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Senate BILL NO *258*

INTRODUCED BY

Sup *Ellis* *Billingue*
Simkins *Jaylor* *Robben Hillard*

A BILL FOR AN ACT ENTITLED: "AN ACT GENERALLY REVISING TAXATION; ENACTING A 4 PERCENT SALES AND USE TAX; ALLOWING CERTAIN SALES TAX AND USE TAX EXEMPTIONS; PROVIDING FOR DISTRIBUTION OF SALES TAX AND USE TAX REVENUE; ALLOWING CREDITS AGAINST INCOME TAXES FOR SALES TAXES PAID; ELIMINATING THE CLASSIFICATION OF PROPERTY; EXEMPTING PERSONAL PROPERTY FROM PROPERTY TAXATION; TAXING PROPERTY AT 100 PERCENT OF VALUE; PROVIDING PROPERTY TAX RELIEF; LIMITING PROPERTY TAX INCREASES; REVISING THE CLASSIFICATION OF COUNTIES; REVISING DEBT LIMITS FOR TAXING UNITS; REPEALING INITIATIVE MEASURE NO. 105; AMENDING SECTIONS 7-1-2111, 7-3-1321, 7-6-2211, 7-6-2514, 7-6-4121, 7-6-4254, 7-7-107, 7-7-108, 7-7-2101, 7-7-2203, 7-7-4201, 7-7-4202, 7-13-2527, 7-13-4103, 7-14-236, 7-14-2524, 7-14-2525, 7-14-4402, 7-15-4286, 7-15-4292, 7-16-2327, 7-16-4104, 7-31-106, 7-31-107, 7-34-2131, 7-34-2133, 7-34-2134, 7-34-2417, 15-1-101, 15-1-201, 15-2-302, 15-6-101, 15-6-201, 15-6-207, 15-7-102, 15-7-103, 15-7-122, 15-7-202, 15-7-206, 15-7-221, 15-8-104, 15-8-111, 15-8-112, 15-8-201, 15-8-202, 15-8-205, 15-8-301, 15-8-405, 15-8-406, 15-8-407, 15-8-701, 15-16-102, 15-16-118, 15-16-202, 15-16-603, 15-16-611, 15-17-121, 15-23-101, 15-23-103, 15-23-104, 15-23-105, 15-23-201, 15-23-202, 15-23-301, 15-23-501, 15-23-505, 15-23-703, 15-23-706, 15-23-707, 15-24-101, 15-24-102, 15-24-104, 15-24-105, 15-24-205, 15-24-301, 15-24-304, 15-24-902, 15-24-903, 15-24-904, 15-24-922, 15-24-1101, 15-24-1102, 15-24-1103, 15-24-1203, 15-24-1703, 15-24-1802, 15-24-1902, 15-24-2002, 15-36-323, 15-36-324, 15-36-325, 15-53-101, 16-1-306, 16-1-411, 16-2-301, 17-3-213, 17-3-222, 17-7-301, 17-7-502, 19-18-503, 19-18-504, 20-1-301, 20-3-106, 20-3-205, 20-3-324, 20-5-316, 20-5-320, 20-5-324, 20-6-702, 20-7-714, 20-9-104, 20-9-141, 20-9-142, 20-9-212, 20-9-303, 20-9-306, 20-9-307, 20-9-308, 20-9-332, 20-9-343, 20-9-344, 20-9-346, 20-9-347, 20-9-348, 20-9-351, 20-9-353, 20-9-369, 20-9-370, 20-9-371, 20-9-406, 20-9-407, 20-9-422, 20-9-439, 20-9-501, 20-9-515, 20-10-104, 20-10-141, 20-10-142, 20-10-143, 20-10-144, 20-10-145, 20-15-305, 20-15-311, 20-15-312, 20-15-313, 20-15-314, 33-7-410, 35-18-503, 53-2-322, 53-2-801, 53-2-813, 61-3-208, 61-3-301, 61-3-303, 61-3-317, 61-3-501, 61-3-502, 61-3-503, 61-3-504, 61-3-506, 61-3-507, 61-3-509, 61-3-520, 61-3-535, 61-3-537, 61-3-605, 61-3-701, 61-3-707, 61-4-112, 61-10-214, 67-3-204, 76-1-405, 77-1-507, 81-7-303, 81-7-603, 85-9-103, 90-5-112, 90-6-304, 90-6-305, 90-6-309, 90-6-402,

1 AND 90-6-403, MCA; REPEALING SECTIONS 15-1-111, 15-1-112, 15-6-122, 15-6-131, 15-6-132,
2 15-6-133, 15-6-134, 15-6-135, 15-6-136, 15-6-137, 15-6-138, 15-6-141, 15-6-143, 15-6-145, 15-6-151,
3 15-6-152, 15-6-215, 15-7-134, 15-8-204, 15-8-404, 15-10-101, 15-10-102, 15-10-104, 15-10-106,
4 15-10-401, 15-10-402, 15-10-406, 15-10-411, 15-10-412, 15-16-613, 15-16-802, 15-16-803,
5 15-23-211, 15-23-212, 15-23-213, 15-23-214, 15-23-215, 15-23-216, 15-24-103, 15-24-302,
6 15-24-303, 15-24-305, 15-24-601, 15-24-602, 15-24-701, 15-24-801, 15-24-901, 15-24-920,
7 15-24-926, 15-24-927, 15-24-931, 15-24-1401, 15-24-1402, 15-24-1501, 15-24-2401, 15-24-2402,
8 15-24-2403, 15-24-2404, 15-24-2405, 15-24-2501, 20-9-305, 20-9-331, 20-9-333, 20-9-334, 20-9-335,
9 20-9-360, 20-9-361, 20-9-366, 20-9-367, 20-9-368, 20-10-146, AND 20-25-243, MCA; AND PROVIDING
10 AN EFFECTIVE DATE AND APPLICABILITY DATES."

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STATEMENT OF INTENT

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A statement of intent is required for this bill because the department of revenue is granted authority to adopt rules for the administration and enforcement of the sales tax and use tax. The rules are intended to provide for an efficient process for the collection of the taxes, with minimum expense to both the taxpayer and the state.

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The legislature contemplates that rules adopted by the department should, at a minimum, address the following:

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(1) the registration and issuance of permits to persons engaging in the business of retail sales and services;

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(2) the reporting form for the payment of the taxes, along with the requirements for the retention by the taxpayers of the necessary records;

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(3) the required security and the acceptable forms of security for those taxpayers required to give security for payment of the taxes;

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(4) the use of the nontaxable transaction certificate and clarification of any exemption from the taxes, including nontaxable sales;

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(5) the necessary forms and the required procedures for reporting the taxes;

29

(6) the definition of terms and establishment of procedures as appropriate for efficient administration of the sales tax and use tax;

30

(7) procedures for the timely and efficient transfer of revenue to local governments and school

1 districts as replacement revenue for the reduced property tax base and property tax revenue; and

2 (8) procedures for payment of the sales tax and use tax based on bracket amounts rather than
3 using a rounding method.

4
5 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF MONTANA:

6
7 **NEW SECTION. Section 1. Definitions.** For purposes of [sections 1 through 62], unless the context
8 requires otherwise, the following definitions apply:

9 (1) "Department" means the department of revenue.

10 (2) "Engaging in business" means carrying on or causing to be carried on any activity with the
11 purpose of direct or indirect benefit.

12 (3) "Food product for human consumption":

13 (a) means food for domestic home consumption as defined in 7 U.S.C. 2012(g), as amended, for
14 purposes of the federal food stamp program as defined in 7 U.S.C. 2012(h), as amended; and

15 (b) does not mean or include:

16 (i) medicine or preparations, in liquid, powdered, granular, bottled, capsule, lozenge, or pill form,
17 sold as a dietary supplement or adjunct not prescribed by a licensed physician;

18 (ii) carbonated water or soft drinks marketed in containers;

19 (iii) chewing gum;

20 (iv) candies or confectioneries; or

21 (v) seeds and plants to grow food.

22 (4) "Lease", "leasing", or "rental" means an arrangement in which, for consideration, property is
23 used for or by a person other than the owner of the property.

24 (5) "Maintaining an office or other place of business" means:

25 (a) any person having or maintaining within this state, directly or by a subsidiary, an office,
26 distribution house, sales house, warehouse, or place of business; or

27 (b) any agent operating within this state under the authority of the person or its subsidiary, whether
28 the place of business or agent is located in the state permanently or temporarily or whether or not the
29 person or subsidiary is authorized to do business within this state.

30 (6) (a) "Manufacturing" means combining or processing components or materials, including the

1 processing for ores in a mill, smelter, refinery, or reduction facility, to increase their value for sale in the
2 ordinary course of business.

3 (b) The term does not include construction.

4 (7) "Medical services" means a service:

5 (a) performed by a person licensed to practice a health care profession or health care occupation
6 licensed under Title 37 or licensed as a mental health professional or certified under Title 53, chapter 24,
7 as a chemical dependency counselor as a regular part of the person's business activities; and

8 (b) applied externally or internally to the human body or mind for the diagnosis, cure, mitigation,
9 treatment, or prevention of disease.

10 (8) "Medicine" or "drug" means any substance or preparation that is:

11 (a) intended for use by external or internal application to the human body or mind in the diagnosis,
12 cure, mitigation, treatment, or prevention of disease; and

13 (b) required by law or regulation to be prescribed by a person licensed to prescribe the medicine
14 or drug.

15 (9) "Permit" means a seller's permit as described in [section 39].

16 (10) "Person" means an individual, estate, trust, receiver, cooperative association, club, corporation,
17 company, firm, partnership, joint venture, syndicate, or other entity, including any gas, water, or electric
18 utility owned or operated by a county, municipality, or other political subdivision of the state.

19 (11) "Sale", "selling", or "buying" means the transfer of property for consideration or the
20 performance of a service for consideration.

21 (12) (a) "Sales price", in addition to the other meanings provided in this subsection (12), means the
22 total amount of money or the value of other consideration, except trade-in property of like kind, received
23 from selling property in Montana, from leasing property used in Montana, or from performing services in
24 Montana. The term includes all consideration from the sale of property handled on consignment but
25 excludes cash discounts allowed and taken and any type of time-price differential.

26 (b) In an exchange in which the money or other consideration received does not represent the value
27 of the property or service exchanged, sales price means the reasonable value of the property or service
28 exchanged.

29 (c) (i) Except as provided in [section 46], when the sale of property or services is made under any
30 type of charge or conditional or time-sales contract or the leasing of property is made under a leasing

1 contract, the seller or lessor shall treat the sales price, excluding any type of time-price differential, under
2 the contract as the sales price at the time of the sale.

3 (ii) If the seller or lessor transfers an interest in a contract referred to in subsection (12)(c)(i) to a
4 third person, the third person or lessee shall pay the sales tax or use tax upon the full sale or leasing
5 contract amount, excluding any type of time-price differential.

6 (d) Sales price includes the total commissions or fees derived from the business of buying, selling,
7 or promoting the purchase, sale, or lease, as an agent or broker on a commission or fee basis, of any
8 property, service, stock, bond, or security.

9 (e) Sales price includes all amounts paid by members of a cooperative association or similar
10 organization for sales or leases of personal property or performance of services by the organization.

11 (13) "Sales tax" and "use tax" mean the applicable tax imposed by [section 2].

12 (14) (a) "Service" means an activity that is engaged in for another person for consideration and that
13 is distinguished from the sale or lease of property. The term includes:

14 (i) activities performed by a person for its members or shareholders; and

15 (ii) construction activities and all tangible personal property that will become an ingredient or
16 component part of a construction project.

17 (b) In determining what a service is, the intended use, principal objective, or ultimate objective of
18 the contracting parties is irrelevant.

19 (15) "Therapeutic and prosthetic devices" include but are not limited to prescription eyeglasses,
20 contact lenses, dentures, or artificial limbs, prescribed or ordered by a person licensed to perform medical
21 services.

22 (16) "Use" or "using" includes use, consumption, or storage, other than storage for resale or for
23 use solely outside this state, in the ordinary course of business.

24

25 **NEW SECTION. Section 2. Imposition and rate of sales tax and use tax -- exceptions.** (1) Except
26 as provided in subsection (5), a sales tax of 4% is imposed on all sales of property or services. The tax is
27 imposed on the purchaser and must be collected by the seller and paid to the department by the seller. The
28 seller holds all taxes collected in trust for the state. The tax must be applied to the sales price.

29 (2) For the privilege of using property in this state, there is imposed on the person using property
30 a use tax equal to 4% of the value of the property that was:

1 (a) manufactured by the person using the property in this state;

2 (b) acquired outside this state as the result of a transaction that would have been subject to the
3 sales tax had it occurred within this state;

4 (c) acquired within the exterior boundaries of an Indian reservation within this state as a result of
5 a transaction that would have been subject to the sales tax had it occurred outside of the exterior
6 boundaries of an Indian reservation within this state; or

7 (d) acquired as the result of a transaction that was not initially subject to the sales tax imposed
8 by subsection (1) or the use tax imposed by subsection (2)(b) or (2)(c) but which transaction, because of
9 the buyer's subsequent use of the property, is subject to the sales tax or use tax.

10 (3) For the privilege of using services in this state, there is imposed on the person using services
11 a use tax equal to 4% of the value of the services at the time at which they were rendered. Services
12 taxable under this section must have been rendered as the result of a transaction that was not initially
13 subject to the sales tax or use tax but that because of the buyer's subsequent use of the service is subject
14 to the sales tax or use tax.

15 (4) For purposes of this section, the value of property must be determined as of the time of
16 acquisition, introduction into this state, or conversion to use, whichever is latest.

17 (5) (a) The sales tax or use tax on a motor vehicle is imposed by 61-3-502 and [section 232]. The
18 sale or use of a vehicle subject to the tax imposed under 61-3-502 or [section 232] is exempt from the
19 sales tax and use tax imposed under this section.

20 (b) The sale of property or services exempt or nontaxable under [sections 1 through 62] is exempt
21 from the tax imposed in subsections (1) through (3).

22

23 **NEW SECTION. Section 3. Presumption of taxability -- value -- rules.** (1) In order to prevent
24 evasion of the sales tax or use tax and to aid in its administration, it is presumed that:

25 (a) all sales by a person engaging in business are subject to the sales tax or use tax; and

26 (b) all property bought or sold by any person for delivery into this state is bought or sold for a
27 taxable use in this state.

28 (2) In determining the amount of tax due on the use of property or services, it is presumed, in the
29 absence of preponderant evidence of another value, that value means the total amount of property or the
30 reasonable value of other consideration paid for the use of the property or service, exclusive of any type

1. of time-price differential. However, in an exchange in which the amount of money paid does not represent
 2 the value of the property or service purchased, the use tax must be imposed on the reasonable value of
 3 the property or service purchased.

4 (3) The department shall adopt rules providing for the payment of the sales tax and use tax based
 5 on a bracket amount method rather than a rounding method or other method.

6

7 **NEW SECTION. Section 4. Separate statement of tax -- no advertising to absorb or refund tax.**

8 (1) If any person collects a tax in excess of the tax imposed by [section 2], both the tax and the excess
 9 tax must be remitted to the department.

10 (2) The sales tax must be stated separately for all sales, except for sales from coin-operated or
 11 currency-operated machines.

12 (3) A person may not advertise, hold out, or state to the public or to any customer that the tax
 13 imposed by [sections 1 through 62] will be absorbed or refunded.

14

15 **NEW SECTION. Section 5. Liability of user for payment of use tax.** (1) A person in this state who
 16 uses property is liable to the state for payment of the use tax if the tax is payable on the value of the
 17 property but has not been paid.

18 (2) The liability imposed by this section is discharged if the buyer has paid the use tax to the seller
 19 for payment to the department.

20

21 **NEW SECTION. Section 6. Collection of sales tax and use tax -- listing of business locations and**
 22 **agents -- severability.** (1) A person engaged in the business of selling property or services subject to
 23 taxation under [sections 1 through 62] shall collect the sales tax from the purchaser and pay the tax
 24 collected to the department.

25 (2) (a) A person who solicits or exploits the consumer market in this state by regularly and
 26 systematically performing an activity within this state and whose sales are not subject to the sales tax shall
 27 collect the use tax from the purchaser and pay the tax collected to the department.

28 (b) "Activity", for the purposes of this section, includes but is not limited to engaging in any of the
 29 following in this state:

30 (i) maintaining an office or other place of business that solicits orders through employees or

- 1 independent contractors;
- 2 (ii) canvassing;
- 3 (iii) demonstrating;
- 4 (iv) collecting money;
- 5 (v) warehousing or storing merchandise;
- 6 (vi) delivering or distributing products as a consequence of an advertising or other sales program
7 directed at potential customers;
- 8 (vii) soliciting orders for property or services by means of telecommunication or a television
9 shopping system or by providing telecommunication services that use toll or toll-free numbers and that are
10 intended to be broadcast by cable television or other means to consumers in this state;
- 11 (viii) soliciting orders, pursuant to a contract with a broadcaster or publisher located within this
12 state, for property or services by means of advertising disseminated primarily to consumers located in this
13 state and only secondarily to bordering jurisdictions;
- 14 (ix) soliciting orders for property or services by mail through the distribution of catalogs, periodicals,
15 advertising flyers, or other advertising;
- 16 (x) soliciting orders, pursuant to a contract with a cable television operator located in this state,
17 for tangible property or services by means of advertising transmitted or distributed over a cable television
18 system in this state; or
- 19 (xi) any act that benefits from banking, financing, debt collection, telecommunication, or marketing
20 activities occurring in this state or that benefits from the location in this state of authorized installation,
21 servicing, or repair facilities.
- 22 (3) A person engaging in business in this state shall, before making any sales, obtain a seller's
23 permit as provided in [section 39] and at the time of making a sale, whether within or outside of the state,
24 collect the tax imposed by [section 2] from the purchaser and give to the purchaser a receipt, in the manner
25 and form prescribed by rule, for the tax paid.
- 26 (4) The department may authorize the collection of the tax imposed by [section 2] by any retailer
27 who does not maintain a place of business within this state but who, to the satisfaction of the department,
28 is in compliance with the law. When authorized, the person shall collect the tax upon all property and
29 services that, to the person's knowledge, are for use within this state and subject to taxation under
30 [sections 1 through 62].

1 (5) All sales tax and use tax required to be collected and all sales tax and use tax collected by any
2 person under [sections 1 through 62] constitute a debt owed to this state by the person required to collect
3 the tax.

4 (6) A person selling property or services to residents of this state, when the property is delivered
5 to a location within this state or when the use of the service occurs within this state, shall, upon request
6 by the department, provide a list of all sales to the department. The list must include the name and address
7 of each purchaser and the amount of each sale. The department may pay to any person furnishing a list
8 of sales or purchasers the reasonable costs of reproducing the list.

9 (7) A person engaging in business in this state shall provide to the department:

10 (a) the name and address of all the person's agents operating in this state; and

11 (b) the location of each of the person's distribution houses or offices, sales houses or offices, and
12 other places of business in this state.

13 (8) If any application of this section is held invalid, the application to other situations or persons
14 is not affected.

15
16 **NEW SECTION. Section 7. Nontaxable transaction certificate -- requirements.** (1) A nontaxable
17 transaction certificate executed by a buyer or lessee must be in the possession of the seller or lessor at the
18 time a nontaxable transaction occurs.

19 (2) A nontaxable transaction certificate must contain the information and be in the form prescribed
20 by the department.

21 (3) Only a buyer or lessee who has registered with the department and whose seller's permit is
22 valid may execute a nontaxable transaction certificate.

23 (4) If the seller or lessor accepts a nontaxable transaction certificate within the required time and
24 believes in good faith that the buyer or lessee will employ the property or service transferred in a
25 nontaxable manner, the properly executed nontaxable transaction certificate is considered conclusive
26 evidence that the sale is nontaxable.

27
28 **NEW SECTION. Section 8. Nontaxable transaction certificate -- form.** (1) The department shall
29 provide for a uniform nontaxable transaction certificate. A purchaser shall use the certificate when
30 purchasing goods or services for resale or for other nontaxable transactions.

1 (2) At a minimum, the certificate must provide:

2 (a) the number of the seller's permit issued to the purchaser as provided in [section 39];

3 (b) the general character of property or service sold by the purchaser in the regular course of
4 business;

5 (c) the property or service purchased for resale;

6 (d) the name and address of the purchaser; and

7 (e) a signature line for the purchaser.

8 (3) The department shall adopt rules to provide procedures for application for and provision of a
9 nontaxable transaction certificate to a person engaging in business in this state prior to [the applicability
10 date of this section]. The rules adopted by the department should ensure that each person engaging in
11 business in this state prior to [the applicability date of this section] who has applied in a timely fashion is
12 issued a nontaxable transaction certificate prior to [the applicability date of this section].

13

14 **NEW SECTION. Section 9. Exemption -- government agencies -- exception.** (1) Except as provided
15 in subsection (2), all sales by, sales to, or uses by the United States, an agency or instrumentality of the
16 United States or of this state, a political subdivision of this state, an Indian tribe, or a foreign government
17 are exempt from the sales tax and use tax.

18 (2) The sale of natural gas, water, electricity, telephone communications services, refuse collection,
19 or other utility services is not exempt from the sales tax and use tax.

20

21 **NEW SECTION. Section 10. Exemption -- food products.** (1) Except as provided in subsection (2),
22 the sale or use of food products for human consumption is exempt from the sales tax and use tax.

23 (2) The sale of food products sold in the following manner is subject to the sales tax:

24 (a) food products served as meals on or off the premises of the retailer;

25 (b) milk or cream sold as beverages commonly referred to as milkshakes, malted milks, or any
26 similar beverage;

27 (c) food products furnished, prepared, or served for consumption at tables, chairs, or counters or
28 from trays, glasses, dishes, or other tableware, whether provided by the retailer or by a person with whom
29 the retailer contracts to furnish, prepare, or serve food products to others;

30 (d) food products sold for immediate consumption, even though the products are sold on a

1 "takeout", "to go", or "U-bake" order and are actually packaged or wrapped and taken from the premises
2 of the retailer;

3 (e) food products sold for consumption within a place that charges an admission fee; or

4 (f) food or drink vended by or through machines on behalf of a vendor.

5 (3) The sale of food or a food service offered or delivered as part of a residential living arrangement
6 and consumed by a person who is party to the arrangement is exempt from the sales tax and use tax.

7
8 **NEW SECTION. Section 11. Exemption -- special supplemental food program for women, infants,
9 and children.** The sale of food purchased under the special supplemental food program for women, infants,
10 and children as specified in 42 U.S.C. 1786, as amended, is exempt from the sales tax and use tax.

11
12 **NEW SECTION. Section 12. Exemption -- prescribed medicine, drugs, and certain devices --
13 medical services.** (1) Medicine, drugs, insulin, and therapeutic and prosthetic devices are exempt from the
14 sales tax and use tax.

15 (2) The following are exempt from the sales tax and use tax:

16 (a) medical services;

17 (b) any service reasonably related to the delivery of a medical service:

18 (i) by or at a health care facility as defined in 50-5-101; or

19 (ii) by or at the office of a health care professional or a person engaged in a health care occupation.

20
21 **NEW SECTION. Section 13. Exemption -- wages.** Except as provided in [sections 1 through 62],
22 wages, salaries, commissions, and any other form of remuneration for personal services are exempt from
23 the sales tax if paid by an employer to an employee.

24
25 **NEW SECTION. Section 14. Exemption -- agricultural products -- livestock feeding.** (1) (a) The sale
26 of livestock, live poultry, unprocessed agricultural products, hides, or pelts by a grower, producer, trapper,
27 or nonprofit marketing association is exempt from the sales tax.

28 (b) A person engaged in the business of buying and selling wool or mohair or of buying and selling
29 livestock on the person's own account and without the services of a broker, auctioneer, or other agent is
30 considered a producer for the purposes of subsection (1)(a).

1 (2) Sales from feeding, pasturing, penning, or handling or training livestock prior to sale are exempt
2 from the sales tax.

3

4 **NEW SECTION. Section 15. Exemption -- gambling and amusement services.** All gambling or
5 amusement services that are conducted or licensed pursuant to Title 23, chapter 4, 5, or 7, are exempt
6 from the sales tax and use tax.

7

8 **NEW SECTION. Section 16. Exemption -- insurance premiums.** The premiums of an insurance
9 company, a health service corporation, or a fraternal benefit society or of an agent of the company,
10 corporation, or society are exempt from the sales tax.

11

12 **NEW SECTION. Section 17. Exemption -- dividends and interest.** The following are exempt from
13 the sales tax:

14 (1) interest on money loaned or deposited;

15 (2) dividends or interest from stocks, bonds, or securities;

16 (3) proceeds from the sale of stocks, bonds, or securities; and

17 (4) commissions or fees derived from the business of buying, selling, or promoting any stock, bond,
18 or security.

19

20 **NEW SECTION. Section 18. Exemption -- fuel.** (1) The sale and use of gasoline, ethanol blended
21 for fuel, and special fuel, including natural gas or propane, upon which tax has been paid or will be paid
22 under Title 15, chapter 70, is exempt from the sales tax and use tax.

23 (2) The sale and use of special fuel that is exempt from taxation under Title 15, chapter 70, part
24 3, is exempt from the sales tax and use tax.

25 (3) The sale and use of liquefied petroleum gas for use to power a motor vehicle upon which the
26 license tax fee has been paid or will be paid under Title 15, chapter 71, is exempt from the sales tax and
27 use tax.

28

29 **NEW SECTION. Section 19. Exemption -- isolated or occasional sale or lease of property or**
30 **services.** The isolated or occasional sale or lease of property, other than a vehicle, or the performance of

1 a service by a person who is not regularly engaged in or who does not claim to be engaged in the business
2 of selling or leasing the same or a similar property or service is exempt from the sales tax and use tax.
3 Occasional sales include sales that are occasional but not continuous and that are made for the purpose
4 of fundraising by nonprofit organizations, including but not limited to youth clubs, service clubs, and
5 fraternal organizations.

6
7 **NEW SECTION. Section 20. Exemption -- oil, gas, and mineral interests.** The sale or lease of
8 interests in minerals, as defined in 15-38-103, is exempt from the sales tax and use tax.

9
10 **NEW SECTION. Section 21. Exemption -- minerals -- exceptions.** (1) Except as provided in
11 subsections (3) and (4), the sale or use of a mineral, as defined in 15-38-103, is exempt from the sales tax
12 and use tax.

13 (2) Minerals used by the producer of the minerals for purposes of exploring for, producing, or
14 transporting minerals are exempt from the sales tax and use tax except that the exemption does not include
15 refined petroleum products.

16 (3) Minerals used as or integrated into jewelry, art, or sculpture or used as a decorative
17 embellishment or adornment, either in their own right, in combination with other property, or after being
18 refined, reduced, polished, cut, faceted, or otherwise processed, are not included in the exemption provided
19 in this section.

20 (4) Minerals that are used for producing energy or that are used for conversion into energy are
21 subject to the sales tax or use tax unless the energy is produced or converted for resale as a form of
22 energy.

23
24 **NEW SECTION. Section 22. Exemption -- personal effects.** The use by an individual of personal
25 or household effects brought into the state for the establishment by the individual of an initial residence
26 in this state and the use of property brought into the state by a nonresident for the nonresident's own
27 nonbusiness use while temporarily within this state is exempt from the use tax.

28
29 **NEW SECTION. Section 23. Exemption -- printed material -- advertising services.** (1) The sale or
30 use of newspapers, magazines, and books is exempt from the sales tax and use tax.

1 (2) The sale or use of advertising services, including the actual creation or development of the
2 advertising, is exempt from the sales tax and use tax.

3 (3) For purposes of this section, "advertising services" includes but is not limited to all advertising
4 by:

5 (a) newspaper, magazine, or other publication;

6 (b) radio or television;

7 (c) billboard, banner, sign, placard, or the like;

8 (d) handbill; or

9 (e) any other means, media, or method.

10

11 **NEW SECTION. Section 24. Exemption -- day-care services.** The sale or use of day-care services
12 is exempt from the sales tax and use tax.

13

14 **NEW SECTION. Section 25. Exemption -- feed, fertilizers, and agricultural services.** (1) The sale
15 or use of the following is exempt from the sales tax and use tax:

16 (a) feed for livestock, fish raised for human consumption, poultry, or animals raised for their hides
17 or pelts;

18 (b) semen, ova, or embryos used in animal husbandry;

19 (c) seeds;

20 (d) Christmas trees;

21 (e) roots;

22 (f) bulbs;

23 (g) soil conditioners;

24 (h) fertilizers;

25 (i) insecticides;

26 (j) insects used to control the population of other insects;

27 (k) fungicides;

28 (l) weedicides;

29 (m) herbicides; or

30 (n) water for commercial irrigation.

1 (2) The sale or use of an agricultural service is exempt from the sales tax and use tax.

2
3 **NEW SECTION. Section 26. Exemption -- certain chemicals, reagents, and substances.** (1) The
4 sale or use by any person of any chemical, reagent, or other substance that is normally used or consumed
5 in the processing of ores or petroleum, in a mill, smelter, refinery, or reduction facility or in acidizing oil
6 wells, is exempt from the sales tax and use tax.

7 (2) The sale or use of explosives, blasting material, or dynamite is not exempt under this section.

8
9 **NEW SECTION. Section 27. Exemption -- sale of certain services of mining or manufacturing.** The
10 sale or use of the service of mining, manufacturing, combining, or processing components or materials,
11 including minerals, is exempt from the sales tax and use tax.

12
13 **NEW SECTION. Section 28. Nontaxability -- sale of property for resale.** The sale of property is
14 nontaxable if:

15 (1) the sale is made to a buyer who delivers a nontaxable transaction certificate to the seller; and

16 (2) the buyer resells the property either by itself or in combination with other property in the
17 ordinary course of business and the property will be subject to the sales tax.

18
19 **NEW SECTION. Section 29. Nontaxability -- sale of service for resale.** The sale of a service for
20 resale is nontaxable if:

21 (1) the sale is made to a person who delivers a nontaxable transaction certificate;

22 (2) the buyer resells the service and separately states the value of the service purchased in the
23 charge for the service in the subsequent sale; and

24 (3) the subsequent sale is in the ordinary course of business and subject to the sales tax.

25
26 **NEW SECTION. Section 30. Nontaxability -- sale to miner or manufacturer.** (1) The sale of property
27 to a buyer engaged in the business of mining or manufacturing is nontaxable if:

28 (a) the buyer delivers a nontaxable transaction certificate to the seller; and

29 (b) the buyer incorporates the property as an ingredient or component part of the product in the
30 business of mining or manufacturing; or

1 (c) the buyer uses the property to extract a mineral and the property is required to be abandoned
2 in place, in accordance with state regulations, when production of the mineral from a mine or wellhead
3 permanently ceases.

4 (2) For the purposes of this section, electrical energy or electricity used or consumed by electrolytic
5 reduction used in the reduction or refinement of ores is considered a component part of the product.

6

7 **NEW SECTION. Section 31. Nontaxability -- sale of tangible personal property for leasing.** The sale
8 of property, other than furniture or appliances, and the rental or lease of mobile homes and property, other
9 than coin-operated or currency-operated machines, is nontaxable if:

- 10 (1) the sale is made to a buyer who delivers a nontaxable transaction certificate to the seller;
11 (2) the buyer is engaged in a business deriving more than 50% of its receipts from leasing or selling
12 property of the type leased; and
13 (3) the buyer does not use the property in any manner other than holding it for lease or sale or
14 leasing or selling it, either by itself or in combination with other property, in the ordinary course of business.

15

16

17 **NEW SECTION. Section 32. Lease for subsequent lease.** The lease of property, other than furniture
18 or appliances, and the rental or lease of mobile homes and property, other than coin-operated or
19 currency-operated machines, is nontaxable if:

- 20 (1) the lease is made to a lessee who delivers a nontaxable transaction certificate; and
21 (2) the lessee does not use the property in any manner other than for subsequent lease in the
22 ordinary course of business.

23

24 **NEW SECTION. Section 33. Nontaxability -- sale or lease of real property or improvements and
25 lease of mobile homes.** (1) (a) The sale or lease of real property or improvements is nontaxable.

26 (b) The lease or rental of a mobile home for a period of 1 month or more is nontaxable.

27 (2) The inclusion of furniture or appliances furnished by the landlord or lessor as part of a leased
28 or rented dwelling, house, mobile home, cabin, condominium, or apartment is nontaxable.

29

30 **NEW SECTION. Section 34. Nontaxability -- transactions in interstate commerce -- certain property**

1 **used in interstate commerce -- exception.** (1) A transaction in interstate commerce is nontaxable to the
2 extent that the imposition of the sales tax or use tax would be unlawful under the United States
3 constitution.

4 (2) The following are also nontaxable:

5 (a) transmitting messages or conversations by radio when the transmissions originate from a point
6 outside this state and are received at a point within this state; and

7 (b) the sale of radio or television broadcast time if the advertising message is supplied by or on
8 behalf of a national or regional seller or an advertiser that does not have its principal place of business in
9 this state or that is not incorporated under the laws of this state.

10 (3) The sale of a vehicle with a gross vehicle weight in excess of 46,000 pounds used exclusively
11 in interstate commerce is nontaxable.

12
13 **NEW SECTION. Section 35. Nontaxability -- certain intrastate transportation and services in**
14 **interstate commerce.** (1) The transport of persons or property from one point within this state to another
15 point within this state is not taxable if the persons or property, including any reasonably necessary services,
16 are being transported in interstate or foreign commerce under a single contract.

17 (2) Handling, storage, drayage, or packing of property or any other accessorial services on property
18 are not taxable if:

19 (a) the property has been or will be moved in interstate or foreign commerce;

20 (b) the services are performed by a local agent for a carrier or by a carrier; and

21 (c) the services are performed under a single contract in relation to interstate transportation
22 services.

23
24 **NEW SECTION. Section 36. Nontaxability -- sale of certain services to out-of-state buyer.** (1)
25 Except as provided in subsection (3), sales of a service are not taxable if the sale is made to a buyer who
26 delivers to the seller either a nontaxable transaction certificate or other evidence acceptable to the
27 department that the transaction and the person who delivers the nontaxable transaction certificate or other
28 evidence acceptable to the department meet the conditions set out in subsection (2).

29 (2) Sales of a service are not taxable if the buyer of the service, any of the buyer's employees, or
30 any person in privity with the buyer:

- 1 (a) does not make initial use of the product or the service in this state;
- 2 (b) does not take delivery of the product or the service in this state; or
- 3 (c) concurrent with the performance of the service, does not maintain an office or other place of
- 4 business in this state or spend more than brief and occasional periods of time in this state and:
- 5 (i) does not have any communication in this state related in any way to the subject matter,
- 6 performance, or administration of the service with the person performing the service; or
- 7 (ii) does not personally perform work in this state related to the subject matter of the service.
- 8 (3) Architectural, engineering, surveying, or graphic design services are nontaxable if the product
- 9 resulting from the service or the service is used or applied exclusively outside of Montana. For the purposes
- 10 of this subsection, the provisions of subsection (2) do not apply.
- 11 (4) Services that initially were nontaxable under this section but that no longer meet the criteria
- 12 in subsection (2) are nontaxable only for the period prior to the disqualification and are, after
- 13 disqualification, taxable.

14

15 **NEW SECTION. Section 37. Nontaxability -- use of property for leasing.** The value of leased

16 property is not considered in computing the use tax due if the person holding the property for lease:

- 17 (1) is engaged in a business that derives a substantial portion of its receipts from leasing or selling
- 18 property of the type leased;
- 19 (2) does not use the property in any manner other than holding it for lease or sale or leasing or
- 20 selling it either by itself or in combination with other tangible personal property in the ordinary course of
- 21 business; and
- 22 (3) does not use the property in a manner incidental to the performance of a service.

23

24 **NEW SECTION. Section 38. Credit -- out-of-state taxes.** If a sales, use, or similar tax has been

25 levied by another state or a political subdivision of another state on property that was bought outside this

26 state but that will be used or consumed in this state and the tax was paid by the current user, the amount

27 of tax paid may be credited against any use tax due this state on the same property. The credit may not

28 exceed the sales tax or use tax due this state.

29

30 **NEW SECTION. Section 39. Seller's permit.** (1) A person wishing to engage in business in this

1 state shall obtain a seller's permit before engaging in business in this state.

2 (2) Upon an applicant's compliance with [sections 1 through 62], the department shall issue to the
3 applicant a separate, numbered seller's permit for each location in which the applicant maintains an office
4 or other place of business within Montana. A permit is valid until revoked or suspended but is not
5 assignable. A permit is valid only for the person in whose name it is issued and for the transaction of
6 business at the place designated. The permit must be conspicuously displayed at all times at the place for
7 which it is issued.

8 (3) The department shall adopt rules to provide procedures for application for and provision of a
9 seller's permit to a person engaging in business in this state prior to [the applicability date of this section].
10 The rules adopted by the department should ensure that each person engaging in business in this state prior
11 to [the applicability date of this section] is issued a seller's permit prior to [the applicability date of this
12 section].

13
14 **NEW SECTION. Section 40. Permit application -- requirements -- place of business -- form.** (1) (a)

15 A person desiring to engage in the business of making retail sales or providing services in Montana shall
16 file with the department an application for a permit. If the person has more than one location in which the
17 person maintains an office or other place of business, an application may include multiple locations.

18 (b) A vending machine operator who has more than one vending machine location is considered
19 to have only one place of business for purposes of this section.

20 (c) An applicant who does not maintain an office or other place of business and who moves from
21 place to place is considered to have only one place of business and shall attach the permit to the applicant's
22 cart, stand, truck, or other merchandising device.

23 (2) Each person or class of persons obligated to file a return under [sections 1 through 62] is
24 required to file an application for a permit.

25 (3) Each application for a permit must be on a form prescribed by the department and must set
26 forth the name under which the applicant intends to transact business, the location of the applicant's place
27 or places of business, and other information that the department may require. The application must be filed
28 by the owner if the owner is a natural person, by a member or partner if the owner is an association or
29 partnership, or by a person authorized to sign the application if the owner is a corporation.

30

1 **NEW SECTION. Section 41. Revocation or suspension of permit -- hearing -- notice -- appeal.** (1)

2 Subject to the provisions of subsection (2), the department may, for reasonable cause, revoke or suspend
3 any permit held by a person who fails to comply with the provisions of [sections 1 through 62].

4 (2) The department shall provide written notice and an opportunity for a hearing on a proposed
5 revocation or suspension. The hearing must be conducted informally and is not subject to the Montana
6 Administrative Procedure Act.

7 (3) If a permit is revoked, the department may not issue a new permit except upon application
8 accompanied by reasonable evidence of the intention of the applicant to comply with the provisions of
9 [sections 1 through 62]. The department may require security in addition to that authorized by [section 50]
10 in an amount reasonably necessary to ensure compliance with [sections 1 through 62] as a condition for
11 the issuance of a new permit to the applicant.

12 (4) A person aggrieved by the department's final decision to revoke a permit as provided in
13 subsection (1) may appeal the decision to the state tax appeal board within 30 days following the date on
14 which the department issued its final decision.

15 (5) A decision of the state tax appeal board may be appealed to the district court.

16

17 **NEW SECTION. Section 42. Improper use of subject of purchase obtained with nontaxable**

18 **transaction certificate -- penalty.** (1) If a purchaser who uses a nontaxable transaction certificate uses the
19 subject of the purchase for a purpose other than one allowed as nontaxable under [sections 1 through 62],
20 the use is considered a taxable sale as of the time of first use by the purchaser and the sales price is the
21 price the purchaser paid. If the sole nonexempt use is rental while holding for sale, the purchaser shall
22 include in the sales price the amount of the rental charged. Upon subsequent sale of the property, the seller
23 shall include the entire amount of the sales price, without deduction of amounts previously received as
24 rentals.

25 (2) A person who uses a certificate for property that will be used for purposes other than the
26 purpose claimed is subject to a penalty, payable to the department, of \$100 for each transaction in which
27 an improper use of a certificate has occurred.

28 (3) Upon a showing of good cause, the department may abate or waive the penalty or a portion
29 of the penalty.

30

1 **NEW SECTION. Section 43. Commingling nontaxable certificate goods.** If a purchaser uses a
2 nontaxable transaction certificate with respect to the purchase of fungible goods and commingles these
3 goods with fungible goods that were not purchased with a nontaxable transaction certificate but that are
4 of such similarity that the identity of the goods in the commingled mass cannot be determined, sales from
5 the mass of commingled goods are considered to be sales of the goods purchased with the certificate until
6 the quantity of commingled goods sold equals the quantity of goods originally purchased under the
7 certificate.

8
9 **NEW SECTION. Section 44. Liability for payment of tax -- security for retailer without place of**
10 **business -- penalty.** (1) Liability for the payment of the sales tax and use tax is not extinguished until the
11 taxes have been paid to the department.

12 (2) A retailer who does not maintain an office or other place of business in this state is liable for
13 the sales tax or use tax in accordance with [sections 1 through 62] and may be required to furnish
14 adequate security as provided in [section 50] to ensure collection and payment of the taxes. When
15 authorized and except as otherwise provided in [sections 1 through 62], the retailer is liable for the taxes
16 upon all property sold and services provided in this state in the same manner as a retailer who maintains
17 an office or other place of business within this state. The seller's permit provided for in [section 39] may
18 be canceled at any time if the department considers the security inadequate or believes that the taxes can
19 be collected more effectively in another manner.

20 (3) An agent, canvasser, or employee of a retailer doing business in this state who does not
21 possess a seller's permit issued by the department may not sell, solicit orders for, or deliver any property
22 or services in Montana. If an agent, canvasser, or employee violates the provisions of [sections 1 through
23 62], the person is subject to a fine of not more than \$100 for each separate transaction or event.

24
25 **NEW SECTION. Section 45. Interstate and intrastate carriers as retailers.** A person engaged in the
26 business of intrastate or interstate transportation of property or passengers shall register as a retailer and
27 pay the taxes imposed by [sections 1 through 62].

28
29 **NEW SECTION. Section 46. Application for permission to report on accrual basis.** (1) A person
30 who has a seller's permit may apply to the department for permission to report and pay the sales tax or use

1 tax on an accrual basis.

2 (2) The application must be made on a form, prescribed by the department, that contains
3 information that the department may require.

4 (3) A person may not report or pay the sales tax or use tax on an accrual basis unless the person
5 has received written permission from the department.

6

7 **NEW SECTION. Section 47. Returns -- payment -- authority of department.** (1) Except as provided
8 in subsection (2), on or before the 15th day of each month in which the tax imposed by [sections 1 through
9 62] is payable, a return, on a form provided by the department, and payment of the tax for the preceding
10 month must be filed with the department. Each person engaged in business in this state or using property
11 in this state that is subject to tax under [sections 1 through 62] shall file a return. A person making retail
12 sales at two or more places of business shall file a separate return for each separate place of business.

13 (2) A person who has a tax liability that averages less than \$100 per month may report and pay
14 the tax imposed by [sections 1 through 62] on a quarterly basis and shall file a return with payment on or
15 before the 15th day of the month following the end of the quarter.

16 (3) (a) For the purposes of the sales tax or use tax, a return must be filed by:

17 (i) a retailer required to collect the tax; and

18 (ii) a person who:

19 (A) purchases any items the storage, use, or other consumption of which is subject to the sales
20 tax or use tax; and

21 (B) has not paid the tax to a retailer required to pay the tax.

22 (b) Each return must be authenticated by the person filing the return or by the person's agent
23 authorized in writing to file the return.

24 (4) (a) A person required to collect and pay to the department the taxes imposed by [sections 1
25 through 62] shall keep records, render statements, make returns, and comply with the provisions of
26 [sections 1 through 62] and the rules prescribed by the department. Each return or statement must include
27 the information required by the rules of the department.

28 (b) For the purpose of determining compliance with the provisions of [sections 1 through 62], the
29 department is authorized to examine or cause to be examined any books, papers, records, or memorandums
30 relevant to making a determination of the amount of tax due, whether the books, papers, records, or

1 memorandums are the property of or in the possession of the person filing the return or another person.
2 In determining compliance, the department may use statistical sampling and other sampling techniques
3 consistent with generally accepted auditing standards. The department may also:

4 (i) require the attendance of a person having knowledge or information relevant to a return;

5 (ii) compel the production of books, papers, records, or memorandums by the person required to
6 attend;

7 (iii) implement the provisions of 15-1-703 if the department determines that the collection of the
8 tax is or may be jeopardized because of delay;

9 (iv) take testimony on matters material to the determination; and

10 (v) administer oaths or affirmations.

11 (5) Pursuant to rules established by the department, returns may be computer-generated and
12 electronically filed.

13
14 **NEW SECTION. Section 48. Credit for taxes paid on worthless accounts -- taxes paid if account**
15 **collected.** (1) Sales taxes paid on an accrual basis by a person filing a return under [section 47] on sales
16 found to be worthless and actually deducted by the person as a bad debt for federal income tax purposes
17 may be credited on a subsequent payment of the tax.

18 (2) If the accounts are subsequently collected, the sales tax must be paid on the amount collected.
19

20 **NEW SECTION. Section 49. Vendor allowance.** (1) A person filing a return under [section 47] may
21 claim a monthly vendor allowance for each permitted location in the amount of 1.5% of the tax determined
22 to be payable to the state or \$50 per month, whichever is less.

23 (2) A person filing a quarterly return may claim 1.5% of the tax determined to be payable to the
24 state or \$150 per quarter, whichever is less.

25 (3) The allowance may be deducted on the return.
26

27 **NEW SECTION. Section 50. Security -- limitations -- sale of security deposit at auction -- bond.**
28 (1) The department may require a retailer to deposit, with the department, security in a form and amount
29 that the department determines is appropriate. The deposit may not be more than twice the estimated
30 average liability for the period for which the return is required to be filed or \$10,000, whichever is less. The

1 amount of security may be increased or decreased by the department, subject to the limitations provided
2 in this section.

3 (2) (a) If necessary, the department may sell, at public auction, property deposited as security to
4 recover any sales tax or use tax amount required to be collected, including interest and penalties.

5 (b) Notice of the sale must be served personally upon or sent by certified mail to the person who
6 deposited the security.

7 (c) After the sale, any surplus above the amount due that is not required as security under this
8 section must be returned to the person who deposited the security.

9 (3) In lieu of security, the department may require a retailer to file a bond, issued by a surety
10 company authorized to transact business in this state, to guarantee solvency and responsibility.

11 (4) In addition to the other requirements of this section, the department may require the corporate
12 officers, directors, or shareholders of a corporation to provide a personal guaranty and assumption of
13 liability for the payment of the tax due under [sections 1 through 62].

14

15 **NEW SECTION. Section 51. Examination of return -- adjustments -- delivery of notices and**
16 **demands.** (1) If the department determines that the amount of tax due is different from the amount
17 reported, the amount of tax computed on the basis of the examination conducted pursuant to [section 47]
18 constitutes the tax to be paid.

19 (2) If the tax due exceeds the amount of tax reported as due on the taxpayer's return, the excess
20 must be paid to the department within 30 days after notice of the amount and demand for payment is
21 mailed or delivered to the person making the return unless the taxpayer files a timely objection as provided
22 in 15-1-211. If the amount of the tax found due by the department is less than that reported as due on the
23 return and has been paid, the excess must be credited or, if no tax liability exists or is likely to exist,
24 refunded to the person making the return.

25 (3) The notice and demand provided for in this section must contain a statement of the
26 computation of the tax and interest and must be:

27 (a) sent by mail to the taxpayer at the address given in the taxpayer's return, if any, or to the
28 taxpayer's last-known address; or

29 (b) served personally upon the taxpayer.

30 (4) A taxpayer filing an objection to the demand for payment is subject to and governed by the

1 uniform tax review procedure provided in 15-1-211.

2

3 **NEW SECTION. Section 52. Penalties and interest for violation.** (1) (a) If a person, without
4 purposely or knowingly violating any requirement imposed by [sections 1 through 62], fails to file a return
5 and pay the tax on or before the due date, there must be imposed a penalty of 5% of the balance of debt
6 unpaid with respect to the return as of the date due, but the penalty for failure to file a return by its due
7 date may not be less than \$20. The department may abate the penalty if the person establishes that the
8 failure to file on time was due to reasonable cause and was not due to neglect by the taxpayer.

9 (b) If a person, without purposely or knowingly violating any requirement imposed by [sections 1
10 through 62], fails to pay a debt on or before its due date, there must be added to the debt a penalty of
11 10% of the debt, but not less than \$20, and interest must accrue on the debt at a rate of 1% for each
12 month or fraction of a month for the entire period that the debt remains unpaid. The department may abate
13 the penalty if the person establishes that the failure to pay was due to reasonable cause and was not due
14 to neglect by the taxpayer. The department shall adopt rules that define reasonable cause.

15 (2) If a person purposely or knowingly violates any requirement imposed by [sections 1 through
16 62] by failing to file a return or to pay a debt, there must be added to the debt an additional amount equal
17 to 25% of the debt, but not less than \$50, and interest at 1% for each month or fraction of a month during
18 which the debt remains unpaid.

19

20 **NEW SECTION. Section 53. Authority to collect delinquent taxes.** (1) (a) The department shall
21 collect taxes that are delinquent as determined under [sections 1 through 62].

22 (b) If a tax imposed by [sections 1 through 62] or any portion of the tax is not paid when due, the
23 department may issue a warrant for distraint as provided in Title 15, chapter 1, part 7.

24 (2) In addition to any other remedy, in order to collect delinquent taxes after the time for appeal
25 has expired, the department may direct the offset of tax refunds or other funds due the taxpayer from the
26 state, except wages subject to the provisions of 25-13-614 and retirement benefits.

27 (3) As provided in 15-1-705, the taxpayer has the right to a review on the tax liability prior to any
28 offset by the department.

29 (4) The department may file a claim for state funds on behalf of the taxpayer if a claim is required
30 before funds are available for offset.

1 **NEW SECTION. Section 54. Interest on deficiency -- penalty.** (1) Interest accrues on unpaid or
2 delinquent taxes at the rate of 1% for each month or fraction of a month during which the taxes remain
3 unpaid. The interest must be computed from the date the return and tax were originally due.

4 (2) If the payment of a tax deficiency is not made within 60 days after it is due and payable and
5 if the deficiency is due to negligence on the part of the taxpayer but without fraud, there must be added
6 to the amount of the deficiency a penalty of 10% of the tax, but in no case less than \$25.

7

8 **NEW SECTION. Section 55. Limitations.** (1) Except in the case of a person who purposely or
9 knowingly, as those terms are defined in 45-2-101, files a false or fraudulent return violating the provisions
10 of [sections 1 through 62], a deficiency may not be assessed or collected with respect to a month or
11 quarter for which a return is filed unless the notice of additional tax proposed to be assessed is mailed to
12 or personally served upon the taxpayer within 5 years from the date the return was filed. For purposes of
13 this section, a return filed before the last day prescribed for filing is considered to be filed on the last day.

14 (2) If, before the expiration of the 5-year period prescribed in subsection (1) for assessment of the
15 tax, the taxpayer consents in writing to an assessment after expiration of the 5-year period, a deficiency
16 may be assessed at any time prior to the expiration of the period consented to.

17 (3) The limitations prescribed for giving notice of a proposed assessment of additional tax under
18 subsection (1) do not apply if:

19 (a) the taxpayer has by written agreement suspended the federal statute of limitations for collection
20 of federal tax, provided that the suspension of the limitation set forth in this section lasts:

21 (i) only as long as the suspension of the federal statute of limitations; or

22 (ii) until 1 year after any changes in the person's federal tax have become final or any amended
23 federal return is filed as a result of a suspension of the federal statute, whichever occurs later; or

24 (b) a taxpayer has failed to file a report of changes in federal taxable income or an amended return
25 as required by 15-30-146 or 15-31-506 until 5 years after the federal changes become final or the amended
26 federal return was filed, whichever the case may be.

27

28 **NEW SECTION. Section 56. Refunds -- interest -- limitations.** (1) A claim for a refund or credit as
29 a result of overpayment of taxes collected under [sections 1 through 62] must be filed within 5 years of
30 the date the return was due, without regard to any extension of time for filing.

1 (2) (a) Interest on an overpayment must be paid or credited at the same rate as the rate charged
2 on delinquent taxes in [section 52].

3 (b) Except as provided in subsection (2)(c), interest must be paid from the date the return was due
4 or the date of overpayment, whichever is later. Interest does not accrue during any period in which the
5 processing of a claim is delayed more than 30 days because the taxpayer has not furnished necessary
6 information.

7 (c) The department is not required to pay interest if:

8 (i) the overpayment is credited or refunded within 6 months of the date a claim was filed; or

9 (ii) the amount of overpayment and interest does not exceed \$1.

10
11 **NEW SECTION. Section 57. Administration -- rules.** The department shall:

12 (1) administer and enforce the provisions of [sections 1 through 62];

13 (2) cause to be prepared and distributed forms and information that may be necessary to administer
14 the provisions of [sections 1 through 62]; and

15 (3) adopt rules that may be necessary or appropriate to administer and enforce the provisions of
16 [sections 1 through 62].

17
18 **NEW SECTION. Section 58. Revocation of corporate license -- hearing authorized -- appeal.** (1)

19 If a corporation authorized to do business in this state and required to pay the taxes imposed under
20 [sections 1 through 62] fails to comply with any of the provisions of [sections 1 through 62] or any rule
21 of the department, the department may, for reasonable cause, certify to the secretary of state a copy of
22 an order finding that the corporation has failed to comply with specific statutory provisions or rules.

23 (2) The secretary of state shall, upon receipt of the certification, revoke the certificate authorizing
24 the corporation to do business in this state and may issue a new certificate only when the corporation has
25 obtained from the department an order finding that the corporation has complied with its obligations under
26 [sections 1 through 62].

27 (3) An order authorized in this section may not be made until the corporation is given an
28 opportunity to be heard before the department. A hearing conducted under this section is informal.

29 (4) A final decision of the department may be appealed to the state tax appeal board.

30

1 **NEW SECTION. Section 59. Taxpayer quitting business -- liability of successor.** (1) (a) All taxes
2 payable under [sections 1 through 62] are due and payable immediately whenever a taxpayer quits business
3 or sells out, exchanges, or otherwise disposes of the business or disposes of the stock of goods.

4 (b) The taxpayer shall make a return and pay the taxes due within 10 days after the taxpayer quits
5 business or sells out, exchanges, or otherwise disposes of the business or disposes of the stock of goods.

6 (2) Except as provided in subsection (4), a person who becomes a successor is liable for the full
7 amount of the tax and shall withhold from the sales price payable to the taxpayer a sum sufficient to pay
8 any tax due until the taxpayer produces either a receipt from the department showing payment in full of
9 any tax due or a statement from the department that tax is not due.

10 (3) If a tax is due but has not been paid as provided in subsection (1)(b), the successor is liable
11 for the payment of the full amount of tax. The payment of the tax by the successor is considered to be a
12 payment upon the sales price and, if the payment is greater in amount than the sales price, the amount of
13 the difference becomes a debt due to the successor from the taxpayer owing the tax under subsection (1).

14 (4) (a) A successor is not liable for any tax due from the person from whom the successor acquired
15 a business or stock of goods if:

16 (i) the successor gives written notice to the department of the acquisition; and

17 (ii) an assessment is not issued by the department against the former operator of the business
18 within 6 months of receipt of the notice from the successor.

19 (b) If an assessment is issued by the department, a copy of the assessment must also be mailed
20 to the successor, or if an assessment is not mailed to the successor, the successor is not liable for the tax
21 due.

22

23 **NEW SECTION. Section 60. Tax as debt.** (1) The tax imposed by [sections 1 through 62] and
24 related interest and penalties become a personal debt of the person required to file a return from the time
25 the liability arises, regardless of when the time for payment of the liability occurs.

26 (2) The debt of the personal representative of the estate of a decedent or a fiduciary is limited to
27 the person's official or fiduciary capacity. However, if the person has voluntarily distributed the assets held
28 in that capacity without reserving sufficient assets to pay the taxes, interest, and penalties, the person is
29 personally liable for any deficiency.

30 (3) (a) This section applies to those corporate officers, directors, or shareholders required by the

1 department to personally guarantee the payment of the taxes for their corporations.

2 (b) In addition to the liability imposed by subsection (3)(a), the officer or employee of a corporation
3 whose duty it is to collect, truthfully account for, and pay to the state the amounts imposed by [sections
4 1 through 62] and who fails to pay the tax is liable to the state for the amounts imposed by [sections 1
5 through 62] and the penalty and interest due on the amounts.

6
7 **NEW SECTION. Section 61. Information -- confidentiality -- agreements with another state.** (1) (a)
8 Except as provided in subsections (2) and (3), it is unlawful for an employee of the department or any other
9 public official or public employee to divulge or otherwise make known information that is disclosed in a
10 report or return required to be filed under [sections 1 through 62] or information that concerns the affairs
11 of the person making the return and that is acquired from the person's records, officers, or employees in
12 an examination or audit.

13 (b) This section may not be construed to prohibit the department from publishing statistics if they
14 are classified in a way that does not disclose the identity and content of any particular return or report. A
15 person violating the provisions of this section is subject to the penalty provided in 15-30-303 for violating
16 the confidentiality of individual income tax information.

17 (2) (a) The department may enter into an agreement with the taxing officials of another state for
18 the interpretation and administration of the laws of their state that provide for the collection of a sales tax
19 or use tax in order to promote fair and equitable administration of the laws and to eliminate double taxation.

20 (b) In order to implement the provisions of [sections 1 through 62], the department may furnish
21 information on a reciprocal basis to the taxing officials of another state, provided that the information
22 remains confidential under statutes in the state receiving the information that are similar to this section.

23 (3) In order to facilitate processing of returns and payment of taxes required by [sections 1 through
24 62], the department may contract with vendors and may disclose data to the vendors. The data disclosed
25 must be administered by the vendor in a manner consistent with this section.

26
27 **NEW SECTION. Section 62. Sales tax and use tax account.** (1) There is within the state special
28 revenue fund a sales tax and use tax account.

29 (2) All money collected under [sections 1 through 62] must be paid by the department into the
30 sales tax and use tax account.

1 (3) (a) There must be retained in the sales tax and use tax account the amounts necessary under
2 [sections 1 through 62] to repay overpayments, pay any erroneous receipts illegally assessed or collected
3 or that are excessive in amount, and pay any other refunds otherwise required.

4 (b) There must be retained in the sales tax and use tax account the amounts necessary to pay the
5 credits claimed under [section 64].
6

7 **NEW SECTION. Section 63. Disposition of sales tax and use tax revenue -- legislative**
8 **appropriation.** (1) Sales tax and use tax revenue deposited in the sales tax and use tax account established
9 in [section 62] must be allocated as follows:

10 (a) 97% to the state general fund for state aid for public schools; and

11 (b) 3% to the state special revenue fund for the support, maintenance, and improvement of the
12 Montana university system, vocational-technical programs within the university system, and community
13 college districts, subject to the board of regents' supervision, as provided in [section 69].

14 (2) This section provides for the disposition of sales tax and use tax revenue. Allocations may not
15 be made from the sales tax and use tax account until appropriated.
16

17 **NEW SECTION. Section 64. Credit for sales tax and use tax -- definitions.** As used in [sections
18 64 through 68], the following definitions apply:

19 (1) "Claimant" means an individual natural person who is eligible under [section 65] to file a claim.

20 (2) "Gross household income" means federal adjusted gross income of each member of the
21 household, without regard to losses of any kind, as that quantity is defined in the Internal Revenue Code,
22 plus all nontaxable income of each member of the household. Gross household income includes but is not
23 limited to the following:

24 (a) 100% of the gains on all sales;

25 (b) alimony, child support, or any other type of maintenance payments;

26 (c) cash public assistance and relief, excluding the face value of all food stamps received;

27 (d) life insurance and endowment contracts;

28 (e) social security, except social security income paid directly to a nursing home, and the gross
29 amount of any pension or annuity, including railroad retirement benefits and veterans' disability benefits;

30 (f) unemployment and workers' compensation benefits;

- 1 (g) all tax refunds; and
 2 (h) any monetary benefits defined as income in the Internal Revenue Code or by this chapter.
 3 (3) (a) "Household" means an association of individuals who live in the same dwelling and who
 4 share its furnishings, facilities, accommodations, and expenses.
 5 (b) The term does not include bona fide lessees, tenants, or roomers and boarders on contract.
 6

7 **NEW SECTION. Section 65. Credit for sales tax and use tax.** (1) Except as provided in subsection
 8 (2), there is allowed a credit, as provided in subsections (3) through (6), against tax liability for each
 9 resident or part-year resident who files an individual Montana income tax return under this chapter. The
 10 credit may be claimed even though the resident does not have taxable income under this chapter.

11 (2) A claim for the tax credit provided in this section may not be filed by a resident who:

- 12 (a) is an inmate of a public institution for more than 6 months during the tax year for which the
 13 tax credit is claimed; or
 14 (b) is not physically present in Montana for at least 6 months during the tax year for which the tax
 15 credit is claimed.

16 (3) A credit may be claimed for each exemption allowed under 26 U.S.C. 151 for federal income
 17 tax purposes according to the following schedule:

18	<u>Gross Household Income</u>	<u>Credit per Exemption</u>
19	\$ 0 - 15,999	\$90
20	16,000 - 17,999	80
21	18,000 - 20,999	50
22	21,000 - 22,999	30
23	23,000 or more	0

24 (4) If the amount of credit allowed in this section exceeds the claimant's tax liability under this
 25 chapter by \$1 or more, the department shall refund the amount. If the excess is less than \$1, the
 26 department may not make a refund.

27 (5) (a) For tax year 1998, the amount of credit allowed under this section is equal to the amount
 28 determined under subsection (3), multiplied by the number of months during the tax year that the sales tax
 29 and use tax were in effect, and divided by 12.

30 (b) For tax years beginning after December 31, 1998, the amount of credit allowed under this

1 section is equal to the full amount determined under subsection (3).

2 (6) The income levels contained in the table in subsection (3) must be adjusted for inflation annually
3 by the department. By November of each year, the department shall multiply the gross household income
4 amounts in the table in subsection (3) by the inflation factor as defined in subsection (7) for that tax year
5 and round the cumulative amounts to the nearest \$10. The resulting adjusted gross household income
6 amounts are effective for that tax year and must be used as the basis for determining the credit allowed
7 under [sections 64 through 68].

8 (7) As used in this section, the following definitions apply:

9 (a) "Consumer price index" means the consumer price index, United States city average, for all
10 items, using the 1982-1984 base of 100 as published by the bureau of labor statistics of the U.S.
11 department of labor.

12 (b) "Inflation factor" means a number determined for each tax year by dividing the consumer price
13 index for June of the tax year by the consumer price index for June 1998.

14

15 **NEW SECTION. Section 66. Credit for sales tax and use tax -- filing date -- extension.** (1) Except
16 as provided in subsection (2), a claim for a credit must be submitted at the same time that the claimant's
17 individual income tax return is due. For a claimant not required to file a tax return, a claim must be
18 submitted on or before April 15 of the year following the year for which the credit is claimed. The claimant
19 shall provide the social security number for each exemption, except dependent children under 1 year of age,
20 for which the credit is claimed.

21 (2) The department may grant a reasonable extension for filing a claim whenever in its judgment
22 good cause exists. The department shall keep a record of each extension and the reason for granting the
23 extension.

24 (3) If an individual who would have a claim under [sections 64 through 68] dies before filing the
25 claim, the personal representative of the estate of the decedent may file the claim.

26

27 **NEW SECTION. Section 67. Examination of credit claims -- adjustments -- delivery of notices and**
28 **demands.** (1) The department may examine a claim for a credit and may make an investigation of the
29 records and accounts of a claimant if the department considers it necessary to determine the accuracy of
30 the claim.

1 (2) If the department determines that the amount of the credit due is different from the amount
2 reported, the amount of credit computed on the basis of the examination conducted pursuant to subsection
3 (1) constitutes the amount of credit due.

4 (3) If the credit due is less than the amount claimed as due by the claimant, the excess must be
5 paid to the department within 60 days after notice and demand for payment is mailed to the claimant.

6 (4) The notice and demand provided for in this section must contain a statement of the
7 computation of the credit and must be:

8 (a) sent to the claimant at the address given on the claim, if any, or to the claimant's last-known
9 address; or

10 (b) served personally upon the claimant.

11
12 **NEW SECTION. Section 68. Penalties for violation.** (1) If a claimant, without purposely or
13 knowingly, as those terms are defined in 45-2-101, violating the provisions of [section 65 or 66], receives
14 a credit for which the claimant is not entitled, there must be added a penalty of 10% of the amount of
15 excess, but the penalty may not be less than \$20. Interest in the amount of 1% for each month or fraction
16 of a month on the amount of excess must be added to the penalty until the debt is satisfied.

17 (2) If a claimant purposely or knowingly violates the provisions of [section 65 or 66], future claims
18 for credits may be denied by the department.

19
20 **NEW SECTION. Section 69. University system funding.** There is allocated from the money collected
21 from the sales tax and use tax to the state special revenue fund 3% of the sales tax and use tax, as
22 provided in [section 63], for the support, maintenance, and improvement of the Montana university system,
23 vocational-technical programs within the university system, and community college districts, subject to the
24 board of regents' supervision.

25
26 **Section 70.** Section 7-1-2111, MCA, is amended to read:

27 **"7-1-2111. Classification of counties.** (1) For the purpose of regulating the compensation and
28 salaries of all county officers, not otherwise provided for, and for fixing the penalties of officers' bonds,
29 the counties of this state must be classified according to the taxable valuation of the property in the
30 counties upon which the tax levy is made, ~~except for vehicles subject to taxation under 61-3-504(2),~~ as

1 follows:

2 (a) first class--all counties having a taxable valuation of ~~\$50 million~~ \$800 million or ~~ever more~~;

3 (b) second class--all counties having a taxable valuation of ~~more than \$30~~ \$300 million or more
4 and less than ~~\$50~~ \$800 million;

5 (c) third class--all counties having a taxable valuation of ~~more than \$20~~ \$200 million or more and
6 less than ~~\$30~~ \$300 million;

7 (d) fourth class--all counties having a taxable valuation of ~~more than \$15~~ \$125 million or more and
8 less than ~~\$20~~ \$200 million;

9 (e) fifth class--all counties having a taxable valuation of ~~more than \$10~~ \$100 million or more and
10 less than ~~\$15~~ \$125 million;

11 (f) sixth class--all counties having a taxable valuation of ~~more than \$5~~ \$50 million or more and less
12 than ~~\$10~~ \$100 million;

13 (g) seventh class--all counties having a taxable valuation of less than ~~\$5~~ \$50 million.

14 (2) As used in this section, taxable valuation means the taxable value of taxable property in the
15 county as of the time of determination ~~plus:~~

16 ~~(a) that portion of the taxable value of the county on December 31, 1981, attributable to~~
17 ~~automobiles and trucks having a rated capacity of three quarters of a ton or less;~~

18 ~~(b) that portion of the taxable value of the county on December 31, 1989, attributable to~~
19 ~~automobiles and trucks having a rated capacity of more than three quarters of a ton but less than or equal~~
20 ~~to 1 ton;~~

21 ~~(c) the value provided by the department of revenue under 15-36-324(10); and~~

22 ~~(d) 6% of the taxable value of the county on January 1 of each tax year."~~

23

24 **Section 71.** Section 7-3-1321, MCA, is amended to read:

25 **"7-3-1321. Authorization to incur indebtedness -- limitation.** (1) The consolidated municipality may
26 borrow money or issue bonds for any municipal purpose to the extent and in the manner provided by the
27 constitution and laws of Montana for the borrowing of money or issuing of bonds by counties and cities
28 and towns.

29 (2) The municipality may not become indebted in any manner or for any purpose to an amount,
30 including existing indebtedness, in the aggregate exceeding ~~28%~~ 1.6% of the taxable value of the taxable

1 property ~~therein~~ in the municipality, as ascertained by the last assessment for state and county taxes prior
 2 to incurring ~~such the~~ indebtedness. All warrants, bonds, or obligations in excess of ~~such the~~ amount given
 3 by or on behalf of the municipality ~~shall be~~ are void."

4
 5 **Section 72.** Section 7-6-2211, MCA, is amended to read:

6 **"7-6-2211. Authorization to conduct county business on a cash basis.** (1) If the total indebtedness
 7 of a county, lawful when incurred, exceeds the debt limit ~~of 23%~~ established in 7-7-2101 by reason of
 8 great diminution of taxable value, the county may conduct its business affairs on a cash basis and pay the
 9 reasonable and necessary current expenses of the county out of the cash in the county treasury derived
 10 from its current revenue and under the restrictions and regulations that may be imposed by the board of
 11 county commissioners of the county by a resolution duly adopted and included in the minutes of the board.

12 (2) This section does not restrict the right of the board to make the necessary tax levies for interest
 13 and sinking fund purposes, and this section does not affect the right of any creditor of the county to pursue
 14 any remedy now given by law to obtain payment of a claim.

15 (3) Subsection (1) does not apply to a county that has adopted the alternative accounting method
 16 provided for in Title 7, chapter 6, part 6."

17
 18 **Section 73.** Section 7-6-2514, MCA, is amended to read:

19 **"7-6-2514. Tax limitation applicable.** ~~The property tax limitation to 1986 levels under Title 15,~~
 20 ~~chapter 10, part 4, applies to the county public safety levy authorized in 7-6-2513. The limitation for the~~
 21 county public safety levy authorized in 7-6-2513 is determined by the total tax levied for the county general
 22 fund. The first year a county public safety tax is levied, the public safety levy and the general fund levy
 23 may not exceed the prior year's county general fund levy. In subsequent years, any increases in the public
 24 safety levy and the general fund levy are limited under ~~Title 15, chapter 10, part 4~~ 15-7-122."

25
 26 **Section 74.** Section 7-6-4121, MCA, is amended to read:

27 **"7-6-4121. Authorization to conduct municipal business on a cash basis.** (1) ~~In case~~ If the total
 28 indebtedness of a city or town has reached ~~17%~~ 1% of the total taxable value of the property of the city
 29 or town subject to taxation, as ascertained by the last assessment for ~~state and~~ county taxes, the city or
 30 town may conduct its affairs and business on a cash basis as provided by subsection (2).

1 (2) (a) Whenever a city or town is conducting its business affairs on a cash basis, the reasonable
2 and necessary current expenses of the city or town may be paid out of the cash in the city or town treasury
3 and derived from its current revenue, under any restrictions and regulations as the city or town council may
4 by ordinance prescribe.

5 (b) In the event that payment is made in advance, the city or town may require a cash deposit as
6 collateral security and indemnity, equal in amount to the payment, and may hold the deposit as a special
7 deposit with the city treasurer or town clerk, in package form, as a pledge for the fulfillment and
8 performance of the contract or obligation for which the advance is made.

9 (c) Before the payment of the current expenses mentioned above, the city or town council shall
10 first set apart sufficient money to pay the interest upon its legal, valid, and outstanding bonded
11 indebtedness and any sinking funds provided for and is authorized to pay all valid claims against funds
12 raised by tax especially authorized by law for the purpose of paying the claims.

13 (3) This section does not apply to a city or town that has adopted the alternative accounting
14 method provided for in Title 7, chapter 6, part 6."
15

16 **Section 75.** Section 7-6-4254, MCA, is amended to read:

17 **"7-6-4254. Limitation on amount of emergency budgets and appropriations.** ~~(1)~~ The total of all
18 emergency budgets and appropriations made ~~therein~~ in accordance with 7-6-4251 and 7-6-4252 in any ~~one~~
19 1 year and to be paid from any city fund may not exceed ~~38%~~ 2.2% of the total amount ~~which could be~~
20 that was produced for ~~such~~ the city fund by ~~a maximum~~ the levy authorized ~~by law to be made~~ for ~~such~~
21 the fund, ~~as shown by the last completed assessment roll of the county in the fiscal year previous to the~~
22 emergency.

23 ~~(2) The term "taxable property", as used herein, means the percentage of the value at which such~~
24 ~~property is assessed and which percentage is used for the purposes of computing taxes and does not mean~~
25 ~~the assessed value of such property as the same appears on the assessment roll."~~

26

27 **Section 76.** Section 7-7-107, MCA, is amended to read:

28 **"7-7-107. Limitation on amount of bonds for city-county consolidated units.** (1) Except as
29 provided in 7-7-108, ~~no~~ a city-county consolidated local government may not issue bonds for any purpose
30 which in an amount that, with all outstanding indebtedness, may exceed 38% exceeds 2.2% of the taxable

1 value of the property ~~therein~~ in the city-county consolidated government that is subject to taxation as
 2 ascertained by the last assessment for ~~state and~~ county taxes.

3 (2) The ~~issuing~~ issuance of bonds for the purpose of funding or refunding outstanding warrants
 4 or bonds is does not ~~the incurring of a~~ constitute new or additional indebtedness but is merely ~~the changing~~
 5 of changes the evidence of outstanding indebtedness."

6
 7 **Section 77.** Section 7-7-108, MCA, is amended to read:

8 **"7-7-108. Authorization for additional indebtedness for water or sewer systems.** (1) For the
 9 purpose of constructing a sewer system or procuring a water supply or constructing or acquiring a water
 10 system for a city-county consolidated government ~~which shall own~~ that owns and ~~control such~~ controls
 11 the water supply and water system and ~~devote~~ devotes the ~~revenues therefrom~~ revenue from the system
 12 to the payment of the debt, a city-county consolidated government may incur an additional indebtedness
 13 by borrowing money or issuing bonds.

14 (2) The additional indebtedness ~~which~~ that may be incurred by borrowing money or issuing bonds
 15 for the construction of a sewer system or for the procurement of a water supply or for both such purposes
 16 may not in the aggregate exceed 10% over ~~and above~~ the ~~30%~~ bond limits referred to in 7-7-107 of the
 17 taxable value of the property ~~therein~~ in the city-county consolidated government subject to taxation as
 18 ascertained by the last assessment for ~~state and~~ county taxes."

19
 20 **Section 78.** Section 7-7-2101, MCA, is amended to read:

21 **"7-7-2101. Limitation on amount of county indebtedness.** (1) A county may not become indebted
 22 in any manner or for any purpose to an amount, including existing indebtedness, in the aggregate exceeding
 23 ~~23%~~ 1.3% of the total of the taxable value of the property in the county subject to taxation, ~~plus the value~~
 24 ~~provided by the department of revenue in 15-36-324(10), as ascertained by the last assessment for state~~
 25 ~~and county taxes previous to the incurring of the indebtedness, plus, for indebtedness to be incurred during~~
 26 ~~fiscal year 1997, an additional 11% of the taxable value of class eight property within the county for tax~~
 27 ~~year 1995, for indebtedness to be incurred during fiscal year 1998, an additional 22% of the taxable value~~
 28 ~~of class eight property within the county for tax year 1995, and for indebtedness to be incurred during~~
 29 ~~fiscal years 1999 through 2008, an additional 33% of the taxable value of class eight property within the~~
 30 ~~county for tax year 1995, in each case of class eight property, multiplied by 23%.~~

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

4 (3) This section does not apply to the acquisition of conservation easements as set forth in Title
 5 76, chapter 6."

6

7 **Section 79.** Section 7-7-2203, MCA, is amended to read:

8 **"7-7-2203. Limitation on amount of bonded indebtedness.** (1) Except as provided in subsections
 9 (2) through (4), a county may not issue general obligation bonds for any purpose that, with all outstanding
 10 bonds and warrants except county high school bonds and emergency bonds, will exceed ~~11.25%~~ 0.64%
 11 of the total of the taxable value of the property in the county, ~~plus the value provided by the department~~
 12 ~~of revenue under 15-36-324(10), to be~~ subject to taxation as ascertained by the last assessment for state
 13 ~~and county taxes prior to the proposed issuance of bonds, plus, for general obligation bonds to be issued~~
 14 ~~during fiscal year 1997, an additional 11% of the taxable value of class eight property within the county~~
 15 ~~for tax year 1995, for general obligation bonds to be issued during fiscal year 1998, an additional 22% of~~
 16 ~~the taxable value of class eight property within the county for tax year 1995, and for general obligation~~
 17 ~~bonds to be issued during fiscal years 1999 through 2008, an additional 33% of the taxable value of class~~
 18 ~~eight property within the county for tax year 1995, in each case of class eight property, multiplied by~~
 19 ~~11.25%.~~

20 (2) In addition to the bonds allowed by subsection (1), a county may issue bonds that, with all
 21 outstanding bonds and warrants, will not exceed ~~27.75%~~ 1.6% of the total of the taxable value of the
 22 property in the county subject to taxation, ~~plus the value provided by the department of revenue under~~
 23 ~~15-36-324(10), when necessary to do so, to be~~ as ascertained by the last assessment for state and county
 24 taxes, ~~plus, for bonds to be issued during fiscal year 1997, an additional 11% of the taxable value of class~~
 25 ~~eight property within the county for tax year 1995, for bonds to be issued during fiscal year 1998, an~~
 26 ~~additional 22% of the taxable value of class eight property within the county for tax year 1995, and for~~
 27 ~~bonds to be issued during fiscal years 1999 through 2008, an additional 33% of the taxable value of class~~
 28 ~~eight property within the county for tax year 1995, in each case of class eight property, multiplied by~~
 29 ~~27.75%,~~ for the purpose of acquiring land for a site for county high school buildings and for erecting or
 30 acquiring buildings on the site and furnishing and equipping the buildings for county high school purposes.

1 (3) In addition to the bonds allowed by subsections (1) and (2), a county may issue bonds for the
 2 construction or improvement of a jail that will not exceed ~~12.5%~~ 0.71% of the taxable value of the
 3 property in the county subject to taxation, ~~plus the adjustments permitted by 7-7-2101.~~

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

7
 8 **Section 80.** Section 7-7-4201, MCA, is amended to read:

9 **"7-7-4201. Limitation on amount of bonded indebtedness.** (1) Except as otherwise provided, a
 10 city or town may not issue bonds or incur other indebtedness for any purpose in an amount that, with all
 11 outstanding and unpaid indebtedness, will exceed ~~28%~~ 1.6% of the taxable value of the property in the
 12 city or town subject to taxation, ~~to be as ascertained by the last assessment for state and for county taxes,~~
 13 ~~plus, for bonds to be issued or other indebtedness to be incurred during fiscal year 1997, an additional 11%~~
 14 ~~of the taxable value of class eight property within the city or town for tax year 1995, for bonds to be~~
 15 ~~issued or other indebtedness to be incurred during fiscal year 1998, an additional 22% of the taxable value~~
 16 ~~of class eight property within the city or town for tax year 1995, and for bonds to be issued or other~~
 17 ~~indebtedness to be incurred during fiscal years 1999 through 2008, an additional 33% of the taxable value~~
 18 ~~of class eight property within the city or town for tax year 1995, in each case of class eight property,~~
 19 ~~multiplied by 28%.~~

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

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

25
 26 **Section 81.** Section 7-7-4202, MCA, is amended to read:

27 **"7-7-4202. Special provisions relating to water and sewer systems.** (1) Notwithstanding the
 28 provisions of 7-7-4201, for the purpose of constructing a sewer system, procuring a water supply, or
 29 constructing or acquiring a water system for a city or town that owns and controls the water supply and
 30 water system and devotes the revenue from the water supply and water system to the payment of the

1 debt, a city or town may incur an additional indebtedness by borrowing money or issuing bonds.

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

13
 14 **Section 82.** Section 7-13-2527, MCA, is amended to read:

15 **"7-13-2527. List of property owners.** (1) A copy of the order creating the district must be
 16 delivered to the department of revenue.

17 (2) The department shall, on or before August 1 of each year, prepare and certify a list of all
 18 persons owning ~~class four~~ residential or commercial property within the district and deliver a copy of the
 19 list to the board of trustees of the district."
 20

21 **Section 83.** Section 7-13-4103, MCA, is amended to read:

22 **"7-13-4103. Limitation on indebtedness for acquisition of natural gas system.** The total amount
 23 of indebtedness authorized to be contracted in any form, including the then-existing indebtedness, ~~must~~
 24 may not at any time exceed ~~47%~~ 0.97% of the total taxable value of the property of the city or town
 25 subject to taxation as ascertained by the last assessment for ~~state and~~ county taxes."
 26

27 **Section 84.** Section 7-14-236, MCA, is amended to read:

28 **"7-14-236. Limitation on bonded indebtedness.** The amount of bonds issued to provide funds for
 29 the district and outstanding at any time ~~shall~~ may not exceed ~~28%~~ 1.28% of the taxable value of ~~taxable~~
 30 ~~property therein~~ in the district subject to taxation as ascertained by the last assessment for ~~state and~~

1 county taxes previous to the issuance of ~~such~~ the bonds."

2
3 **Section 85.** Section 7-14-2524, MCA, is amended to read:

4 **"7-14-2524. Limitation on amount of bonds issued -- excess void.** (1) Except as otherwise
5 provided in 7-7-2203, 7-7-2204, and this section, a county may not issue bonds that, with all outstanding
6 bonds and warrants except county high school bonds and emergency bonds, will exceed ~~11.25%~~ 0.64%
7 of the total of the taxable value of the property in the county, ~~plus the value provided by the department~~
8 ~~of revenue under 15-36-324(10)~~ subject to taxation. The taxable property ~~and the amount of taxes levied~~
9 ~~on new production, production from horizontally completed wells, and incremental production~~ must be
10 ascertained by the last assessment for ~~state and~~ county taxes prior to the issuance of the bonds.

11 (2) A county may issue bonds that, with all outstanding bonds and warrants except county high
12 school bonds, will exceed ~~11.25%~~ 0.64% but will not exceed ~~22.5%~~ 1.28% of the total of the taxable
13 value of the property, ~~plus the value provided by the department of revenue under 15-36-324(10)~~ in the
14 county subject to taxation when necessary for the purpose of replacing, rebuilding, or repairing county
15 buildings, bridges, or highways that have been destroyed or damaged by an act of God or by a disaster,
16 catastrophe, or accident.

17 (3) The value of the bonds issued and all other outstanding indebtedness of the county, except
18 county high school bonds, may not exceed ~~22.5%~~ 1.28% of the total of the taxable value of the property
19 within the county, ~~plus the value provided by the department of revenue under 15-36-324(10)~~, subject to
20 taxation as ascertained by the last preceding general assessment."

21
22 **Section 86.** Section 7-14-2525, MCA, is amended to read:

23 **"7-14-2525. Refunding agreements and refunding bonds authorized.** (1) Whenever the total
24 indebtedness of a county exceeds ~~22.5%~~ 1.28% of the total of the taxable value of the property ~~therein,~~
25 ~~plus the value provided by the department of revenue under 15-36-324(10)~~, within the county subject to
26 taxation and the board determines that the county is unable to pay the indebtedness in full, the board may:

27 (a) negotiate with the bondholders for an agreement whereby the bondholders agree to accept less
28 than the full amount of the bonds and the accrued unpaid interest in satisfaction of the bonds;

29 (b) enter into the agreement;

30 (c) issue refunding bonds for the amount agreed upon.

1 (2) These bonds may be issued in more than one series, and each series may be either amortization
2 or serial bonds.

3 (3) The plan agreed upon between the board and the bondholders must be embodied in full in the
4 resolution providing for the issuance of the bonds."

5

6 **Section 87.** Section 7-14-4402, MCA, is amended to read:

7 **"7-14-4402. Limit on indebtedness to provide bus service.** The total amount of indebtedness
8 authorized under 7-14-4401(1) to be contracted in any form, including the then-existing indebtedness, may
9 not at any time exceed ~~2.8%~~ 1.6% of the total taxable value of the property of the city or town subject to
10 taxation as ascertained by the last assessment for ~~state and~~ county taxes. ~~No money~~ Money may not be
11 borrowed or bonds issued for the purposes specified in 7-14-4401(1) until the proposition has been
12 submitted to the vote of the taxpayers of the city or town and the majority vote cast in its favor."

13

14 **Section 88.** Section 7-15-4286, MCA, is amended to read:

15 **"7-15-4286. Procedure to determine and disburse tax increment.** (1) Mill rates of taxing bodies
16 for taxes levied after the effective date of the tax increment provision ~~shall~~ must be calculated on the basis
17 of the sum of the taxable value, as shown by the last equalized assessment roll, of all taxable property
18 located outside the urban renewal area or industrial district and the base taxable value of all taxable
19 property located within the urban renewal area or industrial district. The mill rate ~~so~~ determined ~~shall~~ must
20 be levied against the sum of the actual taxable value of all taxable property located within as well as
21 outside the urban renewal area or industrial district.

22 (2) (a) The tax increment, if any, received in each year from the levy of the combined mill rates
23 of all the affected taxing bodies against the incremental taxable value within the urban renewal area or
24 industrial district, ~~except for the university system mills levied and assessed against property as defined~~
25 ~~in 7-15-4292(6)(a), shall~~ must be paid into a special fund held by the treasurer of the municipality and used
26 as provided in 7-15-4282 through 7-15-4292.

27 (b) The balance of the taxes collected in each year ~~shall~~ must be paid to each of the taxing bodies
28 as otherwise provided by law."

29

30 **Section 89.** Section 7-15-4292, MCA, is amended to read:

1 **"7-15-4292. Termination of tax increment financing -- exception — ~~reduction in tax increment~~**
 2 **distribution.** (1) The tax increment provision ~~shall~~ must terminate upon the later of:

3 (a) the 15th year following its adoption or, if the tax increment provision was adopted prior to
 4 January 1, 1980, upon the 17th year following adoption; or

5 (b) the payment or provision for payment in full or discharge of all bonds for which the tax
 6 increment has been pledged and the interest ~~thereon~~ on the bonds.

7 (2) Any amounts remaining in the special fund or any reserve fund after termination of the tax
 8 increment provision ~~shall~~ must be distributed among the various taxing bodies in proportion to their property
 9 tax revenues from the district.

10 (3) After termination of the tax increment provision, all taxes ~~shall~~ must be levied upon the actual
 11 taxable value of the taxable property in the urban renewal area or the industrial district and ~~shall~~ must be
 12 paid into the funds of the respective taxing bodies.

13 (4) Bonds secured in whole or in part by a tax increment provision may not be issued after the 15th
 14 anniversary of tax increment provisions adopted after January 1, 1980, and the 17th anniversary of tax
 15 increment provisions adopted prior to January 1, 1980. However, if bonds secured by a tax increment
 16 provision are outstanding on the applicable anniversary, additional bonds secured by the tax increment
 17 provision may be issued if the final maturity date of the bonds is not later than the final maturity date of
 18 any bonds then outstanding and secured by the tax increment provision.

19 ~~(5) (a) If a municipality issues bonds secured in whole or in part by a tax increment provision after~~
 20 ~~the 10th year following a tax increment provision adopted after January 1, 1980, or after the 12th year~~
 21 ~~following a tax increment provision adopted before January 1, 1980, it is not entitled to the full distribution~~
 22 ~~provided in 20-9-360(2).~~

23 ~~(b) The state treasurer shall reduce the distribution to the municipality in each fiscal year after the~~
 24 ~~fiscal year in which the bonds referred to in subsection (5)(a) are issued by an amount equal to the~~
 25 ~~increased taxable value of the project property multiplied by the total number of mills levied and assessed~~
 26 ~~for school district purposes against the property in the previous calendar year. The department of revenue~~
 27 ~~shall certify to the state treasurer by September 1 of each year the increased taxable value of the project~~
 28 ~~property.~~

29 ~~(c) If the municipality issues more than one bond series after January 1, 1991, the distribution to~~
 30 ~~the municipality as provided in 20-9-360(2) is reduced, as determined in subsection (5)(b), by the sum of~~

1 the amounts of each bond issue.

2 ~~(6) For the purposes of subsection (5):~~

3 ~~(a) "project property" is the value of property within an urban renewal area affected by an urban~~
 4 ~~renewal project to be financed in whole or in part from the proceeds of the bonds issued pursuant to~~
 5 ~~subsection (5)(a), certified by the municipality to the department of revenue at the time the bonds are~~
 6 ~~issued and identified by a tax identification number. Property is affected by an urban renewal project if the~~
 7 ~~property:~~

8 ~~(i) is to be acquired or improved as part of the urban renewal project;~~

9 ~~(ii) is located on property that is to be acquired or improved as part of the urban renewal project;~~

10 ~~(iii) is contiguous to, or located on property contiguous to, property referred to in subsection~~
 11 ~~(6)(a)(i) or (6)(a)(ii), including adjacent property separated by a road, stream, street, or railroad; or~~

12 ~~(iv) is included in an agreement between a person and the municipality in connection with the urban~~
 13 ~~renewal project for the issuance of the bonds and if under the agreement, the person undertakes to develop~~
 14 ~~or redevelop the property.~~

15 ~~(b) "increased taxable value" means the difference between the taxable value of the project~~
 16 ~~property for the current fiscal year and the taxable value of the project property for the fiscal year in which~~
 17 ~~the bonds were issued."~~

18

19 **Section 90.** Section 7-16-2327, MCA, is amended to read:

20 **"7-16-2327. Indebtedness for park purposes.** (1) Subject to the provisions of subsection (2), a
 21 county park board, in addition to powers and duties now given under law, may contract an indebtedness
 22 in behalf of a county, upon the credit of the county, in order to carry out its powers and duties.

23 (2) (a) The total amount of indebtedness authorized to be contracted in any form, including the
 24 then-existing indebtedness, may not at any time exceed ~~13%~~ 0.74% of the total of the taxable value of
 25 the taxable property in the county, ~~plus the value provided by the department of revenue under~~
 26 ~~15-36-324(10), subject to taxation as~~ ascertained by the last assessment for state and county taxes
 27 previous to the incurring of the indebtedness.

28 (b) Money may not be borrowed on bonds issued for the purchase of lands and improving the land
 29 for any purpose until the proposition has been submitted to the vote of ~~these~~ the qualified electors ~~under~~
 30 ~~the provisions of the state constitution to vote at the election~~ in the affected county and a majority vote

1 is cast in favor of the bonds."

2

3 **Section 91.** Section 7-16-4104, MCA, is amended to read:

4 **"7-16-4104. Authorization for municipal indebtedness for various cultural, social, and recreational**
5 **purposes.** (1) A city or town council or commission may contract an indebtedness on behalf of the city or
6 town, ~~upon the credit thereof,~~ by borrowing money or issuing bonds:

7 (a) for the purpose of purchasing and improving lands for public parks and grounds;

8 (b) for procuring by purchase, construction, or otherwise swimming pools, athletic fields, skating
9 rinks, playgrounds, museums, a golf course, a site and building for a civic center, a youth center, or
10 combination thereof; and

11 (c) for furnishing and equipping the same.

12 (2) The total amount of indebtedness authorized to be contracted in any form, including the
13 then-existing indebtedness, may not at any time exceed ~~16.5%~~ 0.94% of the taxable value of the taxable
14 property of the city or town subject to taxation as ascertained by the last assessment for ~~state and~~ county
15 taxes previous to the incurring of ~~such the~~ indebtedness. ~~No money~~ Money may not be borrowed on bonds
16 issued for the purchase of lands and improving the ~~same for any such purpose~~ lands until the proposition
17 has been submitted to the vote of the qualified electors of the city or town and a majority vote is cast in
18 favor ~~thereof~~ of the bonds."

19

20 **Section 92.** Section 7-31-106, MCA, is amended to read:

21 **"7-31-106. Authorization for county to issue bonds -- election required.** (1) If the petition is
22 presented to the board of county commissioners, the board shall, for the purpose of raising money to meet
23 the payments under the terms and conditions of the contract and other necessary and proper expenses for
24 the contract and for the approval or disapproval of the petition:

25 (a) ascertain, within 30 days after submission of the petition, the existing indebtedness of the
26 county in the aggregate; and

27 (b) submit, after ascertaining the aggregate indebtedness, to the electors of the county the
28 proposition to approve or disapprove the contract and the issuance of bonds necessary to carry out the
29 contract. The election must be held in conjunction with a regular or primary election.

30 (2) The amount of the bonds authorized by this section may not exceed ~~22.5%~~ 1.28% of the

1 taxable value of the taxable property in the county, inclusive of the existing indebtedness of the county,
 2 ~~to be subject to taxation as~~ ascertained by the last assessment for ~~state and~~ county taxes previous to the
 3 issuance of the bonds and incurring of the indebtedness."

4

5 **Section 93.** Section 7-31-107, MCA, is amended to read:

6 **"7-31-107. Authorization for municipality to issue bonds -- election required.** (1) If the petition is
 7 presented to the council of any incorporated city or town, the council, for the purpose of raising money to
 8 meet the payments under the terms and conditions of the contract and other necessary and proper
 9 expenses for the contract and for the approval or disapproval of the petition, shall:

10 (a) ascertain, within 30 days after submission of the petition, the aggregate indebtedness of the
 11 city or town; and

12 (b) submit, after ascertaining the aggregate indebtedness, to the electors of the city or town the
 13 proposition to approve or disapprove the contract and the issuance of bonds necessary to carry out the
 14 contract. The election must be held in conjunction with a regular or primary election.

15 (2) The amount of the bonds authorized by this section may not exceed ~~16.5%~~ 0.94% of the
 16 taxable value of the taxable property in the city or town, inclusive of the existing indebtedness of the city
 17 or town, ~~to be subject to taxation as~~ ascertained in the manner provided in this part."

18

19 **Section 94.** Section 7-34-2131, MCA, is amended to read:

20 **"7-34-2131. Hospital district bonds and notes authorized.** (1) (a) A hospital district may borrow
 21 money by the issuance of its bonds to provide funds for payment of part or all of the cost of acquisition,
 22 furnishing, equipment, improvement, extension, and betterment of hospital facilities and to provide an
 23 adequate working capital for a new hospital.

24 (b) The amount of bonds issued ~~for such purpose~~ and outstanding at any time may not exceed
 25 ~~22.5%~~ 1.28% of the taxable value of the property ~~therein~~ in the district subject to taxation as ascertained
 26 by the last assessment for ~~state and~~ county taxes previous to the issuance of ~~such~~ the bonds.

27 (c) ~~Such~~ The bonds ~~shall~~ must be authorized, sold, and issued and provisions made for their
 28 payment in the manner and subject to the conditions and limitations prescribed for bonds of school districts
 29 by Title 20, chapter 9, part 4.

30 (2) (a) A hospital district may borrow money by the issuance of notes to provide funds to finance

1 the costs described in subsection (1) and to finance the working capital requirements of the district. The
 2 notes must be authorized and in a form and terms prescribed by a resolution adopted by the board of
 3 trustees. The notes must mature over a term not to exceed 15 years.

4 (b) The principal and interest on the notes must be paid from the taxes levied pursuant to
 5 7-34-2133 and 7-34-2134, exclusive of the taxes levied to pay bonds issued in accordance with subsection
 6 (1), and all other revenue of the district. The annual amount of principal and interest payable on notes in
 7 any fiscal year must be included in the district's budget for that year.

8 (c) The notes may be secured by a mortgage of or a security interest in all or part of the district's
 9 assets and by a pledge of the taxes and revenue of the district, or either of them.

10 (d) Notes may not be issued unless the projected annual revenue of the district, including the taxes
 11 levied pursuant to 7-34-2133 and 7-34-2134 but exclusive of the taxes levied to pay bonds, is at least
 12 equal to the sum of the cost of operating and maintaining the hospital district plus the maximum amount
 13 of principal and interest due in any future fiscal year on the notes proposed to be issued and all notes
 14 outstanding upon the issuance of the proposed notes.

15 (3) ~~Nothing herein shall~~ The provisions of this part may not be construed to preclude the provisions
 16 of Title 50, chapter 6, part 1, allowing the state to apply for and accept federal funds."

17
 18 **Section 95.** Section 7-34-2133, MCA, is amended to read:

19 **"7-34-2133. Levy of district taxes -- limit on mill levy.** (1) The board of county commissioners
 20 ~~must shall~~, annually at the time of levying county taxes, fix and levy a tax ~~(in mills)~~ upon all property within
 21 ~~said the~~ hospital district clearly sufficient to raise the amount certified by the board of hospital trustees
 22 under 7-34-2132.

23 (2) ~~The tax so levied~~ Except as provided in 7-34-2134, the levy for all hospital district purposes
 24 other than payment of bonded indebtedness ~~shall may~~ not in any year exceed ~~3 mills~~ 0.178 mill on each
 25 dollar of taxable valuation of property within ~~said the~~ district subject to taxation."

26
 27 **Section 96.** Section 7-34-2134, MCA, is amended to read:

28 **"7-34-2134. Special additional mill levy authorized.** If the maximum levy of ~~3 mills~~ 0.178 mill on
 29 each dollar of taxable valuation of property within the hospital district is inadequate to raise the amount
 30 of money certified as necessary and proper by the board of hospital trustees as provided in 7-34-2132, the

1 board of county commissioners may make an additional levy for 2 years upon the taxable property within
2 ~~said the~~ hospital district sufficient to raise the amount certified by the board of hospital trustees."

3

4 **Section 97.** Section 7-34-2417, MCA, is amended to read:

5 "7-34-2417. **Special tax levy authorized.** In the event the bonds are not paid or are not expected
6 to be paid from ordinary revenue of the facility, a county that has issued bonds under 7-34-2411 for a
7 health care facility may levy taxes on all taxable property within the county in the manner provided for
8 public hospital districts under 7-34-2133, 7-34-2134, 7-34-2135(1), and 7-34-2136, up to a maximum of
9 ~~3 mills~~ 0.178 mill not submitted to a vote of the people and ~~3 an additional mills~~ 0.178 mill approved by
10 a vote of the people."

11

12 **Section 98.** Section 15-1-101, MCA, is amended to read:

13 "15-1-101. **Definitions.** (1) Except as otherwise specifically provided, when terms mentioned in
14 this section are used in connection with taxation, they are defined in the following manner:

15 (a) The term "agricultural" refers to:

16 (i) the production of food, feed, and fiber commodities, livestock and poultry, bees, fruits and
17 vegetables, and sod, ornamental, nursery, and horticultural crops that are raised, grown, or produced for
18 commercial purposes; and

19 (ii) the raising of domestic animals and wildlife in domestication or a captive environment.

20 (b) The term "assessed value" means the value of property as defined in 15-8-111.

21 (c) The term "average wholesale value" means the value to a dealer prior to reconditioning and the
22 profit margin shown in national appraisal guides and manuals or the valuation schedules of the department.

23 (d) (i) The term "commercial", when used to describe property, means property used or owned by
24 a business, a trade, or a corporation as defined in 35-2-114 or used for the production of income, except
25 property described in subsection (1)(d)(ii).

26 (ii) The following types of property are not commercial:

27 (A) agricultural lands;

28 (B) timberlands and forest lands;

29 (C) single-family residences and ancillary improvements and improvements necessary to the
30 function of a bona fide farm, ranch, or stock operation;

1 (D) mobile homes used exclusively as a residence except when held by a distributor or dealer of
2 trailers or mobile homes as stock in trade;

3 ~~(E) all property described in 15-6-135; and~~

4 ~~(F) all property described in 15-6-136.~~

5 (e) (i) The term "comparable property" means property that:

6 ~~(i)(A)~~ has similar use, function, and utility;

7 ~~(i)(B)~~ is influenced by the same set of economic trends and physical, governmental, and social
8 factors; and

9 ~~(i)(C)~~ has the potential of a similar highest and best use.

10 (ii) Property assessed as commercial property is comparable only to other property assessed as
11 commercial property, and property assessed as other than commercial property is comparable only to other
12 property assessed as other than commercial property.

13 (f) The term "credit" means solvent debts, secured or unsecured, owing to a person.

14 (g) (i) "Department", except as provided in subsection (1)(g)(ii), means the department of revenue
15 provided for in 2-15-1301.

16 (ii) In chapter 24, part 1, and in chapters 70 and 71, department means the department of
17 transportation provided for in 2-15-2501.

18 (h) The terms "gas" and "natural gas" are synonymous and mean gas as defined in 82-1-111(2).
19 The terms include all natural gases and all other fluid hydrocarbons, including methane gas or any other
20 natural gas found in any coal formation.

21 (i) (A) The term "improvements" includes all buildings, structures, fences, and improvements
22 situated upon, erected upon, or affixed to land. The term also includes personal property that is
23 permanently situated upon, erected upon, or affixed to land or improvements. Personal property includes
24 but is not limited to gas and water mains and pipes; pipelines; railroad tracks; telephone, transmission, and
25 electronic lines of all types; and other personal property. Personal property described in this subsection (1)(i)
26 is considered improvements regardless of whether the property is permanently affixed to the land or
27 beneath the surface of the land or affixed to improvements.

28 (B) When the department determines that the permanency of location of a mobile home or
29 housetrailer has been established, the mobile home or housetrailer is presumed to be an improvement to
30 real property. A mobile home or housetrailer may be determined to be permanently located only when it

1 is attached to a foundation that cannot feasibly be relocated and only when the wheels are removed.

2 (j) The term "leasehold improvements" means improvements to mobile homes and mobile homes
3 located on land owned by another person. ~~This property is assessed under the appropriate classification,~~
4 ~~and the taxes~~ The taxes on this property are due and payable in two payments as provided in 15-24-202.
5 Delinquent taxes on leasehold improvements are a lien only on the leasehold improvements.

6 (k) The term "livestock" means cattle, sheep, swine, goats, horses, mules, asses, llamas, alpacas,
7 bison, ostriches, rheas, emus, and domestic ungulates.

8 (l) The term "mobile home" means forms of housing known as "trailers", "housetrailers", or "trailer
9 coaches" exceeding 8 feet in width or 45 feet in length, designed to be moved from one place to another
10 by an independent power connected to them, or any trailer, housetrailer, or trailer coach up to 8 feet in
11 width or 45 feet in length used as a principal residence.

12 (m) The term "personal property" includes everything that is the subject of ownership but that is
13 not included within the meaning of the terms "real estate" and "improvements".

14 (n) The term "poultry" includes all chickens, turkeys, geese, ducks, and other birds raised in
15 domestication to produce food or feathers.

16 (o) The term "property" includes money, credits, bonds, stocks, franchises, and all other matters
17 and things, real, personal, and mixed, capable of private ownership. This definition may not be construed
18 to authorize the taxation of the stocks of a company or corporation when the property of the company or
19 corporation represented by the stocks is within the state and has been taxed.

20 (p) The term "real estate" includes:

21 (i) the possession of, claim to, ownership of, or right to the possession of land;

22 (ii) all mines, minerals, and quarries in and under the land subject to the provisions of 15-23-501
23 and Title 15, chapter 23, part 8;

24 (iii) all timber belonging to individuals or corporations growing or being on the lands of the United
25 States; and

26 (iv) all rights and privileges appertaining to mines, minerals, quarries, and timber.

27 (q) "Research and development firm" means an entity incorporated under the laws of this state or
28 a foreign corporation authorized to do business in this state whose principal purpose is to engage in
29 theoretical analysis, exploration, and experimentation and the extension of investigative findings and
30 theories of a scientific and technical nature into practical application for experimental and demonstration

1 purposes, including the experimental production and testing of models, devices, equipment, materials, and
2 processes.

3 (r) The term "taxable value" means the ~~percentage of~~ market or assessed value as provided for in
4 ~~Title 15, chapter 6, part 1~~ 15-8-111.

5 (2) The phrase "municipal corporation" or "municipality" or "taxing unit" includes a county, city,
6 incorporated town, township, school district, irrigation district, or drainage district or a person, persons,
7 or organized body authorized by law to establish tax levies for the purpose of raising public revenue.

8 (3) The term "state board" or "board" when used without other qualification means the state tax
9 appeal board."

10

11 **Section 99.** Section 15-1-201, MCA, is amended to read:

12 **"15-1-201. Administration of revenue laws.** (1) (a) The department has general supervision over
13 the administration of the assessment and tax laws of the state, except Title 15, chapter 24, part 1, and
14 chapters 70 and 71, and over any officers of municipal corporations having any duties to perform under
15 the laws of this state relating to taxation to the end that all assessments of property are made relatively
16 just and equal, at true value, and in substantial compliance with law. The department may make rules to
17 supervise the administration of all revenue laws of the state and assist in their enforcement.

18 (b) The department shall adopt rules specifying which types of property ~~within the several classes~~
19 are considered comparable property as defined in 15-1-101.

20 (c) The department shall also adopt rules for determining the value-weighted mean sales
21 assessment ratio for all commercial and industrial real property and improvements.

22 (2) The department shall confer with, advise, and direct officers of municipal corporations
23 concerning their duties, with respect to taxation, under the laws of the state.

24 (3) The department shall collect annually from the proper officers of the municipal corporations
25 information, in a form prescribed by the department, about the assessment of property, collection of taxes,
26 receipts from licenses and other sources, expenditure of public funds for all purposes, and other information
27 as may be necessary and helpful in the work of the department. It is the duty of all public officers to fill out
28 properly and return promptly to the department all forms and to aid the department in its work. The
29 department shall examine the records of all municipal corporations for purposes considered necessary or
30 helpful."

1 **Section 100.** Section 15-2-302, MCA, is amended to read:

2 "**15-2-302. Direct appeal from department decision to state tax appeal board -- hearing.** (1) A
3 person may appeal to the state tax appeal board a final decision of the department of revenue involving:

4 (a) property centrally assessed under chapter 23 of this title;

5 ~~(b) classification of property as now industrial property;~~

6 ~~(e)~~(b) any other tax, ~~{other than the property tax}~~, imposed under this title; or

7 ~~(d)~~(c) any other matter in which the appeal is provided by law.

8 (2) The appeal is made by filing a complaint with the board within 30 days following receipt of
9 notice of the department's final decision. The complaint must set forth the grounds for relief and nature of
10 relief demanded. The board shall immediately transmit a copy of the complaint to the department.

11 (3) The department shall file with the board an answer within 30 days following filing of a
12 complaint and at that time mail a copy to the complainant. The answer must set forth the department's
13 response to each ground for and type of relief demanded in the complaint.

14 (4) The board shall conduct the appeal in accordance with the contested case provisions of the
15 Montana Administrative Procedure Act.

16 (5) The decision of the state tax appeal board is final and binding upon all interested parties unless
17 reversed or modified by judicial review. Proceedings for judicial review of a decision of the state tax appeal
18 board under this section are subject to the provisions of 15-2-303 and the Montana Administrative
19 Procedure Act to the extent that it does not conflict with 15-2-303."

20

21 **Section 101.** Section 15-6-101, MCA, is amended to read:

22 "**15-6-101. Property subject to taxation -- classification.** ~~(1)~~ All property in this state is subject
23 to taxation, except as otherwise provided ~~otherwise~~.

24 ~~(2) For the purpose of taxation, the taxable property in the state shall be classified in accordance~~
25 ~~with this part."~~

26

27 **Section 102.** Section 15-6-201, MCA, is amended to read:

28 "**15-6-201. Exempt categories.** (1) The following categories of property are exempt from taxation:

29 (a) except as provided in 15-24-1203, the property of:

30 (i) the United States, except:

1 (A) if congress passes legislation that allows the state to tax property owned by the federal
2 government or an agency created by congress; or

3 (B) as provided in 15-24-1103;

4 (ii) the state, counties, cities, towns, and school districts;

5 (iii) irrigation districts organized under the laws of Montana and not operating for profit;

6 (iv) municipal corporations;

7 (v) public libraries; and

8 (vi) rural fire districts and other entities providing fire protection under Title 7, chapter 33;

9 (b) buildings, with land they occupy and furnishings in the buildings, owned by a church and used
10 for actual religious worship or for residences of the clergy, together with adjacent land reasonably
11 necessary for convenient use of the buildings;

12 (c) property used exclusively for agricultural and horticultural societies, for educational purposes,
13 and for nonprofit health care facilities, as defined in 50-5-101, licensed by the department of public health
14 and human services and organized under Title 35, chapter 2 or 3. A health care facility that is not licensed
15 by the department of public health and human services and organized under Title 35, chapter 2 or 3, is not
16 exempt.

17 (d) property that is:

18 (i) owned and held by an association or corporation organized under Title 35, chapter 2, 3, 20, or
19 21;

20 (ii) devoted exclusively to use in connection with a cemetery or cemeteries for which a permanent
21 care and improvement fund has been established as provided for in Title 35, chapter 20, part 3; and

22 (iii) not maintained and operated for private or corporate profit;

23 (e) property owned or property that is leased from a federal, state, or local governmental entity
24 by institutions of purely public charity if the property is directly used for purely public charitable purposes;

25 (f) evidence of debt secured by mortgages of record upon real or personal property in the state of
26 Montana;

27 (g) public museums, art galleries, zoos, and observatories not used or held for private or corporate
28 profit;

29 ~~(h) all household goods and furniture, including but not limited to clocks, musical instruments,~~
30 ~~sewing machines, and wearing apparel of members of the family, used by the owner for personal and~~

1 ~~domestic purposes or for furnishing or equipping the family residence;~~

2 ~~(i) a truck canopy cover or topper weighing less than 300 pounds and having no accommodations~~
 3 ~~attached. This property is also exempt from taxation under 61-3-504(2) and 61-3-537.~~

4 ~~(j) a bicycle, as defined in 61-1-123, used by the owner for personal transportation purposes;~~

5 ~~(k) motor homes, travel trailers, and campers;~~

6 ~~(l) all watercraft;~~

7 ~~(m)(h)~~ motor vehicles, land, fixtures, buildings, and improvements owned by a cooperative
 8 association or nonprofit corporation organized to furnish potable water to its members or customers for
 9 uses other than the irrigation of agricultural land;

10 ~~(n)(i)~~ the right of entry that is a property right reserved in land or received by mesne conveyance
 11 (exclusive of leasehold interests), devise, or succession to enter land with a surface title that is held by
 12 another to explore, prospect, or dig for oil, gas, coal, or minerals;

13 ~~(o)(j)~~ property that is owned and used by a corporation or association organized and operated
 14 exclusively for the care of persons with developmental disabilities, the mentally ill, or the vocationally
 15 handicapped as defined in 18-5-101 and that is not operated for gain or profit and property owned and used
 16 by an organization owning and operating facilities that are for the care of the retired, aged, or chronically
 17 ill and that are not operated for gain or profit;

18 ~~(p)(k)~~ all farm buildings with a market value of less than \$500 and all agricultural implements and
 19 machinery with a market value of less than \$100;

20 ~~(q)(l)~~ property owned by a nonprofit corporation that is organized to provide facilities primarily for
 21 training and practice for or competition in international sports and athletic events and not held or used for
 22 private or corporate gain or profit. For purposes of this subsection ~~(q) (1)(l)~~, "nonprofit corporation" means
 23 an organization exempt from taxation under section 501(c) of the Internal Revenue Code and incorporated
 24 and admitted under the Montana Nonprofit Corporation Act.

25 ~~(r) the first \$15,000 or less of market value of tools owned by the taxpayer that are customarily~~
 26 ~~hand held and that are used to:~~

27 ~~(i) construct, repair, and maintain improvements to real property; or~~

28 ~~(ii) repair and maintain machinery, equipment, appliances, or other personal property;~~

29 ~~(s)(m)~~ harness, saddlery, and other tack equipment; all personal property as defined in
 30 15-1-101(1)(m), except personal property described in 15-1-101(1)(i). The exemption for personal property

1 under this subsection (1)(m) does not apply to housetrailers or mobile homes taxed under Title 15, chapter
 2 24, part 2, or to motor vehicles taxed under Title 61, chapter 3.

3 ~~(t)(n)~~ a title plant owned by a title insurer or a title insurance producer, as those terms are defined
 4 in 33-25-105;

5 ~~(u)(o)~~ timber as defined in 15-44-102;

6 ~~(v)(p)~~ all trailers and semitrailers that have a licensed gross weight of 26,000 pounds or more or
 7 that are registered through a proportional registration agreement under 61-3-721. For purposes of this
 8 subsection ~~(v) (1)(p)~~, the terms "trailer" and "semitrailer" mean a vehicle with or without motive power that
 9 is:

10 (i) designed and used only for carrying property;

11 (ii) designed and used to be drawn by a motor vehicle; and

12 (iii) either constructed so that no part of its weight rests upon the towing vehicle or constructed
 13 so that some part of its weight and the weight of its load rests upon or is carried by another vehicle.

14 ~~(w)(q)~~ all vehicles registered under 61-3-456.

15 (2) (a) For the purposes of subsection (1)(e), the term "institutions of purely public charity"
 16 includes any organization that meets the following requirements:

17 (i) The organization qualifies as a tax-exempt organization under the provisions of section
 18 501(c)(3), Internal Revenue Code, as amended.

19 (ii) The organization accomplishes its activities through absolute gratuity or grants. However, the
 20 organization may solicit or raise funds by the sale of merchandise, memberships, or tickets to public
 21 performances or entertainment or by other similar types of fundraising activities.

22 (b) For the purposes of subsection (1)(g), the term "public museums, art galleries, zoos, and
 23 observatories" means governmental entities or nonprofit organizations whose principal purpose is to hold
 24 property for public display or for use as a museum, art gallery, zoo, or observatory. The exempt property
 25 includes all real ~~and personal~~ property and improvements reasonably necessary for use in connection with
 26 the public display or observatory use. Unless the property is leased for a profit to a governmental entity or
 27 nonprofit organization by an individual or for-profit organization, real ~~and personal~~ property and
 28 improvements owned by other persons ~~is~~ are exempt if ~~it is~~ they are:

29 (i) actually used by the governmental entity or nonprofit organization as a part of its public display;

30 (ii) held for future display; or

1 (iii) used to house or store a public display.

2 (3) The following portions of the appraised value of a capital investment in a recognized nonfossil
3 form of energy generation or low emission wood or biomass combustion devices, as defined in 15-32-102,
4 are exempt from taxation for a period of 10 years following installation of the property:

5 (a) \$20,000 in the case of a single-family residential dwelling;

6 (b) \$100,000 in the case of a multifamily residential dwelling or a nonresidential structure."
7

8 **Section 103.** Section 15-6-207, MCA, is amended to read:

9 "**15-6-207. Agricultural exemptions.** ~~(1)~~ The following agricultural products are exempt from
10 taxation:

11 ~~(a)(1)~~ all unprocessed agricultural products on the farm or in storage and owned by the producer;

12 ~~(b)(2)~~ all producer-held grain in storage;

13 ~~(c)(3)~~ all unprocessed agricultural products, ~~except livestock;~~

14 ~~(d)(4)~~ ~~except as provided in subsection (1)(c), livestock that have not attained the age of 24~~
15 ~~months as of February 1 or as of the last day of any month of the prior tax year if assessed on the average~~
16 ~~inventory basis as provided in 15-24-902(2);~~

17 ~~(e)(5)~~ swine that have not attained the age of 6 months as of January 1;

18 ~~(f)(6)~~ poultry and the unprocessed products of poultry; and

19 ~~(g)(7)~~ bees and the unprocessed product of bees.

20 ~~(2) Any beet digger, beet topper, beet defoliator, beet thinner, beet cultivator, beet planter, or beet~~
21 ~~top saver designed exclusively to plant, cultivate, and harvest sugar beets is exempt from taxation if the~~
22 ~~implement has not been used to plant, cultivate, or harvest sugar beets for the 2 years immediately~~
23 ~~preceding the current assessment date and there are no available sugar beet contracts in the sugar beet~~
24 ~~grower's marketing area."~~

25

26 **NEW SECTION. Section 104. Homestead exemption -- definitions.** As used in [sections 104
27 through 106], the following definitions apply:

28 (1) "Owner-occupied residence" means a single-family residence, including a trailer or mobile home,
29 or a condominium unit that is subject to property taxes and that is owned, or that is under contract for
30 deed, by a person, individually or jointly. The residence includes all improvements used for residential

1 purposes and associated outbuildings and 1 acre of land beneath the improvements. A taxpayer with a life
2 estate is an owner for purposes of [sections 104 through 106].

3 (2) "Person" means an individual natural person who is eligible for a homestead exemption under
4 [sections 104 through 106].

5
6 **NEW SECTION. Section 105. Homestead exemption.** (1) Sixty-five percent of the first \$50,000
7 or less of market value of any owner-occupied residence, including 1 acre of land beneath the
8 improvements, is exempt from property taxation. The residence must be actually occupied for at least 7
9 months a year as a primary residential dwelling by the Montana resident.

10 (2) A Montana resident may own and occupy more than one owner-occupied residence in this state
11 during the year and still meet the occupancy requirement in subsection (1) if the total occupancy is for 7
12 months or more.

13 (3) If the Montana resident meets the requirements of subsection (1) on any one owner-occupied
14 residence, all other owner-occupied residences owned by the Montana resident are eligible for the
15 exemption under [sections 104 through 106], whether or not the owner-occupied residence was occupied
16 by the owner for the required time. However, a Montana resident is entitled to an exemption for only a
17 single owner-occupied residence.

18 (4) The exemption allowed under [sections 104 through 106] does not apply to a residence that
19 was leased or rented for more than 5 months during the year.

20
21 **NEW SECTION. Section 106. Homestead exemption -- application for exemption.** (1) A person
22 who is eligible for an exemption of property allowed in [sections 104 through 106] shall make an affidavit
23 to the department, on a form provided by the department without cost, stating:

24 (a) the fact that the person owns and maintains the residence as the person's primary residential
25 dwelling; and

26 (b) other information that is relevant to the applicant's eligibility.

27 (2) The application must be made before March 15 of the year for which the applicant seeks the
28 exemption. The application remains in effect in subsequent years unless there is a change in ownership of
29 the property. The taxpayer shall inform the department of any change in eligibility. The department may
30 inquire by mail whether there is any change in ownership. A change in ownership does not affect the

1 exemption, provided that the new owner satisfies the conditions of [sections 104 through 106].

2 (3) The affidavit is sufficient if the applicant signs a statement affirming the correctness of the
3 information supplied, whether or not the statement is signed before a person authorized to administer oaths,
4 and mails the application and statement to the department. The signed statement must be treated as a
5 statement under oath or equivalent affirmation for the purposes of 45-7-202, relating to the criminal offense
6 of false swearing.

7

8 **Section 107.** Section 15-7-102, MCA, is amended to read:

9 **"15-7-102. Notice of classification and appraisal to owners -- appeals.** (1) (a) The department
10 shall mail to each owner or purchaser under contract for deed a notice of the classification of the land
11 owned or being purchased and the appraisal of the improvements on the land only if one or more of the
12 following changes pertaining to the land or improvements have been made since the last notice:

13 (i) change in ownership;

14 (ii) change in classification;

15 (iii) change in valuation, including the change in the exemption amount provided for in [sections 104
16 through 106]; or

17 (iv) addition or subtraction of personal property described in 15-1-101(1)(i) affixed to the land or
18 improvements.

19 (b) The notice must include the following for the taxpayer's informational purposes:

20 (i) for owner-occupied residential property, the total market value of the land and improvements,
21 the exemption amount allowed under [sections 104 through 106], and the assessed value of the land and
22 improvements subject to taxation;

23 (ii) the total amount of mills levied against the property in the prior year;

24 ~~(iii)~~(iii) the amount of the prior year's taxes resulting from levied mills;

25 ~~(iv)~~(iv) an estimate of the current year's taxes based on the prior year's mills; and

26 ~~(v)~~(v) a statement that the notice is not a tax bill.

27 (c) Any misinformation provided in the information required by subsection (1)(b) does not affect
28 the validity of the notice and may not be used as a basis for a challenge of the legality of the notice.

29 (2) (a) The department shall assign each assessment to the correct owner or purchaser under
30 contract for deed and mail the notice of classification and appraisal on a standardized form, adopted by the

1 department, containing sufficient information in a comprehensible manner designed to fully inform the
2 taxpayer as to the classification and appraisal of the property and of changes over the prior tax year.

3 (b) The notice must advise the taxpayer that in order to be eligible for a refund of taxes from an
4 appeal of the classification or appraisal, the taxpayer is required to pay the taxes under protest as provided
5 in 15-1-402.

6 (3) If the owner of any land and improvements is dissatisfied with the appraisal as it reflects the
7 market value of the property as determined by the department or with the classification of the land or
8 improvements, the owner may request an assessment review by submitting an objection in writing to the
9 department, on forms provided by the department for that purpose, within 30 days after receiving the
10 notice of classification and appraisal from the department. The review must be conducted informally and
11 is not subject to the contested case procedures of the Montana Administrative Procedure Act. As a part
12 of the review, the department may consider the actual selling price of the property, independent appraisals
13 of the property, and other relevant information presented by the taxpayer in support of the taxpayer's
14 opinion as to the market value of the property. The department shall give reasonable notice to the taxpayer
15 of the time and place of the review. After the review, the department shall determine the correct appraisal
16 and classification of the land or improvements and notify the taxpayer of its determination. In the
17 notification, the department shall state its reasons for revising the classification or appraisal. When the
18 proper appraisal and classification have been determined, the land must be classified and the improvements
19 appraised in the manner ordered by the department.

20 (4) Whether a review as provided in subsection (3) is held or not, the department may not adjust
21 an appraisal or classification upon the taxpayer's objection unless:

22 (a) the taxpayer has submitted an objection in writing; and

23 (b) the department has stated its reason in writing for making the adjustment.

24 (5) A taxpayer's written objection to a classification or appraisal and the department's notification
25 to the taxpayer of its determination and the reason for that determination are public records. The
26 department shall make the records available for inspection during regular office hours.

27 (6) If any property owner feels aggrieved by the classification or appraisal made by the department
28 after the review provided for in subsection (3), the property owner has the right to first appeal to the
29 county tax appeal board and then to the state tax appeal board, whose findings are final subject to the right
30 of review in the courts. The appeal to the county tax appeal board must be filed within 30 days after notice

1 of the department's determination is mailed to the taxpayer. A county tax appeal board or the state tax
 2 appeal board may consider the actual selling price of the property, independent appraisals of the property,
 3 and other relevant information presented by the taxpayer as evidence of the market value of the property.
 4 If the county tax appeal board or the state tax appeal board determines that an adjustment should be made,
 5 the department shall adjust the base value of the property in accordance with the board's order."

6

7 **Section 108.** Section 15-7-103, MCA, is amended to read:

8 "**15-7-103. Classification and appraisal -- general and uniform methods.** (1) It is the duty of the
 9 department ~~of revenue~~ to implement the provisions of 15-7-101 through 15-7-103 by providing:

10 (a) for a general and uniform method of classifying lands in the state for the purpose of securing
 11 an equitable and uniform basis of assessment of ~~said the~~ lands for taxation purposes;

12 (b) for a general and uniform method of appraising city and town lots;

13 (c) for a general and uniform method of appraising rural and urban improvements;

14 (d) for a general and uniform method of appraising timberlands.

15 (2) All lands ~~shall~~ must be classified according to their use or uses and graded within each class
 16 according to soil and productive capacity. In ~~such the~~ classification work, ~~use shall be made of~~ soil surveys
 17 and maps and all other pertinent available information must be used.

18 (3) All lands must be classified by parcels or subdivisions not exceeding 1 section each, by the
 19 sections, fractional sections, or lots of all tracts of land that have been sectionized by the United States
 20 government, or by metes and bounds, whichever yields a true description of the land.

21 (4) All agricultural lands must be classified and appraised as agricultural lands without regard to
 22 the best and highest value use of adjacent or neighboring lands.

23 (5) In any periodic revaluation of taxable property completed under the provisions of 15-7-111 ~~after~~
 24 ~~January 1, 1986~~, all property ~~classified in 15-6-134~~ subject to reappraisal must be appraised on its market
 25 value in the same year. The department shall publish a rule specifying the year used in the appraisal.

26 (6) ~~All sewage~~ Sewage disposal systems and domestic use water supply systems of ~~all~~ dwellings
 27 may not be appraised, assessed, and taxed separately from the land, house, or other improvements in
 28 which they are located. ~~In no event may the~~ The sewage disposal or domestic water supply systems may
 29 not be included twice by including them in the valuation and assessing them separately."

30

1 **Section 109.** Section 15-7-122, MCA, is amended to read:

2 "**15-7-122. ~~Temporary authority to exceed mill~~ Mill levy limitations. ~~Unless otherwise~~
3 ~~provided by law, taxing~~ jurisdictions may not adopt and levy for a budget ~~equal to that exceeds~~ 105% of
4 the preceding year's budget, statutory mill levy ~~limitations~~ provisions notwithstanding, ~~unless the taxable~~
5 ~~valuation therein has increased to a level which would allow statutory mill levies to produce a budget equal~~
6 ~~to 105% of the preceding year's budget.~~"**

7

8 **Section 110.** Section 15-7-202, MCA, is amended to read:

9 "**15-7-202. Eligibility of land for valuation as agricultural.** (1) (a) Contiguous parcels of land
10 totaling 160 acres or more under one ownership are eligible for valuation, assessment, and taxation as
11 agricultural land each year that none of the parcels is devoted to a residential, commercial, or industrial use.

12 (b) (i) Contiguous parcels of land of 20 acres or more but less than 160 acres under one ownership
13 are eligible for valuation, assessment, and taxation as agricultural land if the land is used primarily for
14 raising and marketing, as defined in subsection (1)(c), products that meet the definition of agricultural in
15 15-1-101. A parcel of land is presumed to be used primarily for raising agricultural products if the owner
16 or the owner's immediate family members, agent, employee, or lessee markets not less than \$1,500 in
17 annual gross income from the raising of agricultural products produced by the land. The owner of land that
18 is not presumed to be agricultural land shall verify to the department that the land is used primarily for
19 raising and marketing agricultural products.

20 (ii) Noncontiguous parcels of land that meet the income requirement of subsection (1)(b)(i) are
21 eligible for valuation, assessment, and taxation as agricultural land under subsection (1)(b)(i) if:

22 (A) the land is an integral part of a bona fide agricultural operation undertaken by the persons set
23 forth in subsection (1)(b)(i) as defined in this section; and

24 (B) the land is not devoted to a residential, commercial, or industrial use.

25 (c) For the purposes of this subsection (1), ~~(i)~~ "marketing" means the selling of agricultural
26 products produced by the land and includes but is not limited to:

27 ~~(A)~~(i) rental or lease of the land as long as the land is actively used for grazing livestock or for other
28 agricultural purposes; and

29 ~~(B)~~(ii) rental payments made under the federal conservation reserve program or a successor to that
30 program;

1 ~~(ii) land that is devoted to residential use or that is used for agricultural buildings and is included~~
 2 ~~in or is contiguous to land under the same ownership that is classified as agricultural land, other than land~~
 3 ~~described in 15-6-133(1)(c), must be classified as agricultural land, and the land must be valued as provided~~
 4 ~~in 15-7-206.~~

5 (2) Contiguous or noncontiguous parcels of land totaling less than 20 acres under one ownership
 6 that are actively devoted to agricultural use are eligible for valuation, assessment, and taxation as
 7 agricultural each year that the parcels meet any of the following qualifications:

8 (a) the parcels produce and the owner or the owner’s agent, employee, or lessee markets not less
 9 than \$1,500 in annual gross income from the raising of agricultural products as defined in 15-1-101; or

10 (b) the parcels would have met the qualification set out in subsection (2)(a) were it not for
 11 independent, intervening causes of production failure beyond the control of the producer or marketing delay
 12 for economic advantage, in which case proof of qualification in a prior year will suffice.

13 (3) Parcels that do not meet the qualifications set out in subsections (1) and (2) may not be
 14 classified or valued as agricultural if they are part of a platted subdivision that is filed with the county clerk
 15 and recorder in compliance with the Montana Subdivision and Platting Act.

16 (4) Land may not be classified or valued as agricultural if it is subdivided land with stated
 17 restrictions effectively prohibiting its use for agricultural purposes. For the purposes of this subsection only,
 18 "subdivided land" includes parcels of land larger than 20 acres that have been subdivided for commercial
 19 or residential purposes.

20 (5) The grazing on land by a horse or other animals kept as a hobby and not as a part of a bona
 21 fide agricultural enterprise is not considered a bona fide agricultural operation.

22 (6) The department may not classify land consisting of less than 160 acres as agricultural unless
 23 the owner has applied to have land classified as agricultural land. Land of 20 acres or more but less than
 24 160 acres for which no application for agricultural classification has been made is taxed as provided in
 25 ~~15-6-133(1)(c)~~ 15-8-111. If land has been valued, assessed, and taxed as agricultural land in any year, it
 26 must continue to be valued, assessed, and taxed as agricultural until the department reclassifies the
 27 property. A reclassification does not mean revaluation pursuant to 15-7-111.

28 (7) For the purposes of this part, growing timber is not an agricultural use."
 29

30 **Section 111.** Section 15-7-206, MCA, is amended to read:

1 **"15-7-206. Improvements on agricultural land.** ~~(1)~~ In determining the total area of land actively
 2 devoted to agricultural use, there is included the area of all land under barns, sheds, silos, cribs,
 3 greenhouses, and ~~like similar~~ structures, and under all lakes, dams, ponds, streams, irrigation ditches, and
 4 ~~like facilities~~ similar water bodies and related structures.

5 ~~(2) One acre of land beneath agricultural improvements on agricultural land, as described in~~
 6 ~~15-7-202(1)(c)(iii), is valued at the class with the highest productive value and production capacity of~~
 7 ~~agricultural land."~~

8
 9 **Section 112.** Section 15-7-221, MCA, is amended to read:

10 **"15-7-221. (Temporary) Phasein of the taxable value of agricultural land.** The increase or decrease
 11 in taxable value of agricultural land resulting from the change in the method of determining productive
 12 capacity value under 15-7-201 must be phased in ~~beginning January 1, 1995,~~ as follows:

13 ~~(1) For the year beginning January 1, 1995, and ending December 31, 1995, the taxable value of~~
 14 ~~agricultural land in each land use and production category must increase or decrease from the December~~
 15 ~~31, 1994, value by one third of the difference between the product of the productive capacity value of~~
 16 ~~agricultural land for 1995 determined under 15-7-201 times the class three tax rate and the taxable value~~
 17 ~~of agricultural land as of December 31, 1994.~~

18 ~~(2) For the year beginning January 1, 1996, and ending December 31, 1996, the taxable value of~~
 19 ~~agricultural land in each land use and production category must increase or decrease from the December~~
 20 ~~31, 1994, value by two-thirds of the difference between the product of the productive capacity value of~~
 21 ~~agricultural land for 1995 determined under 15-7-201 times the class three tax rate and the taxable value~~
 22 ~~of agricultural land as of December 31, 1994.~~

23 ~~(3)(2)~~ Beginning January 1, 1997, the taxable value of agricultural land in each land use and
 24 production category is equal to 100% of the productive capacity value of agricultural land determined under
 25 15-7-201 times the class three tax rate.

26 ~~(4)(3)~~ This section does not apply to land described in ~~15-6-133(1)(e)~~ 15-8-111(8)(b). (Repealed
 27 effective January 1, 1998--secs. 4, 5, Ch. 563, L. 1995.)"

28
 29 **Section 113.** Section 15-8-104, MCA, is amended to read:

30 **"15-8-104. Department audit and review of taxable value -- costs paid by department.** (1) When

1 in the judgment of the director of revenue it is necessary, audits may be made for the purpose of
 2 determining the taxable value of net proceeds of mines and oil and gas wells and all other types of property
 3 subject to ad valorem taxation.

4 ~~(2) The department may conduct reviews of the assessment of all commercial personal property~~
 5 ~~to ensure that the value of the property in those classes reflects market value. Because the assessed value~~
 6 ~~of commercial personal property is defined as market value under 15-8-111(2), the review conducted by~~
 7 ~~the department may be directed toward ensuring that all taxable personal property is reported to the~~
 8 ~~department.~~

9 ~~(3)(2) The cost of any audit or review performed under subsection (1) or (2) must be paid by the~~
 10 ~~department."~~

11

12 **Section 114.** Section 15-8-111, MCA, is amended to read:

13 **"15-8-111. Assessment -- market value standard -- exceptions.** (1) All taxable property must be
 14 assessed at 100% of its market value except as otherwise provided.

15 (2) (a) Market value is the value at which property would change hands between a willing buyer
 16 and a willing seller, neither being under any compulsion to buy or to sell and both having reasonable
 17 knowledge of relevant facts.

18 (b) If the department uses construction cost as one approximation of market value, the department
 19 shall fully consider reduction in value caused by depreciation, whether through physical depreciation,
 20 functional obsolescence, or economic obsolescence.

21 ~~(c) Except as provided in subsection (3), the market value of all motor trucks; agricultural tools,~~
 22 ~~implements, and machinery; and vehicles of all kinds is the average wholesale value shown in national~~
 23 ~~appraisal guides and manuals or the value of the vehicle before reconditioning and profit margin. The~~
 24 ~~department shall prepare valuation schedules showing the average wholesale value when a national~~
 25 ~~appraisal guide does not exist.~~

26 (3) The department may not adopt a lower or different standard of value from market value in
 27 making the official assessment and appraisal of the value of property, except:

28 ~~(a) the wholesale value for agricultural implements and machinery is the loan value as shown in~~
 29 ~~the Official Guide, Tractor and Farm Equipment, published by the national farm and power equipment~~
 30 ~~dealers association, St. Louis, Missouri;~~

1 ~~(b) for agricultural implements and machinery not listed in the official guide, the department shall~~
 2 ~~prepare a supplemental manual in which the values reflect the same depreciation as those found in the~~
 3 ~~official guide; and~~

4 ~~(e) as otherwise authorized in Title 15 and Title 61.~~

5 (4) For purposes of taxation, assessed value is the same as appraised value.

6 (5) The taxable value for all property, including housetrailer and mobile homes taxed under
 7 15-24-202, is the percentage of market or assessed value established for each class of property as provided
 8 in this section.

9 ~~(6) The assessed value of properties in 15-6-131 through 15-6-133 is as follows:~~

10 ~~(a) Properties in 15-6-131, under class one, are assessed under Title 15, chapter 23, part 5, are~~
 11 valued at 100% of the product of 14 times the annual net proceeds of mines and mining claims after
 12 deducting the expenses specified and allowed by provided in 15-23-503 or, if applicable, as provided in
 13 15-23-515, 15-23-516, 15-23-517, or 15-23-518.

14 ~~(b)(7) Properties in 15-6-132, under class two, are assessed under Title 15, part 23, part 8, are~~
 15 valued at 100% of the annual gross proceeds.

16 ~~(e)(8) (a) Properties in 15-6-133, under class three, Agricultural lands~~ are assessed at 100% of
 17 the productive capacity of the lands when valued for agricultural purposes. All lands that meet the
 18 qualifications of 15-7-202 are valued as agricultural lands for tax purposes.

19 (b) Parcels of land that consist of 20 acres or more but less than 160 acres, that are under one
 20 ownership, and that are not eligible for valuation, assessment, and taxation as agricultural land under
 21 15-7-202(1) are assessed at 100% of the product of 7 times the productive capacity of grazing land, at
 22 the average grade of grazing land. The land may not be devoted to a commercial or industrial purpose.

23 ~~(d)(9) Properties in 15-6-143, under class ten, Forest land~~ are is assessed at 100% of the forest
 24 productivity value of the land when valued as forest land as provided in Title 15, chapter 44.

25 ~~(7)(10)~~ Land and the improvements on the land are separately assessed when any of the following
 26 conditions occur:

27 (a) ownership of the improvements is different from ownership of the land;

28 (b) the taxpayer makes a written request; or

29 (c) the land is outside an incorporated city or town."

30

1 **Section 115.** Section 15-8-112, MCA, is amended to read:

2 "**15-8-112. Assessments to be made on classification and appraisal.** (1) The assessments of all
3 lands, all city and town lots, and all improvements must be made on the classification and appraisal as
4 made or caused to be made by the department.

5 (2) The ~~percentage taxable~~ taxable basis of the market value or assessed value, as provided for in ~~chapter~~
6 ~~6, part 1~~ 15-8-111, is determined and assigned by the department when it makes its annual assessment
7 of the property that it is required to assess centrally. The department shall apportion the assessments to
8 the various counties, and its determination is final except as to the right of review in the state tax appeal
9 board or the proper court."

10

11 **Section 116.** Section 15-8-201, MCA, is amended to read:

12 "**15-8-201. General assessment day.** (1) The department shall, between January 1 and the second
13 Monday of July in each year, ascertain the names of all taxable inhabitants and assess all property subject
14 to taxation in each county. The department shall assess property to the person by whom it was owned or
15 claimed or in whose possession or control it was at midnight of the preceding January 1. The department
16 shall also ascertain and assess all mobile homes arriving in the county after midnight of the preceding
17 January 1. A mistake in the name of the owner or supposed owner of real property does not invalidate the
18 assessment.

19 (2) The procedure provided by this section does not apply to:

20 (a) motor vehicles that are ~~required by 15-8-202 to be assessed on January 1 or upon their~~
21 ~~anniversary registration date~~ taxed under Title 61;

22 (b) motor homes, travel trailers, and campers;

23 (c) watercraft;

24 (d) livestock;

25 ~~(e) property defined in 61-1-104 as "special mobile equipment" that is subject to assessment for~~
26 ~~personal property taxes on the date that application is made for a special mobile equipment plate;~~

27 ~~(f)~~(e) mobile homes held by a distributor or dealer of mobile homes as stock in trade; and

28 ~~(g)~~(f) property subject to the provisions of 15-16-203.

29 ~~(3) Credits must be assessed as provided in 15-1-101(1)(f)."~~

30

1 **Section 117.** Section 15-8-202, MCA, is amended to read:

2 **"15-8-202. Motor vehicle assessment by department of justice.** (1) ~~The department shall, in each~~
 3 ~~year, ascertain and assess all motor vehicles, other than motor homes, travel trailers, and campers or mobile~~
 4 ~~homes, in each county subject to taxation as of January 1 or as of the anniversary registration date of~~
 5 ~~those vehicles as provided by law, subject to 61-3-313 through 61-3-316 and 61-3-501. The assessment~~
 6 ~~for~~ department of justice shall assess all motor vehicles ~~must be made for taxation~~ in accordance with
 7 61-3-503. The motor vehicles must be assessed in each year to the persons by whom owned or claimed
 8 or in whose possession or control they were ~~at midnight of January 1 or on~~ the anniversary registration
 9 date, ~~whichever is applicable.~~

10 (2) A tax may not be assessed against motor vehicles subject to taxation that constitute inventory
 11 of motor vehicle dealers as of January 1. These vehicles and all other motor vehicles subject to taxation
 12 brought into the state subsequent to January 1 as motor vehicle dealers' inventories must be assessed to
 13 their respective purchasers as of the dates the vehicles are registered by the purchasers.

14 (3) "Purchasers" includes dealers who apply for registration or reregistration of motor vehicles,
 15 except as otherwise provided by 61-3-502.

16 ~~(4) Goods, wares, and merchandise of motor vehicle dealers, other than new motor vehicles and~~
 17 ~~new mobile homes, must be assessed at market value as of January 1."~~

18
 19 **Section 118.** Section 15-8-205, MCA, is amended to read:

20 **"15-8-205. Initial assessment of ~~class-four~~ trailer and mobile home property ~~—when.~~** The
 21 department shall assess all ~~class-four~~ trailer and mobile home property immediately upon arrival in the
 22 county if the taxes have not been previously paid for that year in another county in Montana."
 23

24 **Section 119.** Section 15-8-301, MCA, is amended to read:

25 **"15-8-301. Statement -- what to contain.** (1) The department may require from a person a
 26 statement under oath setting forth specifically all the real property and ~~personal property~~ improvements
 27 owned by, in possession of, or under the control of the person at midnight on January 1. The statement
 28 must be in writing, showing separately:

29 (a) all property belonging to, claimed by, or in the possession or under the control or management
 30 of the person;

1 (b) all property belonging to, claimed by, or in the possession or under the control or management
2 of any firm of which the person is a member;

3 (c) all property belonging to, claimed by, or in the possession or under the control or management
4 of any corporation of which the person is president, secretary, cashier, or managing agent;

5 (d) the county in which the property is situated or in which the property is liable to taxation and,
6 if liable to taxation in the county in which the statement is made, also the city, town, school district, road
7 district, or other revenue districts in which the property is situated;

8 (e) an exact description of all ~~lands, land and~~ improvements, ~~and personal property~~;

9 (f) all depots, shops, stations, buildings, and other structures erected on the space covered by the
10 right-of-way and all other property owned by any person owning or operating any railroad within the
11 county.

12 ~~(2) The department shall notify the taxpayer in the statement for reporting personal property owned~~
13 ~~by a business or used in a business that the statement is for reporting business equipment and other~~
14 ~~business personal property described in Title 15, chapter 6, part 1.~~

15 ~~(3)~~(2) Whenever one member of a firm or one of the proper officers of a corporation has made a
16 statement showing the property of the firm or corporation, another member of the firm or another officer
17 is not required to include the property in that person's statement but the statement must show the name
18 of the person or officer who made the statement in which the property is included.

19 ~~(4)~~(3) The fact that a statement is not required or that a person has not made a statement, under
20 oath or otherwise, does not relieve the person's property from taxation."

21

22 **Section 120.** Section 15-8-405, MCA, is amended to read:

23 "**15-8-405. Street railroads, bridges, and ferries.** Street railroads, ~~and~~ bridges, and ferries and their
24 franchises owned by persons or corporations must be listed and assessed in the county, town, or district
25 where ~~such~~ the property or any portion ~~thereof~~ of the property is located, ~~and the track of the railroad and~~
26 ~~the bridge are personal property.~~"

27

28 **Section 121.** Section 15-8-406, MCA, is amended to read:

29 "**15-8-406. Assessment of public utilities in one county.** Railroads operated or situated in one
30 county; telegraph, telephone, and electric ~~light~~ power lines and similar franchises and properties situated

1 in one county ~~and their franchises~~; and canals, ditches, and flumes situated in one county and ~~the their~~
 2 franchises ~~of the same~~ must be listed and assessed in the county in which ~~such~~ the property is located,
 3 ~~and the department of revenue must require the~~ The owner of such property or his the owner's agent or
 4 any officer of a corporation owning ~~the same to make a verified statement containing a list of~~ property
 5 described in this section shall verify to the department the number of miles ~~such~~ of the property that is
 6 operated or situated in the county and the value ~~thereof~~ of the property."

7
 8 **Section 122.** Section 15-8-407, MCA, is amended to read:

9 **"15-8-407. Railroads and other franchises.** (1) The franchise, ~~roadway, roadbed, rails, rolling~~
 10 ~~stock, and all other operating~~ and property of ~~all railroads~~ a railroad operated in more than one county or
 11 in more than one state must be assessed by the department ~~of revenue as hereinafter provided in Title 15,~~
 12 chapter 23, part 2.

13 (2) ~~Other franchises, if granted by the authorities of a county or city, A franchise, other than a~~
 14 railroad franchise, must be assessed in the county or city within which ~~they were~~ the franchise was
 15 granted; ~~if a franchise was granted by any other authority, they~~ the franchise must be assessed in the
 16 county in which the ~~corporations, firms, or persons~~ corporation, firm, or person owning or holding ~~them~~
 17 have their the franchise has its principal place of business."

18
 19 **Section 123.** Section 15-8-701, MCA, is amended to read:

20 **"15-8-701. Property tax record -- definition -- listing property in.** (1) Unless the context clearly
 21 indicates otherwise, the term "property tax record" means the record that is kept in each county by the
 22 department and that contains the information described in subsection (2). The term includes records
 23 referred to as an "assessment book" or "assessment roll" and, in a county in which the property tax record
 24 is kept on a computer system, the information on the system analogous to the information described in
 25 subsection (2).

26 (2) The department shall prepare a property tax record with appropriate headings, ~~in~~ which must
 27 ~~be listed~~ list all property within the state and ~~in which~~ must be specified specify, by an appropriate heading:

- 28 (a) the name of the person to whom the property is assessed;
- 29 (b) land by description sufficient to identify it, the locality, and the improvements on the land;
- 30 (c) ~~all taxable personal property, showing the number, kind, amount, and quality; but a failure to~~

1 ~~enumerate in detail the personal property does not invalidate the assessment;~~

2 ~~(d)~~ the assessed value of real estate;

3 ~~(e)~~(d) the assessed value of improvements on land, except that land and improvements must be
4 separately listed when required under 15-8-111;

5 ~~(f)~~(e) the assessed value of improvements on real estate assessed to persons other than the owners
6 of the real estate. Taxable improvements owned by a person, located upon land exempt from taxation,
7 must, as to the manner of assessment, be assessed as other real estate. A value may not be assessed
8 against the exempt land, and the land may not be charged with and is not responsible for the assessment
9 made against any taxable improvements located on the land.

10 ~~(g) the assessed value of all taxable personal property;~~

11 ~~(h)~~(f) the school, road, and other revenue districts in which each piece of property assessed is
12 situated;

13 ~~(i)~~(g) the total assessed value of all property;

14 ~~(j)~~(h) the taxable value of all property;

15 ~~(k)~~(i) the taxes and fees assessed against the property; and

16 ~~(l)~~(j) the total of each type of tax, levy, and fee."
17

18 **NEW SECTION. Section 124. Property tax limitations.** (1) Except as provided in [section 125] and
19 subsection (2) of this section, the amount of taxes levied on property may not, for any taxing jurisdiction,
20 exceed 105% of the amount levied for the previous tax year.

21 (2) If a taxing jurisdiction reduces mill levies below the amount levied in the previous tax year, it
22 may subsequently increase mill levies to 105% of the highest amount levied in any previous tax year that
23 began after December 31, 1997.
24

25 **NEW SECTION. Section 125. Property tax limitations -- exceptions.** (1) The limitation on the
26 amount of taxes levied means that, except as otherwise provided in this section, the total amount of taxes
27 levied by each taxing unit is limited to 105% of the dollar amount levied in each taxing unit for the previous
28 tax year. The governing body of a taxing unit shall adjust mill levies to compensate for any increase in
29 taxable valuation to ensure that taxes levied do not exceed 105% of the amount levied in the previous tax
30 year.

1 (2) The limitation on the amount of taxes levied does not prohibit an increase in the total taxes
2 levied by a taxing unit as a result of:

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

4 (b) construction, expansion, or remodeling of residential or commercial improvements;

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

6 (d) subdivision of real property;

7 (e) reclassification of property;

8 (f) increases in the amount of production or the value of production for property described in
9 15-6-131 or 15-6-132; or

10 (g) transfer of property from tax-exempt to taxable status.

11 (3) The limitation on the amount of taxes levied does not prohibit an increase in the total taxes
12 levied by a taxing unit in order to compensate the taxing unit for any loss in the total amount of nonlevy
13 revenue received in the previous tax year from taxes imposed under Title 15, chapter 23, part 7, and Title
14 15, chapter 36, part 3.

15 (4) The limitation on the amount of taxes levied does not prohibit a further increase in the taxable
16 valuation of the taxing unit or in the actual tax liability on individual property.

17 (5) The limitation on the amount of taxes, as clarified in this section, is intended to leave the
18 property appraisal and valuation methodologies of the department intact. Determinations of county
19 classifications, salaries of local government officers, and all other matters in which total taxable valuation
20 is an integral component are not affected by [section 124] and this section.

21 (6) The limitation on the amount of taxes levied does not apply in a taxing unit if the voters in the
22 taxing unit approve an increase in mill levies 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
24 for a vote of the electorate to impose mill levies or to change mill levies, then mill levies may be imposed
25 or increased after approval of the electorate of the taxing unit.

26 (b) If the taxing unit or a particular fund of the taxing unit does not have a statutory basis for
27 holding an election on whether to impose or to change a mill levy, the governing body of the taxing unit
28 may refer the question of whether to impose or to change the mill levy to the electorate of the taxing unit.

29 The resolution must contain:

30 (i) a finding that there are insufficient funds to adequately operate the taxing unit or applicable

1 governmental function as a result of the limitations of [section 124] and this section;

2 (ii) a finding that there are no alternative sources of revenue; and

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

4 (7) The limitation on the amount of taxes levied by a taxing jurisdiction does not prevent a taxing
5 jurisdiction from increasing its number of mills beyond the mill levy in the previous year to produce revenue
6 equal to 105% of its revenue in the previous tax year.

7 (8) When each revaluation cycle takes effect pursuant to 15-7-111, mill levies must be reduced
8 in order to compensate for an increase in taxable valuation, for reasons other than those described in
9 subsection (2), in a taxing unit as a result of cyclical reappraisal.

10

11 **Section 126.** Section 15-16-102, MCA, is amended to read:

12 "**15-16-102. Time for payment -- penalty for delinquency.** ~~Except as provided in 15-16-802 and~~
13 ~~15-16-803 and unless~~ Unless suspended or canceled under the provisions of Title 15, chapter 24, part 17,
14 all taxes levied and assessed in the state of Montana, except assessments made for special improvements
15 in cities and towns payable under 15-16-103, are payable as follows:

16 (1) One-half of the taxes are payable on or before 5 p.m. on November 30 of each year or within
17 30 days after the tax notice is postmarked, whichever is later, and one-half are payable on or before 5 p.m.
18 on May 31 of each year.

19 (2) Unless one-half of the taxes are paid on or before 5 p.m. on November 30 of each year or
20 within 30 days after the tax notice is postmarked, whichever is later, the amount payable is delinquent and
21 draws interest at the rate of 5/6 of 1% a month from and after the delinquency until paid and 2% must be
22 added to the delinquent taxes as a penalty.

23 (3) All taxes due and not paid on or before 5 p.m. on May 31 of each year are delinquent and draw
24 interest at the rate of 5/6 of 1% a month from and after the delinquency until paid, and 2% must be added
25 to the delinquent taxes as a penalty.

26 (4) If the date on which taxes are due falls on a holiday or Saturday, taxes may be paid without
27 penalty or interest on or before 5 p.m. of the next business day in accordance with 1-1-307.

28 (5) A taxpayer may pay current year taxes without paying delinquent taxes. The county treasurer
29 shall accept a partial payment equal to the delinquent taxes, including penalty and interest, for one or more
30 full taxable years, provided both halves of the current tax year have been paid. Payment of taxes for

1 delinquent taxes must be applied to the taxes that have been delinquent the longest. The payment of the
2 current tax year is not a redemption of the property tax lien for any delinquent tax year.

3 (6) The penalty and interest on delinquent assessment payments for specific parcels of land may
4 be waived by resolution of the city council. A copy of the resolution must be certified to the county
5 treasurer."

6
7 **Section 127.** Section 15-16-118, MCA, is amended to read:

8 **"15-16-118. Minimum tax payment — ~~limitation of appeal.~~** (1) If the taxes and special assessments
9 due for the current year shown in the written notice sent to the taxpayer as required in 15-16-101(2) are
10 less than \$5 ~~or if a tax notice of taxes and special assessments due on personal property is less than \$5,~~
11 the county treasurer shall notify the taxpayer that a minimum tax of \$5 is imposed and due. The \$5 tax
12 is imposed for purposes of defraying administrative expenses incurred in administering the tax. The
13 difference between the taxes and special assessments and the minimum tax of \$5 is to be deposited in the
14 county general fund.

15 (2) The notification of the \$5 minimum tax required by subsection (1) must be made in the notice
16 required in 15-16-101(2) ~~or in the notice of taxes and special assessments due on personal property.~~

17 ~~(3) The minimum tax imposed by this section is not affected by the limitation on property taxes~~
18 ~~contained in Title 15, chapter 10, part 4.~~

19 ~~(4)~~(3) The minimum assessment imposed by this section does not apply to assessments levied
20 against property owned by the state or a county, consolidated local government, city, town, school district,
21 or other governmental entity unless the total assessments levied against all the property owned by the
22 governmental entity are less than \$5."

23
24 **Section 128.** Section 15-16-202, MCA, is amended to read:

25 **"15-16-202. Boats, snowmobiles, and motor vehicles -- payment of current and back taxes and**
26 **fees.** (1) The fee in lieu of ~~personal property~~ taxes assessed against a boat for the year in which application
27 for decals is made and the immediately previous year must be paid before license decals may be issued
28 pursuant to 23-2-515.

29 (2) The fee in lieu of tax imposed on a snowmobile for the year in which application for registration
30 is made and the immediately previous year must be paid before a snowmobile may be registered pursuant

1 to 23-2-616.

2 (3) Except for mobile homes as defined in 15-1-101, the new motor vehicle sales tax and the
3 ~~personal property~~ motor vehicle tax or fee in lieu of tax imposed or assessed against a motor vehicle for
4 the current year and the immediately previous year must be paid before a motor vehicle may be registered
5 or reregistered pursuant to 61-3-303.

6 (4) The provisions of subsections (1) through (3) do not require payment of the immediately
7 previous year's taxes or fees if ~~such~~ the taxes or fees have already been paid."

8

9 **Section 129.** Section 15-16-603, MCA, is amended to read:

10 "**15-16-603. Refund of taxes -- limitations on refunds.** (1) Subject to the provisions in subsections
11 (2) and (3), a board of county commissioners shall order a refund:

12 (a) on a tax, penalty, interest, or cost paid more than once or erroneously or illegally collected if
13 an appeal pursuant to 15-1-402 was not available;

14 (b) on a tax paid for which a refund is allowed under 15-16-612 ~~or 15-16-613~~;

15 (c) on a tax, penalty, or interest collected as a result of an error in the description or location of
16 real property or improvements or for duplicate taxes paid as determined by the department ~~of revenue~~;

17 (d) on net or gross proceeds tax, centrally assessed property tax, or local government severance
18 tax, penalty, or interest when the department ~~of revenue~~ notifies the board of county commissioners of an
19 assessment revision completed pursuant to 15-8-601; or

20 (e) upon entry of a decision either by the district court or by the state tax appeal board under
21 15-2-306 that has not been appealed to a higher court.

22 (2) The taxpayer shall prove that a refund is due under subsection (1)(a) or (1)(b).

23 (3) (a) A refund may not be granted under subsection (1)(a) or (1)(b) unless the taxpayer or a
24 representative of the taxpayer files a written claim with the board of county commissioners within 10 years
25 after the date when the second half of the taxes would have become delinquent if the taxes had not been
26 paid.

27 (b) The refund required under subsection (1)(c) must be made for 5 tax years or for the duration
28 of the error, whichever period is shorter.

29 (c) A refund may not be made under subsection (1)(c) unless the taxpayer allowed the department
30 ~~of revenue~~ access to the taxpayer's property for the purposes of appraising the property."

1 **Section 130.** Section 15-16-611, MCA, is amended to read:

2 "**15-16-611. Reduction of property tax for property destroyed by natural disaster** ~~—proration of~~
3 ~~taxes on replaced property.~~ (1) The department shall, upon showing by a taxpayer that some or all of the
4 improvements, as defined in 15-1-101, on the taxpayer's real property, or that a trailer or mobile home,
5 ~~or that personal property taxed under Title 15, chapter 6, part 1,~~ has been destroyed to such an extent that
6 the improvements or ~~personal property~~ the trailer or mobile home has been rendered unsuitable for its
7 previous use by natural disaster, adjust the taxable value on the property, accounting for the destruction.

8 (2) The county treasurer shall adjust the tax due and payable for the current year on the property
9 under 15-16-102 or on ~~personal property under 15-16-119 or~~ 15-24-202 as provided in subsection (3) of
10 this section.

11 (3) To determine the amount of tax due for destroyed property, the county treasurer shall:

12 (a) multiply the amount of tax levied and assessed on the original taxable value of the property for
13 the year by the ratio that the number of days in the year that the property existed before destruction bears
14 to 365; and

15 (b) multiply the amount of tax levied and assessed on the adjusted taxable value of the property
16 for the remainder of the year by the ratio that the number of days remaining in the year after the
17 destruction of the property bears to 365.

18 (4) This section does not apply to delinquent taxes owed on the destroyed property for a year prior
19 to the year in which the property was destroyed.

20 ~~(5) A taxpayer receiving a reduction in taxes on personal property under this section shall notify~~
21 ~~the department if the taxpayer replaces the destroyed personal property in the same tax year that the~~
22 ~~personal property was destroyed. The tax on the personal property replacing the destroyed personal~~
23 ~~property must be prorated according to the ratio that the number of days remaining in the year after the~~
24 ~~property was replaced bears to 365. A taxpayer who fails to notify the department within 30 days from~~
25 ~~the date of the replacement of the personal property is subject to the penalty prescribed in 15-1-303.~~

26 ~~(6)~~ For the purposes of this section, "natural disaster" includes but is not limited to fire, flood,
27 earthquake, or wind. A fire is considered a natural disaster regardless of the origin of the fire. However,
28 if the taxpayer is convicted of arson for burning the property, property taxes may not be adjusted. If the
29 taxes had already been adjusted prior to the conviction, the original amount must be collected."

30

1 **Section 131.** Section 15-17-121, MCA, is amended to read:

2 **"15-17-121. Definitions.** Except as otherwise specifically provided, when terms mentioned in Title
3 15, chapters 17 and 18, are used in connection with taxation, they are defined in the following manner:

4 (1) "Certificate" or "tax sale certificate" means the document described in 15-17-212.

5 (2) (a) "Cost" means the cost incurred by the county as a result of a taxpayer's failure to pay taxes
6 when due. It includes but is not limited to any actual out-of-pocket expenses incurred by the county plus
7 the administrative cost of:

8 (i) preparing the list of delinquent taxes;

9 (ii) preparing the notice of pending tax sale;

10 (iii) conducting the tax sale;

11 (iv) assigning the county's interest in a tax lien to a third party;

12 (v) identifying interested persons entitled to notice of the pending issuance of a tax deed;

13 (vi) notifying interested persons;

14 (vii) issuing the tax deed; and

15 (viii) any other administrative task associated with accounting for or collecting delinquent taxes.

16 (b) Cost does not include the costs incurred by the owner of a property tax lien other than the
17 county.

18 (3) "County" means any county government and includes those classified as consolidated
19 governments.

20 (4) "Property tax lien" means a lien acquired by the payment at a tax sale of all outstanding
21 delinquent taxes, including penalties, interest, and costs.

22 (5) "Purchaser" means any person, other than the person to whom the property is assessed, who
23 pays at the tax sale the delinquent taxes, including penalties, interest, and costs, and receives a certificate
24 representing a lien on the property or who is otherwise listed as the purchaser. An assignee is a purchaser.

25 (6) "Tax", "taxes", or "property taxes" means all ad valorem property taxes, property assessments,
26 fees related to property, and assessments for special improvement districts and rural special improvement
27 districts.

28 (7) "Tax sale" means:

29 ~~(a)~~ with respect to real property and improvements, the offering for sale by the county treasurer
30 of a property tax lien representing delinquent taxes, including penalties, interest, and costs; ~~and~~

1 ~~(b) with respect to personal property, the offering for sale by the county treasurer of personal~~
 2 ~~property on which the taxes are delinquent or other personal property on which the delinquent taxes are~~
 3 ~~ation."~~

4
 5 **Section 132.** Section 15-23-101, MCA, is amended to read:

6 "**15-23-101. Properties centrally assessed.** The department of revenue shall centrally assess each
 7 year:

8 (1) the franchise, roadway, roadbeds, rails, ~~rolling stock~~, and all other operating property, except
 9 personal property not attached or affixed to land or improvements, of railroads ~~and railroad car companies~~
 10 operating in more than one county in the state or in more than one state;

11 (2) property owned by a corporation or other person operating a single and continuous property
 12 operated in more than one county or in more than one state, including telegraph, telephone, microwave,
 13 electric power or transmission lines; natural gas or oil pipelines; canals, ditches, flumes, or ~~like~~ similar
 14 properties and including, if congress passes legislation that allows the state to tax property owned by an
 15 agency created by congress to transmit or distribute electrical energy, property constructed, owned, or
 16 operated by a public agency created by the congress to transmit or distribute electric energy produced at
 17 privately owned generating facilities, (not including rural electric cooperatives);

18 (3) ~~all~~ real property and improvements of scheduled airlines;

19 (4) the net proceeds of mines ~~and of oil and gas wells~~;

20 (5) the gross proceeds of coal mines; and

21 (6) property described in subsections (1) and (2) ~~which~~ that is subject to the provisions of Title 15,
 22 chapter 24, part 12."

23
 24 **Section 133.** Section 15-23-103, MCA, is amended to read:

25 "**15-23-103. Due date of reports and returns -- extensions.** (1) Except as provided in ~~subsection~~
 26 subsections (2) and (3), each report or return described in 15-23-301, 15-23-402, 15-23-502, 15-23-517,
 27 or 15-23-701, ~~or 15-23-517~~ must be delivered to the department on or before March 31 each year.

28 (2) Each report or return for a natural gas or oil pipeline described in 15-23-301 must be delivered
 29 to the department on or before April 15 each year.

30 (3) Each report described in 15-23-201, ~~15-23-242,~~ 15-23-515, 15-23-516, or 15-23-518 must

1 be delivered to the department before April 15 each year.

2 (4) The department may for good cause extend the time for filing a return or report for not more
3 than 30 days."

4

5 **Section 134.** Section 15-23-104, MCA, is amended to read:

6 **"15-23-104. Failure to file -- estimate by department -- penalty.** ~~(4)~~ If any person fails to file a
7 report or return within the time established in 15-23-103 or by a later date approved by the department,
8 the department shall estimate the value of the property that should have been reported on the basis of the
9 best available information. In estimating the value of the net proceeds of mines, the department shall
10 proceed under 15-23-506, and in estimating the value of the gross proceeds of coal mines, the department
11 shall proceed under 15-35-107. In estimating the value of all other property subject to assessment under
12 parts 2 through 4 of this chapter, the department shall proceed under 15-1-303. In estimating value under
13 this section, the department may subpoena a person or the person's agent as specified in 15-1-302. An
14 assessment pursuant to parts 5, 7, and 8 of this chapter based on estimated value or imputed value is
15 subject to review under 15-1-211. For each month or part of a month that a report is delinquent, the
16 department shall impose and collect a \$25 penalty, with the total not to exceed \$200, and shall deposit
17 the penalty to the credit of the general fund. The department shall assess a penalty of 1% of the tax due
18 for each month or part of a month that the report is delinquent. The department shall notify the county
19 treasurer of each affected county of the amount of the penalty, and the treasurer shall collect the penalty
20 in the same manner as the taxes to which the penalty applies.

21 ~~(2) For a delinquency in reporting under 15-23-212, the department shall assess a penalty of 1%~~
22 ~~of the tax due for each month or part of a month that the report is delinquent."~~

23

24 **Section 135.** Section 15-23-105, MCA, is amended to read:

25 **"15-23-105. Apportionment among counties.** The department shall apportion the value of property
26 assessed under 15-23-101, 15-23-202, or 15-23-403, ~~other than railroad car company property,~~ among
27 the counties in which ~~such~~ the property is located. Apportionment ~~shall~~ must be on a mileage basis or on
28 the basis of the original installed cost of the centrally assessed property located in the respective counties.
29 If the property is of ~~such~~ a character that its value cannot reasonably be apportioned on the basis of
30 mileage or on the basis of the original installed cost of the centrally assessed property located in the

1 respective counties, the department may adopt ~~such other~~ another method or basis of apportionment as
2 that may be just or proper."

3
4 **Section 136.** Section 15-23-201, MCA, is amended to read:

5 "**15-23-201. Assessment of railroads.** The president, secretary, ~~or~~ managing agent, ~~or such other~~
6 officer of a corporation as the department ~~of revenue~~ may designate ~~of any corporation~~ and each person
7 or association of persons owning or operating any railroad in more than one county in this state or in more
8 than one state ~~must~~ shall on or before April 15 each year furnish the department a statement signed and
9 sworn to by one of ~~such~~ the officers or by the person or one of the persons forming ~~such~~ the association,
10 showing in detail for the year ending December 31 immediately preceding:

11 (1) the whole number of miles of railroad in the state and, ~~where~~ when the line is partly out of the
12 state, the whole number of miles ~~without~~ outside the state and the whole number within the state, owned
13 or operated by ~~such~~ the corporation, person, or association;

14 (2) the value of the roadway, roadbed, and rails of the whole railroad and the value of the same
15 within the state;

16 (3) the width of the right-of-way;

17 ~~(4) the number of each kind of all rolling stock used by such corporation, person, or association~~
18 ~~in operating the entire railroad, including the part without the state;~~

19 ~~(5) the number, kind, and value of rolling stock owned and operated in the state;~~

20 ~~(6) the number, kind, and value of rolling stock used in the state but not owned by the party~~
21 ~~making the returns;~~

22 ~~(7) the number, kind, and value of rolling stock owned but used out of the state, either upon~~
23 ~~divisions of road operated by the party making the returns or by and upon other railroads;~~

24 ~~(8)~~(4) the whole number of sidetracks in each county, including the number of miles of track in
25 each railroad yard in the state;

26 ~~(9) the number of each kind of rolling stock used in operating the entire railroad, including the part~~
27 ~~without the state, which must include a detailed statement of the number and value thereof of all engines;~~
28 ~~passenger, mail, express, baggage, freight, and other cars; or property owned or leased by such~~
29 ~~corporation, person, or association;~~

30 ~~(10) the number of sleeping and dining cars not owned by such corporation, person, or association~~

1 ~~but used in operating the railroads of such corporation, person, or association in the state or on the line of~~
 2 ~~the road without the state during each month of the year for which the return is made; also the number~~
 3 ~~of miles each month the cars have been run or operated within and without the state;~~

4 ~~(11)~~(5) a description of the road, giving the points of entrance into and the points of exit from each
 5 county, with a statement of the number of miles in each county. When a description of the road has once
 6 been given, no other annual description ~~thereof~~ is necessary unless the road has been changed. Whenever
 7 the road or any portion of the road is advertised to be sold or is sold for taxes, ~~either state or county,~~ no
 8 other description is necessary than that given by, and the same is conclusive upon, the person, corporation,
 9 or association giving the description. ~~No~~ An assessment is not invalid on account of a misdescription of the
 10 railroad or the right-of-way ~~for the same~~. If ~~such~~ the statement is not furnished as ~~above~~ provided in this
 11 section, the assessment made by the department upon the property of the corporation, person, or
 12 association failing to furnish the statement is conclusive and final.

13 ~~(12)~~(6) the gross earnings of the entire road;

14 ~~(13)~~(7) the gross earnings of the road within the state and, if the railroad is let to other operators,
 15 how much was derived by the lessor as rental;

16 ~~(14)~~(8) the cost of operating the entire road, exclusive of sinking fund, expenses of land
 17 department, and money paid to the United States;

18 ~~(15)~~(9) net income for ~~such~~ the year and the amount of dividend declared;

19 ~~(16)~~(10) capital stock authorized;

20 ~~(17)~~(11) capital stock paid in;

21 ~~(18)~~(12) funded debt;

22 ~~(19)~~(13) number of shares authorized;

23 ~~(20)~~(14) number of shares of stock issued;

24 ~~(21) number, kind, and total number of miles traveled within the state by railroad cars owned by~~
 25 ~~railroad car companies; and~~

26 ~~(22)~~(15) any other facts that the department may require."
 27

28 **Section 137.** Section 15-23-202, MCA, is amended to read:

29 "**15-23-202. Assessment —~~how made.~~** (1) The department ~~must~~ shall assess the franchise,
 30 roadway, roadbed, rails, ~~rolling stock,~~ and all other operating properties, except personal property not

1 attached or affixed to land or improvements, of all railroads operated in more than one county or in more
 2 than one state. ~~All rolling stock must be assessed in the name of the person owning, leasing, or using the~~
 3 ~~same.~~ Assessment must be made to the person owning or leasing or using the ~~same~~ property and must be
 4 made upon the entire railroad within the state. The depots, stations, shops, and buildings erected upon the
 5 space covered by the right-of-way and all other property owned or leased by ~~such~~ the person, except as
 6 ~~above~~ otherwise provided, ~~shall~~ must be assessed by the department.

7 ~~(2) In determining the taxable value of railroad property, the department shall determine the~~
 8 ~~percentage rate "R" provided for in 15-6-145 in order to achieve compliance with the requirements of the~~
 9 ~~federal Railroad Revitalization and Regulatory Reform Act of 1976, as amended."~~

10
 11 **Section 138.** Section 15-23-301, MCA, is amended to read:

12 **"15-23-301. Officers of certain public utility companies to furnish statement to department.** The
 13 president, secretary, ~~or~~ managing agent, ~~or~~ ~~such~~ other officer of a corporation as the department ~~of~~
 14 ~~revenue~~ may designate ~~of any corporation~~ and each person or association of persons owning or operating
 15 a telegraph, telephone, microwave, electric power, or transmission line, natural gas pipeline, oil pipeline,
 16 canal, ditch, flume, or other property, other than real estate not included in right-of-way or personal
 17 property not affixed or attached to land or improvements, ~~and which that~~ constitute a single and continuous
 18 property throughout more than one county or state, ~~must~~ shall each year furnish the department a
 19 statement, signed and sworn to by one of ~~such~~ the officers or by the person or one of the persons forming
 20 ~~such~~ the association, showing in detail for the year ending on December 31 immediately preceding as
 21 follows:

22 (1) the whole number of miles of ~~said~~ property in the state and, ~~where~~ when the property is partly
 23 ~~out~~ outside of the state, the whole number of miles ~~without~~ outside of the state and the whole number of
 24 miles within the state owned or operated by ~~such~~ the corporation, person, or association;

25 (2) the total value of the entire property and plant, both within and ~~without~~ outside of the state,
 26 and the total value of that portion of the ~~same~~ property and plant within the state;

27 (3) a complete description of the property within the state, giving the points of entrance into and
 28 the points of exit from the state and the points of entrance into and the points of exit from each county,
 29 with a statement of the total number of miles in each county in the state;

30 (4) ~~such~~ other information regarding ~~such~~ the property as may be required by the department."

1 **Section 139.** Section 15-23-501, MCA, is amended to read:

2 "**15-23-501. Taxation of mines.** All mines and mining claims, both placer and rock in place,
3 containing or bearing gold, silver, copper, lead, coal, or other valuable mineral deposits, after purchase
4 thereof from the United States, ~~shall be~~ are taxed as all other land is taxed. All ~~machinery used in mining~~
5 ~~and all property and~~ surface improvements upon or appurtenant to mines and mining claims ~~which~~ that have
6 a value separate and independent of ~~such~~ the mines or mining claims and the annual net proceeds of all
7 mines and mining claims ~~shall be~~ are taxed as ~~other personal property provided in 15-8-111.~~"

8

9 **Section 140.** Section 15-23-505, MCA, is amended to read:

10 "**15-23-505. Assessment of royalties.** Upon receipt of the list or schedule setting forth the names
11 and addresses of ~~any and~~ all persons owning or claiming royalty and the amount paid or yielded as royalty
12 to the royalty owners or claimants during the year for which the return is made, the department of revenue
13 shall ~~proceed to~~ assess and tax the royalties on the same basis as net proceeds of mines are taxed as
14 provided by ~~15-6-131~~ in 15-8-111."

15

16 **Section 141.** Section 15-23-703, MCA, is amended to read:

17 "**15-23-703. Taxation of gross proceeds** ~~—taxable value for bonding and guaranteed tax base aid~~
18 ~~to schools.~~ (1) The department shall compute from the reported gross proceeds from coal a tax roll that
19 must be transmitted to the county treasurer on or before September 15 each year. The department may
20 not levy or assess any mills against the reported gross proceeds of coal but shall levy a tax of 5% against
21 the value of the reported gross proceeds as provided in 15-23-701(1)(d). The county treasurer shall ~~proceed~~
22 ~~to~~ give full notice to each coal producer of the taxes due and ~~to~~ shall collect the taxes as provided in
23 15-16-101.

24 ~~(2) For bonding, county classification, and all nontax purposes, the taxable value of the gross~~
25 ~~proceeds of coal is 45% of the contract sales price as defined in 15-35-102.~~

26 ~~(3)(2)~~ Except as provided in subsection ~~(6)~~ (5), the county treasurer shall calculate and distribute
27 to the state, county, and eligible school districts in the county the amount of the coal gross proceeds tax,
28 determined by multiplying the unit value calculated in 15-23-705 times the tons of coal extracted, treated,
29 and sold on which the coal gross proceeds tax was owed during the preceding calendar year.

30 ~~(4)(3)~~ Except as provided in subsections ~~(5)~~ (4), ~~(6)~~ (5), and ~~(9)~~ (7), the county treasurer shall

1 credit the amount determined under subsection ~~(3)~~ (2) and the amounts received under 15-23-706:

2 (a) to the state and to the counties that levied mills in fiscal year 1990 against 1988 production
3 in the relative proportions required by the levies for ~~state and~~ county purposes in the same manner as
4 property taxes ~~were in the taxing jurisdiction~~ are distributed in the current fiscal year ~~1990 in the taxing~~
5 ~~jurisdiction~~; and

6 (b) to school districts in the county that either levied mills in school fiscal year 1990 against 1988
7 production or used nontax revenue, such as Public Law 81-874 money, in lieu of levying mills against
8 production, in the same manner that ~~property taxes collected or property taxes that would have been~~
9 ~~collected would have been~~ in the school district are distributed in the 1990 current school fiscal year ~~in the~~
10 ~~school district~~.

11 ~~(5)~~(4) (a) If the total tax liability in a taxing jurisdiction exceeds the amount determined in
12 subsection ~~(3)~~ (2), the county treasurer shall, immediately following the distribution from taxes paid on May
13 31 of each year, send the excess revenue, excluding any protested coal gross proceeds tax revenue, to the
14 department for redistribution as provided in 15-23-706.

15 (b) If the total tax liability in a taxing jurisdiction is less than the amount determined in subsection
16 ~~(3)~~ (2), the taxing jurisdiction is entitled to a redistribution as provided by 15-23-706.

17 ~~(6)~~(5) The board of county commissioners of a county may direct the county treasurer to reallocate
18 the distribution of coal gross proceeds taxes that would have gone to a taxing unit, as provided in
19 subsection ~~(4)~~(a) ~~(3)~~(a), to another taxing unit or taxing units, other than an elementary school or high
20 school, within the county under the following conditions:

21 (a) The county treasurer shall first allocate the coal gross proceeds taxes to the taxing units within
22 the county in the same proportion that all other property tax proceeds ~~were~~ are distributed in the county
23 in the current fiscal year ~~1990~~.

24 (b) If the allocation in subsection ~~(6)~~(a) ~~(5)~~(a) exceeds the total budget for a taxing unit, the
25 commissioners may direct the county treasurer to allocate the excess to any taxing unit within the county.

26 ~~(7)~~(6) The board of trustees of an elementary or high school district may reallocate the coal gross
27 proceeds taxes distributed to the district by the county treasurer under the following conditions:

28 (a) The district shall first allocate the coal gross proceeds taxes to the budgeted funds of the
29 district in the same proportion that all other property tax proceeds ~~were~~ are distributed in the district in the
30 current fiscal year ~~1990~~.

1 (b) If the allocation under subsection ~~(7)(a)~~ (6)(a) exceeds the total budget for a fund, the trustees
2 may allocate the excess to any budgeted fund of the school district.

3 ~~(8)(7)~~ The county treasurer shall credit all taxes collected under this part from coal mines that
4 began production after December 31, 1988, in the relative proportions required by the levies for state,
5 county, and school district purposes in the same manner as property taxes were distributed in the ~~previous~~
6 current fiscal year. ~~(In subsection (2), the deletion of the reference to subsection (5) of 15-35-102~~
7 ~~terminates December 31, 2005 sec. 5, Ch. 318, L. 1995.)"~~

8

9 **Section 142.** Section 15-23-706, MCA, is amended to read:

10 **"15-23-706. Department to determine redistribution of coal gross proceeds to taxing jurisdictions.**

11 (1) The coal gross proceeds redistribution account established in 15-23-707 is statutorily appropriated, as
12 provided in 17-7-502, for allocation to the county for redistribution as provided in subsections (2) and (3).

13 (2) Each year the department shall determine the amount of tax collected under this part from
14 within each taxing unit in the county. If the amount collected by each county is less than the amount
15 determined under 15-23-703~~(4)~~(3) for that county, the department shall, on or before June 30 of each year,
16 send the amount of the difference from the state special revenue account established in 15-23-707 to the
17 county treasurer for redistribution as provided in 15-23-703~~(5)~~(4).

18 (3) If the amount received by the department for redistribution is less than or more than the
19 redistribution amount determined in subsection (2), the department shall calculate and redistribute the
20 shortage or excess amount in the following manner:

21 (a) If a county does not receive the entire amount to which it is entitled under subsection (2), the
22 shortage amounts of each taxing unit must be divided by the total shortage amounts of all taxing units
23 determined under 15-23-703~~(4)~~(3) to obtain a shortage percentage for each taxing unit. The shortage
24 percentage for each taxing unit must be multiplied by the amount that is available for redistribution to each
25 taxing unit, and this amount must be redistributed to each respective taxing unit.

26 (b) If there are excess amounts after the redistribution provided for in subsection (2), the excess
27 amounts must be redistributed to the county of origin in proportion to the amount each taxing unit in the
28 county contributed for redistribution.

29 (4) The county treasurer shall distribute the money received under subsection (3)(b) as provided
30 in 15-23-703~~(5)~~(4)."

1 **Section 143.** Section 15-23-707, MCA, is amended to read:

2 **"15-23-707. Coal gross proceeds redistribution account.** (1) There is within the state special
3 revenue fund a coal gross proceeds redistribution account.

4 (2) All money received from county treasurers as provided in 15-23-703~~(6)(a)~~(5)(a) must be
5 deposited by the department into the coal gross proceeds redistribution account for redistribution as
6 provided in 15-23-706."

7
8 **Section 144.** Section 15-24-101, MCA, is amended to read:

9 **"15-24-101. Assessment of proportionally registered interstate motor vehicle fleets -- cost stated**
10 **in application for registration -- tax payment required for registration.** (1) As used in this part, "department"
11 means the department of transportation.

12 ~~(1)(2)~~ (2) The department ~~of revenue~~ shall assess, for the purpose of ~~personal property~~ motor vehicle
13 taxes, the taxable vehicles in interstate motor vehicle fleets proportionally registered under the provisions
14 of 61-3-711 through 61-3-733, and the assessment must be apportioned on the ratio of total miles traveled
15 to in-state miles traveled as prescribed by 61-3-721. Interstate motor vehicle fleets are assessable for
16 taxation purposes upon application for proportional registration and are assessed to the persons who own
17 or claim the fleet or in whose possession or control the fleet is at the time of the application.

18 (3) The original cost of each taxable vehicle must be included on the application for proportional
19 registration under the provisions of 61-3-711 through 61-3-733. The department shall determine the original
20 cost when the owner does not have this information on new or used vehicles or in the case of rebuilt
21 vehicles.

22 ~~(2)(4)~~ (4) With respect to any fleet contained in an original application that has a situs for the purpose
23 of ~~property~~ taxation in Montana by the terms of this part or any other provision of the laws of Montana,
24 the taxes on taxable vehicles are apportioned as provided in 15-24-303.

25 ~~(3)(5)~~ (5) With respect to any fleet contained in a renewal application, the taxable vehicles are
26 assessed and taxed for a full year.

27 ~~(4)(6)~~ (6) Automobiles and trucks having a rated capacity of 1 ton or less that are part of an interstate
28 motor vehicle fleet are subject to ~~property~~ the motor vehicle tax. If the fleet is proportionally registered, the
29 tax is apportioned in the same fashion as the registration fee under 61-3-721.

30 ~~(5)(7)~~ (7) Vehicles contained in a fleet for which current taxes or fees, or both, have been assessed

1 and paid may not be assessed or charged fees under this section upon presentation to the department of
 2 proof of payment of taxes, fees, or both for the current registration year. The payment of ~~personal property~~
 3 motor vehicle taxes, fees, or both is a condition precedent to proportional registration or reregistration of
 4 an interstate motor vehicle fleet."

5
 6 **Section 145.** Section 15-24-102, MCA, is amended to read:

7 "**15-24-102. Valuation of interstate fleets -- determination of aggregate tax due — exemption from**
 8 **mill levies.** The department of ~~revenue~~ shall assess the taxable vehicles of any interstate motor vehicle fleet
 9 making application for proportional registration, as follows:

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

12 (2) The depreciated value multiplied by the percent of miles traveled in Montana, as prescribed by
 13 61-3-721, is the market value.

14 (3) The sum of the market value of all taxable vehicles included in the fleet multiplied by ~~the tax~~
 15 ~~rate for class eight property in 15-6-138 2%~~ is the taxable value tax due for the entire fleet as provided
 16 in ~~15-6-138~~ 61-3-504(1).

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

19 ~~(5) To determine the tax due under this chapter, state levies applicable to interstate motor vehicle~~
 20 ~~fleets include but are not limited to levies imposed under 15-10-101, 15-10-106, 20-9-331, 20-9-333,~~
 21 ~~20-9-360, and 53-2-813.~~

22 ~~(6)(4)~~ All taxes and fees collected on motor vehicle fleets under this chapter must be deposited
 23 and distributed as provided in 15-24-105."

24
 25 **Section 146.** Section 15-24-104, MCA, is amended to read:

26 "**15-24-104. Situs in state of proportionally registered fleets -- collection of taxes and fees.** (1)
 27 For the purposes of this part, any vehicle previously registered or that has had application for registration
 28 made under the provisions of 61-3-711 through 61-3-733 has a situs in the state for the purposes of
 29 taxation.

30 (2) The department ~~or its designated agent~~ shall collect the ~~personal property~~ motor vehicle taxes

1 or license fees, or both, prescribed in this part."

2

3 **Section 147.** Section 15-24-105, MCA, is amended to read:

4 **"15-24-105. Deposit and distribution of taxes and fees on proportionally registered fleets.** The
5 ~~personal property~~ motor vehicle taxes and license fees collected under this part ~~shall~~ must be deposited
6 with the state treasurer for distribution to the general fund of each county on the following basis:

7 (1) for ~~personal property~~ motor vehicle taxes, according to the ratio of the taxable valuation of
8 each county to the total state taxable valuation; and

9 (2) for vehicle license fees, according to the ratio of vehicle license fees, other than fees derived
10 from interstate motor vehicle fleets, collected in each county to the sum of all ~~such~~ the vehicle license fees
11 collected in all the counties."

12

13 **Section 148.** Section 15-24-205, MCA, is amended to read:

14 **"15-24-205. Sections limited to taxable trailers.** The provisions of this part ~~shall~~ apply only to
15 those mobile homes and housetrailer, as defined in this part, subject to assessment and taxation under
16 chapter 8, part 2, ~~and 15-24-301.~~"

17

18 **Section 149.** Section 15-24-301, MCA, is amended to read:

19 **"15-24-301. Personal property Motor vehicles brought into the state -- ~~assessment~~ -- ~~exceptions~~**
20 **-- custom combine equipment.** (1) Except as provided in subsections (2) ~~through (5)~~ and (3), ~~property in~~
21 ~~the following cases is subject to taxation and assessment for all taxes levied that year in the county in~~
22 ~~which it is located:~~

23 ~~(a) any personal property (including livestock) brought, driven, or coming into this state at any time~~
24 ~~during the year that is used in the state for hire, compensation, or profit;~~

25 ~~(b) property whose owner or user is engaged in gainful occupation or business enterprise in the~~
26 ~~state; or~~

27 ~~(c) property which comes to rest and becomes a part of the general property of the state.~~

28 ~~(2) The taxes on this property are levied in the same manner and to the same extent, except as~~
29 ~~otherwise provided, as though the property had been in the county on the regular assessment date,~~
30 ~~provided that the property has not been regularly assessed for the year in some other county of the state.~~

1 ~~(3) Nothing in this section shall be construed to levy a tax against a merchant or dealer within this~~
2 ~~state on goods, wares, or merchandise brought into the county to replenish the stock of the merchant or~~
3 ~~dealer.~~

4 (4) Any a motor vehicle not subject to a fee in lieu of tax brought, ~~driven, or coming~~ into this state
5 by ~~any~~ a nonresident person temporarily employed in Montana and used exclusively for transportation of
6 ~~such~~ the person is subject to taxation and assessment for taxes as follows:

- 7 (a) The motor vehicle is taxed by the county in which it is located.
- 8 (b) One-fourth of the annual tax liability of the motor vehicle must be paid for each quarter or
- 9 portion of a quarter of the year that the motor vehicle is located in Montana.
- 10 (c) The quarterly taxes are due the first day of the quarter.

11 (2) A vehicle that is used exclusively for filming motion pictures or television commercials and that
12 remains in the state for a period exceeding 180 days in a calendar year is taxed as provided in 61-3-520.

13 ~~(5)(3) Agricultural harvesting machinery classified under class eight, licensed in other states~~
14 ~~another state, and operated on the lands land of persons a person other than the owner of the machinery~~
15 ~~under contracts a contract for hire shall be is subject to a fee in lieu of taxation of \$35 per machine for the~~
16 ~~calendar year in which the fee is collected. The machines shall be subject to taxation under class eight only~~
17 ~~if they are sold in Montana."~~

18
19 **Section 150.** Section 15-24-304, MCA, is amended to read:

20 "**15-24-304. Prorated fee in lieu of tax -- aircraft.** (1) A person who acquires an aircraft required
21 to be registered under ~~subsections (2) through (6) of 67-3-201~~ (2) through (6) after March 1 in any year
22 shall register the aircraft within 30 days of acquiring it.

23 (2) The fee in lieu of tax ~~must be prorated~~ for aircraft registered for a period less than 1 year ~~in the~~
24 ~~same manner as personal property taxes are prorated in 15-24-303~~ must be prorated according to the ratio
25 that the remaining number of months in the year bears to the total number of months in the year.

26 (3) A person failing to register an aircraft within 30 days following acquisition of the aircraft or
27 bringing the aircraft into the state for commercial purposes is subject to the penalty provided in 67-3-202.

28 (4) A person owning a migratory aircraft shall register as prescribed in 67-3-201(5) and pay the
29 fee in lieu of tax."
30

1 **Section 151.** Section 15-24-902, MCA, is amended to read:

2 "**15-24-902. Assessment of livestock** ~~—election for assessment on average inventory basis for~~
3 ~~per capita levy.~~ (1) ~~Except as provided in subsection (2), the~~ The department of revenue shall assess all
4 nonexempt livestock for the purposes of the per capita levy imposed under 15-24-921 in each county
5 where they are located on February 1 of each year. The livestock must be assessed to the person by whom
6 they were owned or claimed or in whose possession or control they were at midnight of February 1 in that
7 year.

8 ~~(2) An owner of livestock may elect to have nonexempt livestock assessed on the average~~
9 ~~inventory basis as provided in 15-24-927. The owner shall file an election with the department on the~~
10 ~~statement required under 15-24-903. An owner of livestock making an election to have nonexempt~~
11 ~~livestock assessed on the average inventory basis is bound by that election for 6 years. After 6 years, the~~
12 ~~election to have nonexempt livestock assessed on the average inventory basis remains in effect unless the~~
13 ~~owner otherwise notifies the department before February 1."~~

14
15 **Section 152.** Section 15-24-903, MCA, is amended to read:

16 "**15-24-903. Duty of owner to assist in assessment.** (1) ~~(a) Except as provided in subsection~~
17 ~~(1)(b), the~~ The owner of livestock, as defined in ~~15-24-901~~ 15-24-921, or the owner's agent shall at the
18 time of assessment make and deliver to the department of revenue for the county or counties where the
19 owner's livestock were located on February 1 a written statement, under oath, listing the owner's different
20 kinds of livestock within the county or counties, together with a listing of their marks and brands.

21 ~~(b) If the owner of livestock is assessed on the average inventory basis, as provided in 15-24-927,~~
22 ~~the owner or the owner's agent shall, in the manner and timeframe provided in subsection (1)(a), report~~
23 ~~to the department the county or counties where the livestock were located in the prior tax year and show~~
24 ~~the months during the prior tax year that the livestock were within the county or counties.~~

25 (2) As used in this section, "agent" means any person, persons, company, or corporation, including
26 a feedlot operator or owner of grazing land, who has charge of livestock on the assessment date."

27
28 **Section 153.** Section 15-24-904, MCA, is amended to read:

29 "**15-24-904. Penalty for violation of law.** If any person, persons, company, or corporation who
30 is the owner or is in charge of any livestock within this state fails to make the statement or statements as

1 provided in 15-24-903, the department may, after 10 days' notice to the person who failed to file the
 2 report, increase the ~~assessment~~ per capita levy, as provided in 15-24-921, by 10% as a penalty."

3

4 **Section 154.** Section 15-24-922, MCA, is amended to read:

5 "**15-24-922. Board of livestock to prescribe per capita levy -- refunds** ~~—per capita levy on average~~
 6 **inventory.** (1) The board of livestock shall annually prescribe the amount of the per capita levy to be made
 7 against livestock of all classes for the purpose indicated in 15-24-921.

8 (2) The per capita tax levy must be calculated each year to provide not more than 110% of the
 9 average annual revenue that was generated in the 3 previous years. The calculation must apply a
 10 reasonable factor for nonpayment and late payment of taxes and for reimbursement to the counties
 11 pursuant to 15-24-925 for collection of the levy.

12 (3) (a) A livestock owner ~~taxed under 15-24-920~~ who moves livestock between states is entitled
 13 to a refund of the per capita levy collected under 15-24-921 based on the number of months the livestock
 14 have taxable situs in ~~the state~~ Montana. The amount of the refund is equal to the ratio of the number of
 15 months that the livestock do not have taxable situs in the state to the number of months in the tax year,
 16 multiplied by the original per capita levy due. A taxpayer shall apply to the board of livestock on a form
 17 prescribed by the board for a refund allowed under this subsection by January 31 following the taxable
 18 year. The application must include a statement showing the date when the livestock were moved out of
 19 the state.

20 (b) ~~Except as provided in subsection (3)(c), for~~ For the purposes of 15-24-921 and this section,
 21 the per capita levy may not be prorated.

22 ~~(c) A taxpayer whose livestock are taxed on the average inventory basis for property tax purposes~~
 23 ~~must also be taxed on an average inventory basis for the purposes of 15-24-921 and this section. All other~~
 24 ~~livestock subject to the per capita tax levy must be reported on February 1 of each year."~~

25

26 **Section 155.** Section 15-24-1101, MCA, is amended to read:

27 "**15-24-1101. Federal property held under contract by private person subject to taxation. Real**
 28 ~~and/or personal~~ (1) Except as provided in subsection (2), real property of the United States or any
 29 department or agency ~~thereof~~ of the United States held under contract of sale, lease, or other interest or
 30 estate ~~therein~~ in the property by any person for ~~his~~ the exclusive use by the person ~~shall be~~ is subject to

1 assessment for ad valorem property taxation as provided in this part, ~~provided that this~~

2 (2) This part shall does not apply to real property held and in immediate use and occupation by
3 this state or any county, municipal corporation, or political subdivision ~~therein~~ of the state."

4
5 **Section 156.** Section 15-24-1102, MCA, is amended to read:

6 **"15-24-1102. Federal property held under contract of sale.** When the property is held under a
7 contract of sale or other agreement ~~whereby~~ under which, upon payment, the legal title is or may be
8 acquired by the person, the real property ~~shall~~ must be assessed and taxed as ~~defined~~ provided in Title 15,
9 chapter 6, part 1, and 15-8-111 without deduction on account of the whole or any part of the purchase
10 price or other sum due on the property remaining unpaid. The lien for the tax may not attach to, impair,
11 or be enforced against any interest of the United States in the real property."

12
13 **Section 157.** Section 15-24-1103, MCA, is amended to read:

14 **"15-24-1103. Federal property held under lease.** When the property is held under lease, other
15 interest, or estate ~~therein~~ in the property that is less than the fee, except under contract of sale, the
16 property must be assessed and taxed for the value, as ~~defined~~ provided in Title 15, chapter 6, part 1, and
17 15-8-111, of the leasehold, interest, or estate in the property. The lien for the tax must attach to and be
18 enforced against only the leasehold, interest, or estate in the property. Whenever the interest in the
19 property is acquired through foreclosure, the lessor is liable for property taxes. When the United States
20 authorizes the taxation of the property for the full assessed value of the fee, the property must be assessed
21 for full assessed value as ~~defined~~ provided in 15-8-111."

22
23 **Section 158.** Section 15-24-1203, MCA, is amended to read:

24 **"15-24-1203. Privilege tax on industrial, trade, or other business use of tax-exempt property --**
25 **exceptions.** There is imposed and must be collected a tax upon the possession or other beneficial use for
26 industrial, trade, or other business purposes enjoyed by any private individual, association, or corporation
27 of ~~any real~~ real property, ~~real or personal~~, that for any reason is exempt from taxation. The tax may not be
28 imposed upon the possession or other beneficial use of buildings owned by public entities and located upon
29 public airports. However, privately owned buildings located on public airport property are subject to tax.
30 The tax may not be imposed upon the possession or other beneficial use of public lands occupied under

1 the terms of mineral, timber, or grazing leases or permits issued by the United States or the state of
 2 Montana or upon any easement unless the lease, permit, or easement entitles the lessee or permittee to
 3 exclusive possession of the premises to which the lease, permit, or easement relates. The tax is imposed
 4 upon the possession or other beneficial use of an electric transmission line and associated facilities, except
 5 that lines and facilities of a design capacity of less than 500 kilovolts are not subject to the tax. The tax
 6 may not be imposed upon the possession or other beneficial use of railroad right-of-way or track owned
 7 by the United States or acquired by the state pursuant to Title 60, chapter 11, part 1, as long as the state
 8 or the United States retains ownership and the right-of-way or track is used exclusively for rail
 9 transportation. The tax may not be imposed on the beneficial use by a person of real property held by a port
 10 authority, created under Title 7, chapter 14, part 11, or by a port authority owned by the United States or
 11 an agency of the United States, unless the port authority provides for the exclusive use of the property by
 12 the person."

13

14 **Section 159.** Section 15-24-1703, MCA, is amended to read:

15 **"15-24-1703. Application of suspension or cancellation.** The suspension or cancellation of
 16 delinquent property taxes pursuant to this part:

17 (1) applies to all mills levied in the county or otherwise required under state law, ~~including levies~~
 18 ~~or assessments required under Title 15, chapter 10, 20-9-331, 20-9-333, and 20-25-423;~~

19 (2) does not apply to assessments made against property for the payment of bonds issued
 20 pursuant to Title 7, chapter 12."

21

22 **Section 160.** Section 15-24-1802, MCA, is amended to read:

23 **"15-24-1802. Business incubator tax exemption -- procedure.** (1) A business incubator owned or
 24 leased and operated by a local economic development organization is eligible for an exemption from
 25 property taxes as provided in this section.

26 (2) In order to qualify for the tax exemption described in this section, the governing body of the
 27 county, consolidated government, incorporated city or town, or school district in which the property is
 28 located shall approve the tax exemption by resolution, after due notice, as defined in 76-15-103, and
 29 hearing. The governing body may approve or disapprove the tax exemption provided for in subsection (1).
 30 If a tax exemption is approved, the governing body shall do so by a separate resolution for each business

1 incubator in its respective jurisdiction. The governing body may not grant approval for the business
 2 incubator until all of the applicant's taxes have been paid in full or, if the property is leased to a business
 3 incubator, until all of the owner's property taxes on that property have been paid in full. Taxes paid under
 4 protest do not preclude approval. Prior to holding the hearing, the governing body shall determine that the
 5 local economic development organization:

6 (a) is a private, nonprofit corporation, as provided in Title 35, chapter 2, and is exempt from
 7 taxation under section 501(c)(3) or 501(c)(6) of the Internal Revenue Code;

8 (b) is engaged in economic development and business assistance work in the area; and

9 (c) owns or leases and operates or will operate the business incubator.

10 (3) Upon receipt of approval of the governing body of the affected taxing jurisdiction, the
 11 department shall make the assessment change for the tax exemption provided for in this section.

12 (4) The tax exemption described in subsection (1) applies only to the number of mills levied and
 13 assessed by the governing body approving the exemption over which the governing body has sole
 14 discretion. If the governing body of a county, consolidated government, or incorporated city or town
 15 approves the exemption, the exemption applies to levies and assessments required under ~~Title 15, chapter~~
 16 ~~10, 20-9-331, or 20-9-333 or otherwise required under state law.~~"

17
 18 **Section 161.** Section 15-24-1902, MCA, is amended to read:

19 **"15-24-1902. Industrial park tax exemption -- procedure -- termination.** (1) An industrial park
 20 owned and operated by a local economic development organization or a port authority is eligible for an
 21 exemption from property taxes as provided in this section.

22 (2) In order to qualify for the tax exemption described in this section, the governing body of the
 23 county, consolidated government, incorporated city or town, or school district in which the property is
 24 located shall approve the tax exemption by resolution, after due notice, as defined in 76-15-103, and
 25 hearing. The governing body may approve or disapprove the tax exemption provided for in subsection (1).
 26 If a tax exemption is approved, the governing body shall do so by a separate resolution for each industrial
 27 park in its respective jurisdiction. The governing body may not grant approval for the industrial park until
 28 all of the applicant's taxes have been paid in full. Taxes paid under protest do not preclude approval. Prior
 29 to holding the hearing, the governing body shall determine that:

30 (a) the local economic development organization:

1 (i) is a private, nonprofit corporation as provided in Title 35, chapter 2, and is exempt from taxation
2 under section 501(c)(3) or 501(c)(6) of the Internal Revenue Code;

3 (ii) is engaged in economic development and business assistance work in the area; and

4 (iii) owns and operates or will own and operate the industrial development park; or

5 (b) the port authority legally exists under the provisions of 7-14-1101 or 7-14-1102.

6 (3) Upon receipt of approval of the governing body of the affected taxing jurisdiction, the
7 department shall make the assessment change for the tax exemption provided for in this section.

8 (4) The tax exemption described in subsection (1) applies only to the number of mills levied and
9 assessed by the governing body approving the exemption over which the governing body has sole
10 discretion. If the governing body of a county, consolidated government, or incorporated city or town
11 approves the exemption, the exemption applies to levies or assessments required under ~~Title 15, chapter~~
12 ~~10, 20-9-331, or 20-9-333 or otherwise required under~~ state law.

13 (5) If a local economic development organization sells, leases, or otherwise disposes of the exempt
14 property to a purchaser or lessee that is not a local economic development organization or a unit of federal,
15 state, or local government, the tax exemption provided in this section terminates. The termination of the
16 exemption applies on January 1 of the taxable year immediately following the sale, lease, or other
17 disposition of the property. Upon termination of the exemption, the property must be assessed as provided
18 in 15-16-203."

19

20 **Section 162.** Section 15-24-2002, MCA, is amended to read:

21 **"15-24-2002. Building and land tax exemption -- procedure -- termination.** (1) A building and land
22 owned by a local economic development organization that the local economic development organization
23 intends to sell or lease to a profit-oriented, employment-stimulating business are eligible for an exemption
24 from property taxes as provided in this section.

25 (2) In order to qualify for the tax exemption described in this section, the governing body of the
26 affected county, consolidated government, incorporated city or town, or school district in which the
27 building and land are located shall approve the tax exemption by resolution, after due notice, as defined
28 in 76-15-103, and hearing. The governing body may approve or disapprove the tax exemption provided for
29 in subsection (1). The governing body shall approve a tax exemption by a separate resolution. The
30 governing body may not grant approval for the building and land until all of the applicant's taxes have been

1 paid in full. Taxes paid under protest do not preclude approval. Prior to holding the hearing, the governing
2 body shall determine that the local economic development organization:

3 (a) is a private, nonprofit corporation, as provided in Title 35, chapter 2, and is exempt from
4 taxation under section 501(c)(3) or 501(c)(6) of the Internal Revenue Code;

5 (b) is engaged in economic development and business assistance work in the area; and

6 (c) owns or will own the building and land.

7 (3) Upon receipt of approval of the governing body of the affected taxing jurisdiction, the
8 department shall make the assessment change for the tax exemption provided for in this section.

9 (4) The tax exemption described in subsection (1) applies only to the number of mills levied and
10 assessed by the governing body approving the exemption over which the governing body has sole
11 discretion. If the governing body of a county, consolidated government, or incorporated city or town
12 approves the exemption, the exemption applies to levies or assessments required under ~~Title 15, chapter~~
13 ~~10, 20-9-331, or 20-9-333 and other levies required under~~ state law.

14 (5) When a local economic development organization sells, leases, or otherwise disposes of the
15 exempt property to a purchaser or lessee that is not a local economic development organization or a unit
16 of federal, state, or local government, the tax exemption provided in this section terminates. The
17 termination of the exemption applies January 1 of the taxable year immediately following the sale, lease,
18 or other disposition of the property. Upon termination of the exemption, the property must be assessed as
19 provided in 15-16-203."

20
21 **Section 163.** Section 15-36-323, MCA, is amended to read:

22 "**15-36-323. Calculation of unit value.** For the purposes of distribution of oil and natural gas
23 production taxes to county and school taxing units for production from pre-1985 wells, the department
24 shall determine the unit value of oil and natural gas for each taxing unit as follows:

25 (1) Subject to the conditions of subsection (3), the unit value for oil for each taxing unit is the
26 quotient obtained by dividing the net proceeds taxes calculated on oil produced and sold in that taxing unit
27 in calendar year 1988 by the number of barrels of oil produced in that taxing unit during 1988, excluding
28 post-1985 wells.

29 (2) Subject to the conditions of subsection (3), the unit value for natural gas is the quotient
30 obtained by dividing the net proceeds taxes calculated on natural gas produced and sold in that taxing unit

1 in calendar year 1988 by the number of cubic feet of natural gas produced in that taxing unit during 1988,
2 excluding post-1985 wells.

3 (3) The amount of net proceeds taxes calculated under subsections (1) and (2) may not include
4 the amount of taxes that are attributable to a financial emergency, as described in 15-10-412(10), as that
5 section read on December 31, 1997, for which additional mills were levied in fiscal year 1990."

6

7 **Section 164.** Section 15-36-324, MCA, is amended to read:

8 "**15-36-324. Distribution of taxes.** (1) For each calendar quarter, the department of revenue shall
9 determine the amount of tax, late payment interest, and penalty collected under this part. For purposes of
10 distribution of the taxes to county and school taxing units, the department shall determine the amount of
11 oil and natural gas production taxes paid on production from pre-1985 wells, post-1985 wells, and
12 horizontally drilled wells located in the taxing unit.

13 (2) Except as provided in subsections (3) and (4), oil production taxes must be distributed as
14 follows:

15 (a) The amount equal to 41.6% of the oil production taxes, including late payment interest and
16 penalty, collected under this part must be distributed as provided in subsection (7).

17 (b) The remaining 58.4% of the oil production taxes, plus accumulated interest earned on the
18 amount allocated under this subsection (2)(b), must be deposited in the agency fund in the state treasury
19 and transferred to the county and school taxing units for distribution as provided in subsection (8).

20 (3) The amount equal to 100% of the oil production taxes, including late payment interest and
21 penalty, collected from working interest owners on production from post-1985 wells occurring during the
22 first 12 months of production must be distributed as provided in subsection (7).

23 (4) The amount equal to 100% of the oil production taxes, including late payment interest and
24 penalty, collected under this part on production from horizontally drilled wells and on the incremental
25 production from horizontally recompleted wells occurring during the first 18 months of production must be
26 distributed as provided in subsection (7).

27 (5) Except as provided in subsection (6), natural gas production taxes must be allocated as follows:

28 (a) The amount equal to 14.6% of the natural gas production taxes, including late payment interest
29 and penalty, collected under this part must be distributed as provided in subsection (7).

30 (b) The remaining 85.4% of the natural gas production taxes, plus accumulated interest earned

1 on the amount allocated under this subsection (5)(b), must be deposited in the agency fund in the state
2 treasury and transferred to the county and school taxing units for distribution as provided in subsection (8).

3 (6) The amount equal to 100% of the natural gas production taxes, including late payment interest
4 and penalty, collected from working interest owners under this part on production from post-1985 wells
5 occurring during the first 12 months of production must be distributed as provided in subsection (7).

6 (7) The department shall, in accordance with the provisions of 15-1-501(6), distribute the state
7 portion of oil and natural gas production taxes, including late payment interest and penalty collected, as
8 follows:

9 (a) 85% to the state general fund;

10 (b) 4.3% to the state special revenue fund for the purpose of paying expenses of the board as
11 provided in 82-11-135; and

12 (c) 10.7% to be distributed as provided by 15-38-106(2).

13 (8) (a) For the purpose of distribution of the oil and natural gas production taxes from pre-1985
14 wells, the department shall each calendar quarter adjust the unit value determined under 15-36-323
15 according to the ratio that the oil and natural gas production taxes from pre-1985 wells collected during
16 the calendar quarter for which the distribution occurs plus penalties and interest on delinquent oil and
17 natural gas production taxes from pre-1985 wells bears to the total liability for the oil and natural gas
18 production taxes from pre-1985 wells for the quarter for which the distribution occurs. The amount of oil
19 and natural gas production taxes distributions must be calculated and distributed as follows:

20 (i) By the dates referred to in subsection (9), the department shall calculate and distribute to each
21 eligible county the amount of oil and natural gas production taxes from pre-1985 wells for the quarter,
22 determined by multiplying the unit value, as adjusted in this subsection (8)(a), by the units of production
23 on which oil and natural gas production taxes from pre-1985 wells were owed for the calendar quarter for
24 which the distribution occurs.

25 (ii) Any amount by which the total tax liability exceeds or is less than the total distributions
26 determined in subsection (8)(a) must be calculated and distributed in the following manner:

27 (A) The excess amount or shortage must be divided by the total distribution determined for that
28 period to obtain an excess or shortage percentage.

29 (B) The excess percentage must be multiplied by the distribution to each taxing unit, and this
30 amount must be added to the distribution to each respective taxing unit.

1 (C) The shortage percentage must be multiplied by the distribution to each taxing unit, and this
2 amount must be subtracted from the distribution to each respective taxing unit.

3 (b) Except as provided in subsection (8)(c), the county treasurer shall distribute the money
4 received under subsection (9) from pre-1985 wells to the taxing units that levied mills in fiscal year 1990
5 against calendar year 1988 production in the same manner that all other property tax proceeds ~~were~~ in the
6 taxing unit are distributed ~~during in the current~~ fiscal year ~~1990 in the taxing unit~~, except that a distribution
7 may not be made to a municipal taxing unit.

8 (c) The board of county commissioners of a county may direct the county treasurer to reallocate
9 the distribution of oil and natural gas production tax money that would have gone to a taxing unit, as
10 provided in subsection (8)(b), to another taxing unit or taxing units, other than an elementary school or high
11 school, within the county under the following conditions:

12 (i) The county treasurer shall first allocate the oil and natural gas production taxes to the taxing
13 units within the county in the same proportion that all other property tax proceeds ~~were~~ are distributed in
14 the county in the current fiscal year ~~1990~~.

15 (ii) If the allocation in subsection (8)(c)(i) exceeds the total budget for a taxing unit, the
16 commissioners may direct the county treasurer to allocate the excess to any taxing unit within the county.

17 (d) The board of trustees of an elementary or high school district may reallocate the oil and natural
18 gas production taxes distributed to the district by the county treasurer under the following conditions:

19 (i) The district shall first allocate the oil and natural gas production taxes to the budgeted funds
20 of the district in the same proportion that all other property tax proceeds ~~were~~ are distributed in the district
21 in the current fiscal year ~~1990~~.

22 (ii) If the allocation under subsection (8)(d)(i) exceeds the total budget for a fund, the trustees may
23 allocate the excess to any budgeted fund of the school district.

24 (e) For all production from post-1985 wells and horizontally drilled wells completed after December
25 31, 1993, the county treasurer shall distribute oil and natural gas production taxes received under
26 subsections (2)(b) and (5)(b) between county and school taxing units in the relative proportions required
27 by the levies for ~~state~~, county, and school district purposes in the same manner as property taxes ~~were~~ are
28 distributed in the ~~preceding~~ current fiscal year.

29 (f) The allocation to the county in subsection (8)(e) must be distributed by the county treasurer in
30 the relative proportions required by the levies for county taxing units and in the same manner as property

1 taxes ~~were~~ are distributed in the ~~preceeding~~ current fiscal year.

2 (g) ~~The money distributed in subsection (8)(e) that is required for the county mill levies for school~~
3 ~~district retirement obligations and transportation schedules must be deposited to the funds established for~~
4 ~~these purposes.~~

5 (h) ~~The oil and natural gas production taxes distributed under subsection (8)(b) that are required~~
6 ~~for the 6 mill university levy imposed under 20-25-423 and for the county equalization levies imposed under~~
7 ~~20-9-331 and 20-9-333, as these sections read on July 1, 1989, must be remitted by the county treasurer~~
8 ~~to the state treasurer.~~

9 (i) ~~The oil and natural gas production taxes distributed under subsection (8)(e) that are required~~
10 ~~for the 6 mill university levy imposed under 20-25-423, for the county equalization levies imposed under~~
11 ~~20-9-331 and 20-9-333, and for the state equalization aid levy imposed under 20-9-360 must be remitted~~
12 ~~by the county treasurer to the state treasurer.~~

13 (j) ~~The amount of oil and natural gas production taxes remaining after the treasurer has remitted~~
14 ~~the amounts determined in subsections (8)(h) and (8)(i) is for the exclusive use and benefit of the county~~
15 ~~and school taxing units.~~

16 (9) The department shall remit the amounts to be distributed in subsection (8) to the county
17 treasurer by the following dates:

18 (a) On or before August 1 of each year, the department shall remit to the county treasurer oil and
19 natural gas production tax payments received for the calendar quarter ending March 31 of the current year.

20 (b) On or before November 1 of each year, the department shall remit to the county treasurer oil
21 and natural gas production tax payments received for the calendar quarter ending June 30 of the current
22 year.

23 (c) On or before February 1 of each year, the department shall remit to the county treasurer oil and
24 natural gas production tax payments received for the calendar quarter ending September 30 of the previous
25 year.

26 (d) On or before May 1 of each year, the department shall remit to the county treasurer oil and
27 natural gas production tax payments received for the calendar quarter ending December 31 of the previous
28 calendar year.

29 (10) ~~The department shall provide to each county by May 31 of each year the amount of gross~~
30 ~~taxable value represented by all types of production taxed under 15-36-304 for the previous calendar year~~

1 ~~multiplied by 60%. The resulting value must be treated as taxable value for county classification purposes~~
2 ~~and for county bonding purposes."~~

3

4 **Section 165.** Section 15-36-325, MCA, is amended to read:

5 **"15-36-325. Local government severance tax payments for calendar year 1995 production --**
6 **distribution of payments** ~~—not subject to 1-105 limitations.~~ (1) The local government severance tax imposed
7 under 15-36-101, as that section read before January 1, 1996, for calendar year 1995 production is due
8 as follows:

9 (a) for oil and natural gas production occurring in the first calendar quarter of 1995, the tax is due
10 May 31, 1996;

11 (b) for oil and natural gas production occurring in the second calendar quarter of 1995, the tax is
12 due May 31, 1997;

13 (c) for oil and natural gas production occurring in the third calendar quarter of 1995, the tax is due
14 May 31, 1998; and

15 (d) for oil and natural gas production occurring in the fourth calendar quarter of 1995, the tax is
16 due May 31, 1999.

17 (2) (a) If the taxpayer pays the entire local government severance tax liability for calendar year
18 1995 on or before June 30, 1996, the taxpayer must receive a 6% reduction in the total local government
19 severance tax liability.

20 (b) Any payment of local government severance taxes for calendar year 1995 made on or before
21 June 30, 1997, does not accrue interest. Any payment of local government severance taxes for calendar
22 year 1995 made after June 30, 1997, must accrue interest at the rate of 1% a month or fraction of a
23 month from July 1, 1997, to the date of payment. Any payment for the third quarter of 1995 received after
24 May 31, 1998, and any payment for the fourth quarter of 1995 received after May 31, 1999, is subject
25 to the late payment penalty provisions in 15-36-311.

26 (c) In the case of the dissolution of the operator or a change in the operator of any lease or unit,
27 any unpaid local government severance tax for calendar year 1995 becomes due on the date of dissolution
28 or on the date of the change in operator. The operator is subject to the provisions of subsection (2)(a)
29 regarding the 6% tax liability reduction or the provisions of subsection (2)(b) regarding interest and
30 penalties.

1 (3) The department shall determine the amount of tax collected under subsections (1) and (2) from
2 within each taxing unit.

3 (4) For purposes of the distribution of local government severance taxes collected under this
4 section, the department shall use the unit value of oil and gas for each taxing unit as determined in
5 15-36-323.

6 (5) The local government severance tax must be deposited in the agency fund in the state treasury
7 and transferred to the county for distribution as provided in subsection (6).

8 (6) For the purpose of the distribution of the local government severance tax for calendar year
9 1995 production, the department shall adjust the unit value determined under this section according to the
10 ratio that the local government severance taxes collected during the quarters for which the distribution
11 occurs plus penalties and interest on delinquent local government severance taxes bears to the total liability
12 for local government severance taxes for the quarters for which the distribution occurs. The taxes must
13 be calculated and distributed as follows:

14 (a) By July 31 of each of the years 1996, 1997, 1998, and 1999, the department shall calculate
15 and distribute to each eligible county the amount of local government severance tax for calendar year 1995
16 production, determined by multiplying the unit value, as adjusted in this subsection (6), by the units of
17 production on which the local government severance tax was owed during calendar year 1995 production.

18 (b) Any amount by which the total tax liability exceeds or is less than the total distributions
19 determined in subsection (6)(a) must be calculated and distributed in the following manner:

20 (i) The excess amount or shortage must be divided by the total distribution determined for that
21 period to obtain an excess or shortage percentage.

22 (ii) The excess percentage must be multiplied by the distribution to each taxing unit, and this
23 amount must be added to the distribution to each respective taxing unit.

24 (iii) The shortage percentage must be multiplied by the distribution to each taxing unit, and this
25 amount must be subtracted from the distribution to each respective taxing unit.

26 (7) (a) The county treasurer shall distribute the money received under subsection (6) between the
27 county and school district taxing units. The distribution between county and school district taxing units is
28 the ratio of the number of mills levied for fiscal year 1990 against 1988 production in each taxing unit for
29 the county and schools, ~~including~~ excluding the county equalization levies that were in effect under
30 20-9-331 and 20-9-333 as those sections read on July 1, 1989, and the university 6-mill levy imposed

1 under 20-25-423, ~~except that a~~ A distribution may not be made to a municipal taxing unit or the state
 2 equalization aid levy imposed under 20-9-360, as that section read on December 31, 1997. Distribution
 3 ~~of money for the county equalization levies and the university levy must be remitted to the state by the~~
 4 ~~county treasurer.~~ The amounts distributed under subsections (7)(b) and (7)(c) are for the exclusive use of
 5 county and school district taxing units.

6 (b) The county treasurer shall deposit the money from subsection (7)(a) allocated to county levies
 7 to the oil and gas tax accelerated fund.

8 (c) The trustees of a school district may allocate any payment received under subsection (7)(a) to
 9 any budget fund of the district or to the miscellaneous programs fund established in 20-9-507. The trustees
 10 shall direct the county treasurer to deposit the local government severance tax payments under this section
 11 to the funds of the district in accordance with the allocations determined by the trustees.

12 ~~(8) Local government severance tax payments to a county pursuant to this section are not subject~~
 13 ~~to the limitations of Title 15, chapter 10, part 4. Payments of local government severance tax pursuant to~~
 14 ~~this section may not be used for county classification purposes under 7-1-2111 and may not be considered~~
 15 ~~in the determination of bonding limits under 7-7-2101, 7-7-2203, 7-14-2524, and 7-16-2327."~~

16

17 **Section 166.** Section 15-53-101, MCA, is amended to read:

18 "**15-53-101. Definitions -- rate of license tax on telephone companies.** (1) As used in this section:

19 (a) "carrier access service" means the service that a local exchange company, as defined in
 20 53-19-302, provides to an interexchange carrier for the origination or termination of telecommunications;
 21 and

22 (b) "telephone business" means the access and transport, for hire, of two-way communications
 23 from point of access to point of termination, both of which are within Montana.

24 (2) A license tax of ~~4.8%~~ 6.1% is imposed upon the gross revenue in excess of \$250 each quarter
 25 received by a person in Montana from telephone business in Montana. As used in this section, "gross
 26 revenue" does not include:

27 (a) carrier access service revenue;

28 (b) revenue from the sale of telephone services to another telephone service provider who uses
 29 the services to provide telephone service to the ultimate retail consumer who originates or terminates the
 30 transmission;

1 (c) revenue from the sale, lease, repair, installation, or maintenance of equipment or from the
2 provision of nontransmission-related services or activities; or

3 (d) customer access line charges assessed under federal communications commission orders or
4 rules.

5 (3) A bill or statement ~~may~~ must itemize the tax imposed by subsection (2).

6 (4) The tax imposed by subsection (2) is due in quarterly installments for the quarters ending,
7 respectively, March 31, June 30, September 30, and December 31 in each year."

8

9 **Section 167.** Section 16-1-306, MCA, is amended to read:

10 "16-1-306. **Revenue to be paid to state treasurer.** Except as provided in 16-1-404, 16-1-405,
11 16-1-408, 16-1-410, ~~and~~ 16-1-411, and 16-2-301, all fees, charges, taxes, and revenue collected by or
12 under authority of the department must, in accordance with the provisions of 15-1-501, be deposited to
13 the credit of the state general fund, except for sales tax and use tax revenue that must be deposited
14 according to [section 63]."

15

16 **Section 168.** Section 16-1-411, MCA, is amended to read:

17 "16-1-411. **Tax on wine.** (1) A tax of 27 cents per liter is imposed on table wine imported by a
18 table wine distributor or the department.

19 (2) (a) The tax on table wine imported by a table wine distributor must be paid by the table wine
20 distributor by the 15th day of the month following sale of the table wine from the table wine distributor's
21 warehouse. Failure to file a table wine tax return or failure to pay the tax required by this section subjects
22 the table wine distributor to the penalties and interest provided for in 16-1-409.

23 (b) The tax on table wine imported by the department must be collected at the time of sale.

24 (3) The tax paid by a table wine distributor in accordance with subsection (2)(a) and the tax
25 collected by the department in accordance with subsection (2)(b) must, in accordance with the provisions
26 of 15-1-501, be distributed as follows:

27 (a) 16 cents to the state general fund; and

28 (b) of the remaining 11 cents:

29 (i) 8 1/3 cents to the state special revenue fund to the credit of the department of public health
30 and human services for the treatment, rehabilitation, and prevention of alcoholism;

1 (ii) 1 1/3 cents is statutorily appropriated, as provided in 17-7-502, to the department for allocation
2 to the counties, based on population, for the purpose established in 16-1-404; and

3 (iii) 1 1/3 cents is statutorily appropriated, as provided in 17-7-502, to the department for
4 allocation to the cities and towns, based on population, for the purpose established in 16-1-405.

5 (4) ~~The~~ In addition to the sales tax and use tax imposed under [section 2], the tax computed and
6 paid in accordance with this section is the only tax imposed by the state or any of its subdivisions,
7 including cities and towns.

8 (5) For purposes of this section, "based on population" means:

9 (a) for counties, the direct proportion that the population of each county bears to the total
10 population of all counties as shown in the latest official federal census as adjusted by the most recent
11 population estimates published by the U.S. bureau of the census as provided in 16-1-410(2); and

12 (b) for cities, the distribution described in 16-1-410."
13

14 **Section 169.** Section 16-2-301, MCA, is amended to read:

15 "**16-2-301. Retail selling price on table wine -- tax on certain table wine.**(1) (a) The retail selling
16 price at which table wine is sold at an agency liquor store is as determined by the agent.

17 (b) The retail selling price at which table wine is sold pursuant to subsection (1)(a) may not include
18 the sales tax or use tax imposed under [section 2]. The sales tax or use tax must be collected as provided
19 in [sections 1 through 62] and must be deposited as provided in [section 62].

20 (2) In addition to the tax on wine assessed under 16-1-411, there is a tax of 1 cent a liter on table
21 wine sold by a table wine distributor to an agent as described in subsection (1). This additional tax must
22 be paid to the department by the distributor in the same manner as the tax under 16-1-411 is paid. The
23 department shall deposit the tax paid under this section in the general fund.

24 (3) The sales tax and use tax collected under [sections 1 through 62] are not considered to be
25 collected under this section."

26
27 **Section 170.** Section 17-3-213, MCA, is amended to read:

28 "**17-3-213. Allocation to general road fund and ~~countywide~~ school levies districts.** (1) ~~The~~ All
29 forest reserve funds ~~se~~ apportioned to each county must be apportioned by the county treasurer in each
30 county ~~as follows:~~

- 1 (a) to the general road fund, 66 2/3% of the total amount received;
- 2 (b) to the ~~following countywide school levies~~ school districts in the county, 33 1/3% of the total
- 3 sum received;
- 4 ~~(i) county equalization for elementary schools provided for in 20-9-331; and~~
- 5 ~~(ii) county equalization for high schools provided for in 20-9-333;~~
- 6 ~~(iii) the county transportation fund provided for in 20-10-146; and~~
- 7 ~~(iv) the elementary and high school district retirement fund obligations provided for in 20-9-504 to~~
- 8 be distributed as provided in subsection (2).

9 (2) (a) The apportionment of money ~~to the funds~~ provided for under subsection (1)(b) must be

10 made by the county superintendent based on the proportion that the ~~mill levy of each fund~~ BASE budget

11 of each school district bears to the total ~~number of mills~~ BASE budget for all ~~the funds~~ school districts in

12 the county. The amount apportioned to each school district must be used:

- 13 (i) for the over-BASE budget, if any, as provided in 20-9-141; and
- 14 (ii) any remaining amount for a general fund budget amount in excess of the maximum general fund
- 15 budget, if any, as provided in 20-9-353.

16 (b) Whenever the total amount of money available for apportionment to a school district under this

17 section is greater than the ~~total~~ requirements of ~~a levy~~ the school district, the excess money and any

18 interest income must be retained in a separate reserve fund, to be reapportioned in the ensuing school fiscal

19 year ~~to the levies designated in subsection (1)(b)~~ as provided in subsection (2)(a).

20 (3) In counties in which special road districts have been created according to law, the board of

21 county commissioners shall distribute a proportionate share of the 66 2/3% of the total amount received

22 for the general road fund to the special road districts within the county based upon the percentage that the

23 total area of the road district bears to the total area of the entire county."

24

25 **Section 171.** Section 17-3-222, MCA, is amended to read:

26 "17-3-222. **Apportionment of moneys** money to counties. It shall be the duty of the The state

27 treasurer ~~to properly~~ shall apportion and allocate ~~these moneys~~ the money received under 17-3-221 to the

28 county treasurers, ~~who will allocate and pay all such moneys~~ The county treasurer of each county shall

29 allocate the money as follows:

- 30 (1) 50% to the county general fund; and

1 (2) 50% to the ~~common school fund~~ school districts of the county. The allocation to each school
2 district must be made in the same manner as provided in 17-3-213(2)."

3

4 **Section 172.** Section 17-7-301, MCA, is amended to read:

5 **"17-7-301. Authorization to expend during first year of biennium from appropriation for second**
6 **year -- proposed supplemental appropriation defined -- limit on second-year expenditures.** (1) A state
7 department, institution, or agency of the executive branch desiring authorization to make expenditures
8 during the first fiscal year of the biennium from appropriations for the second fiscal year of the biennium
9 shall submit a proposed supplemental appropriation to the governor through the budget director. The
10 proposal submitted to the governor must include a plan for reducing expenditures in the second year of the
11 biennium that allows the agency to contain expenditures within appropriations. If the governor finds that,
12 due to an unforeseen and unanticipated emergency, the amount actually appropriated for the first fiscal year
13 of the biennium with all other income will be insufficient for the operation and maintenance of the
14 department, institution, or agency during the year for which the appropriation was made, the governor
15 shall, after careful study and examination of the request and upon review of the recommendation of the
16 budget director, submit the proposed supplemental appropriation to the legislative fiscal analyst.

17 (2) The plan for reducing expenditures required by subsection (1) is not required if the proposed
18 supplemental appropriation is:

19 (a) due to an unforeseen and unanticipated emergency for fire suppression;

20 (b) requested by the superintendent of public instruction, in accordance with the provisions of
21 20-9-351, and is to complete the state's funding of ~~guaranteed tax base aid~~, transportation aid, retirement
22 aid, or equalization aid to elementary and secondary schools for the current biennium; or

23 (c) requested by the attorney general and:

24 (i) is to pay the costs associated with litigation in which the department of justice ~~must~~ is required
25 to provide representation to the state of Montana; or

26 (ii) in accordance with the provisions of 7-32-2242, is to pay costs for which the department of
27 justice is responsible for confinement of an arrested person in a detention center.

28 (3) Upon receipt of the recommendation of the legislative finance committee pursuant to 17-7-311,
29 the governor may authorize an expenditure during the first fiscal year of the biennium to be made from the
30 appropriation for the second fiscal year of the biennium. Except as provided in subsection (2), the governor

1 shall require the agency to implement the plan for reducing expenditures in the second year of the biennium
2 that contains agency expenditures within appropriations.

3 (4) The department, institution, or agency may expend the amount authorized by the governor only
4 for the purposes specified in the authorization.

5 (5) The governor shall report to the next legislature in a special section of the budget the amounts
6 expended as a result of all authorizations granted by the governor and shall request that any necessary
7 supplemental appropriation bills be passed.

8 (6) As used in this part, "proposed supplemental appropriation" means an application for
9 authorization to make expenditures during the first fiscal year of the biennium from appropriations for the
10 second fiscal year of the biennium.

11 (7) (a) Except as provided in subsections (2) and (7)(b), an agency may not make expenditures in
12 the second year of the biennium that, if carried on for the full year, will require a deficiency appropriation,
13 commonly referred to as a "supplemental appropriation".

14 (b) An agency shall prepare and, to the extent feasible, implement a plan for reducing expenditures
15 in the second year of the biennium that contains agency expenditures within appropriations. The approving
16 authority is responsible for ensuring the implementation of the plan. If, in the second year of a biennium,
17 mandated expenditures that are required by state or federal law will cause an agency to exceed
18 appropriations or available funds, the agency shall reduce all nonmandated expenditures pursuant to the
19 plan in order to reduce to the greatest extent possible the expenditures in excess of appropriations or
20 funding. An agency may not transfer funds between fund types in order to implement a plan."
21

22 **Section 173.** Section 17-7-502, MCA, is amended to read:

23 "**17-7-502. Statutory appropriations -- definition -- requisites for validity.** (1) A statutory
24 appropriation is an appropriation made by permanent law that authorizes spending by a state agency
25 without the need for a biennial legislative appropriation or budget amendment.

26 (2) Except as provided in subsection (4), to be effective, a statutory appropriation must comply
27 with both of the following provisions:

28 (a) The law containing the statutory authority must be listed in subsection (3).

29 (b) The law or portion of the law making a statutory appropriation must specifically state that a
30 statutory appropriation is made as provided in this section.

1 (3) The following laws are the only laws containing statutory appropriations: 2-9-202; 2-17-105;
 2 2-18-812; 3-5-901; 5-13-403; 10-3-203; 10-3-310; 10-3-312; 10-3-314; 10-4-301; ~~15-1-111~~; 15-23-706;
 3 15-30-195; 15-31-702; 15-37-117; 15-38-202; 15-65-121; 15-70-101; 16-1-404; 16-1-410; 16-1-411;
 4 16-11-308; 17-3-106; 17-3-212; 17-5-404; 17-5-424; 17-5-804; 17-6-101; 17-6-201; 17-7-304;
 5 18-11-112; 19-2-502; 19-6-709; 19-9-1007; 19-17-301; 19-18-512; 19-18-513; 19-18-606; 19-19-205;
 6 19-19-305; 19-19-506; 20-8-107; 20-8-111; ~~20-9-361~~; 20-26-1503; 23-5-136; 23-5-306; 23-5-409;
 7 23-5-610; 23-5-612; 23-5-631; 23-7-301; 23-7-402; 32-1-537; 37-43-204; 37-51-501; 39-71-503;
 8 39-71-907; 39-71-2321; 39-71-2504; 44-12-206; 44-13-102; 50-4-623; 50-5-232; 50-40-206; 53-6-150;
 9 53-6-703; 53-24-206; 60-2-220; 67-3-205; 75-1-1101; 75-5-1108; 75-6-214; 75-11-313; 76-12-123;
 10 80-2-103; 80-2-222; 80-4-416; 81-5-111; 82-11-136; 82-11-161; 85-1-220; 85-20-402; 90-3-301;
 11 90-4-215; 90-6-331; 90-7-220; 90-7-221; and 90-9-306.

12 (4) There is a statutory appropriation to pay the principal, interest, premiums, and costs of issuing,
 13 paying, and securing all bonds, notes, or other obligations, as due, that have been authorized and issued
 14 pursuant to the laws of Montana. Agencies that have entered into agreements authorized by the laws of
 15 Montana to pay the state treasurer, for deposit in accordance with 17-2-101 through 17-2-107, as
 16 determined by the state treasurer, an amount sufficient to pay the principal and interest as due on the
 17 bonds or notes have statutory appropriation authority for the payments. (In subsection (3): pursuant to sec.
 18 7, Ch. 567, L. 1991, the inclusion of 19-6-709 terminates upon death of last recipient eligible for
 19 supplemental benefit; and pursuant to sec. 7(2), Ch. 29, L. 1995, the inclusion of 15-30-195 terminates
 20 July 1, 2001.)"

21

22 **Section 174.** Section 19-18-503, MCA, is amended to read:

23 **"19-18-503. Special tax levy for fund required.** (1) The purpose of this section is to provide a
 24 means by which each disability and pension fund may be maintained at a level equal to ~~4%~~ 0.23% of the
 25 taxable valuation of all taxable property within the limits of the city or town.

26 (2) Whenever the fund contains less than ~~4%~~ 0.23% of the taxable valuation of all taxable
 27 property within the limits of the city or town, the governing body of the city or town shall, at the time of
 28 the levy of the annual tax, levy a special tax as provided in 19-18-504. The special tax must be collected
 29 as other taxes are collected and, when so collected, must be paid into the disability and pension fund.

30 (3) If a special tax for the disability and pension fund is levied by a third-class city or town using

1 the all-purpose mill levy, the special tax levy must be made in addition to the all-purpose levy."

2

3 **Section 175.** Section 19-18-504, MCA, is amended to read:

4 "19-18-504. **Amount of special tax levy.** Whenever the fund contains an amount ~~which~~ that is
5 less than ~~4%~~ 0.23% of the taxable valuation of all taxable property in the city or town, the city council
6 shall levy an annual special tax of not less than ~~4~~ 0.06 mill and not more than ~~4-mills~~ 0.24 mill on each
7 dollar of taxable valuation of all taxable property within the city or town."

8

9 **Section 176.** Section 20-1-301, MCA, is amended to read:

10 "20-1-301. **School fiscal year.** The school fiscal year ~~shall begin~~ begins on July 1 and ~~end ends~~
11 on June 30. At least 180 school days of pupil instruction ~~shall~~ must be conducted during each school fiscal
12 year, except that 175 days of pupil instruction for graduating seniors may be sufficient as provided in
13 20-9-313, or unless a variance for kindergarten has been granted under 20-1-302 or a district is granted
14 a variance under the provisions of chapter 9, part 8, of this title. For any elementary or high school district
15 that fails to provide for at least 180 school days of pupil instruction, the superintendent of public instruction
16 shall reduce ~~the county equalization as defined in 20-9-334 and~~ the state equalization as defined in
17 20-9-343 for the district for that school year by 1/90th for each school day less than 180 school days."

18

19 **Section 177.** Section 20-3-106, MCA, is amended to read:

20 "20-3-106. **Supervision of schools -- powers and duties.** The superintendent of public instruction
21 has the general supervision of the public schools and districts of the state and shall perform the following
22 duties or acts in implementing and enforcing the provisions of this title:

23 (1) resolve any controversy resulting from the proration of costs by a joint board of trustees under
24 the provisions of 20-3-362;

25 (2) issue, renew, or deny teacher certification and emergency authorizations of employment;

26 (3) negotiate reciprocal tuition agreements with other states in accordance with the provisions of
27 20-5-314;

28 (4) serve on the teachers' retirement board in accordance with the provisions of 2-15-1010;

29 (5) approve or disapprove the orders of a high school boundary commission in accordance with
30 the provisions of 20-6-311;

- 1 (6) approve or disapprove the opening or reopening of a school in accordance with the provisions
2 of 20-6-502, 20-6-503, 20-6-504, or 20-6-505;
- 3 (7) approve or disapprove school isolation within the limitations prescribed by 20-9-302;
- 4 (8) generally supervise the school budgeting procedures prescribed by law in accordance with the
5 provisions of 20-9-102 and prescribe the school budget format in accordance with the provisions of
6 20-9-103 and 20-9-506;
- 7 (9) establish a system of communication for calculating joint district revenues in accordance with
8 the provisions of 20-9-151;
- 9 (10) approve or disapprove the adoption of a district's budget amendment resolution under the
10 conditions prescribed in 20-9-163 and adopt rules for an application for additional direct state aid for a
11 budget amendment in accordance with the approval and disbursement provisions of 20-9-166;
- 12 (11) generally supervise the school financial administration provisions as prescribed by 20-9-201(2);
- 13 (12) prescribe and furnish the annual report forms to enable the districts to report to the county
14 superintendent in accordance with the provisions of 20-9-213(5) and the annual report forms to enable the
15 county superintendents to report to the superintendent of public instruction in accordance with the
16 provisions of 20-3-209;
- 17 (13) approve, disapprove, or adjust an increase of the average number belonging (ANB) in
18 accordance with the provisions of 20-9-313 and 20-9-314;
- 19 (14) distribute BASE aid and special education allowable cost payments in support of the BASE
20 funding program, in accordance with the provisions of ~~20-9-331, 20-9-333,~~ 20-9-342, 20-9-346, and
21 ~~20-9-347, and 20-9-366 through 20-9-369;~~
- 22 (15) provide for the uniform and equal provision of transportation by performing the duties
23 prescribed by the provisions of 20-10-112;
- 24 (16) approve or disapprove an adult education program for which a district proposes to levy a tax
25 in accordance with the provisions of 20-7-705;
- 26 (17) request, accept, deposit, and expend federal money in accordance with the provisions of
27 20-9-603;
- 28 (18) authorize the use of federal money for the support of an interlocal cooperative agreement in
29 accordance with the provisions of 20-9-703 and 20-9-704;
- 30 (19) prescribe the form and contents of and approve or disapprove interstate contracts in

1 accordance with the provisions of 20-9-705;

2 (20) approve or disapprove the conduct of school on a Saturday or on pupil-instruction-related days
3 in accordance with the provisions of 20-1-303 and 20-1-304;

4 (21) recommend standards of accreditation for all schools to the board of public education and
5 evaluate compliance with the standards and recommend accreditation status of every school to the board
6 of public education in accordance with the provisions of 20-7-101 and 20-7-102;

7 (22) collect and maintain a file of curriculum guides and assist schools with instructional programs
8 in accordance with the provisions of 20-7-113 and 20-7-114;

9 (23) establish and maintain a library of visual, aural, and other educational media in accordance with
10 the provisions of 20-7-201;

11 (24) license textbook dealers and initiate prosecution of textbook dealers violating the law in
12 accordance with the provisions of the textbooks part of this title;

13 (25) as the governing agent and executive officer of the state of Montana for K-12 vocational
14 education, adopt the policies prescribed by and in accordance with the provisions of 20-7-301;

15 (26) supervise and coordinate the conduct of special education in the state in accordance with the
16 provisions of 20-7-403;

17 (27) administer the traffic education program in accordance with the provisions of 20-7-502;

18 (28) administer the school food services program in accordance with the provisions of 20-10-201,
19 20-10-202, and 20-10-203;

20 (29) review school building plans and specifications in accordance with the provisions of 20-6-622;

21 (30) prescribe the method of identification and signals to be used by school safety patrols in
22 accordance with the provisions of 20-1-408;

23 (31) provide schools with information and technical assistance for compliance with the student
24 assessment rules provided for in 20-2-121 and collect and summarize the results of the student assessment
25 for the board of public education and the legislature;

26 ~~(32) administer the distribution of guaranteed tax base aid in accordance with 20-9-366 through~~
27 ~~20-9-369; and~~

28 ~~(33)~~(32) perform any other duty prescribed from time to time by this title, any other act of the
29 legislature, or the policies of the board of public education."

30

1 **Section 178.** Section 20-3-205, MCA, is amended to read:

2 **"20-3-205. Powers and duties.** The county superintendent has general supervision of the schools
3 of the county within the limitations prescribed by this title and shall perform the following duties or acts:

4 (1) determine, establish, and reestablish trustee nominating districts in accordance with the
5 provisions of 20-3-352, 20-3-353, and 20-3-354;

6 (2) administer and file the oaths of members of the boards of trustees of the districts in the county
7 in accordance with the provisions of 20-3-307;

8 (3) register the teacher or specialist certificates or emergency authorization of employment of any
9 person employed in the county as a teacher, specialist, principal, or district superintendent in accordance
10 with the provisions of 20-4-202;

11 (4) act on each tuition and transportation obligation submitted in accordance with the provisions
12 of 20-5-323 and 20-5-324;

13 (5) file a copy of the audit report for a district in accordance with the provisions of 20-9-203;

14 (6) classify districts in accordance with the provisions of 20-6-201 and 20-6-301;

15 (7) keep a transcript and reconcile the district boundaries of the county in accordance with the
16 provisions of 20-6-103;

17 (8) fulfill all responsibilities assigned under the provisions of this title regulating the organization,
18 alteration, or abandonment of districts;

19 (9) act on any unification proposition and, if approved, establish additional trustee nominating
20 districts in accordance with 20-6-312 and 20-6-313;

21 (10) estimate the average number belonging (ANB) of an opening school in accordance with the
22 provisions of 20-6-502, 20-6-503, 20-6-504, or 20-6-506;

23 (11) process and, when required, act on school isolation applications in accordance with the
24 provisions of 20-9-302;

25 (12) complete the budgets, compute the budgeted revenues and tax levies, file final budgets and
26 budget amendments, and fulfill other responsibilities assigned under the provisions of this title regulating
27 school budgeting systems;

28 (13) submit an annual financial report to the superintendent of public instruction in accordance with
29 the provisions of 20-9-211;

30 (14) monthly, unless otherwise provided by law, order the county treasurer to apportion state

1 money, ~~county school money~~, and any other school money subject to apportionment in accordance with
2 the provisions of 20-9-212, ~~20-9-334~~, 20-9-347, or 20-10-145, ~~or 20-10-146~~;

3 (15) act on any request to transfer average number belonging (ANB) in accordance with the
4 provisions of 20-9-313(3);

5 (16) calculate the estimated budgeted general fund sources of revenue in accordance with the
6 general fund revenue provisions of the general fund part of this title;

7 (17) compute the ~~revenues~~ revenue and the district and county levy requirements for each fund
8 included in each district's final budget and report the computations to the board of county commissioners
9 in accordance with the provisions of the general fund, transportation, bonds, and other school funds parts
10 of this title;

11 (18) file and forward bus driver certifications, transportation contracts, and state transportation
12 reimbursement claims in accordance with the provisions of 20-10-103, 20-10-143, or 20-10-145;

13 (19) for districts that do not employ a district superintendent or principal, recommend library book
14 and textbook selections in accordance with the provisions of 20-7-204 or 20-7-602;

15 (20) notify the superintendent of public instruction of a textbook dealer's activities when required
16 under the provisions of 20-7-605 and otherwise comply with the textbook dealer provisions of this title;

17 (21) act on district requests to allocate federal money for indigent children for school food services
18 in accordance with the provisions of 20-10-205;

19 (22) perform any other duty prescribed from time to time by this title, any other act of the
20 legislature, the policies of the board of public education, the policies of the board of regents relating to
21 community college districts, or the rules of the superintendent of public instruction;

22 (23) administer the oath of office to trustees without the receipt of pay for administering the oath;

23 (24) keep a record of official acts, preserve all reports submitted to the superintendent under the
24 provisions of this title, preserve all books and instructional equipment or supplies, keep all documents
25 applicable to the administration of the office, and surrender all records, books, supplies, and equipment to
26 the next superintendent;

27 (25) within 90 days after the close of the school fiscal year, publish an annual report in the county
28 newspaper stating the following financial information for the school fiscal year just ended for each district
29 of the county:

30 (a) the total of the cash balances of all funds maintained by the district at the beginning of the

- 1 year;
- 2 (b) the total receipts that were realized in each fund maintained by the district;
- 3 (c) the total expenditures that were made from each fund maintained by the district; and
- 4 (d) the total of the cash balances of all funds maintained by the district at the end of the school
- 5 fiscal year; and
- 6 (26) hold meetings for the members of the trustees from time to time at which matters for the good
- 7 of the districts must be discussed."

8

9 **Section 179.** Section 20-3-324, MCA, is amended to read:

10 "**20-3-324. Powers and duties.** As prescribed elsewhere in this title, the trustees of each district

11 shall:

12 (1) employ or dismiss a teacher, principal, or other assistant upon the recommendation of the

13 district superintendent, the county high school principal, or other principal as the board considers

14 necessary, accepting or rejecting any recommendation as the trustees in their sole discretion determine,

15 in accordance with the provisions of Title 20, chapter 4;

16 (2) employ and dismiss administrative personnel, clerks, secretaries, teacher aides, custodians,

17 maintenance personnel, school bus drivers, food service personnel, nurses, and any other personnel

18 considered necessary to carry out the various services of the district;

19 (3) administer the attendance and tuition provisions and otherwise govern the pupils of the district

20 in accordance with the provisions of the pupils chapter of this title;

21 (4) call, conduct, and certify the elections of the district in accordance with the provisions of the

22 school elections chapter of this title;

23 (5) participate in the teachers' retirement system of the state of Montana in accordance with the

24 provisions of the teachers' retirement system chapter of Title 19;

25 (6) participate in district boundary change actions in accordance with the provisions of the districts

26 chapter of this title;

27 (7) organize, open, close, or acquire isolation status for the schools of the district in accordance

28 with the provisions of the school organization part of this title;

29 (8) adopt and administer the annual budget or a budget amendment of the district in accordance

30 with the provisions of the school budget system part of this title;

1 (9) conduct the fiscal business of the district in accordance with the provisions of the school
2 financial administration part of this title;

3 (10) establish the ANB, ~~BASE budget levy~~, over-BASE budget levy, additional levy, operating
4 reserve, and state impact aid amounts for the general fund of the district in accordance with the provisions
5 of the general fund part of this title;

6 (11) establish, maintain, budget, and finance the transportation program of the district in
7 accordance with the provisions of the transportation parts of this title;

8 (12) issue, refund, sell, budget, and redeem the bonds of the district in accordance with the
9 provisions of the bonds parts of this title;

10 (13) when applicable, establish, financially administer, and budget for the tuition fund, retirement
11 fund, building reserve fund, adult education fund, nonoperating fund, school food services fund,
12 miscellaneous federal programs fund, building fund, lease or rental agreement fund, traffic education fund,
13 impact aid fund, and interlocal cooperative agreement fund in accordance with the provisions of the other
14 school funds parts of this title;

15 (14) when applicable, administer any interlocal cooperative agreement, gifts, legacies, or devises
16 in accordance with the provisions of the miscellaneous financial parts of this title;

17 (15) hold in trust, acquire, and dispose of the real and personal property of the district in
18 accordance with the provisions of the school sites and facilities part of this title;

19 (16) operate the schools of the district in accordance with the provisions of the school calendar part
20 of this title;

21 (17) establish and maintain the instructional services of the schools of the district in accordance
22 with the provisions of the instructional services, textbooks, vocational education, and special education
23 parts of this title;

24 (18) establish and maintain the school food services of the district in accordance with the provisions
25 of the school food services parts of this title;

26 (19) make reports from time to time as the county superintendent, superintendent of public
27 instruction, and board of public education may require;

28 (20) retain, when considered advisable, a physician or registered nurse to inspect the sanitary
29 conditions of the school or the general health conditions of each pupil and, upon request, make available
30 to any parent or guardian any medical reports or health records maintained by the district pertaining to the

1 child;

2 (21) for each member of the trustees, visit each school of the district not less than once each
3 school fiscal year to examine its management, conditions, and needs, except trustees from a first-class
4 school district may share the responsibility for visiting each school in the district;

5 (22) procure and display outside daily in suitable weather on school days at each school of the
6 district an American flag that measures not less than 4 feet by 6 feet;

7 (23) provide that an American flag that measures approximately 12 inches by 18 inches be
8 prominently displayed in each classroom in each school of the district, except in a classroom in which the
9 flag may get soiled. This requirement is waived if the flags are not provided by a local civic group.

10 (24) adopt and administer a district policy on assessment for placement of any child who enrolls
11 in a school of the district from a nonpublic school that is not accredited, as required in 20-5-110; and

12 (25) perform any other duty and enforce any other requirements for the government of the schools
13 prescribed by this title, the policies of the board of public education, or the rules of the superintendent of
14 public instruction."

15

16 **Section 180.** Section 20-5-316, MCA, is amended to read:

17 "**20-5-316. Out-of-state tuition.** (1) The county superintendent of schools of the county of the
18 district of residence shall make payments from ~~the county basic tax~~ state equalization aid for elementary
19 schools for children who are placed in facilities outside the state of Montana pursuant to 20-5-321 but not
20 under the provisions of Title 20, chapter 7, part 4.

21 (2) The county superintendent of schools of the county of residence shall make payments from
22 ~~the county basic special tax~~ state equalization aid for high schools ~~as provided in 20-9-334~~ for children who
23 are placed in facilities outside the state of Montana as a result of a court order or placement by a state
24 agency. This provision does not apply to children with disabilities that are defined under the provisions of
25 Title 20, chapter 7, part 4."

26

27 **Section 181.** Section 20-5-320, MCA, is amended to read:

28 "**20-5-320. Attendance with discretionary approval.** (1) A child may be enrolled in and attend a
29 school in a Montana school district that is outside of the child's district of residence or a public school in
30 a district of another state or province that is adjacent to the county of the child's residence, subject to

1 (d) the names, districts of attendance, and amount of tuition to be paid by the district for resident
2 students attending public schools out of state.

3 (2) The county superintendent shall send, as soon as practicable, the reported information to the
4 county superintendent of the county in which a reported child resides.

5 (3) Before July 30, the county superintendent shall report the information in subsection (1)(d) to
6 the superintendent of public instruction, who shall determine the total per-ANB entitlement for which the
7 district would be eligible if the student were enrolled in the resident district. The reimbursement amount
8 is the difference between the actual amount paid and the amount calculated in this subsection.

9 (4) Notwithstanding the requirements of subsection (5), tuition payment provisions for
10 out-of-district placement of students with disabilities must be determined pursuant to Title 20, chapter 7,
11 part 4.

12 (5) Except as provided in subsection (6), when a child has approval to attend a school outside the
13 child's district of residence under the provisions of 20-5-320 or 20-5-321, the district of residence shall
14 finance the tuition amount from the district tuition fund and any transportation amount from the
15 transportation fund.

16 (6) When a child has mandatory approval under the provisions of 20-5-321, the tuition and
17 transportation obligation for an elementary school or high school child attending a school outside of the
18 child's county of residence must be financed by ~~the county basic tax for elementary districts, as provided~~
19 ~~in 20-9-331, for the child's county of residence or for a high school child attending a school outside the~~
20 ~~county of residence by the county basic tax for high school districts, as provided in 20-9-333, for the~~
21 ~~child's county of residence~~ school equalization aid from the child's district of residence.

22 (7) By December 31 of the school fiscal year, the county superintendent or the trustees shall pay
23 at least one-half of any tuition and transportation obligation established under this section out of the money
24 ~~realized to date from the appropriate basic county tax account provided for in 20-9-334~~ from school
25 equalization aid or from the district tuition or transportation fund. The remaining tuition and transportation
26 obligation must be paid by June 15 of the school fiscal year. The payments must be made to the county
27 treasurer in each county with a school district that is entitled to tuition and transportation. Except as
28 provided in subsection (9), the county treasurer shall credit tuition receipts to the general fund of a school
29 district entitled to a tuition payment. The tuition receipts must be used in accordance with the provisions
30 of 20-9-141. The county treasurer shall credit transportation receipts to the transportation fund of a school

1 district entitled to a transportation payment.

2 (8) The superintendent of public instruction shall reimburse the district of residence for the per-ANB
3 entitlement determined in subsection (3).

4 (9) (a) Any tuition receipts received under the provisions of Title 20, chapter 7, part 4, or
5 20-5-323(3) for the current school fiscal year that exceed the tuition receipts of the prior year may be
6 deposited in the district miscellaneous programs fund and must be used for that year in the manner
7 provided for in 20-9-507 to support the costs of the program for which the tuition was received.

8 (b) Any other tuition receipts received for the current school fiscal year that exceed the tuition
9 receipts of the prior year may be deposited in the district miscellaneous programs fund and may be used
10 for that year in the manner provided for in that fund. For the ensuing school fiscal year, the receipts must
11 be credited to the district general fund budget."

12

13 **Section 183.** Section 20-6-702, MCA, is amended to read:

14 **"20-6-702. Funding for K-12 school districts.** (1) Notwithstanding the provisions of subsections
15 (2) through (6), a K-12 school district formed under the provisions of 20-6-701 is subject to the provisions
16 of law for high school districts.

17 (2) The number of elected trustees of the K-12 school district must be based on the classification
18 of the attached elementary district under the provisions of 20-3-341 and 20-3-351.

19 (3) ~~Calculations for the following of ANB for purposes of determining the total per-ANB~~
20 ~~entitlements must be in accordance with the provisions of 20-9-311 and~~ must be made separately for the
21 elementary school program and the high school program of a K-12 school district:

22 ~~(a) the calculation of ANB for purposes of determining the total per-ANB entitlements must be in~~
23 ~~accordance with the provisions of 20-9-311;~~

24 ~~(b) the basic county tax and revenues for the elementary BASE funding program amount for the~~
25 ~~district must be determined in accordance with the provisions of 20-9-331, and the basic special tax and~~
26 ~~revenues for the high school BASE funding program amount for the district must be determined in~~
27 ~~accordance with 20-9-333; and~~

28 ~~(c) the guaranteed tax base aid for BASE funding program purposes for a K-12 school district must~~
29 ~~be calculated separately, using each district's guaranteed tax base ratio, as defined in 20-9-366. The BASE~~
30 ~~budget levy to be levied for the K-12 school district must be prorated based on the ratio of the BASE~~

1 ~~funding program amounts for elementary school programs to the BASE funding program amounts for high~~
 2 ~~school programs.~~

3 (4) The retirement obligation ~~and eligibility for retirement guaranteed tax base aid~~ for a K-12 school
 4 district must be calculated and funded as a high school district retirement obligation under the provisions
 5 of 20-9-501.

6 (5) For the purposes of budgeting for a K-12 school district, the trustees shall adopt a single fund
 7 for any of the budgeted or nonbudgeted funds described in 20-9-201 for the costs of operating all grades
 8 and programs of the district.

9 (6) Tuition for attendance in the K-12 school district must be determined separately for high school
 10 pupils and for elementary pupils under the provisions of 20-5-320 through 20-5-324, except that the actual
 11 expenditures used for calculations in 20-5-323 must be based on an amount prorated between the
 12 elementary and high school programs in the appropriate funds of each district in the year prior to the
 13 attachment of the districts."
 14

15 **Section 184.** Section 20-7-714, MCA, is amended to read:

16 **"20-7-714. County adult literacy programs -- authorization to levy tax and establish fund.** (1) (a)
 17 The governing body of a county may, in its discretion, establish a fund and levy up to ~~4~~ 0.059 mill on each
 18 dollar of taxable property in the county for the support of county literacy programs that give first priority
 19 to providing direct instruction to adults. The tax levy is in addition to all other tax levies ~~and is subject to~~
 20 ~~limitations on property taxes set forth in 15-10-402.~~

21 (b) The fund may be used only for the support of adult literacy programs within the county.

22 (2) (a) If a county levies a property tax for adult literacy programs, the county governing body shall
 23 appoint a county adult literacy board to administer the expenditure of funds from the county adult literacy
 24 fund established in subsection (1).

25 (b) The county adult literacy board shall coordinate all adult literacy programs receiving county
 26 adult literacy funds. The board may adopt policies concerning program standards and financial
 27 accountability for organizations receiving adult literacy funds. The board may require that adult literacy
 28 programs match adult literacy funds with federal, state, or private money. The board may, with the
 29 concurrence of the appropriate county officials, arrange for county in-kind services to support adult literacy
 30 programs.

1 (c) County adult literacy funding may be expended only on literacy programs for persons who are
2 at least 19 years of age and whose high school class has graduated."
3

4 **Section 185.** Section 20-9-104, MCA, is amended to read:

5 **"20-9-104. General fund operating reserve.** (1) At the end of each school fiscal year, the trustees
6 of each district shall designate the portion of the general fund end-of-the-year fund balance that is to be
7 earmarked as operating reserve for the purpose of paying general fund warrants issued by the district from
8 July 1 to November 30 of the ensuing school fiscal year. Except as provided in subsections (5) and (6), the
9 amount of the general fund balance that is earmarked as operating reserve may not exceed 10% of the final
10 general fund budget for the ensuing school fiscal year.

11 (2) The amount held as operating reserve may not be used for property tax reduction in the manner
12 permitted by 20-9-141(1)(b) for other receipts.

13 (3) Excess reserves as provided in subsection (5) may be appropriated to reduce ~~the BASE budget~~
14 ~~levy~~, the over-BASE budget levy, or the additional levy provided by 20-9-353.

15 (4) Any portion of the general fund end-of-the-year fund balance that is not reserved under
16 subsection (2) or reappropriated under subsection (3) is fund balance reappropriated and must be used for
17 property tax reduction as provided in 20-9-141(1)(b).

18 (5) The limitation of subsection (1) does not apply when the amount in excess of the limitation is
19 equal to or less than the unused balance of any amount:

20 (a) (i) received in settlement of tax payments protested in a prior school fiscal year;

21 (ii) received in taxes from a prior school fiscal year as a result of a tax audit by the department of
22 revenue or its agents;

23 (iii) received in delinquent taxes from a prior school fiscal year; and

24 (iv) received as a local government severance tax payment for calendar year 1995 production as
25 provided in 15-36-325; or

26 (b) a district was entitled to as a general bonus payment prior to July 1, 1994.

27 (6) The limitation of subsection (1) does not apply when the amount earmarked as operating
28 reserve is \$10,000 or less."
29

30 **Section 186.** Section 20-9-141, MCA, is amended to read:

1 **"20-9-141. Computation of general fund ~~net~~ over-BASE levy requirement by county**
 2 **superintendent.** (1) The county superintendent shall compute the levy requirement for each district's general
 3 fund on the basis of the following procedure:

4 (a) ~~Determine~~ determine the funding required for the district's final general fund budget less the
 5 sum of direct state aid and the special education allowable cost payment for the district by totaling:

6 (i) the district's nonisolated school BASE budget requirement to be met by a district levy as
 7 provided in 20-9-303; and

8 (ii) any general fund budget amount adopted by the trustees of the district under the provisions
 9 of 20-9-308 and 20-9-353, including any additional funding for a general fund budget that exceeds the
 10 maximum general fund budget;

11 (b) ~~Determine~~ determine the money available for the reduction of the property tax on the district
 12 for the general fund by totaling:

13 (i) the general fund balance reappropriated, as established under the provisions of 20-9-104;

14 (ii) amounts received in the last fiscal year for which revenue reporting was required for each of
 15 the following:

16 (A) tuition payments for out-of-district pupils under the provisions of 20-5-321 through 20-5-323;

17 (B) revenue from ~~property~~ motor vehicle taxes, ~~and fees, and motor vehicle sales taxes or use~~
 18 taxes imposed under 23-2-517, 23-2-803, 61-3-504(2), 61-3-521, 61-3-527, 61-3-537, [section 232], and
 19 67-3-204;

20 (C) oil and natural gas production taxes;

21 (D) interest earned by the investment of general fund cash in accordance with the provisions of
 22 20-9-213(4);

23 (E) revenue from corporation license taxes collected from financial institutions under the provisions
 24 of 15-31-702; ~~and~~

25 (F) forest reserve receipts apportioned under the provisions of 17-3-213;

26 (G) grazing receipts apportioned under the provisions of 17-3-221; and

27 (H) any other revenue received during the school fiscal year that may be used to finance the
 28 general fund, ~~excluding any guaranteed tax base aid;~~ and

29 (iii) pursuant to subsection (4), anticipated revenue from coal gross proceeds under 15-23-703;

30 (c) ~~Notwithstanding the provisions of subsection (2),~~ subtract the money available to reduce the

1 property tax required to finance the general fund that has been determined in subsection (1)(b) from any
 2 general fund budget amount adopted by the trustees of the district, ~~up to the BASE budget amount,~~ to
 3 determine the general fund BASE over-BASE budget levy requirement.

4 ~~(d) Subtract any amount remaining after the determination in subsection (1)(c) from any additional~~
 5 ~~funding requirement to be met by an over-BASE budget amount, a district levy as provided in 20-9-303,~~
 6 ~~and any additional financing as provided in 20-9-353 to determine any additional general fund levy~~
 7 ~~requirements.~~

8 (2) The county superintendent shall calculate the number of mills to be levied on the taxable
 9 property in the district to finance the general fund levy requirement for any amount that ~~does not exceed~~
 10 exceeds the BASE budget amount for the district by dividing the amount determined in subsection (1)(c)
 11 by ~~the sum of:~~

12 ~~(a) the amount of guaranteed tax base aid that the district will receive for each mill levied, as~~
 13 ~~certified by the superintendent of public instruction; and~~

14 ~~(b) the taxable valuation of the district divided by 1,000.~~

15 (3) The ~~net~~ over-BASE general fund levy requirement determined in ~~subsections~~ subsection (1)(c)
 16 ~~and (1)(d)~~ must be reported to the county commissioners on the fourth Monday of August by the county
 17 superintendent as the over-BASE general fund ~~net~~ levy requirement for the district, and a levy must be set
 18 by the county commissioners in accordance with 20-9-142.

19 (4) For each school district, the department of revenue shall calculate and report to the county
 20 superintendent the amount of revenue anticipated for the ensuing fiscal year from revenue from coal gross
 21 proceeds under 15-23-703."

22
 23 **Section 187.** Section 20-9-142, MCA, is amended to read:

24 **"20-9-142. Fixing and levying taxes by board of county commissioners.** On the fourth Monday
 25 in August, the county superintendent shall place before the board of county commissioners the final
 26 adopted budget of the district. It is the duty of the board of county commissioners to fix and levy on all
 27 the taxable value of all the real ~~and personal~~ property within the district all district and county taxation
 28 required to finance, within the limitations provided by law, the final budget."

29
 30 **Section 188.** Section 20-9-212, MCA, is amended to read:

1 **"20-9-212. Duties of county treasurer.** The county treasurer of each county shall:

2 (1) receive and hold all school money subject to apportionment and keep a separate accounting
3 of its apportionment to the several districts that are entitled to a portion of the money according to the
4 apportionments ordered by the county superintendent or by the superintendent of public instruction. A
5 separate accounting must be maintained for ~~each county fund~~ a community college supported by a
6 countywide levy ~~for a specific, authorized purpose, including:~~

7 ~~(a) the basic county tax in support of the elementary BASE aid;~~

8 ~~(b) the basic special tax for high schools in support of the high school BASE aid;~~

9 ~~(c) the county tax in support of the transportation schedules;~~

10 ~~(d) the county tax in support of the elementary and high school district retirement obligations; and~~

11 ~~(e) any other county tax for schools, including the community colleges, that may be authorized by~~
12 law and levied by the county commissioners.

13 (2) whenever requested, notify the county superintendent and the superintendent of public
14 instruction of the amount of county school money on deposit ~~in each of the funds enumerated in subsection~~
15 ~~(1)~~ for a community college and the amount of any other school money subject to apportionment and
16 apportion the ~~county and other~~ school money to the districts in accordance with the apportionment ordered
17 by the county superintendent or the superintendent of public instruction;

18 (3) keep a separate accounting of the receipts, expenditures, and cash balances for each fund;

19 (4) except as otherwise limited by law, pay all warrants properly drawn on the county or district
20 school money;

21 (5) receive all revenue collected by and for each district and deposit these receipts in the fund
22 designated by law or by the district if a fund is not designated by law. Interest and penalties on delinquent
23 school taxes must be credited to the same fund and district for which the original taxes were levied.

24 (6) send all revenue received for a joint district, part of which is situated in the county, to the
25 county treasurer designated as the custodian of the revenue, no later than December 15 of each year and
26 every 3 months after that date until the end of the school fiscal year;

27 (7) at the direction of the trustees of a district, assist the district in the issuance and sale of tax
28 and revenue anticipation notes as provided in Title 7, chapter 6, part 11;

29 (8) register district warrants drawn on a budgeted fund in accordance with 7-6-2604 when there
30 is insufficient money available in all funds of the district to make payment of the warrant. Redemption of

1 registered warrants must be made in accordance with 7-6-2116, 7-6-2605, and 7-6-2606.

2 (9) invest the money of any district as directed by the trustees of the district within 3 working days
3 of the direction;

4 (10) each month give to the trustees of each district an itemized report for each fund maintained
5 by the district, showing the paid warrants, registered warrants, interest distribution, amounts and types
6 of revenue received, and the cash balance;

7 (11) remit promptly to the state treasurer receipts for the county tax for a vocational-technical
8 program within a unit of the university system when levied by the board of county commissioners under
9 the provisions of 20-25-439;

10 ~~(12) invest the money received from the basic county tax, the basic special tax, the county levy~~
11 ~~in support of the elementary and high school district retirement obligations, and the county levy in support~~
12 ~~of the transportation schedules within 3 working days of receipt. The money must be invested until the~~
13 ~~working day before it is required to be distributed to school districts within the county or remitted to the~~
14 ~~state. Permissible investments are specified in 20-9-213(4). All investment income must be deposited, and~~
15 ~~credited proportionately, in the funds established to account for the taxes received for the purposes~~
16 ~~specified in subsections (1)(a) through (1)(d).~~

17 ~~(13) remit on a monthly basis to the state treasurer, in accordance with the provisions of 15-1-504,~~
18 ~~all county equalization revenue received under the provisions of 20-9-331 and 20-9-333, including all~~
19 ~~interest earned and excluding any amount required for high school out-of-county tuition under the~~
20 ~~provisions of 20-9-334, in repayment of the state advance for county equalization prescribed in 20-9-347.~~
21 ~~Any funds in excess of a state advance must be used as required in 20-9-331(1)(b) and 20-9-333(1)(b)."~~

22
23 **Section 189.** Section 20-9-303, MCA, is amended to read:

24 **"20-9-303. Nonisolated school BASE budget funding -- special education funds.** (1) An elementary
25 school that has an ANB of nine or fewer pupils for 2 consecutive years and that is not approved as an
26 isolated school under the provisions of 20-9-302 may budget and spend the BASE budget amount, but the
27 ~~county and~~ state shall provide one-half of the direct state aid, and the district shall finance the remaining
28 one-half of the direct state aid by a tax levied on the property of the district. When a school of nine or
29 fewer pupils is approved as isolated under the provisions of 20-9-302, the ~~county and~~ state shall ~~participate~~
30 ~~in the financing of~~ provide the total amount of the direct state aid.

1 (2) Funds provided to support the special education program may be expended only for special
 2 education purposes as approved by the superintendent of public instruction in accordance with the special
 3 education budgeting provisions of this title. Expenditures for special education must be accounted for
 4 separately from and in addition to the balance of the school district general fund budgeting requirements
 5 provided in 20-9-307 and 20-9-308. The amount of the special education allowable cost payments that is
 6 not matched with district funds, as required in 20-9-321, will reduce by a like amount the district's ensuing
 7 year's allowable cost payment for special education."

8
 9 **Section 190.** Section 20-9-306, MCA, is amended to read:

10 **"20-9-306. Definitions.** As used in this title, unless the context clearly indicates otherwise, the
 11 following definitions apply:

12 (1) "BASE" means base amount for school equity.

13 (2) "BASE aid" means:

14 ~~(a)~~ direct state aid for ~~40%~~ 80% of the basic entitlement and ~~40%~~ 80% of the total per-ANB
 15 entitlement for the general fund budget of a district; ~~and~~

16 ~~(b) guaranteed tax base aid for an eligible district for any amount up to 40% of the basic~~
 17 ~~entitlement, up to 40% of the total per-ANB entitlement budgeted in the general fund budget of a district,~~
 18 ~~and up to 40% of the special education allowable cost payment.~~

19 (3) "BASE budget" means the minimum general fund budget of a district, which includes 80% of
 20 the basic entitlement, 80% of the total per-ANB entitlement, and up to 140% of the special education
 21 allowable cost payment.

22 ~~(4) "BASE budget levy" means the district levy in support of the BASE budget of a district, which~~
 23 ~~may be supplemented by guaranteed tax base aid if the district is eligible under the provisions of 20-9-366~~
 24 ~~through 20-9-369.~~

25 ~~(5)~~(4) "BASE funding program" means the state program for the equitable distribution of the state's
 26 share of the cost of Montana's basic system of public elementary schools and high schools, through ~~county~~
 27 ~~equalization aid as provided in 20-9-331 and 20-9-333 and~~ state equalization aid as provided in 20-9-343,
 28 in support of the BASE budgets of districts and special education allowable cost payments as provided in
 29 20-9-321.

30 ~~(6)~~(5) "Basic entitlement" means:

- 1 (a) \$191,000 for each high school district;
- 2 (b) \$17,190 for each elementary school district or K-12 district elementary program without an
3 approved and accredited junior high school or middle school; and
- 4 (c) the prorated entitlement for each elementary school district or K-12 district elementary program
5 with an approved and accredited junior high school or middle school, calculated as follows:
- 6 (i) \$17,190 times the ratio of the ANB for kindergarten through grade 6 to the total ANB of
7 kindergarten through grade 8; plus
- 8 (ii) \$191,000 times the ratio of the ANB for grades 7 and 8 to the total ANB of kindergarten through
9 grade 8.
- 10 ~~(7)~~(6) "Direct state aid" means ~~40%~~ 80% of the basic entitlement and ~~40%~~ 80% of the total
11 per-ANB entitlement for the general fund budget of a district and funded with state ~~and county~~ equalization
12 aid.
- 13 ~~(8)~~(7) "Maximum general fund budget" means a district's general fund budget amount calculated
14 from the basic entitlement for the district, the total per-ANB entitlement for the district, and up to 153%
15 of special education allowable cost payments.
- 16 ~~(9)~~(8) "Over-BASE budget levy" means the district levy in support of any general fund amount
17 budgeted that is above the BASE budget and below the maximum general fund budget for a district.
- 18 ~~(10)~~(9) "Total per-ANB entitlement" means the district entitlement resulting from the following
19 calculations:
- 20 (a) for a high school district or a K-12 district high school program, a maximum rate of \$4,680 for
21 the first ANB is decreased at the rate of 50 cents per ANB for each additional ANB of the district up through
22 800 ANB, with each ANB in excess of 800 receiving the same amount of entitlement as the 800th ANB;
- 23 (b) for an elementary school district or a K-12 district elementary program without an approved
24 and accredited junior high school or middle school, a maximum rate of \$3,343 for the first ANB is
25 decreased at the rate of 20 cents per ANB for each additional ANB of the district up through 1,000 ANB,
26 with each ANB in excess of 1,000 receiving the same amount of entitlement as the 1,000th ANB; and
- 27 (c) for an elementary school district or a K-12 district elementary program with an approved and
28 accredited junior high school or middle school, the sum of:
- 29 (i) a maximum rate of \$3,343 for the first ANB for kindergarten through grade 6 is decreased at
30 the rate of 20 cents per ANB for each additional ANB up through 1,000 ANB, with each ANB in excess of

1 1,000 receiving the same amount of entitlement as the 1,000th ANB; and

2 (ii) a maximum rate of \$4,680 for the first ANB for grades 7 and 8 is decreased at the rate of 50
3 cents per ANB for each additional ANB for grades 7 and 8 up through 800 ANB, with each ANB in excess
4 of 800 receiving the same amount of entitlement as the 800th ANB."

5

6 **Section 191.** Section 20-9-307, MCA, is amended to read:

7 **"20-9-307. BASE funding program -- district general fund budget -- funding sources.** (1) A basic
8 system of free quality public elementary schools and high schools must be established and maintained
9 throughout the state of Montana to provide equality of educational opportunity to all school-age children.

10 (2) The state shall in an equitable manner fund and distribute to the school districts the state's
11 share of the cost of the basic school system through BASE aid to support the BASE funding program in the
12 manner established in this title.

13 (3) The ~~budgetary vehicle~~ general fund budget of the school district must be used for achieving
14 the financing system established in subsection (2) ~~is the general fund budget of the school district~~. The
15 purpose of the district general fund budget is to finance those instructional, administrative, facility
16 maintenance, and other operational costs of a district not financed by other funds established for special
17 purposes in this title.

18 (4) The BASE funding program for the districts in the state is financed by a combination of the
19 following sources:

20 (a) ~~county equalization money, as provided in 20-9-331 and 20-9-333;~~

21 ~~(b) state equalization aid, as provided in 20-9-343, including guaranteed tax base aid for eligible~~
22 ~~districts as provided in 20-9-366 through 20-9-369;~~

23 ~~(c)~~(b) appropriations for special education;

24 ~~(d)~~(c) a district levy, as provided in ~~20-9-302~~ 20-9-303, for support of a school not approved as
25 an isolated school under the provisions of ~~that section~~ 20-9-302; and

26 ~~(e)~~(d) district levies or other revenue, as provided by 20-9-308 and 20-9-353."

27

28 **Section 192.** Section 20-9-308, MCA, is amended to read:

29 **"20-9-308. BASE budgets and maximum general fund budgets.** (1) The trustees of a district shall
30 adopt a general fund budget that:

1 (a) ~~except as provided in subsection (2)~~, is at least equal to the BASE budget established for the
2 district; or

3 (b) except as provided in ~~section 3, Chapter 38, Special Laws of November 1993~~, and subsection
4 ~~(4) (3)~~ of this section, does not exceed the maximum general fund budget established for the district.

5 ~~(2) (a) If the BASE budget for a district for the school fiscal year is greater than the general fund~~
6 ~~budget of the district for the prior school fiscal year, the trustees of the district:~~

7 (i) ~~shall increase the general fund budget by at least:~~

8 (A) ~~25% of the range between the district general fund budget for the school fiscal year ending~~
9 ~~June 30, 1994, and the BASE budget for the district for the school fiscal year beginning July 1, 1994;~~

10 (B) ~~33.3% of the range between the district general fund budget for the school fiscal year ending~~
11 ~~June 30, 1995, and the BASE budget for the district for the school fiscal year beginning July 1, 1995;~~

12 (C) ~~50% of the range between the district general fund budget for the school fiscal year ending~~
13 ~~June 30, 1996, and the BASE budget for the district for the school fiscal year beginning July 1, 1996; or~~

14 (D) ~~the remainder of the range between the district general fund budget for the school fiscal year~~
15 ~~ending June 30, 1997, and the BASE budget for the district for the school fiscal year beginning July 1,~~
16 ~~1997;~~

17 (ii) ~~may increase the general fund budget beyond the amount in subsection (2)(a)(i) but not by more~~
18 ~~than 4% of the previous year's general fund budget or by more than 4% of the previous year's general fund~~
19 ~~per-ANB multiplied by the current year's ANB for budgeting purposes pursuant to subsection (2)(b).~~

20 (b) ~~The trustees shall submit a proposition on any amount exceeding the limitations in subsection~~
21 ~~(2)(a)(i) to the electors of the district, as provided in 20-9-353.~~

22 ~~(3)(2)~~ (a) Whenever the trustees of a district adopt a general fund budget that exceeds the BASE
23 budget for the district but does not exceed the maximum general fund budget for the district, the trustees
24 shall submit a proposition to the electors of the district, as provided in 20-9-353, for any budget amount
25 that exceeds the previous year's general fund budget amount or the previous year's general fund budget
26 per-ANB multiplied by the current year's ANB for budgeting purposes.

27 (b) A general fund budget adopted under this subsection ~~(3)(2)~~ may not exceed the greater of:

28 (i) 104% of the previous year's general fund budget ~~as adjusted by the provisions of section 3,~~
29 ~~Chapter 38, Special Laws of November 1993; or~~

30 (ii) 104% of the previous year's general fund budget per-ANB multiplied by the current year's ANB

1 for budgeting purposes ~~as adjusted by the provisions of section 3, Chapter 38, Special Laws of November~~
 2 ~~1993.~~

3 ~~(4)(3)~~ (a) If the maximum general fund budget for a district for an ensuing school fiscal year is less
 4 than the general fund budget for the district for the current school fiscal year, ~~as adjusted by the provisions~~
 5 ~~of section 3, Chapter 38, Special Laws of November 1993,~~ the trustees of the district may not adopt a
 6 general fund budget for the ensuing school fiscal year that is greater than the district's general fund budget
 7 for the current school fiscal year.

8 ~~(b) Except for the school fiscal year beginning July 1, 1994, the~~ The trustees of the district shall
 9 submit a proposition to raise any general fund budget amount that is in excess of the maximum general
 10 fund budget for the district to the electors who are qualified under 20-20-301 to vote on the proposition,
 11 as provided in 20-9-353.

12 ~~(6)(4)~~ Whenever the trustees of a district adopt a general fund budget that does not exceed the
 13 BASE budget for the district, the trustees shall finance this amount with the following sources of revenue:

14 (a) state equalization aid as provided in 20-9-343, ~~including any guaranteed tax base aid for which~~
 15 ~~the district may be eligible, as provided in 20-9-366 through 20-9-369;~~

16 (b) ~~county equalization aid, as provided in 20-9-331 and 20-9-333;~~

17 ~~(c)~~ a district levy for support of a school not approved as an isolated school under the provisions
 18 of 20-9-302; and

19 ~~(d)(c)~~ payments in support of special education programs under the provisions of 20-9-321;

20 ~~(e) nonlevy revenue as provided in 20-9-141; and~~

21 ~~(f) a BASE budget levy on the taxable value of all property within the district.~~

22 ~~(6)(5)~~ The over-BASE budget amount of a district must be financed by a levy on the taxable value
 23 of all property within the district or other revenue available to the district as provided in 20-9-141."
 24

25 **Section 193.** Section 20-9-332, MCA, is amended to read:

26 **"20-9-332. Fines and penalties proceeds for elementary county school equalization.** All fines and
 27 penalties collected under the provisions of this title, except those collected by a justice's court, ~~shall~~ must
 28 be paid into the ~~county elementary equalization fund as provided by 20-9-331(2)(c)~~ state general fund for
 29 state equalization aid. In order to implement this section and any other provision of law requiring the deposit
 30 of fines in the ~~elementary county equalization fund~~ state general fund, ~~a~~ the clerk of each district court shall

1 report ~~shall be made~~ to the ~~county~~ superintendent of the ~~county~~ public instruction, at the close of each
 2 term, ~~by the clerk of each district court, reporting~~ all fines imposed and collected during the term and
 3 ~~indicating~~ indicate the type of violation and the date of collection."

4
 5 **Section 194.** Section 20-9-343, MCA, is amended to read:

6 **"20-9-343. Definition of and revenue for state equalization aid.** (1) As used in this title, the term
 7 "state equalization aid" means revenue as required in this section for:

8 (a) distribution to the public schools for the purposes of payment of systems development and
 9 other related costs resulting from the enactment of legislation that requires changes to the automated
 10 system used to administer the BASE funding program, ~~guaranteed tax base aid~~, BASE aid, state
 11 reimbursement for school facilities, matching funds for the systemic initiative for Montana mathematics and
 12 science grant, and grants for school technology purchases;

13 (b) negotiated payments authorized under 20-7-420(3) up to \$500,000 per biennium; and

14 (c) the Montana educational telecommunications network as provided in 20-32-101.

15 (2) The superintendent of public instruction may spend throughout the biennium funds appropriated
 16 for the purposes of systems development and other related costs resulting from the enactment of legislation
 17 that requires changes to the automated system used to administer the BASE funding program, ~~guaranteed~~
 18 ~~tax base aid~~, BASE aid for the BASE funding program, state reimbursement for school facilities, negotiated
 19 payments authorized under 20-7-420(3), the Montana educational telecommunications network, and school
 20 technology purchases.

21 (3) The following must be paid into the state general fund for the public schools of the state:

22 (a) (i) subject to subsection (3)(a)(ii), interest and income money described in 20-9-341 and
 23 20-9-342; and

24 (ii) an amount of money equal to the income money attributable to the difference between the
 25 average sale value of 18 million board feet and the total income produced from the annual timber harvest
 26 on common school trust lands during the fiscal year to be appropriated for purposes of 20-9-533;

27 (b) investment income earned by investing interest and income money described in 20-9-341 and
 28 20-9-342; and

29 (c) fines and penalties described in 20-9-332.

30

1 **Section 195.** Section 20-9-344, MCA, is amended to read:

2 "**20-9-344. Duties of board of public education for distribution of BASE aid.** (1) The board of
3 public education shall administer and distribute the BASE aid ~~and state advances for county equalization~~
4 in the manner and with the powers and duties provided by law. To this end, the board of public education
5 shall:

6 (a) adopt policies for regulating the distribution of BASE aid ~~and state advances for county~~
7 ~~equalization~~ in accordance with the provisions of law;

8 (b) have the power to require reports from the county superintendents, budget boards, county
9 treasurers, and trustees as it considers necessary; and

10 (c) order the superintendent of public instruction to distribute the BASE aid on the basis of each
11 district's annual entitlement to the aid as established by the superintendent of public instruction. In ordering
12 the distribution of BASE aid, the board of public education may not increase or decrease the BASE aid
13 distribution to any district on account of any difference that may occur during the school fiscal year
14 between budgeted and actual receipts from any other source of school revenue.

15 (2) The board of public education may order the superintendent of public instruction to withhold
16 distribution of BASE aid from a district when the district fails to:

17 (a) submit reports or budgets as required by law or rules adopted by the board of public education;

18 or

19 (b) maintain accredited status.

20 (3) Prior to any proposed order by the board of public education to withhold distribution of BASE
21 aid ~~or county equalization money~~, the district is entitled to a contested case hearing before the board of
22 public education, as provided under the Montana Administrative Procedure Act.

23 (4) If a district or county receives more BASE aid than it is entitled to, the county treasurer shall
24 return the overpayment to the state upon the request of the superintendent of public instruction in the
25 manner prescribed by the superintendent of public instruction.

26 (5) Except as provided in 20-9-347(3), the BASE aid payment must be distributed according to the
27 following schedule:

28 (a) from August to ~~October~~ April of the school fiscal year, 10% of the direct state aid to each
29 district;

30 ~~(b) from December to April of the school fiscal year, 10% of the direct state aid to each district;~~

1 ~~(e)~~(b) in November of the school fiscal year, one-half of the ~~guaranteed tax base aid state~~
 2 ~~retirement obligation~~ payment to each ~~district or~~ county that has submitted a final budget to the
 3 superintendent of public instruction in accordance with the provisions of 20-9-134;

4 ~~(d)~~(c) in May of the school fiscal year, ~~the remainder of the guaranteed tax base aid~~ one-half of
 5 the state retirement obligation payment to each ~~district or~~ county; and

6 ~~(e)~~(d) in June of the school fiscal year, ~~one-half of the remaining payment to each district of direct~~
 7 ~~state aid and on the following July 15, the remaining payment to each district of direct state aid~~ for the
 8 school fiscal year ending on ~~the preceding~~ June 30.

9 (6) The distribution provided for in subsection (5) must occur by the last working day of each
 10 month."

11
 12 **Section 196.** Section 20-9-346, MCA, is amended to read:

13 "**20-9-346. Duties of superintendent of public instruction for state ~~and county~~ equalization aid**
 14 **distribution.** The superintendent of public instruction shall administer the distribution of the state ~~and county~~
 15 equalization aid by:

16 (1) establishing the annual entitlement of each ~~district and county to state and county equalization~~
 17 ~~aid~~, based on the data reported in the retirement, general fund, and debt service fund budgets for each
 18 district that have been adopted for the current school fiscal year and verified by the superintendent of
 19 public instruction;

20 (2) for the purposes of state advances and reimbursements for school facilities, limiting the
 21 distribution to no more than the amount appropriated for the school fiscal year to the districts that are
 22 eligible under the provisions of ~~20-9-366~~ 20-9-369 through 20-9-371 by:

23 (a) determining the debt service payment obligation in each district for debt service on bonds that
 24 were sold as provided in 20-9-370~~(3)~~(4) that qualify for a state advance or reimbursement for school
 25 facilities under the provisions of ~~20-9-366 through~~ 20-9-369 ~~and 20-9-370~~ through 20-9-371;

26 (b) based on the limitation of state equalization aid appropriated for debt service purposes,
 27 determining the state advance for school facilities and the proportionate share of state reimbursement for
 28 school facilities that each eligible district must receive for the school fiscal year; and

29 (c) distributing that amount by May 31 of each school fiscal year to each eligible district for
 30 reducing the property tax for the debt service fund for the ensuing school fiscal year;

1 (3) distributing by electronic transfer the BASE aid ~~and state advances for county equalization~~, for
 2 each district ~~or county entitled to the aid~~, to the county treasurer of the ~~respective county for county~~
 3 ~~equalization or to the county treasurer of the~~ county where the district is located for BASE aid, in
 4 accordance with the distribution ordered by the board of public education;

5 (4) keeping a record of the full and complete data concerning money available for state equalization
 6 aid, including state advances for county retirement equalization aid, and the entitlements for BASE aid of
 7 the districts of the state;

8 (5) reporting to the board of public education the estimated amount that will be available for state
 9 equalization aid; and

10 (6) reporting to the office of budget and program planning as provided in 17-7-111:

11 (a) the figures and data available concerning distributions of state ~~and county~~ equalization aid
 12 during the preceding 2 school fiscal years;

13 (b) the amount of state equalization aid then available;

14 (c) the apportionment made of the available money but not yet distributed; and

15 (d) the latest estimate of accruals of money available for state equalization aid; ~~and~~

16 ~~(e) the amount of state advances and repayment for county equalization."~~

17
 18 **Section 197.** Section 20-9-347, MCA, is amended to read:

19 **"20-9-347. Distribution of BASE aid and special education allowable cost payments in support of**
 20 **BASE funding program and state equalization for retirement -- exceptions.** (1) The superintendent of public
 21 instruction shall:

22 ~~(a)~~ supply the county treasurer and the county superintendent with a monthly report of the
 23 payment of BASE aid in support of the BASE funding program of each district of the county;

24 ~~(b) in the manner described in 20-9-344, provide for a state advance to each county in an amount~~
 25 ~~that is no less than the amount anticipated to be raised for the basic county tax fund as provided in~~
 26 ~~20-9-331 and for the basic special tax fund as provided in 20-9-333;~~

27 ~~(c) adopt rules to implement the provisions of subsection (1)(b).~~

28 (2) (a) The superintendent of public instruction is authorized to adjust the schedule prescribed in
 29 20-9-344 for distribution of the BASE aid payments if the distribution will cause a district to register
 30 warrants under the provisions of 20-9-212(8).

1 (b) To qualify for an adjustment in the payment schedule, a district shall demonstrate to the
 2 superintendent of public instruction, in the manner required by the office, that the payment schedule
 3 prescribed in 20-9-344 will result in insufficient money available in all funds of the district to make payment
 4 of the district's warrants. The county treasurer shall confirm the anticipated deficit. This section may not
 5 be construed to authorize the superintendent of public instruction to exceed a district's annual payment for
 6 BASE aid.

7 (3) The superintendent of public instruction shall:

8 (a) distribute special education allowable cost payments to districts; and

9 (b) supply the county treasurer and the county superintendent of public instruction with a report
 10 of payments for special education allowable costs to districts of the county.

11 (4) Except as provided in 20-9-501(3), the superintendent of public instruction shall also apportion
 12 state equalization aid to each district in support of the district's retirement fund expenditures. The
 13 superintendent of public instruction shall adopt rules to ensure that each district receives retirement
 14 equalization aid equal to the full amount required by the elementary districts and high school districts in the
 15 county."

16
 17 **Section 198.** Section 20-9-348, MCA, is amended to read:

18 "20-9-348. **Estimation of state equalization aid for budget purposes.** The apportionment of state
 19 equalization aid ~~shall be~~ is the ~~second~~ primary source of revenue in calculating the financing of the
 20 elementary district BASE funding program and the high school district BASE funding program. ~~In order to~~
 21 ~~allow for the estimation of the amount of money to be realized from this source of revenue when~~ When the
 22 county superintendent is estimating the general fund budget revenues, the county superintendent shall
 23 consider that the state BASE funding program revenues ~~and county equalization moneys, together,~~ will be
 24 capable of financing 100% of the BASE funding program."

25
 26 **Section 199.** Section 20-9-351, MCA, is amended to read:

27 "20-9-351. **Funding of deficiency in BASE aid.** If the money available for BASE aid is not the result
 28 of a reduction in spending under 17-7-140 and is not sufficient to provide the ~~guaranteed tax base aid~~
 29 ~~required under 20-9-366 through 20-9-369~~ and BASE aid support determined under 20-9-347, the
 30 superintendent of public instruction shall request the budget director to submit a request for a supplemental

1 appropriation in the second year of the biennium that is sufficient to complete the funding of BASE aid for
 2 the elementary and high school districts for the current biennium."

3

4 **Section 200.** Section 20-9-353, MCA, is amended to read:

5 **"20-9-353. Additional financing for general fund -- election for authorization to impose.** (1) The
 6 trustees of a district may propose to adopt:

7 (a) a budget amount up to the BASE budget amount for the district general fund ~~that is within the~~
 8 ~~limitations and required budget increases provided in 20-9-308(2);~~

9 (b) an over-BASE budget amount for the district general fund that does not exceed the maximum
 10 general fund budget for the district or other limitations, as provided in 20-9-308~~(3)~~(2); or

11 (c) a general fund budget amount in excess of the maximum general fund budget amount for the
 12 district, as provided in 20-9-308~~(4)~~(3).

13 (2) When the trustees of a district determine that a voted amount of financing is required for the
 14 general fund budget, the trustees shall submit the proposition to finance the additional amount of general
 15 fund financing to the electors who are qualified under 20-20-301 to vote upon the proposition. The special
 16 election must be called and conducted in the manner prescribed by this title for school elections. The ballot
 17 for the election must state the amount of money to be financed, the approximate number of mills required
 18 to raise all or a portion of the money, and the purpose for which the money will be expended. The ballot
 19 must be in the following format:

20 **PROPOSITION**

21 Shall the district be authorized to expend the sum of (state the additional amount to be expended),
 22 and being approximately (give number) mills, for the purpose of (insert the purpose for which the additional
 23 financing is made)?

24 FOR budget authority and any levy.

25 AGAINST budget authority and any levy.

26 (3) If the election on any additional financing for the general fund is approved by a majority vote
 27 of the electors voting at the election, the proposition carries and the trustees may use any portion or all of
 28 the authorized amount in adopting the preliminary general fund budget. The trustees shall certify any
 29 additional levy amount authorized by the special election on the budget form that is submitted to the county
 30 superintendent, and the county commissioners shall levy the authorized number of mills on the taxable

1 value of all taxable property within the district, as prescribed in 20-9-141, to raise the amount of the
2 additional levy.

3 (4) Authorization to levy an additional tax to support a budget amount adopted as allowed by
4 20-9-308(4)(3) is effective for only 1 school fiscal year.

5 (5) All levies adopted under this section must be authorized by a special election conducted before
6 August 1 of the school fiscal year for which it is effective.

7 (6) If the trustees of a district are required to submit a proposition to finance ~~an increased amount~~
8 ~~up to the BASE budget amount, as provided in 20-9-308(2)(b),~~ an increased over-BASE budget amount,
9 as provided in 20-9-308(3)(a)(2)(a), or an amount in excess of the maximum general fund budget amount
10 for the district, as allowed by 20-9-308(4)(3), to the electors of the district, the trustees shall comply with
11 the provisions of subsections (2) through (4)."

12

13 **Section 201.** Section 20-9-369, MCA, is amended to read:

14 **"20-9-369. Duties of superintendent of public instruction and department of revenue.** (1) The
15 superintendent of public instruction shall administer the distribution of ~~guaranteed tax base aid~~ the state
16 advance and reimbursement for school facilities by:

17 (a) providing each school district and county superintendent, by March 1 of each year, ~~with the~~
18 ~~preliminary statewide and district guaranteed tax base ratios and, by May 1 of each year, with the final~~
19 ~~statewide and district guaranteed tax base ratios, for use in calculating the guaranteed tax base aid~~
20 ~~available for the ensuing school fiscal year;~~

21 ~~(b) providing each school district and county superintendent, by March 1 of each year, with the~~
22 ~~preliminary statewide, county, and district mill values per ANB and, by May 1 of each year, with the final~~
23 ~~statewide, county, and district mill values per ANB, for use in calculating the guaranteed tax base aid and~~
24 ~~state advance and reimbursement for school facilities available to counties and districts for the ensuing~~
25 ~~school fiscal year;~~

26 ~~(c)~~ (b) requiring each county and district that qualifies and applies for ~~guaranteed tax base aid~~ the
27 state advance and reimbursement for school facilities to report to the county superintendent all budget and
28 accounting information required to administer the ~~guaranteed tax base aid~~ state advance and reimbursement
29 program;

30 ~~(d)~~ (c) keeping a record of the complete data concerning appropriations available for ~~guaranteed tax~~

1 ~~base aid~~ the state advance and reimbursement for school facilities and the entitlements for ~~the aid of the~~
2 ~~counties and~~ districts that qualify;

3 ~~(e)(d)~~ distributing the ~~guaranteed tax base aid entitlement~~ state advance and reimbursement for
4 school facilities to each qualified ~~county or~~ district from the appropriations for that purpose.

5 (2) The superintendent shall adopt rules necessary to implement ~~20-9-366 through~~ 20-9-369
6 through 20-9-371.

7 (3) The department of revenue shall provide the superintendent of public instruction by December
8 1 of each year a final determination of the taxable value of property within each school district ~~and county~~
9 of the state reported to the department of revenue based on information delivered to the county clerk and
10 recorder as required in 15-10-305.

11 ~~(4) The superintendent of public instruction shall calculate the district and statewide guaranteed~~
12 ~~tax base ratios by applying the prior year's direct state aid payment."~~

13

14 **Section 202.** Section 20-9-370, MCA, is amended to read:

15 **"20-9-370. Definitions.** As used in this title, unless the context clearly indicates otherwise, the
16 following definitions apply:

17 (1) "District mill value per elementary ANB" or "district mill value per high school ANB", for school
18 facility entitlement purposes, means the taxable valuation in the previous year of all property in the district
19 divided by 1,000, with the quotient divided by the ANB count of the district used to calculate the district's
20 current year total per-ANB entitlement amount.

21 (2) "School facility entitlement" means:

22 (a) \$220 per ANB for an elementary school district;

23 (b) \$330 per ANB for a high school district; or

24 (c) \$270 per ANB for an approved and accredited junior high school or middle school.

25 ~~(2)(3)~~ "State advance for school facilities" is the amount of state equalization aid distributed to an
26 eligible district to pay the debt service obligation for a bond in the first school fiscal year in which a debt
27 service payment is due for the bond.

28 ~~(3)(4)~~ "State reimbursement for school facilities" means the amount of state equalization aid
29 distributed to a district that:

30 (a) has a district mill value per elementary ANB that is less than the corresponding statewide mill

1 value per elementary ANB or a district mill value per high school ANB that is less than the corresponding
2 statewide mill value per high school ANB; and

3 (b) has a debt service obligation in the ensuing school year on bonds for which the original issue
4 was sold after July 1, 1991.

5 (5) "Statewide mill value per elementary ANB" or "statewide mill value per high school ANB"
6 means the sum of the taxable valuation in the previous year of all property in the state, multiplied by 121%
7 and divided by 1,000, with the quotient divided by the total state elementary ANB count or the total state
8 high school ANB amount used to calculate the elementary school districts' and high school districts' current
9 year total per-ANB entitlement amounts.

10 ~~(4)~~(6) "Total school facility entitlement" means the school facility entitlement times the total ANB
11 for the district."

12
13 **Section 203.** Section 20-9-371, MCA, is amended to read:

14 **"20-9-371. Calculation and uses of school facility entitlement amount.** (1) If the district mill value
15 per elementary ANB or the district mill value per high school ANB is less than the corresponding statewide
16 mill value per elementary ANB or statewide mill value per high school ANB, the district may receive a state
17 advance or reimbursement for school facilities in support of the debt service fund.

18 (2) The state reimbursement for school facilities for a district is the percentage determined in
19 20-9-346(2)(b) times (1-(district mill value per ANB/statewide mill value per ANB)) times the lesser of the
20 total school facility entitlement calculated under the provisions of 20-9-370 or the district's current year
21 debt service obligations on bonds that qualify under the provisions of 20-9-370~~(3)~~(4).

22 ~~(2)~~(3) The state advance for school facilities for a district is determined as follows:

23 (a) ~~Calculate~~ calculate the percentage of the district's debt service payment that will be advanced
24 by the state using the district ANB, the district mill value and the statewide mill value for the current year,
25 and the percentage used to determine the proportionate share of state reimbursement for school facilities
26 in the prior year; and

27 (b) ~~Multiply~~ multiply the percentage determined in subsection ~~(2)(a)~~ (3)(a) by the lesser of the total
28 school facility entitlement calculated under the provisions of 20-9-370 or the district's current year debt
29 service obligation for bonds to which the state advance applies.

30 ~~(3)~~(4) Within the available appropriation, the superintendent of public instruction shall first

1 distribute to eligible districts the state advance for school facilities. From the remaining appropriation, the
 2 superintendent shall distribute to eligible districts the state reimbursement for school facilities.

3 ~~(4)(5)~~ The trustees of a district may apply the state reimbursement for school facilities to reduce
 4 the levy requirement in the ensuing school fiscal year for all outstanding bonded indebtedness on bonds
 5 sold in the debt service fund of the district after July 1, 1991. The trustees may apply the state advance
 6 for school facilities to reduce the levy requirement in the current school fiscal year for debt service
 7 payments on bonds to which the state advance for school facilities applies."

8

9 **Section 204.** Section 20-9-406, MCA, is amended to read:

10 **"20-9-406. Limitations on amount of bond issue.** (1) (a) Except as provided in subsection (1)(c),
 11 the maximum amount for which an elementary district or a high school district may become indebted by
 12 the issuance of bonds, including all indebtedness represented by outstanding bonds of previous issues and
 13 registered warrants, is ~~45%~~ 2.57% of the taxable value of the property subject to taxation to be
 14 ascertained by the last-completed assessment for ~~state, county,~~ and school taxes previous to the incurring
 15 of the indebtedness, ~~plus, for bonds to be issued during fiscal year 1997, an additional 11% of the taxable~~
 16 ~~value of class eight property within the district for tax year 1995, for bonds to be issued during fiscal year~~
 17 ~~1998, an additional 22% of the taxable value of class eight property within the district for tax year 1995,~~
 18 ~~and for bonds to be issued during fiscal years 1999 through 2008, an additional 33% of the taxable value~~
 19 ~~of class eight property within the district for tax year 1995, in each case of class eight property, multiplied~~
 20 ~~by 45%.~~

21 (b) Except as provided in subsection (1)(c), the maximum amount for which a K-12 school district,
 22 as formed pursuant to 20-6-701, may become indebted by the issuance of bonds, including all indebtedness
 23 represented by outstanding bonds of previous issues and registered warrants, is ~~up to 90%~~ 5.14% of the
 24 taxable value of the property subject to taxation to be ascertained by the last-completed assessment for
 25 ~~state, county,~~ and school taxes previous to the incurring of the indebtedness, ~~plus, for bonds to be issued~~
 26 ~~during fiscal year 1997, an additional 11% of the taxable value of class eight property within the district~~
 27 ~~for tax year 1995, for bonds to be issued during fiscal year 1998, an additional 22% of the taxable value~~
 28 ~~of class eight property within the district for tax year 1995, and for bonds to be issued during fiscal years~~
 29 ~~1999 through 2008, an additional 33% of the taxable value of class eight property within the district for~~
 30 ~~tax year 1995, in each case of class eight property, multiplied by 90%. The total indebtedness of the high~~

1 school district with an attached elementary district must be limited to the sum of ~~45%~~ 2.57% of the
2 taxable value of the property for elementary school program purposes and ~~45%~~ 2.57% of the taxable value
3 of the property for high school program purposes, ~~adjusted as provided in this section.~~

4 (c) (i) The maximum amount for which an elementary district or a high school district with a district
5 mill value per elementary ANB or per high school ANB that is less than the corresponding statewide mill
6 value per elementary ANB or per high school ANB may become indebted by the issuance of bonds,
7 including all indebtedness represented by outstanding bonds of previous issues and registered warrants,
8 is ~~45%~~ 2.57% of the corresponding statewide mill value per ANB times 1,000 times the ANB of the district.
9 For a K-12 district, the maximum amount for which the district may become indebted is ~~45%~~ 2.57% of the
10 sum of the statewide mill value per elementary ANB times 1,000 times the elementary ANB of the district
11 and the statewide mill value per high school ANB times 1,000 times the high school ANB of the district.

12 (ii) If mutually agreed upon by the affected districts, for the purpose of calculating its maximum
13 bonded indebtedness under this subsection (1)(c), a district may include the ANB of the district plus the
14 number of students residing within the district for which the district ~~or county~~ pays tuition for attendance
15 at a school in an adjacent district. The receiving district may not use out-of-district ANB for the purpose
16 of calculating its maximum indebtedness if the out-of-district ANB has been included in the ANB of the
17 sending district pursuant to the mutual agreement.

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

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

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

28
29 **Section 205.** Section 20-9-407, MCA, is amended to read:

30 **"20-9-407. Industrial facility agreement for bond issue in excess of maximum.** (1) In a school

1 district within which a new major industrial facility ~~which seeks to qualify for taxation as class five property~~
 2 ~~under 15-6-135, as provided for in subsection (3),~~ is being constructed or is about to be constructed, the
 3 school district may require, ~~as a precondition of the new major industrial facility qualifying as class five~~
 4 ~~property,~~ that the owners of the proposed industrial facility enter into an agreement with the school district
 5 concerning the issuing of bonds in excess of the ~~45% bond debt~~ limitation prescribed in 20-9-406. Under
 6 such an agreement, the school district may, with the approval of the voters, issue bonds ~~which~~ that exceed
 7 the limitation prescribed in this section by a maximum of ~~45%~~ 2.57% of the estimated taxable value of the
 8 property of the new major industrial facility subject to taxation when completed. The estimated taxable
 9 value of the property of the new major industrial facility subject to taxation ~~shall~~ must be computed by the
 10 department of revenue when requested to do so by a resolution of the board of trustees of the school
 11 district. A copy of the department's statement of estimated taxable value ~~shall~~ must be printed on each
 12 ballot used to vote on a bond issue proposed under this section.

13 (2) Pursuant to the agreement between the new major industrial facility and the school district ~~and~~
 14 ~~as a precondition to qualifying as class five property,~~ the new major industrial facility and its owners shall
 15 pay, in addition to the taxes imposed by the school district on property owners generally, so much of the
 16 principal and interest on the bonds provided for under this section as represents payment on an
 17 indebtedness in excess of the bond debt limitation prescribed in 20-9-406. After the completion of the new
 18 major industrial facility and when the indebtedness of the school district no longer exceeds the limitation
 19 prescribed in this section, the new major industrial facility ~~shall be~~ is entitled, after all the current
 20 indebtedness of the school district has been paid, to a tax credit over a period of no more than 20 years.
 21 The total amount of the credit ~~shall as a total amount be~~ is equal to the amount ~~which~~ that the facility paid
 22 the principal and interest of the school district's bonds in excess of its general liability as a taxpayer within
 23 the district.

24 (3) A major industrial facility is a facility subject to the taxing power of the school district, whose
 25 construction or operation will increase the population of the district, imposing a significant burden upon the
 26 resources of the district and requiring construction of new school facilities. A significant burden is an
 27 increase in ANB of at least 20% in a single year."
 28

29 **Section 206.** Section 20-9-422, MCA, is amended to read:

30 **"20-9-422. Additional requirements for trustees' resolution calling bond election.** (1) In addition

1 to the requirements for calling an election that are prescribed in 20-20-201 and 20-20-203, the trustees'
2 resolution calling a school district bond election must:

3 (a) fix the exact amount of the bonds proposed to be issued, which may be more or less than the
4 amounts estimated in a petition;

5 (b) fix the maximum number of years in which the proposed bonds would be paid;

6 (c) in the case of initiation by a petition, state the essential facts about the petition and its
7 presentation; and

8 (d) state the amount of the state advance for school facilities estimated, pursuant to subsection
9 (2), to be received by the district in the first school fiscal year in which a debt service payment would be
10 due on the proposed bonds.

11 (2) Prior to the adoption of the resolution calling for a school bond election, the trustees of a
12 district may request from the superintendent of public instruction a statement of the estimated amount of
13 state advance for school facilities that the district will receive for debt service payments on the proposed
14 bonds in the first school fiscal year in which a debt service payment is due. The district shall provide the
15 superintendent with an estimate of the debt service payment due in the first school fiscal year. The
16 superintendent shall estimate the state advance for the bond issue pursuant to 20-9-371~~(2)~~(3)."

17

18 **Section 207.** Section 20-9-439, MCA, is amended to read:

19 **"20-9-439. Computation of net levy requirement -- procedure when levy inadequate.** (1) The
20 county superintendent shall compute the levy requirement for each school district's debt service fund on
21 the basis of the following procedure:

22 (a) Determine the total money available in the debt service fund for the reduction of the property
23 tax on the district by totaling:

24 (i) the end-of-the-year fund balance in the debt service fund, less any limited operating reserve as
25 provided in 20-9-438;

26 (ii) anticipated interest to be earned by the investment of debt service cash in accordance with the
27 provisions of 20-9-213(4) or by the investment of bond proceeds under the provisions of 20-9-435;

28 (iii) any state advance for school facilities distributed to a qualified district under the provisions of
29 20-9-346, 20-9-370, and 20-9-371; and

30 (iv) any other money, including money from federal sources, anticipated by the trustees to be

1 available in the debt service fund during the ensuing school fiscal year from sources such as legally
2 authorized money transfers into the debt service fund or from rental income, excluding any ~~guaranteed tax~~
3 ~~base aid~~ state advance and reimbursement for school facilities.

4 (b) Subtract the total amount available to reduce the property tax, determined in subsection (1)(a),
5 from the final budget for the debt service fund as established in 20-9-438.

6 (2) The net debt service fund levy requirement determined in subsection (1)(b) must be reported
7 to the county commissioners on the fourth Monday of August by the county superintendent as the net debt
8 service fund levy requirement for the district, and a levy must be made by the county commissioners in
9 accordance with 20-9-142.

10 (3) If the board of county commissioners fails in any school fiscal year to make a levy for any issue
11 or series of bonds of a school district sufficient to raise the money necessary for payment of interest and
12 principal becoming due during the next ensuing school fiscal year, in any amounts established under the
13 provisions of this section, the holder of any bond of the issue or series or any taxpayer of the district may
14 apply to the district court of the county in which the school district is located for a writ of mandate to
15 compel the board of county commissioners of the county to make a sufficient levy for payment purposes.
16 If, upon the hearing of the application, it appears to the satisfaction of the court that the board of county
17 commissioners of the county has failed to make a levy or has made a levy that is insufficient to raise the
18 amount required to be raised as established in the manner provided in this section, the court shall determine
19 the amount of the deficiency and shall issue a writ of mandate directed to and requiring the board of county
20 commissioners, at the next meeting for the purpose of fixing tax levies for county purposes, to fix and
21 make a levy against all taxable property in the school district that is sufficient to raise the amount of the
22 deficiency. The levy is in addition to any levy required to be made at that time for the ensuing school fiscal
23 year. Any costs that may be allowed or awarded the petitioner in the proceeding must be paid by the
24 members of the board of county commissioners and may not be a charge against the school district or the
25 county."

26

27 **Section 208.** Section 20-9-501, MCA, is amended to read:

28 "20-9-501. **Retirement fund -- state aid.** (1) The trustees of a district employing personnel who
29 are members of the teachers' retirement system or the public employees' retirement system or who are
30 covered by unemployment insurance or who are covered by any federal social security system requiring

1 employer contributions shall establish a retirement fund for the purposes of budgeting and paying the
 2 employer's contributions to the systems. The district's contribution for each employee who is a member
 3 of the teachers' retirement system must be calculated in accordance with Title 19, chapter 20, part 6. The
 4 district's contribution for each employee who is a member of the public employees' retirement system must
 5 be calculated in accordance with 19-3-316. The district's contributions for each employee covered by any
 6 federal social security system must be paid in accordance with federal law and regulation. The district's
 7 contribution for each employee who is covered by unemployment insurance must be paid in accordance
 8 with Title 39, chapter 51, part 11.

9 (2) The trustees of a district required to make a contribution to a system referred to in subsection
 10 (1) shall include in the retirement fund of the preliminary budget the estimated amount of the employer's
 11 contribution. After the final retirement fund budget has been adopted, the trustees shall pay the employer
 12 contributions to the systems in accordance with the financial administration provisions of this title.

13 (3) When the final retirement fund budget has been adopted, the county superintendent shall
 14 establish ~~the levy requirement~~ the amount of state obligation by:

15 (a) determining the sum of the money available to reduce the ~~retirement fund levy requirement~~
 16 amount of the state obligation by adding:

17 ~~(i) any anticipated money that may be realized in the retirement fund during the ensuing school~~
 18 ~~fiscal year, including anticipated revenue from property taxes and fees imposed under 23-2-517, 23-2-803,~~
 19 ~~61-3-504(2), 61-3-521, 61-3-527, 61-3-537, and 67-3-204;~~

20 ~~(ii) oil and natural gas production taxes;~~

21 ~~(iii) anticipated local government severance tax payments for calendar year 1995 production as~~
 22 ~~provided in 15-36-325;~~

23 ~~(iv) coal gross proceeds taxes under 15-23-703;~~

24 ~~(v)~~(i) any fund balance available for reappropriation to reduce the state financial obligation in
 25 subsection (4). ~~as~~ The fund balance available for reappropriation is determined by subtracting the amount
 26 of the end-of-the-year fund balance earmarked as the retirement fund operating reserve for the ensuing
 27 school fiscal year by the trustees from the end-of-the-year fund balance in the retirement fund. The
 28 retirement fund operating reserve may not be more than 35% of the final retirement fund budget for the
 29 ensuing school fiscal year and must be used for the purpose of paying retirement fund warrants issued by
 30 the district under the final retirement fund budget.

1 ~~(vii)(ii)~~ any other revenue anticipated that may be realized in the retirement fund during the ensuing
2 school fiscal year, ~~excluding any guaranteed tax base aid;~~

3 (b) ~~notwithstanding the provisions of subsection (8),~~ subtracting the money available for reduction
4 of the ~~levy requirement~~ state obligation, as determined in subsection (3)(a), from the budgeted amount for
5 expenditures in the final retirement fund budget.

6 (4) The county superintendent shall:

7 (a) total the net retirement fund ~~levy requirements~~ requirement for state aid separately for all
8 elementary school districts, including any joint district located in the county, for all high school districts,
9 and for all community college districts of the county, including any ~~prorated joint district or~~ special
10 education cooperative agreement ~~levy~~ requirements; and

11 (b) report ~~each levy requirement~~ the amount of the state obligation to the ~~county commissioners~~
12 superintendent of public instruction in the same manner as provided in 20-9-134 on the fourth Monday of
13 August as the respective county ~~levy~~ requirements for elementary district, and high school district,
14 retirement funds and report to the board of regents in the same manner as provided in 20-9-134 the amount
15 of the state obligation for community college district retirement funds.

16 (5) The superintendent of public instruction shall distribute the state retirement equalization aid to
17 each school district in accordance with the distribution schedule contained in 20-9-344(5).

18 ~~(5) The county commissioners shall fix and set the county levy in accordance with 20-9-142.~~

19 ~~(6) The net retirement fund levy requirement for a joint elementary district or a joint high school~~
20 ~~district must be prorated to each county in which a part of the district is located in the same proportion as~~
21 ~~the district ANB of the joint district is distributed by pupil residence in each county. The county~~
22 ~~superintendents of the counties affected shall jointly determine the net retirement fund levy requirement~~
23 ~~for each county as provided in 20-9-151.~~

24 ~~(7) The net retirement fund levy requirement for districts that are members of special education~~
25 ~~cooperative agreements must be prorated to each county in which the district is located in the same~~
26 ~~proportion as the special education cooperative budget is prorated to the member school districts. The~~
27 ~~county superintendents of the counties affected shall jointly determine the net retirement fund levy~~
28 ~~requirement for each county in the same manner as provided in 20-9-151, and the county commissioners~~
29 ~~shall fix and levy the net retirement fund levy for each county in the same manner as provided in 20-9-152.~~

30 ~~(8) The county superintendent shall calculate the number of mills to be levied on the taxable~~

1 ~~property in the county to finance the retirement fund not levy requirement by dividing the amount~~
 2 ~~determined in subsection (4)(a) by the sum of:~~

3 ~~(a) the amount of guaranteed tax base aid that the county will receive for each mill levied, as~~
 4 ~~certified by the superintendent of public instruction; and~~

5 ~~(b) the taxable valuation of the district divided by 1,000."~~

6
 7 **Section 209.** Section 20-9-515, MCA, is amended to read:

8 **"20-9-515. Litigation reserve fund.** (1) The trustees of a school district may establish a litigation
 9 reserve fund only when litigation that is pending against the district could result in an award against the
 10 district.

11 (2) At the end of each school fiscal year, the trustees of a district may transfer money from the
 12 general fund, within the adopted budget, to establish the fund.

13 (3) Upon conclusion of litigation, the balance of the money in the fund reverts to the general fund
 14 and must be used to reduce the district's general fund **BASE over-BASE** budget levy requirement computed
 15 pursuant to 20-9-141."

16
 17 **Section 210.** Section 20-10-104, MCA, is amended to read:

18 **"20-10-104. Penalty for violating law or rules.** (1) ~~Every~~ Each district, ~~and~~ its trustees and
 19 employees, and ~~every~~ each person under a transportation contract with a district ~~shall be~~ is subject to the
 20 policies prescribed by the board of public education and the rules prescribed by the superintendent of public
 21 instruction. When a district knowingly violates a transportation law or board of public education
 22 transportation policy, ~~such~~ the district shall forfeit any reimbursement otherwise payable under 20-10-145
 23 ~~and 20-10-146~~ for bus miles actually traveled during that fiscal year in violation of ~~such~~ the law or policies.
 24 The county superintendent shall suspend all ~~such~~ reimbursements payable to the district until the district
 25 corrects the violation. When the district corrects the violation, the county superintendent shall resume
 26 paying reimbursements to the district, but the amount forfeited may not be paid to the district.

27 (2) When ~~a person operating an operator of~~ a bus under contract with a district knowingly fails to
 28 comply with the transportation law or the board of public education transportation policies, the district may
 29 not pay ~~him~~ the operator for any bus miles traveled during the contract year in violation of ~~such~~ the law
 30 or policies. Upon discovering ~~such~~ a violation, the trustees of the district shall give written notice to the

1 ~~person~~ operator that unless the violation is corrected within 10 days of the giving of notice, the contract
2 will be canceled. The trustees of a district shall order the operation of a bus operated under contract
3 suspended when the bus is being operated in violation of transportation law or policies and the trustees find
4 that ~~such~~ the violation jeopardizes the safety of pupils."
5

6 **Section 211.** Section 20-10-141, MCA, is amended to read:

7 **"20-10-141. Schedule of maximum reimbursement by mileage rates.** (1) The following mileage
8 rates for school transportation constitute the maximum reimbursement to districts for school transportation
9 from state ~~and county~~ sources of transportation revenue under the provisions of 20-10-145 ~~and 20-10-146~~.
10 ~~These~~ Except as provided in 20-10-143, these rates may not limit the amount that a district may budget
11 in its transportation fund budget in order to provide for the estimated and necessary cost of school
12 transportation during the ensuing school fiscal year. All bus miles traveled on bus routes approved by the
13 county transportation committee are reimbursable. Nonbus mileage is reimbursable for a vehicle driven by
14 a bus driver to and from an overnight location of a school bus when the location is more than 10 miles from
15 the school. A district may approve additional bus or nonbus miles within its own district or approved service
16 area but may not claim reimbursement for the mileage. Any vehicle, the operation of which is reimbursed
17 for bus mileage under the rate provisions of this schedule, must be a school bus, as defined by this title,
18 driven by a qualified driver on a bus route approved by the county transportation committee and the
19 superintendent of public instruction.

20 (2) The rate per bus mile traveled must be determined in accordance with the following schedule
21 when the weighted ridership assigned to a bus route is not less than one-half of the rated capacity of the
22 school bus:

23 (a) 85 cents per bus mile for a school bus with a rated capacity of not more than 45 passenger
24 seating positions; and

25 (b) when the rated capacity is more than 45 passenger seating positions, an additional 2.13 cents
26 per bus mile for each additional passenger seating position in the rated capacity in excess of 45 must be
27 added to a base rate of 85 cents per bus mile.

28 (3) Reimbursement for nonbus mileage provided for in subsection (1) may not exceed 50% of the
29 maximum reimbursement rate determined under subsection (2).

30 (4) When the weighted ridership assigned to a bus route is less than one-half of the rated capacity

1 of the school bus, the rate per bus mile traveled must be computed as follows:

2 (a) determine the weighted ridership assigned to the bus route;

3 (b) multiply the number determined in subsection (4)(a) by two; and

4 (c) use the adjusted rated capacity determined in subsection (4)(b) as the rated capacity of the bus
5 to determine the rate per bus mile traveled from the rate schedule in subsection (2).

6 (5) The rated capacity is the number of passenger seating positions of a school bus as determined
7 under the policy adopted by the board of public education. If modification of a school bus to accommodate
8 pupils with disabilities reduces the rated capacity of the bus, the reimbursement to a district for pupil
9 transportation is based on the rated capacity of the bus prior to modification.

10 (6) The number of pupils riding the school bus may not exceed the passenger seating positions of
11 the bus."

12

13 **Section 212.** Section 20-10-142, MCA, is amended to read:

14 **"20-10-142. Schedule of maximum reimbursement for individual transportation.** The following
15 rates for individual transportation constitute the maximum reimbursement to districts for individual
16 transportation from state ~~and county~~ sources of transportation revenue under the provisions of 20-10-145
17 ~~and 20-10-146~~. These rates constitute the limitation of the budgeted amounts for individual transportation
18 for the ensuing school fiscal year. The schedules provided in this section may not be altered by any
19 authority other than the legislature. When the trustees contract with the parent or guardian of any eligible
20 transportee to provide individual transportation for each day of school attendance, they shall reimburse the
21 parent or guardian for actual miles transported on the basis of the following schedule:

22 (1) When a parent or guardian transports an eligible transportee or transportees from the residence
23 of the parent or guardian to a school or to schools located within 3 miles of one another, the total
24 reimbursement per day of attendance is determined by multiplying the distance in miles between the
25 residence and the school, or the most distant school if more than one, by 2, subtracting 6 miles from the
26 product, and multiplying the difference by 21.25 cents, provided that:

27 (a) if two or more eligible transportees are transported by a parent or guardian to two or more
28 schools located within 3 miles of one another and if the schools are operated by different school districts,
29 the total amount of the reimbursement must be divided equally between the districts;

30 (b) if two or more eligible transportees are transported by a parent or guardian to two or more

1 schools located more than 3 miles from one another, the parent or guardian must be separately reimbursed
2 for transporting the eligible transportee or transportees to each school;

3 (c) if a parent transports two or more eligible transportees to a school and a bus stop that are
4 located within 3 miles of one another, the total reimbursement must be determined under the provisions
5 of this subsection and must be divided equally between the district operating the school and the district
6 operating the bus;

7 (d) if a parent transporting two or more eligible transportees to a school or bus stop must, because
8 of varying arrival and departure times, make more than one round-trip journey to the bus stop or school,
9 the total reimbursement allowed by this section is limited to one round trip per day for each scheduled
10 arrival or departure time;

11 (e) notwithstanding subsection (1)(a), (1)(b), (1)(c), or (1)(d), a reimbursement may not be less than
12 25 cents a day.

13 (2) When the parent or guardian transports an eligible transportee or transportees from the
14 residence to a bus stop of a bus route approved by the trustees for the transportation of the transportee
15 or transportees, the total reimbursement per day of attendance is determined by multiplying the distance
16 in miles between the residence and the bus stop by 2, subtracting 6 miles from the product, and multiplying
17 the difference by 21.25 cents, provided that:

18 (a) if the eligible transportees attend schools in different districts but ride on one bus, the districts
19 shall divide the total reimbursement equally; and

20 (b) if the parent or guardian is required to transport the eligible transportees to more than one bus,
21 the parent or guardian must be separately reimbursed for transportation to each bus.

22 (3) When, because of excessive distances, impassable roads, or other special circumstances of
23 isolation, the rates prescribed in subsection (1) or (2) would be an inadequate reimbursement for the
24 transportation costs or would result in a physical hardship for the eligible transportee, a parent or guardian
25 may request an increase in the reimbursement rate. A request for increased rates because of isolation must
26 be made by the parent or guardian on the contract for individual transportation for the ensuing school fiscal
27 year by indicating the special facts and circumstances that exist to justify the increase. Before an increased
28 rate because of isolation may be paid to the requesting parent or guardian, the rate must be approved by
29 the county transportation committee and the superintendent of public instruction after the trustees have
30 indicated their approval or disapproval. Regardless of the action of the trustees and when approval is given

1 by the committee and the superintendent of public instruction, the trustees shall pay the increased rate
2 because of isolation. The increased rate is 1 1/2 times the rate prescribed in subsection (1).

3 (4) The state ~~and county~~ transportation reimbursement for an individual transportation contract
4 may not exceed \$8 per day of attendance for the first eligible transportee and \$5 per day of attendance
5 for each additional eligible transportee.

6 (5) When the isolated conditions of the household where an eligible transportee resides require an
7 eligible transportee to live away from the household in order to attend school, the eligible transportee is
8 eligible for the room and board reimbursement. Approval to receive the room and board reimbursement must
9 be obtained in the same manner prescribed in subsection (3). The per diem rate for room and board is \$8
10 for one eligible transportee and \$5 for each additional eligible transportee of the same household.

11 (6) When the individual transportation provision is to be satisfied by supervised home study or
12 supervised correspondence study, the reimbursement rate is the cost of the study, provided that the course
13 of instruction is approved by the trustees and supervised by the district."
14

15 **Section 213.** Section 20-10-143, MCA, is amended to read:

16 **"20-10-143. Budgeting for transportation and transmittal of transportation contracts --**
17 **transportation fund limitations.** (1) ~~The~~ Except as provided in subsection (2), the trustees of a district
18 furnishing transportation to pupils who are residents of the district shall provide a transportation fund
19 budget that is adequate to finance the district's transportation contractual obligations and any other
20 transportation expenditures necessary for the conduct of its transportation program. The transportation fund
21 budget must include:

22 (a) an adequate amount to finance the maintenance and operation of district owned and operated
23 school buses;

24 (b) the annual contracted amount for the maintenance and operation of school buses by a private
25 party;

26 (c) the annual contracted amount for individual transportation, including any increased amount
27 because of isolation, which may not exceed the schedule amounts prescribed in 20-10-142;

28 (d) any amount necessary for the purchase, rental, or insurance of school buses; and

29 (e) any other amount necessary to finance the administration, operation, or maintenance of the
30 transportation program of the district, as determined by the trustees.

1 (2) The overschedule amount in the transportation fund budget of a district may not exceed the
2 overschedule amount of expenditures from the transportation fund for school fiscal year 1997, except that
3 the superintendent of public instruction may approve a request to exceed the budget limitation if an
4 emergency or unusual circumstance occurs, as prescribed in rules adopted by the superintendent of public
5 instruction.

6 (3) The trustees may include a contingency amount in the transportation fund budget for the
7 purpose of enabling the district to fulfill an obligation to provide transportation in accordance with this title
8 for:

9 (a) pupils not residing in the district at the time of the adoption of the preliminary budget and who
10 subsequently became residents of the district during the school fiscal year; or

11 (b) pupils who have become eligible transportees since the adoption of the preliminary budget
12 because their legal residence has been changed. The budgeted contingency amount may not exceed 10%
13 of the transportation schedule amount as calculated under the provisions of 20-10-141 and 20-10-142 for
14 all transportation services authorized by the schedules and provided by the district unless 10% of the
15 transportation schedule amount is less than \$100, in which case \$100 is the maximum limitation for the
16 budgeted contingency amount.

17 ~~(3)~~(4) A budget amendment to the transportation fund budget may be adopted subject to the
18 provisions of 20-9-161 through 20-9-166.

19 ~~(4)~~(5) The transportation fund budgeted expenditures appropriated by the trustees must be
20 reported on the regular budget form prescribed by the superintendent of public instruction in accordance
21 with 20-9-103, and the adoption of the transportation fund budget must be completed in accordance with
22 the school budgeting laws. When the adopted preliminary budget is sent to the county superintendent, the
23 trustees shall also send copies of all completed transportation contracts for school bus transportation and
24 individual transportation to the county superintendent. The contracts must substantiate all contracted
25 transportation services incorporated in the preliminary budget, and after the county superintendent has
26 utilized the contracts for that purpose but before the fourth Monday of July, ~~he~~ the county superintendent
27 shall send all transportation contracts received to the superintendent of public instruction. When the county
28 superintendent determines a deviation between the preliminary transportation fund budget amount for
29 contracted transportation services and the contracted amount for the services, ~~he~~ the county
30 superintendent shall immediately call the deviation to the attention of the appropriate trustees and shall

1 allow the trustees to change the preliminary budgeted amount to compensate for the deviation."

2

3 **Section 214.** Section 20-10-144, MCA, is amended to read:

4 **"20-10-144. Computation of revenue and net tax levy requirements for district transportation fund**
5 **budget.** Before the fourth Monday of July and in accordance with 20-9-123, the county superintendent
6 shall compute the revenue available to finance the transportation fund budget of each district. The county
7 superintendent shall compute the revenue for each district on the following basis:

8 (1) The "schedule amount" of the preliminary budget expenditures that is derived from the rate
9 schedules in 20-10-141 and 20-10-142 must be determined by adding the following amounts:

10 (a) the sum of the maximum reimbursable expenditures for all approved school bus routes
11 maintained by the district (to determine the maximum reimbursable expenditure, multiply the applicable rate
12 per bus mile by the total number of miles to be traveled during the ensuing school fiscal year on each bus
13 route approved by the county transportation committee and maintained by the district); plus

14 (b) the total of all individual transportation per diem reimbursement rates for the district as
15 determined from the contracts submitted by the district multiplied by the number of pupil-instruction days
16 scheduled for the ensuing school attendance year; plus

17 (c) any estimated costs for supervised home study or supervised correspondence study for the
18 ensuing school fiscal year; plus

19 (d) the amount budgeted on the preliminary budget for the contingency amount permitted in
20 20-10-143, except that if the amount exceeds 10% of the total of subsections (1)(a), (1)(b), and (1)(c),
21 the transportation fund budget limitation provided for in 20-10-143, or \$100, whichever is larger, the
22 contingency amount on the preliminary budget must be reduced to the limitation amount and used in this
23 determination of the schedule amount; plus

24 (e) any estimated costs for transporting a child out of district when the child has mandatory
25 approval to attend school in a district outside the district of residence.

26 (2) ~~(a)~~ The schedule amount determined in subsection (1) or the total preliminary transportation
27 fund budget, whichever is smaller, ~~is divided by 2 and~~ is used to determine the available state ~~and county~~
28 revenue to be budgeted ~~on the following basis:~~

29 ~~(i) one half is the budgeted state transportation reimbursement, except that the state transportation~~
30 ~~reimbursement for the transportation of special education pupils under the provisions of 20-7-442 must be~~

1 ~~50% of the schedule amount attributed to the transportation of special education pupils; and~~

2 ~~(ii) one half is the budgeted county transportation fund reimbursement and must be financed in the~~
3 ~~manner provided in 20-10-146.~~

4 ~~(b)(3)~~ When the district has a sufficient amount of cash for reappropriation and other sources of
5 district revenue, as determined in subsection ~~(3)~~ (4), to reduce the total district obligation for financing to
6 zero, any remaining amount of district revenue and cash reappropriated must be used to reduce ~~the county~~
7 ~~financing obligation in subsection (2)(a)(ii) and, if the county financing obligations are reduced to zero, to~~
8 ~~reduce the state financial obligation in subsection (2)(a)(i).~~

9 ~~(c) The county revenue requirement for a joint district, after the application of any district money~~
10 ~~under subsection (2)(b), must be prorated to each county incorporated by the joint district in the same~~
11 ~~proportion as the ANB of the joint district is distributed by pupil residence in each county the state financial~~
12 ~~obligation in 20-10-145.~~

13 ~~(3)(4)~~ The total of the money available for the reduction of property tax on the district for the
14 transportation fund must be determined by totaling:

15 (a) anticipated federal money received under the provisions of Title I of Public Law 81-874 or other
16 anticipated federal money received in lieu of that federal act;

17 (b) anticipated payments from other districts for providing school bus transportation services for
18 the district;

19 (c) anticipated payments from a parent or guardian for providing school bus transportation services
20 for a child;

21 (d) anticipated or reappropriated interest to be earned by the investment of transportation fund
22 cash in accordance with the provisions of 20-9-213(4);

23 (e) anticipated or reappropriated revenue from ~~property~~ taxes and fees imposed under 23-2-517,
24 23-2-803, 61-3-504(2), 61-3-521, 61-3-527, 61-3-537, and 67-3-204;

25 (f) anticipated revenue from coal gross proceeds under 15-23-703;

26 (g) anticipated oil and natural gas production taxes;

27 (h) anticipated local government severance tax payments for calendar year 1995 production;

28 (i) anticipated sales tax and use tax revenue distributed under [section 232];

29 (j) anticipated transportation payments for out-of-district pupils under the provisions of 20-5-320
30 through 20-5-324;

1 ~~(j)~~(k) any other revenue anticipated by the trustees to be earned during the ensuing school fiscal
2 year that may be used to finance the transportation fund; and

3 ~~(k)~~(l) any fund balance available for reappropriation as determined by subtracting the amount of
4 the end-of-the-year fund balance earmarked as the transportation fund operating reserve for the ensuing
5 school fiscal year by the trustees from the end-of-the-year fund balance in the transportation fund. The
6 operating reserve may not be more than 20% of the final transportation fund budget for the ensuing school
7 fiscal year and is for the purpose of paying transportation fund warrants issued by the district under the
8 final transportation fund budget.

9 ~~(4)~~(5) The district levy requirement for each district's transportation fund must be computed by:

10 (a) subtracting the schedule amount calculated in subsection (1) from the total preliminary
11 transportation budget amount; and

12 (b) subtracting the amount of money available to reduce the property tax on the district, as
13 determined in subsection ~~(3)~~ (4), from the amount determined in subsection ~~(4)~~(a) (5)(a).

14 ~~(5)~~(6) The transportation fund levy requirements determined in subsection ~~(4)~~ (5) for each district
15 must be reported to the county commissioners on the fourth Monday of August by the county
16 superintendent as the transportation fund levy requirements for the district, and the levy must be made by
17 the county commissioners in accordance with 20-9-142."

18

19 **Section 215.** Section 20-10-145, MCA, is amended to read:

20 "**20-10-145. State transportation reimbursement.** (1) A district providing school bus transportation
21 or individual transportation in accordance with this title, board of public education transportation policy,
22 and superintendent of public instruction transportation rules must receive a state reimbursement of its
23 transportation expenditures under the transportation reimbursement rate provisions of 20-10-141 and
24 20-10-142. The state transportation reimbursement is ~~one-half~~ 100% of the reimbursement amounts
25 established in 20-10-141 and 20-10-142 or ~~one-half~~ 100% of the district's transportation fund budget,
26 whichever is smaller, and must be computed on the basis of the number of days the transportation services
27 were actually rendered, not to exceed 180 pupil-instruction days. In determining the amount of the state
28 transportation reimbursement, an amount claimed by a district may not be considered for reimbursement
29 unless the amount has been paid in the regular manner provided for the payment of other financial
30 obligations of the district.

1 (2) Requests for the state transportation reimbursement must be made by each district
 2 semiannually during the school fiscal year on the claim forms and procedure promulgated by the
 3 superintendent of public instruction. The claims for state transportation reimbursements must be routed by
 4 the district to the county superintendent, who after reviewing the claims shall send them to the
 5 superintendent of public instruction. The superintendent of public instruction shall establish the validity and
 6 accuracy of the claims for the state transportation reimbursements by determining compliance with this
 7 title, board of public education transportation policy, and the transportation rules of the superintendent of
 8 public instruction. After making any necessary adjustments to the claims, the superintendent of public
 9 instruction shall order a disbursement from the state money appropriated by the legislature of the state of
 10 Montana for the state transportation reimbursement. The payment of all the district's claims within one
 11 county must be made to the county treasurer of the county, and the county superintendent shall apportion
 12 the payment in accordance with the apportionment order supplied by the superintendent of public
 13 instruction."

14
 15 **Section 216.** Section 20-15-305, MCA, is amended to read:

16 "**20-15-305. Adult education tax levy.** A community college ~~shall~~ must be considered a district
 17 for the purposes of adult education and under the provisions for adult education may levy a ~~4 mill~~ 0.06 mill
 18 ~~tax~~ for the support of its adult education program when the superintendent of public instruction approves
 19 ~~such~~ the program."

20
 21 **Section 217.** Section 20-15-311, MCA, is amended to read:

22 "**20-15-311. Funding sources.** The annual operating budget of a community college district ~~shall~~
 23 must be financed from the following sources:

24 (1) the estimated ~~revenues~~ revenue to be realized from student tuition and fees, except those
 25 related to community service courses as defined by the board of regents;

26 ~~(2) a mandatory mill levy on the community college district;~~

27 ~~(3)~~(2) the ~~4 mill~~ 0.06-mill adult education levy authorized under provisions of 20-15-305;

28 ~~(4)~~(3) the state general fund appropriation;

29 ~~(5)~~(4) an optional voted levy on the community college district that ~~shall~~ must be submitted to the
 30 electorate in accordance with general school election laws;

1 ~~(6)~~(5) all other income, revenue, balances, or reserves not restricted by a source outside the
2 community college district to a specific purpose;

3 ~~(7)~~(6) income, revenue, balances, or reserves restricted by a source outside the community college
4 district to a specific purpose. Student fees paid for community service courses as defined by the board of
5 regents ~~shall~~ must be considered restricted to a specific purpose;

6 ~~(8)~~(7) income from a political subdivision that is designated a community college service region
7 under 20-15-241; and

8 (8) sales tax and use tax revenue distributed under [section 232]."
9

10 **Section 218.** Section 20-15-312, MCA, is amended to read:

11 **"20-15-312. Calculation and approval of operating budget.** (1) Annually by June 15, the board
12 of trustees of a community college shall submit an operating budget to the board of regents for their
13 review. The operating budget of the community college must be financed in the following manner:

14 (a) The general fund appropriation must represent a specific percentage of the budget amount per
15 full-time equivalent student, as determined by the legislature. This percentage must be specified in the
16 appropriations act appropriating funds to the community colleges for each biennium. This percentage does
17 not apply to any portion of the unrestricted budget in excess of the budget amount per full-time equivalent
18 student, as determined by the legislature.

19 ~~(b) The mandatory levy amount must represent a specific percentage of the budget amount per~~
20 ~~full-time equivalent student, as determined by the legislature. This percentage must be specified for each~~
21 ~~community college by the board of trustees of the district and approved by the board of regents.~~

22 ~~(c)~~(b) The funding obtained in ~~subsections~~ subsection (1)(a) ~~and (1)(b)~~ plus the revenue derived
23 from tuition and fee schedules approved by the board of regents and unrestricted income from any other
24 source is the amount of the unrestricted budget. A detailed expenditure schedule for the unrestricted
25 budget must be submitted to the board of regents for their review and approval.

26 ~~(d)~~(c) The amount estimated to be raised by the voted levy must be detailed separately in an
27 expenditure schedule.

28 ~~(e)~~(d) The spending of each restricted funding source ~~shall~~ must be detailed separately in an
29 expenditure schedule.

30 ~~(f)~~(e) The expenditure schedules provided in subsections ~~(1)(e)~~ (1)(b) through ~~(1)(e)~~ (1)(d) represent

1 the total operating budget of the community college.

2 (2) The board of regents shall review the proposed total operating budget and all its components
3 and make any changes it determines necessary. The board of trustees of a community college district shall
4 operate within the limits of the operating budget approved by the board of regents."
5

6 **Section 219.** Section 20-15-313, MCA, is amended to read:

7 "20-15-313. **Tax levy.** On the second Monday in August, the board of county commissioners of
8 any county where a community college district is located shall fix and levy a tax on all the real ~~and personal~~
9 property within the community college district at the rate required to finance the ~~mandatory mill levy~~
10 ~~prescribed by subsection (1)(b) of 20-15-312 and the voted levy prescribed by subsection (5) of~~
11 ~~20-15-311~~ (4) if one has been approved by the voters. When a community college district has territory in
12 more than one county, the board of county commissioners in each county shall fix and levy the community
13 college district tax on all the real ~~and personal~~ property of the community college district situated in its
14 county."
15

16 **Section 220.** Section 20-15-314, MCA, is amended to read:

17 "20-15-314. **Tax levy for community college service region.** A governing body designating a
18 community college service region as provided in 20-15-241 may levy a tax on all real ~~and personal~~ property
19 within the region at a rate required to finance the services offered by a community college district for the
20 region. The levy is in addition to any other levies allowed by law and is not subject to any statutory or
21 charter limitations on levies. The levy must be made at the same time and in the same manner as the
22 general levy of the political subdivision designating the region is made, and the ~~revenues~~ revenue generated
23 ~~thereby from the levy~~ must be collected at the same time and in the same manner. Within 30 days of
24 collection, the appropriate ~~revenues~~ revenue must be transmitted to the participating community college
25 district."
26

27 **Section 221.** Section 33-7-410, MCA, is amended to read:

28 "33-7-410. **Taxation.** (1) A society organized or licensed under this chapter is a charitable and
29 benevolent institution, and all of its funds are exempt from all state, county, district, municipal, and school
30 taxes other than taxes on real estate ~~and office equipment~~ and sales taxes and use taxes as provided in

1 subsection (2).

2 (2) (a) To the extent that sales are generated from ongoing business operations of the society, the
 3 sales of a society organized or licensed under this chapter are subject to the sales tax and use tax pursuant
 4 to [sections 1 through 62], to a resort tax imposed under 7-6-4464, and to a resort area tax imposed under
 5 7-6-4468.

6 (b) Dues paid by members of the society and isolated or occasional sales, as described in [section
 7 19], of the society are exempt from taxation."

8

9 **Section 222.** Section 35-18-503, MCA, is amended to read:

10 **"35-18-503. Annual fee to department of revenue —~~exemption from other taxes.~~** Cooperatives
 11 and foreign corporations transacting business in this state pursuant to the provisions of this chapter shall
 12 pay annually, on or before July 1, to the department of revenue a fee of \$10 for each 100 persons or
 13 fractions ~~thereof~~ of that number to whom electricity or telephone service was supplied during the previous
 14 calendar year within the state and, ~~except as provided in 10-4-201, shall be exempt from all other excise~~
 15 ~~and income taxes of whatsoever kind or nature."~~

16

17 **Section 223.** Section 53-2-322, MCA, is amended to read:

18 **"53-2-322. County to levy taxes, budget, and make expenditures for public assistance activities.**

19 (1) The board of county commissioners in each county shall levy ~~13.5 mills~~ 0.80 mill for the county poor
 20 fund as provided by law or so much of that amount as may be necessary. The board may levy up to an
 21 additional ~~12 mills~~ 0.71 mill if approved by the voters in the county. A county shall levy a sufficient ~~mills~~
 22 amount to reimburse the state for any administrative or operational costs in excess of the administrative
 23 and operational costs for the previous fiscal year. The department of public health and human services shall
 24 notify the counties of the ~~number of mills~~ amount required to be levied. Once an additional levy has been
 25 approved, the amount of the approved levy may continue to be levied without voter approval.

26 (2) The board shall budget and expend ~~so much of~~ the funds in the county poor fund for:

27 (a) public assistance as necessary to reimburse the department for the county's proportionate share
 28 of the administrative costs and of all public assistance costs;

29 (b) salaries, travel expenses, and indirect costs, as provided in 52-1-110, of protective services
 30 employees of the department; and

1 (c) the county's proportionate share of any other public assistance activity that may be carried on
2 jointly by the state and the county.

3 (3) The amounts set up in the budget for the reimbursements to the department must be sufficient
4 to make all of these reimbursements in full. The budget must make separate provision for each public
5 assistance activity and for salaries, travel expenses, and indirect costs for protective services activities of
6 the department. Proper accounts must be established for the funds for all the activities.

7 (4) The department shall submit to the counties, no later than May 10, the most current county
8 participation percentages that are necessary to establish preliminary county budgets. As soon as the county
9 proposed budget provided for in 7-6-2315 has been agreed upon, a copy must be mailed to the department,
10 and at any time before the final adoption of the budget, the department shall make recommendations with
11 regard to changes in any part of the budget relating to the county poor fund as considered necessary in
12 order to enable the county to discharge its obligations under the public assistance laws.

13 (5) The department shall promptly examine the county proposed budget in order to ascertain if the
14 amounts provided for reimbursements to the department are likely to be sufficient and shall notify the
15 county clerk of its findings. The board shall make changes in the amounts provided for reimbursements,
16 if any are required, in order that the county will be able to make the reimbursements in full.

17 (6) The board of county commissioners may not make any transfer from the amounts budgeted
18 for reimbursing the department without having first obtained a statement in writing from the department
19 to the effect that the amount to be transferred will not be required during the fiscal year for the purposes
20 for which the amounts were provided in the budget.

21 (7) The county poor fund, irrespective of the source of any part of the fund, may not be used
22 directly or indirectly for the erection or improvement of any county building so long as the fund is needed
23 for paying the county's proportionate share of public assistance and protective services, as described in
24 52-1-110, or its proportionate share of any other public assistance activity that may be carried on jointly
25 by the state and the county. Expenditures for improvement of any county buildings used directly for care
26 of the poor, except a county hospital or county nursing home, may be made out of money in the county
27 poor fund, whether the money was produced by the mill levy provided for in subsection (1) or from any
28 additional levy authorized by law. The expenditure may be authorized only when any county building used
29 for the care of the poor must be improved in order to meet legal standards required for the building by the
30 department and when the expenditure has been approved by the department.

1 (8) Money in the county poor fund may be used as matching funds for the receipt of federal
2 money."

3
4 **Section 224.** Section 53-2-801, MCA, is amended to read:

5 **"53-2-801. Purpose.** The purpose of this part is to provide for the department of public health and
6 human services to assume all responsibilities for public assistance programs and for protective services for
7 children and adults that, as of July 1, 1983, are provided by the counties pursuant to Titles 41 and 53. The
8 assumption may become effective only at the option and with the express consent of each individual
9 county requesting state assumption. State assumption allows counties to pay the state the proceeds from
10 the ~~9-mill~~ 0.53-mill levy provided for in 53-2-813 rather than an amount based on the actual cost of
11 providing public assistance and protective services in the county. Counties that opt for state assumption
12 may provide other optional services for indigents with money available from funds derived from the
13 difference between the ~~9-mill~~ 0.53-mill levy and the maximum amount of ~~13.5-mills~~ 0.80 mill permitted by
14 53-2-322."

15
16 **Section 225.** Section 53-2-813, MCA, is amended to read:

17 **"53-2-813. Mill levy for counties transferring public assistance and protective services.** (1) For
18 the purpose of this part, ~~9-mills~~ 0.53 mill must be levied annually in those counties opting for state
19 assumption.

20 (2) For a county electing state assumption, the proceeds of the mill levy established in subsection
21 (1) must be deposited in the state special revenue fund in the state treasury to the credit of the department
22 of public health and human services."

23
24 **Section 226.** Section 61-3-208, MCA, is amended to read:

25 **"61-3-208. Affidavit and bond for certificate.** (1) If an applicant for a motor vehicle certificate of
26 title cannot provide the department with a certificate of title transferred to the applicant, the department
27 may issue a certificate of title for the vehicle if the applicant furnishes an affidavit in a form prescribed by
28 the department.

29 (2) The affidavit must be signed and sworn to before an officer authorized to administer oaths and
30 affirmations. The affidavit must accompany the application for the certificate of title and include:

1 (a) the facts and circumstances through which the applicant acquired ownership and possession
2 of the motor vehicle;

3 (b) information as required by the department to enable it to determine what security interests,
4 liens, and encumbrances against the motor vehicle, if any, are outstanding against the motor vehicle;

5 (c) the date and the amount secured by the security interests, liens, and encumbrances, if any; and

6 (d) a statement that the applicant has the right to have a certificate of title issued.

7 (3) If after examination of the application, affidavit, and any other evidence the department
8 determines that a certificate of title for the motor vehicle should be issued to the applicant, the department
9 shall require the applicant to file with the department a good and sufficient bond before issuing the
10 certificate of title. The bond must be:

11 (a) in an amount equal to the value of the motor vehicle as determined under the provisions of
12 61-3-503(4)(e) for the year in which the application for certificate of title is made;

13 (b) conditioned to indemnify a prior owner, lienholder, subsequent purchaser, secured creditor, or
14 encumbrancer of the motor vehicle, and any respective successors in interest, against expenses, losses,
15 or damages caused by the issuance of the certificate or by a defect in or undisclosed security interest upon
16 the right, title, and interest of the applicant in the motor vehicle; and

17 (c) issued by a surety company authorized to do business in the state.

18 (4) Any interested person has a right of action to recover on the bond for a breach of its
19 conditions, but the aggregate liability of the surety to all persons may not exceed the amount of the bond.

20 (5) Unless the department has been notified of a pending action to recover the bond, the
21 department shall return the bond at the earlier of:

22 (a) 3 years from the date of issuance of the certificate of title; or

23 (b) the date of surrender of the valid certificate of title to the department if the vehicle is no longer
24 registered in this state."

25

26 **Section 227.** Section 61-3-301, MCA, is amended to read:

27 **"61-3-301. Registration -- license plate required -- display.** (1) Except as otherwise provided in
28 this chapter, ~~no~~ a person may not operate a motor vehicle upon the public highways of Montana unless the
29 vehicle is properly registered and has the proper number plates conspicuously displayed, one on the front
30 and one on the rear of the vehicle, each securely fastened to prevent it from swinging and unobstructed

1 from plain view, except that trailers, semitrailers, quadricycles, motorcycles, and vehicles authorized in
 2 61-4-102(6) to display demonstrator plates may have ~~but~~ only one number plate conspicuously displayed
 3 on the rear. ~~No~~ A person may not display on a vehicle at the same time a number assigned to it under any
 4 motor vehicle law except as provided in this chapter. A junk vehicle, as defined in Title 75, chapter 10, part
 5 5, being driven or towed to an auto wrecking graveyard for disposal is exempt from the provisions of this
 6 section.

7 (2) ~~No~~ A person may not purchase or display on a vehicle a license plate bearing the number
 8 assigned to any county as provided in 61-3-332 other than the county of ~~his~~ the person's permanent
 9 residence at the time of application for registration. However, the owner of any motor vehicle requiring a
 10 license plate on any motor vehicle used in the public transportation of persons or property may make
 11 application for the license in any county through which the motor vehicle passes in its regularly scheduled
 12 route, and the license plate issued bearing the number assigned to that county may be displayed on the
 13 motor vehicle in any other county of the state.

14 (3) It is unlawful to use license plates issued to one vehicle on any other vehicle, trailer, or
 15 semitrailer unless legally transferred as provided by statute, or to repaint old license plates to resemble
 16 current license plates.

17 (4) This section does not apply to a vehicle ~~exempt from taxation under 15-6-215 or that is~~ subject
 18 to ~~taxation under~~ the provisions of 61-3-520.

19 (5) Any person violating these provisions is guilty of a misdemeanor and subject to the penalty
 20 prescribed in 61-3-601."

21

22 **Section 228.** Section 61-3-303, MCA, is amended to read:

23 **"61-3-303. Application for registration.** (1) Each owner of a motor vehicle operated or driven upon
 24 the public highways of this state shall for each motor vehicle owned, except as otherwise provided in this
 25 section, file or cause to be filed in the office of the county treasurer in the county where the owner
 26 permanently resides at the time of making the application or, if the vehicle is owned by a corporation or
 27 used primarily for commercial purposes, in the taxing jurisdiction of the county where the vehicle is
 28 permanently assigned, an application for registration or reregistration upon a blank form to be prepared and
 29 furnished by the department. The application must contain:

30 (a) name and address of owner, giving county, school district, and town or city within whose

1 corporate limits the motor vehicle is taxable, if taxable, or within whose corporate limits the owner's
2 residence is located if the motor vehicle is not taxable;

3 (b) name and address of the holder of any security interest in the motor vehicle;

4 (c) description of motor vehicle, including make, year model, engine or serial number,
5 manufacturer's model or letter, gross weight, declared weight on all trucks for which the rated capacity is
6 1 ton or less, and type of body and, if a truck, rated capacity;

7 (d) declared weight on all trailers operating intrastate, except travel trailers or trailers and
8 semitrailers registered as provided in 61-3-711 through 61-3-733; and

9 (e) other information that the department may require.

10 (2) A person who files an application for registration or reregistration of a motor vehicle, except
11 of a mobile home as defined in 15-1-101(1), shall upon the filing of the application pay to the county
12 treasurer:

13 (a) the registration fee, as provided in 61-3-311 and 61-3-321 or 61-3-456; and

14 (b) except as provided in 61-3-456, ~~or unless it has been previously paid~~ whichever of the
15 following taxes is applicable:

16 (i) ~~the personal property motor vehicle~~ taxes assessed against the vehicle for the current year of
17 registration and the immediately previous year; or

18 (ii) the sales tax on new motor vehicle sales tax against the vehicle vehicles imposed by 61-3-502
19 for the current year of registration; or

20 (iii) the sales tax or use tax imposed by [section 232].

21 (3) The application may not be accepted by the county treasurer unless the payments required by
22 subsection (2) accompany the application. The department ~~of revenue~~ may not assess and the county
23 treasurer may not collect taxes or fees for a period other than:

24 (a) the current year; and

25 (b) the immediately previous year if the vehicle was not registered or operated on the highways
26 of the state, regardless of the period of time since the vehicle was previously registered or operated.

27 (4) The department ~~of revenue~~ may make full and complete investigation of the tax status of the
28 vehicle. An applicant for registration or reregistration shall submit proof from the tax or other appropriate
29 records of the proper county at the request of the department ~~of revenue.~~"

30

1 **Section 229.** Section 61-3-317, MCA, is amended to read:

2 **"61-3-317. New registration required for transferred vehicle -- ~~sales tax and use tax~~-- grace period**
 3 **-- ~~penalty~~ -- display of proof of purchase.** Except as otherwise provided ~~herein in this section~~, the new
 4 owner of a transferred motor vehicle ~~shall have~~ has a grace period of 20 calendar days from the date of
 5 purchase to make application and pay the ~~taxes or fees, or both,~~ sales tax or use tax provided by part 5
 6 of this chapter, ~~unless the~~ in addition to any motor vehicle tax or fee in lieu of tax that has been paid for
 7 the year, as if the vehicle were being registered for the first time in that registration year. If the motor
 8 vehicle was not purchased from a duly licensed motor vehicle dealer as provided in this chapter, it is not
 9 a violation of this chapter or any other law for the purchaser to operate the vehicle upon the streets and
 10 highways of this state without a certificate of registration during the 20-day period, provided that at all
 11 times during that period a vehicle purchase sticker in a form prescribed and furnished by the department,
 12 obtained from the county treasurer or a law enforcement officer as authorized by the department, reciting
 13 the date of purchase is clearly displayed in the rear window of the motor vehicle. Registration and license
 14 fees collected under 61-3-321 are not required to be paid when a license plate is transferred under ~~this~~
 15 ~~section and 61-3-335 and this section.~~ However, the transfer may be subject to the sales tax or use tax
 16 provided by part 5 of this chapter. Failure to make application within the time provided ~~herein in this section~~
 17 subjects the purchaser to a penalty of \$10. The penalty ~~shall~~ must be collected by the county treasurer at
 18 the time of registration and ~~shall be~~ is in addition to the fees otherwise provided by law."
 19

20 **Section 230.** Section 61-3-501, MCA, is amended to read:

21 **"61-3-501. When vehicle taxes and fees are due.** (1) Property Motor vehicle taxes, new car taxes,
 22 sales taxes or use taxes, and fees must be paid on the date of registration or reregistration of the vehicle.
 23 (2) If the anniversary date for reregistration of a vehicle passes while the vehicle is owned and held
 24 for sale by a licensed new or used car dealer, property motor vehicle taxes abate on ~~such the~~ vehicle
 25 properly reported with the ~~department of revenue~~ county treasurer until the vehicle is sold and ~~thereafter~~
 26 after the sale, the purchaser shall pay the pro rata balance of the taxes due and owing on the vehicle.
 27 (3) In the event a vehicle's registration period is changed under 61-3-315, all taxes and other fees
 28 due ~~thereon shall~~ must be prorated and paid from the last day of the old period until the first day of the new
 29 period in which the vehicle ~~shall be~~ is registered. ~~Thereafter~~ The taxes and other fees must be paid from
 30 the first day of the new period for a minimum period of 1 year. When the change is to a later registration

1 period, taxes and fees ~~shall~~ must be prorated and paid based on the same tax year as the original
 2 registration period. ~~Thereafter~~ After the change, during the appropriate anniversary registration period, each
 3 vehicle ~~shall~~ must again ~~register or reregister~~ be registered or reregistered and ~~shall pay~~ all taxes and fees
 4 due ~~thereon~~ must be paid for a 12-month period."

5

6 **Section 231.** Section 61-3-502, MCA, is amended to read:

7 **"61-3-502. Sales tax on new motor vehicles -- exemptions.** (1) In consideration of the right to use
 8 the highways of the state, there is imposed a tax upon all sales of new motor vehicles, excluding vehicles
 9 with a gross vehicle weight in excess of 46,000 pounds used exclusively in interstate commerce, trailers,
 10 semitrailers, and housetrailers, for which a license is sought and an original application for title is made. The
 11 tax must be paid by the purchaser when the purchaser applies for an original Montana license through the
 12 county treasurer. For purposes of this section, "new motor vehicle" means a new motor vehicle for which
 13 original registration is sought or a motor vehicle previously furnished without charge by a dealer to a school
 14 district for use in a state-approved traffic education program, whether or not titled by the dealer or the
 15 school district, and for which original registration is sought.

16 (2) ~~Except as provided in subsections (4) and (5), the~~ The sales tax is:

17 (a) ~~1 1/2%~~ 4% of the f.o.b. factory list price or f.o.b. port of entry list sales price, as defined in
 18 [section 1], ~~during the first quarter of the year or for a registration period other than a calendar year or~~
 19 ~~calendar quarter;~~

20 (b) ~~1 1/8%~~ of the list price during the second quarter of the year;

21 (c) ~~3/4 of 1%~~ during the third quarter of the year;

22 (d) ~~3/8 of 1%~~ during the fourth quarter of the year.

23 (3) ~~If the manufacturer or importer fails to furnish the f.o.b. factory list price or f.o.b. port of entry~~
 24 ~~list price, the department may use published price lists.~~

25 (4) ~~The new car sales tax on vehicles subject to the provisions of 61-3-313 through 61-3-316 is~~
 26 ~~1 1/2% of the f.o.b. factory list price or f.o.b. port of entry list price regardless of the month in which the~~
 27 ~~new vehicle is purchased.~~

28 (5) ~~The sales tax on new motor vehicles registered as part of a fleet under 61-3-318 is 3/4 of 1%~~
 29 ~~of the f.o.b. factory list price or f.o.b. port of entry list price.~~

30 (6)(3) The proceeds from this the tax imposed under this section, after the county treasurer has

1 deducted 2% of the taxes collected to pay for the cost of administration, must be remitted to the state
 2 treasurer every 30 days for credit, as follows:

3 (a) 37.5% to the highway nonrestricted account of the state special revenue fund. ~~The county~~
 4 ~~treasurer shall retain 5% of the taxes collected to pay for the cost of administration; and~~

5 (b) 62.5% to the sales tax and use tax account established in [section 62].

6 ~~(7)(4)~~ The new vehicle is not subject to any other assessment, fee in lieu of tax, or tax during the
 7 calendar year in which the original application for title is made.

8 ~~(8)(5)~~ A motor vehicle may not be registered or licensed unless the application for registration is
 9 accompanied by a statement of origin that is furnished by the dealer selling the vehicle and that shows that
 10 the vehicle has not previously been registered or owned, except as otherwise provided in this section, by
 11 any person, firm, corporation, or association other than a new motor vehicle dealer holding a franchise or
 12 distribution agreement from a new car manufacturer, distributor, or importer.

13 ~~(9)(6)~~ (a) Motor vehicles operating exclusively for transportation of persons for hire within the limits
 14 of incorporated cities or towns and within 15 miles from the limits are exempt from the provisions of
 15 subsection (1).

16 (b) Motor vehicles brought or driven into Montana by nonresident, migratory, bona fide agricultural
 17 workers who are temporarily employed in agricultural work in this state, when those motor vehicles are
 18 used exclusively for transportation of agricultural workers, are also exempt from the provisions of
 19 subsection (1).

20 (c) Vehicles lawfully displaying a licensed dealer's plate as provided in 61-4-103 are exempt from
 21 the provisions of subsection (1):

22 (i) when moving to or from a dealer's place of business when unloaded or loaded with dealer's
 23 property only; and

24 (ii) in the case of vehicles having a gross loaded weight of less than 24,000 pounds, while being
 25 demonstrated in the course of the dealer's business.

26 (d) Motor vehicles owned or controlled by a special district, as defined in 18-8-202, are exempt
 27 from subsection (1).

28 (e) A vehicle registered under 61-3-456 is exempt from the provisions of subsection (1)."
 29

30 **NEW SECTION. Section 232. Sales tax and use tax on used vehicles -- distribution by county**

1 **treasurer.** (1) (a) A sales tax of 4% is imposed on the sale, measured by the sales price, as defined in
2 [section 1], of all motor vehicles, except vehicles with a gross vehicle weight in excess of 46,000 pounds
3 used exclusively in interstate commerce, that are not subject to the sales tax on new motor vehicles
4 imposed under 61-3-502. The tax is imposed on the purchaser and must be paid at the time the motor
5 vehicle is registered pursuant to 61-3-317.

6 (b) A use tax of 4% is imposed on the value of all used motor vehicles, except vehicles with a
7 gross vehicle weight in excess of 46,000 pounds used exclusively in interstate commerce, that are:

8 (i) manufactured by the person using the motor vehicle in this state;

9 (ii) acquired outside this state as the result of a transaction that would have been subject to the
10 sales tax had it occurred within this state;

11 (iii) acquired within the exterior boundaries of an Indian reservation within this state as a result of
12 a transaction that would have been subject to the sales tax had it occurred outside of the exterior
13 boundaries of an Indian reservation within this state; or

14 (iv) acquired as the result of a transaction that was not initially subject to the sales tax imposed by
15 subsection (1)(a) or the use tax imposed by subsection (1)(b) but which transaction, because of the buyer's
16 subsequent use of the property, is subject to the sales tax or use tax.

17 (2) For the purpose of imposing the use tax imposed by subsection (1)(b), the motor vehicle must
18 be valued according to the provisions for assessment contained in 61-3-503.

19 (3) A used motor vehicle is not subject to any other assessment, fee in lieu of tax, or tax during
20 the calendar year in which the original application for title is made.

21 (4) The county treasurer shall:

22 (a) immediately upon collection, credit 50% of the sales tax and use tax collected pursuant to
23 61-3-303(2)(b)(iii) to the motor vehicle suspense fund described in 61-3-509; and

24 (b) on or before the 25th day of each month, remit the remaining 50% to the state treasurer for
25 deposit in the sales tax and use tax account established in [section 62].

26

27 **Section 233.** Section 61-3-503, MCA, is amended to read:

28 "**61-3-503. Assessment.** (1) Except as provided in 61-3-520 and subsection (2) of this section,
29 the following apply to the taxation of motor vehicles:

30 ~~(a) Except as provided in subsections (1)(c) through (1)(e), a person who files an application for~~

1 ~~registration or reregistration of a motor vehicle shall before filing the application with the county treasurer~~
2 ~~submit the application to the department of revenue. The department of revenue shall enter on the~~
3 ~~application in a space to be provided for that purpose the market value and taxable value of the vehicle as~~
4 ~~of January 1 of the year for which the application for registration is made.~~

5 ~~(b) Except as provided in subsection (1)(c), motor vehicles are assessed for taxes on January 1~~
6 ~~in each year irrespective of the time fixed by law for the assessment of other classes of personal property~~
7 ~~and irrespective of whether the levy and tax may be a lien upon real property within the state. A motor~~
8 ~~vehicle is not subject to assessment, levy, and taxation more than once in each year.~~

9 ~~(c)(a) Vehicles subject to the provisions of 61-3-313 through 61-3-316~~ All motor vehicles must
10 be assessed as of the first day of the applicable registration period, using the average trade-in or wholesale
11 value as of January 1 of the year of assessment of the vehicle, ~~as contained~~ follows:

12 (i) The value of buses and trucks having a rated capacity of more than 1 ton is the average
13 wholesale value shown in national appraisal guides and manuals or the value of the vehicle before
14 reconditioning and profit margin. The department shall prepare valuation schedules showing the average
15 wholesale value when a national appraisal guide does not exist.

16 (ii) The value of vehicles subject to the provisions of 61-3-313 through 61-3-316 is the average
17 trade-in or wholesale value shown in the most recent volume of the Mountain States Edition of the National
18 Automobile Dealers Association (N.A.D.A.) Official Used Car Guide, the National Edition of N.A.D.A.
19 Appraisal Guides Official Older Used Car Guide, or another nationally published used vehicle or appraisal
20 guide approved by the department ~~of revenue~~ or, for a vehicle that was never listed in any edition of the
21 preceding guides, the retail value of the vehicle as determined by the department ~~of revenue~~, and
22 depreciated 10% a year until a value of \$500 is reached, not including additions or deductions for options
23 and mileage but including additions or deductions, whether or not one of the preceding guides is used, for
24 diesel engines; ~~and a.~~

25 (b) A lien for taxes and fees due on the vehicle occurs on the anniversary date of the registration
26 and continues until the fees and taxes have been paid. If the value shown in any of the appraisal guides
27 listed in this section is less than \$500, the department shall value the vehicle at \$500 as long as the vehicle
28 is registered.

29 ~~(d)(c)~~ Quadricycles must be assessed, using the greater of the following:

30 (i) \$250; or

1 (ii) the average trade-in or wholesale value as of January 1 of the year of assessment of the vehicle
 2 as contained in the most recent volume of the applicable National Edition of the N.A.D.A.
 3 Motorcycle/Moped/ATV Appraisal Guide or N.A.D.A. Recreational Vehicle Appraisal Guide or another
 4 nationally published used vehicle or appraisal guide approved by the department of revenue, not including
 5 additions or deductions for options and mileage.

6 ~~(d)~~ If a vehicle assessed under ~~subsection~~ subsections (1)(a) through (1)(c) ~~or (1)(d)~~ is not
 7 originally listed in the applicable N.A.D.A. guide or other approved guide, the department ~~of revenue~~ shall
 8 depreciate the original f.o.b. factory list price, f.o.b. port-of-entry list price, or the manufacturer's suggested
 9 list price, using the following methods:

10 (i) if the new car sales tax has been previously paid and the vehicle is less than 1 year in age, the
 11 depreciation percentage is 20%; or

12 (ii) if the vehicle is 1 year or older in age and it is not listed in any of the appraisal guides listed in
 13 this section, the department of revenue shall determine the depreciation percentage to approximate the
 14 average wholesale or trade-in values in the current N.A.D.A. guides or other approved guides referred to
 15 in this subsection (1). For purposes of this subsection (1), the age of the vehicle is determined by
 16 subtracting the manufacturer's model year of the vehicle from the calendar year of assessment.

17 ~~(e)~~ When a minimum value of \$500 is reached, the value of the vehicle must remain at that
 18 minimum as long as the vehicle is registered.

19 ~~(f)~~ If a previously registered vehicle is no longer listed in the applicable N.A.D.A. guide or other
 20 approved guide, the department ~~of revenue~~ shall depreciate the value of the vehicle at the rate of 10% a
 21 year until a minimum amount of \$500 is attained, and the value must remain at that amount as long as the
 22 vehicle is registered.

23 (2) The provisions of subsections (1)(a) through ~~(1)(g)~~ (1)(f) do not apply to motorcycles, motor
 24 homes, travel trailers, campers, or mobile homes as defined in 15-1-101(1)."

25

26 **Section 234.** Section 61-3-504, MCA, is amended to read:

27 **"61-3-504. Computation of tax.** (1) The amount of taxes on a motor vehicle, ~~other than an~~
 28 ~~automobile, truck having a rated capacity of 1 ton or less, motorcycle, quadricycle, motor home, travel~~
 29 ~~trailer, camper, or mobile home, is computed and determined by the county treasurer on the basis of the~~
 30 ~~levy of the year preceding the current year of application for registration or reregistration.~~

1 ~~(2) The amount of tax on an automobile or truck having a rated capacity of 1 ton or less, except~~
 2 for vehicles registered under 61-3-456 or owned by disabled veterans qualifying for special license plates
 3 under 61-3-332(10)(c)(~~4~~)(A) or 61-3-426(2), and on a quadricycle is 2% of the value determined under
 4 61-3-503.

5 ~~(3)(2)~~ (2) The amount of tax on fleet vehicles subject to the provisions of 61-3-318 is 1% of the value
 6 determined under 61-3-503.

7 ~~(4)(3)~~ (3) For all taxable motor vehicles, the amount of tax is entered on the application form in a
 8 space provided for that purpose."
 9

10 **Section 235.** Section 61-3-506, MCA, is amended to read:

11 "**61-3-506. Rules.** (1) The department of revenue shall adopt rules for the payment of ~~property~~
 12 taxes and the sales taxes under the provisions of 61-3-502, and sales taxes and use taxes under the
 13 provisions of [sections 1 through 62 and section 232]. The department shall specifically provide that new
 14 car sales taxes and use taxes be for a 12-month period.

15 (2) The department of transportation shall adopt rules for the payment of new car taxes under the
 16 provisions of 61-3-313 through 61-3-316, 61-3-501, and 61-3-520. ~~The department of revenue may adopt~~
 17 rules for the proration of taxes for the implementation and administration of 61-3-313 through 61-3-316,
 18 61-3-501, and 61-3-520, but shall specifically provide that new car taxes shall be for a 12-month period

19 (3) The department of justice may adopt rules:

20 (a) for the assessment and collection of motor vehicle taxes and fees; and

21 (b) for the proration of taxes for the implementation and administration of 61-3-313 through
 22 61-3-316, 61-3-501, and 61-3-520."
 23

24 **Section 236.** Section 61-3-507, MCA, is amended to read:

25 "**61-3-507. Exemption.** ~~(1) A motor vehicle subject to anniversary date registration as provided~~
 26 ~~in 61-3-313 through 61-3-316 is exempt from the provisions of 61-3-503(1)(b).~~

27 ~~(2) A vehicle exempt from taxation under 15-6-215 or subject to the provisions of 61-3-520 is~~
 28 exempt from all other taxes and fees generally imposed on a vehicle by this part."
 29

30 **Section 237.** Section 61-3-509, MCA, is amended to read:

1 **"61-3-509. Disposition of taxes.** (1) Except as provided in [section 232] and subsection (2) of this
2 section, the county treasurer shall, after deducting the district court fee, credit all taxes on motor vehicles
3 and fees in lieu of tax on motorcycles, motor homes, travel trailers, and campers collected under 61-3-504,
4 61-3-521, 61-3-527, and 61-3-537 to a motor vehicle suspense fund, and at some time between March
5 1 and March 10 of each year and every 60 days after that date, the county treasurer shall distribute the
6 money in the motor vehicle suspense fund, as follows:

7 (a) 20% to the state treasurer for deposit in the state general fund; and

8 (b) 80% to be distributed in the relative proportions required by the levies for state assumption of
9 public assistance, county, school district, and municipal purposes in the same manner as ~~personal~~ property
10 taxes are distributed.

11 (2) The county treasurer shall deduct as a district court fee 7% of the amount of the 2% tax
12 collected on an automobile or truck having a rated capacity of 1 ton or less. The county treasurer shall
13 credit the fee for district courts to a separate suspense account and shall forward the amount in the
14 account to the state treasurer at the time that the county treasurer distributes the motor vehicle suspense
15 fund. The state treasurer shall credit amounts received under this subsection to the general fund to be used
16 for purposes of state funding of the district court expenses as provided in 3-5-901."

17
18 **Section 238.** Section 61-3-520, MCA, is amended to read:

19 **"61-3-520. Taxation of vehicles used exclusively in filming motion pictures or television**
20 **commercials -- exemption.** (1) ~~A~~ Except as provided in subsection (4), a vehicle used exclusively in the
21 filming of motion pictures or television commercials that has been in the state for a period exceeding 180
22 consecutive days in a calendar year must be assessed as if the vehicle were not used exclusively for filming
23 motion pictures or television commercials, but the assessment must be prorated as provided in subsection
24 (2).

25 (2) The taxes assessed under subsection (1) must be prorated by dividing the number of days in
26 excess of 180 consecutive days in the calendar year by 365.

27 (3) Taxes on a vehicle imposed pursuant to this section must be collected as provided in ~~Title 15,~~
28 ~~chapter 16, part 1,~~ this chapter for the collection of ~~personal property~~ motor vehicle taxes generally.

29 (4) A motor vehicle brought into the state or otherwise used for the exclusive purpose of filming
30 motion pictures or television commercials is exempt from motor vehicle taxation, provided that the motor

1 vehicle does not remain in the state for a period in excess of 180 consecutive days in a calendar year."

2
3 **Section 239.** Section 61-3-535, MCA, is amended to read:

4 **"61-3-535. Vehicle reregistration by mail -- renewal cards and reregistration notice by mail.** (1)
5 ~~Except as provided in subsection (2), an owner of the following types of motor vehicles may reregister by~~
6 ~~mail:~~

7 ~~(a) light vehicles, quadricycles, and other vehicles subject to tax under 61-3-504(2); and~~

8 ~~(b) motorcycles, travel trailers, campers, and motor homes subject to a fee in lieu of tax under~~
9 ~~61-3-521 and 61-3-527.~~

10 ~~(2) The option to reregister by mail need only be made available for vehicles, motor homes, and~~
11 ~~travel trailers registered at the close of the expiring registration period in the name of the applicant for~~
12 ~~reregistration and only if~~ The department may allow the owner of a motor vehicle to renew the registration
13 of a vehicle by mail when the value, age, length, or other criteria used to determine the tax or fee is
14 available to the department by electronic means.

15 ~~(3)(2) The department shall develop a procedure to facilitate the reregistration by mail of the~~
16 ~~vehicles listed in subsection (1). The~~ Any mail reregistration procedure developed by the department must
17 include a procedure to facilitate automated handling of mail reregistration or recertification.

18 ~~(4) The procedure implemented by the department to permit reregistration or camper decal~~
19 ~~application by mail must~~ and to provide for a written reminder notice by mail to a vehicle owner of the
20 requirement to reregister the owner's vehicle with the county treasurer or to apply for the annual camper
21 decal.

22 ~~(5)(3) The department shall~~ may adopt rules to implement the mail reregistration and decal
23 application procedure."

24
25 **Section 240.** Section 61-3-537, MCA, is amended to read:

26 **"61-3-537. (Temporary) Local option vehicle tax.** (1) A county may impose a local vehicle tax on
27 vehicles subject to a property tax under 61-3-504(2) at a rate of up to 0.5% of the value determined under
28 61-3-503, in addition to the tax imposed under 61-3-504(2).

29 (2) A local vehicle tax is payable at the same time and in the same manner as the tax imposed
30 under 61-3-504(2). The first priority of the local vehicle tax is for district court funding, and the tax is

1 distributed as follows:

2 (a) 50% to the county; and

3 (b) the remaining 50% to the county and the incorporated cities and towns within the county,
4 apportioned on the basis of population. The distribution to a city or town is determined by multiplying the
5 amount of money available by the ratio of the population of the city or town to the total county population.
6 The distribution to the county is determined by multiplying the amount of money available by the ratio of
7 the population of unincorporated areas within the county to the total county population.

8 (3) The governing body of a county may impose, revise, or revoke a local vehicle tax by adopting
9 a resolution before July 1, after conducting a public hearing on the proposed resolution. The resolution may
10 provide for the distribution of the local vehicle tax. (Terminates June 30, 2005--sec. 2, 3, Ch. 217, L.
11 1995.)

12 **61-3-537. (Effective July 1, 2005) Local option vehicle tax.** (1) A county may impose a local
13 vehicle tax on vehicles subject to a property tax under 61-3-504~~(2)~~ at a rate of up to 0.5% of the value
14 determined under 61-3-503, in addition to the tax imposed under 61-3-504~~(2)~~.

15 (2) A local vehicle tax is payable at the same time and in the same manner as the tax imposed
16 under 61-3-504~~(2)~~ and is distributed in the same manner, based on the registration address of the owner
17 of the motor vehicle.

18 (3) The governing body of a county may impose, revise, or revoke a local vehicle tax by adopting
19 a resolution before July 1, after conducting a public hearing on the proposed resolution."
20

21 **Section 241.** Section 61-3-605, MCA, is amended to read:

22 "**61-3-605. Penalty for nonpayment of sales tax or use tax.** Any owner or operator of a motor
23 vehicle who violates any provision of 61-3-502 or [section 232] is guilty of a misdemeanor and shall be
24 punished by a fine of not more than \$300, or by a sentence of not more than 60 days in the county jail,
25 or both."
26

27 **Section 242.** Section 61-3-701, MCA, is amended to read:

28 "**61-3-701. Foreign vehicles used in gainful occupation to be registered -- reciprocity.** (1) Before
29 ~~any~~ a foreign licensed motor vehicle may be operated on the highways of this state for hire, compensation,
30 or profit or before the owner ~~and/or~~ or ~~user thereof~~ of the vehicle uses the vehicle if ~~such~~ the owner ~~and/or~~

1 or user is engaged in gainful occupation or business enterprise in the state, including highway work, the
 2 owner of the vehicle shall ~~make application~~ apply to a county treasurer for registration upon an application
 3 form furnished by the department. Upon satisfactory evidence of ownership submitted to the county
 4 treasurer and the payment of ~~property~~ motor vehicle taxes and use taxes, if appropriate, as required by
 5 ~~15-8-201, 15-8-202, 15-24-301, 61-3-504, or 61-3-537, or [section 232]~~, the treasurer shall accept the
 6 application for registration and shall collect the regular license fee required for the vehicle.

7 (2) ~~The~~ Upon payment of the fees or taxes, the treasurer shall ~~thereupon~~ issue to the applicant a
 8 copy of the certificate entitled "Owner's Certificate of Registration and Payment Receipt" and forward a
 9 duplicate copy of the certificate to the department. The treasurer shall at the same time issue to the
 10 applicant the proper license plates or other identification markers, which ~~shall~~ must at all times be displayed
 11 upon the vehicle when operated or driven upon roads and highways of this state during the effective period
 12 ~~of the life~~ of the license.

13 (3) The registration receipt ~~shall~~ does not constitute evidence of ownership but ~~shall~~ must be used
 14 only for registration purposes. ~~No~~ A Montana certificate of ownership ~~shall~~ may not be issued for this type
 15 of registration.

16 (4) This section is not applicable to ~~any~~ a vehicle covered by a valid and existing reciprocal
 17 agreement or declaration entered into under the provisions of the laws of Montana."
 18

19 **Section 243.** Section 61-3-707, MCA, is amended to read:

20 "**61-3-707. Foreign vehicles used for transportation in connection with employment.** (1) Before
 21 a motor vehicle taxed pursuant to 15-24-301~~(4)~~(1) may be operated in Montana for a calendar quarter, the
 22 person responsible for payment of taxes ~~must~~ shall apply for and obtain a window decal.

23 (2) Decals must be color-coded to distinguish the four quarterly registration periods of the year.

24 (3) An applicant may purchase a decal for more than one registration quarter at a time by paying
 25 the appropriate amount.

26 (4) There is a \$2 fee for each decal, and money collected from this fee ~~shall~~ must be deposited to
 27 the county general fund. The \$2 fee is in addition to the tax.

28 (5) A current window decal must be displayed on the lower right-hand corner of the windshield."
 29

30 **Section 244.** Section 61-4-112, MCA, is amended to read:

1 **"61-4-112. New motor vehicles -- transfers by dealers.** (1) When a motor vehicle dealer transfers
2 a new motor vehicle to a purchaser or other recipient, the dealer shall:

3 (a) issue and affix a permit as prescribed in 61-4-111(2)(a) for transfers of used motor vehicles and
4 retain a copy of the permit;

5 (b) within 4 working days following the date of delivery of the new motor vehicle, forward to the
6 county treasurer of the county where the purchaser or recipient resides:

7 (i) one copy of the permit issued under subsection (1)(a);

8 (ii) an application for certificate of title with a notice of security interest, if any, executed by the
9 purchaser or recipient; and

10 (iii) a statement of origin as prescribed in ~~61-3-502(8)~~(5).

11 (2) Upon receipt from the county treasurer of the documents required under subsection (1), the
12 department shall issue a certificate of ownership and certificate of registration, together with a statement
13 of lien as provided in 61-3-202."

14

15 **Section 245.** Section 61-10-214, MCA, is amended to read:

16 **"61-10-214. Exemptions.** (1) Motor vehicles operating exclusively for transportation of persons
17 for hire within the limits of incorporated cities or towns and within 15 miles from the limits are exempt from
18 this part.

19 (2) Motor vehicles brought or driven into Montana by a nonresident, migratory, bona fide
20 agricultural worker temporarily employed in agricultural work in this state when those motor vehicles are
21 used exclusively for transportation of agricultural workers are exempt from this part.

22 (3) Vehicles lawfully displaying a licensed dealer's or wholesaler's plate as provided in 61-4-103
23 are exempt from this part for a period not to exceed 7 days when moving to or from a dealer's or
24 wholesaler's place of business when unloaded or loaded with dealer's or wholesaler's property only or while
25 being demonstrated in the course of the dealer's or wholesaler's business. Vehicles being demonstrated
26 may not be leased, rented, or operated for compensation by the licensed dealer or wholesaler.

27 (4) Vehicles exempt from property tax under 15-6-201(1)(a), (1)(c) through (1)(e), (1)(g), ~~(1)(h)~~
28 (1)(i), (1)(j), (1)(l), (1)(p), and (1)(v) ~~(1)(g)~~ are exempt from this part. The department of transportation may
29 require documentation of tax-exempt status from the department of revenue before granting this
30 exemption."

1 **Section 246.** Section 67-3-204, MCA, is amended to read:

2 "**67-3-204. Fee in lieu of tax on registered aircraft -- decal.** (1) Except as provided in subsection
3 (3), aircraft required to be registered in Montana are subject to a fee. ~~The registration fee is in lieu of~~
4 ~~property tax.~~

5 (2) The department shall issue a decal to the owner of the aircraft required to be registered at the
6 time of payment of the registration fee in lieu of tax, as provided in 67-3-201. ~~No~~ An aircraft subject to a
7 fee in lieu of tax may not be operated in this state unless there is displayed on the aircraft a decal as visual
8 proof that the fee in lieu of tax has been paid for the aircraft and that the aircraft is registered for the
9 current year.

10 (3) Aircraft that meet the description of property described in ~~15-6-145~~ the Tax Equity and Fiscal
11 Responsibility Act of 1982, as it read on January 1, 1986, are exempt from the fee imposed by subsection
12 (1). Aircraft subject to the fee in lieu of tax are exempt from all other taxation."

13

14 **Section 247.** Section 76-1-405, MCA, is amended to read:

15 "**76-1-405. Maximum county mill levy -- authorization for levy.** The tax levy for planning board
16 purposes ~~shall~~ must be limited as follows:

17 (1) A county of the first class, as defined in 7-1-2111, may levy a tax not to exceed ~~2 mills~~ 0.118
18 mill.

19 (2) A county of the second class may levy a tax not to exceed ~~3 mills~~ 0.178 mill.

20 (3) A county of the third class may levy a tax not to exceed ~~4 mills~~ 0.237 mill.

21 (4) A county of the fourth class may levy a tax not to exceed ~~5 mills~~ 0.296 mill.

22 (5) Counties of the fifth, sixth, and seventh classes may levy a tax not to exceed ~~6 mills~~ 0.355
23 mill."

24

25 **Section 248.** Section 77-1-507, MCA, is amended to read:

26 "**77-1-507. School district use of proceeds.** The money received by any school district under this
27 part ~~shall~~ must be designated as district money for the general maintenance and operation of the elementary
28 schools of the district. ~~Such~~ The money may be used by the district as all other cash balances are used in
29 ~~accordance with the provisions of 20-9-335~~ the district."

30

1 **Section 249.** Section 81-7-303, MCA, is amended to read:

2 **"81-7-303. County commissioners permitted to require per capita license fee on sheep.** (1) To
3 defray the expense of protection, the board of county commissioners of any county may require all owners
4 or persons in possession of any sheep 1 year old or older in the county on the regular assessment date of
5 each year to pay a per capita license fee in an amount to be determined by the board. All owners or persons
6 in possession of any sheep 1 year old or older coming into the county after the regular assessment date
7 and subject to ~~taxation~~ the per capita levy under the provisions of ~~15-24-301~~ Title 15, chapter 24, part 9,
8 are subject to payment of the license fee.

9 (2) Upon the order of the board of county commissioners, the license fees may be imposed by
10 entering the name of the licensee upon the ~~property tax~~ assessment record of the county by the department
11 of revenue. The license fees are payable to and must be collected by the county treasurer. When levied,
12 the fees are a lien upon the property, both real and personal, of the licensee. If the person against whom
13 the license fee is levied does not own real estate against which the license fee is or may become a lien,
14 then the license fee is payable immediately upon its levy and the treasurer shall collect the fee in the
15 manner provided by law ~~for the collection of personal property taxes that are not a lien upon real estate~~
16 15-16-119.

17 (3) When collected, the fees must be placed in the predatory animal control fund and the fund may
18 be expended on order of the board of county commissioners of the county for predatory animal control
19 only."
20

21 **Section 250.** Section 81-7-603, MCA, is amended to read:

22 **"81-7-603. County commissioners permitted to levy per capita license fee on cattle.** (1) To defray
23 the expense of protection, the board of county commissioners may require all owners or persons in
24 possession of any cattle 9 months old or older in the county on the regular assessment date of each year
25 to pay a per capita license fee in an amount to be determined by the board. All owners or persons in
26 possession of cattle 9 months old or older coming into the county after the regular assessment date and
27 subject to ~~taxation~~ the per capita levy under the provisions of ~~15-24-301~~ Title 15, chapter 24, part 9, are
28 subject to payment of the license fee.

29 (2) Upon the order of the board of county commissioners, the license fee may be imposed by
30 entering the name of the licensee upon the ~~property tax~~ assessment record of the county by the department

1 of revenue. The license fee is payable to the county treasurer. When levied, the fee is a lien upon the
2 property, both real and personal, of the licensee. If the person against whom the license fee is levied does
3 not own real estate against which the license fee is or may become a lien, then the license fee is payable
4 immediately upon its levy and the treasurer shall collect the fee in the manner provided by law for the
5 ~~collection of personal property taxes that are not a lien upon real estate~~ 15-16-119.

6 (3) The fees must be placed in a predatory animal control fund separate from the fund provided
7 for in 81-7-303. The money in the predatory animal control fund may be expended by the board of county
8 commissioners only for the predatory animal control program."

9
10 **Section 251.** Section 85-9-103, MCA, is amended to read:

11 **"85-9-103. Definitions.** As used in this chapter, unless the context clearly indicates otherwise,
12 the following definitions apply:

13 (1) "Applicant" means any person residing within the boundaries of the proposed district making
14 a request for a study of the feasibility of forming a conservancy district.

15 (2) "Board of supervisors" means the board of supervisors of the soil and water conservation
16 district in which the largest portion of the taxable valuation of real property of the proposed district is
17 located.

18 (3) "Cost of works" means the cost of construction, acquisition, improvement, extension, and
19 development of works, including financing charges, interest, and professional services.

20 (4) "Court" means the district court of the judicial district in which the largest portion of the
21 taxable valuation of real property of the proposed district is located and within the county in which the
22 largest portion of the taxable valuation of real property of the proposed district is located within the judicial
23 district.

24 (5) "Department" means the department of natural resources and conservation provided for in Title
25 2, chapter 15, part 33.

26 (6) "Directors" means the board of directors of a conservancy district.

27 (7) "District" means a conservancy district.

28 (8) "Elector" means a person qualified to vote under 85-9-421.

29 (9) "Notice" means publication at least once each week for 3 consecutive weeks in a newspaper
30 published in each county or, if no newspaper is published in a county, a newspaper of general circulation

1 in the county or counties in which a district is or will be located. The last published notice ~~shall~~ must appear
2 not less than 5 days prior to any hearing or election held under this chapter.

3 (10) "Owners" are the person or persons who appear as owners of record of the legal title to real
4 property according to the county records whether ~~such~~ the title is held beneficially or in a fiduciary
5 capacity, except that a person holding a title for purposes of security is not an owner, nor may ~~he~~ the
6 security holder affect the previous title for purposes of this chapter.

7 (11) "Person" means a natural person, firm, partnership, cooperative, association, public or private
8 corporation, including the state of Montana or the United States, foundation, state agency or institution,
9 county, municipality, district or other political subdivision of the state, federal agency or bureau, or any
10 other legal entity.

11 (12) "Taxable valuation" is the value as defined in 15-8-111 ~~and does not mean assessed valuation.~~

12 (13) "Works" means all property, rights, easements, franchises, and other facilities, including but
13 not limited to land, reservoirs, dams, canals, dikes, ditches, pumping units, mains, pipelines, waterworks
14 systems, recreational facilities, facilities for fish and wildlife, and facilities to control and correct pollution."
15

16 **Section 252.** Section 90-5-112, MCA, is amended to read:

17 **"90-5-112. Economic development levy.** (1) The governing body of a city, county, or town is
18 authorized to levy up to ~~4~~ 0.59 mill upon the taxable value of all the property in the city, county, or town
19 subject to taxation for the purpose of economic development. The governing body may:

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

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

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

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

1 (4) A tax authorized by a vote of the electorate, as provided in subsection (1)(a), may be levied
2 for a period not to exceed 6 years ~~and is not subject to the provisions of Title 15, chapter 10, part 4.~~"

3
4 **Section 253.** Section 90-6-304, MCA, is amended to read:

5 **"90-6-304. Accounts established.** (1) There is within the state agency fund type a hard-rock
6 mining impact account. Money is payable into this account from payments made by a mining developer in
7 compliance with the written guarantee from the developer to meet the increased costs of public services
8 and facilities as specified in the impact plan provided for in 90-6-307. The state treasurer shall draw
9 warrants from this account upon order of the board.

10 (2) There is within the state special revenue fund a hard-rock mining impact trust account. Within
11 this trust account, there is established a reserve account not to exceed \$100,000.

12 (a) Money within the hard-rock mining impact trust account may be used:

13 (i) for the administrative and operating expenses of the board, as provided by 90-6-303(4);

14 (ii) to establish and maintain the reserve account; and

15 (iii) for distribution to the counties of origin, as provided by 90-6-331(1) and this section.

16 (b) Money within the hard-rock mining impact trust reserve account may be used for the
17 administrative and operating expenses of the board if:

18 (i) the revenue provided under 15-37-117(1)(b) is less than the amount appropriated for the
19 administrative and operating expenses of the board; or

20 (ii) the use of the reserve account revenue is necessary to allow the board to meet its quasi-judicial
21 responsibilities under 90-6-307, 90-6-311, or 90-6-403~~(3)~~(2).

22 (3) Money is payable into the hard-rock mining impact trust account under the provisions of
23 15-37-117. After first deducting the administrative and operating expenses of the board, as provided in
24 90-6-303, and then establishing and maintaining the reserve account in the amount of \$100,000, as
25 provided in subsection (2) of this section, the remaining money must be segregated within the account by
26 county of origin. The state treasurer shall draw warrants from this account upon order of the board."

27
28 **Section 254.** Section 90-6-305, MCA, is amended to read:

29 **"90-6-305. Hard-rock mining impact board -- general powers.** (1) The board may:

30 (a) retain professional staff, including its administrative staff, and retain consultants and advisors

1 notwithstanding the provisions of 2-15-121;

2 (b) adopt rules governing its proceedings, determinations, and administration of this part;

3 (c) award grants to local government units subject to 90-6-306;

4 (d) make payments to local government units from money paid to the hard-rock mining impact
5 account as provided in 90-6-307;

6 (e) make determinations as provided in 90-6-307, 90-6-311, and 90-6-403~~(3)~~(2); and

7 (f) accept grants and other funds to be used in carrying out this part.

8 (2) The provisions of the Montana Administrative Procedure Act apply to the proceedings and
9 determinations of the board."

10

11 **Section 255.** Section 90-6-309, MCA, is amended to read:

12 **"90-6-309. Tax prepayment -- large-scale mineral development.** (1) After permission to commence
13 operation is granted by the appropriate governmental agency, and upon request of the governing body of
14 a county in which a facility is to be located, a person intending to construct or locate a large-scale mineral
15 development in this state shall prepay property taxes as specified in the impact plan. ~~This prepayment shall~~
16 ~~exclude the 6 mill university levy established under 20-25-423 and may exclude the mandatory county~~
17 ~~levies for the school BASE funding program established in 20-9-331 and 20-9-333.~~

18 (2) The person who is to prepay under this section is not obligated to prepay the entire amount
19 established in subsection (1) at one time. Upon request of the governing body of an affected local
20 government unit, the person shall prepay the amount shown to be needed from time to time as determined
21 by the board.

22 (3) The person who is to prepay shall guarantee to the hard-rock mining impact board, through an
23 appropriate financial institution, as may be required by the board, that property tax prepayments will be paid
24 as needed for expenditures created by the impacts of the large-scale mineral development.

25 (4) When the mineral development facilities are completed and assessed by the department of
26 revenue, they are subject during the first 3 years and thereafter to taxation as all other property similarly
27 situated, except that in each year after the start of production, the local government unit that received a
28 property tax prepayment shall provide for repayment of prepaid property taxes in accordance with
29 subsection (5).

30 (5) A local government unit that received all or a portion of the property tax prepayment under

1 this section shall provide for tax crediting as specified in the impact plan. The tax credit allowed in any year
2 may not, however, exceed the tax obligation of the developer for that year, and the time period for tax
3 crediting is limited to the productive life of the mining operation."

4
5 **Section 256.** Section 90-6-402, MCA, is amended to read:

6 **"90-6-402. Definitions.** As used in this part, the following definitions apply:

7 (1) "Affected local government unit" means a local government unit that will experience a need
8 to increase services or facilities as a result of the commencement of large-scale mineral development or
9 within which a large-scale mineral development is located in accordance with an impact plan adopted
10 pursuant to 90-6-307.

11 (2) "Board" means the hard-rock mining impact board established in 2-15-1822.

12 (3) "Jurisdictional revenue disparity" means property tax ~~revenues~~ revenue resulting from a
13 large-scale hard-rock mineral development that ~~are~~ is inequitably distributed among affected local
14 government units as finally determined by the board in an approved impact plan.

15 (4) "Large-scale mineral development", for the purposes of this part, is defined in 90-6-302.

16 (5) "Local government unit", for the purposes of this part, means a county, municipality, or school
17 district.

18 (6) "Mineral development employee" means a person who resides within the jurisdiction of an
19 affected local government unit as a result of employment with a large-scale mineral development or its
20 contractors or subcontractors.

21 (7) "Mineral development student" means a student whose parent or guardian resides within the
22 jurisdiction of an affected local government unit as a result of employment with a large-scale mineral
23 development or its contractors or subcontractors.

24 (8) "Taxable valuation" of a mineral development means the total taxable value of the gross
25 proceeds ~~taxable percentage specified in 15-6-132(2) when added to the taxable percentages~~ determined
26 under 15-8-111, plus the taxable value of real property, improvements, ~~machinery, equipment,~~ and other
27 property ~~classified under Title 15, chapter 6, part 4~~ of the mineral development determined under
28 15-8-111."

29
30 **Section 257.** Section 90-6-403, MCA, is amended to read:

1 **"90-6-403. Jurisdictional revenue disparity -- conditioned exemption and reallocation of certain**
 2 **taxable valuation.** (1) When an impact plan for a large-scale mineral development approved pursuant to
 3 90-6-307 identifies a jurisdictional revenue disparity, the board shall promptly notify the developer, all
 4 affected local government units, and the department of revenue of the disparity. Except as provided in this
 5 section and 90-6-404, the increase in taxable valuation of the mineral development that occurs after the
 6 issuance and validation of a permit under 82-4-335 is not subject to the usual application of county and
 7 school district property tax mill levies. This increase in taxable valuation must be allocated to local
 8 government units as provided in 90-6-404. The increase in taxable valuation allocated as provided in
 9 90-6-404 is subject to the application of property tax mill levies in the local government unit to which it
 10 is allocated.

11 ~~(2) The total taxable valuation of a large scale mineral development remains subject to the~~
 12 ~~statewide mill levies and basic county levies for elementary and high school BASE funding programs as~~
 13 ~~provided in 20-9-331 and 20-9-333.~~

14 ~~(3)~~(2) The provisions of subsection (1) remain in effect until the large-scale mineral development
 15 ceases operations or until the existence of the jurisdictional revenue disparity ceases, as determined by the
 16 board."

17
 18 **NEW SECTION. Section 258. Transition.** (1) Notwithstanding the provisions of [section 39], each
 19 person engaging in business prior to [the applicability date of sections 1 through 62] must have applied for
 20 and received, prior to [the applicability date of sections 1 through 62], a valid seller's permit described in
 21 [section 39].

22 (2) Notwithstanding the provisions of [section 8], any person engaging in business prior to [the
 23 applicability date of sections 1 through 62] may apply for and receive, prior to [the applicability date of
 24 sections 1 through 62], a valid nontaxable transaction certificate described in [section 8].

25 (3) The department of revenue shall adopt rules to provide procedures for receiving and processing
 26 an application for a seller's permit and for providing a seller's permit and a nontaxable transaction certificate
 27 prior to [the applicability date of sections 1 through 62].

28
 29 **NEW SECTION. Section 259. Income tax credits -- restrictions.** The income tax credit for the sales
 30 tax and use tax paid as provided in [section 65] may be decreased only if the decrease is approved by the

1 electorate.

2

3 **NEW SECTION. Section 260. Property taxes -- restrictions.** (1) An ad valorem property tax on
4 personal property may be imposed only if the imposition of the tax is approved by the electorate.

5 (2) A statewide mill levy on property may be imposed only if the imposition of the levy is approved
6 by the electorate.

7

8 **NEW SECTION. Section 261. Special election.** Pursuant to Article III, sections 5 and 6, of The
9 Constitution of the State of Montana, this act shall be submitted to the qualified electors of Montana for
10 their approval or disapproval at a statewide election to be held September 9, 1997, in conjunction with the
11 primary election for municipal officers pursuant to 13-1-106(2).

12

13 **NEW SECTION. Section 262. Repealer.** Sections 15-1-111, 15-1-112, 15-6-122, 15-6-131,
14 15-6-132, 15-6-133, 15-6-134, 15-6-135, 15-6-136, 15-6-137, 15-6-138, 15-6-141, 15-6-143, 15-6-145,
15 15-6-151, 15-6-152, 15-6-215, 15-7-134, 15-8-204, 15-8-404, 15-10-101, 15-10-102, 15-10-104,
16 15-10-106, 15-10-401, 15-10-402, 15-10-406, 15-10-411, 15-10-412, 15-16-613, 15-16-802,
17 15-16-803, 15-23-211, 15-23-212, 15-23-213, 15-23-214, 15-23-215, 15-23-216, 15-24-103,
18 15-24-302, 15-24-303, 15-24-305, 15-24-601, 15-24-602, 15-24-701, 15-24-801, 15-24-901,
19 15-24-920, 15-24-926, 15-24-927, 15-24-931, 15-24-1401, 15-24-1402, 15-24-1501, 15-24-2401,
20 15-24-2402, 15-24-2403, 15-24-2404, 15-24-2405, 15-24-2501, 20-9-305, 20-9-331, 20-9-333,
21 20-9-334, 20-9-335, 20-9-360, 20-9-361, 20-9-366, 20-9-367, 20-9-368, 20-10-146, and 20-25-243,
22 MCA, are repealed.

23

24 **NEW SECTION. Section 263. Codification instruction.** (1) [Sections 1 through 62 and 258
25 through 260] are intended to be codified as an integral part of Title 15, and the provisions of Title 15 apply
26 to [sections 1 through 62 and 258 through 260].

27 (2) [Section 63] is intended to be codified as an integral part of Title 15, chapter 1, part 5, and the
28 provisions of Title 15, chapter 1, part 5, apply to [section 63].

29 (3) [Sections 64 through 68] are intended to be codified as an integral part of Title 15, chapter 30,
30 and the provisions of Title 15, chapter 30, apply to [sections 64 through 68].

1 (4) [Section 69] is intended to be codified as an integral part of Title 17, and the provisions of Title
2 17 apply to [section 69].

3 (5) [Sections 104 through 106] are intended to be codified as an integral part of Title 15, chapter
4 6, part 2, and the provisions of Title 15, chapter 6, part 2, apply to [sections 104 through 106].

5 (6) [Sections 124 and 125] are intended to be codified as an integral part of Title 15, chapter 10,
6 and the provisions of Title 15 apply to [sections 124 and 125].

7 (7) [Section 232] is intended to be codified as an integral part of Title 61, chapter 3, part 5, and
8 the provisions of Title 61, chapter 3, part 5, apply to [section 232].

9

10 **NEW SECTION. Section 264. Saving clause.** [This act] does not affect rights and duties that
11 matured, penalties that were incurred, or proceedings that were begun before [the effective date of this
12 act].

13

14 **NEW SECTION. Section 265. Severability.** If a part of [this act] is invalid, all valid parts that are
15 severable from the invalid part remain in effect. If a part of [this act] is invalid in one or more of its
16 applications, the part remains in effect in all valid applications that are severable from the invalid
17 applications.

18

19 **NEW SECTION. Section 266. Effective date.** [This act] is effective on approval by the electorate.

20

21 **NEW SECTION. Section 267. Applicability.** (1) (a) Except as provided in subsection (1)(b),
22 [sections 1 through 69, 221, and 226] apply on and after January 1, 1998.

23 (b) Purchases of goods and services pursuant to construction contracts that were bid prior to
24 September 9, 1997, are exempt from the sales tax and use tax. However, property or services purchased
25 on or after January 1, 1998, pursuant to a construction contract are subject to the sales tax and use tax
26 regardless of when the contract was bid.

27 (2) [Sections 70 through 97, 124, 125, 172 through 220, 223 through 225, and 247 through 250]
28 apply to fiscal years beginning after June 30, 1998.

29 (3) [Sections 98 through 123, 126 through 171, 222, 227 through 246, 251 through 260, and
30 262] apply on and after January 1, 1998, and to tax years beginning after December 31, 1997.

STATE OF MONTANA - FISCAL NOTE

Fiscal Note for SB258, as introduced

DESCRIPTION OF PROPOSED LEGISLATION:

An act generally revising taxation; enacting a 4 percent sales and use tax; allowing certain sales tax and use tax exemptions; providing for distribution of sales tax and use tax revenue; allowing credits against income taxes for sales taxes paid; eliminating the classification of property; exempting personal property from property taxation; taxing property at 100 percent of value; providing property tax relief; limiting property tax increases; revising the classification of counties; revising debt limits for taxing units; repealing Initiative Measure No. 105; and providing an effective date and applicability dates.

ASSUMPTIONS:

SALES TAX

1. The general sales tax provided for in the bill applies beginning January 1, 1998.
2. Total sales tax liability before bad debts, uncollectibles, and noncompliance is \$532,171,000 in CY98 and \$557,492,000 in CY99.
3. Bad debts, uncollectibles, and noncompliance reduce collections by 5% per year.
4. Vendor allowances are 1.5% of sales tax liabilities.
5. New car sales tax liability is \$29,800,000 in CY98 and \$31,600,000 in CY99; new car sales tax collections are distributed 62.5% to the sales and use tax account and 37.5% to the highways account.
6. Used car sales tax liability is \$33,500,000 in CY98 and \$35,700,000 in CY99; used car sales tax collections are distributed 50% to the sales and use tax account and 50% to the motor vehicles account distributed as provided in 61-3-509, MCA.
7. Sales taxes are remitted monthly in equal amounts throughout each calendar year.
8. Sales taxes are accrued at the end of each fiscal year.
9. The above assumptions result in the following net sales and use tax account collections: from the general sales tax \$217,814,000 in FY98 and \$447,152,000 in FY99; from the new car sales tax \$9,313,000 in FY98 and \$19,281,000 in FY99; from the used car sales tax \$10,469,000 in FY98 and \$21,719,000 in FY99; for total collections of \$237,596,000 in FY98 and \$488,152,000 in FY99.
10. Sales and use tax collections are distributed 97% to the general fund and 3% to the university account.

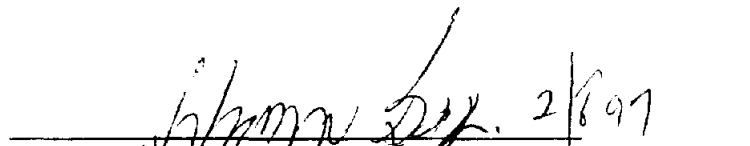
LOW-INCOME SALES TAX CREDIT

1. The low-income sales tax credit applies to tax year 1998, is refundable in nature, and will be fully reflected in fiscal year 1999 revenues.
2. Individual income tax returns show 299,009 eligible exemptions for the credit, at an average credit of \$79.94, for a total credit against income tax of \$23,902,000.
3. An additional 56,480 individuals not reported on income tax forms will be eligible for the full \$90 credit, for an additional credit amount of \$5,083,000.
4. Low-income sales tax credits total \$28,985,000 in FY99.

(Continued)

 Dave Lewis 2-7-97

DAVE LEWIS, BUDGET DIRECTOR DATE
Office of Budget and Program Planning

 Delwyn Gage 2/8/97
DELWYN GAGE, PRIMARY SPONSOR DATE
Fiscal Note for SB258, as introduced SB 258

PROPERTY TAX IMPACTS

1. HB20 and SB417 personal property tax reimbursements are repealed effective January 1, 1998. The local government portion of the June, 1998 HB20 reimbursement is \$6,164,000 (FY98 impact); HB20 reimbursements total \$12,327,000 in FY99. The June, 1998 local government reimbursement under SB417 is \$9,272,000 (FY98 impact); SB417 reimbursements total \$14,327,000 in FY99 (HJR2).
2. Statewide taxable value is \$2,231,244,671 for FY98; and \$2,252,483,632 for FY99 (HJR2).
3. The bill repeals the 95 mills levied for statewide school equalization, and the 6 mill levied for the university system effective January 1, 1998. This has no effect on FY98 revenues.
4. Revenue from the 95 mills levied for SEA is reduced \$214,000,000 in FY99; associated non-levy revenues are reduced an additional \$22,000,000 million (HJR2) in FY99.
5. Repealing the 6-mill university levy reduces revenue a total of \$13,505,000 in FY99; associated non-levy revenues are reduced an additional \$2,701,000 million (HJR2) in FY99.
6. Personal property taxes are repealed effective January 1, 1998. A portion (38%) of personal property not liened to real property pays property taxes in April and May of 1998 based on the prior year's mills. Under the proposal this revenue would no longer be available. This will reduce revenue to the SEA account by \$6,920,000 and to the university account by \$437,000.
7. The railcar tax is repealed effective January 1, 1998; repealing this tax has no impact in FY98, but reduces general fund revenue by \$2,000,000 in FY99 (HJR2).

MOTOR VEHICLES

1. Motor vehicle tax liability (2%) from light cars and trucks is \$60,000,000 in CY96; taxes from Class 8 vehicles totals \$3,400,000 in CY96. These taxes grow at the rates specified in HJR2 for motor vehicle taxes.
2. The current law average effective tax rate applied to Class 8 vehicles is 2.34%; the bill places Class 8 vehicles on a taxing basis similar to light cars and trucks, and reduces this rate to 2% effective January 1, 1998.
3. Total tax liability for all motor vehicles subject to the 2% tax is \$72,190,000 in TY98 and \$77,387,000 in TY99.
4. District court fees continue to be 7% of the 2% tax on cars and trucks.
5. Under the bill 20% of the 2% motor vehicle tax, net of district court fees, is allocated to the general fund.
6. The above assumptions result in \$6,714,000 of motor vehicle taxes allocated to the general fund in FY98; and \$13,911,000 allocated to the general fund in FY99.

SCHOOL FUNDING - BASE BUDGETS

1. School funding provisions of the bill are effective July 1, 1998 (FY99).
2. Under current law, the state general fund provides each school district's funding for direct state aid (40% of base budget plus special education costs), and guaranteed tax base aid (GTBA); under the proposal the general fund would provide funding for the district's entire base budget.
3. Current law general fund expenditure in FY99 total \$423,680,000; under the proposal general fund expenditures total \$596,033,000. This is an increase in general fund expenditures of \$172,353,000 (OBPP).

SCHOOL FUNDING - RETIREMENT

Under current law the state general fund provides GTB funding for retirement of \$20,599,000 (OBPP). Under the proposal the state would fund the entire retirement budget net of any fund balance reappropriated. In FY99, the total retirement budget is \$87,000,000; fund balance reappropriated is \$7,000,000. This increases the state general fund obligation by \$59,401,000 in FY99.

SCHOOL FUNDING - TRANSPORTATION

Under current law, the state general fund splits the schedule amount of school transportation with county governments. Under the proposal, the state would fund the entire schedule amount. In FY99, the total schedule amount is \$22,600,000, increasing the state obligation by half of this amount, or by \$11,300,000.

The above school funding assumptions require an increase in state general funding of school budgets of \$243,054,000 in FY99.

OTHER PROVISIONS

1. Under current law, the telephone company license tax rate is 1.8% and projected collections are \$5,431,000 in FY98; and \$5,560,000 in FY99.
2. Under the proposal the telephone company license tax rate increases to 6.1% effective January 1, 1998.
3. Under the proposal telephone company license tax collections increase by \$6,487,000 in FY98 (one-half fiscal year plus accrual adjustment); and by \$13,282,000 in FY99 (full fiscal year plus accrual adjustment).

FISCAL IMPACT:

Expenditures:

The Department of Revenue would incur substantial additional administrative expense in order to put a sales tax collection system in place by January 1, 1998. Assuming approval of the Department's request for funding of the integrated tax system specified in HB188, the Department estimates that additional funding of \$5.5 million in the form of a continuing appropriation for fiscal years 1998, 1999, and 2000 would be needed to implement the general sales tax provided for in the bill.

In the event that the integrated tax system is not approved and funded, the Department estimates that a continuing appropriation of \$10 million over the period FY1998-2000 would be required.

Ongoing operating expenses associated with the general sales tax are estimated to be approximately 1.5% of collections; or approximately \$3 million in FY98; and \$7.5 million in each year for fiscal years 1999 and 2000.

The bill eliminates property taxes on certain business equipment, reducing administration costs in this area. However, the bill also redefines certain personal property requiring added time and costs to administer this portion of law. In addition, the bill provides for a homestead exemption which also adds administrative costs. the net effect is no change in administrative costs for the property assessment division.

Revenues:

A. Sales and Use Tax Account:

	<u>FY98</u>	<u>FY99</u>
	<u>Difference</u>	<u>Difference</u>
Sales/Use Tax Collections	\$221,131,000	\$453,961,000
Vendor Allowances	(3,317,000)	(6,809,000)
New Car Sales Tax	9,313,000	19,281,000
Used Car Sales Tax	<u>10,469,000</u>	<u>21,719,000</u>
Total	\$237,596,000	\$488,152,000

	<u>FY98</u>	<u>FY99</u>
	<u>Difference</u>	<u>Difference</u>
Distribution to General Fund	\$230,468,000	\$473,507,000
Distribution to Universities	7,128,000	14,645,000

B. State General Fund:

	<u>FY98</u>	<u>FY99</u>
	<u>Difference</u>	<u>Difference</u>
Sales/Use Tax Collections	\$230,468,000	\$473,507,000
Low-Income Sales Tax Credit	0	(28,985,000)
Repeal HB20 Reimbursements	6,164,000	12,327,000
Repeal SB417 Reimbursements	9,272,000	14,327,000
Repeal 95-mill SEA Levy	0	(214,000,000)
Associated 95-mill NLR	0	(22,149,000)
Repeal Railcar Tax	0	(2,000,000)
Increase Tel. Co. Lic. Tax	6,487,000	13,282,000
Allocate 2% MV Tax	6,714,000	13,911,000
Pers. Prop. Not Liened to Real	(6,920,000)	0
Net School Funding Req.	<u>0</u>	<u>(243,054,000)</u>
Net Impact	\$252,185,000	\$ 17,166,000

C. University Account:

	<u>FY98</u>	<u>FY99</u>
	<u>Difference</u>	<u>Difference</u>
Current Law Collections	\$ 0	(\$13,505,000)
Plus: Assoc. 6-mill NLR	0	(2,701,000)
Less: Pers. Prop. NLR	(437,000)	0
Proposed Law Collections	<u>7,128,000</u>	<u>14,645,000</u>
Net Impact	\$ 6,691,000	\$ (1,561,000)

(Continued)

EFFECT ON COUNTY OR OTHER LOCAL REVENUES OR EXPENDITURES:

The bill provides for many changes to the property tax system; including eliminating property classes and setting taxable value equal to market value for purposes of property taxation; eliminating the taxation of certain business equipment and livestock, providing for a homestead exemption of 65% of the first \$50,000 of market value; eliminating the current law preference for 1 acre of land beneath farmsteads; defining market value standards for certain minerals; and repealing the abatements in the property tax assistance program.

Under the assumption that local governments budgets remain relatively fixed under the proposal, these features of the bill have no impact on state or local government revenues or collections. These features of the bill will result in significant realignment of the share of total property taxes borne by different property types, and will provide for reallocation of nonlevy revenue to county, city/town, and miscellaneous taxing jurisdictions. Local government mill levies will be reduced substantially under this proposal, as taxable value is set equal to market value. Property taxes statewide will be reduced substantially as only county governments, city/town governments, small miscellaneous taxing jurisdictions, and some reduced portion of the over-base funding of school districts will be supported by property taxes.

TECHNICAL NOTES:

The impacts of this proposal assume that the values from the 1997 reappraisal cycle will go into effect in tax year 1997 and subsequent years. To the extent that the 1997 Legislature delays, reduces, or otherwise alters these valuation increases, the impacts of this proposal will change.

The bill does not provide for a reduction in the mandatory mill levy for vocational-technical education provided in 20-25-439, MCA. Without a compensating reduction in this levy, property tax funding for these institutions will increase substantially.