

SENATE BILL NO. 421

INTRODUCED BY

HARR, Miller, Sliver, Fisher, Beck, Storall

A BILL FOR AN ACT ENTITLED: "AN ACT AMENDING THE PROPERTY TAX LIMITATIONS IMPLEMENTING INITIATIVE MEASURE NO. 105, BY DELETING CERTAIN EXCEPTIONS TO THE LIMITATIONS; PROVIDING THAT PROPERTY TAXES ARE CAPPED AT 1994 LEVELS; PROVIDING THAT THE ELECTORS OF A TAXING

UNIT MAY AUTHORIZE MILL LEVIES THAT EXCEED THE LIMITATIONS OF TITLE 15, CHAPTER 10, PART 4, MCA; AMENDING SECTIONS 7-6-2514, 15-10-402, 15-10-412, AND 90-5-112, MCA; AND PROVIDING AN IMMEDIATE EFFECTIVE DATE.

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

Section 1. Section 15-10-402, MCA, is amended to read:

"15-10-402. Property tax limited to ~~1986~~ 1994 levels. (1) Except as provided in subsections (2) and (3), the amount of taxes levied on property described in 15-6-133, 15-6-134, and 15-6-136 may not, for any taxing jurisdiction, exceed the amount levied for ~~taxable tax year 1986~~ 1994.

(2) The limitation contained in subsection (1) does not apply to levies for rural improvement districts, Title 7, chapter 12, part 21; special improvement districts, Title 7, chapter 12, part 41; elementary and high school districts, Title 20; juvenile detention programs authorized under 7-6-502; or bonded indebtedness.

(3) New construction or improvements to or deletions from property described in subsection (1) are subject to taxation at ~~1986~~ 1994 levels.

(4) As used in this section, the "amount of taxes levied" and the "amount levied" mean the actual dollar amount of taxes imposed on an individual piece of property, notwithstanding an increase or decrease in value due to inflation, reappraisal, adjustments in the percentage multiplier used to convert appraised value to taxable value, changes in the number of mills levied, or increase or decrease in the value of a mill."

Section 2. Section 15-10-412, MCA, is amended to read:

"15-10-412. Property tax limited to ~~1986~~ 1994 levels -- clarification -- extension to all property classes. Section 15-10-402 is interpreted and clarified as follows:

1 (1) The limitation to ~~1986~~ 1994 levels ~~is extended to apply~~ applies to all classes of property
2 described in Title 15, chapter 6, part 1.

3 (2) The limitation on the amount of taxes levied ~~is interpreted to mean~~ means that, except as
4 otherwise provided in this section, the actual tax liability for an individual property is capped at the dollar
5 amount due in each taxing unit for the ~~1986~~ 1994 tax year. In tax years thereafter, the property must be
6 taxed in each taxing unit at the ~~1986~~ 1994 cap or the product of the taxable value and mills levied,
7 whichever is less for each taxing unit, ~~except in a taxing unit that levied a tax in tax years 1983 through~~
8 ~~1985 but did not levy a tax in 1986, in which case the actual tax liability for an individual property is~~
9 ~~capped at the dollar amount due in that taxing unit for the 1985 tax year.~~

10 (3) The limitation on the amount of taxes levied does not prohibit a further increase in the total
11 taxable valuation of a taxing unit as a result of:

- 12 (a) annexation of real property and improvements into a taxing unit;
- 13 (b) construction, expansion, or remodeling of improvements;
- 14 (c) transfer of property into a taxing unit;
- 15 (d) subdivision of real property;
- 16 (e) reclassification of property;
- 17 (f) increases in the amount of production or the value of production for property described in
18 15-6-131 or 15-6-132;
- 19 (g) transfer of property from tax-exempt to taxable status; or
- 20 (h) revaluations caused by:
 - 21 ~~(i) cyclical reappraisal; or~~
 - 22 ~~(ii) expansion, addition, replacement, or remodeling of improvements.~~

23 (4) The limitation on the amount of taxes levied does not prohibit a further increase in the taxable
24 valuation or in the actual tax liability on individual property in each class as a result of:

- 25 (a) a revaluation caused by:
 - 26 ~~(i) construction, expansion, replacement, or remodeling of improvements that adds value to the~~
27 ~~property; or~~
 - 28 ~~(ii) cyclical reappraisal;~~
- 29 (b) transfer of property into a taxing unit;
- 30 (c) reclassification of property;

1 (d) increases in the amount of production or the value of production for property described in
2 15-6-131 or 15-6-132;

3 (e) annexation of the individual property into a new taxing unit; or

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

5 ~~(5) Property in class four is valued according to the procedures used in 1986, including the~~
6 ~~designation of 1982 as the base year, until the reappraisal cycle beginning January 1, 1986, is completed~~
7 ~~and new valuations are placed on the tax rolls and a new base year designated, if the property is:~~

8 ~~(a) new construction;~~

9 ~~(b) expanded, deleted, replaced, or remodeled improvements;~~

10 ~~(c) annexed property; or~~

11 ~~(d) property converted from tax-exempt to taxable status.~~

12 ~~(6) Property described in subsections (5)(a) through (5)(d) that is not class four property is valued~~
13 ~~according to the procedures used in 1986 but is also subject to the dollar cap in each taxing unit based on~~
14 ~~1986 mills levied.~~

15 ~~(7)(5)~~ The limitation on the amount of taxes, as clarified in this section, is intended to leave the
16 property appraisal and valuation methodology of the department of revenue intact. Determinations of
17 county classifications, salaries of local government officers, and all other matters in which total taxable
18 valuation is an integral component are not affected by 15-10-401 and 15-10-402 except for the use of
19 taxable valuation in fixing tax levies. In fixing tax levies, the taxing units of local government may anticipate
20 the deficiency in revenues resulting from the tax limitations in 15-10-401 and 15-10-402, while
21 understanding that regardless of the amount of mills levied, a taxpayer's liability may not exceed the dollar
22 amount due in each taxing unit for the ~~1986~~ 1994 tax year, unless:

23 ~~(a) except as provided in subsection (8)(a), the taxing unit's taxable valuation decreases by 5%~~
24 ~~or more from the 1986 tax year. If a taxing unit's taxable valuation decreases by 5% or more from the~~
25 ~~1986 tax year, it may levy additional mills to compensate for the decreased taxable valuation, but the mills~~
26 ~~levied may not exceed a number calculated to equal the revenue from property taxes for the 1986 tax year~~
27 ~~in that taxing unit.~~

28 ~~(b) a levy authorized under Title 20 raised less revenue in 1986 than was raised in either 1984 or~~
29 ~~1985, in which case the taxing unit may, after approval by the voters in the taxing unit, raise each year~~
30 ~~thereafter an additional number of mills but may not levy more revenue than the 3-year average of revenue~~

1 raised for that purpose during 1984, 1985, and 1986;

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

6 ~~(8) (a) Except as provided in subsection (8)(b), if a taxing unit has levied additional mills under~~
 7 ~~subsection (7)(a) to compensate for a decrease in taxable valuation, it may continue to levy additional mills~~
 8 ~~to equal the revenue from property taxes for the 1986 tax year when the taxing unit's taxable valuation~~
 9 ~~is greater than 95% but less than 100% of the taxing unit's taxable valuation in tax year 1986.~~

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

14 ~~(9)(6)~~ The limitation on the amount of taxes levied does not apply to the following levy or special
 15 assessment categories, whether or not they are based on commitments made before or after approval of
 16 15-10-401 and 15-10-402 tax year 1994:

17 (a) rural improvement districts;

18 (b) special improvement districts;

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

20 (d) city street maintenance districts;

21 (e) tax increment financing districts;

22 (f) satisfaction of judgments against a taxing unit;

23 (g) street lighting assessments;

24 (h) revolving funds to support any categories specified in this subsection (9); and

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

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

27 ~~(k) levies authorized under 76-15-531 and 76-15-532 for conservation district special~~
 28 ~~administrative assessments;~~

29 ~~(4)(i)~~ elementary and high school districts that have, through tax year 1997, a general fund budget
 30 less than the BASE budget under 20-9-308. ; and

1 ~~(m) voted poor fund levies authorized under 53-2-322.~~

2 ~~(10)(7)~~ The limitation on the amount of taxes levied does not apply in a taxing unit if the voters
3 in the taxing unit approve an increase in tax liability ~~following a resolution of the governing body of the~~
4 ~~taxing unit containing~~ under one of the following methods:

5 (a) If the laws governing the taxing unit or a particular fund of the taxing unit specifically allow for
6 a vote of the electorate to impose the tax or to change the rate of the tax, then the tax may be imposed
7 or the rate increased after approval of the electorate of the taxing unit. Unless the law providing for the
8 vote on the tax provides another time period, the approved tax or increase in the tax is valid for 2 years.

9 (b) If the taxing unit or a particular fund of the taxing unit does not have a statutory basis for
10 holding an election on whether to impose or to change a tax, the governing body of the taxing unit may
11 refer the question of whether to impose the tax or to change the tax to the electorate of the taxing unit.
12 The resolution must provide for the duration of the imposition or change in the tax. The duration may not
13 exceed 6 years. The resolution must contain:

14 (i) a finding that there are insufficient funds to adequately operate the taxing unit or applicable
15 governmental function as a result of ~~15-10-401 and 15-10-402~~ the limitations of this part;

16 ~~(b)(ii)~~ (ii) an explanation of the nature of the financial emergency;

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

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

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

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

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

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

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

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

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

3 ~~(iii) a rail authority, as provided in Title 7, chapter 14, part 16, authorized by a board of county~~
4 ~~commissioners. A levy for the support of a rail authority may not exceed the 6 mill limit established in~~
5 ~~7-14-1632.~~

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

9 ~~(13)~~(8) The limitation on the amount of taxes levied does not apply to a levy increase to repay
10 taxes paid under protest in accordance with 15-1-402.

11 ~~(14) A taxing jurisdiction that included special improvement district revolving fund levies in the~~
12 ~~limitation on the amount of taxes levied prior to April 22, 1993, may continue to include the amount of the~~
13 ~~levies within the dollar amount due in each taxing unit for the 1986 tax year even if the necessity for the~~
14 ~~revolving fund has diminished and the levy authority has been transferred."~~

15

16 **Section 3.** Section 7-6-2514, MCA, is amended to read:

17 **"7-6-2514. Tax limitation applicable.** The property tax limitation to ~~1986 levels~~ under Title 15,
18 chapter 10, part 4, applies to the county public safety levy authorized in 7-6-2513. The limitation is
19 determined by the total tax levied for the county general fund. The first year a county public safety tax is
20 levied, the public safety levy and the general fund levy may not exceed the prior year's county general fund
21 levy. In subsequent years, any increases in the public safety levy and the general fund levy are limited
22 under Title 15, chapter 10, part 4."

23

24 **Section 4.** Section 90-5-112, MCA, is amended to read:

25 **"90-5-112. Economic development levy.** (1) The governing body of a city, county, or town is
26 authorized to levy up to 1 mill upon the taxable value of all the property in the city, county, or town subject
27 to taxation for the purpose of economic development. The governing body may:

28 (a) submit the question of the mill levy to the qualified voters voting in a city, county, or town
29 election; or

30 (b) approve the mill levy by a vote of the governing body.

1 (2) Funds derived from this levy may be used for purchasing land for industrial parks, constructing
2 buildings to house manufacturing and processing operations, conducting preliminary feasibility studies,
3 promoting economic development opportunities in a particular area, and other activities generally associated
4 with economic development. These funds may not be used to directly assist an industry's operations by
5 loan or grant or to pay the salary or salary supplements of government employees.

6 (3) The governing body of the county, city, or town may use the funds derived from this levy to
7 contract with local development companies and other associations or organizations capable of implementing
8 the economic development function.

9 (4) A tax authorized by a vote of the electorate, as provided in subsection (1)(a), may be levied
10 for a period not to exceed 5 years ~~and is not subject to the provisions of Title 15, chapter 10, part 4.~~"

11

12 NEW SECTION. **Section 5. Effective date.** [This act] is effective on passage and approval.

13

-END-

STATE OF MONTANA - FISCAL NOTE
Fiscal Note for SB421, Second Reading

DESCRIPTION OF PROPOSED LEGISLATION:

An act amending the property tax limitations implementing initiative measure No. 105 by deleting certain exceptions to the limitations; providing that property taxes are capped at 1994 levels; providing that the electors of a taxing unit may authorize mill levies that exceed the limitations of Title 15, Chapter 10, Part 4, MCA; and providing an immediate effective date.

ASSUMPTIONS:

1. This proposal is effective on passage and approval, and would take effect beginning with tax year 1995 (FY1996).
2. With the exceptions noted in assumption #4, below, under this bill the total amount of taxes levied on all property within any taxing jurisdiction could not exceed the total amount levied for tax year 1994 (FY1995).
3. Under the proposal, the governing body of a taxing unit would be required to adjust mill levies to compensate for any increase in taxable valuation to ensure that taxes levied do not exceed the amount levied in 1994.
4. Notwithstanding the limitations provided for in the bill, mill levies are not required to change, and taxable valuations and taxes levied are allowed to increase due to annexation of property; new construction, expansions, or remodeling of property; or transfers, subdivisions, or reclassifications of property.
5. Valuations from the next cyclical reappraisal of residential and commercial real property will not be placed on the tax rolls until tax year 1997 (FY1998).
6. All growth in statewide taxable valuation during the 1997 biennium is attributable to new construction, expansion, or remodeling of all property. (The phase-in of ag land values due to the last reappraisal cycle does not result in an increase in statewide taxable valuation for this class of property).
7. Notwithstanding the provisions of this bill, mill levies would still be allowed to increase if voted on by a majority of the electorate of any taxing jurisdiction.

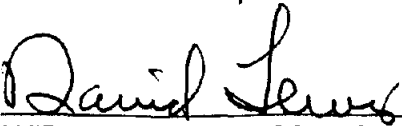
FISCAL IMPACT:

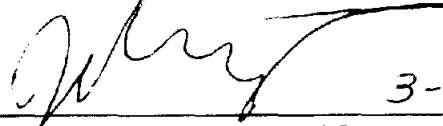
Expenditures:

The Department estimates that implementation of this proposal will require an additional expenditure of \$51,560 for programming to track reappraisal properties. **Half of this expense (\$25,780) will be expended in FY1995.** The property system AS/400 computer will require an upgrade costing \$248,875 in FY1996 (requested in all other major property tax legislation also). Development, printing, and distribution of new forms to capture related data for each taxing jurisdiction is estimated to cost \$5,000 annually, beginning in FY1996. One-time development costs of \$2,000 in FY1996, and on-going data storage costs of \$1,000 per year, also beginning in FY1996, are needed to implement this proposal.

	<u>FY96</u>	
	<u>Difference</u>	
Administrative Expense	\$ 282,655	

	<u>FY97</u>	
	<u>Difference</u>	
	\$ 6,000	


3-27-95
DAVID LEWIS, BUDGET DIRECTOR DATE
Office of Budget and Program Planning


3-28-95
JOHN HARP, PRIMARY SPONSOR DATE
Fiscal Note for SB421, Second Reading

SB 421

(continued)

Revenues:

There is no impact on revenues during the 1997 biennium under this bill. (See section below on long-range impacts of this bill).

EFFECT ON COUNTY OR OTHER LOCAL REVENUES OR EXPENDITURES:

(See Long-Range Effects)

LONG-RANGE EFFECTS OF PROPOSED LEGISLATION:

In future years, this bill will reduce revenues to state and local governments below what they otherwise would be under current law. Under current law, state and local governments are allowed to experience an increase in property tax revenue if reappraisal results in an overall increase in taxable valuation within the jurisdiction. Under this bill state and local governments would be required to reduce mill levies to maintain current (1994) revenue levels if reappraisal resulted in an overall increase in taxable valuation within the jurisdiction.

A precise estimate of the revenue impact that this proposal will have on state and local jurisdictions would require an accurate prediction of growth in taxable valuations for each taxing jurisdiction in the state, changes in budget requirements for each jurisdiction, and a forecast of taxpayer and voter responses to mill levy questions put to the voters. The Department of Revenue does not have this information, and therefore cannot make an accurate prediction of the dollar impact that this bill might have on fiscal years beyond this biennium.

1 SENATE BILL NO. 421

2 INTRODUCED BY HARP, MILLS, SLITER, S. SMITH, FISHER, MOHL, BAER, STOVALL, DENNY,
3 MOLNAR, KEENAN, SWYSGOOD, HERRON, DEVLIN, GRINDE, HARDING, JORE, AHNER, WAGNER,
4 ORR, BOHARSKI, FORRESTER, CRISMORE, MESAROS, GREEN, STANG, FORBES, ELLIS, ANDERSON,
5 L. SMITH, FUCHS, KEATING, VICK, SOMERVILLE, BENEDICT, CRIPPEN, FOSTER, KASTEN, BROWN,
6 GROSFIELD, HERTEL, AKLESTAD, ROSE, COLE, SPRAGUE, HIBBARD, BURNETT, HOLLAND, ZOOK,
7 DEVANEY, MARTINEZ, MCGEE, KNOX, BECK, BARNETT, MARSHALL, MASOLO

8
9 A BILL FOR AN ACT ENTITLED: "AN ACT AMENDING THE PROPERTY TAX LIMITATIONS IMPLEMENTING
10 INITIATIVE MEASURE NO. 105 BY DELETING CERTAIN EXCEPTIONS TO THE LIMITATIONS; PROVIDING
11 THAT PROPERTY TAXES ARE CAPPED AT 1994 LEVELS; PROVIDING THAT THE ELECTORS OF A TAXING
12 UNIT MAY AUTHORIZE MILL LEVIES THAT EXCEED THE LIMITATIONS OF TITLE 15, CHAPTER 10, PART
13 4, MCA; AMENDING SECTIONS 7-6-2514, 15-10-401, 15-10-402, 15-10-412, AND 90-5-112, MCA;
14 REPEALING SECTION 15-10-411, MCA; AND PROVIDING AN IMMEDIATE EFFECTIVE DATE."
15

16 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF MONTANA:
17

18 SECTION 1. SECTION 15-10-401, MCA, IS AMENDED TO READ:

19 "15-10-401. **Declaration of policy.** (1) The state of Montana's reliance on the taxation of property
20 to support education and local government has placed an unreasonable burden on the owners of ~~classes~~
21 ~~three, four, six, nine, twelve, and fourteen~~ property, ~~as these classes are defined in Title 15, chapter 6, part~~
22 ~~4.~~

23 ~~(2) The legislature's failure to give local governments and local school districts the flexibility to~~
24 ~~develop alternative sources of revenue will only lead to increases in the tax burden on the already~~
25 ~~overburdened property taxpayer.~~

26 ~~(3) The legislature is the appropriate forum to make the difficult and complex decisions to develop:~~

27 ~~(a) a tax system that is fair to property taxpayers; and~~

28 ~~(b) a method of providing adequate funding for local government and education.~~

29 ~~(4) The legislature has failed in its responsibility to taxpayers, education, and local government to~~
30 ~~relieve the tax burden on property classes three, four, six, nine, twelve, and fourteen.~~

1 ~~(5)(2)~~ The people of the state of Montana declare it is the policy of the state of Montana that no
 2 further property tax increases be imposed on property ~~classes three, four, six, nine, twelve, and fourteen~~
 3 as provided in 15-10-412."

4
 5 **Section 2.** Section 15-10-402, MCA, is amended to read:

6 "**15-10-402. Property tax limited to ~~1986~~ 1994 levels.** (1) Except as provided in ~~subsections (2)~~
 7 ~~and (3)~~ 15-10-412, the amount of taxes levied on property ~~described in 15-6-133, 15-6-134, and 15-6-136~~
 8 may not, for any taxing jurisdiction, exceed the amount levied for ~~taxable tax year 1986~~ 1994.

9 ~~(2) The limitation contained in subsection (1) does not apply to levies for rural improvement~~
 10 ~~districts, Title 7, chapter 12, part 21; special improvement districts, Title 7, chapter 12, part 41; elementary~~
 11 ~~and high school districts, Title 20; juvenile detention programs authorized under 7-6-502; or bonded~~
 12 ~~indebtedness.~~

13 ~~(3) New construction or improvements to or deletions from property described in subsection (1)~~
 14 ~~are subject to taxation at ~~1986~~ 1994 levels.~~

15 ~~(4) As used in this section, the "amount of taxes levied" and the "amount levied" mean the actual~~
 16 ~~dollar amount of taxes imposed on an individual piece of property, notwithstanding an increase or decrease~~
 17 ~~in value due to inflation, reappraisal, adjustments in the percentage multiplier used to convert appraised~~
 18 ~~value to taxable value, changes in the number of mills levied, or increase or decrease in the value of a mill."~~

19
 20 **Section 3.** Section 15-10-412, MCA, is amended to read:

21 "**15-10-412. Property tax limited to ~~1986~~ 1994 levels -- ~~clarification~~ — ~~extension to all property~~**
 22 ~~classes~~ **EXCEPTIONS.** Section 15-10-402 is ~~interpreted and clarified~~ **IMPLEMENTED** as follows:

23 ~~(1) The limitation to ~~1986~~ 1994 levels is extended to apply applies to all classes of property~~
 24 ~~described in Title 15, chapter 6, part 1.~~

25 ~~(2) (1) The limitation on the amount of taxes levied is interpreted to mean means that, except as~~
 26 ~~otherwise provided in this section, the actual tax liability for an individual property TOTAL AMOUNT OF~~
 27 ~~TAXES LEVIED BY EACH TAXING UNIT is capped at the dollar amount ~~due~~ LEVIED in each taxing unit for~~
 28 ~~the ~~1986~~ 1994 tax year. ~~In tax years thereafter, the property must be taxed in each taxing unit at the ~~1986~~~~
 29 ~~1994 cap or the product of the taxable value and mills levied, whichever is less for each taxing unit, except~~
 30 ~~in a taxing unit that levied a tax in tax years ~~1983~~ through ~~1985~~ but did not levy a tax in ~~1986~~, in which~~~~

1 ease the actual tax liability for an individual property is capped at the dollar amount due in that taxing unit
 2 for the 1985 tax year THE GOVERNING BODY OF A TAXING UNIT SHALL ADJUST MILL LEVIES TO
 3 COMPENSATE FOR ANY INCREASE IN TAXABLE VALUATION TO ENSURE THAT TAXES LEVIED DO NOT
 4 EXCEED THE AMOUNT LEVIED IN 1994.

5 ~~(3)~~ (2) The limitation on the amount of taxes levied does not prohibit a further AN increase in the
 6 total taxable valuation of TAXES LEVIED BY a taxing unit as a result of:

- 7 (a) annexation of real property and improvements into a taxing unit;
- 8 (b) construction, expansion, or remodeling of improvements;
- 9 (c) transfer of property into a taxing unit;
- 10 (d) subdivision of real property;
- 11 (e) reclassification of property;
- 12 (f) increases in the amount of production or the value of production for property described in
 13 15-6-131 or 15-6-132;
- 14 (g) transfer of property from tax-exempt to taxable status; or
- 15 (h) revaluations caused by:
- 16 ~~(i) cyclical reappraisal; or~~
- 17 ~~(ii) expansion, addition, replacement, or remodeling of improvements.~~

18 ~~(4)~~ (3) The limitation on the amount of taxes levied does not prohibit a further increase in the
 19 taxable valuation OF THE TAXING UNIT or in the actual tax liability on individual property ~~in each class as~~
 20 ~~a result of:~~

- 21 ~~(a) a revaluation caused by:~~
- 22 ~~(i) construction, expansion, replacement, or remodeling of improvements that adds value to the~~
 23 ~~property; or~~
- 24 ~~(ii) cyclical reappraisal;~~
- 25 ~~(b) transfer of property into a taxing unit;~~
- 26 ~~(c) reclassification of property;~~
- 27 ~~(d) increases in the amount of production or the value of production for property described in~~
 28 ~~15-6-131 or 15-6-132;~~
- 29 ~~(e) annexation of the individual property into a new taxing unit; or~~
- 30 ~~(f) conversion of the individual property from tax exempt to taxable status.~~

1 ~~(5) Property in class four is valued according to the procedures used in 1986, including the~~
 2 ~~designation of 1982 as the base year, until the reappraisal cycle beginning January 1, 1986, is completed~~
 3 ~~and new valuations are placed on the tax rolls and a new base year designated, if the property is:~~

4 ~~(a) new construction;~~

5 ~~(b) expanded, deleted, replaced, or remodeled improvements;~~

6 ~~(c) annexed property; or~~

7 ~~(d) property converted from tax exempt to taxable status.~~

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

11 ~~(7)(5)(4)~~ The limitation on the amount of taxes, as clarified in this section, is intended to leave the
 12 property appraisal and valuation methodology of the department of revenue intact. Determinations of
 13 county classifications, salaries of local government officers, and all other matters in which total taxable
 14 valuation is an integral component are not affected by 15-10-401 and 15-10-402 ~~except for the use of~~
 15 ~~taxable valuation in fixing tax levies. In fixing tax levies, the taxing units of local government may anticipate~~
 16 ~~the deficiency in revenues resulting from the tax limitations in 15-10-401 and 15-10-402, while~~
 17 ~~understanding that regardless of the amount of mills levied, a taxpayer's liability may not exceed the dollar~~
 18 ~~amount due in each taxing unit for the 1986 1994 tax year, unless:~~

19 ~~(a) except as provided in subsection (8)(a), the taxing unit's taxable valuation decreases by 5%~~
 20 ~~or more from the 1986 tax year. If a taxing unit's taxable valuation decreases by 5% or more from the~~
 21 ~~1986 tax year, it may levy additional mills to compensate for the decreased taxable valuation, but the mills~~
 22 ~~levied may not exceed a number calculated to equal the revenue from property taxes for the 1986 tax year~~
 23 ~~in that taxing unit.~~

24 ~~(b) a levy authorized under Title 20 raised less revenue in 1986 than was raised in either 1984 or~~
 25 ~~1985, in which case the taxing unit may, after approval by the voters in the taxing unit, raise each year~~
 26 ~~thereafter an additional number of mills but may not levy more revenue than the 3 year average of revenue~~
 27 ~~raised for that purpose during 1984, 1985, and 1986;~~

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

1 number of mills levied for that purpose during ~~1984, 1985, and 1986.~~

2 ~~(8) (a) Except as provided in subsection (8)(b), if a taxing unit has levied additional mills under~~
 3 ~~subsection (7)(a) to compensate for a decrease in taxable valuation, it may continue to levy additional mills~~
 4 ~~to equal the revenue from property taxes for the 1986 tax year when the taxing unit's taxable valuation~~
 5 ~~is greater than 95% but less than 100% of the taxing unit's taxable valuation in tax year 1986.~~

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

10 ~~(9)(6)(5)~~ The limitation on the amount of taxes levied does not apply to the following levy or special
 11 assessment categories, whether or not they are based on commitments made before or after approval of
 12 ~~15-10-401 and 15-10-402 tax year 1994:~~

- 13 (a) rural improvement districts;
- 14 (b) special improvement districts;
- 15 (c) levies pledged for the repayment of bonded indebtedness, including tax increment bonds;
- 16 (d) city street maintenance districts;
- 17 (e) tax increment financing districts;
- 18 (f) satisfaction of judgments against a taxing unit;
- 19 (g) street lighting assessments;
- 20 (h) revolving funds to support any categories specified in this subsection (9); and
- 21 ~~(i) levies for economic development authorized pursuant to 90-5-112(4);~~
- 22 ~~(j) levies authorized under 7-6-502 for juvenile detention programs;~~
- 23 ~~(k) levies authorized under 76-15-531 and 76-15-532 for conservation district special~~
 24 ~~administrative assessments;~~
- 25 ~~(l)(i) elementary and high school districts that have, through tax year 1997, a general fund budget~~
 26 ~~less than the BASE budget under 20-9-308; ; and~~
- 27 ~~(m) voted poor fund levies authorized under 53-2-322.~~
- 28 (J) THE COUNTY RETIREMENT FUND AUTHORIZED UNDER 20-9-501;
- 29 (K) THE BUILDING RESERVE FUND AUTHORIZED UNDER 20-9-502 AND 20-9-503; AND
- 30 (L) THE COUNTY TRANSPORTATION REIMBURSEMENT COMPUTED UNDER 20-10-146.

1 ~~(10)(7) (6)~~ (6) The limitation on the amount of taxes levied does not apply in a taxing unit if the voters
 2 in the taxing unit approve an increase in ~~tax liability~~ MILL LEVIES following a resolution of the governing
 3 ~~body of the taxing unit containing~~ under one of the following methods:

4 (a) If the laws governing the taxing unit or a particular fund of the taxing unit specifically allow for
 5 a vote of the electorate to impose the tax MILL LEVIES or to change the rate of the tax MILL LEVIES, then
 6 the tax MILL LEVIES may be imposed or the rate increased after approval of the electorate of the taxing
 7 unit. Unless the law providing for the vote on the tax provides another time period, the approved tax or
 8 increase in the tax is valid for 2 years.

9 (b) If the taxing unit or a particular fund of the taxing unit does not have a statutory basis for
 10 holding an election on whether to impose or to change a tax MILL LEVY, the governing body of the taxing
 11 unit may refer the question of whether to impose the tax or to change the tax MILL LEVY to the electorate
 12 of the taxing unit. The resolution must provide for the duration of the imposition or change in the tax MILL
 13 LEVY. The duration may not exceed 6 years. The resolution must contain:

14 (i) a finding that there are insufficient funds to adequately operate the taxing unit or applicable
 15 governmental function as a result of ~~15-10-401 and 15-10-402~~ the limitations of this part;

16 ~~(b)~~(ii) an explanation of the nature of the financial emergency;

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

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

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

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

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

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

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

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

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

3 ~~(iii) a rail authority, as provided in Title 7, chapter 14, part 16, authorized by a board of county~~
4 ~~commissioners. A levy for the support of a rail authority may not exceed the 6 mill limit established in~~
5 ~~7-14-1632.~~

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

9 (7) THE LIMITATION ON THE AMOUNT OF TAXES LEVIED BY A TAXING JURISDICTION SUBJECT
10 TO A STATUTORY MAXIMUM MILL LEVY DOES NOT PREVENT A TAXING JURISDICTION FROM
11 INCREASING ITS NUMBER OF MILLS BEYOND THE STATUTORY MAXIMUM MILL LEVY TO PRODUCE
12 REVENUE EQUAL TO ITS 1994 REVENUE.

13 ~~(13)(8) (7) (8)~~ (8) The limitation on the amount of taxes levied does not apply to a levy increase to
14 repay taxes paid under protest in accordance with 15-1-402.

15 ~~(14) A taxing jurisdiction that included special improvement district revolving fund levies in the~~
16 ~~limitation on the amount of taxes levied prior to April 22, 1993, may continue to include the amount of the~~
17 ~~levies within the dollar amount due in each taxing unit for the 1986 tax year even if the necessity for the~~
18 ~~revolving fund has diminished and the levy authority has been transferred.~~

19 (9) IN ORDER TO COMPLY WITH THE LIMITATIONS OF THIS PART, MILL LEVIES MUST BE
20 REDUCED IN ORDER TO COMPENSATE FOR INCREASED TAXABLE VALUATION IN A TAXING UNIT. IF
21 A MILL LEVY IS FIXED BY LAW OR IS OTHERWISE NOT ADJUSTABLE IN THE DISCRETION OF THE
22 GOVERNING BODY OF THE TAXING UNIT, THE DEPARTMENT OF REVENUE SHALL ADJUST THE MILL
23 LEVY TO COMPENSATE FOR AN INCREASE IN TAXABLE VALUATION, OTHER STATUTORY PROVISIONS
24 NOTWITHSTANDING. THE DEPARTMENT SHALL NOTIFY THE LOCAL GOVERNMENT OF THE NEW MILL
25 LEVY BY THE STATUTORY DATE FOR SETTING MILL LEVIES."

26
27 **Section 4.** Section 7-6-2514, MCA, is amended to read:

28 **"7-6-2514. Tax limitation applicable.** The property tax limitation ~~to 1986 levels~~ under Title 15,
29 chapter 10, part 4, applies to the county public safety levy authorized in 7-6-2513. The limitation is
30 determined by the total tax levied for the county general fund. The first year a county public safety tax is

1 levied, the public safety levy and the general fund levy may not exceed the prior year's county general fund
2 levy. In subsequent years, any increases in the public safety levy and the general fund levy are limited
3 under Title 15, chapter 10, part 4."

4
5 **Section 5.** Section 90-5-112, MCA, is amended to read:

6 **"90-5-112. Economic development levy.** (1) The governing body of a city, county, or town is
7 authorized to levy up to 1 mill upon the taxable value of all the property in the city, county, or town subject
8 to taxation for the purpose of economic development. The governing body may:

9 (a) submit the question of the mill levy to the qualified voters voting in a city, county, or town
10 election; or

11 (b) approve the mill levy by a vote of the governing body.

12 (2) Funds derived from this levy may be used for purchasing land for industrial parks, constructing
13 buildings to house manufacturing and processing operations, conducting preliminary feasibility studies,
14 promoting economic development opportunities in a particular area, and other activities generally associated
15 with economic development. These funds may not be used to directly assist an industry's operations by
16 loan or grant or to pay the salary or salary supplements of government employees.

17 (3) The governing body of the county, city, or town may use the funds derived from this levy to
18 contract with local development companies and other associations or organizations capable of implementing
19 the economic development function.

20 (4) A tax authorized by a vote of the electorate, as provided in subsection (1)(a), may be levied
21 for a period not to exceed 5 years ~~and is not subject to the provisions of Title 15, chapter 10, part 4."~~

22
23 **NEW SECTION. SECTION 6. REPEALER. SECTION 15-10-411, MCA, IS REPEALED.**

24
25 **NEW SECTION. Section 7. Effective date.** [This act] is effective on passage and approval.

26 -END-

SENATE BILL NO. 421

INTRODUCED BY HARP, MILLS, SLITER, S. SMITH, FISHER, MOHL, BAER, STOVALL, DENNY,
 MOLNAR, KEENAN, SWYSGOOD, HERRON, DEVLIN, GRINDE, HARDING, JORE, AHNER, WAGNER,
 ORR, BOHARSKI, FORRESTER, CRISMORE, MESAROS, GREEN, STANG, FORBES, ELLIS, ANDERSON,
 L. SMITH, FUCHS, KEATING, VICK, SOMERVILLE, BENEDICT, CRIPPEN, FOSTER, KASTEN, BROWN,
 GROSFIELD, HERTEL, AKLESTAD, ROSE, COLE, SPRAGUE, HIBBARD, BURNETT, HOLLAND, ZOOK,
 DEVANEY, MARTINEZ, MCGEE, KNOX, BECK, BARNETT, MARSHALL, MASOLO

A BILL FOR AN ACT ENTITLED: "AN ACT AMENDING THE PROPERTY TAX LIMITATIONS IMPLEMENTING
 INITIATIVE MEASURE NO. 105 BY DELETING CERTAIN EXCEPTIONS TO THE LIMITATIONS; PROVIDING
 THAT PROPERTY TAXES ARE CAPPED AT 1994 LEVELS; PROVIDING THAT THE ELECTORS OF A TAXING
 UNIT MAY AUTHORIZE MILL LEVIES THAT EXCEED THE LIMITATIONS OF TITLE 15, CHAPTER 10, PART
 4, MCA; AMENDING SECTIONS 7-6-2514, 15-10-401, 15-10-402, 15-10-412, AND 90-5-112, MCA;
REPEALING SECTION 15-10-411, MCA; AND PROVIDING AN IMMEDIATE EFFECTIVE DATE."

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

SECTION 1. SECTION 15-10-401, MCA, IS AMENDED TO READ:

"**15-10-401. Declaration of policy.** (1) The state of Montana's reliance on the taxation of property
 to support education and local government has placed an unreasonable burden on the owners of ~~classes~~
~~three, four, six, nine, twelve, and fourteen~~ property, ~~as these classes are defined in Title 15, chapter 6, part~~
 4.

~~(2) The legislature's failure to give local governments and local school districts the flexibility to
 develop alternative sources of revenue will only lead to increases in the tax burden on the already
 overburdened property taxpayer.~~

~~(3) The legislature is the appropriate forum to make the difficult and complex decisions to develop:~~

~~(a) a tax system that is fair to property taxpayers; and~~

~~(b) a method of providing adequate funding for local government and education.~~

~~(4) The legislature has failed in its responsibility to taxpayers, education, and local government to
 relieve the tax burden on property classes three, four, six, nine, twelve, and fourteen.~~

1 ~~(5)(2)~~ The people of the state of Montana declare it is the policy of the state of Montana that no
 2 further property tax increases be imposed on property ~~classes three, four, six, nine, twelve, and fourteen~~
 3 as provided in 15-10-412."

4
 5 **Section 2.** Section 15-10-402, MCA, is amended to read:

6 "**15-10-402. Property tax limited to ~~1986~~ 1994 levels.** ~~(1)~~ Except as provided in ~~subsections (2)~~
 7 ~~and (3)~~ 15-10-412, the amount of taxes levied on property ~~described in 15-6-133, 15-6-134, and 15-6-136~~
 8 may not, for any taxing jurisdiction, exceed the amount levied for ~~taxable tax year 1986~~ 1994.

9 ~~(2) The limitation contained in subsection (1) does not apply to levies for rural improvement~~
 10 ~~districts, Title 7, chapter 12, part 21; special improvement districts, Title 7, chapter 12, part 41; elementary~~
 11 ~~and high school districts, Title 20; juvenile detention programs authorized under 7-6-502; or bonded~~
 12 ~~indebtedness.~~

13 ~~(3) New construction or improvements to or deletions from property described in subsection (1)~~
 14 ~~are subject to taxation at ~~1986~~ 1994 levels.~~

15 ~~(4) As used in this section, the "amount of taxes levied" and the "amount levied" mean the actual~~
 16 ~~dollar amount of taxes imposed on an individual piece of property, notwithstanding an increase or decrease~~
 17 ~~in value due to inflation, reappraisal, adjustments in the percentage multiplier used to convert appraised~~
 18 ~~value to taxable value, changes in the number of mills levied, or increase or decrease in the value of a mill."~~

19
 20 **Section 3.** Section 15-10-412, MCA, is amended to read:

21 "**15-10-412. Property tax limited to ~~1986~~ 1994 levels -- clarification -- extension to all property**
 22 ~~classes~~ **EXCEPTIONS.** Section 15-10-402 is interpreted and clarified **IMPLEMENTED** as follows:

23 ~~(1) The limitation to ~~1986~~ 1994 levels is extended to apply applies to all classes of property~~
 24 ~~described in Title 15, chapter 6, part 1.~~

25 ~~(2) (1)~~ **(1)** The limitation on the amount of taxes levied ~~is interpreted to mean~~ **means** that, except as
 26 otherwise provided in this section, the ~~actual tax liability for an individual property~~ **TOTAL AMOUNT OF**
 27 **TAXES LEVIED BY EACH TAXING UNIT** is capped at the dollar amount ~~due~~ **LEVIED** in each taxing unit for
 28 the ~~1986~~ 1994 tax year. ~~In tax years thereafter, the property must be taxed in each taxing unit at the ~~1986~~~~
 29 ~~1994 cap or the product of the taxable value and mills levied, whichever is less for each taxing unit, except~~
 30 ~~in a taxing unit that levied a tax in tax years 1983 through 1985 but did not levy a tax in 1986, in which~~

1 ease the actual tax liability for an individual property is capped at the dollar amount due in that taxing unit
 2 for the 1986 tax year THE GOVERNING BODY OF A TAXING UNIT SHALL ADJUST MILL LEVIES TO
 3 COMPENSATE FOR ANY INCREASE IN TAXABLE VALUATION TO ENSURE THAT TAXES LEVIED DO NOT
 4 EXCEED THE AMOUNT LEVIED IN 1994.

5 ~~(2)~~ (2) The limitation on the amount of taxes levied does not prohibit a further AN increase in the
 6 total taxable valuation of TAXES LEVIED BY a taxing unit as a result of:

- 7 (a) annexation of real property and improvements into a taxing unit;
- 8 (b) construction, expansion, or remodeling of improvements;
- 9 (c) transfer of property into a taxing unit;
- 10 (d) subdivision of real property;
- 11 (e) reclassification of property;
- 12 (f) increases in the amount of production or the value of production for property described in
 13 15-6-131 or 15-6-132;
- 14 (g) transfer of property from tax-exempt to taxable status; or
- 15 (h) revaluations caused by:
- 16 ~~(i) cyclical reappraisal; or~~
- 17 ~~(ii) expansion, addition, replacement, or remodeling of improvements.~~

18 ~~(4)~~ (3) The limitation on the amount of taxes levied does not prohibit a further increase in the
 19 taxable valuation OF THE TAXING UNIT or in the actual tax liability on individual property in each class as
 20 a result of:

- 21 ~~(a) a revaluation caused by:~~
- 22 ~~(i) construction, expansion, replacement, or remodeling of improvements that adds value to the~~
 23 ~~property; or~~
- 24 ~~(ii) cyclical reappraisal;~~
- 25 ~~(b) transfer of property into a taxing unit;~~
- 26 ~~(c) reclassification of property;~~
- 27 ~~(d) increases in the amount of production or the value of production for property described in~~
 28 ~~15-6-131 or 15-6-132;~~
- 29 ~~(e) annexation of the individual property into a new taxing unit; or~~
- 30 ~~(f) conversion of the individual property from tax exempt to taxable status.~~

1 ~~(5) Property in class four is valued according to the procedures used in 1986, including the~~
 2 ~~designation of 1982 as the base year, until the reappraisal cycle beginning January 1, 1986, is completed~~
 3 ~~and new valuations are placed on the tax rolls and a new base year designated, if the property is:~~

4 ~~(a) new construction;~~

5 ~~(b) expanded, deleted, replaced, or remodeled improvements;~~

6 ~~(c) annexed property; or~~

7 ~~(d) property converted from tax exempt to taxable status.~~

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

11 ~~(7)(5)(4)~~ The limitation on the amount of taxes, as clarified in this section, is intended to leave the
 12 property appraisal and valuation methodology of the department of revenue intact. Determinations of
 13 county classifications, salaries of local government officers, and all other matters in which total taxable
 14 valuation is an integral component are not affected by 15-10-401 and 15-10-402 ~~except for the use of~~
 15 ~~taxable valuation in fixing tax levies. In fixing tax levies, the taxing units of local government may anticipate~~
 16 ~~the deficiency in revenues resulting from the tax limitations in 15-10-401 and 15-10-402, while~~
 17 ~~understanding that regardless of the amount of mills levied, a taxpayer's liability may not exceed the dollar~~
 18 ~~amount due in each taxing unit for the 1986 1994 tax year, unless:~~

19 ~~(a) except as provided in subsection (8)(a), the taxing unit's taxable valuation decreases by 5%~~
 20 ~~or more from the 1986 tax year. If a taxing unit's taxable valuation decreases by 5% or more from the~~
 21 ~~1986 tax year, it may levy additional mills to compensate for the decreased taxable valuation, but the mills~~
 22 ~~levied may not exceed a number calculated to equal the revenue from property taxes for the 1986 tax year~~
 23 ~~in that taxing unit.~~

24 ~~(b) a levy authorized under Title 20 raised less revenue in 1986 than was raised in either 1984 or~~
 25 ~~1985, in which case the taxing unit may, after approval by the voters in the taxing unit, raise each year~~
 26 ~~thereafter an additional number of mills but may not levy more revenue than the 3-year average of revenue~~
 27 ~~raised for that purpose during 1984, 1985, and 1986;~~

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

1 number of mills levied for that purpose during ~~1984, 1985, and 1986.~~

2 ~~(8) (a) Except as provided in subsection (8)(b), if a taxing unit has levied additional mills under~~
 3 ~~subsection (7)(a) to compensate for a decrease in taxable valuation, it may continue to levy additional mills~~
 4 ~~to equal the revenue from property taxes for the 1986 tax year when the taxing unit's taxable valuation~~
 5 ~~is greater than 95% but less than 100% of the taxing unit's taxable valuation in tax year 1986.~~

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

10 ~~(9)(6)(5)~~ (5) The limitation on the amount of taxes levied does not apply to the following levy or special
 11 assessment categories, whether or not they are based on commitments made before or after approval of
 12 ~~15-10-401 and 15-10-402 tax year 1994:~~

- 13 (a) rural improvement districts;
- 14 (b) special improvement districts;
- 15 (c) levies pledged for the repayment of bonded indebtedness, including tax increment bonds;
- 16 (d) city street maintenance districts;
- 17 (e) tax increment financing districts;
- 18 (f) satisfaction of judgments against a taxing unit;
- 19 (g) street lighting assessments;
- 20 (h) revolving funds to support any categories specified in this subsection (9); and
- 21 ~~(i) levies for economic development authorized pursuant to 90-5-112(4);~~
- 22 ~~(j) levies authorized under 7-6-502 for juvenile detention programs;~~
- 23 ~~(k) levies authorized under 76-15-531 and 76-15-532 for conservation district special~~
 24 ~~administrative assessments;~~

25 ~~(l)(j)~~ (j) elementary and high school districts that have, through tax year 1997, a general fund budget
 26 less than the BASE budget under 20-9-308; ; and

27 ~~(m) voted poor fund levies authorized under 53-2-322.~~

28 (J) THE COUNTY RETIREMENT FUND AUTHORIZED UNDER 20-9-501;

29 (K) THE BUILDING RESERVE FUND AUTHORIZED UNDER 20-9-502 AND 20-9-503; AND

30 (L) THE COUNTY TRANSPORTATION REIMBURSEMENT COMPUTED UNDER 20-10-146.

1 ~~(10)(7)~~ (6) The limitation on the amount of taxes levied does not apply in a taxing unit if the voters
 2 in the taxing unit approve an increase in ~~tax liability~~ MILL LEVIES following a resolution of the governing
 3 ~~body of the taxing unit containing~~ under one of the following methods:

4 (a) If the laws governing the taxing unit or a particular fund of the taxing unit specifically allow for
 5 a vote of the electorate to impose the tax MILL LEVIES or to change the rate of the tax MILL LEVIES, then
 6 the tax MILL LEVIES may be imposed or the rate increased after approval of the electorate of the taxing
 7 unit. Unless the law providing for the vote on the tax provides another time period, the approved tax or
 8 increase in the tax is valid for 2 years.

9 (b) If the taxing unit or a particular fund of the taxing unit does not have a statutory basis for
 10 holding an election on whether to impose or to change a tax MILL LEVY, the governing body of the taxing
 11 unit may refer the question of whether to impose the tax or to change the tax MILL LEVY to the electorate
 12 of the taxing unit. The resolution must provide for the duration of the imposition or change in the tax MILL
 13 LEVY. The duration may not exceed 6 years. The resolution must contain:

14 (i) a finding that there are insufficient funds to adequately operate the taxing unit or applicable
 15 governmental function as a result of ~~15-10-401 and 15-10-402~~ the limitations of this part;

16 ~~(b)(ii)~~ (ii) an explanation of the nature of the financial emergency;

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

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

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

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

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

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 28 ~~taxing units served by the board of health determine, after a public hearing, that public health programs~~
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 30 ~~the 5 mill limit established in 50-2-111.~~

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2 ~~7-34-102(2); and~~

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4 ~~commissioners. A levy for the support of a rail authority may not exceed the 6 mill limit established in~~
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10 TO A STATUTORY MAXIMUM MILL LEVY DOES NOT PREVENT A TAXING JURISDICTION FROM
11 INCREASING ITS NUMBER OF MILLS BEYOND THE STATUTORY MAXIMUM MILL LEVY TO PRODUCE
12 REVENUE EQUAL TO ITS 1994 REVENUE.

13 ~~(13)(8) (7) (8)~~ The limitation on the amount of taxes levied does not apply to a levy increase to
14 repay taxes paid under protest in accordance with 15-1-402.

15 ~~(14) A taxing jurisdiction that included special improvement district revolving fund levies in the~~
16 ~~limitation on the amount of taxes levied prior to April 22, 1993, may continue to include the amount of the~~
17 ~~levies within the dollar amount due in each taxing unit for the 1986 tax year even if the necessity for the~~
18 ~~revolving fund has diminished and the levy authority has been transferred.~~

19 (9) IN ORDER TO COMPLY WITH THE LIMITATIONS OF THIS PART, MILL LEVIES MUST BE
20 REDUCED IN ORDER TO COMPENSATE FOR INCREASED TAXABLE VALUATION IN A TAXING UNIT. IF
21 A MILL LEVY IS FIXED BY LAW OR IS OTHERWISE NOT ADJUSTABLE IN THE DISCRETION OF THE
22 GOVERNING BODY OF THE TAXING UNIT, THE DEPARTMENT OF REVENUE SHALL ADJUST THE MILL
23 LEVY TO COMPENSATE FOR AN INCREASE IN TAXABLE VALUATION, OTHER STATUTORY PROVISIONS
24 NOTWITHSTANDING. THE DEPARTMENT SHALL NOTIFY THE LOCAL GOVERNMENT OF THE NEW MILL
25 LEVY BY THE STATUTORY DATE FOR SETTING MILL LEVIES."

26

27 **Section 4.** Section 7-6-2514, MCA, is amended to read:

28 **"7-6-2514. Tax limitation applicable.** The property tax limitation ~~to 1986 levels~~ under Title 15,
29 chapter 10, part 4, applies to the county public safety levy authorized in 7-6-2513. The limitation is
30 determined by the total tax levied for the county general fund. The first year a county public safety tax is

1 levied, the public safety levy and the general fund levy may not exceed the prior year's county general fund
 2 levy. In subsequent years, any increases in the public safety levy and the general fund levy are limited
 3 under Title 15, chapter 10, part 4."
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5 **Section 5.** Section 90-5-112, MCA, is amended to read:

6 **"90-5-112. Economic development levy.** (1) The governing body of a city, county, or town is
 7 authorized to levy up to 1 mill upon the taxable value of all the property in the city, county, or town subject
 8 to taxation for the purpose of economic development. The governing body may:

9 (a) submit the question of the mill levy to the qualified voters voting in a city, county, or town
 10 election; or

11 (b) approve the mill levy by a vote of the governing body.

12 (2) Funds derived from this levy may be used for purchasing land for industrial parks, constructing
 13 buildings to house manufacturing and processing operations, conducting preliminary feasibility studies,
 14 promoting economic development opportunities in a particular area, and other activities generally associated
 15 with economic development. These funds may not be used to directly assist an industry's operations by
 16 loan or grant or to pay the salary or salary supplements of government employees.

17 (3) The governing body of the county, city, or town may use the funds derived from this levy to
 18 contract with local development companies and other associations or organizations capable of implementing
 19 the economic development function.

20 (4) A tax authorized by a vote of the electorate, as provided in subsection (1)(a), may be levied
 21 for a period not to exceed 5 years ~~and is not subject to the provisions of Title 15, chapter 10, part 4.~~"
 22

23 **NEW SECTION. SECTION 6. REPEALER. SECTION 15-10-411, MCA, IS REPEALED.**

24
 25 **NEW SECTION. Section 7. Effective date.** [This act] is effective on passage and approval.

26 -END-




HOUSE STANDING COMMITTEE REPORT

April 6, 1995

Page 1 of 3

Mr. Speaker: We, the committee on Taxation report that Senate Bill 421 (third reading copy -- blue) be concurred in as amended.

Signed: _____


Chase Hibbard, Chair

And, that such amendments read:

Carried by: Rep. Elliott

1. Title, line 10.

Strike: "DELETING CERTAIN"

Insert: "CHANGING THE"

2. Page 1.

Following: line 30

Insert: "(2) The legislature's failure to give local governments and local school districts the flexibility to develop alternative sources of revenue will only lead to increases in the tax burden on the already overburdened property taxpayer.

(3) The legislature is the appropriate forum to make the difficult and complex decisions to develop:

(a) a tax system that is fair to property taxpayers; and

(b) a method of providing adequate funding for local government and education."

Renumber: subsequent subsection

3. Page 3.

Following: line 17

Insert: "(3) If the increase in taxable value under subsection (2) does not result in tax revenue equal to the prior year's tax revenue adjusted for inflation, the taxing unit may levy additional mills, not to exceed 2% in additional revenue, to compensate for the difference. For the purposes of this

Committee Vote:
Yes 16, No 4.

SB 421

HOUSE

subsection, inflation is measured by the consumer price index for all urban consumers, United States city average, for all items, as published by the bureau of labor statistics of the U.S. department of labor."

Renumber: subsequent subsections

4. Page 4.

Following: line 10

Insert: "(5) The limitation on the amount of taxes levied does not prohibit an increase in the total taxes levied by a taxing unit in order to compensate the taxing unit for any loss in the total amount of nonlevy revenue received in 1994."

Renumber: subsequent subsections

5. Page 5, line 25.

Following: "(i)"

Insert: "the general fund of"

6. Page 5, line 29.

Strike: "AND"

7. Page 5, line 30.

Strike: "_"

Insert: "; and"

8. Page 5.

Following: line 30

Insert: "(m) rural fire districts organized under Title 7, chapter 33, part 21."

9. Page 6, lines 16 through 19.

Strike: subsections (ii) through (iv) in their entirety

Renumber: subsequent subsections

10. Page 6, line 20.

Following: ";"

Insert: "and"

11. Page 6, line 21.

Strike: subsection (vi) in its entirety

Renumber: subsequent subsection

12. Page 7, line 20.

Following: "VALUATION"

Insert: ", for reasons other than those set forth in subsection (2),"

13. Page 7, line 26.

Insert: "(12) School district general fund budgets are subject to the voting requirements in 20-9-308. Property tax increases to fund the nonvoted portion of the general fund budget as calculated in 20-9-308 are not subject to the limitations of this section."

-END-

SENATE BILL NO. 421

INTRODUCED BY HARP, MILLS, SLITER, S. SMITH, FISHER, MOHL, BAER, STOVALL, DENNY,
 MOLNAR, KEENAN, SWYSGOOD, HERRON, DEVLIN, GRINDE, HARDING, JORE, AHNER, WAGNER,
 ORR, BOHARSKI, FORRESTER, CRISMORE, MESAROS, GREEN, STANG, FORBES, ELLIS, ANDERSON,
 L. SMITH, FUCHS, KEATING, VICK, SOMERVILLE, BENEDICT, CRIPPEN, FOSTER, KASTEN, BROWN,
 GROSFIELD, HERTEL, AKLESTAD, ROSE, COLE, SPRAGUE, HIBBARD, BURNETT, HOLLAND, ZOOK,
 DEVANEY, MARTINEZ, MCGEE, KNOX, BECK, BARNETT, MARSHALL, MASOLO

A BILL FOR AN ACT ENTITLED: "AN ACT AMENDING THE PROPERTY TAX LIMITATIONS IMPLEMENTING
 INITIATIVE MEASURE NO. 105 BY ~~DELETING CERTAIN~~ CHANGING THE EXCEPTIONS TO THE
 LIMITATIONS; PROVIDING THAT PROPERTY TAXES ARE CAPPED AT 1994 LEVELS; PROVIDING THAT
 THE ELECTORS OF A TAXING UNIT MAY AUTHORIZE MILL LEVIES THAT EXCEED THE LIMITATIONS OF
 TITLE 15, CHAPTER 10, PART 4, MCA; AMENDING SECTIONS 7-6-2514, 15-10-401, 15-10-402,
 15-10-412, AND 90-5-112, MCA; REPEALING SECTION 15-10-411, MCA; AND PROVIDING AN
 IMMEDIATE EFFECTIVE DATE."

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

SECTION 1. SECTION 15-10-401, MCA, IS AMENDED TO READ:

"**15-10-401. Declaration of policy.** (1) The state of Montana's reliance on the taxation of property
 to support education and local government has placed an unreasonable burden on the owners of ~~classes~~
~~three, four, six, nine, twelve, and fourteen~~ property, ~~as these classes are defined in Title 15, chapter 6, part~~
 4.

~~(2) The legislature's failure to give local governments and local school districts the flexibility to
 develop alternative sources of revenue will only lead to increases in the tax burden on the already
 overburdened property taxpayer.~~

~~(3) The legislature is the appropriate forum to make the difficult and complex decisions to develop:~~

~~(a) a tax system that is fair to property taxpayers; and~~

~~(b) a method of providing adequate funding for local government and education.~~

~~(4) The legislature has failed in its responsibility to taxpayers, education, and local government to~~

1 ~~relieve the tax burden on property classes three, four, six, nine, twelve, and fourteen.~~

2 (2) THE LEGISLATURE'S FAILURE TO GIVE LOCAL GOVERNMENTS AND LOCAL SCHOOL
 3 DISTRICTS THE FLEXIBILITY TO DEVELOP ALTERNATIVE SOURCES OF REVENUE WILL ONLY LEAD TO
 4 INCREASES IN THE TAX BURDEN ON THE ALREADY OVERBURDENED PROPERTY TAXPAYER.

5 (3) THE LEGISLATURE IS THE APPROPRIATE FORUM TO MAKE THE DIFFICULT AND COMPLEX
 6 DECISIONS TO DEVELOP:

7 (A) A TAX SYSTEM THAT IS FAIR TO PROPERTY TAXPAYERS; AND

8 (B) A METHOD OF PROVIDING ADEQUATE FUNDING FOR LOCAL GOVERNMENT AND
 9 EDUCATION.

10 ~~(5)(2)(4)~~ The people of the state of Montana declare it is the policy of the state of Montana that
 11 no further property tax increases be imposed on property ~~classes three, four, six, nine, twelve, and fourteen~~
 12 as provided in 15-10-412."

14 **Section 2.** Section 15-10-402, MCA, is amended to read:

15 "**15-10-402. Property tax limited to 1986 1994 levels.** ~~(1)~~ Except as provided in ~~subsections (2)~~
 16 ~~and (3)~~ 15-10-412, the amount of taxes levied on property ~~described in 15-6-133, 15-6-134, and 15-6-136~~
 17 may not, for any taxing jurisdiction, exceed the amount levied for ~~taxable tax year 1986 1994~~.

18 ~~(2) The limitation contained in subsection (1) does not apply to levies for rural improvement~~
 19 ~~districts, Title 7, chapter 12, part 21; special improvement districts, Title 7, chapter 12, part 41; elementary~~
 20 ~~and high school districts, Title 20; juvenile detention programs authorized under 7-6-502; or bonded~~
 21 ~~indebtedness.~~

22 ~~(3) New construction or improvements to or deletions from property described in subsection (1)~~
 23 ~~are subject to taxation at 1986 1994 levels.~~

24 ~~(4) As used in this section, the "amount of taxes levied" and the "amount levied" mean the actual~~
 25 ~~dollar amount of taxes imposed on an individual piece of property, notwithstanding an increase or decrease~~
 26 ~~in value due to inflation, reappraisal, adjustments in the percentage multiplier used to convert appraised~~
 27 ~~value to taxable value, changes in the number of mills levied, or increase or decrease in the value of a mill."~~

29 **Section 3.** Section 15-10-412, MCA, is amended to read:

30 "**15-10-412. Property tax limited to 1986 1994 levels -- ~~clarification~~ -- ~~extension to all property~~**

1 ~~classes~~ **EXCEPTIONS.** Section 15-10-402 is ~~interpreted and clarified~~ **IMPLEMENTED** as follows:

2 (1) ~~The limitation to 1986 1994 levels is extended to apply applies to all classes of property~~
3 ~~described in Title 15, chapter 6, part 1.~~

4 (2) (1) The limitation on the amount of taxes levied ~~is interpreted to mean~~ **means** that, except as
5 otherwise provided in this section, the ~~actual tax liability for an individual property~~ **TOTAL AMOUNT OF**
6 **TAXES LEVIED BY EACH TAXING UNIT** is capped at the dollar amount ~~due~~ **LEVIED** in each taxing unit for
7 the ~~1986 1994~~ tax year. ~~In tax years thereafter, the property must be taxed in each taxing unit at the 1986~~
8 ~~1994 cap or the product of the taxable value and mills levied, whichever is less for each taxing unit, except~~
9 ~~in a taxing unit that levied a tax in tax years 1983 through 1985 but did not levy a tax in 1986, in which~~
10 ~~case the actual tax liability for an individual property is capped at the dollar amount due in that taxing unit~~
11 ~~for the 1985 tax year~~ **THE GOVERNING BODY OF A TAXING UNIT SHALL ADJUST MILL LEVIES TO**
12 **COMPENSATE FOR ANY INCREASE IN TAXABLE VALUATION TO ENSURE THAT TAXES LEVIED DO NOT**
13 **EXCEED THE AMOUNT LEVIED IN 1994.**

14 (3) (2) The limitation on the amount of taxes levied does not prohibit ~~a further~~ **AN** increase in the
15 total ~~taxable valuation of~~ **TAXES LEVIED BY** a taxing unit as a result of:

- 16 (a) annexation of real property and improvements into a taxing unit;
17 (b) construction, expansion, or remodeling of improvements;
18 (c) transfer of property into a taxing unit;
19 (d) subdivision of real property;
20 (e) reclassification of property;
21 (f) increases in the amount of production or the value of production for property described in
22 15-6-131 or 15-6-132;
23 (g) transfer of property from tax-exempt to taxable status; or
24 (h) revaluations caused by:
25 (i) ~~cyclical reappraisal; or~~
26 (ii) expansion, addition, replacement, or remodeling of improvements.

27 (3) **IF THE INCREASE IN TAXABLE VALUE UNDER SUBSECTION (2) DOES NOT RESULT IN TAX**
28 **REVENUE EQUAL TO THE PRIOR YEAR'S TAX REVENUE ADJUSTED FOR INFLATION, THE TAXING UNIT**
29 **MAY LEVY ADDITIONAL MILLS, NOT TO EXCEED 2% IN ADDITIONAL REVENUE, TO COMPENSATE FOR**
30 **THE DIFFERENCE. FOR THE PURPOSES OF THIS SUBSECTION, INFLATION IS MEASURED BY THE**

1 CONSUMER PRICE INDEX FOR ALL URBAN CONSUMERS, UNITED STATES CITY AVERAGE, FOR ALL
 2 ITEMS, AS PUBLISHED BY THE BUREAU OF LABOR STATISTICS OF THE U.S. DEPARTMENT OF LABOR.

3 ~~(4)(3)(4)~~ The limitation on the amount of taxes levied does not prohibit a further increase in the
 4 taxable valuation OF THE TAXING UNIT or in the actual tax liability on individual property in each class as
 5 a result of:

6 ~~(a) a revaluation caused by:~~

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

9 ~~(ii) cyclical reappraisal;~~

10 ~~(b) transfer of property into a taxing unit;~~

11 ~~(c) reclassification of property;~~

12 ~~(d) increases in the amount of production or the value of production for property described in~~
 13 ~~15-6-131 or 15-6-132;~~

14 ~~(e) annexation of the individual property into a new taxing unit; or~~

15 ~~(f) conversion of the individual property from tax exempt to taxable status.~~

16 ~~(5) Property in class four is valued according to the procedures used in 1986, including the~~
 17 ~~designation of 1982 as the base year, until the reappraisal cycle beginning January 1, 1986, is completed~~
 18 ~~and new valuations are placed on the tax rolls and a new base year designated, if the property is:~~

19 ~~(a) new construction;~~

20 ~~(b) expanded, deleted, replaced, or remodeled improvements;~~

21 ~~(c) annexed property; or~~

22 ~~(d) property converted from tax exempt to taxable status.~~

23 ~~(6) Property described in subsections (5)(a) through (5)(d) that is not class four property is valued~~
 24 ~~according to the procedures used in 1986 but is also subject to the dollar cap in each taxing unit based on~~
 25 ~~1986 mills levied.~~

26 (5) THE LIMITATION ON THE AMOUNT OF TAXES LEVIED DOES NOT PROHIBIT AN INCREASE
 27 IN THE TOTAL TAXES LEVIED BY A TAXING UNIT IN ORDER TO COMPENSATE THE TAXING UNIT FOR
 28 ANY LOSS IN THE TOTAL AMOUNT OF NONLEVY REVENUE RECEIVED IN 1994.

29 ~~(7)(5)(4)(6)~~ The limitation on the amount of taxes, as clarified in this section, is intended to leave
 30 the property appraisal and valuation methodology of the department of revenue intact. Determinations of

1 county classifications, salaries of local government officers, and all other matters in which total taxable
2 valuation is an integral component are not affected by 15-10-401 and 15-10-402 ~~except for the use of~~
3 ~~taxable valuation in fixing tax levies. In fixing tax levies, the taxing units of local government may anticipate~~
4 ~~the deficiency in revenues resulting from the tax limitations in 15-10-401 and 15-10-402, while~~
5 ~~understanding that regardless of the amount of mills levied, a taxpayer's liability may not exceed the dollar~~
6 ~~amount due in each taxing unit for the 1986 1994 tax year, unless:~~

7 ~~(a) except as provided in subsection (8)(a), the taxing unit's taxable valuation decreases by 5%~~
8 ~~or more from the 1986 tax year. If a taxing unit's taxable valuation decreases by 5% or more from the~~
9 ~~1986 tax year, it may levy additional mills to compensate for the decreased taxable valuation, but the mills~~
10 ~~levied may not exceed a number calculated to equal the revenue from property taxes for the 1986 tax year~~
11 ~~in that taxing unit.~~

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

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

20 ~~(8) (a) Except as provided in subsection (8)(b), if a taxing unit has levied additional mills under~~
21 ~~subsection (7)(e) to compensate for a decrease in taxable valuation, it may continue to levy additional mills~~
22 ~~to equal the revenue from property taxes for the 1986 tax year when the taxing unit's taxable valuation~~
23 ~~is greater than 95% but less than 100% of the taxing unit's taxable valuation in tax year 1986.~~

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

28 ~~(9)(6)(5)(7)~~ The limitation on the amount of taxes levied does not apply to the following levy or
29 special assessment categories, whether or not they are based on commitments made before or after
30 approval of 15-10-401 and 15-10-402 tax year 1994:

- 1 (a) rural improvement districts;
- 2 (b) special improvement districts;
- 3 (c) levies pledged for the repayment of bonded indebtedness, including tax increment bonds;
- 4 (d) city street maintenance districts;
- 5 (e) tax increment financing districts;
- 6 (f) satisfaction of judgments against a taxing unit;
- 7 (g) street lighting assessments;
- 8 (h) revolving funds to support any categories specified in this subsection (9); and
- 9 ~~(i) levies for economic development authorized pursuant to 90-5-112(4);~~
- 10 ~~(j) levies authorized under 7-6-502 for juvenile detention programs;~~
- 11 ~~(k) levies authorized under 76-15-531 and 76-15-532 for conservation district special~~
- 12 ~~administrative assessments;~~

13 ~~(l)(i) THE GENERAL FUND OF elementary and high school districts that have, through tax year~~

14 ~~1997, a general fund budget less than the BASE budget under 20-9-308; ; ~~and~~~~

15 ~~(m) voted poor fund levies authorized under 53-2-322.~~

16 ~~(J) THE COUNTY RETIREMENT FUND AUTHORIZED UNDER 20-9-501;~~

17 ~~(K) THE BUILDING RESERVE FUND AUTHORIZED UNDER 20-9-502 AND 20-9-503; AND~~

18 ~~(L) THE COUNTY TRANSPORTATION REIMBURSEMENT COMPUTED UNDER 20-10-146; AND~~

19 ~~(M) RURAL FIRE DISTRICTS ORGANIZED UNDER TITLE 7, CHAPTER 33, PART 21.~~

20 ~~(10)(7)(6)(8) The limitation on the amount of taxes levied does not apply in a taxing unit if the~~

21 ~~voters in the taxing unit approve an increase in tax liability MILL LEVIES following a resolution of the~~

22 ~~governing body of the taxing unit containing under one of the following methods:~~

23 (a) ~~If the laws governing the taxing unit or a particular fund of the taxing unit specifically allow for~~

24 ~~a vote of the electorate to impose the tax MILL LEVIES or to change the rate of the tax MILL LEVIES, then~~

25 ~~the tax MILL LEVIES may be imposed or the rate increased after approval of the electorate of the taxing~~

26 ~~unit. Unless the law providing for the vote on the tax provides another time period, the approved tax or~~

27 ~~increase in the tax is valid for 2 years.~~

28 (b) ~~If the taxing unit or a particular fund of the taxing unit does not have a statutory basis for~~

29 ~~holding an election on whether to impose or to change a tax MILL LEVY, the governing body of the taxing~~

30 ~~unit may refer the question of whether to impose the tax or to change the tax MILL LEVY to the electorate~~

1 of the taxing unit. The resolution must provide for the duration of the imposition or change in the tax MILL
 2 LEVY. The duration may not exceed 6 years. The resolution must contain:

3 (i) a finding that there are insufficient funds to adequately operate the taxing unit or applicable
 4 governmental function as a result of ~~15-10-401 and 15-10-402~~ the limitations of this part;

5 ~~(b)(ii) an explanation of the nature of the financial emergency;~~

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

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

9 ~~(e)(v)(II) a finding that there are no alternative sources of revenue; AND~~

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

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

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

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

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

20 ~~(ii) county, city, or town ambulance services authorized by a vote of the electorate under~~
 21 ~~7-34-102(2); and~~

22 ~~(iii) a rail authority, as provided in Title 7, chapter 14, part 16, authorized by a board of county~~
 23 ~~commissioners. A levy for the support of a rail authority may not exceed the 6 mill limit established in~~
 24 ~~7-14-1632.~~

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

28 ~~(7)(9) THE LIMITATION ON THE AMOUNT OF TAXES LEVIED BY A TAXING JURISDICTION~~
 29 ~~SUBJECT TO A STATUTORY MAXIMUM MILL LEVY DOES NOT PREVENT A TAXING JURISDICTION FROM~~
 30 ~~INCREASING ITS NUMBER OF MILLS BEYOND THE STATUTORY MAXIMUM MILL LEVY TO PRODUCE~~

1 REVENUE EQUAL TO ITS 1994 REVENUE.

2 ~~(13)(8)(7)(9)(10)~~ The limitation on the amount of taxes levied does not apply to a levy increase to
3 repay taxes paid under protest in accordance with 15-1-402.

4 ~~(14)~~ A taxing jurisdiction that included special improvement district revolving fund levies in the
5 limitation on the amount of taxes levied prior to April 22, 1993, may continue to include the amount of the
6 levies within the dollar amount due in each taxing unit for the 1986 tax year even if the necessity for the
7 revolving fund has diminished and the levy authority has been transferred.

8 ~~(9)(11)~~ IN ORDER TO COMPLY WITH THE LIMITATIONS OF THIS PART, MILL LEVIES MUST BE
9 REDUCED IN ORDER TO COMPENSATE FOR INCREASED TAXABLE VALUATION, FOR REASONS OTHER
10 THAN THOSE SET FORTH IN SUBSECTION (2), IN A TAXING UNIT. IF A MILL LEVY IS FIXED BY LAW
11 OR IS OTHERWISE NOT ADJUSTABLE IN THE DISCRETION OF THE GOVERNING BODY OF THE TAXING
12 UNIT, THE DEPARTMENT OF REVENUE SHALL ADJUST THE MILL LEVY TO COMPENSATE FOR AN
13 INCREASE IN TAXABLE VALUATION, OTHER STATUTORY PROVISIONS NOTWITHSTANDING. THE
14 DEPARTMENT SHALL NOTIFY THE LOCAL GOVERNMENT OF THE NEW MILL LEVY BY THE STATUTORY
15 DATE FOR SETTING MILL LEVIES.

16 (12) SCHOOL DISTRICT GENERAL FUND BUDGETS ARE SUBJECT TO THE VOTING
17 REQUIREMENTS IN 20-9-308. PROPERTY TAX INCREASES TO FUND THE NONVOTED PORTION OF THE
18 GENERAL FUND BUDGET AS CALCULATED IN 20-9-308 ARE NOT SUBJECT TO THE LIMITATIONS OF
19 THIS SECTION."

20

21 **Section 4.** Section 7-6-2514, MCA, is amended to read:

22 **"7-6-2514. Tax limitation applicable.** The property tax limitation ~~to 1986 levels~~ under Title 15,
23 chapter 10, part 4, applies to the county public safety levy authorized in 7-6-2513. The limitation is
24 determined by the total tax levied for the county general fund. The first year a county public safety tax is
25 levied, the public safety levy and the general fund levy may not exceed the prior year's county general fund
26 levy. In subsequent years, any increases in the public safety levy and the general fund levy are limited
27 under Title 15, chapter 10, part 4."

28

29 **Section 5.** Section 90-5-112, MCA, is amended to read:

30 **"90-5-112. Economic development levy.** (1) The governing body of a city, county, or town is

1 authorized to levy up to 1 mill upon the taxable value of all the property in the city, county, or town subject
2 to taxation for the purpose of economic development. The governing body may:

3 (a) submit the question of the mill levy to the qualified voters voting in a city, county, or town
4 election; or

5 (b) approve the mill levy by a vote of the governing body.

6 (2) Funds derived from this levy may be used for purchasing land for industrial parks, constructing
7 buildings to house manufacturing and processing operations, conducting preliminary feasibility studies,
8 promoting economic development opportunities in a particular area, and other activities generally associated
9 with economic development. These funds may not be used to directly assist an industry's operations by
10 loan or grant or to pay the salary or salary supplements of government employees.

11 (3) The governing body of the county, city, or town may use the funds derived from this levy to
12 contract with local development companies and other associations or organizations capable of implementing
13 the economic development function.

14 (4) A tax authorized by a vote of the electorate, as provided in subsection (1)(a), may be levied
15 for a period not to exceed 5 years and is not subject to the provisions of Title 15, chapter 10, part 4."

16

17 **NEW SECTION. SECTION 6. REPEALER. SECTION 15-10-411, MCA, IS REPEALED.**

18

19 **NEW SECTION. Section 7. Effective date.** [This act] is effective on passage and approval.

20

-END-