

Fisher
 Farber
 Denny
 Lem E Bohariski
 Masolo
 SENATE BILL NO. 417
 INTRODUCED BY Seating Somerville Mercer

BY REQUEST OF THE OFFICE OF THE GOVERNOR
 Anderson
 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

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- 1 commercial establishments as defined in this section;
- 2 (i) x-ray and medical and dental equipment;
- 3 (j) citizens' band radios and mobile telephones;
- 4 (k) radio and television broadcasting and transmitting equipment;
- 5 (l) cable television systems;
- 6 (m) coal and ore haulers;
- 7 (n) theater projectors and sound equipment; and
- 8 (o) all other property not included in any other class in this part, except that property subject to
- 9 a fee in lieu of a property tax.

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

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

15 (4) Class eight property is taxed at:

- 16 (a) 9% of its market value for tax years ending on or before December 31, 1996;
- 17 (b) 8% of its market value for tax year 1997;
- 18 (c) 7% of its market value for tax year 1998; and
- 19 (d) 6% of its market value for tax years beginning after December 31, 1998."

20
 21 **NEW SECTION. Section 2. Business equipment tax rate reduction reimbursement to local**
 22 **government taxing jurisdictions.** (1) On or before January 1, 1997, for the reduction in payment under
 23 subsection (4) and by June 1, of 1997, 1998, and 1999, for all other reimbursements in this section, the
 24 department of revenue shall determine a reimbursement amount associated with reducing the tax rate in
 25 15-6-138 and provide that information to each county treasurer. The reimbursement amount must be
 26 determined for each local government taxing jurisdiction that levied mills on the taxable value of property
 27 described in 15-6-138 in the corresponding tax year. However, the reimbursement does not apply to
 28 property described in 15-6-138 that has a reduced tax rate under 15-24-1402.

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

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

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

7 (ii) If the tax year 1997 market value is greater than the tax year 1996 market value for a particular
8 jurisdiction, then the reimbursement amount for tax year 1997 is the result of subtracting the simulated
9 1997 tax from the 1996 tax. The 1996 tax is the tax for the particular jurisdiction, determined by
10 multiplying the actual taxable valuation of property described in 15-6-138, for tax year 1996, by the tax
11 year 1996 mill levy for the jurisdiction. The simulated 1997 tax for the particular jurisdiction is the actual
12 tax year 1997 taxable value multiplied by the tax year 1996 mill levy for the particular jurisdiction. If the
13 simulated 1997 tax is greater than the 1996 tax, the reimbursement amount is zero.

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

18 (ii) If the tax year 1998 market value is greater than the tax year 1996 market value for a particular
19 jurisdiction, then the reimbursement amount for tax year 1998 is the result of subtracting the simulated
20 1998 tax from the 1996 tax. The 1996 tax is the tax for the particular jurisdiction, determined by
21 multiplying the actual taxable valuation of property described in 15-6-138, for tax year 1996, by the tax
22 year 1996 mill levy for the jurisdiction. The simulated 1998 tax for the particular jurisdiction is the actual
23 tax year 1998 taxable value multiplied by the tax year 1996 mill levy for the particular jurisdiction. If the
24 simulated 1998 tax is greater than the 1996 tax, the reimbursement amount is zero.

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

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

1 1999 tax from the 1996 tax. The 1996 tax is the tax for the particular jurisdiction, determined by
2 multiplying the actual taxable valuation of property described in 15-6-138, for tax year 1996, by the tax
3 year 1996 mill levy for the jurisdiction. The simulated 1999 tax for the particular jurisdiction is the actual
4 tax year 1999 taxable value multiplied by the tax year 1996 mill levy for the particular jurisdiction. If the
5 simulated 1999 tax is greater than the 1996 tax, the reimbursement amount is zero.

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

12 (b) The term does not include county or state school equalization levies provided for in 20-9-331,
13 20-9-333, and 20-9-360 or the university levy provided for in 15-10-106. It also does not include any state
14 levy for welfare programs provided for in 53-2-813.

15 (4) County treasurers shall reduce the county payment to the state equalization aid account in June
16 of 1997 by an amount equal to 38% of the reimbursement amount determined under subsection (2)(a) for
17 all of the local government taxing jurisdictions in the county. The school equalization aid account payment
18 is the amount collected by the county pursuant to the mill levies provided for in 20-9-331, 20-9-333, and
19 20-9-360, which must be sent to the state.

20 (5) County treasurers shall reduce the county payment to the state equalization aid account in
21 December of 1997 by an amount equal to 31% of the reimbursement amount for tax year 1997 for all of
22 the local government taxing jurisdictions in the county, as determined by the department under subsection
23 (2).

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

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

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

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

8 (9) County treasurers shall reduce the county payment to the state equalization aid account in
9 December of 1999 by an amount equal to 31% of the reimbursement amount for tax year 1999 for all of
10 the local government taxing jurisdictions in the county, as determined by the department under subsection
11 (2).

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

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

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

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

26	<u>Tax Year</u>	<u>Percentage of 1999 Reimbursement Amount</u>
27	2000	90
28	2001	80
29	2002	70
30	2003	60

1	2004	50
2	2005	40
3	2006	30
4	2007	20
5	2008	10
6	2009 and following years	0

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

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

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

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

22
23 **NEW SECTION. Section 3. Advisory committee -- review of local government funding.** (1) It is
24 the intent of the legislature to thoroughly review funding for local governments, other than public schools,
25 because local governments have come under increasing financial pressures over the last several years and
26 it is clear that viable solutions to funding issues must be found in order for Montana citizens to continue
27 to receive those services traditionally provided by local governments.

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

30 (a) three members representing county governments;

- 1 (b) three members representing city or town governments;
- 2 (c) two members with expertise in government financing and representing executive branch
3 agencies;
- 4 (d) two members from the general public representing taxpayer interests; and
- 5 (e) two members of the legislature, not of the same political party, one of whom must be a member
6 of the senate and one of whom must be a member of the house of representatives.

7 (3) The committee shall study:

- 8 (a) the current sources of funding for local government services, other than public schools;
- 9 (b) the continued viability of current funding sources;
- 10 (c) the need for additional or alternative funding sources;
- 11 (d) the financial and funding restraints currently imposed on local governments;
- 12 (e) the challenges facing local governments in providing traditional services in the future;
- 13 (f) the need for more flexibility in meeting future financial challenges;
- 14 (g) the ability of local governments to meet their budget requirements in the future; and
- 15 (h) other issues related to local government finances.

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

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

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

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

26 **"15-1-111. Reimbursement to local governments and schools -- duties of department and county**
27 **treasurer -- statutory appropriation.** (1) Prior to September 1, 1990, the department's agent in the county
28 shall supply the following information to the department for each taxing jurisdiction within the county:

- 29 (a) the number of mills levied in the jurisdiction for tax year 1989;
- 30 (b) the number of mills levied in the jurisdiction for tax year 1990;

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

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

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

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

13 (b) For tax year 1993 ~~and for each tax year thereafter~~ through tax year 1999, the department shall
 14 remit to the county treasurer of each county the same amount remitted to the county treasurer for the fiscal
 15 year 1991, as adjusted by the result of dissolved or combined taxing jurisdictions, as provided for in
 16 subsection (7). Fifty percent of the amount must be remitted on or before November 30 and the remaining
 17 50% on or before May 31.

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

<u>Tax Year</u>	<u>Percentage of 1991 Remittance Amount</u>
21 <u>2000</u>	<u>90</u>
22 <u>2001</u>	<u>80</u>
23 <u>2002</u>	<u>70</u>
24 <u>2003</u>	<u>60</u>
25 <u>2004</u>	<u>50</u>
26 <u>2005</u>	<u>40</u>
27 <u>2006</u>	<u>30</u>
28 <u>2007</u>	<u>20</u>
29 <u>2008</u>	<u>10</u>

1 61-3-721, is the market value.

2 (3) The sum of the market value of all taxable vehicles included in the fleet multiplied by ~~9%~~ the
3 tax rate for class eight property in 15-6-138 is the taxable value for the entire fleet as provided in
4 15-6-138.

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

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

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

12

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

15

-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.

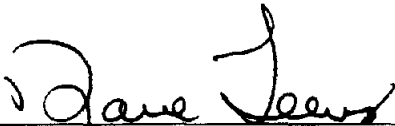
FISCAL IMPACT:


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:

	<u>FY96</u> <u>Difference</u>	<u>FY97</u> <u>Difference</u>
State Equalization (95 mills)	0	(\$ 4,217,159)

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


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


TOM KEATING, PRIMARY SPONSOR DATE 3-1-95
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

<u>Fiscal Year</u>	<u>Class 8 Cost</u>	<u>RR/AL Cost</u>	<u>Total Cost</u>
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
Farber *Denny* *Wm E Bohariski*
Jobner *Masolo*
 SENATE BILL NO. 417
 INTRODUCED BY *Leating* *SOMEVILLE* *MERCER* *Chapman* *Beck* *Harris*

BY REQUEST OF THE OFFICE OF THE GOVERNOR
Anderson *Silver* *Munro* *Forrest* *Bob Boyer* *Nettel*
Arb *AKLESTAD* *Walt* *John* *Ernest* *Benedict* *Sprague*

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."

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- (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

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GRINDER

1 commercial establishments as defined in this section;

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

3 (j) citizens' band radios and mobile telephones;

4 (k) radio and television broadcasting and transmitting equipment;

5 (l) cable television systems;

6 (m) coal and ore haulers;

7 (n) theater projectors and sound equipment; and

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

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

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

15 (4) Class eight property is taxed at:

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

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

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21 **NEW SECTION. Section 2. Business equipment tax rate reduction reimbursement to local**
22 **government taxing jurisdictions.** (1) On or before January 1, 1997, for the reduction in payment under
23 subsection (4) and by June 1, of 1997, 1998, and 1999, for all other reimbursements in this section, the
24 department of revenue shall determine a reimbursement amount associated with reducing the tax rate in
25 15-6-138 and provide that information to each county treasurer. The reimbursement amount must be
26 determined for each local government taxing jurisdiction that levied mills on the taxable value of property
27 described in 15-6-138 in the corresponding tax year. However, the reimbursement does not apply to
28 property described in 15-6-138 that has a reduced tax rate under 15-24-1402.

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

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

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

7 (ii) If the tax year 1997 market value is greater than the tax year 1996 market value for a particular
8 jurisdiction, then the reimbursement amount for tax year 1997 is the result of subtracting the simulated
9 1997 tax from the 1996 tax. The 1996 tax is the tax for the particular jurisdiction, determined by
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19 jurisdiction, then the reimbursement amount for tax year 1998 is the result of subtracting the simulated
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23 tax year 1998 taxable value multiplied by the tax year 1996 mill levy for the particular jurisdiction. If the
24 simulated 1998 tax is greater than the 1996 tax, the reimbursement amount is zero.

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

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

1 1999 tax from the 1996 tax. The 1996 tax is the tax for the particular jurisdiction, determined by
2 multiplying the actual taxable valuation of property described in 15-6-138, for tax year 1996, by the tax
3 year 1996 mill levy for the jurisdiction. The simulated 1999 tax for the particular jurisdiction is the actual
4 tax year 1999 taxable value multiplied by the tax year 1996 mill levy for the particular jurisdiction. If the
5 simulated 1999 tax is greater than the 1996 tax, the reimbursement amount is zero.

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

12 (b) The term does not include county or state school equalization levies provided for in 20-9-331,
13 20-9-333, and 20-9-360 or the university levy provided for in 15-10-106. It also does not include any state
14 levy for welfare programs provided for in 53-2-813.

15 (4) County treasurers shall reduce the county payment to the state equalization aid account in June
16 of 1997 by an amount equal to 38% of the reimbursement amount determined under subsection (2)(a) for
17 all of the local government taxing jurisdictions in the county. The school equalization aid account payment
18 is the amount collected by the county pursuant to the mill levies provided for in 20-9-331, 20-9-333, and
19 20-9-360, which must be sent to the state.

20 (5) County treasurers shall reduce the county payment to the state equalization aid account in
21 December of 1997 by an amount equal to 31% of the reimbursement amount for tax year 1997 for all of
22 the local government taxing jurisdictions in the county, as determined by the department under subsection
23 (2).

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

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

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

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

8 (9) County treasurers shall reduce the county payment to the state equalization aid account in
9 December of 1999 by an amount equal to 31% of the reimbursement amount for tax year 1999 for all of
10 the local government taxing jurisdictions in the county, as determined by the department under subsection
11 (2).

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

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

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

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

26	<u>Tax Year</u>	<u>Percentage of 1999 Reimbursement Amount</u>
27	2000	90
28	2001	80
29	2002	70
30	2003	60

1	2004	50
2	2005	40
3	2006	30
4	2007	20
5	2008	10
6	2009 and following years	0

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

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

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

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

22
23 **NEW SECTION. Section 3. Advisory committee -- review of local government funding.** (1) It is
24 the intent of the legislature to thoroughly review funding for local governments, other than public schools,
25 because local governments have come under increasing financial pressures over the last several years and
26 it is clear that viable solutions to funding issues must be found in order for Montana citizens to continue
27 to receive those services traditionally provided by local governments.

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

30 (a) three members representing county governments;

- 1 (b) three members representing city or town governments;
- 2 (c) two members with expertise in government financing and representing executive branch
- 3 agencies;
- 4 (d) two members from the general public representing taxpayer interests; and
- 5 (e) two members of the legislature, not of the same political party, one of whom must be a member
- 6 of the senate and one of whom must be a member of the house of representatives.

7 (3) The committee shall study:

- 8 (a) the current sources of funding for local government services, other than public schools;
- 9 (b) the continued viability of current funding sources;
- 10 (c) the need for additional or alternative funding sources;
- 11 (d) the financial and funding restraints currently imposed on local governments;
- 12 (e) the challenges facing local governments in providing traditional services in the future;
- 13 (f) the need for more flexibility in meeting future financial challenges;
- 14 (g) the ability of local governments to meet their budget requirements in the future; and
- 15 (h) other issues related to local government finances.

16 (4) The committee shall make a written report to the governor by September of 1996. The report

17 must contain findings on the issues listed in subsection (3) and recommendations for legislation to solve

18 the financial problems facing local governments, other than public schools. The report or an executive

19 summary of the report must be delivered to the 55th legislature.

20 (5) The legislative branch shall provide general staff assistance to the committee, including research

21 and report writing.

22 (6) The legislative and public members of the committee must be reimbursed by the legislature for

23 expenses in attending any meetings of the committee, in accordance with state law.

24

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

26 **"15-1-111. Reimbursement to local governments and schools -- duties of department and county**

27 **treasurer -- statutory appropriation.** (1) Prior to September 1, 1990, the department's agent in the county

28 shall supply the following information to the department for each taxing jurisdiction within the county:

- 29 (a) the number of mills levied in the jurisdiction for tax year 1989;
- 30 (b) the number of mills levied in the jurisdiction for tax year 1990;

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

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

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

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

13 (b) For tax year 1993 ~~and for each tax year thereafter~~ through tax year 1999, the department shall
14 remit to the county treasurer of each county the same amount remitted to the county treasurer for the fiscal
15 year 1991, as adjusted by the result of dissolved or combined taxing jurisdictions, as provided for in
16 subsection (7). Fifty percent of the amount must be remitted on or before November 30 and the remaining
17 50% on or before May 31.

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

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

1 61-3-721, is the market value.

2 (3) The sum of the market value of all taxable vehicles included in the fleet multiplied by ~~9%~~ the
3 tax rate for class eight property in 15-6-138 is the taxable value for the entire fleet as provided in
4 15-6-138.

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

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

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

12

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

15

-END-

1 SENATE BILL NO. 417

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

10
 11 A BILL FOR AN ACT ENTITLED: "AN ACT REDUCING THE TAX RATE ON BUSINESS EQUIPMENT FROM
 12 9 PERCENT TO 6 PERCENT; PROVIDING THAT THE REDUCTION IN TAX RATES IS PHASED IN;
 13 REIMBURSING LOCAL TAXING JURISDICTIONS; PROGRESSIVELY REDUCING THE REIMBURSEMENTS;
 14 PROGRESSIVELY REDUCING THE CURRENT REMITTANCE TO COUNTY TREASURERS TO REIMBURSE
 15 LOCAL GOVERNMENTS FOR THE PREVIOUS REDUCTION IN PERSONAL PROPERTY TAX RATES;
 16 ESTABLISHING AN ADVISORY COMMITTEE TO REVIEW LOCAL GOVERNMENT FUNDING; REVISING
 17 LOCAL GOVERNMENT DEBT AND INDEBTEDNESS LIMITATIONS TO OFFSET THE TAX REDUCTION; AND
 18 AMENDING SECTIONS 7-7-2101, 7-7-2203, 7-7-4201, 7-7-4202, 15-1-111, 15-6-138, AND 15-24-102,
 19 AND 20-9-406, MCA."

20
 21 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF MONTANA:

22
 23 **Section 1.** Section 15-6-138, MCA, is amended to read:

24 **"15-6-138. Class eight property -- description -- taxable percentage.** (1) Class eight property
 25 includes:

26 (a) all agricultural implements and equipment;

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

29 (c) all manufacturing machinery, fixtures, equipment, tools that are not exempt under
 30 15-6-201(1)(r), and supplies except those included in class five;

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

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

5 (f) buses and trucks having a rated capacity of more than 1 ton, including those prorated under
6 15-24-102;

7 (g) truck toppers weighing more than 300 pounds;

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

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

11 (j) citizens' band radios and mobile telephones;

12 (k) radio and television broadcasting and transmitting equipment;

13 (l) cable television systems;

14 (m) coal and ore haulers;

15 (n) theater projectors and sound equipment; and

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

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

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

23 (4) Class eight property is taxed at:

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

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

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

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

28
29 **NEW SECTION. Section 2. Business equipment tax rate reduction reimbursement to local**
30 **government taxing jurisdictions. (1) On or before January 1, 1997, for the reduction in payment under**

1 subsection (4) and by June 1, of 1997, 1998, and 1999, for all other reimbursements in this section, the
2 department of revenue shall determine a reimbursement amount associated with reducing the tax rate in
3 15-6-138 and provide that information to each county treasurer. The reimbursement amount must be
4 determined for each local government taxing jurisdiction that levied mills on the taxable value of property
5 described in 15-6-138 in the corresponding tax year. However, the reimbursement does not apply to
6 property described in 15-6-138 that has a reduced tax rate under 15-24-1402.

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

11 (b) (i) The reimbursement amount for each local government taxing jurisdiction for tax year 1997
12 is the amount determined under subsection (2)(a) unless the tax year 1997 market value of property
13 described in 15-6-138, for the particular local government taxing jurisdiction, is more than the tax year
14 1996 market value for property described in 15-6-138 in the same jurisdiction.

15 (ii) If the tax year 1997 market value is greater than the tax year 1996 market value for a particular
16 jurisdiction, then the reimbursement amount for tax year 1997 is the result of subtracting the simulated
17 1997 tax from the 1996 tax. The 1996 tax is the tax for the particular jurisdiction, determined by
18 multiplying the actual taxable valuation of property described in 15-6-138, for tax year 1996, by the tax
19 year 1996 mill levy for the jurisdiction. The simulated 1997 tax for the particular jurisdiction is the actual
20 tax year 1997 taxable value OF PROPERTY DESCRIBED IN 15-6-138 multiplied by the tax year 1996 mill
21 levy for the particular jurisdiction. If the simulated 1997 tax is greater than the 1996 tax, the
22 reimbursement amount is zero.

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

27 (ii) If the tax year 1998 market value is greater than the tax year 1996 market value for a particular
28 jurisdiction, then the reimbursement amount for tax year 1998 is the result of subtracting the simulated
29 1998 tax from the 1996 tax. The 1996 tax is the tax for the particular jurisdiction, determined by
30 multiplying the actual taxable valuation of property described in 15-6-138, for tax year 1996, by the tax

1 year 1996 mill levy for the jurisdiction. The simulated 1998 tax for the particular jurisdiction is the actual
 2 tax year 1998 taxable value OF PROPERTY DESCRIBED IN 15-6-138 multiplied by the tax year 1996 mill
 3 levy for the particular jurisdiction. If the simulated 1998 tax is greater than the 1996 tax, the
 4 reimbursement amount is zero.

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

9 (ii) If the tax year 1999 market value is greater than the tax year 1996 market value for a particular
 10 jurisdiction, then the reimbursement amount for tax year 1999 is the result of subtracting the simulated
 11 1999 tax from the 1996 tax. The 1996 tax is the tax for the particular jurisdiction, determined by
 12 multiplying the actual taxable valuation of property described in 15-6-138, for tax year 1996, by the tax
 13 year 1996 mill levy for the jurisdiction. The simulated 1999 tax for the particular jurisdiction is the actual
 14 tax year 1999 taxable value OF PROPERTY DESCRIBED IN 15-6-138 multiplied by the tax year 1996 mill
 15 levy for the particular jurisdiction. If the simulated 1999 tax is greater than the 1996 tax, the
 16 reimbursement amount is zero.

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

23 (b) The term does not include county or state school equalization levies provided for in 20-9-331,
 24 20-9-333, and 20-9-360 or the university levy provided for in 15-10-106. It also does not include any state
 25 levy for welfare programs provided for in 53-2-813.

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

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

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

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

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

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

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

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

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

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

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

3 (12) County treasurers shall reduce the county payment to the state ~~equalization aid account~~ FOR
4 THE LEVY IMPOSED UNDER 20-9-360 in June of the years 2001 through 2009 by an amount equal to
5 69% of the reimbursement amount determined in subsection (13) for all of the local government taxing
6 jurisdictions in the county, as determined by the department under subsection (2).

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

10	<u>Tax Year</u>	<u>Percentage of 1999 Reimbursement Amount</u>
11	2000	90
12	2001	80
13	2002	70
14	2003	60
15	2004	50
16	2005	40
17	2006	30
18	2007	20
19	2008	10
20	2009 and following years	0

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

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

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

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

11
12 **NEW SECTION. Section 3. Advisory committee -- review of local government funding.** (1) It is
13 the intent of the legislature to thoroughly review funding for local governments, other than public schools,
14 because local governments have come under increasing financial pressures over the last several years and
15 it is clear that viable solutions to funding issues must be found in order for Montana citizens to continue
16 to receive those services traditionally provided by local governments.

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

- 19 (a) three members representing county governments;
20 (b) three members representing city or town governments;
21 (c) two members with expertise in government financing and representing executive branch
22 agencies;
23 (d) two members from the general public representing taxpayer interests; and
24 (e) two members of the legislature, not of the same political party, one of whom must be a member
25 of the senate and one of whom must be a member of the house of representatives.

- 26 (3) The committee shall study:
27 (a) the current sources of funding for local government services, other than public schools;
28 (b) the continued viability of current funding sources;
29 (c) the need for additional or alternative funding sources;
30 (d) the financial and funding restraints currently imposed on local governments;

- 1 (e) the challenges facing local governments in providing traditional services in the future;
2 (f) the need for more flexibility in meeting future financial challenges;
3 (g) the ability of local governments to meet their budget requirements in the future; and
4 (h) other issues related to local government finances.

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

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

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

13

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

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

- 18 (a) the number of mills levied in the jurisdiction for tax year 1989;
19 (b) the number of mills levied in the jurisdiction for tax year 1990;
20 (c) the total taxable valuation for tax years 1989 and 1990, reported separately for each year, of
21 all personal property not secured by real property; and
22 (d) the total taxable valuation for tax years 1989 and 1990, reported separately for each year, of
23 all personal property secured by real property.

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

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

1 on or before May 31.

2 (b) For tax year 1993 ~~and for each tax year thereafter~~ through tax year 1999, the department shall
3 remit to the county treasurer of each county the same amount remitted to the county treasurer for the fiscal
4 year 1991, as adjusted by the result of dissolved or combined taxing jurisdictions, as provided for in
5 subsection (7). Fifty percent of the amount must be remitted on or before November 30 and the remaining
6 50% on or before May 31.

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

10	<u>Tax Year</u>	<u>Percentage of 1991 Remittance Amount</u>
11	<u>2000</u>	<u>90</u>
12	<u>2001</u>	<u>80</u>
13	<u>2002</u>	<u>70</u>
14	<u>2003</u>	<u>60</u>
15	<u>2004</u>	<u>50</u>
16	<u>2005</u>	<u>40</u>
17	<u>2006</u>	<u>30</u>
18	<u>2007</u>	<u>20</u>
19	<u>2008</u>	<u>10</u>
20	<u>2009 and following years</u>	<u>0</u>

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

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

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

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

1 rates on personal property.

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

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

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

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

11

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

13 **"15-24-102. Valuation of interstate fleets -- determination of aggregate tax due -- exemption from**
14 **mill levies.** The department of revenue shall assess the taxable vehicles of any interstate motor vehicle fleet
15 making application for proportional registration, as follows:

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

18 (2) The depreciated value multiplied by the percent of miles traveled in Montana, as prescribed by
19 61-3-721, is the market value.

20 (3) The sum of the market value of all taxable vehicles included in the fleet multiplied by ~~9%~~ the
21 tax rate for class eight property in 15-6-138 is the taxable value for the entire fleet as provided in
22 15-6-138.

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

25 (5) To determine the tax due under this chapter, state levies applicable to interstate motor vehicle
26 fleets include but are not limited to levies imposed under 15-10-101, 15-10-106, 20-9-331, 20-9-333,
27 20-9-360, and 53-2-813.

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

30

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

2 **"7-7-2101. Limitation on amount of county indebtedness.** (1) A county may not become indebted
3 in any manner or for any purpose to an amount, including existing indebtedness, in the aggregate exceeding
4 23% of the total of the taxable value of the property in the county subject to taxation, plus the amount of
5 taxes levied on new production, production from horizontally completed wells, and incremental production
6 divided by the appropriate tax rates described in 15-23-607(2)(a), (2)(b), or (2)(c) and multiplied by 60%,
7 plus the amount of value represented by new production and production from horizontally completed wells
8 exempted from tax as provided in 15-23-612 multiplied by 60%, plus the value of any other production
9 occurring after December 31, 1988, multiplied by 60%, as ascertained by the last assessment for state and
10 county taxes previous to the incurring of the indebtedness, plus, for indebtedness to be incurred during
11 fiscal year 1998, an additional 11% of the taxable value of class eight property within the county for tax
12 year 1996, for indebtedness to be incurred during fiscal year 1999, an additional 22% of the taxable value
13 of class eight property within the county for tax year 1996, and for indebtedness to be incurred during
14 fiscal years 2000 through 2009, an additional 33% of the taxable value of class eight property within the
15 county for tax year 1996, in each case of class eight property, multiplied by 23%.

16 (2) A county may not incur indebtedness or liability for any single purpose to an amount exceeding
17 \$500,000 without the approval of a majority of the electors of the county voting at an election to be
18 provided by law, except as provided in 7-21-3413 and 7-21-3414.

19 (3) This section does not apply to the acquisition of conservation easements as set forth in Title
20 76, chapter 6."

21
22 **SECTION 7. SECTION 7-7-2203, MCA, IS AMENDED TO READ:**

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

1 31, 1988, multiplied by 60%, to be ascertained by the last assessment for state and county taxes prior to
 2 the proposed issuance of bonds, plus, for general obligation bonds to be issued during fiscal year 1998,
 3 an additional 11% of the taxable value of class eight property within the county for tax year 1996, for
 4 general obligation bonds to be issued during fiscal year 1999, an additional 22% of the taxable value of
 5 class eight property within the county for tax year 1996, and for general obligation bonds to be issued
 6 during fiscal years 2000 through 2009, an additional 33% of the taxable value of class eight property
 7 within the county for tax year 1996, in each case of class eight property, multiplied by 11.25%.

8 (2) In addition to the bonds allowed by subsection (1), a county may issue bonds that, with all
 9 outstanding bonds and warrants, will not exceed 27.75% of the total of the taxable value of the property
 10 in the county subject to taxation, plus the amount of taxes levied on new production, production from
 11 horizontally completed wells, and incremental production divided by the appropriate tax rates described in
 12 15-23-607(2)(a), (2)(b), or (2)(c) and multiplied by 60%, plus the amount of value represented by new
 13 production and production from horizontally completed wells exempted from tax as provided in 15-23-612
 14 multiplied by 60%, when necessary to do so, plus the value of any other production occurring after
 15 December 31, 1988, multiplied by 60%, to be ascertained by the last assessment for state and county
 16 taxes, plus, for bonds to be issued during fiscal year 1998, an additional 11% of the taxable value of class
 17 eight property within the county for tax year 1996, for bonds to be issued during fiscal year 1999, an
 18 additional 22% of the taxable value of class eight property within the county for tax year 1996, and for
 19 bonds to be issued during fiscal years 2000 through 2009, an additional 33% of the taxable value of class
 20 eight property within the county for tax year 1996, in each case of class eight property, multiplied by
 21 27.75%, for the purpose of acquiring land for a site for county high school buildings and for erecting or
 22 acquiring buildings on the site and furnishing and equipping the buildings for county high school purposes.

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

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

29
 30 **SECTION 8. SECTION 7-7-4201, MCA, IS AMENDED TO READ:**

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

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

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

17

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

19 **"7-7-4202. Special provisions relating to water and sewer systems.** (1) Notwithstanding the
 20 provisions of 7-7-4201, for the purpose of constructing a sewer system, procuring a water supply, or
 21 constructing or acquiring a water system for a city or town ~~which that~~ owns and controls the water supply
 22 and water system and devotes the ~~revenues therefrom~~ revenue from the water supply and water system
 23 to the payment of the debt, a city or town may incur an additional indebtedness by borrowing money or
 24 issuing bonds.

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

1 additional 11% of the taxable value of class eight property within the city or town for tax year 1996, for
 2 indebtedness to be incurred during fiscal year 1999, an additional 22% of the taxable value of class eight
 3 property within the city or town for tax year 1996, and for indebtedness to be incurred during fiscal years
 4 2000 through 2009, an additional 33% of the taxable value of class eight property within the city or town
 5 for tax year 1996, in each case of class eight property, multiplied by 55%."

6

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

8 **"20-9-406. Limitations on amount of bond issue.** (1) (a) Except as provided in subsection (1)(c),
 9 the maximum amount for which an elementary district or a high school district may become indebted by
 10 the issuance of bonds, including all indebtedness represented by outstanding bonds of previous issues and
 11 registered warrants, is 45% of the taxable value of the property subject to taxation ~~as~~ to be ascertained
 12 by the last completed assessment for state, county, and school taxes previous to the incurring of the
 13 indebtedness, plus, for bonds to be issued during fiscal year 1998, an additional 11% of the taxable value
 14 of class eight property within the district for tax year 1996, for bonds to be issued during fiscal year 1999,
 15 an additional 22% of the taxable value of class eight property within the district for tax year 1996, and for
 16 bonds to be issued during fiscal years 2000 through 2009, an additional 33% of the taxable value of class
 17 eight property within the district for tax year 1996, in each case of class eight property, multiplied by 45%.

18 (b) Except as provided in subsection (1)(c), the maximum amount for which a K-12 school district,
 19 as formed pursuant to 20-6-701, may become indebted by the issuance of bonds, including all indebtedness
 20 represented by outstanding bonds of previous issues and registered warrants, is up to 90% of the taxable
 21 value of the property subject to taxation ~~as~~ to be ascertained by the last-completed assessment for state,
 22 county, and school taxes previous to the incurring of the indebtedness, plus, for bonds to be issued during
 23 fiscal year 1998, an additional 11% of the taxable value of class eight property within the district for tax
 24 year 1996, for bonds to be issued during fiscal year 1999, an additional 22% of the taxable value of class
 25 eight property within the district for tax year 1996, and for bonds to be issued during fiscal years 2000
 26 through 2009, an additional 33% of the taxable value of class eight property within the district for tax year
 27 1996, in each case of class eight property, multiplied by 90%. The total indebtedness of the high school
 28 district with an attached elementary district must be limited to the sum of 45% of the taxable value of the
 29 property for elementary school program purposes and 45% of the taxable value of the property for high
 30 school program purposes, adjusted as provided in this section.

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

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

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

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

19

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

22

-END-



HOUSE STANDING COMMITTEE REPORT

April 6, 1995

Page 1 of 6

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

Signed: _____

Handwritten signature of Chase Hibbard in cursive.

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

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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]."
Renummer: 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
Page 1 of 5

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"

ADOPT

75-22

REJECT

SB 417

HOUSE

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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: "1995"
Insert: "1994"

20. Page 9, line 2.
Strike: "1999"
Insert: "1998"

21. Page 9, lines 7 and 11.
Strike: "2000"
Insert: "1999"

22. Page 9, lines 7 and 20.
Strike: "2009"
Insert: "2008"

23. Page 9, line 12.
Strike: "2001"
Insert: "2000"

24. Page 9, line 13.
Strike: "2002"
Insert: "2001"

25. Page 9, line 14.
Strike: "2003"
Insert: "2002"

26. Page 9, line 15.
Strike: "2004"
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
Page 1 of 1

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

Signed: 
Representative Cobb

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

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."

-END-

ADOPT

REJECT

91-6

SB 417

HOUSE

801347CW.Hbk

1 SENATE BILL NO. 417

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

10
 11 A BILL FOR AN ACT ENTITLED: "AN ACT REDUCING THE TAX RATE ON BUSINESS EQUIPMENT FROM
 12 9 PERCENT TO 6 PERCENT; PROVIDING THAT THE REDUCTION IN TAX RATES IS PHASED IN;
 13 REIMBURSING LOCAL TAXING JURISDICTIONS; PROGRESSIVELY REDUCING THE REIMBURSEMENTS;
 14 PROGRESSIVELY REDUCING THE CURRENT REMITTANCE TO COUNTY TREASURERS TO REIMBURSE
 15 LOCAL GOVERNMENTS FOR THE PREVIOUS REDUCTION IN PERSONAL PROPERTY TAX RATES;
 16 ESTABLISHING ~~AN ADVISORY COMMITTEE~~ A TASK FORCE TO REVIEW LOCAL GOVERNMENT FUNDING
 17 AND TO EXAMINE ALL ASPECTS OF TAXATION IN MONTANA AND MAKE RECOMMENDATIONS TO THE
 18 GOVERNOR AND THE LEGISLATURE ON SHORT-TERM AND LONG-TERM TAX POLICY STRATEGIES;
 19 APPROPRIATING FUNDING FOR THE TASK FORCE; REVISING LOCAL GOVERNMENT DEBT AND
 20 INDEBTEDNESS LIMITATIONS TO OFFSET THE TAX REDUCTION; AND AMENDING SECTIONS 7-7-2101,
 21 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
 22 PROVIDING A TERMINATION DATE."

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

25
 26 **Section 1.** Section 15-6-138, MCA, is amended to read:

27 **"15-6-138. Class eight property -- description -- taxable percentage.** (1) Class eight property
 28 includes:

29 (a) all agricultural implements and equipment;

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

- 1 supplies except those included in class five;
- 2 (c) all manufacturing machinery, fixtures, equipment, tools that are not exempt under
3 15-6-201(1)(r), and supplies except those included in class five;
- 4 (d) all trailers and semitrailers, including those prorated under 15-24-102, except those subject to
5 taxation under 61-3-504(2) or exempt under 15-6-201(1)(v);
- 6 (e) all goods and equipment intended for rent or lease, except goods and equipment specifically
7 included and taxed in another class;
- 8 (f) buses and trucks having a rated capacity of more than 1 ton, including those prorated under
9 15-24-102;
- 10 (g) truck toppers weighing more than 300 pounds;
- 11 (h) furniture, fixtures, and equipment, except that specifically included in another class, used in
12 commercial establishments as defined in this section;
- 13 (i) x-ray and medical and dental equipment;
- 14 (j) citizens' band radios and mobile telephones;
- 15 (k) radio and television broadcasting and transmitting equipment;
- 16 (l) cable television systems;
- 17 (m) coal and ore haulers;
- 18 (n) theater projectors and sound equipment; and
- 19 (o) all other property not included in any other class in this part, except that property subject to
20 a fee in lieu of a property tax.
- 21 (2) As used in this section, "coal and ore haulers" means nonhighway vehicles that exceed 18,000
22 pounds per axle and that are primarily designed and used to transport coal, ore, or other earthen material
23 in a mining or quarrying environment.
- 24 (3) "Commercial establishment" includes any hotel; motel; office; petroleum marketing station; or
25 service, wholesale, retail, or food-handling business.
- 26 (4) Class eight property is taxed at:
- 27 (a) 9% of its market value for tax years ending on or before December 31, ~~1996~~ ~~1995~~ ~~1996~~ 1995;
- 28 (b) 8% of its market value for tax year ~~YEARS 1996 AND YEAR 1997~~ 1996;
- 29 (c) 7% of its market value for tax year ~~1998~~ 1997; and
- 30 (d) 6% of its market value for tax years beginning after December 31, ~~1998~~ 1997."

1 NEW SECTION. **Section 2. Business equipment tax rate reduction reimbursement to local**
 2 **government taxing jurisdictions.** (1) On or before January 1, ~~1997~~ ~~1996~~ ~~1997~~ 1996, for the reduction
 3 in payment under subsection (4) and by June 1 of ~~1997~~ 1996, ~~1998~~ 1997, and ~~1999~~ 1998, for all other
 4 reimbursements in this section, the department of revenue shall determine a reimbursement amount
 5 associated with reducing the tax rate in 15-6-138 and provide that information to each county treasurer.
 6 The reimbursement amount must be determined for each local government taxing jurisdiction that levied
 7 mills on the taxable value of property described in 15-6-138 in the corresponding tax year. However, the
 8 reimbursement does not apply to property described in 15-6-138 that has a reduced tax rate under
 9 15-24-1402.

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

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

19 (ii) If the CURRENT tax year ~~1997~~ ~~1997~~ 1996 market value is greater than the tax year ~~1996~~ ~~1995~~
 20 1996 1995 market value for a particular jurisdiction, then the reimbursement amount for THE tax year ~~1997~~
 21 1997 1996 is the result of subtracting the simulated ~~1997~~ CURRENT ~~1997~~ 1996 tax from the ~~1996~~ ~~1995~~
 22 1996 1995 tax. The ~~1996~~ ~~1995~~ ~~1996~~ 1995 tax is the tax for the particular jurisdiction, determined by
 23 multiplying the actual taxable valuation of property described in 15-6-138, for tax year ~~1996~~ ~~1995~~ ~~1996~~
 24 1995, by the tax year ~~1996~~ ~~1995~~ ~~1996~~ 1995 mill levy for the jurisdiction. The simulated ~~1997~~ CURRENT
 25 1997 1996 tax for the particular jurisdiction is the actual tax year ~~1997~~ ~~1997~~ 1996 taxable value OF
 26 PROPERTY DESCRIBED IN 15-6-138 multiplied by the tax year ~~1996~~ ~~1995~~ ~~1996~~ 1995 mill levy for the
 27 particular jurisdiction. If the simulated ~~1997~~ CURRENT ~~1997~~ 1996 tax is greater than the ~~1996~~ ~~1995~~ ~~1996~~
 28 1995 tax, the reimbursement amount is zero.

29 (c) (i) The reimbursement amount for each local government taxing jurisdiction for tax year ~~1998~~
 30 1997 is the amount determined under subsection (2)(a) multiplied by two unless the tax year ~~1998~~ 1997

1 market value of property described in 15-6-138, for the particular local government taxing jurisdiction, is
 2 more than the tax year ~~1996~~ ~~1995~~ ~~1996~~ 1995 market value for property described in 15-6-138 in the same
 3 jurisdiction.

4 (ii) If the tax year ~~1998~~ 1997 market value is greater than the tax year ~~1996~~ ~~1995~~ ~~1996~~ 1995
 5 market value for a particular jurisdiction, then the reimbursement amount for tax year ~~1998~~ 1997 is the
 6 result of subtracting the simulated ~~1998~~ 1997 tax from the ~~1996~~ ~~1995~~ ~~1996~~ 1995 tax. The ~~1996~~ ~~1995~~
 7 ~~1996~~ 1995 tax is the tax for the particular jurisdiction, determined by multiplying the actual taxable
 8 valuation of property described in 15-6-138, for tax year ~~1996~~ ~~1995~~ ~~1996~~ 1995, by the tax year ~~1996~~
 9 ~~1995~~ ~~1996~~ 1995 mill levy for the jurisdiction. The simulated ~~1998~~ 1997 tax for the particular jurisdiction
 10 is the actual tax year ~~1998~~ 1997 taxable value OF PROPERTY DESCRIBED IN 15-6-138 multiplied by the
 11 tax year ~~1996~~ ~~1995~~ ~~1996~~ 1995 mill levy for the particular jurisdiction. If the simulated ~~1998~~ 1997 tax is
 12 greater than the ~~1996~~ ~~1995~~ ~~1996~~ 1995 tax, the reimbursement amount is zero.

13 (d) (i) The reimbursement amount for each local government taxing jurisdiction for tax year ~~1999~~
 14 1998 is the amount determined under subsection (2)(a) multiplied by three unless the tax year ~~1999~~ 1998
 15 market value of property described in 15-6-138, for the particular local government taxing jurisdiction, is
 16 more than the tax year ~~1996~~ ~~1995~~ ~~1996~~ 1995 market value for property described in 15-6-138 in the same
 17 jurisdiction.

18 (ii) If the tax year ~~1999~~ 1998 market value is greater than the tax year ~~1996~~ ~~1995~~ ~~1996~~ 1995
 19 market value for a particular jurisdiction, then the reimbursement amount for tax year ~~1999~~ 1998 is the
 20 result of subtracting the simulated ~~1999~~ 1998 tax from the ~~1996~~ ~~1995~~ ~~1996~~ 1995 tax. The ~~1996~~ ~~1995~~
 21 ~~1996~~ 1995 tax is the tax for the particular jurisdiction, determined by multiplying the actual taxable
 22 valuation of property described in 15-6-138, for tax year ~~1996~~ ~~1995~~ ~~1996~~ 1995, by the tax year ~~1996~~
 23 ~~1995~~ ~~1996~~ 1995 mill levy for the jurisdiction. The simulated ~~1999~~ 1998 tax for the particular jurisdiction
 24 is the actual tax year ~~1999~~ 1998 taxable value OF PROPERTY DESCRIBED IN 15-6-138 multiplied by the
 25 tax year ~~1996~~ ~~1995~~ ~~1996~~ 1995 mill levy for the particular jurisdiction. If the simulated ~~1999~~ 1998 tax is
 26 greater than the ~~1996~~ ~~1995~~ ~~1996~~ 1995 tax, the reimbursement amount is zero.

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

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

3 (b) The term does not include county or state school equalization levies provided for in 20-9-331,
4 20-9-333, and 20-9-360 or the university levy provided for in 15-10-106. It also does not include any state
5 levy for welfare programs provided for in 53-2-813.

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

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

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

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

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

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

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

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

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

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

14 (12) County treasurers shall reduce the county payment to the state ~~equalization aid account~~ FOR
15 THE LEVY IMPOSED UNDER 20-9-360 in June of the years ~~2004~~ 2000 through ~~2009~~ 2008 by an amount
16 equal to 69% of the reimbursement amount determined in subsection (13) for all of the local government
17 taxing jurisdictions in the county, as determined by the department under subsection (2).

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

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

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

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

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

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

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

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

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

13 AND

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

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

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

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

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

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

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

27 (2) BASED ON THE FINDINGS PURSUANT TO THE STUDY REQUIRED UNDER SUBSECTION (1),
28 THE TASK FORCE SHALL DEVELOP RECOMMENDATIONS, ALTERNATIVES, OR BOTH, FOR 2-YEAR,
29 10-YEAR, AND 25-YEAR TAX POLICY STRATEGIES FOR MONTANA.

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

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

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

- 6 (a) the current sources of funding for local government services, other than public schools;
- 7 (b) the continued viability of current funding sources;
- 8 (c) the need for additional or alternative funding sources;
- 9 (d) the financial and funding restraints currently imposed on local governments;
- 10 (e) the challenges facing local governments in providing traditional services in the future;
- 11 (f) the need for more flexibility in meeting future financial challenges;
- 12 (g) the ability of local governments to meet their budget requirements in the future; and
- 13 (h) other issues related to local government finances.

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

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

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

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

24
 25 NEW SECTION. SECTION 4. MEMBERSHIP -- APPOINTMENT -- VACANCIES. (1) THE TASK
 26 FORCE CREATED BY [SECTION 3] IS COMPOSED OF THE FOLLOWING MEMBERS:

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

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

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

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

4 (2) TASK FORCE MEMBERS MUST BE APPOINTED AND DESIGNATED NO LATER THAN JULY 15,
5 1995.

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

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

9
10 NEW SECTION. SECTION 5. REMUNERATION. (1) EACH MEMBER OF THE TASK FORCE
11 PROVIDED FOR IN [SECTION 3], EXCEPT THE LEGISLATIVE MEMBERS, IS ENTITLED TO REIMBURSEMENT
12 FOR EXPENSES AS PROVIDED IN 2-18-501 THROUGH 2-18-503.

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

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

18
19 NEW SECTION. SECTION 6. MEETINGS -- REPORT TO GOVERNOR AND LEGISLATURE. (1) THE
20 TASK FORCE PROVIDED FOR IN [SECTION 3] SHALL MEET BY SEPTEMBER 15, 1995, AND AT THE
21 REQUEST OF THE PRESIDING OFFICER THEREAFTER.

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

24
25 NEW SECTION. SECTION 7. GIFTS AND GRANTS. THE TASK FORCE PROVIDED FOR IN
26 [SECTION 3] MAY ACCEPT PAYMENTS, CONTRIBUTIONS, GIFTS, AND GRANTS, IN MONEY OR
27 OTHERWISE, FOR THE PURPOSES SET FORTH IN [SECTION 3]. ALL PAYMENTS, MONETARY
28 CONTRIBUTIONS, GIFTS, AND GRANTS RECEIVED BY THE TASK FORCE MUST BE DEPOSITED IN AN
29 ACCOUNT IN THE STATE SPECIAL REVENUE FUND PROVIDED FOR IN [SECTION 8].

30

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

4
 5 **Section 9.** Section 15-1-111, MCA, is amended to read:

6 "**15-1-111. Reimbursement to local governments and schools -- duties of department and county**
 7 **treasurer -- statutory appropriation.** (1) Prior to September 1, 1990, the department's agent in the county
 8 shall supply the following information to the department for each taxing jurisdiction within the county:

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

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

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

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

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

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

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

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

	<u>Tax Year</u>	<u>Percentage of 1991 Remittance Amount</u>
1		
2	<u>2000 1999</u>	<u>90</u>
3	<u>2001 2000</u>	<u>80</u>
4	<u>2002 2001</u>	<u>70</u>
5	<u>2003 2002</u>	<u>60</u>
6	<u>2004 2003</u>	<u>50</u>
7	<u>2005 2004</u>	<u>40</u>
8	<u>2006 2005</u>	<u>30</u>
9	<u>2007 2006</u>	<u>20</u>
10	<u>2008 2007</u>	<u>10</u>
11	<u>2009 2008 and following years</u>	<u>0</u>

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

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

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

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

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

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

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

30 (c) A taxing jurisdiction that did not exist in tax year 1989 is not entitled to reimbursement under

1 this section unless the jurisdiction was created as described in subsection (7)(b)."

2

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

4 **"15-24-102. Valuation of interstate fleets -- determination of aggregate tax due -- exemption from**
5 **mill levies.** The department of revenue shall assess the taxable vehicles of any interstate motor vehicle fleet
6 making application for proportional registration, as follows:

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

9 (2) The depreciated value multiplied by the percent of miles traveled in Montana, as prescribed by
10 61-3-721, is the market value.

11 (3) The sum of the market value of all taxable vehicles included in the fleet multiplied by ~~9%~~ the
12 tax rate for class eight property in 15-6-138 is the taxable value for the entire fleet as provided in
13 15-6-138.

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

16 (5) To determine the tax due under this chapter, state levies applicable to interstate motor vehicle
17 fleets include but are not limited to levies imposed under 15-10-101, 15-10-106, 20-9-331, 20-9-333,
18 20-9-360, and 53-2-813.

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

21

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

23 **"7-7-2101. Limitation on amount of county indebtedness.** (1) A county may not become indebted
24 in any manner or for any purpose to an amount, including existing indebtedness, in the aggregate exceeding
25 23% of the total of the taxable value of the property in the county subject to taxation, plus the amount of
26 taxes levied on new production, production from horizontally completed wells, and incremental production
27 divided by the appropriate tax rates described in 15-23-607(2)(a), (2)(b), or (2)(c) and multiplied by 60%,
28 plus the amount of value represented by new production and production from horizontally completed wells
29 exempted from tax as provided in 15-23-612 multiplied by 60%, plus the value of any other production
30 occurring after December 31, 1988, multiplied by 60%, as ascertained by the last assessment for state and

1 county taxes previous to the incurring of the indebtedness, plus, for indebtedness to be incurred during
 2 fiscal year ~~1998 1997 1998~~ 1997, an additional 11% of the taxable value of class eight property within
 3 the county for tax year ~~1996 1995 1996~~ 1995, for indebtedness to be incurred during fiscal year ~~1999~~
 4 1998, an additional 22% of the taxable value of class eight property within the county for tax year ~~1996~~
 5 ~~1995 1996~~ 1995, and for indebtedness to be incurred during fiscal years ~~2000~~ 1999 through ~~2009~~ 2008,
 6 an additional 33% of the taxable value of class eight property within the county for tax year ~~1996 1995~~
 7 ~~1996 1995~~, in each case of class eight property, multiplied by 23%.

8 (2) A county may not incur indebtedness or liability for any single purpose to an amount exceeding
 9 \$500,000 without the approval of a majority of the electors of the county voting at an election to be
 10 provided by law, except as provided in 7-21-3413 and 7-21-3414.

11 (3) This section does not apply to the acquisition of conservation easements as set forth in Title
 12 76, chapter 6."

13
 14 **SECTION 12. SECTION 7-7-2203, MCA, IS AMENDED TO READ:**

15 "7-7-2203. **Limitation on amount of bonded indebtedness.** (1) Except as provided in subsections
 16 (2) through (4), a county may not issue general obligation bonds for any purpose that, with all outstanding
 17 bonds and warrants except county high school bonds and emergency bonds, will exceed 11.25% of the
 18 total of the taxable value of the property in the county, plus the amount of taxes levied on new production,
 19 production from horizontally completed wells, and incremental production divided by the appropriate tax
 20 rates described in 15-23-607(2)(a), (2)(b), or (2)(c) and multiplied by 60%, plus the amount of value
 21 represented by new production and production from horizontally completed wells exempted from tax as
 22 provided in 15-23-612 multiplied by 60%, plus the value of any other production occurring after December
 23 31, 1988, multiplied by 60%, to be ascertained by the last assessment for state and county taxes prior to
 24 the proposed issuance of bonds, plus, for general obligation bonds to be issued during fiscal year ~~1998~~
 25 ~~1997 1998~~ 1997, an additional 11% of the taxable value of class eight property within the county for tax
 26 year ~~1996 1995 1996~~ 1995, for general obligation bonds to be issued during fiscal year ~~1999~~ 1998, an
 27 additional 22% of the taxable value of class eight property within the county for tax year ~~1996 1995 1996~~
 28 1995, and for general obligation bonds to be issued during fiscal years ~~2000~~ 1999 through ~~2009~~ 2008,
 29 an additional 33% of the taxable value of class eight property within the county for tax year ~~1996 1995~~
 30 ~~1996 1995~~, in each case of class eight property, multiplied by 11.25%.

1 (2) In addition to the bonds allowed by subsection (1), a county may issue bonds that, with all
 2 outstanding bonds and warrants, will not exceed 27.75% of the total of the taxable value of the property
 3 in the county subject to taxation, plus the amount of taxes levied on new production, production from
 4 horizontally completed wells, and incremental production divided by the appropriate tax rates described in
 5 15-23-607(2)(a), (2)(b), or (2)(c) and multiplied by 60%, plus the amount of value represented by new
 6 production and production from horizontally completed wells exempted from tax as provided in 15-23-612
 7 multiplied by 60%, when necessary to do so, plus the value of any other production occurring after
 8 December 31, 1988, multiplied by 60%, to be ascertained by the last assessment for state and county
 9 taxes, plus, for bonds to be issued during fiscal year ~~1998 1997 1998~~ 1997, an additional 11% of the
 10 taxable value of class eight property within the county for tax year ~~1996 1995 1996~~ 1995, for bonds to
 11 be issued during fiscal year ~~1999~~ 1998, an additional 22% of the taxable value of class eight property
 12 within the county for tax year ~~1996 1995 1996~~ 1995, and for bonds to be issued during fiscal years ~~2000~~
 13 1999 through ~~2009~~ 2008, an additional 33% of the taxable value of class eight property within the county
 14 for tax year ~~1996 1995 1996~~ 1995, in each case of class eight property, multiplied by 27.75%, for the
 15 purpose of acquiring land for a site for county high school buildings and for erecting or acquiring buildings
 16 on the site and furnishing and equipping the buildings for county high school purposes.

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

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

23

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

25 **"7-7-4201. Limitation on amount of bonded indebtedness.** (1) Except as otherwise provided, ~~no~~
 26 a city or town may not issue bonds or incur other indebtedness for any purpose in an amount ~~which that~~
 27 with all outstanding and unpaid indebtedness will exceed 28% of the taxable value of the property ~~therein~~
 28 in the city or town subject to taxation, to be ascertained by the last assessment for state and county taxes,
 29 plus, for bonds to be issued or other indebtedness to be incurred during fiscal year ~~1998 1997 1998~~ 1997,
 30 an additional 11% of the taxable value of class eight property within the city or town for tax year ~~1996~~

1 ~~1995 1996~~ 1995, for bonds to be issued or other indebtedness to be incurred during fiscal year ~~1999~~
 2 1998, an additional 22% of the taxable value of class eight property within the city or town for tax year
 3 ~~1996 1995 1996~~ 1995, and for bonds to be issued or other indebtedness to be incurred during fiscal years
 4 ~~2000 1999~~ through ~~2000~~ 2008, an additional 33% of the taxable value of class eight property within the
 5 city or town for tax year ~~1996 1995 1996~~ 1995, in each case of class eight property, multiplied by 28%.

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

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

11
 12 **SECTION 14. SECTION 7-7-4202, MCA, IS AMENDED TO READ:**

13 **"7-7-4202. Special provisions relating to water and sewer systems.** (1) Notwithstanding the
 14 provisions of 7-7-4201, for the purpose of constructing a sewer system, procuring a water supply, or
 15 constructing or acquiring a water system for a city or town ~~which that~~ owns and controls the water supply
 16 and water system and devotes the ~~revenues therefrom~~ revenue from the water supply and water system
 17 to the payment of the debt, a city or town may incur an additional indebtedness by borrowing money or
 18 issuing bonds.

19 (2) The additional total indebtedness that may be incurred by borrowing money or issuing bonds
 20 for the construction of a sewer system, for the procurement of a water supply, or for both ~~such~~ of the
 21 purposes, including all indebtedness ~~theretofore that is~~ contracted which and that is unpaid or outstanding,
 22 may not in the aggregate exceed 55% over and above the 28%, referred to in 7-7-4201, of the taxable
 23 value of the property ~~therein in the city or town~~ subject to taxation as to be ascertained by the last
 24 assessment for state and county taxes, ~~plus, for indebtedness to be incurred during fiscal year 1998 1997~~
 25 ~~1998~~ 1997, an additional 11% of the taxable value of class eight property within the city or town for tax
 26 ~~year 1996 1995 1996~~ 1995, for indebtedness to be incurred during fiscal year ~~1999~~ 1998, an additional
 27 22% of the taxable value of class eight property within the city or town for tax year ~~1996 1995 1996~~
 28 1995, and for indebtedness to be incurred during fiscal years ~~2000 1999~~ through ~~2000~~ 2008, an additional
 29 33% of the taxable value of class eight property within the city or town for tax year ~~1996 1995 1996~~
 30 1995, in each case of class eight property, multiplied by 55%."

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

2 **"20-9-406. Limitations on amount of bond issue.** (1) (a) Except as provided in subsection (1)(c),
 3 the maximum amount for which an elementary district or a high school district may become indebted by
 4 the issuance of bonds, including all indebtedness represented by outstanding bonds of previous issues and
 5 registered warrants, is 45% of the taxable value of the property subject to taxation ~~as to be~~ ascertained
 6 by the last completed assessment for state, county, and school taxes previous to the incurring of the
 7 indebtedness, plus, for bonds to be issued during fiscal year ~~1998 1997 1998~~ 1997, an additional 11%
 8 of the taxable value of class eight property within the district for tax year ~~1996 1995 1996~~ 1995, for
 9 bonds to be issued during fiscal year ~~1999~~ 1998, an additional 22% of the taxable value of class eight
 10 property within the district for tax year ~~1996 1995 1996~~ 1995, and for bonds to be issued during fiscal
 11 years ~~2000 1999~~ through ~~2009~~ 2008, an additional 33% of the taxable value of class eight property within
 12 the district for tax year ~~1996 1995 1996~~ 1995, in each case of class eight property, multiplied by 45%.

13 (b) Except as provided in subsection (1)(c), the maximum amount for which a K-12 school district,
 14 as formed pursuant to 20-6-701, may become indebted by the issuance of bonds, including all indebtedness
 15 represented by outstanding bonds of previous issues and registered warrants, is up to 90% of the taxable
 16 value of the property subject to taxation ~~as to be~~ ascertained by the last-completed assessment for state,
 17 county, and school taxes previous to the incurring of the indebtedness, plus, for bonds to be issued during
 18 fiscal year ~~1998 1997 1998~~ 1997, an additional 11% of the taxable value of class eight property within
 19 the district for tax year ~~1996 1995 1996~~ 1995, for bonds to be issued during fiscal year ~~1999~~ 1998, an
 20 additional 22% of the taxable value of class eight property within the district for tax year ~~1996 1995 1996~~
 21 1995, and for bonds to be issued during fiscal years ~~2000 1999~~ through ~~2009~~ 2008, an additional 33%
 22 of the taxable value of class eight property within the district for tax year ~~1996 1995 1996~~ 1995, in each
 23 case of class eight property, multiplied by 90%. The total indebtedness of the high school district with an
 24 attached elementary district must be limited to the sum of 45% of the taxable value of the property for
 25 elementary school program purposes and 45% of the taxable value of the property for high school program
 26 purposes, adjusted as provided in this section.

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

1 district. For a K-12 district, the maximum amount for which the district may become indebted is 45% of
 2 the sum of the statewide mill value per elementary ANB times 1,000 times the elementary ANB of the
 3 district and the statewide mill value per high school ANB times 1,000 times the high school ANB of the
 4 district.

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

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

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

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

19
 20 NEW SECTION. Section 17. Codification instruction. [Section 2] is intended to be codified as an
 21 integral part of Title 15, chapter 1, and the provisions of Title 15, chapter 1, apply to [section 2].

22
 23 NEW SECTION. SECTION 18. TERMINATION. [SECTIONS 3 THROUGH 8] TERMINATE JUNE 30,
 24 1997.

25
 26 NEW SECTION. SECTION 19. COORDINATION. IF HOUSE BILL NO. 497 IS NOT PASSED AND
 27 APPROVED, THEN [THIS ACT] IS VOID.

28 -END-