

Unofficial Draft Copy

As of: June 22, 2018 (1:08pm)

LCtiff2

**** Bill No. ****

Introduced By *****

By Request of the *****

A Bill for an Act entitled: "An Act revising tax increment financing laws; providing that tax increment may only be used for bond payments and to establish a reserve for bond payments after the 15th year following adoption of the tax increment provision unless a new finding of blight or infrastructure deficiency is made; amending sections 7-15-4288, 7-15-4289, and 17-6-316, MCA; and providing an immediate effective date and an applicability date."

Be it enacted by the Legislature of the State of Montana:

Section 1. Section 7-15-4288, MCA, is amended to read:

"7-15-4288. Costs that may be paid by tax increment financing. ~~The (1)~~ Subject to subsection (2), the tax increments increment may be used by the local government to pay the following costs of or incurred in connection with an urban renewal area or targeted economic development district as identified in the urban renewal plan or targeted economic development district comprehensive development plan:

- ~~(1)~~(a) land acquisition;
- ~~(2)~~(b) demolition and removal of structures;
- ~~(3)~~(c) relocation of occupants;
- ~~(4)~~(d) the acquisition, construction, and improvement of

Unofficial Draft Copy

As of: June 22, 2018 (1:08pm)

LCtiff2

public improvements or infrastructure, including streets, roads, curbs, gutters, sidewalks, pedestrian malls, alleys, parking lots and offstreet parking facilities, sewers, sewer lines, sewage treatment facilities, storm sewers, waterlines, waterways, water treatment facilities, natural gas lines, electrical lines, telecommunications lines, rail lines, rail spurs, bridges, publicly owned buildings, and any public improvements authorized by Title 7, chapter 12, parts 41 through 45; Title 7, chapter 13, parts 42 and 43; and Title 7, chapter 14, part 47, and items of personal property to be used in connection with improvements for which the foregoing costs may be incurred;

(5)(e) costs incurred in connection with the redevelopment activities allowed under 7-15-4233;

(6)(f) acquisition of infrastructure-deficient areas or portions of areas;

(7)(g) administrative costs associated with the management of the urban renewal area or targeted economic development district;

(8)(h) assemblage of land for development or redevelopment by private enterprise or public agencies, including sale, initial leasing, or retention by the local government itself at its fair value;

(9)(i) the compilation and analysis of pertinent information required to adequately determine the needs of the urban renewal area or targeted economic development district;

(10)(j) the connection of the urban renewal area or targeted economic development district to existing infrastructure outside

Unofficial Draft Copy

As of: June 22, 2018 (1:08pm)

LCtif2

the area or district;

~~(11)~~(k) the provision of direct assistance to secondary value-adding industries to assist in meeting their infrastructure and land needs within the area or district; and

~~(12)~~(l) the acquisition, construction, or improvement of facilities or equipment for reducing, preventing, abating, or eliminating pollution.

(2) (a) After the [15th] year following adoption of the tax increment provision [and except as provided in subsection (3)], the tax increment may only be used:

(i) for the payment of the principal of premiums and interest on bonds; and

(ii) to establish a reserve amount of up to [XX%] of the maximum annual expected payment for principal of premiums and interest on bonds. The reserve may only be used to pay the principal of premiums and interest on bonds.

(b) Any remaining tax increment must be remitted as provided in 7-15-4291 by the end of the fiscal year.

[(3) An urban renewal district or a targeted economic development district may pay costs other than those provided for in subsection (2) after the [15th] year following adoption of the tax increment provision if:

(a) the municipality adopts a new resolution of necessity pursuant to 7-15-4210; or

(b) the local government that created the targeted economic development district adopts a new resolution of necessity pursuant to 7-15-4280]."

Unofficial Draft Copy

As of: June 22, 2018 (1:08pm)

LCtiff2

{*Internal References to 7-15-4288:*

7-15-4206x 7-15-4279 *x 7-15-4282 *x 7-15-4283 *x
7-15-4283 *x 7-15-4286 *x 7-15-4290x 7-15-4290x
7-15-4291x 7-15-4291 *x 7-15-4301 *x 7-15-4324 *x
7-15-4324x 17-6-316a}

Section 2. Section 7-15-4289, MCA, is amended to read:

"7-15-4289. Use of tax ~~increments~~ increment for bond payments. The tax increment may be pledged to the payment of the principal of premiums, if any, and interest on bonds that the local government may issue for the purpose of providing funds to pay ~~those~~ the costs allowable under 7-15-4288."

{*Internal References to 7-15-4289:*

7-15-4279 *x 7-15-4282 *x 7-15-4283 *x 7-15-4283 *x
7-15-4286 *x 7-15-4290x 7-15-4290x 7-15-4291x
7-15-4291 *x 7-15-4301 *x 7-15-4324 *x}

Section 3. Section 17-6-316, MCA, is amended to read:

"17-6-316. Economic development loan -- infrastructure tax credit. (1) A loan made pursuant to 17-6-309(2) must be used to build infrastructure, as provided for in 7-15-4288~~(4)~~(1)(d), such as water systems, sewer systems, water treatment facilities, sewage treatment facilities, and roads, that allows the location or creation of a business in Montana. The loan must be made to a local government that will create the necessary infrastructure. The infrastructure may serve as collateral for the loan. The local government receiving the loan may charge fees to the users of the infrastructure. A loan repayment agreement must provide for repayment of the loan from the entity authorized to charge fees for the use of the services of the infrastructure. Loans

Unofficial Draft Copy

As of: June 22, 2018 (1:08pm)

LCtiff2

made pursuant to 17-6-309(2) qualify for the job credit interest rate reductions under 17-6-318 if the interest rate reduction passes through to the business creating the jobs.

(2) A loan pursuant to 17-6-309(2) and this section may not be made until the board is satisfied that the condition in 17-6-309(2) will be met. If the condition contained in 17-6-309(2) is not met, any credits received pursuant to subsection (3) of this section must be returned to the state.

(3) A business that is created or expanded as the result of a loan made pursuant to 17-6-309(2) and subsection (1) of this section is entitled to a credit against taxes due under Title 15, chapter 30 or 31, for the portion of the fees attributable to the use of the infrastructure. The total amount of tax credit claimed may not exceed the amount of the loan. The credit may be carried forward for 7 tax years or carried back for 3 tax years."

{*Internal References to 17-6-316: None.*}

NEW SECTION. **Section 4. Effective date.** [This act] is effective on passage and approval.

NEW SECTION. **Section 5. Applicability.** [This act] applies to tax increment provisions adopted after [the effective date of this act].

- END -

{Name : Megan M. Moore
Title : Research Analyst
Agency : Montana Legislative Services
Phone : 406-444-4496
E-Mail : memoore@mt.gov}