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Senate BILL NO. 345

INTRODUCED BY M. Taylor HARP

A BILL FOR AN ACT ENTITLED: "AN ACT GRADUALLY REDUCING THE TAX RATE ON BUSINESS EQUIPMENT TO 3 PERCENT; PROVIDING THAT THE REDUCTION IN TAX RATES IS PHASED IN; REIMBURSING LOCAL TAXING JURISDICTIONS; PROGRESSIVELY REDUCING THE REIMBURSEMENTS; PROGRESSIVELY REDUCING THE CURRENT REMITTANCE TO COUNTY TREASURERS TO REIMBURSE LOCAL GOVERNMENTS FOR THE PREVIOUS REDUCTION IN PERSONAL PROPERTY TAX RATES; REVISING LOCAL GOVERNMENT DEBT AND INDEBTEDNESS LIMITATIONS TO OFFSET THE TAX REDUCTION; AND AMENDING SECTIONS 7-7-2101, 7-7-2203, 7-7-4201, 7-7-4202, 15-1-111, 15-1-112, 15-6-138, AND 20-9-406, MCA."

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

Section 1. Section 7-7-2101, MCA, is amended to read:

"7-7-2101. Limitation on amount of county indebtedness. (1) A county may not become indebted in any manner or for any purpose to an amount, including existing indebtedness, in the aggregate exceeding 23% of the total of the taxable value of the property in the county subject to taxation, plus the value provided by the department of revenue in 15-36-324(10), as ascertained by the last assessment for state and county taxes previous to the incurring of the indebtedness, plus, for indebtedness to be incurred during fiscal year 1997, an additional 11% of the taxable value of class eight property within the county for tax year 1995, for indebtedness to be incurred during fiscal year 1998, an additional 22% of the taxable value of class eight property within the county for tax year 1995, ~~and~~ for indebtedness to be incurred during fiscal ~~years~~ year 1999 ~~through 2008~~, an additional 33% of the taxable value of class eight property within the county for tax year 1995, for indebtedness to be incurred during fiscal year 2000, an additional 44% of the taxable value of class eight property within the county for tax year 1995, for indebtedness to be incurred during fiscal year 2001, an additional 55% of the taxable value of class eight property within the county for tax year 1995, and for indebtedness to be incurred during fiscal years 2002 through 2011, an additional 66% of the taxable value of class eight property within the 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 2.** 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% of the
11 total of the taxable value of the property in the county, plus the value provided by the department of
12 revenue under 15-36-324(10), to be ascertained by the last assessment for state and county taxes prior
13 to the proposed issuance of bonds, plus, for general obligation bonds to be issued during fiscal year 1997,
14 an additional 11% of the taxable value of class eight property within the county for tax year 1995, for
15 general obligation bonds to be issued during fiscal year 1998, an additional 22% of the taxable value of
16 class eight property within the county for tax year 1995, ~~and~~ for general obligation bonds to be issued
17 during fiscal ~~years year~~ 1999 ~~through 2008~~, an additional 33% of the taxable value of class eight property
18 within the county for tax year 1995, for general obligation bonds to be issued during fiscal year 2000, an
19 additional 44% of the taxable value of class eight property within the county for tax year 1995, for general
20 obligation bonds to be issued during fiscal year 2001, an additional 55% of the taxable value of class eight
21 property within the county for tax year 1995, and for general obligation bonds to be issued during fiscal
22 years 2002 through 2011, an additional 66% of the taxable value of class eight property within the county
23 for tax year 1995, in each case of class eight property, multiplied by 11.25%.

24 (2) In addition to the bonds allowed by subsection (1), a county may issue bonds that, with all
25 outstanding bonds and warrants, will not exceed 27.75% of the total of the taxable value of the property
26 in the county subject to taxation, plus the value provided by the department of revenue under
27 15-36-324(10), when necessary to do so, to be ascertained by the last assessment for state and county
28 taxes, plus, for bonds to be issued during fiscal year 1997, an additional 11% of the taxable value of class
29 eight property within the county for tax year 1995, for bonds to be issued during fiscal year 1998, an
30 additional 22% of the taxable value of class eight property within the county for tax year 1995, ~~and~~ for

1 bonds to be issued during fiscal ~~years year~~ 1999 ~~through 2008~~, an additional 33% of the taxable value of
 2 class eight property within the county for tax year 1995, for bonds to be issued during fiscal year 2000,
 3 an additional 44% of the taxable value of class eight property within the county for tax year 1995, for
 4 bonds to be issued during fiscal year 2001, an additional 55% of the taxable value of class eight property
 5 within the county for tax year 1995, and for bonds to be issued during fiscal years 2002 through 2011,
 6 an additional 66% of the taxable value of class eight property within the county for tax year 1995, in each
 7 case of class eight property, multiplied by 27.75%, for the purpose of acquiring land for a site for county
 8 high school buildings and for erecting or acquiring buildings on the site and furnishing and equipping the
 9 buildings for county high school purposes.

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

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

16
 17 **Section 3.** Section 7-7-4201, MCA, is amended to read:

18 **"7-7-4201. Limitation on amount of bonded indebtedness.** (1) Except as otherwise provided, a
 19 city or town may not issue bonds or incur other indebtedness for any purpose in an amount that with all
 20 outstanding and unpaid indebtedness will exceed 28% of the taxable value of the property in the city or
 21 town subject to taxation, to be ascertained by the last assessment for state and county taxes, plus, for
 22 bonds to be issued or other indebtedness to be incurred during fiscal year 1997, an additional 11% of the
 23 taxable value of class eight property within the city or town for tax year 1995, for bonds to be issued or
 24 other indebtedness to be incurred during fiscal year 1998, an additional 22% of the taxable value of class
 25 eight property within the city or town for tax year 1995, ~~and~~ for bonds to be issued or other indebtedness
 26 to be incurred during fiscal ~~years year~~ 1999 ~~through 2008~~, an additional 33% of the taxable value of class
 27 eight property within the city or town for tax year 1995, for bonds to be issued or other indebtedness to
 28 be incurred during fiscal year 2000, an additional 44% of the taxable value of class eight property within
 29 the city or town for tax year 1995, for bonds to be issued or other indebtedness to be incurred during fiscal
 30 year 2001, an additional 55% of the taxable value of class eight property within the city or town for tax

1 year 1995, and for bonds to be issued or other indebtedness to be incurred during fiscal years 2002
2 through 2011, an additional 66% of the taxable value of class eight property within the city or town for
3 tax year 1995, in each case of class eight property, multiplied by 28%.

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

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

9

10 **Section 4.** Section 7-7-4202, MCA, is amended to read:

11 **"7-7-4202. Special provisions relating to water and sewer systems.** (1) Notwithstanding the
12 provisions of 7-7-4201, for the purpose of constructing a sewer system, procuring a water supply, or
13 constructing or acquiring a water system for a city or town that owns and controls the water supply and
14 water system and devotes the revenue from the water supply and water system to the payment of the
15 debt, a city or town may incur an additional indebtedness by borrowing money or issuing bonds.

16 (2) The additional total indebtedness that may be incurred by borrowing money or issuing bonds
17 for the construction of a sewer system, for the procurement of a water supply, or for both of the purposes,
18 including all indebtedness that is contracted and that is unpaid or outstanding, may not in the aggregate
19 exceed 55% over and above the 28%, referred to in 7-7-4201, of the taxable value of the property in the
20 city or town subject to taxation to be ascertained by the last assessment for state and county taxes, plus,
21 for indebtedness to be incurred during fiscal year 1997, an additional 11% of the taxable value of class
22 eight property within the city or town for tax year 1995, for indebtedness to be incurred during fiscal year
23 1998, an additional 22% of the taxable value of class eight property within the city or town for tax year
24 1995, ~~and for indebtedness to be incurred during fiscal years year 1999 through 2008~~, an additional 33%
25 of the taxable value of class eight property within the city or town for tax year 1995, for indebtedness to
26 be incurred during fiscal year 2000, an additional 44% of the taxable value of class eight property within
27 the city or town for tax year 1995, for indebtedness to be incurred during fiscal year 2001, an additional
28 55% of the taxable value of class eight property within the city or town for tax year 1995, and for
29 indebtedness to be incurred during fiscal years 2002 through 2011, an additional 66% of the taxable value
30 of class eight property within the city or town for tax year 1995, in each case of class eight property,

1 multiplied by 55%."

2

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

4 **"15-1-111. Reimbursement to local governments and schools -- duties of department and county**
 5 **treasurer -- statutory appropriation.** (1) Prior to September 1, 1990, the department's agent in the county
 6 shall supply the following information to the department for each taxing jurisdiction within the county:

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

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

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

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

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

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

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

25 (c) (i) For tax year ~~1999 through tax year 2008~~ and for subsequent tax years, the department shall
 26 remit to the county treasurer of each county the same amount remitted to the county treasurer for the fiscal
 27 year 1991, progressively reduced by ~~40%~~ a percentage of the 1991 amount ~~each year~~, in accordance with
 28 the following schedule:

29 <u>Tax Year</u>	<u>Percentage of 1991</u>
30	<u>Remittance Amount</u>

1	1999	90
2	2000	80
3	2001	70
4	2002	60
5	2003	50
6	2004	40
7	2005	30
8	2006	20
9	2007 <u>through 2010</u>	10
10	2008 <u>2011</u> and following years	0

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

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

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

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

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

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

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

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

1 **Section 6.** Section 15-1-112, MCA, is amended to read:

2 **"15-1-112. Business equipment tax rate reduction reimbursement to local government taxing**
3 **jurisdictions.** (1) On or before January 1, 1996, for the reduction in payment under subsection (4) and by
4 June 1 of 1996, 1997, and 1998, for all other reimbursements in this section, the department of revenue
5 shall determine a reimbursement amount associated with reducing the tax rate in 15-6-138 and provide that
6 information to each county treasurer. The reimbursement amount must be determined for each local
7 government taxing jurisdiction that levied mills on the taxable value of property described in 15-6-138 in
8 the corresponding tax year. However, the reimbursement does not apply to property described in 15-6-138
9 that has a reduced tax rate under 15-24-1402.

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

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

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

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

30 (ii) If the tax year 1997 market value is greater than the tax year 1995 market value for a particular

1 jurisdiction, then the reimbursement amount for tax year 1997 is the result of subtracting the simulated
2 1997 tax from the 1995 tax. The 1995 tax is the tax for the particular jurisdiction, determined by
3 multiplying the actual taxable valuation of property described in 15-6-138, for tax year 1995, by the tax
4 year 1995 mill levy for the jurisdiction. The simulated 1997 tax for the particular jurisdiction is the actual
5 tax year 1997 taxable value of property described in 15-6-138 multiplied by the tax year 1995 mill levy for
6 the particular jurisdiction. If the simulated 1997 tax is greater than the 1995 tax, the reimbursement
7 amount is zero.

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

12 (ii) If the tax year 1998 market value is greater than the tax year 1995 market value for a particular
13 jurisdiction, then the reimbursement amount for tax year 1998 is the result of subtracting the simulated
14 1998 tax from the 1995 tax. The 1995 tax is the tax for the particular jurisdiction, determined by
15 multiplying the actual taxable valuation of property described in 15-6-138, for tax year 1995, by the tax
16 year 1995 mill levy for the jurisdiction. The simulated 1998 tax for the particular jurisdiction is the actual
17 tax year 1998 taxable value of property described in 15-6-138 multiplied by the tax year 1995 mill levy for
18 the particular jurisdiction. If the simulated 1998 tax is greater than the 1995 tax, the reimbursement
19 amount is zero.

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

26 (b) The term does not include county or state school equalization levies provided for in 20-9-331,
27 20-9-333, and 20-9-360 or the university levy provided for in 15-10-106. It also does not include any state
28 levy for welfare programs provided for in 53-2-813.

29 (c) Each tax increment financing district must receive the benefit of the state mill on the
30 incremental taxable value of the district.

1 (4) County treasurers shall reduce the county payment to the state for the levy imposed under
2 20-9-360 in June of 1996 by an amount equal to 38% of the reimbursement amount determined under
3 subsection (2)(a) for all of the local government taxing jurisdictions in the county.

4 (5) County treasurers shall reduce the county payment to the state for the levy imposed under
5 20-9-360 in December of 1996 by an amount equal to 31% of the reimbursement amount for tax year
6 1996 for all of the local government taxing jurisdictions in the county, as determined by the department
7 under subsection (2).

8 (6) County treasurers shall reduce the county payment to the state for the levy imposed under
9 20-9-360 in June of 1997 by an amount equal to 31% of the reimbursement amount for tax year 1996 for
10 all of the local government taxing jurisdictions in the county and by an amount equal to 38% of the
11 reimbursement amount for tax year 1997 for all of the local government taxing jurisdictions in the county,
12 as determined by the department under subsection (2).

13 (7) County treasurers shall reduce the county payment to the state for the levy imposed under
14 20-9-360 in December of 1997 by an amount equal to 31% of the reimbursement amount for tax year
15 1997 for all of the local government taxing jurisdictions in the county, as determined by the department
16 under subsection (2).

17 (8) County treasurers shall reduce the county payment to the state for the levy imposed under
18 20-9-360 in June of 1998 by an amount equal to 31% of the reimbursement amount for tax year 1997 for
19 all of the local government taxing jurisdictions in the county and by an amount equal to 38% of the
20 reimbursement amount for tax year 1998 for all of the local government taxing jurisdictions in the county,
21 as determined by the department under subsection (2).

22 (9) County treasurers shall reduce the county payment to the state for the levy imposed under
23 20-9-360 in December of 1998 by an amount equal to 31% of the reimbursement amount for tax year
24 1998 for all of the local government taxing jurisdictions in the county, as determined by the department
25 under subsection (2).

26 (10) County treasurers shall reduce the county payment to the state for the levy imposed under
27 20-9-360 in June of 1999 by an amount equal to 69% of the reimbursement amount for tax year 1998 for
28 all of the local government taxing jurisdictions in the county, as determined by the department under
29 subsection (2).

30 (11) County treasurers shall reduce the county payment to the state for the levy imposed under

1 20-9-360 in December of the years 1999 through 2007 by an amount equal to 31% of the reimbursement
 2 amount determined in subsection (13) for all of the local government taxing jurisdictions in the county, as
 3 determined by the department under subsection (2).

4 (12) County treasurers shall reduce the county payment to the state for the levy imposed under
 5 20-9-360 in June of the years 2000 through 2008 by an amount equal to 69% of the reimbursement
 6 amount determined in subsection (13) for all of the local government taxing jurisdictions in the county, as
 7 determined by the department under subsection (2).

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

11	<u>Tax Year</u>	<u>Percentage of 1999</u>
12		<u>Reimbursement Amount</u>
13	1999	90
14	2000	80
15	2001	70
16	2002	60
17	2003	50
18	2004	40
19	2005	30
20	2006	20
21	2007 <u>through 2010</u>	10
22	2008 <u>2011</u> and following years	0

23 (b) The reimbursement amount for each tax year must be the basis for reducing the amount
 24 remitted to the state for the levy imposed under 20-9-360 in December of the same year and June of the
 25 following year.

26 (14) The county treasurer shall use the funds from the reduced payment to the state for the levy
 27 imposed under 20-9-360 to reimburse each local government taxing jurisdiction in the amount determined
 28 by the department under subsection (2). The reimbursement must be distributed to funds within local
 29 government taxing jurisdictions in the same manner as taxes on property described in 15-6-138 are
 30 distributed. The reimbursement in June must be distributed based on the prior year's mill levy, and the

1 reimbursement in December must be based on the current year's mill levy.

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

5 (16) A local government taxing jurisdiction that ceases to exist after October 1, 1995, will no longer
6 be considered for revenue loss or reimbursement purposes. A local government taxing jurisdiction that is
7 created after January 1, 1996, will not be considered for revenue loss or reimbursement purposes. If a local
8 government taxing jurisdiction that existed prior to January of 1996 is split between two or more taxing
9 jurisdictions or is annexed to or is consolidated with another taxing jurisdiction, the department shall
10 determine how much of the revenue loss and reimbursement is attributed to the new jurisdictions."

11

12 **Section 7.** Section 15-6-138, MCA, is amended to read:

13 **"15-6-138. Class eight property -- description -- taxable percentage.** (1) Class eight property
14 includes:

15 (a) all agricultural implements and equipment;

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

18 (c) all manufacturing machinery, fixtures, equipment, tools that are not exempt under
19 15-6-201(1)(r), and supplies except those included in class five;

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

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

24 (f) buses and trucks having a rated capacity of more than 1 ton, including those prorated under
25 15-24-102;

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

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

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

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

- 1 (k) radio and television broadcasting and transmitting equipment;
 2 (l) cable television systems;
 3 (m) coal and ore haulers;
 4 (n) theater projectors and sound equipment; and
 5 (o) all other property not included in any other class in this part, except that property subject to
 6 a fee in lieu of a property tax.

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

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

12 (4) Class eight property is taxed at:

- 13 (a) 9% of its market value for tax years ending on or before December 31, 1995;
 14 (b) 8% of its market value for tax year 1996;
 15 (c) 7% of its market value for tax year 1997; ~~and~~
 16 (d) 6% of its market value for tax years ~~beginning after December 31, 1997~~ 1998 and 1999;
 17 (e) 5% of its market value for tax year 2000;
 18 (f) 4% of its market value for tax year 2001; and
 19 (g) 3% of its market value for tax years beginning after December 31, 2001."

20
 21 **Section 8.** Section 20-9-406, MCA, is amended to read:

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

1 class eight property within the district for tax year 1995, for bonds to be issued during fiscal year 2000,
 2 an additional 44% of the taxable value of class eight property within the district for tax year 1995, for
 3 bonds to be issued during fiscal year 2001, an additional 55% of the taxable value of class eight property
 4 within the district for tax year 1995, and for bonds to be issued during fiscal years 2002 through 2011,
 5 an additional 66% of the taxable value of class eight property within the district for tax year 1995, in each
 6 case of class eight property, multiplied by 45%.

7 (b) Except as provided in subsection (1)(c), the maximum amount for which a K-12 school district,
 8 as formed pursuant to 20-6-701, may become indebted by the issuance of bonds, including all indebtedness
 9 represented by outstanding bonds of previous issues and registered warrants, is up to 90% of the taxable
 10 value of the property subject to taxation to be ascertained by the last-completed assessment for state,
 11 county, and school taxes previous to the incurring of the indebtedness, plus, for bonds to be issued during
 12 fiscal year 1997, an additional 11% of the taxable value of class eight property within the district for tax
 13 year 1995, for bonds to be issued during fiscal year 1998, an additional 22% of the taxable value of class
 14 eight property within the district for tax year 1995, ~~and for bonds to be issued during fiscal years year~~
 15 ~~1999 through 2008,~~ an additional 33% of the taxable value of class eight property within the district for
 16 tax year 1995, for bonds to be issued during fiscal year 2000, an additional 44% of the taxable value of
 17 class eight property within the district for tax year 1995, for bonds to be issued during fiscal year 2001,
 18 an additional 55% of the taxable value of class eight property within the district for tax year 1995, and for
 19 bonds to be issued during fiscal years 2002 through 2011, an additional 66% of the taxable value of class
 20 eight property within the district for tax year 1995, in each case of class eight property, multiplied by 90%.

21 The total indebtedness of the high school district with an attached elementary district must be limited to
 22 the sum of 45% of the taxable value of the property for elementary school program purposes and 45% of
 23 the taxable value of the property for high school program purposes, adjusted as provided in this section.

24 (c) (i) The maximum amount for which an elementary district or a high school district with a district
 25 mill value per elementary ANB or per high school ANB that is less than the corresponding statewide mill
 26 value per elementary ANB or per high school ANB may become indebted by the issuance of bonds,
 27 including all indebtedness represented by outstanding bonds of previous issues and registered warrants,
 28 is 45% of the corresponding statewide mill value per ANB times 1,000 times the ANB of the district. For
 29 a K-12 district, the maximum amount for which the district may become indebted is 45% of the sum of the
 30 statewide mill value per elementary ANB times 1,000 times the elementary ANB of the district and the

1 statewide mill value per high school ANB times 1,000 times the high school ANB of the district.

2 (ii) If mutually agreed upon by the affected districts, for the purpose of calculating its maximum
3 bonded indebtedness under this subsection (1)(c), a district may include the ANB of the district plus the
4 number of students residing within the district for which the district or county pays tuition for attendance
5 at a school in an adjacent district. The receiving district may not use out-of-district ANB for the purpose
6 of calculating its maximum indebtedness if the out-of-district ANB has been included in the ANB of the
7 sending district pursuant to the mutual agreement.

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

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

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

18 -END-

STATE OF MONTANA - FISCAL NOTE

Fiscal Note for SB0345, as introduced

DESCRIPTION OF PROPOSED LEGISLATION:

An act gradually reducing the tax rate on business equipment to 3 percent; providing that the reduction in tax rates is phased in; reimbursing local taxing jurisdictions; progressively reducing the reimbursements; progressively reducing the current remittance to county treasurers to reimburse local governments for the previous reduction in personal property tax rates; revising local government debt and indebtedness limitations to offset the tax reduction.

ASSUMPTIONS:

1. The proposal is effective October 1, 1997.
2. The taxable valuation rate of class 8 property goes from 6% in tax years 1998 and 1999 to 5% in tax year 2000, 4% in tax year 2001, and 3% for tax years beginning in 2002.
3. It extends the current reimbursements (HB20 and SB417) from the year 2007 to the year 2010. The amount of the reimbursements for the extended years under the proposal is the same as it is for the year 2007 under current law (10% of the 1991 HB20 reimbursement and 10% of tax year 1999 SB417 reimbursement).
4. The market value of class 8 property is \$3,157,874,527 in tax year 1996. Allowing for 3% growth each year the market value of class 8 property will be \$3,554,215,601 in tax year 2000, \$3,660,842,069 in tax year 2001, \$3,770,667,331 in tax year 2002, and \$3,883,787,351 in FY2003 (MDOR).
5. Thirty-eight percent of personal property tax is paid by March 31 of the current tax year. The loss to the 101 mill accounts under the proposal is \$1,364,108 in FY2000, \$5,035,712 in FY2001, and \$8,926,385 in FY2002. The full effect will not be until FY2003 when the loss will be \$11,555,368.

FISCAL IMPACT:

There is no fiscal impact in the 1998-99 biennium.

LONG-RANGE EFFECTS OF PROPOSED LEGISLATION:


State Impact:

The proposal cuts the 1998 class 8 taxable valuation rate in half over a period of three years beginning in tax year 2000. The additional reimbursement it provides begins in 2008.

The state 101 mill accounts would lose revenue beginning in FY2000 due to the lowered tax rate which would reduce the taxable value of class 8 property. The loss to the 101 mill accounts under the proposal is \$1,364,108 in FY2000, \$5,035,712 in FY2001, and \$8,926,385 in FY2002. The full effect will not be until FY2003 when the loss will be \$11,555,368.

Local Impact:

The proposal does not extend the state reimbursement to local governments to cover the loss of local revenues due to the additional reductions from the 6% to 3% classification rate. The failure to reimburse local governments would likely result in a shift in local tax burdens to other tax classes.


DAVE LEWIS, BUDGET DIRECTOR DATE
Office of Budget and Program Planning

MIKE TAYLOR, PRIMARY SPONSOR DATE

Fiscal Note for SB0345, as introduced

SB 345