years must be progressively reduced each year by 10% of the reimbursement amount for tax year 1999, according to the following schedule:

Tax Year	Percentage of 1999 Reimbursement Amount
~~2000~~ 1999	90
~~2001~~ 2000	80
~~2002~~ 2001	70
~~2003~~ 2002	60
~~2004~~ 2003	50
~~2005~~ 2004	40
~~2006~~ 2005	30
~~2007~~ 2006	20
~~2008~~ 2007	10

~~2009~~ 2008 and following years 0

(b) The reimbursement amount for each tax year must be the basis for reducing THE AMOUNT REMITTED TO the state ~~equalization aid account~~ FOR THE LEVY IMPOSED UNDER 20-9-360 in December of the same year and June of the following year.

(14) The county treasurer shall use the funds from the reduced payment to the state ~~equalization aid account~~ FOR THE LEVY IMPOSED UNDER 20-9-360 to reimburse each local government taxing jurisdiction in the amount determined by the department under subsection (2). The reimbursement must be distributed to ~~entities~~ FUNDS within ~~districts~~ LOCAL GOVERNMENT TAXING JURISDICTIONS in the same manner as taxes on ~~personal~~ property DESCRIBED IN 15-6-138 are distributed ~~in the same year.~~. THE REIMBURSEMENT IN JUNE MUST BE DISTRIBUTED BASED ON THE PRIOR YEAR'S MILL LEVY, AND THE REIMBURSEMENT IN DECEMBER MUST BE BASED ON THE CURRENT YEAR'S MILL LEVY.

(15) Each local government taxing jurisdiction receiving reimbursements shall consider the amount of reimbursement that will be received and lower the mill levy otherwise necessary to fund the budget by the amount that would otherwise have to be raised by the mill levy.

(16) A local government taxing jurisdiction that ceases to exist after [the effective date of this act] will no longer be considered for revenue loss or reimbursement purposes. A local government taxing jurisdiction that is created after January 1, ~~1997~~ 1996, will not be considered for revenue loss or reimbursement purposes. If a local government taxing jurisdiction that existed prior to January of ~~1997~~ 1996 is split between two or more taxing jurisdictions OR IS ANNEXED TO OR IS CONSOLIDATED WITH ANOTHER TAXING JURISDICTION, the department shall determine how much of the revenue loss and reimbursement is attributed to the new jurisdictions.

NEW SECTION. **Section 3. ~~Advisory committee~~ TASK FORCE -- review of TAXATION AND local government funding.** (1) ~~It is the intent of the legislature to thoroughly review~~ THERE IS A MONTANA TAX POLICY TASK FORCE TO STUDY ALL ASPECTS OF TAXATION IN MONTANA AND TO MAKE FINDINGS REGARDING THE BURDEN OF STATE AND LOCAL TAXATION BORNE BY VARIOUS SEGMENTS OF THE STATE'S ECONOMY AND BY VARIOUS CATEGORIES OF INDIVIDUAL TAXPAYERS. THE TASK FORCE IN ITS STUDY SHALL CONSIDER BUT NOT LIMIT ITSELF TO:

(A) THE EXISTING SOURCES AND LEVELS OF TAXATION, WITH PARTICULAR ATTENTION GIVEN TO THE CLASSIFICATION OF PROPERTY AND THE TAXABLE PERCENTAGES APPLIED TO THAT

PROPERTY, AND AN EVALUATION OF THE SOURCES AND LEVELS OF TAXATION;

(B) THE RELATIONSHIP BETWEEN FEDERAL INCOME TAX LAWS AND STATE INCOME TAX LAWS AND THE IMPACT OF FEDERAL TAX LAWS ON THE STATE;

(C) THE RELATIVE PORTION OF THE TOTAL AMOUNT OF TAXES THAT IS COLLECTED FROM EACH SEGMENT OF THE BUSINESS COMMUNITY AND EACH CATEGORY OF INDIVIDUAL TAXPAYER;

(D) THE IMPACT OF STATE AND LOCAL TAXATION ON ECONOMIC DEVELOPMENT;

(E) THE RELATIONSHIP BETWEEN TAXES AND THE REVENUE NEEDS OF THE STATE AND LOCAL GOVERNMENTS;

(F) THE RELATIONSHIP BETWEEN TAX BURDEN, ABILITY TO PAY, AND BENEFITS RECEIVED FROM GOVERNMENT;

(G) ALTERNATIVE METHODS OF TAXATION FROM EXISTING SOURCES AS WELL AS NEW SOURCES OF REVENUE AND AN EVALUATION OF THE ALTERNATIVE METHODS AND NEW SOURCES; AND

(H) funding for local governments, other than public schools, because local governments have come under increasing financial pressures over the last several years and it is clear that viable solutions to funding issues must be found in order for Montana citizens to continue to receive those services traditionally provided by local governments.

~~(2) The governor shall appoint an advisory committee to study the financing of services provided by local governments, other than public schools. The membership of the committee must include:~~

~~(a) three members representing county governments;~~

~~(b) three members representing city or town governments;~~

~~(c) two members with expertise in government financing and representing executive branch agencies;~~

~~(d) two members from the general public representing taxpayer interests; and~~

~~(e) two members of the legislature, not of the same political party, one of whom must be a member of the senate and one of whom must be a member of the house of representatives.~~

(2) BASED ON THE FINDINGS PURSUANT TO THE STUDY REQUIRED UNDER SUBSECTION (1), THE TASK FORCE SHALL DEVELOP RECOMMENDATIONS, ALTERNATIVES, OR BOTH, FOR 2-YEAR, 10-YEAR, AND 25-YEAR TAX POLICY STRATEGIES FOR MONTANA.

(3) THE TASK FORCE, IN ITS DELIBERATIONS, SHALL SOLICIT THE KNOWLEDGE AND ADVICE

OF ECONOMISTS, TAX POLICY EXPERTS, REPRESENTATIVES OF TAX REFORM COALITIONS, LOCAL GOVERNMENTS, SMALL BUSINESS ORGANIZATIONS, LARGE INDUSTRIES, AGRICULTURE, THE MONTANA CHAMBER OF COMMERCE, APPROPRIATE STATE AGENCIES, AND THE GENERAL PUBLIC.

~~(3)~~(4) ~~The committee~~ IN REVIEWING LOCAL GOVERNMENT FUNDING, THE TASK FORCE shall study:

(a) the current sources of funding for local government services, other than public schools;

(b) the continued viability of current funding sources;

(c) the need for additional or alternative funding sources;

(d) the financial and funding restraints currently imposed on local governments;

(e) the challenges facing local governments in providing traditional services in the future;

(f) the need for more flexibility in meeting future financial challenges;

(g) the ability of local governments to meet their budget requirements in the future; and

(h) other issues related to local government finances.

~~(4) The committee shall make a written report to the governor by September of 1996. The report must contain findings on the issues listed in subsection (3) and recommendations for legislation to solve the financial problems facing local governments, other than public schools. The report or an executive summary of the report must be delivered to the 55th legislature.~~

~~(5) The legislative branch shall provide general staff assistance to the committee, including research and report writing.~~

~~(6) The legislative and public members of the committee must be reimbursed by the legislature for expenses in attending any meetings of the committee, in accordance with state law.~~

(5) THE TASK FORCE IS ALLOCATED TO THE DEPARTMENT OF REVENUE FOR ADMINISTRATIVE PURPOSES ONLY AS PROVIDED IN 2-15-121.

NEW SECTION. **SECTION 4. MEMBERSHIP -- APPOINTMENT -- VACANCIES.** (1) THE TASK FORCE CREATED BY [SECTION 3] IS COMPOSED OF THE FOLLOWING MEMBERS:

(A) EIGHT MEMBERS APPOINTED BY THE GOVERNOR, WHO ARE BROADLY REPRESENTATIVE OF TAXPAYER GROUPS, BUSINESS AND INDUSTRY, LABOR ORGANIZATIONS, LOCAL GOVERNMENT, AND CONSUMERS OF GOVERNMENTAL SERVICES;

(B) FOUR MEMBERS OF THE HOUSE OF REPRESENTATIVES, OF WHICH NO MORE THAN TWO

MAY BE OF THE SAME POLITICAL PARTY, APPOINTED BY THE SPEAKER OF THE HOUSE; AND

(C) FOUR MEMBERS OF THE SENATE, OF WHICH NO MORE THAN TWO MAY BE OF THE SAME POLITICAL PARTY, APPOINTED BY THE COMMITTEE ON COMMITTEES.

(2) TASK FORCE MEMBERS MUST BE APPOINTED AND DESIGNATED NO LATER THAN JULY 15, 1995.

(3) THE TASK FORCE SHALL ELECT ITS PRESIDING OFFICER.

(4) A VACANCY OCCURRING ON THE TASK FORCE MUST BE FILLED IN THE SAME MANNER AS THE ORIGINAL APPOINTMENT.

NEW SECTION. **SECTION 5. REMUNERATION.** (1) EACH MEMBER OF THE TASK FORCE PROVIDED FOR IN [SECTION 3], EXCEPT THE LEGISLATIVE MEMBERS, IS ENTITLED TO REIMBURSEMENT FOR EXPENSES AS PROVIDED IN 2-18-501 THROUGH 2-18-503.

(2) EACH LEGISLATIVE MEMBER OF THE TASK FORCE IS ENTITLED TO COMPENSATION AS PROVIDED IN 5-2-301 AND 5-2-302, AS APPLICABLE.

(3) IN ADDITION TO EXPENDITURES REFERRED TO IN SUBSECTIONS (1) AND (2), TASK FORCE FUNDS MAY BE SPENT FOR STAFF SUPPORT, CONTRACTED SERVICES, AND OTHER EXPENSES REQUIRED TO FULFILL THE PURPOSE AND NEEDS OF THE TASK FORCE.

NEW SECTION. **SECTION 6. MEETINGS -- REPORT TO GOVERNOR AND LEGISLATURE.** (1) THE TASK FORCE PROVIDED FOR IN [SECTION 3] SHALL MEET BY SEPTEMBER 15, 1995, AND AT THE REQUEST OF THE PRESIDING OFFICER THEREAFTER.

(2) THE TASK FORCE SHALL SUBMIT ITS FINDINGS AND RECOMMENDATIONS TO THE GOVERNOR AND THE LEGISLATURE ON OR BEFORE OCTOBER 1, 1996.

NEW SECTION. **SECTION 7. GIFTS AND GRANTS.** THE TASK FORCE PROVIDED FOR IN [SECTION 3] MAY ACCEPT PAYMENTS, CONTRIBUTIONS, GIFTS, AND GRANTS, IN MONEY OR OTHERWISE, FOR THE PURPOSES SET FORTH IN [SECTION 3]. ALL PAYMENTS, MONETARY CONTRIBUTIONS, GIFTS, AND GRANTS RECEIVED BY THE TASK FORCE MUST BE DEPOSITED IN AN ACCOUNT IN THE STATE SPECIAL REVENUE FUND PROVIDED FOR IN [SECTION 8].

NEW SECTION. **SECTION 8. SPECIAL REVENUE ACCOUNT.** THERE IS AN ACCOUNT IN THE STATE SPECIAL REVENUE FUND. THE ACCOUNT CONSISTS OF ALL PAYMENTS, MONETARY CONTRIBUTIONS, GIFTS, AND GRANTS RECEIVED PURSUANT TO [SECTION 7].

Section 9. Section 15-1-111, MCA, is amended to read:

"**15-1-111. Reimbursement to local governments and schools -- duties of department and county treasurer -- statutory appropriation.** (1) Prior to September 1, 1990, the department's agent in the county shall supply the following information to the department for each taxing jurisdiction within the county:

(a) the number of mills levied in the jurisdiction for tax year 1989;

(b) the number of mills levied in the jurisdiction for tax year 1990;

(c) the total taxable valuation for tax years 1989 and 1990, reported separately for each year, of all personal property not secured by real property; and

(d) the total taxable valuation for tax years 1989 and 1990, reported separately for each year, of all personal property secured by real property.

(2) After receipt of the information from its agent, the department shall calculate the amount of revenue lost to each taxing jurisdiction, using current year mill levies, due to the annual reduction in personal property tax rates set forth in 15-6-138, prior to ~~1995~~ 1994, and any reduction in taxes based upon recalculation of the effective tax rate for property in 15-6-145, prior to ~~1995~~ 1994. The department shall total the amounts for all taxing jurisdictions within the county.

(3) (a) The department shall remit to the county treasurer 50% of the amount of revenue reimbursable, determined pursuant to subsection (1), on or before November 30 and the remaining 50% on or before May 31.

(b) For tax year 1993 ~~and for each tax year thereafter~~ through tax year ~~1999~~ 1998, the department shall remit to the county treasurer of each county the same amount remitted to the county treasurer for the fiscal year 1991, as adjusted by the result of dissolved or combined taxing jurisdictions, as provided for in subsection (7). Fifty percent of the amount must be remitted on or before November 30 and the remaining 50% on or before May 31.

(c) (i) For tax year ~~2000~~ 1999 through tax year ~~2009~~ 2008, the department shall remit to the county treasurer of each county the same amount remitted to the county treasurer for the fiscal year 1991, progressively reduced by 10% of the 1991 amount each year, in accordance with the following schedule:

Tax Year	Percentage of 1991 Remittance Amount
~~2000~~ 1999	90
~~2001~~ 2000	80
~~2002~~ 2001	70
~~2003~~ 2002	60
~~2004~~ 2003	50
~~2005~~ 2004	40
~~2006~~ 2005	30
~~2007~~ 2006	20
~~2008~~ 2007	10
~~2009~~ 2008 and following years	0

(ii) The amount remitted must be adjusted by the result of dissolved or combined taxing jurisdictions, as provided for in subsection (7). Fifty percent of the amount must be remitted on or before November 30 and the remaining 50% on or before May 31.

(4) Upon receipt of the reimbursement from the department, the county treasurer shall distribute the reimbursement to each taxing jurisdiction as calculated by the department.

(5) For the purposes of this section and subject to subsection (7), "taxing jurisdiction" means a jurisdiction levying mills against personal property and includes but is not limited to a county, city, school district, tax increment financing district, and miscellaneous taxing district and the state of Montana.

(6) The amounts necessary for the administration of this section are statutorily appropriated, as provided in 17-7-502, from the general fund to reimburse eligible taxing jurisdictions for reductions in tax rates on personal property.

(7) The following apply to taxing jurisdictions that were altered after tax year 1989:

(a) A taxing jurisdiction that existed in tax year 1989 and that no longer exists is not entitled to reimbursement under this section.

(b) A taxing jurisdiction that existed in tax year 1989 and that is split into two or more taxing jurisdictions OR THAT IS ANNEXED TO OR IS CONSOLIDATED WITH ANOTHER TAXING JURISDICTION is entitled to reimbursement based on the portion of 1989 taxable value within each new taxing jurisdiction. The department shall determine the portion of 1989 taxable value located in each taxing jurisdiction.

(c) A taxing jurisdiction that did not exist in tax year 1989 is not entitled to reimbursement under this section unless the jurisdiction was created as described in subsection (7)(b)."

Section 10. Section 15-24-102, MCA, is amended to read:

"**15-24-102. Valuation of interstate fleets -- determination of aggregate tax due -- exemption from mill levies.** The department of revenue shall assess the taxable vehicles of any interstate motor vehicle fleet making application for proportional registration, as follows:

(1) The purchase price of the taxable vehicles depreciated by a schedule as prescribed by the department determines the depreciated value.

(2) The depreciated value multiplied by the percent of miles traveled in Montana, as prescribed by 61-3-721, is the market value.

(3) The sum of the market value of all taxable vehicles included in the fleet multiplied by ~~9%~~ the tax rate for class eight property in 15-6-138 is the taxable value for the entire fleet as provided in 15-6-138.

(4) To determine the amount of tax due, the taxable value of the entire fleet must be multiplied by the statewide average county mill levy plus state levies as provided in 15-24-103.

(5) To determine the tax due under this chapter, state levies applicable to interstate motor vehicle fleets include but are not limited to levies imposed under 15-10-101, 15-10-106, 20-9-331, 20-9-333, 20-9-360, and 53-2-813.

(6) All taxes and fees collected on motor vehicle fleets under this chapter must be deposited and distributed as provided in 15-24-105."

SECTION 11. SECTION 7-7-2101, MCA, IS AMENDED TO READ:

"**7-7-2101. Limitation on amount of county indebtedness.** (1) A county may not become indebted in any manner or for any purpose to an amount, including existing indebtedness, in the aggregate exceeding 23% of the total of the taxable value of the property in the county subject to taxation, plus the amount of taxes levied on new production, production from horizontally completed wells, and incremental production divided by the appropriate tax rates described in 15-23-607(2)(a), (2)(b), or (2)(c) and multiplied by 60%, plus the amount of value represented by new production and production from horizontally completed wells exempted from tax as provided in 15-23-612 multiplied by 60%, plus the value of any other production occurring after December 31, 1988, multiplied by 60%, as ascertained by the last assessment for state and county taxes previous to the incurring of the indebtedness, plus, for indebtedness to be incurred during fiscal year ~~1998~~ ~~1997~~ ~~1998~~ 1997, an additional 11% of the taxable value of class eight property within the county for tax year ~~1996~~ ~~1995~~ ~~1996~~ 1995, for indebtedness to be incurred during fiscal year ~~1999~~ 1998, an additional 22% of the taxable value of class eight property within the county for tax year ~~1996~~ ~~1995~~ ~~1996~~ 1995, and for indebtedness to be incurred during fiscal years ~~2000~~ 1999 through ~~2009~~ 2008, an additional 33% of the taxable value of class eight property within the county for tax year ~~1996~~ ~~1995~~ ~~1996~~ 1995, in each case of class eight property, multiplied by 23%.

(2) A county may not incur indebtedness or liability for any single purpose to an amount exceeding $500,000 without the approval of a majority of the electors of the county voting at an election to be provided by law, except as provided in 7-21-3413 and 7-21-3414.

(3) This section does not apply to the acquisition of conservation easements as set forth in Title 76, chapter 6."

SECTION 12. SECTION 7-7-2203, MCA, IS AMENDED TO READ:

"**7-7-2203. Limitation on amount of bonded indebtedness.** (1) Except as provided in subsections (2) through (4), a county may not issue general obligation bonds for any purpose that, with all outstanding bonds and warrants except county high school bonds and emergency bonds, will exceed 11.25% of the total of the taxable value of the property in the county, plus the amount of taxes levied on new production, production from horizontally completed wells, and incremental production divided by the appropriate tax rates described in 15-23-607(2)(a), (2)(b), or (2)(c) and multiplied by 60%, plus the amount of value represented by new production and production from horizontally completed wells exempted from tax as provided in 15-23-612 multiplied by 60%, plus the value of any other production occurring after December 31, 1988, multiplied by 60%, to be ascertained by the last assessment for state and county taxes prior to the proposed issuance of bonds, plus, for general obligation bonds to be issued during fiscal year ~~1998~~ ~~1997~~ ~~1998~~ 1997, an additional 11% of the taxable value of class eight property within the county for tax year ~~1996~~ ~~1995~~ ~~1996~~ 1995, for general obligation bonds to be issued during fiscal year ~~1999~~ 1998, an additional 22% of the taxable value of class eight property within the county for tax year ~~1996~~ ~~1995~~ ~~1996~~ 1995, and for general obligation bonds to be issued during fiscal years ~~2000~~ 1999 through ~~2009~~ 2008, an additional 33% of the taxable value of class eight property within the county for tax year ~~1996~~ ~~1995~~ ~~1996~~ 1995, in each case of class eight property, multiplied by 11.25%.

(2) In addition to the bonds allowed by subsection (1), a county may issue bonds that, with all outstanding bonds and warrants, will not exceed 27.75% of the total of the taxable value of the property in the county subject to taxation, plus the amount of taxes levied on new production, production from horizontally completed wells, and incremental production divided by the appropriate tax rates described in 15-23-607(2)(a), (2)(b), or (2)(c) and multiplied by 60%, plus the amount of value represented by new production and production from horizontally completed wells exempted from tax as provided in 15-23-612 multiplied by 60%, when necessary to do so, plus the value of any other production occurring after December 31, 1988, multiplied by 60%, to be ascertained by the last assessment for state and county taxes, plus, for bonds to be issued during fiscal year ~~1998~~ ~~1997~~ ~~1998~~ 1997, an additional 11% of the taxable value of class eight property within the county for tax year ~~1996~~ ~~1995~~ ~~1996~~ 1995, for bonds to be issued during fiscal year ~~1999~~ 1998, an additional 22% of the taxable value of class eight property within the county for tax year ~~1996~~ ~~1995~~ ~~1996~~ 1995, and for bonds to be issued during fiscal years ~~2000~~ 1999 through ~~2009~~ 2008, an additional 33% of the taxable value of class eight property within the county for tax year ~~1996~~ ~~1995~~ ~~1996~~ 1995, in each case of class eight property, multiplied by 27.75%, for the purpose of acquiring land for a site for county high school buildings and for erecting or acquiring buildings on the site and furnishing and equipping the buildings for county high school purposes.

(3) In addition to the bonds allowed by subsections (1) and (2), a county may issue bonds for the construction or improvement of a jail that will not exceed 12.5% of the taxable value of the property in the county subject to taxation, plus the adjustments permitted by 7-7-2101.

(4) The limitation in subsection (1) does not apply to refunding bonds issued for the purpose of paying or retiring county bonds lawfully issued prior to January 1, 1932, or to bonds issued for the repayment of tax protests lost by the county."

SECTION 13. SECTION 7-7-4201, MCA, IS AMENDED TO READ:

"**7-7-4201. Limitation on amount of bonded indebtedness.** (1) Except as otherwise provided, ~~no~~ a city or town may not issue bonds or incur other indebtedness for any purpose in an amount ~~which~~ that with all outstanding and unpaid indebtedness will exceed 28% of the taxable value of the property ~~therein~~ in the city or town subject to taxation, to be ascertained by the last assessment for state and county taxes, plus, for bonds to be issued or other indebtedness to be incurred during fiscal year ~~1998~~ ~~1997~~ ~~1998~~ 1997, an additional 11% of the taxable value of class eight property within the city or town for tax year ~~1996~~

~~1995~~ ~~1996~~ 1995, for bonds to be issued or other indebtedness to be incurred during fiscal year ~~1999~~ 1998, an additional 22% of the taxable value of class eight property within the city or town for tax year ~~1996~~ ~~1995~~ ~~1996~~ 1995, and for bonds to be issued or other indebtedness to be incurred during fiscal years ~~2000~~ 1999 through ~~2009~~ 2008, an additional 33% of the taxable value of class eight property within the city or town for tax year ~~1996~~ ~~1995~~ ~~1996~~ 1995, in each case of class eight property, multiplied by 28%.

(2) The issuing of bonds for the purpose of funding or refunding outstanding warrants or bonds is not the incurring of a new or additional indebtedness but is merely the changing of the evidence of outstanding indebtedness.

(3) The limitation in subsection (1) does not apply to bonds issued for the repayment of tax protests lost by the city or town."

SECTION 14. SECTION 7-7-4202, MCA, IS AMENDED TO READ:

"**7-7-4202. Special provisions relating to water and sewer systems.** (1) Notwithstanding the provisions of 7-7-4201, for the purpose of constructing a sewer system, procuring a water supply, or constructing or acquiring a water system for a city or town ~~which~~ that owns and controls the water supply and water system and devotes the ~~revenues therefrom~~ revenue from the water supply and water system to the payment of the debt, a city or town may incur an additional indebtedness by borrowing money or issuing bonds.

(2) The additional total indebtedness that may be incurred by borrowing money or issuing bonds for the construction of a sewer system, for the procurement of a water supply, or for both ~~such~~ of the purposes, including all indebtedness ~~theretofore~~ that is contracted ~~which~~ and that is unpaid or outstanding, may not in the aggregate exceed 55% over and above the 28%, referred to in 7-7-4201, of the taxable value of the property ~~therein~~ in the city or town subject to taxation ~~as~~ to be ascertained by the last assessment for state and county taxes, plus, for indebtedness to be incurred during fiscal year ~~1998~~ ~~1997~~ ~~1998~~ 1997, an additional 11% of the taxable value of class eight property within the city or town for tax year ~~1996~~ ~~1995~~ ~~1996~~ 1995, for indebtedness to be incurred during fiscal year ~~1999~~ 1998, an additional 22% of the taxable value of class eight property within the city or town for tax year ~~1996~~ ~~1995~~ ~~1996~~ 1995, and for indebtedness to be incurred during fiscal years ~~2000~~ 1999 through ~~2009~~ 2008, an additional 33% of the taxable value of class eight property within the city or town for tax year ~~1996~~ ~~1995~~ ~~1996~~ 1995, in each case of class eight property, multiplied by 55%."

SECTION 15. SECTION 20-9-406, MCA, IS AMENDED TO READ:

"**20-9-406. Limitations on amount of bond issue.** (1) (a) Except as provided in subsection (1)(c), the maximum amount for which an elementary district or a high school district may become indebted by the issuance of bonds, including all indebtedness represented by outstanding bonds of previous issues and registered warrants, is 45% of the taxable value of the property subject to taxation ~~as~~ to be ascertained by the last completed assessment for state, county, and school taxes previous to the incurring of the indebtedness, plus, for bonds to be issued during fiscal year ~~1998~~ ~~1997~~ ~~1998~~ 1997, an additional 11% of the taxable value of class eight property within the district for tax year ~~1996~~ ~~1995~~ ~~1996~~ 1995, for bonds to be issued during fiscal year ~~1999~~ 1998, an additional 22% of the taxable value of class eight property within the district for tax year ~~1996~~ ~~1995~~ ~~1996~~ 1995, and for bonds to be issued during fiscal years ~~2000~~ 1999 through ~~2009~~ 2008, an additional 33% of the taxable value of class eight property within the district for tax year ~~1996~~ ~~1995~~ ~~1996~~ 1995, in each case of class eight property, multiplied by 45%.

(b) Except as provided in subsection (1)(c), the maximum amount for which a K-12 school district, as formed pursuant to 20-6-701, may become indebted by the issuance of bonds, including all indebtedness represented by outstanding bonds of previous issues and registered warrants, is up to 90% of the taxable value of the property subject to taxation ~~as~~ to be ascertained by the last-completed assessment for state, county, and school taxes previous to the incurring of the indebtedness, plus, for bonds to be issued during fiscal year ~~1998~~ ~~1997~~ ~~1998~~ 1997, an additional 11% of the taxable value of class eight property within the district for tax year ~~1996~~ ~~1995~~ ~~1996~~ 1995, for bonds to be issued during fiscal year ~~1999~~ 1998, an additional 22% of the taxable value of class eight property within the district for tax year ~~1996~~ ~~1995~~ ~~1996~~ 1995, and for bonds to be issued during fiscal years ~~2000~~ 1999 through ~~2009~~ 2008, an additional 33% of the taxable value of class eight property within the district for tax year ~~1996~~ ~~1995~~ ~~1996~~ 1995, in each case of class eight property, multiplied by 90%. The total indebtedness of the high school district with an attached elementary district must be limited to the sum of 45% of the taxable value of the property for elementary school program purposes and 45% of the taxable value of the property for high school program purposes, adjusted as provided in this section.

(c) The maximum amount for which an elementary district or a high school district that qualifies for guaranteed tax base aid under the provisions of 20-9-367 may become indebted by the issuance of bonds, including all indebtedness represented by outstanding bonds of previous issues and registered warrants, is 45% of the corresponding statewide mill value per ANB times 1,000 times the ANB of the district. For a K-12 district, the maximum amount for which the district may become indebted is 45% of the sum of the statewide mill value per elementary ANB times 1,000 times the elementary ANB of the district and the statewide mill value per high school ANB times 1,000 times the high school ANB of the district.

(2) The maximum amounts determined in subsection (1), however, may not pertain to indebtedness imposed by special improvement district obligations or assessments against the school district or to bonds issued for the repayment of tax protests lost by the district. All bonds issued in excess of the amount are void, except as provided in this section.

(3) When the total indebtedness of a school district has reached the limitations prescribed in this section, the school district may pay all reasonable and necessary expenses of the school district on a cash basis in accordance with the financial administration provisions of this chapter.

(4) Whenever bonds are issued for the purpose of refunding bonds, any money to the credit of the debt service fund for the payment of the bonds to be refunded is applied toward the payment of the bonds and the refunding bond issue is decreased accordingly."

NEW SECTION. **SECTION 16. APPROPRIATION.** THERE IS APPROPRIATED FROM THE GENERAL FUND TO THE DEPARTMENT OF REVENUE $15,000 FOR THE USE OF THE TASK FORCE PROVIDED FOR IN [SECTION 3].

NEW SECTION. **Section 17. Codification instruction.** [Section 2] is intended to be codified as an integral part of Title 15, chapter 1, and the provisions of Title 15, chapter 1, apply to [section 2].

NEW SECTION. **SECTION 18. TERMINATION.** [SECTIONS 3 THROUGH 8] TERMINATE JUNE 30, 1997.

NEW SECTION. **SECTION 19. COORDINATION.** IF HOUSE BILL NO. 497 IS NOT PASSED AND APPROVED, THEN [THIS ACT] IS VOID.

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